



**Government
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Board

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Procurement Better Practice Handbook

Leadership and Strategy

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1. Background

The accreditation framework for public authorities with a procurement authority of \$1.1 million or greater, as issued by the State Procurement Board, is based on five high level performance categories against which a public authority's procurement capacity and capability is assessed. These categories are:

1. Leadership and Strategy
2. Organisation and People
3. Governance and Performance Management
4. Processes and Systems
5. Relationships – Internal and External

For each of these categories, procurement principles have been defined which describe high performing procurement operations.

The Better Practice Handbook is provided as an example of what better practice is. It provides information to public authorities as to what is better practice at each level of procurement authority. It is not meant to be definitive and it is acknowledged that public authorities may meet the principles via other strategies.

This Better Practice Guide has been developed for the category *Leadership and Strategy* to highlight better practices.

The category *Leadership and Strategy* includes the following principles:

1. The public authority provides clear leadership of the procurement function with high-level support by senior management.
2. Procurement function/designated personnel are responsible for procurement spend for the public authority.
3. The procurement strategy supports the public authority's strategic priorities and core business objectives.
4. Key internal stakeholders have a good understanding of the role of procurement together with its strategy and policies.
5. There is a clear, methodical and comprehensive framework to guide the public authority's procurement operations.
6. A procurement expenditure profile is prepared regularly to enable the identification of uncontracted spend, leveraging and cost saving opportunities.
7. A procurement business plan including a forward procurement plan is prepared annually to guide the procurement function.

This category is concerned with ensuring high-level leadership exists in the public authority and that the profile and influence of procurement is high with strategies in place that enable the public authority's procurement objectives to be achieved.

2. Introduction

Procurement has an important role to play in providing value to an organisation and contributing to the organisation's strategic priorities and core business objectives.

In particular, realising cost efficiencies is a key priority for all government sectors. Analysing and understanding the supplier base and expenditure profile can identify opportunities to obtain value from the procurement spend.

Benefits can be obtained by government from better demand management, aggregated procurement or negotiation of better terms, and/or from better contract management.

In order to realise the benefits, clear leadership of the procurement function with high level executive support is required. Effective strategic procurement planning is also critical and should encapsulate an analysis of the procurement spend of the public authority to develop procurement expenditure profiles which will identify spend by category, uncontracted spend, and leveraging and cost saving opportunities.

Strategic procurement planning is good management practice because it:

- identifies how the procurement process contributes to the public authority's strategic goals and business priorities;
- identifies the key acquisitions in the foreseeable future (forward procurement plan);
- involves senior managers in choices around procurement strategies for individual acquisitions; and
- describes how the public authority's procurement capacity and capability will be aligned to the spend portfolio's profile.

Defining key performance measures is also critical to guide the priorities of the procurement function.

Effective procurement leadership requires responsibility and accountability to be clearly assigned for procurement spend and specific categories and ensure key internal stakeholders understand the role of procurement, together with its strategy and policies.

These better practice activities, encapsulated in the principles of the *Leadership and Strategy* category, are discussed in more detail below.

3. Principle 1.1

Principle 1.1 states:

The public authority provides clear leadership of the procurement function with high-level support by senior management.

This principle requires public authorities to:

- design a structure, or designate an individual, to be formally responsible for the procurement function within the public authority;
- identify the head of the procurement function with appropriate visibility, seniority and influence amongst senior management;
- define the scope of this role, reporting lines and the limits of its authority, and communicate these details to other stakeholders within the public authority;
- align the profile and influence of this role within the public authority with the requirements and expectations of the position; and
- demonstrate that executive management in general, and the CFO/CEO in particular, solicit and follow advice from the head of procurement on relevant issues.

Types of outputs that relate to this principle include:

- organisation chart;
- job and person specification/s;
- procurement framework document/policy;
- minutes relating to procurement advice to senior management;
- executive meeting minutes with procurement attendance; and
- Accredited Purchasing Unit (APU) membership list that includes senior executive managers across the public authority.

