



New South Wales  
Government

NSW Government  
Procurement Guidelines

# Procurement Planning

April 2002

## NSW Government Procurement Guidelines : Procurement Planning

April 2002

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Director

Policy Division

Level 23 McKell Building

2-24 Rawson Place

SYDNEY NSW 2000

phone (02) 9372 9150

fax (02) 9372 8851

website <http://www.dpws.nsw.gov.au>

email [procurementpolicy@dpws.nsw.gov.au](mailto:procurementpolicy@dpws.nsw.gov.au)

# Contents

Introduction	1
Why Procurement Planning?	1
Procurement Planning Program	2
Government Planning Framework	3
Agency Requirements	4
Annual Procurement Planning	5
1. Supporting service delivery objectives through procurement	5
2. Improving purchasing advantage	8
3. Take-up of Electronic Procurement Implementation Strategy	9
4. Improving procurement processes and disciplines	10
5. Developing performance targets and measures	13
Further information and assistance	16
Attachment A 2001 Procurement Planning Executive Summary	17
Attachment B Annual procurement plans template	21
Attachment C Project specific procurement planning	23



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# Introduction

## Why Procurement Planning?

The *NSW Government Procurement Policy*, released in December 1998, established the overarching framework for government procurement to achieve best value for money including improving opportunities and productivity of local business enterprises as well as improved environmental and social outcomes for the community.

The Government is realising significant efficiencies and savings from procurement reform through greater aggregation of purchasing, continuous improvement of procurement business processes and adoption of innovative approaches such as effective procurement planning, active contract management and electronic procurement.

*Smarter Buying for Government*, released in April 2002, seeks to introduce a new accelerated phase in procurement reform and build on the strategies and actions in the *NSW Government Procurement Policy*, *Electronic Procurement Implementation Strategy*, *Construct New South Wales* and *Total Asset Management – TAM 2000*.

Procurement Planning is an integral part of the implementation of the *Procurement Policy*, *Electronic Procurement Implementation Strategy* and *Smarter Buying for Government*. Under *Smarter Buying for Government* agencies are required to examine their current purchasing and contracting arrangements to identify potential aggregation opportunities and report them in annual procurement plans.

Procurement planning assists agencies to achieve:

- better alignment of procurement strategies with agency service delivery strategies
- improved purchasing advantage
- better value for money outcomes
- better planning and risk management
- more efficient procurement
- more innovations in tendering and contract management
- more opportunities for implementing and achieving the Government's economic, social and environmental objectives
- effective partnerships between agencies and service providers.

# Procurement Planning Program

Procurement plans are prepared for two different purposes:

- for the agency, as a means to document and communicate its procurement direction, strategies, processes and procedures to personnel. It also serves as a benchmark against which progress on procurement targets can be measured.
- for the government, to provide an overview of the strategic direction of NSW Government procurement.

There are two categories of procurement planning: annual and project specific. The inter-relationship between the two categories is shown in the diagram below.

## ***Annual procurement planning***

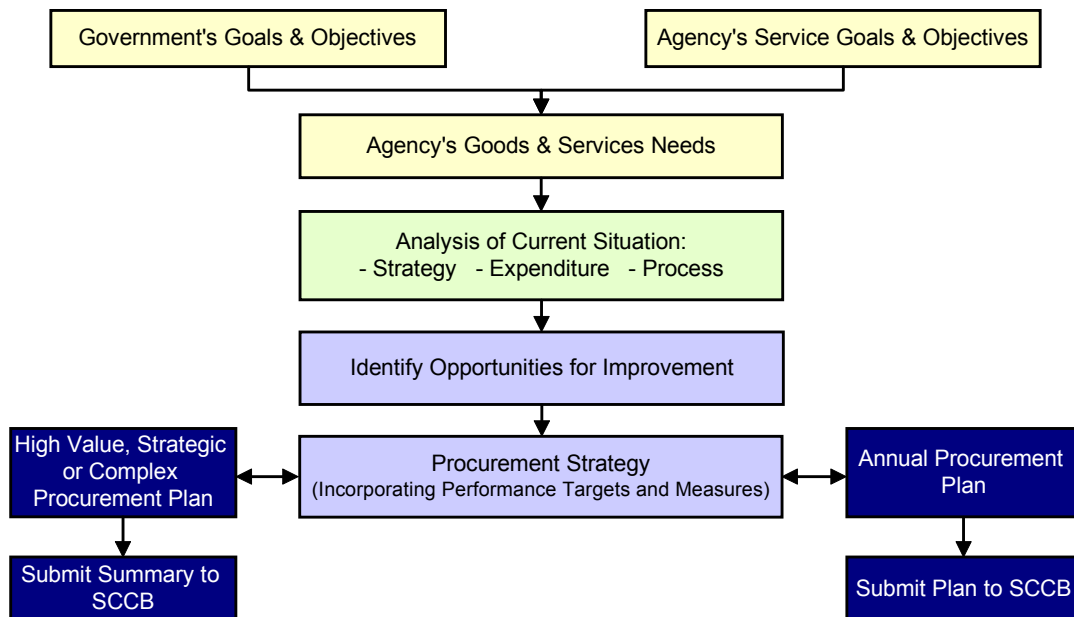
Annual procurement planning encourages agencies to adopt a long term and strategic view of their procurement direction. Agencies are required to:

- review their current procurement investment and purchasing processes, and
- identify improvement goals, targets and milestones that closely link with their business plans, outputs and Government objectives.

Annual procurement planning imposes a discipline on agencies to identify, plan and properly manage the purchase of goods and services and report on the outcomes achieved. The recommended format for an annual procurement plan is at *Attachment B*.

