



Local Government
P R O C U R E M E N T

Annual Report 2018/19

Highlights

Saved the sector
\$71 million



Delivered specialised training to



800+ local
government staff

2,331 RFXs online
\$420.4 million

\$1.4 million
rebates



paid to councils,
ROCs and JOs

Contract spend
growth



increased by
\$50.8 million

Our Vision

Vision

We are an innovative leader, expert and champion delivering high-value procurement solutions, education and consulting services.

We achieve this aspiration through engaged, empowered and accountable staff who enjoy being part of our talented team.

Value Proposition

At LGP we have the services and expertise to support procurement capability and efficiencies for the local government sector.

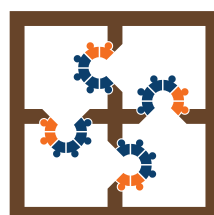
How we deliver our value:

- We are customer focused
- We are innovating our organisation
- We reduce cost
- We reduce risk
- We offer a broad suite of services that form an integrated procurement solution
- We promote learning and procurement capability development
- We invest back into the local government sector
- We focus on growing regional economic development



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Message from the Chair



On behalf of the Board at Local Government Procurement (LGP) we are delighted to present the inaugural LGP Annual Report.

The 2018/19 financial year delivered an excellent financial result, providing strong returns to our owner in Local Government NSW (LGNSW). It also allowed the business to allocate a record \$1.4m in rebates for councils, regional organisation of councils and joint organisations recognising a \$50m increase in spend under LGP's 31 contracts.

This year we also welcomed a new Board. We are very grateful to have Penny Holloway, Elizabeth Henderson, Peter Dennis and Robert Lagaida appointed, and making such a significant contribution so quickly. I would also like to acknowledge and thank Paul Braybrooks who served as the LGP Chair for many years, along with all the board members who concluded their term in FY2018. I have enjoyed my first year as Chairman, and I take great confidence working on the LGP business with our new Board members. The Board has worked closely with the owners, Local Government NSW on updating the LGP governance framework. Beyond establishing the new Board, we made a series of changes to streamline our governance model, with further improvements to come as we conclude a review of the overall corporate structure.

Finally, to the CEO, executive team and all the LGP staff, on behalf of the Board we would like to acknowledge all the hard work, which has delivered performance beyond our expectations for 2018/19.

Working together, we will continue to review, adapt and grow the LGP business to drive new value for all councils, approved contractors, stakeholders, and LGNSW as our owner.

This annual report signifies LGP's growth as a business, giving us an opportunity to present an ever-increasing list of achievements and outcomes. This is a document we look forward to sharing each year to celebrate our organisation, people, customers and all stakeholders. We hope you enjoy reading the LGP 2018/19 Annual Report.



Message from the CEO

The 2018/19 Financial Year for Local Government Procurement (LGP) is best defined by success and innovation

By designing and delivering a series of new initiatives LGP has managed to increase the value we provide to our councils, approved contractors and all our stakeholders.

Possibly the most important achievement was LGP Stakeholder Engagement Project – assigned to Grant Thornton under the LGP (218) Contract, we conducted focus groups with our vast group of stakeholders to collect valuable feedback, which has highlighted how we can provide greater value across these critical relationships.

Some of the resulting initiatives from this project include: a Customer Journey Mapping exercise to analyse the experience when using LGP contracts; making our approved contractors feel more valued; re-building the LGP website; and producing this Annual Report.

As CEO, I am proud of all we have achieved, I am especially grateful for the work our team has delivered in terms of innovation.

Beyond the Stakeholder Engagement Project, other LGP ‘inventions’ that created new value during FY2018/19 include:

- Completed our first three internal audit projects – addressing Supplier Contract Spend reporting, the LGP Rebate Scheme and the LGP Tendering Process
- Implemented the Customer Reference Group (CRG) made up of council procurement professionals

- Designed, tested and rolled out our LGP Contractor Spend Dashboards in Microsoft PowerBI
- Designed and launched our Engineering Network Meeting events program for councils
- Commenced a Leadership Development Program for LGP’s existing and emerging leaders
- Delivered the new Internal Audit & Management Consulting Contract (218)
- Rolled out the ‘Virtual Classroom’ for regional councils to join LGP Training courses.