Better practice for all Public Authorities [\$1.1m] or greater

All public authorities will have processes in place to ensure that:

- there is a periodic review of the public authority's strategies and priorities and an explicit statement of how the procurement process contributes to that strategy;
- there is an explicit review of acquisitions in both the last financial year, and the forward procurement plan, to identify the scale and character of key acquisitions;
- a structure is developed clarifying who is responsible for the procurement process, or the procurement function;
- there is a forum (such as an APU or equivalent) where senior managers can contribute to decisions regarding:
 - the links between the public authority's strategy and business priorities and the procurement process;

- the capacity and capability of the public authority to manage the spend portfolio effectively; and
- individual acquisitions that merit senior management contribution.

In addition, there is a focus on linking strategy to structure, such as:

- a review of the quality of outputs of the procurement process and identification of the strengths/development needs of the public authority's resources involved in the procurement process;
- an explicit review of the need for a dedicated procurement function, and if not, the design of an appropriate alternative, with clarity around roles and responsibilities;
- participation by senior managers in reviewing proposed acquisitions, for example through an APU or equivalent; and
- regular review of the procurement process within the public authority by the senior leadership team.

Better practice for a medium sized Public Authority [\$4.4m] or greater

In addition, for public authorities with procurement authority levels of \$4.4m or greater:

- there is a reasoned analysis of the capability and capacity needed to manage the public authority's spends in three key phases:
 - demand management,
 - sourcing (tendering); and
 - contract management.
- there is a dedicated procurement unit, with staff of appropriate seniority and capability;
- the seniority of the head of procurement is commensurate with the challenges of managing the spend portfolio and contributing to the public authority's strategies and priorities;
- job and person specifications are linked to the nature of the role; for example, if the role of full time procurement staff is to develop the public authority's procurement policy and governance framework, the tasks within the job specification should address this challenge, and the person specification should address the political skills required to:
 - diagnose the needs of the public authority;
 - develop congruent policy;
 - win support for an appropriate procurement framework; and
 - communicate the rationale and mechanics of the agreed governance framework.
- should the role of full time procurement staff be to provide a consultative procurement service, the tasks within the job specification should address this challenge, and the person specification should address the consultative skills required to:
 - engage with stakeholders;
 - diagnose their needs;

- interpret policy and procedures that apply to the specific acquisition;
- propose an appropriate procurement process;
- win stakeholder support for the suggested procurement process;
- coach and mentor the stakeholder through the activities needed; and
- monitor and steer the procurement process through the public authority's governance framework.

Better practice for a large Public Authority [\$11m]

In addition, for public authorities with delegated authority levels in excess of \$11m:

- the senior procurement executive is graded at a level commensurate with the spend and challenge of the spend portfolio, and will not only lead the procurement function in the public authority, but also be consulted on commercial matters such as insourcing or outsourcing, public/private partnerships etc.; and
- the procurement function is visible to business units/divisions, and adopts a proactive approach to communicating with stakeholders, for example:
 - visits to key stakeholders;
 - participation in business planning processes; and
 - briefings to meetings of key managers in business units.

4. Principle 1.2

Principle 1.2 states:

The procurement function/designated personnel are responsible for procurement spend for the public authority.

This principle requires public authorities to ensure that:

- all expenditure on goods and services is managed or influenced by the procurement function/designated personnel; and
- the processes for managing procurement spend varies depending on the type, value and complexity of the expenditure.

Types of outputs that relate to this principle include:

- organisation charts;
- job and person specification/s;
- Procurement Framework document/policy; and
- policies relating to management of ICT, Facilities, Travel etc. procurements.