## ***Project specific procurement plans for high value, strategic or complex procurement***

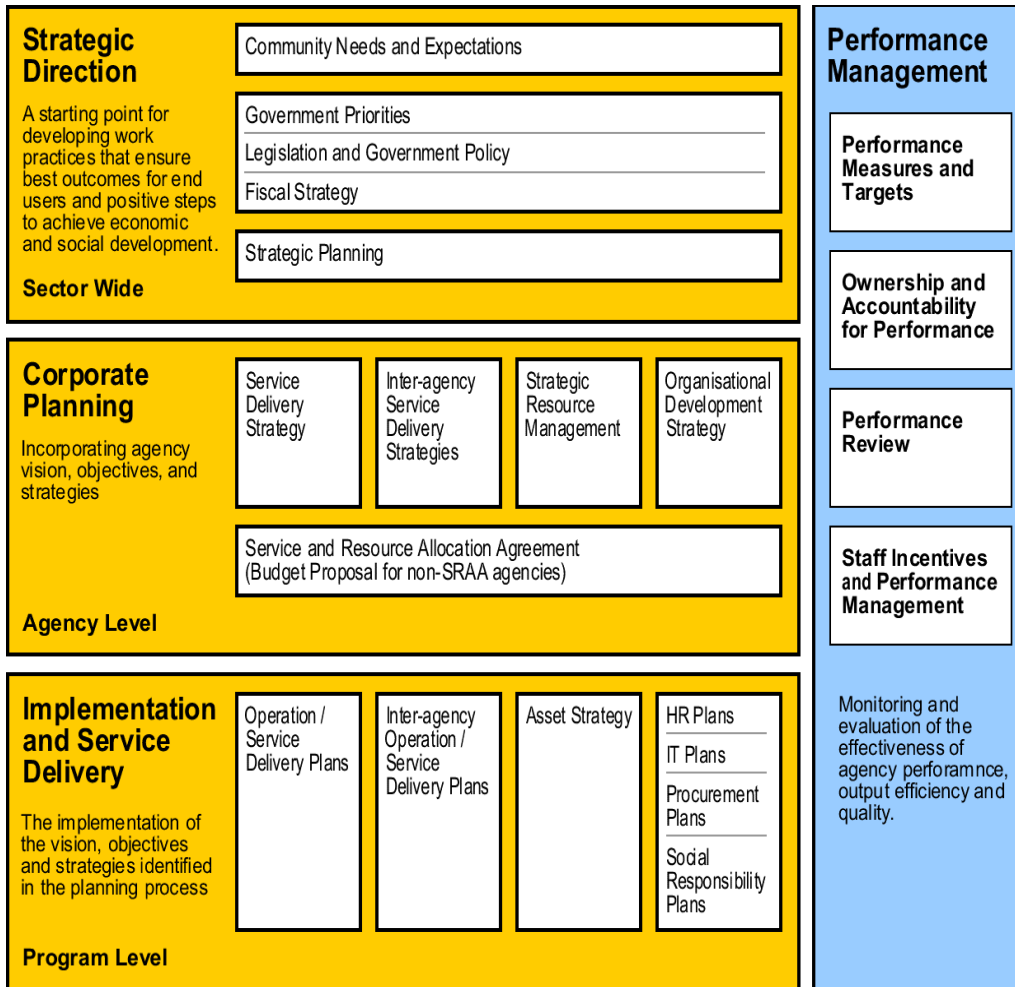
Project specific procurement plans are to be prepared for specific purchases of goods and services that are considered high value (over \$500,000), strategic or complex. The purpose of these plans is to assist the agency to analyse its need and select the best procurement option to maximise value for money. This type of plan is outlined in *Attachment C*.



# Government Planning Framework

Procurement planning is one of the program level activities (eg, procurement, HR, IT and physical assets) that is part of the Government Planning Framework. The Framework looks broadly at the strategic management of all resources to better match service requirements.

The framework illustrated below, summarises and defines the various processes that the NSW Government and its agencies use to plan activities and services, to allocate resources and to report on performance.



## Agency Requirements

The procurement planning referred to in this Guideline covers only the procurement of goods and/or services.

Procurement plans should be prepared in tandem and linked with the agency business planning and service delivery planning cycle. Annual procurement plans are to be submitted to the State Contracts Control Board in June each year. The plan submitted should be an overview of the procurement information gathered as part of an agency's business planning process. It may also include summaries of project specific procurement plans and forward plans.

The following areas do not need to be included in this plan as they are subject to separate requirements as follows:

<b>Office Accommodation</b>	covered under the Office Accommodation Plan which is lodged with the Government Asset Management Committee,
<b>Asset Management</b>	covered by the Asset Management Plan which is lodged with Treasury as part of the Total Asset Management process,
<b>Information Technology</b>	covered by the Information Technology Strategic Plan, or an IT Projects submission which is lodged with the Department of Information Technology and Management,
<b>Construction Projects</b>	covered as part of the Asset Investment and Capital Works planning process.

The following sections outline the steps to assist agencies in the development of an annual procurement plan, with *Attachment B* providing an outline of the recommended format.

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# Annual Procurement Planning

Agencies should incorporate the following steps and make use of the prompts under each heading in developing their annual procurement plan.

1. Supporting service delivery objectives through procurement
2. Improving purchasing advantage
3. Takeup of an electronic procurement implementation strategy
4. Improving procurement processes and discipline
5. Developing performance targets and measures

## 1. Supporting service delivery objectives through procurement

***How does your agency's procurement support its service delivery objectives?***

- **Consider your agency's service delivery objectives**

Refer to your agency's corporate business plan, service delivery strategies and any relevant strategic planning documents. Include how procurement is reflected in the corporate planning of the organisation.