LGP managed almost 7% of the \$11.4B sector-wide spend through its 31 contracts in 2018/19. We trained over 800 people, and delivered more than 22 consulting projects. In accordance with our Vision, LGP continues to strive to be an innovative leader, expert and will continue to champion the delivery of high-value procurement solutions, education and consulting services.

We appreciate the support from all our stakeholders, including councils, ROCs, JOs, approved contractors, partners and stakeholders. Specifically, I would like to thank our Chairman John Truman for his leadership and commitment to our organisation, along with our LGP Board Members for their guidance and valuable contribution. I would also like to thank LGNSW for its support with various governance changes throughout the year. Most importantly, I would like to thank our fantastic LGP staff who truly led and drove our business through their tireless efforts – and for that, we are very grateful.

LGP Board

JOHN TRUMAN CHAIRPERSON



John has served on the LGP Board since 2005. He is a former National President and NSW President of the Institute of Public Works Engineering Australasia (IPWEA), having been elected NSW IPWEA Director for 15 years. John was the founding Chair of NSW Roads Directorate and is currently Group Manager Civil Services at Ballina Council.

PETER DENNIS



Peter is Conjoint Professor in the School of Engineering at the University of Newcastle and one of Australia's leading water industry strategists. His major roles include Managing Director at Hunter H2O, CEO at South East Queensland Water, CEO at Armidale Regional Council, General Manager System Strategy at Hunter Water Corporation and Chief Operating Officer at Hunter Water Australia. His Board experience includes AWA, Mackay Regional Council, Water and Waste Water Board and Newcastle Institute of Energy and Resources.

ELIZABETH HENDERSON



Elizabeth is an executive, lawyer and sourcing & procurement professional with 20+ years' experience in the banking & financial services and professional sectors. She was a senior manager and commercial director at Westpac, including Director of Strategic Sourcing, Director of the WorkSMART Program and Chief of Staff to the Chief Operating Officer. Previously she worked in both investment banking and as a Senior Associate at major Australian law firm Freehills (now Herbert Smith Freehills). Elizabeth is currently Commercial Director at boutique advisory firm Nyungga Black Group.

PENNY HOLLOWAY



Penny has 30+ years' experience at senior executive level in state and local government in Victoria and NSW, including CEO of Lord Howe Island Board, General Manager at North Sydney Council and CEO at Latrobe City Council. She is currently a Board member at the Australian and NZ College of Paramedicine, Alternate Chair of Local Planning Panels at Willoughby, Burwood and Camden Councils, Independent Expert on the Local Planning Panel of The Hills Shire Council, and a Member of Northern Sydney Local Health District Audit and Risk Committee.

ROBERT LAGAIDA



Robert has 25+ years' experience in the NSW public health system managing delivery of health services, undertaking procurement and management of assets, goods and services for NSW public hospitals. He was Director of Clinical Operations and Director of Finance and Commercial Services in a number of NSW Health entities, and also held senior policy positions in the NSW Ministry of Health. Robert is currently a Board Director of Arthritis and Osteoporosis NSW, as well as Chair of the Audit and Risk Committee at North Shore Community Transport, and independent member of the Audit and Risk Committee at Blacktown City Council.

Measuring our Value



Contract Spend

During the 2018/19 financial year, **LGP contract spend grew by \$50.8 million** to \$767 million. That was a **7% increase** on the previous year.

Overall **2,331 online RFXs** were submitted – with an estimated value of **\$420.4 million**. Significantly this was a **19% increase** on the previous year.



Rebates

LGP finished the 2018/19 financial year with a gross surplus \$3.8 million (before allocation of rebates) thanks to the support given by councils across NSW in using our contracts, training and consulting services.

As a result, **\$1.4 million in rebates** was paid to councils, ROCs and JOs a **27% increase** (+\$300,000) on the previous year.