Better practice for all Public Authorities [\$1.1m] or greater

All public authorities will have processes in place to ensure that:

- the spend in the public authority's spend portfolio is profiled in terms of:
 - value;
 - complexity; and
 - timing of key milestones and peak workloads.
- there are mechanisms in place to ensure that value for money is realised in managing different types of spend, such as:
 - simple purchases for one off transactions below \$22,000 in value;
 - simple purchases for recurring transactions below \$22,000 in value;
 - one off acquisitions greater than \$22,000 in value that are not covered by across government contracts, and warrant a locally negotiated solution;
 - recurring acquisitions greater than \$22,000 in value that are not covered by across government contracts, and warrant a locally negotiated solution;
 - acquisitions above \$220,000 in value (in aggregate) that warrant acquisition planning as they fall in Quadrants One or Two; and
 - acquisitions above \$4.4m in value (in aggregate) that warrant acquisition planning as they fall in Quadrants Three or Four.
- acquisitions for each of the above types are made:
 - following processes that comply with the public authority's procurement governance framework; and
 - by staff who are authorised to make decisions based on the value of the acquisition.
- there is a schedule of procurement authority levels that ensure acquisitions are approved prior to the purchase by an appropriately authorised manager;
- there is clarity around roles and responsibilities for managing procurements in different divisions/business units, especially if there are similar spends in different parts of the public authority; and
- contract management responsibility is allocated to staff with appropriate capability and capacity to effectively manage the performance of the supplier.

In addition, where there are dedicated full time procurement staff, there may be:

- analysis of spend using a spend analysis tool to identify patterns, trends and opportunities in the spend portfolio; and
- a statement clarifying the respective roles and responsibilities of the stakeholder, the procurement staff member/s and the manager with appropriate procurement authority for different types of acquisitions.

Better practice for a medium sized Public Authority [\$4.4m]

In addition, for public authorities with procurement authority levels of \$4.4m or greater, there:

- are dedicated full time procurement staff with clear roles and responsibilities;

- is a map/profile of the key categories acquired across the public authority explaining how those spends are managed and influenced; for example, there are guidelines on:
 - how low value non-recurring transactions are managed to maximise efficiency;
 - how simple purchases are managed to maximise efficiency;
 - which categories of the public authority's spend portfolio are covered by across government contracts;
 - which categories of the public authority's spend portfolio are covered by locally-negotiated procurement arrangements; and
 - which categories of the public authority's spend portfolio are currently not covered by any co-ordinated arrangements.
- is monitoring of contract leakage from existing procurement contracts; and
- is a plan for addressing opportunities in the (currently) uncontracted spend.

In addition, there may be:

- evidence of interventions to address contract leakage by:
 - identifying responsible officers;
 - exploring reasons for 'off-contract' purchases; and
 - development of an appropriate response, such as feedback to the negotiating body or use of an existing contractual arrangement.
- evidence of full time procurement staff developing procurement solutions for 'non-traditional' areas of spend in conjunction with the relevant stakeholders. 'Non-traditional' areas of spend includes categories such as:
 - management consultancy;
 - marketing communications;
 - external legal services; and
 - ICT software services.

Better practice for a large Public Authority [\$11m]

In addition, for public authorities with delegated authority levels in excess of \$11m there are dedicated full time procurement staff, some of whom have responsibilities for specific categories.

A variety of solutions will also be in use, to enable the procurement process, for different types of acquisitions and/or different phases of the procurement process including a:

- spend analysis tool to profile purchases that are classified and reported on, to enable effective category management;
- simplified solutions for low value transactions, for example, purchase cards or a procurement solution that facilitates catalogue-enabled purchasing;
- tool to systemise acquisition planning, recording information at key stages of the process;
- tool to enable bid evaluation;

- contract management solution that drives key activities by the due date and allows capture and reporting of key data on contract performance; and
- program of work to address opportunities in uncontracted spend, with a cost/benefit analysis applied to the prioritisation of potential projects.

There needs to be senior managerial support for early engagement of procurement advice in projects, and evidence of participation at an early stage of business planning by procurement personnel for significant projects.

In addition, there may be evidence of:

- engagement with stakeholders and promotion of the range of procurement solutions available to stakeholders, including:
 - methods of acquisition matched to the value and complexity of the acquisition;
 - the range of existing procurement arrangements for specific categories;
 - consultancy support to advise on good practice; and
- procurement reviews/audits detecting non-compliance, and associated managerial action to address the root causes.

5. Principle 1.3

Principle 1.3 states:

The procurement strategy supports the public authority's strategic priorities and core business objectives.

