



Local Procurement Report Q4 2020/21



Tracking of Local Procurement commenced in July 2020. This report covers the period of 1 April 2021 through to 30 June 2021 as well as reviews the financial year

The charts below depict Council spend (with the exception of payroll related and compliance related expenditure such as tax payments) in regards to:

1. Local expenditure – goods and services purchased through businesses based in South Gippsland Shire
2. Regional expenditure – goods and services purchased through businesses based in the other Gippsland Shires; Bass Coast, Baw Baw, East Gippsland, Latrobe City, and Wellington.
3. Expenditure with significant businesses within South Gippsland Shire. These significant businesses may have a corporate presence out of region, but we engage the local provider who operates largely as a shire based entity
4. Non local or all out of region procurements.

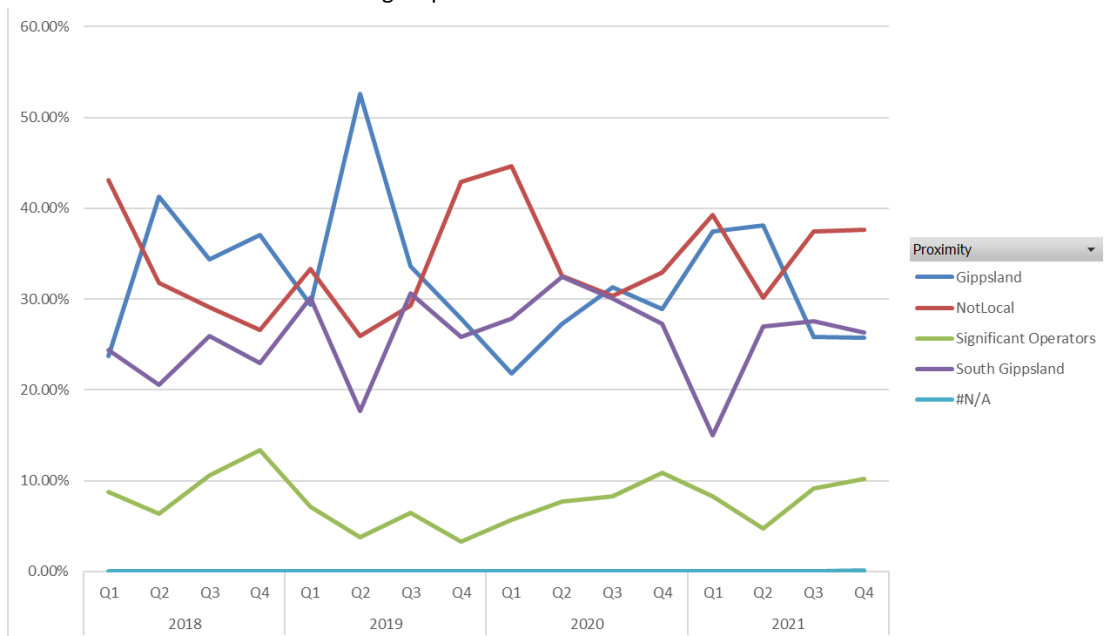