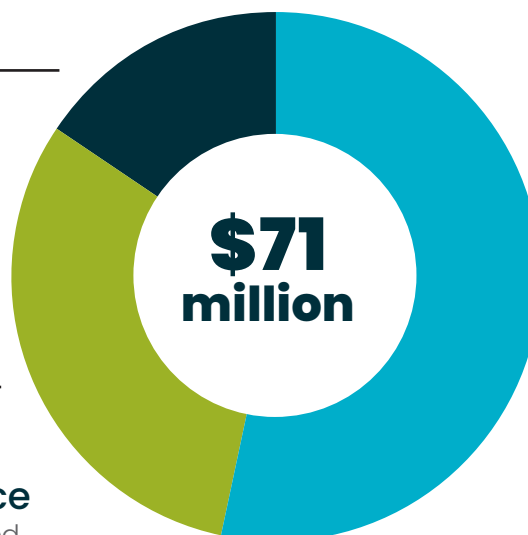
Savings

LGP's efficiency and expertise saved the NSW Local Government sector an estimated **\$71 million** overall for the financial year.

The estimated savings included: \$38 million through negotiated pricing achieved under LGP contracts (actual contract expenditure x 5%); \$22 million in tender cost avoidance (\$10K or 100 hours per tender x average number of contracts used x number of councils); and \$11 million in contract management costs (\$5K or 50 hours per contract x number of contracts used).

\$11 million
contract
management costs
or 868 hours per council
saved

\$22 million
tender cost avoidance
or 1700 hours per council saved



\$38 million
negotiated pricing

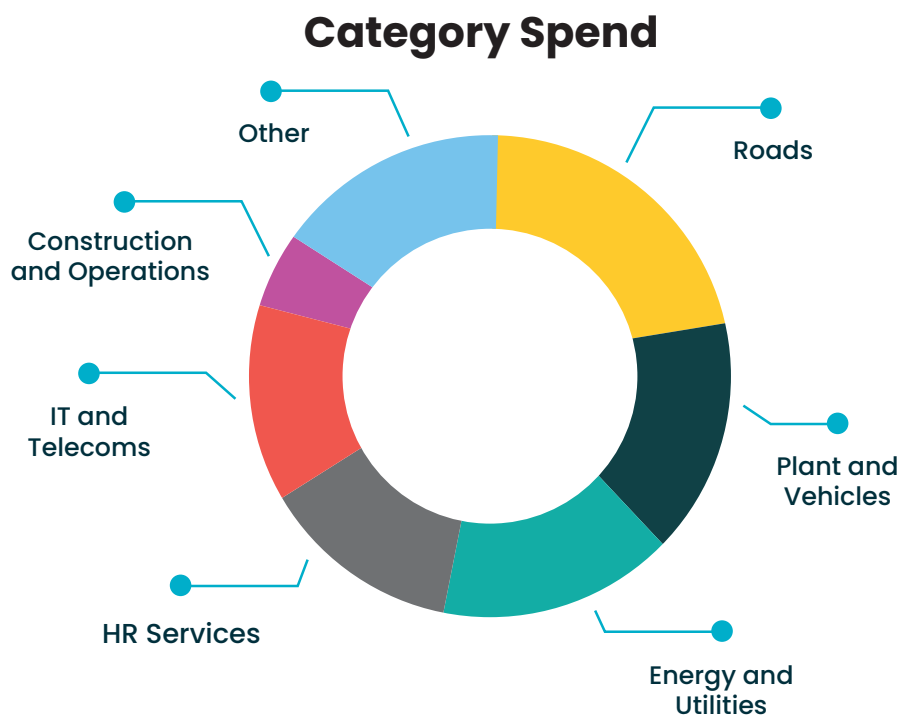
LGP Tendering & Contracts



LGP Tendering & Contracts

Our team currently consists of 13 members, including a para-legal section. During the 2018/19 financial year, 3 staff were promoted to other sections of LGP – thus spreading knowledge and intellect across our organisation. This provided us with an opportunity to welcome skilled new staff, bringing fresh commercial ideas and experience.

In 2018/19 the NSW local government sector spent \$767 million through LGP contracts.



Top five contracts most used by councils were:

- \$151 million – Bitumen, emulsions and asphalt materials and services
- \$126 million – Supply of electricity, gas and green power
- \$106 million – Human resources – permanent and temporary placements and associated services
- \$52 million – IT&C products, services and consulting
- \$37 million – Professional consulting services

Delivering value through:

- competitive pricing;
- access to leading and local suppliers; and
- by reducing procurement risk.