This principle requires public authorities to ensure that:

- an approved procurement strategy is available that is current, regularly updated and relevant to the public authority;
- the procurement strategy includes measurable outcomes, responsibilities and activities that are regularly reviewed to support the public authority's strategic objectives;
- the procurement team is aware of the public authority's strategy that has been used to inform the procurement strategy;
- key internal stakeholders are aware of the procurement strategy;
- realisation of the strategy is evident in the normal operations (that is, delivery) of the procurement function; and
- the procurement strategy is reviewed and updated in response to changes in the public authority.

Types of outputs that relate to this principle include:

- annual procurement plan;
- procurement strategy documents;

- organisational strategy documents with relevant procurement links;
- communication documents advising key stakeholders of procurement strategy; and
- APU minutes and documents.

Better practice for all Public Authorities [\$1.1m] or greater

All public authorities will reconcile where their strategic priorities and core business objectives intersect with the procurement process. This may be in an annual procurement plan or a formal 'strategy for procurement' document.

The reconciliation will define the contribution of the procurement process to those priorities, for example:

- optimising the cost of supporting the public authority;
- securing better outputs/outcomes from suppliers; and
- supporting the overarching goals of the state through supporting small and regional-based businesses.

All public authorities will also have a strategy for the management of the procurement process, defining how the procurement process enables and supports the public authority's strategies and priorities.

The procurement strategy is to be written down and communicated to senior managers and key internal stakeholders. The strategy must address the organisational development of capability of the public authority to manage the acquisitions and categories of spend in the spend portfolio.

The APU or equivalent body will address the development of procurement capability, not simply acquisition plans.

In addition, if there are Quadrant Four acquisitions ongoing or planned in the foreseeable future, the public authority will have a plan to demonstrate how the most significant acquisitions are managed and resourced, including the following stages:

- acquisition planning;
- sourcing/tendering; and
- contract management.

Better practice for a medium sized Public Authority [\$4.4m] or greater

In addition, for public authorities with procurement authority levels of \$4.4m or greater, the public authority will have a suite of measures that are tracked and reported to a review body (such as an APU or equivalent body), and/or to senior management.

The measures should track the contribution of the procurement process and the procurement function to the public authority's business priorities. The measures are likely to include some combination of:

- 'hard dollar' savings;
- cost avoidance 'savings' achieved; and
- value added through negotiation and/or tendering.

Public authorities with procurement authority levels of \$4.4m or greater must also ensure that:

- senior managers have an expectation that the procurement process needs to impact on business outcomes, as well as demonstrate compliance with local and state-based governance; and
- the procurement team designs and communicates to stakeholders the contribution of the procurement process to the public authority's goals through dashboards, reports and/or briefings.

The procurement team is to track a variety of operational measures, addressing:

- the proportion of total spend that is 'influenced' (or acquired under formal procurement arrangements);
- the scale of contract leakage from formal arrangements; and
- the trend in benefits realised by the procurement process through time, for example for the past three financial years.

Better practice for a large Public Authority [\$11m]

In addition, for public authorities with delegated authority levels in excess of \$11m will have 'business as usual' reports (at least annually) assessing performance against two dimensions of procurement in the public authority:

- the contribution of the procurement process to the strategy and priorities of the public authority; and
- the development of capacity, capability and governance within the public authority to better align its capability with the challenges and opportunities in the spend portfolio.

The procurement team will:

- demonstrate via an opportunity analysis that potential benefits have been identified that align with the public authority's strategic objectives and priorities, not just making price savings; and
- be consulted by senior managers regarding strategic choices affecting the public authority, including:
 - insourcing/outsourcing decisions;
 - public/private partnerships or similar initiatives; and

- business cases where outcomes are reliant on external suppliers' contributions.

The procurement team will also track a variety of strategic measures, including the:

- return on investment in procurement capability, (what is the ratio of benefits realised to the cost of achieving those benefits?); and
- capability of the public authority to act as an informed purchaser and create value through better demand management, sourcing and tendering, and contract management.