- **Review your agency's procurement profile**

The following checklist should be considered when establishing your agency's procurement profile for inclusion in the agency's procurement plan:

- What goods and services are purchased and how much is spent on them?
- How much is spent on major procurement investment areas?
- How critical are the goods and services to the agency's service requirements?
- Compare the past year's expenditure on each item with the projected spend for current and future years (ie 3-5 years).
- How are goods and services purchased?
- Who and where are the goods and services purchased from?
- Identify the number of service providers and their respective market shares.
- Assess the impact of the agency's purchasing activities on its key supply markets.

- **Assess your agency's procurement function**

- Is there a clearly defined role and set of responsibilities?
- Who is currently involved in purchasing operations and decision-making and what are their responsibilities? To whom do these personnel currently report?
- Is there a senior executive responsible and accountable for the overall function?
- Do agency procurement procedures reflect a strategic approach to procurement and are they documented, understood and easy to use by personnel who purchase?
- How is the performance of the procurement function assessed?
- To what extent do operational units/divisions within the agency coordinate their purchasing of common items?
- To what extent do personnel who purchase share information about markets, suppliers and products?
- How is purchasing conducted for different types of purchases and what are the associated costs of these transaction methods? Subsequent to this, what is the efficiency of existing ordering, payment and accounting processes?
- What is the efficiency of current inventory management systems, including warehousing and distribution costs?
- Do service providers have electronic interfaces that could potentially improve transaction and inventory management efficiencies or possess the capability to undertake inventory management activities?
- Is procurement management information maintained and easily accessible? (for example, procurement profile changes, contract arrangements, service provider performance information, market information on suppliers, pricing and products).
- How are centralised purchasing arrangements (for example, standing offer arrangements, prequalified suppliers) managed and monitored to ensure effective outcomes?

- **How does your agency's procurement achieve whole-of-government objectives?**

The NSW Government is committed to fostering economic and regional development outcomes and maximising opportunities for local industry and small to medium sized enterprises to compete for government business through procurement.

*The NSW Government Procurement Policy* also requires agencies to include social and environmental management outcomes in identified tenders and requires service providers to indicate measures they intend to implement to achieve these required outcomes.

Your agency's plan should detail how these objectives are being achieved through your procurement activities. The plan should also reflect how the agency satisfies other whole of government policies such as the Waste Reduction and Purchasing Policy (WRAPP) managed by the Environment Protection Authority ([www.wrapp.nsw.gov.au](http://www.wrapp.nsw.gov.au)), and the Government Energy Management Policy (GEMP) managed by the Ministry of Energy and Utilities ([www.energy.nsw.gov.au](http://www.energy.nsw.gov.au)).

***How to report this in your plan?***

- ◆ *Summarise your agency's service delivery objectives and overall procurement aims, direction and goals.*
- ◆ *Outline your agency's procurement profile, including spend on major investment categories and how procurement is coordinated within the agency.*
- ◆ *Explain how your procurement is currently contributing to the achievement of the agency's service delivery objectives and whole-of-government economic, environmental and social objectives? For example, the agency may have the objective of increasing regional service delivery. Does the agency have a procurement strategy that supports this objective?*

## 2. Improving purchasing advantage

An established method of initiating procurement reform is through aggregated buying. Aggregation of purchasing is a proven mechanism for agencies to quickly realise significant savings. By identifying and analysing spending patterns, an agency is well positioned to explore aggregation options and opportunities.

The following are options for agencies to consider when identifying aggregation opportunities.

1. Maximise use of existing agency and State Contracts Control Board (SCCB) contracts.
2. Consolidate agency procurement through new contracts.
3. Co-ordinate with other agencies on new aggregation opportunities.
4. Rationalise and reduce product range.
5. Use preferred service provider(s).

Key expenditure areas for consideration are:

Product/Service	Potential for Aggregation
Stationery and Paper Products	High
Printer and Photocopier Paper	High
Motor Vehicles Acquisition	High
Motor Vehicles Rental/Hire	High
Travel – Air Fares	High
Travel – Accommodation	High
Maintenance Services	Medium
Computer Equipment	High
Photocopiers and Servicing	High
General Office and IT Equipment	High
Telephones and Communications Equipment	High
Advertising	High
Consultants	Low
IT Contract Personnel	Medium
Temporary Staff	Medium
Energy	High
Printing (and Publishing) Services	Medium
Security Services	Medium
Cleaning Services	Medium
Pest Control Services	Medium
Courier Services	Medium
Food	Medium

### ***How to report this in your plan?***

- ◆ *Indicate how your agency is maximising the use of SCCB or agency contracts.*
- ◆ *Provide examples of the outcomes being realised through aggregation.*

### 3. Take-up of Electronic Procurement Implementation Strategy

The *NSW Government Electronic Procurement Implementation Strategy* supports the strategies in the *NSW Government Procurement Policy* and *Construct New South Wales* on the take up of electronic procurement for goods and services and information technology in construction.

#### ***What is an e-procurement implementation strategy?***

An e-procurement implementation strategy is an expression of an organisation's objectives, detailed strategies and actions that support the overall procurement aims, directions and goals for the organisation as a whole. Further information on how to prepare an e-procurement implementation strategy is available in the *Electronic Procurement Implementation Strategy – Guidelines* which can be accessed at [www.nsw.gov.au/e-procurement](http://www.nsw.gov.au/e-procurement).

Key action 39 of the Strategy requires agencies to report annually in June on the progress of the implementation strategy they have adopted in annual procurement plans.

