

Local Procurement for South Gippsland Shire Council



Introduction

Local Procurement is a priority for Council given its importance to local businesses. With the impacts the COVID-19 pandemic has had on our community, the focus on local procurement has never been more important.

This paper establishes where Council is today with local procurement and the initiatives being undertaken to maximise every opportunity for businesses to benefit in the local economy.

Objective

The overall objective for Local Procurement is to ensure that Council is optimising its expenditure for the benefit of rate payers and community of South Gippsland. This is an important part of achieving economic prosperity.

The Council plan sets the vision for the four years ahead. One of its primary objectives is the economic prosperity of the region. The strategies within this Local Procurement Plan contribute very directly to having a sustainable, growing economy (Strategy 2.1), to delivering services that support the growth of the local and regional economy (Strategy 2.3), and to supporting regional growth and prosperity (Strategy 2.4).

Each local procurement adds to the value gained of a purchase by increasing the economic contribution of Council into the local economy. The more goods and services Council procures through local and regional businesses, the more secure each business can be; ensuring they can pay their employees, stay competitive and retain business in the area. The business Council undertakes with each enterprise flows through other businesses as each performs their respective business functions.

As one of the top five organisations in the municipality (financially), Council spends a significant amount on goods and services. Where this money is spent has a significant effect on the economic prosperity of the local economy. Making sure there is a focus on local businesses makes a difference. The more Council can direct its spending into the local economy, the more it helps to build and grow local businesses and fosters a reputation that this region is a good place for business.

Achieving Value for Money

The overall principle to be followed is that value for money is considered whenever goods and services are purchased. There is more to good value for money decisions than just looking at the lowest cost: when a purchase of goods or services is considered many factors are assessed, including:

- The whole cost from acquisition through to disposal.
- The expected or required life/duration.
- The required level of performance.
- The frequency and cost of maintenance involved.

- The backup, support, and warranty provided.

By looking broadly at each procurement in this regard, Council determines the best value for money. Analysis of each purchase made with this sort of approach ensures public money is spent wisely and judiciously.

The value to the economic interests of businesses in making a local procurement selection, adds to the value assessment of a purchasing decision and therefore is good for Council, good for local businesses, and good for all local residents.

How does Council define local procurement?

Three aspects are included in the measurement of Local Procurement. These are the procurement of goods or services with:

1. Businesses owned and operated in the South Gippsland Shire ('South Gippsland Businesses')
2. Businesses owned and operated in the five other Gippsland municipalities: Baw Baw, Bass Coast, East Gippsland, Latrobe and Wellington. ('Gippsland Regional Businesses')
3. Businesses owned outside the region, but in all other aspects operate as a local business employing predominantly local staff and supporting their operation with local suppliers and resources ('Significant South Gippsland Operators')

How are we doing at the moment?

While there is no historic benchmark to compare with, local procurement as a portion of what Council spent on all our materials, services and costs last financial year was 65.3 per cent.

In Council's future reporting, the percentage of procurement activity overall will be provided as well as the break down of the portions to South Gippsland Businesses, to Gippsland Regional business, and to Significant South Gippsland Operators.

What is Council going to do?

Quarterly Reporting

Reporting will be provided to Council to track local procurement against the baseline and to measure the effectiveness of new initiatives to increase local procurement. Local Procurement will be looked at with percentage reporting for each of the Shire, Regional and Local Operator contributions to the local total.

With an eye on cash moving through the economy, the time Council takes to pay its invoices makes an important difference so reporting will also include speed of payment statistics.

[Tender assessment and scoring](#)

When Council tenders for high value purchases and projects, a weighted scoring system is used of both price and non-price criteria. Non-price criteria are things such as functional fit, safety systems, quality, previous experience, expected product life and many more. These price and non-price criteria are all given a weighting of the overall assessment total.

Going forward, local procurement initiatives will require that *all* tenders will have a minimum 10 per cent scoring allocated to the local assessment with a structured scoring system against that weighting.

The principles of the scoring system are that a product from an enterprise within the shire will always score full marks for that local assessment criteria. A regional business will score highly, and more so than an out-of-region business. In this way local businesses and regional providers have the best chance of securing procurement opportunities with South Gippsland Shire Council. For more complex procurements, assessment criteria will reflect the overall offer for example evaluating the proportion of use of local suppliers for materials and local contractors for services within the overall contract.

[Default purchasing preferences](#)

For low value purchases, default price ranges will be established to make local purchasing preferences a quick, easy and consistent process.

[Implement VendorPanel software](#)

This software will make it easier for staff to get requests for quotes out to a wide range of vendors at one time. For suppliers, this will make opportunities to do business with Council easier, faster and more accessible. The software will assist to identify local vendors amongst those who choose to respond with quotes and it will provide Council officers with the tools to understand how well local traders are competing.

[Business Development Courses and Resources](#)

To help local businesses better position themselves for gaining work with Council, courses, resources and contractor functions will be provided to help burgeoning businesses understanding tendering, help them with systems, accessing opportunities and making sure they are aware of upcoming opportunities.

[Commence using LinkedIn](#)

LinkedIn is the social media platform for business, so it makes sense for Council to make better use of this communication tool to reach local businesses. Working with the Economic Development and Communications teams, Council will start providing more information about local procurement strategies, encourage the growth of the supplier network, communicate opportunities and provide access to helpful information and resources. Existing communication methods of print and radio media, as well as Facebook and internet sites will also be used.

The challenges

Not all expenditure can be converted to local. Like all businesses, Council has to pay taxes and other charges, phone bills, utility charges, etc for which there are no local alternatives.

It is also a reality that not every type of good and service Council needs is available from local providers, so it's not feasible that *all* Council procurement will be local. Value for money principles mean that while there is value in procuring from a local provider, there are limits to that benefit and Council must still procure according to its legislated and published procurement obligations. Local products and providers must be competitive and their product and service offerings must be as good as the non-local alternatives.

Accordingly, there is a limit to how much more Council expenditure can be directed through local providers. Given the already high local procurement rate, the achievable local procurement rate may only be slightly higher than current levels.

Shifting Council's thinking

The most important aspect of this is the continuous improvement mindset; that as Council considers each procurement opportunity, that consideration is given to how elements of that opportunity may incorporate improved opportunity for local vendors, suppliers, contractors and consultants. This thinking will ensure that Council continues to achieve maximum benefit for the ratepayers, community members and businesses of the South Gippsland Shire.