6. Principle 1.4

Principle 1.4 states:

Key internal stakeholders have a good understanding of the role of procurement together with its strategy and policies.

This principle requires public authorities to:

- clearly identify key internal stakeholders and their roles and responsibilities;
- ensure involvement in procurement is documented in job descriptions, if appropriate; and
- ensure that these stakeholders display a clear understanding of the role of procurement, and the relevant strategies and policies.

Types of outputs that relate to this principle include:

- organisation chart;
- job and person specification/s;
- Procurement Framework document/policy identifying key stakeholders;
- communication documents advising key stakeholders of procurement strategy; and
- APU minutes and documents.

Better practice for all Public Authorities [\$1.1m] or greater

All public authorities are able to demonstrate that key groups of stakeholders have been identified including:

- members of the APU or equivalent body;
- senior managers with procurement authority;
- budget holders regularly involved in acquisition planning;
- project officers currently involved in acquisition planning for significant acquisitions (if different from the previous classification);
- contract managers;

- officers with particular responsibility for procurement related matters (who are not part of the dedicated procurement team); and
- full time procurement officers.

Each of these stakeholders should be able to not only describe the public authority's governance framework, but also describe the role of the procurement process, and their specific contribution.

Stakeholders with significant participation in procurement processes (for example more than 25% of their job specification) should have that role recognised in their position description through specific reference to the activities and underpinning capability in the person specification.

In addition, for officers with full time roles in procurement, (for example with more than 50% of their job role including procurement activities), the officer is able to describe the role and contribution of the procurement process to the public authority; and communicate to others the strategies and processes adopted.

Better practice for a medium sized Public Authority [\$4.4m] or greater

In addition, for public authorities with procurement authority levels of \$4.4m or greater, the public authority will have:

- an organisation chart including full time staff responsible for leadership of the procurement process;
- job and person specifications for procurement roles that include both processes and outcomes as part of their job specification;
- documentation stating the procurement role's contribution; and
- strategies for the procurement process within the public authority.

Senior managers not in full or part-time procurement roles will be able to describe:

- the procurement process unprompted; and
- key elements of the development/improvement plan for the procurement process in their public authority without prompting.

Managers in full or part-time procurement roles will be able to:

- identify briefing, training or presentation materials used to explain the basic role and contribution of the procurement process within the public authority;
- demonstrate a stakeholder engagement plan to address the needs of stakeholders across the public authority; and
- demonstrate that the role of procurement is communicated to stakeholders through a mix of communication channels, including an intranet page/s with guidance materials explaining:
 - procurement governance;
 - good practice in procurement;
 - the role and contribution of procurement; and

- the strategy for developing the role and contribution of procurement.

Better practice for a large Public Authority [\$11m]

In addition, for public authorities with delegated authority levels in excess of \$11m will have:

- an induction briefing pack or content that introduces procurement to new starters to the public authority, providing detail on who to contact for further information;
- a relationship management plan with stakeholders in key internal divisions, perhaps with dedicated account managers, who are responsible for developing and maintaining appropriate relationships with stakeholders; and
- proactive 'push' communications to stakeholders, for example, a newsletter or content inserted in whole-of-organisation updates, addressing relevant procurement issues.

The public authority may also have a dedicated role focused on internal stakeholder communication

7. Principle 1.5

Principle 1.5 states:

There is a clear, methodical and comprehensive framework to guide the public authority's procurement operations.

This principle requires public authorities to have a documented framework including a clear statement from the principal officer stating that they authorise the framework and expect it to be followed diligently by all public authority personnel.

Types of outputs that relate to this principle include:

- a Procurement Framework document/policy;
- communication documents advising key stakeholders of the procurement framework;
- procurement policy documents; and
- practical procedures or guidelines explaining how to follow procurement policy.

Better practice for all Public Authorities [\$1.1m] or greater

All public authorities are able to demonstrate that there are documents targeted at two levels of audience explaining the procurement process, structure and governance in the public authority exist, including:

- an ‘at a glance’ overview of the procurement framework, targeted at part time participants in the procurement process that is as simple as possible for the lay reader, and feature graphics, flowcharts or other visual means to explain ‘how to buy’ different acquisitions; and
- a more comprehensive suite of content, including:
 - policy affecting procurement;
 - procedures relevant to procurement; and
 - a list of procurement authorities or explanation of authority levels.