Consistent with the objectives of the procurement planning program, agencies need to make sure that their e-procurement strategy and its supporting actions align with their corporate objectives, business needs and government directions, and that appropriate priorities and targets are included in procurement and capital investment plans. Things to address include:

- Making available, through the NSW Government web site, business opportunities and information on contracts awarded
- Implementing electronic tendering through the *e-Tendering* system
- Progressively conducting key procurement activities electronically
- Developing a program for the implementation of online project management

#### ***How to report this in your plan?***

- ◆ *Outline plan, results and milestones achieved against targets in the organisation's strategy, including better e-procurement practices that have been applied*
- ◆ *Refer to those business processes that have been re-engineered to take advantage of the full potential of technology*
- ◆ *Reference electronic procurement initiatives adopted or planned for take up in the annual plan, as may be appropriate.*

## 4. Improving procurement processes and disciplines

Agencies are to re-engineer their procurement strategies to reduce the cost of doing business, to review and identify their procurement needs and to put in place measures to improve their procurement processes.

### ***What are the major areas of spend and how does this expenditure impact on the procurement processes throughout the agency?***

#### ▪ **Review your major areas of expenditure**

Consider the major areas of procurement expenditure within your agency. How does the procurement of key goods and services influence general procurement through the agency? Has the agency's procurement profile and major investment areas been determined?

#### ▪ **Identify areas of improvement**

Consider the agency's current procurement processes and identify areas where improvements have or can be made to better align procurement with service delivery.

Improved procurement processes can lead to the efficiencies forecast in the *Smarter Buying for Government Strategy* released by the Government in April 2002 and available at [www.dpws.nsw.gov.au/policy](http://www.dpws.nsw.gov.au/policy). As indicated in the box below, the good practices identified in the 2001 Procurement Planning Program suggest that agencies are already accruing savings from a smarter approach to procurement.

- ◆ Lowering expenditure on electricity and fuel consumption through the strategies identified in Energy Management Plans. Energy efficient initiatives such as building energy management devices and solar array generation grids for computer systems UPS and State grid supplement expected to generate 10% savings.
- ◆ New energy contracts are providing energy savings in excess of \$100,000 per annum.
- ◆ Greater monitoring of fuel is expected to realise fuel savings in the order of 6% in the first year.
- ◆ The introduction of timed lighting and sensor lighting for inconsistently used areas such as meeting rooms has lowered energy costs whilst satisfying Government intentions and requirements.
- ◆ The purchase of commercially re-built photocopiers has resulted in a cost reduction of \$3,000 per copier and also reduced the amount of waste going to landfill.
- ◆ Leasing multi-functional machines has derived benefits such as reducing the number of items of office equipment by up to 60%, savings in floor space, energy usage and maintenance.
- ◆ Review of tender documentation targeting a reduction in the cost of preparing and submitting tenders of 5% with a further 5% the following year.
- ◆ Increased electronic invoicing to achieve administrative savings.
- ◆ Fleet Management initiatives have reduced the number of motor vehicles without compromising level of service provided, and resulted in subsequent savings on leasing, maintenance, fuel, repairs etc.

The following checklists should be considered when identifying the good practices in your agency:

### ***Smarter procurement—developing a strategic approach to procurement***

- Is relevant procurement data maintained and capable of producing information to assist in making strategic management decisions?
- Has the procurement system been benchmarked against a best practice performer?
- Are the procurement processes achieving best value for money in all contracts?
- Have you developed performance measures for your procurement processes? Are your processes improving? Have you set targets?
- Have strategic alliances been contemplated, evaluated, and/or formed with service providers? Are you entering into service level agreements?
- Has there been a study of the likely benefits of long-term risk-managed contracts with individual service providers?
- Do you monitor service providers' performance? Is this feedback used in tender assessments?

### ***Better procurement—attaining best practice in procurement***

- Is management committed to introducing efficiencies and developing best procurement practice?
- Is procurement regarded as an important function and is it entrusted to personnel with appropriate skills?
- Have training programs been established for procurement personnel?
- Are 'just-in-time' (JIT) delivery procedures in place, and are the deliveries direct to users rather than to a central location?
- Are your catalogue management systems useful and up-to date?
- Are your procurement control, financial and accounting systems integrated?
- Is action being taken to reduce expenditure by rationalising:
  - procurements
  - deliveries
  - use of alternative items available at a lower cost, but with equivalent functional and other essential characteristics?
- Can tendering processes be improved? For example:
  - do you publish advance notice of major tenders?
  - do you brief providers before they respond to complex tenders?
  - can you improve your specifications, tender preparation, evaluation and assessment criteria?
- Are procurement procedures regularly reviewed in order to eliminate duplication? When were the processes last reviewed?

- Does the agency make use of electronic procurement? Could e-procurement make your ordering and deliveries more efficient?

***How to report this in your plan?***

- ◆ *Outline the major areas of procurement expenditure within your agency.*
- ◆ *Analyse your spending patterns. (Are your spending patterns aligned with the agency's service delivery objectives identified above? Do you need to adjust spending priorities?)*
- ◆ *Identify where improved procurement processes could make a better contribution to the agency's service delivery, and to the Government's broader economic, social and environmental policy objectives.*

## 5. Developing performance targets and measures

Agencies are to establish targets and measures for procurement. These should support the *NSW Government Procurement Policy*. The development of appropriate targets and KPIs will assist agencies in measuring the improvements in each of the key areas identified in the Policy. These targets and measures should cover key benefit areas such as:

- improving procurement processes
- regional and local industry business development
- social and environmental outcomes

Any targets set for the procurement planning program should be consistent with those key performance indicators outlined in accordance with your agency's e-procurement implementation strategy and *Smarter Buying for Government* targets, including:

- better procurement practice
  - improved matching of service outcomes with procurement solutions
  - improved supplier and (supply chain) performance
- more aggregated buying
  - lower prices
  - achievement of wider social, economic and environmental outcomes
- wider take up of electronic procurement
  - lower transaction costs
  - improved data collection.

### ▪ Improving Procurement Processes

Agencies should prioritise the measures identified for improving procurement processes and establish a timeframe for their incorporation in procurement plans.