Chart 1. Percentage of local expenditure by financial quarter

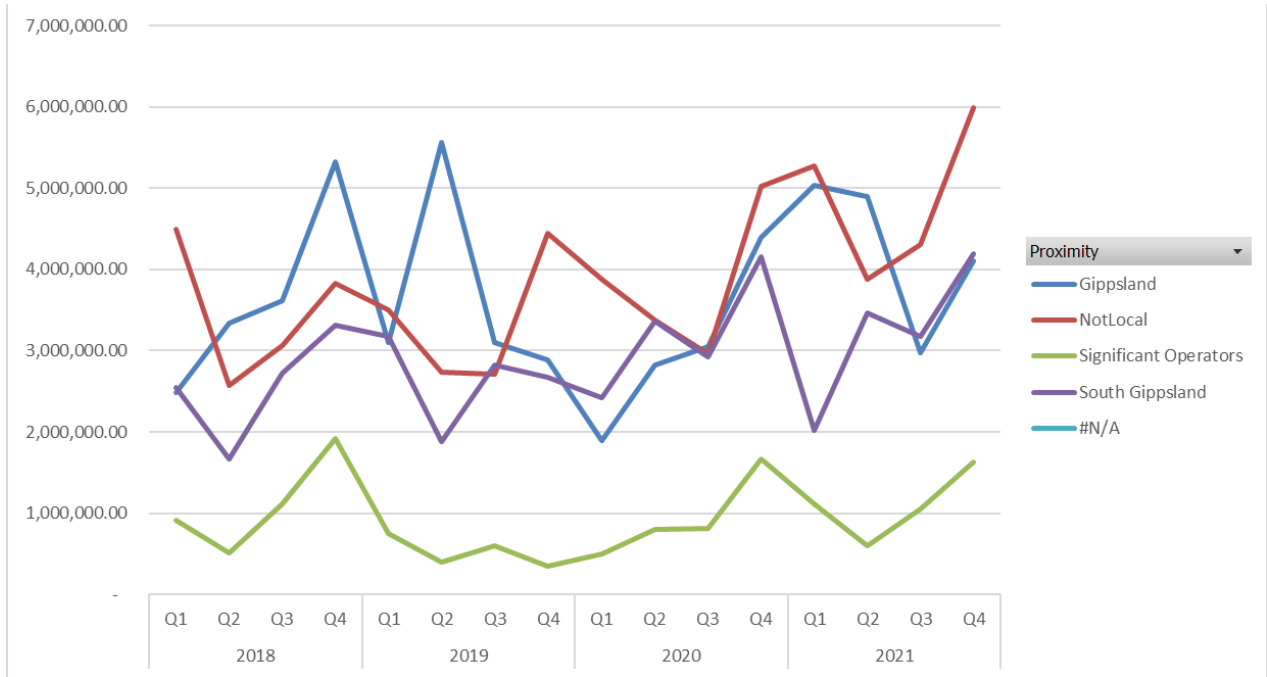


Chart 2: Dollars of local expenditure by financial quarter

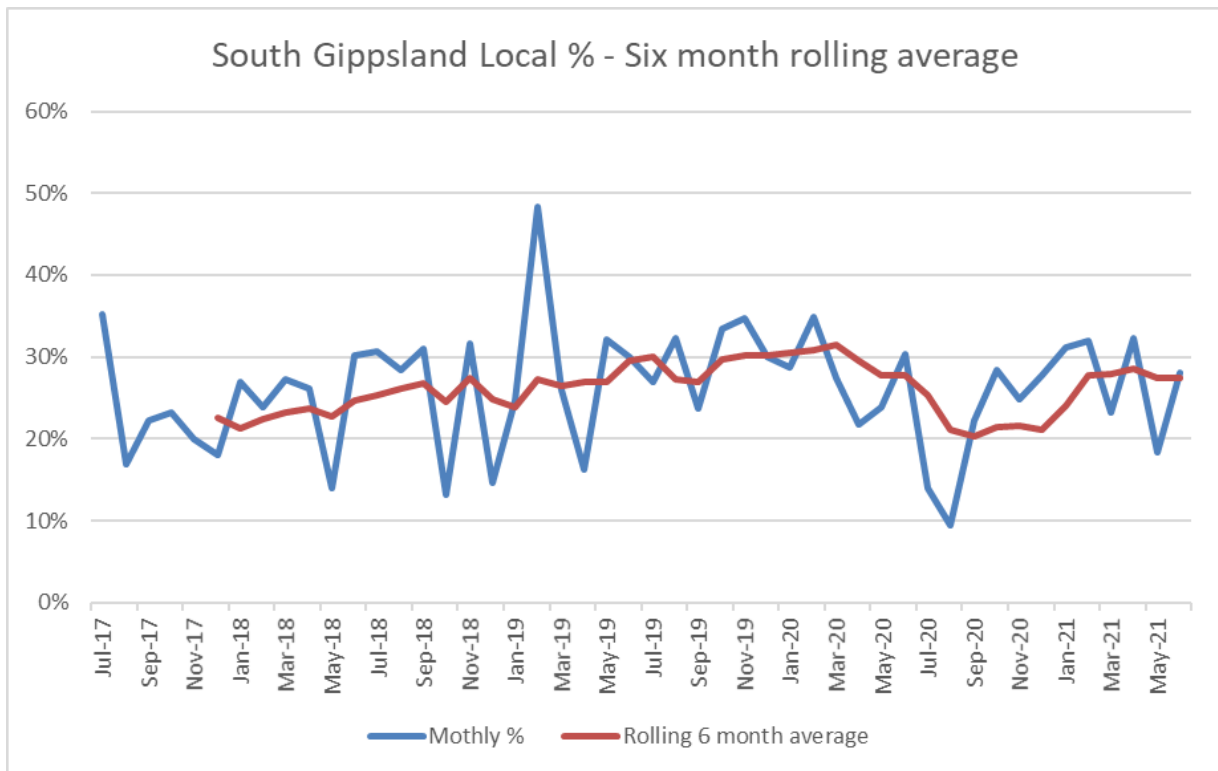


Chart 3: South Gippsland Local (only) – six month rolling average by percentage

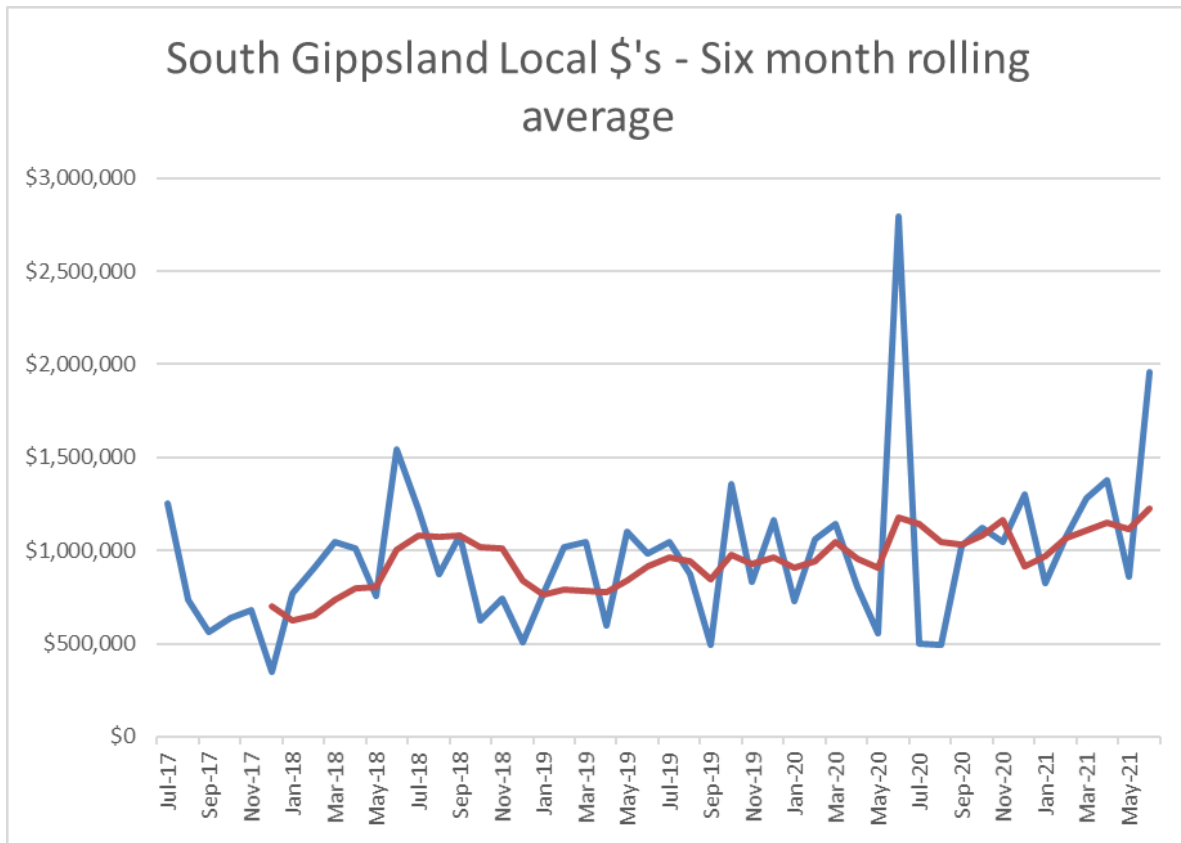


Chart 4: South Gippsland Local (only) – six month rolling average by percentage

Discussion

Review of the early part of the 2020/21 financial year shows a reaction to the impacts of COVID reflected in the expenditure statistics. Late 2020 through to the end of financial year then sees a progressive recovery in the local percentage of procurement and consistent increase in actual \$'s spent in the local economy. This progressive increase, best seen in the six month rolling average, sees local spend consistently over \$1M per month and a July month of almost \$2M.

The contribution of 'Significant Operators' lifts that overall figure in the local economy seeing consistently a further 10% of overall expenditure. These businesses operate within our shire with local employees, using local resources, support their enterprise through local suppliers, but are owned by an entity outside of the shire. Council are procuring from these businesses, in this recent quarter, at over \$1.5M per quarter and averaging at over \$1M per quarter across the financial year.

Overall the local (including Gippsland region and significant operators) procurement percentage remains in excess of 60%.

In this first financial year of tracking local procurement and taking proactive steps to boost local procurement, the overall % shift in Council spend in Gippsland has improved from 60.7% in Q1 to 62.4% in Q4. Of Councils overall procurement spend this financial year, \$12.86M has been spent directly in the local economy, a further \$4.4M with significant local operators and Gippsland wide \$34.26M of an overall \$53.72M.