The procurement framework also needs to be communicated to stakeholders, for example by:

- briefings to management meetings;
- emails to selected managers;
- intranet pages; and
- content included in periodic newsletters to staff.

In addition, there should be a ‘pack’ of materials, such as a slide show used to deliver a standard presentation to selected stakeholder groupings.

Better practice for a medium sized Public Authority [\$4.4m] or greater

In addition, for public authorities with procurement authority levels of \$4.4m or greater:

- there is written guidance on ‘good practice procurement’ as well as ‘compliant’ procurement practices; for example, guidance on how to negotiate better terms, or which sources of information can help locate potential suppliers;
- procurement guidance is written in user-friendly language and features examples to illustrate good practice;
- there is a library of tools and templates relevant to the procurement process available to staff to access and use to avoid duplication of effort; and
- full time procurement staff will regularly review individual procurements and local procurement practices, and identify any deviances from formal procurement policy which is followed up with additional advice and guidance to minimise the potential for recurrences.

Better practice for a large Public Authority [\$11m]

In addition, public authorities with delegated authority levels in excess of \$11m may ‘hardwire’ policy and procedures in normal business practices through ICT or manual systems and mechanisms to enforce good practice through appropriate workflow, authorisations and approval mechanisms.

8. Principle 1.6

Principle 1.6 states:

A procurement expenditure profile is prepared regularly to enable the identification of uncontracted spend, leveraging and cost saving opportunities.

This principle requires public authorities to:

- prepare regular procurement expenditure profiles that identify spend by category and uncontracted spend, leveraging and cost saving opportunities by category; and
- track progress against the expenditure profile to ensure value for money is achieved.

The level of detail may vary depending on the size of the public authority and scale of procurement. It is expected that the reporting is sufficient to allow executive management to properly assess cost saving opportunities and be able to prioritise procurement projects.

Types of outputs that relate to this principle include:

- spend analysis (breakdown of procurement spend by category and supplier);
- annual procurement plan that includes spend analysis recommendations;
- recent procurement acquisition strategy documents that relate to spend analysis recommendations; and
- regular reports on achievement of spend analysis recommendations.

Better practice for all Public Authorities [\$1.1m] or greater

All public authorities will have an annual procurement plan that breaks down expenditure not just by supplier, but also by the nature of the acquisition, for example, by the most appropriate classification within the general ledger or the chart of accounts.

The annual procurement plan can be interpreted in three key ways:

- the proportion of spend that is made against a formal procurement arrangement, either negotiated by the public authority or from an across government contract;
- the proportion of spend that has 'leaked' from such arrangements and has been made against locally-negotiated arrangements; and
- the opportunity that exists in each category to secure improved benefits for government, from better demand management, aggregated procurement or negotiation of better terms, and/or from better contract management.

Better practice for a medium sized Public Authority [\$4.4m] or greater

In addition, for public authorities with procurement authority levels of \$4.4m or greater, the APU or equivalent body will receive a regular report no less frequently than annually, detailing the opportunity in the spend portfolio in terms of the scale of improvement in benefits potentially available.

Better practice for a large Public Authority [\$11m]

In addition, for public authorities with delegated authority levels in excess of \$11m:

- the prioritisation of the procurement workload considers the adoption of incremental improvement drawn from lessons learned from both tendering processes and contract management reviews; and
- the procurement team measures and reports on the net contribution of the procurement process, considering both the benefits delivered and the cost of realising those benefits, to assess the contribution of the procurement process in realising value for money.

9. Principle 1.7

Principle 1.7 states:

A procurement business plan including a forward procurement plan is prepared annually to guide the procurement function.

This principle requires public authorities to prepare a documented business plan for staff involved in the procurement function at least on an annual basis. This plan is to include details of planned procurement activities including estimated expenditure. At a minimum a forward procurement plan must be prepared annually.