Performance targets and measures can include:

- reducing duplication in procurement activities within and between agencies
- reducing the number of contracts
- simplifying tendering and contracting procedures
- supporting electronic procurement and innovative technology
- providing feedback to service providers.

### ▪ Regional and Local Industry Business Development

Agencies may develop performance targets and measures including:

- development of a regional procurement strategy to support regional service delivery, eg, regional maintenance and regional contracting
- review of tender documentation requirements to minimise the cost of tendering
- provision of advance notice to potential tenderers on major procurement
- increased consultation with the Industrial Supplies Office (ISO) in the preparation of tenders to identify import replacement opportunities and local service providers

- inclusion of Industry Impact Statement (IIS) assessment for tender evaluation
- number and/or type of tenders requiring service providers to indicate measures they intend implementing to enhance greater regional and local industry participation, small to medium sized enterprises (SME) involvement, employment and workforce development
- extent of use of performance based assessment criteria to recognise SME's participation in and contribution to service providers
- measures adopted to reduce the cost of doing business for SMEs, encourage greater participation by SMEs in the contract chain and promote the use of electronic commerce to SMEs
- adoption of clear tender specification and evaluation procedures which give local industry and potential service providers the opportunity to compete on the basis of value for money.

▪ **Social and Environmental Outcomes**

Some performance targets and measures include:

- number of selected tenders requiring one or more of the following initiatives.
  - improved OHS&R performance
  - opportunities for Aboriginal and Torres Strait Islander people
  - improved environmental performance
- performance of the service providers and their commitment to achieve the outcomes
- number of service providers rewarded (for superior performance) with more opportunities to do business with government.

The targets developed should be consistent with the corporate targets of the agency.

It will also be important to review and report upon the targets set in your agency's 2001 Procurement Plan. Were they achieved, what were the successes, were there impediments, and how will these factors be addressed in the setting of new targets?

The following are some targets/key performance indicators set by participants in the 2001 Procurement Planning Program.

- Increase use of recycled paper to 75% by 2004.
- Reduce out of contract purchases to 10% by 2004.
- Introduce compulsory monthly reviews with consultants for projects over \$50,000.
- Introduce a reward system, as an incentive for contractors to produce outstanding project outcomes.
- Web site to be modified to include e-tendering, develop interface programs for upload of invoices into the Authority's integrated management system by 2003.
- Review of tender documentation to ensure that OHS&R performance criteria are adequate by 2003.
- Review of air travel practices, new travel guidelines, more cost efficient use of Qantas government travel contract and use of Internet for bookings by mid 2001.
- Tender documentation to be reviewed to target a reduction in the cost of preparing and submitting tenders of 5% with a further 5% the following year.
- Review use of Industry Impact Statements in tenders over \$5M to ensure opportunities exist for local and regional industries by 2003.

***How to report this in your plan?***

- ◆ *Set out the agency's priorities, targets and proposed actions for the next year. Use a table format like the one displayed below to demonstrate your agency's performance monitoring program*

Objective	Strategy	Performance measure	Expenditure

- ◆ *If your agency has established performance targets and milestones in previous procurement plans, review the targets set and report upon what was achieved, what was learnt and what needs to be improved.*

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## **Further information and assistance**

### **2002 Procurement Planning Program**

Procurement Policy Unit

Department of Public Works and Services

Telephone 02 9372 9150

Fax 02 9372 8851

email [procurement.policy@dpws.nsw.gov.au](mailto:procurement.policy@dpws.nsw.gov.au)

[www.dpws.nsw.gov.au/policy/publications](http://www.dpws.nsw.gov.au/policy/publications)

### ***Policy Statement for NSW Government Procurement***

[www.dpws.nsw.gov.au/policy](http://www.dpws.nsw.gov.au/policy)

### ***NSW Government Electronic Procurement Implementation Strategy***

[www.nsw.gov.au/e-procurement](http://www.nsw.gov.au/e-procurement)

### ***Smarter Buying for Government***

[www.dpws.nsw.gov.au/policy](http://www.dpws.nsw.gov.au/policy)

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# Attachment A

## 2001 Procurement Planning Executive Summary

The Procurement Planning Program commenced in 2000 with a pilot involving eight agencies.

However, due to the variability and limited information in the procurement plans submitted, no whole of government opportunities could be identified in the pilot. To improve the take up of procurement planning, organisations who submitted plans were provided with feedback on how to improve their plans, and the guidelines for the preparation of the plans were streamlined.

In 2001, 53 organisations were identified from NSW Treasury data to participate, as significant procurers of goods and services. A briefing was conducted in March 2001 to explain to agencies the procurement plan requirements. Twenty-five organisations submitted procurement plans to Policy Services Division (PSD). A list of these is included as Attachment 1. The majority of the plans were received in July and August 2001, and the analysis was completed in November 2001.

Overall, most organisations outlined what they procure and why, how they plan to improve and set targets to measure performance. Organisations also provided details of their commitment to e-procurement, regional procurement and environmental management. This demonstrated the organisational take up of the wider economic, social and environmental objectives of the *NSW Government Procurement Policy* in their procurement. There is still considerable room for improvement in the quality of the plans, however it can be expected that as procurement reform continues to accelerate within government so will the quality of procurement planning by government agencies, with future procurement plans reflecting a smarter procurement culture.

Five organisations, Department of Corrective Services, Department of Public Works and Services, State Rail Authority of NSW, Tourism NSW, and the Waterways Authority provided high quality procurement plans which addressed key procurement initiatives and outlined the agencies' strategic approach to procurement.

The Attorney General's Department, Department of Industrial Relations, Department of Mineral Resources, Environment Protection Authority, and the Motor Accidents Authority of NSW also provided good quality procurement plans.