Payment Initiative

Expedient payment of invoices has been one of the ways in which Council has been able to ease pressure on business, especially through the covid pandemic affected period of 2020, and as such have increased focus on payment times and increased accountability through reporting.

As shown in table 1, payment of invoices within 7 days has increased from last financial year to now over 75% and within 14 days to over 90%. This has undoubtedly helped local providers with their cashflow know their Council invoices are consistently paid within very short timeframe easing pressure on their business.

Average Days to Pay									
	No. of Invoices	Avg Days to Pay	Min Days to Pay	Max Days to Pay	% Invoices Paid with X Days				
					7	14	21	28	
Jul-19	366	8.01	0	343	75.96%	88.80%	95.08%	97.54%	
Aug-19	610	10.29	0	363	71.64%	85.57%	89.84%	94.10%	
Sep-19	515	10.63	0	245	60.78%	81.55%	88.16%	92.62%	
Oct-19	604	13.65	0	530	56.62%	76.32%	85.60%	89.40%	
Nov-19	592	17.34	0	145	45.44%	63.01%	70.44%	80.41%	
Dec-19	578	11.21	0	125	68.69%	80.45%	87.20%	91.00%	
Jan-20	494	13.79	0	123	58.50%	70.04%	80.97%	86.44%	
Feb-20	782	19.66	0	264	55.24%	70.33%	76.60%	79.80%	
Mar-20	623	13.99	0	230	52.33%	77.05%	86.84%	90.05%	
Apr-20	618	11.40	0	216	67.96%	80.42%	87.70%	90.13%	
May-20	593	9.83	0	323	70.49%	87.52%	91.91%	94.10%	
Jun-20	851	9.68	0	148	71.33%	83.43%	89.42%	93.18%	
	7226	12.69	0	530	62.68%	78.47%	85.50%	89.57%	
Average Days to Pay									
	No. of Invoices	Avg Days to Pay	Min Days to Pay	Max Days to Pay	% Invoices Paid with X Days				
					7	14	21	28	
Jul-20	602	7.53	0	168	82.72%	90.70%	95.18%	96.84%	
Aug-20	830	6.69	0	126	87.95%	93.25%	95.30%	95.78%	
Sep-20	885	7.68	0	152	78.08%	88.47%	92.32%	97.63%	
Oct-20	716	8.41	0	130	69.97%	92.04%	95.81%	96.51%	
Nov-20	541	8.22	0	229	73.94%	92.98%	96.67%	97.41%	
Dec-20	607	8.53	0	223	68.53%	85.67%	92.26%	97.03%	
Jan-21	524	11.33	0	223	70.04%	84.16%	87.40%	91.41%	
Feb-21	586	9.49	0	168	76.11%	86.35%	89.42%	92.15%	
Mar-21	736	11.47	0	293	54.76%	81.39%	89.54%	91.58%	
Apr-21	573	8.56	0	92	73.65%	87.26%	90.05%	93.37%	
May-21	685	8.34	0	212	81.90%	89.64%	92.85%	95.77%	
Jun-21	837	8.21	0	119	75.63%	90.20%	93.91%	95.70%	
	8122	8.70	0	293	76.25%	90.42%	94.52%	97.05%	

Table 1. Invoice rate of payment.

GROW Gippsland

South Gippsland Shire Council was an early entrant to the GROW Gippsland initiative and still continues to be an active member. Councils Procurement Coordinator has support GROW through presentations within the group to promote the activities undertaken to progress local procurement, participated in a joint video development capturing the collective activities of the GROW Gippsland groups, and locally presented to local companies looking to tender with Council in how to improve their tendering knowledge and skills to improve their likelihood of winning Council tendered works.

Summary

Council at the start of the financial year made the intent to actively pursue an increase in local procurement and have achieved that a steady progress through the year. Analysis preceding these initiatives demonstrated that not all procurement was available for conversion from non-local to local expenditure because of elements such as required suppliers that are out of area for which there are not local alternatives. Some examples are insurances, software and hardware licences, MAV costs, and many others. Given that South Gippsland was already in a strong local procurement position prior to these initiatives, and initial target was set to achieve 3.5% growth. This first year of this initiative has demonstrated a 1.5% growth and therefore has provided sound progress towards this first milestone in amongst the disruption of a COVID impacted and distracted financial year. This growth has ensured additional Council funds are being spent in the local community while still achieving the overall objectives of ensuring Council expenditure is done in the best way possible to achieve good value for money.