There should also be evidence that progress against the plan is monitored and measured.

Types of outputs that relate to this principle include:

- annual procurement business plan;
- forward procurement plan; and
- regular reports on achievement of procurement business plans.

Better practice for all Public Authorities [\$1.1m] or greater

All public authorities are to generate a schedule of key acquisitions that will be made in the foreseeable future, including both capital and recurrent/operational purchases. This schedule is to be updated annually with estimates of approximate value, drawn from:

- contracts on the contract register scheduled to expire within the next twelve months which require the commencement of acquisition planning; and
- foreseeable non-recurring projects that have a significant procurement element.

The APU or equivalent body will consider the implications of the forward procurement plan in terms of resourcing and organisation, including contract management.

In addition, for significant projects, (defined as Quadrants Three or Four in the State Procurement Board's Acquisition Planning Guideline), the public authority will:

- consider the capabilities needed to manage future Quadrant Three or Four acquisitions through both the acquisition planning and subsequent contract management phases; if the capability or capacity is not currently present, the public authority will consider engaging additional resources to support the acquisition planning process; and
- commence acquisition planning early enough to complete the process in sufficient time to meet operational or financial deadlines without compromising the quality of the procurement process.

Better practice for a medium sized Public Authority [\$4.4m] or greater

In addition, for public authorities with procurement authority levels of \$4.4m or greater the APU combines the following sources of information to create a prioritised list of potential procurement projects for the procurement team:

- opportunity analysis based on the annual procurement plan;
- contracts on the contract register scheduled to expire within the next twelve months that require the commencement of acquisition planning; and
- foreseeable non-recurring projects that have a significant procurement element.

This forward procurement plan will profile planned procurement activities by a number of dimensions including:

- a range of estimated expenditure (e.g. from \$110,000 to \$220,000);
- the quadrant that the acquisition falls into (based on the quadrant analysis in the State Procurement Board's Acquisition Planning Guideline); and
- the estimated distribution of workload through the period, such as when key milestones will occur, governance reviews, tender issue, tender evaluation etc.

Better practice for a large Public Authority [\$11m]

In addition, for public authorities with delegated authority levels in excess of \$11m, the public authority:

-
- uses a forward procurement plan to guide the deployment of procurement resources, and incoming projects are allocated to procurement staff members on the basis of:
 - the complexity of the project;
 - the capability and subject matter expertise of the staff members;
 - the current workload of staff members; and
 - the urgency of the project.
 - is able to evidence that there is an explicit linkage between the profiling of forward workload and capability and capacity planning; and
 - monitors and reports to the APU any delays in allocating procurement resources to projects due to capacity constraints, and considers a short-term solution (such as engaging temporary resources) and longer term implications (such as increasing staffing levels).

Glossary of Terms

APU

Accredited Procurement Unit – (also known as a Procurement Governance Committee) is a committee comprising nominated senior officers that oversee the purchase of goods and services within a prescribed delegation. It is the role of the APU to support principal officers in procurement decision-making.

Category

Category is a term applied to a distinct grouping of goods or services that are relatively homogeneous. Stationery is a broad category, and within that category there are sub-categories such as writing implements. Professional services are an example of a services category, displaying commonalities between sub-categories such as consultancy services and audit services, and possibly sharing common suppliers.

Contract Leakage

Contract leakage refers to the volume of business placed with suppliers other than the contracted suppliers for a given category. For example, there may be an agreement to use a particular graphic design agency for all design work. The public authority will have tendered the work, and awarded the business for a period of time, both to leverage the public authority's total spend, and so that stakeholders do not have to undertake a separate tender exercise for each individual job. The corollary is that the tenderer will have quoted on the basis of securing all of the public authority's business. If another graphic designer is used during the period of the agreement with the contracted design agency, this not only dilutes the 'clout' of the public authority, but also adds to the time and cost of another procurement exercise. Good practice is to try to minimise contract leakage, or at the very least explore the reasons behind leakage occurring.