### **Key Findings**

Key findings identified from the 25 procurement plans received in 2001 include:

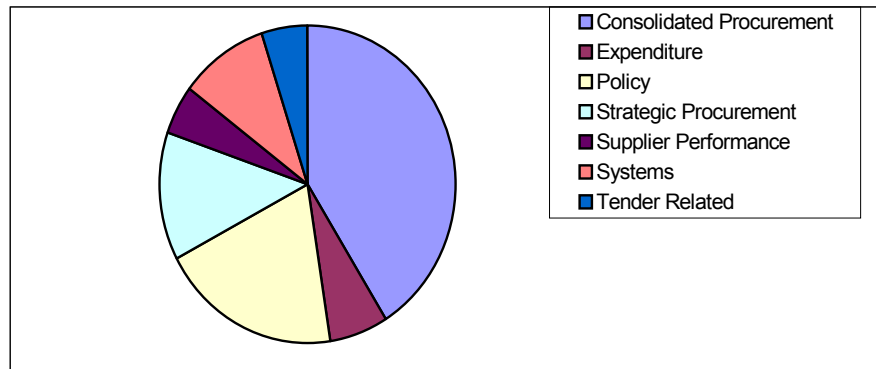
More organisations are viewing procurement strategically than in 2000. Several plans reflected a strong focus on strategic procurement within the organisation that is in supporting service delivery objectives. Examples include the Department of Corrective Services, Tourism NSW and the Department of Public Works and Services.

The inclusion in plans of environmental purchasing initiatives was largely a result of the emphasis placed upon the Waste Reduction and Purchasing Plan (WRAPP) required by the Environment Protection Authority was highlighted during the procurement planning briefings. The participants responded favourably to using the same material for both reports.

The most significant difference between organisations' plans was the degree of expenditure detail reported. Some organisations are achieving greater efficiencies from their procurement, based on demonstrated knowledge of spending practices. Other plans outlined steps to address the gap in spending pattern knowledge, which usually involves the enhancement of financial reporting systems.

Most organisations listed steps that have been or will be taken by the organisation to improve procurement practices and outcomes. The main initiatives involved increased aggregated buying, eg, increasing the use of agency or SCCB contracts, indicating that agencies are taking steps to reduce 'maverick' buying.

The three main categories identified for performance targets and measures focused on Procurement Process 43%, Environmental Management 23% and Electronic Procurement 18%. Although most organisations did provide performance targets, many did not develop tangible means of measuring performance. The categories identified as 'procurement process' performance targets are reflected in the following graph.



Smaller organisations generally outperformed larger organisations with regard to participation levels and the quality of the material presented.

Many organisations provided examples of smarter procurement that included material on bundling or aggregated purchasing, shared services and the savings accruing from these practices. Some of these included:

- the Attorney General's Department achieving significant savings from moving to a single supplier of common use items. For example the use of a single supplier operating an online ordering system has resulted in savings of up to 30% for some agencies.
- leasing multi-functional machines by the Department of Industrial Relations has reduced the number of items of office equipment by up to 60%, saving in floor space, energy usage and maintenance for others.
- lowering expenditure on electricity and fuel consumption through the strategies identified in Energy Management Plans. Energy efficient initiatives such as, building energy management devices and solar array generation grids for computer systems UPS and State grid supplement are expected to generate 10% savings for the Waterways Authority.
- reducing duplication, by four agencies including the Department of Transport and State Rail Authority, using the same transport subsidy scheme forms. Supply is maintained by the printer and delivered as required to the relevant office or agency.
- joint tendering for network management and administration by four agencies including Tourism NSW, is bringing long term efficiency from out-sourcing their daily information technology operations to a single entity.
- the State Rail Authority developing expenditure and supplier profiles for each business and the whole organisation to identify opportunities for consolidating procurement.
- the Department of Land and Water Conservation operating a fully integrated procurement and financial management system that has been designed to match the needs of the agency. The procurement module within the system has been re-engineered to enable statistical data to be obtained that assists in the monitoring of procurement levels across all areas of the organisation.

## **Whole of Government opportunities**

The plans provided in this year's program highlight some of the whole of government opportunities that exist if organisations continue to streamline processes, consolidate expenditure and share learning across government. The following are several areas of where agencies could collectively achieve whole of government benefits.

### ⇒ Procurement Competencies

Developing procurement skills to enhance service delivery outcomes supports Strategy 15 of *the NSW Government Procurement Policy*, to introduce a procurement competency framework across government. Enhancing the contract management capability of personnel will ensure they possess the appropriate skills to procure efficiently and effectively on behalf of the agency.

### ⇒ Aggregated Procurement

Developing aggregation strategies within agencies and across government will achieve increased savings and improved procurement outcomes. As demonstrated by the 'Smarter Procurement' examples listed previously agencies are able to apply these types of initiatives across Government. By using available expenditure data and identifying shared procurement needs (starting with agencies with shared service delivery goals or Ministerial portfolios) the SCCB and other procurement forums will be able to identify procurement partners and profile examples of their aggregation.

### ⇒ Regional Procurement

Maximising regional purchasing power to achieve regional development outcomes. The plans demonstrated increasing support and recognition of the positive impacts to be realised from regional procurement and informal feedback received indicates that this can be enhanced if existing procedural impediments are addressed. These include internal policies, increased communication on procurement between regionally based organisations and the Regional Procurement Program.

### ⇒ Performance Reporting

Enhanced performance monitoring of service providers and government involved in procurement will deliver improved contract management and procurement outcomes. Several plans outlined initiatives targeting supplier performance, from establishing profiles to rewarding superior performance. Implementing better performance reporting practices across government will assist organisations to implement appropriate action in tender evaluation and contract performance.

