



A BETTER BUYING FUTURE

Sustainability is not only about a product and its life cycle, it's about practice too. So in order to make sustainable purchasing decisions, procurement professionals need to look at how they operate, writes **Angela Tesoriero**.

Local government can be a major stimulus for trade and is always an industrious centre of activity. As a result, the financial crisis has no doubt caused councils to review purchasing policies with an ultimate goal of making demonstrable savings.

But savings do not always have to present themselves against a purchase price. Savings can be made in time, efficiency and environmental impact, as long as good practice exists.

CHASING BETTER PRACTICE

Adopting a 'smart' approach to procurement can be a way for councils to make much desired savings.

So before automatically assuming that a tender is the way to procure, the following should be considered:

- Do you need to tender – do you expect to exceed or come close to the threshold of \$150,000?
- Is there an existing contract that can be leveraged?
- Are the right people involved, and are their skills adequate?
- Are they committed enough to see the project through?
- How sound are your tender documents, have you examined them for weakness?
- How will internal policy impact your project?

If you arrive at the conclusion that a tender is imminent you will be faced with many options of approaching the market. But what does it really mean to run a tender?

We now know that under modern procurement practice the tendering process cannot be just about price. Some considerations are:

- Who are the supplier(s) you are partnering with for the term of this contract?
- Are you prepared to stake your reputation on the tendering process you follow?
- Have you considered the risks? What

do they mean for your project? Your council? You?

Ultimately, the most sustainable outcome for the tender is value for money (VFM) but you need to know what this is and whether it is always the same.

In the Australian Government Procurement Statement of 2009, VFM was determined to be the whole-of-life cost requiring consideration of factors such as fitness for purpose, performance, risk management, flexibility, other financial benefits and contract options.

VFM can be subjective and the framework used to demonstrate the relevance to your particular project can be varied.

So it is not necessarily the case that a set formula can be applied across all tenders. Determine early on what constitutes VFM for you and map it out within your documents.

IMPORTANCE OF STAKEHOLDERS

A tender usually requires a project team to ensure its success but consider the wider community of stakeholders. Good tender outcomes mean that council administration and services and public facilities can be sustained.

Firstly, the council itself is the obvious stakeholder. In NSW, the Local Government Act of 1993 sets out the conditions under which a council must tender for goods and services – therefore it must, to avoid breaches possibly resulting in ICAC or ACCC inquiries.

Secondly there are the local residents – the ratepayers. They want to see that their rates are being put to good use and the council wants their feedback to be positive about their community. A council precinct needs to be able to attract residents and keep them in the area to be a sustainable entity.

Also, think about yourself and your peers: a sustainable career should be

a priority. Becoming known for your capabilities, not incompetencies, will certainly do service to your career prospects and earn you respect among your peers and from your industry.

ALL TOGETHER NOW

Councils are in the enviable position of having the choice to enter purchasing relationships, through options such as bulk buying arrangements.

For example, at Local Government Procurement (LGP) we run tenders and establish an arrangement where councils can make purchases without having to go through the tendering process themselves.

Councils are our greatest stakeholders so their involvement in our process is paramount. LGP gathers intelligence, produces a business case and, finally, proceeds with the tender. Specifications are developed with council input to ensure relevance. LGP takes on the administration, the cost, the management and the probity.

A LGP tender is conducted on behalf of all 152 councils across New South Wales, which gives us more bulk buying power than an individual council or a Regional Organisation of Councils (ROC).

Throughout the term of a contract LGP is there to offer advice, liaise with vendors and take on board the feedback from all stakeholders to aid continuous improvement. No costs are incurred by councils at all.

Our model also includes an annual rebate share to user councils.

Partnerships, relationships and collaboration are the way to sustain a successful procurement existence into the future. **GN**

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