Demand Management

There are three broad opportunities to add value through the procurement process; demand management, sourcing (tendering) and contract management. Demand management refers to all those activities undertaken to reduce consumption, and to manage what we buy, so that we buy more effectively. For example, we may have tendered travel so that we have value for money rates for domestic air travel and accommodation. This is an example of creating value through tendering. But we can also create value through policy, and through managerial control to ensure that only those journeys that are strictly necessary are made. For example, we might hold a teleconference rather than travel interstate. Demand management typically involves budget holders and end users, rather than (just) procurement practitioners.

Opportunity Analysis

Opportunity analysis is the periodic review of expenditure with a view to identifying potential opportunities to release value through changes to the way the goods and services spend is specified, procured, consumed or managed. Typically, public authorities might conduct an annual review of the spend portfolio, including known future projects, and classify the spends based upon a number of dimensions. Typical dimensions are 'scale of benefit' and 'ease of realisation', though other dimensions may be employed. Spends which present a greater opportunity to add value may warrant prioritisation in terms of focusing scarce resources, such as time and people.

Opportunity analysis helps guide the public authority on how and where to focus effort, and can help with scheduling priorities and resource allocation.

Procurement

Procurement can be a process, a department or a job role. Every public authority manages the procurement process whether or not they have dedicated procurement practitioners. In the context of this category of principles, procurement refers to the end-to-end process (not only the tendering phase) that begins with defining the need through to contract management and close out of the supplier, as well as the disposal of the goods.

Procurement Strategy

Outcomes from the procurement process are closely correlated with quality and quantity of planning. Procurement strategising occurs at two levels; the first is the overall strategy for the procurement process in the public authority. What goods and services (categories) do we acquire? How do these categories relate to the public authority's overall goals and business objectives? What processes are needed to manage these acquisitions, and what capability do we need to do this effectively? The development of an overall procurement strategy helps to ensure that the public authority is capable of managing the procurement process.

The second level of procurement strategy is the development of a procurement strategy for each key acquisition. What are we buying? What is the nature of our demand? What is the nature of the supply market? What market approach is most appropriate? How will we manage the supplier/s once we have made that choice? These decisions need to be made in a timely fashion, and in the light of appropriate information. It is more likely that acquisition planning and contract management planning will be undertaken in a compliant and effective way if the public authority has anticipated the capacity and capability needed in advance of planning beginning. So the development of an overall procurement strategy for the public authority is often key to the development of appropriate processes for acquiring and managing key acquisitions.

Spend Analysis

Spend analysis is the part of the procurement process focused on reviewing expenditure data to allow exploration of the opportunities which may exist to create value in a category. The key activities include acquiring the data, cleansing the data, and analysing the data. The term is synonymous with expenditure profile.

Spend Portfolio

The spend portfolio is the expenditure profile of a public authority - the total third party or non-pay spend of a public authority with suppliers of goods and services. In some cases, the key suppliers of services by value may be other public sector entities, such as other government departments. But there will also be many hundreds if not thousands of suppliers with whom the public authority spends money across multiple types of spend (or categories).

Key dimensions of the spend portfolio are the total value of spend, the degree of concentration and the number of low value suppliers. The degree of concentration may highlight the proportion of total spend represented by the top ten suppliers, or the top ten spend types (or categories). This may highlight where the opportunity lies to extract value. The number of low value suppliers may highlight the degree of control of lower value transactions. For example, if 50% of all public authority suppliers receive less than \$10,000 a year, it may highlight that there is an opportunity to consolidate some spends. Of course, some of these suppliers may be in regional areas, and as long as the spend allocation is the consequence of deliberate choice, then the public authority will be in control of its spend. Many public authorities find that there is an opportunity in the spend portfolio to address both higher value spends and lower value spends using spend analysis to identify the opportunities.

Stakeholders

People who are involved in, or impacted by choices that are made during the procurement process. Within public authorities, stakeholders will include end users as well as decision-makers who review proposed acquisition plans, or officers who manage contracts. Suppliers will have sales managers or account managers who are responsible for client relationships, as well as accounts payable staff and staff involved in service delivery.