### ⇒ Case Studies

Collecting and reporting procurement experiences to help share learning and establish benchmarks across government. Many organisations referred to the need to build networks with other organisations, as a means of sharing learning across government. This can be achieved using case studies, communicated through existing networks, training and forums. By using the communication avenues listed and the 2002 Procurement Planning Guideline these experiences will gain further exposure across government.

To build upon the key learnings and smarter procurement practices identified in the 2001 Procurement Planning Program, DPWS will work closely with the 25 organisations that provided plans to ensure the key actions in this report are achieved and reflected in their procurement practices. On a whole-of-government basis the findings of 2001 program will be communicated through the 2002 Procurement Planning Guideline and briefings, and the Procurement Network Group.

The success of the 2001 Procurement Planning Program will encourage organisations to continually improve the quality of their own planning, how they set targets and milestones and how outcomes are reported.

## **Attachment 1 – Participating Agencies 2001**

NSW Attorney General's Department  
NSW Department of Corrective Services  
Office of the Director of Public Prosecutions NSW  
NSW Department of Education and Training  
NSW Environment Protection Authority  
NSW Fire Brigades  
Department of Gaming and Racing  
Historic Houses Trust of New South Wales  
NSW Department of Industrial Relations  
NSW Department of Information Technology and Management  
NSW Department of Land and Water Conservation  
NSW Department of Mineral Resources  
Motor Accidents Authority of NSW  
NSW National Parks and Wildlife Service  
NSW Department of Public Works and Services  
State Forests of New South Wales  
State Library of New South Wales  
State Rail Authority of NSW  
Sydney Catchment Authority  
Sydney Opera House Trust  
NSW Department of Transport  
Tourism New South Wales  
Waterways Authority of NSW  
WorkCover New South Wales  
Zoological Parks Board of NSW

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# Attachment B

## Annual procurement plans template

**AGENCY:** \_\_\_\_\_

### ANNUAL PROCUREMENT PLAN

#### INTRODUCTION

- Give a brief description of your agency, its role, objectives, size and locations.

#### SUPPORTING SERVICE DELIVERY OBJECTIVES THROUGH PROCUREMENT

- Summarise your agency's service delivery objectives and overall procurement aims, direction and goals.
- Outline your agency's procurement profile, including spend on major investment categories and how procurement is coordinated within the agency.
- Explain how your procurement is currently contributing to the achievement of the agency's service delivery objectives and whole-of-government economic, environmental and social objectives? For example, the agency may have the objective of increasing regional service delivery. Does the agency have a procurement strategy that supports this objective?

#### IMPROVING PURCHASING ADVANTAGE

- How are you maximising the use of SCCB or agency contracts?
- Provide examples of the outcomes being realised through aggregation.

#### E-PROCUREMENT IMPLEMENTATION STRATEGY

- Outline plan, results and milestones achieved against targets in the organisation's strategy, including better e-procurement practices that have been applied
- Refer to those business processes that have been re-engineered to take advantage of the full potential of technology
- Reference electronic procurement initiatives adopted or planned for takeup in the annual plan, as may be appropriate.

## IMPROVING PROCUREMENT PROCESS

- Outline the major areas of procurement expenditure within your agency.
- Analyse your spending patterns. (Are your spending patterns aligned with the agency's service delivery objectives identified above? Do you need to adjust spending priorities?)
- Identify where improved procurement processes could make a better contribution to the agency's service delivery, and to the Government's broader economic, social and environmental objectives.

## PERFORMANCE TARGETS AND MEASURES

- Set out the agency's priorities, targets and proposed actions for the next year, using a table similar to the one below.
- Review the performance targets and milestones set in previous procurement plans and report upon what was achieved, what was learnt and what needs to be improved.

Objective	Strategy	Performance measure	Expenditure

## HIGH VALUE, STRATEGIC OR COMPLEX PROCUREMENTS

If the agency has prepared plans for high-value, strategic or complex procurement during the past financial year, include a summary of the plan/s.

**Submitted by:**

**Position:**

**Contact details:**

Your plans should be sent to:

State Contracts Control Board  
C/ Procurement Policy Unit  
Policy Services Division  
Department of Public Works and Services  
Level 23, McKell Building  
2-24 Rawson Place  
SYDNEY NSW 2000  
Facsimile: 9372 8851  
E-mail: [procurement.policy@dpws.nsw.gov.au](mailto:procurement.policy@dpws.nsw.gov.au)

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# Attachment C

## Project specific procurement planning

This planning process is for the procurement of individual projects. This type of planning is required if:

- the total expenditure on the goods or service will be \$500,000 or more
- the procurement is strategic, complex or sensitive to the agency in some manner.

To determine if the procurement is 'strategic, complex or sensitive' a risk analysis may need to be undertaken.

Agencies need to consider the following steps when developing and documenting high volume, strategic or complex procurement plans.

### **Overview: four steps**

- 1 Analysing the need
- 2 Determining procurement requirements and considering options
- 3 Reviewing your procurement strategy
- 4 Managing the contract, evaluating the outcomes

## **1 Analysing the need**

### ***Background information***

Identify the broad reasons for the procurement and estimate the approximate total cost.

- Were alternative strategies considered (eg. provision of a service rather than procurement of goods)?
- Have the requirements (such as quantities, ordering patterns and delivery times) of the agency been established?

### ***Special requirements of the procurement***

Examine the context (eg industrial, political influence) for the procurement, are there any special or contentious circumstances?

- Has advance notice of the procurement been disclosed to prospective tenderers to allow them the opportunity to more accurately price and program the work and develop innovative solutions?

### ***Develop specifications***

Specifications should clearly establish the requirements of the procurement and be developed as one (or a combination) of the following:

- Functional specification that defines the outcomes of the procurement.
- Performance specification that defines the performance standards required.

- Technical specification that defines the technical or physical characteristics of the good or service.
- Commercial specification that describes the item(s). (Only to be used where the item is in government contract, or is a component of existing equipment where there is no other item that could meet the agency's needs.)

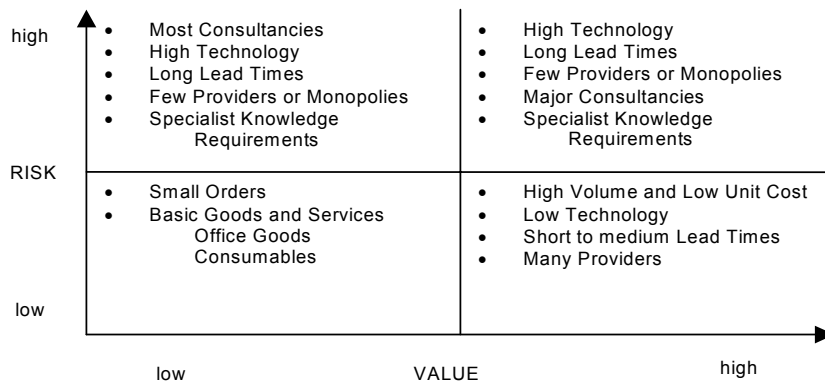
Define the agency's goals for the procurement. List the agency's requirements in the form of specifications or outcomes.

- Is the specification used the most appropriate to ensure that the agency obtains best value for money?

### ***Undertake risk assessment***

An assessment of risk and how the risk will be managed should be included in the procurement plan. It should include consideration of the impacts of environmental, OHS&R and similar issues.

The following chart provides a guide to the extent of risk management required for different procurements.



### ***Examine what happened previously***

If the goods or services have been procured previously, review the tender documents used, including the specifications and tender evaluation criteria.

- What type of contract was used?
- What was its value and duration?
- If the contract is still current, what is the current status of the contract?
- Who was the service provider?
- Who were key personnel or sub-contractors?
- Examine any performance reports. Did the outcomes meet the goals?
- Identify areas for improvements.

## 2 Determining procurement requirements and consider options

### ***Consider options***

Consider as broad a range of options as feasible, do not jump to solutions based on past procedures. Look for innovative ways of adding value to the outcomes.

Could the procurement be avoided or deferred? Are existing resources being used at an optimal level?

For example, could existing equipment be updated or better serviced, rather than buying new?

Consider using in-house skills rather than external contractors or consultants.

### ***Market Research and analysis***

Research and analysis provides information on the market and current price structures that may affect the contract. The research should also establish the existence and effectiveness of other government contracts that could be used in lieu of going to tender.

Consider different sources of supply

- Is there an Australian or New Zealand source of supply rather than an international one?
- Establish the number of service providers. Does the market allow effective competition? Is there a danger of a monopoly developing?
- Has the NSW Industrial Supplies Office (ISO) been consulted to identify local industry or regional service providers?

Assess the impact the procurement is likely to have on the market, the community and on the industry.

### ***Wider benefits***

The Government's wider policy objectives include:

- Opportunities for regional development and access for SMEs to do business with government,
- Social justice, environmental management, workforce diversity and OHS&R improvements.

Consider the government's wider policy objectives. The size and value of the procurement may provide a leverage on the industry to achieve these objectives. Refer to the *NSW Government Procurement Guidelines* on how to apply these objectives to agency procurement.

### 3 Detailing your procurement strategy

#### ***Procurement strategy***

The procurement strategy establishes the contract strategy to be used (buy, lease or contract out), procurement methods (tender, expression of interest, proposal), evaluation process, management responsibilities, and timetable for the project. In addition, the procurement strategy should examine whether there is an opportunity for the uptake of electronic commerce in the procurement process.

#### ***Contract strategy***

The contract strategy outlines the objectives and priorities to be pursued while undertaking the procurement process.

What contract strategy will be used?

- Form of contract (eg. fixed price, volume discounts, and scheduled deliveries).
- Single or panel contract.
- Supply only, supply and service, service only, or supply, service and maintenance contract.

What procurement method will be used? This will depend on the urgency, value and complexity of the procurement and knowledge of the market, tendering costs, etc.

- Is a staged process (ie expressions of interest, requests for proposals followed by invitation to tender) appropriate? Would an 'open tender' be a better option?

#### ***Evaluation of tenders***

Consider the selection criteria for the evaluation of tenders. Have the Government's wider objectives been incorporated into the tender documents and appropriate weightings allocated to each criterion? The selection criteria need to be determined prior to the release of tenders.

- Has an evaluation committee been established? The evaluation committee should be kept to a small manageable number and consist of members appropriate for the procurement being undertaken.

#### ***Procurement timetable***

The procurement strategy should contain a timetable that provides an overview of the whole process, including timings of briefings for pre and post tender, milestones, and the expected completion/delivery date. This enables the progress of the procurement project to be monitored, and the potential bidder to know what is required.

The establishment of a timetable is particularly important where tender preparation, evaluation, and/or delivery of the contract outcomes is likely to be complex or where the delivery date is critical.

- Establish a procurement timetable.

## 4 Managing the contract, evaluating the outcomes

### ***Manage the contract***

Adequate contract management is critical in the procurement process to ensure that the terms of the contract are met. Contractor performance should be clearly identified as a criterion for tender evaluation.

### ***Evaluate performance***

Set key performance measures and targets

- For service provider performance
- For agency performance
- For contract performance
- For implementing whole-of-government policy objectives

Key performance measures should be reviewed and refined throughout the procurement process.

### ***Follow-up: after the procurement or contract is complete***

- Evaluate the procurement against the required outcomes, including the whole-of-government policy objectives.
- Provide constructive feedback to agency personnel and service providers.