During the year, eight tender processes were conducted with 124 submissions received from tenderers.

LGP had **31 contracts in operation, encompassing 890 LGP Approved Contractors**. We negotiated these on your behalf, using bulk purchasing power to secure the best possible value for money and sector-specific solutions.

Our customers include all NSW councils, regional organisations of councils (ROCs), joint organisations (JOs), not-for profit organisations, universities, state government agencies and departments.

LGP Tendering & Contracts

During the year we established six new contracts.

LGP established a new contract for **Internal Audit and Management Consulting Services** and we refreshed the following five contracts:

- Bitumen, emulsions and asphalt materials and services
- Mobile garbage bins, industrial containers & bins, static compactors, associated products and services
- Office supplies & janitorial (including heavy duty cleaning) & associated products
- Road and traffic signage, associated hardware and roadside products
- Traffic management services.



LGP is a member of the National Procurement Network (NPN) – a collective of all Australian State and Territory local government procurement agencies. The NPN delivers value across Australia's local government sectors by bringing together procurement skills and opportunities from all states and territories to deliver aggregated contracts and associated procurement solutions.

Requests for advice and feedback regarding appropriate procurement process and probity continue to be an excellent opportunity to provide a 'value-added' service to councils. Contractors also sought LGP's assistance for process improvement and dispute resolution. LGP continues to work with the Office of Local Government to improve procurement generally.

Through the NPN, LGP customers have exclusive access to eight national local government (NPN) contracts.

LGP Services



Training

LGP provides end-to-end procurement training through a series of innovative learning and development solutions, tailored specifically to meet the needs of procurement professionals in the local government sector.



LGP Training courses range from the basic eLearning modules in procurement and contracting, through to nationally accredited qualifications.

During the 2018/19 financial year, LGP delivered cost-effective **procurement training and eLearning to more than 800 NSW local government staff.**

In that program, **40 training courses** were delivered in Sydney and regional locations. The top three courses delivered were:

- Contract Management Essentials
- Evaluation, Supplier Selection and Contract Essentials
- Procurement for Local Government.

In association with Pro Leaders Academy, a registered training organisation (RTO), LGP offer six **nationally accredited courses customised for the local government sector.** Five courses were delivered:

- Advanced Diploma of Procurement and Contracting
- Advanced Negotiation Skills
- Certificate IV in Procurement and Contracting
- Diploma of Procurement and Contracting
- Diploma of Project Management.

Three **eLearning modules** focusing on procurement, contract management and probity were delivered to 65 participants.

This year LGP introduced a **virtual classroom** – an initiative to meet the needs of regional customers. This technology allows participants from any geographic location, the opportunity to remotely attend courses conducted at our Sydney office.

Consulting

The **LGP Consulting Team** is a **specialised unit established to provide individual support** to councils in relation to specific procurement projects.

In 2018/19 we provided specialist procurement services to councils through **22 procurement projects**, including the facilitation of RFT/EOI/RFQ processes, procurement reviews, bespoke training, probity and audit services.

LGP Consulting: why do clients seek our services?

Some councils want to change something, achieve something, attain something or become something – and they need help to achieve their outcome. They may not have the specifically skilled resources, or they simply want to save time and effort by following an efficient, proven system.

Most often, they know what their desired outcome is – but they need expertise and advice to get there. The true meaning of consulting is helping people solve problems and assisting them to move from the ‘status quo’ to their desired outcome. That is why LGP consulting was created: to provide solutions to our clients.

LGP Consulting has three ‘areas of discipline’: Strategic, Sustainable and Local.



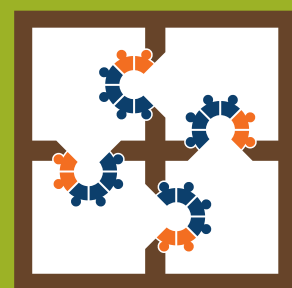
Strategic

Assisting clients to identify their procurement maturity and determine strategies to achieve excellence. This may include structure and change management; exploring efficiency tools that suit individual clients; providing services as required.



Sustainable

Sustainable procurement looks at total purchase cost, economic, environmental and social within a wider framework of good governance. These four factors are together called the quadruple bottom line which is at the heart of sustainable procurement.

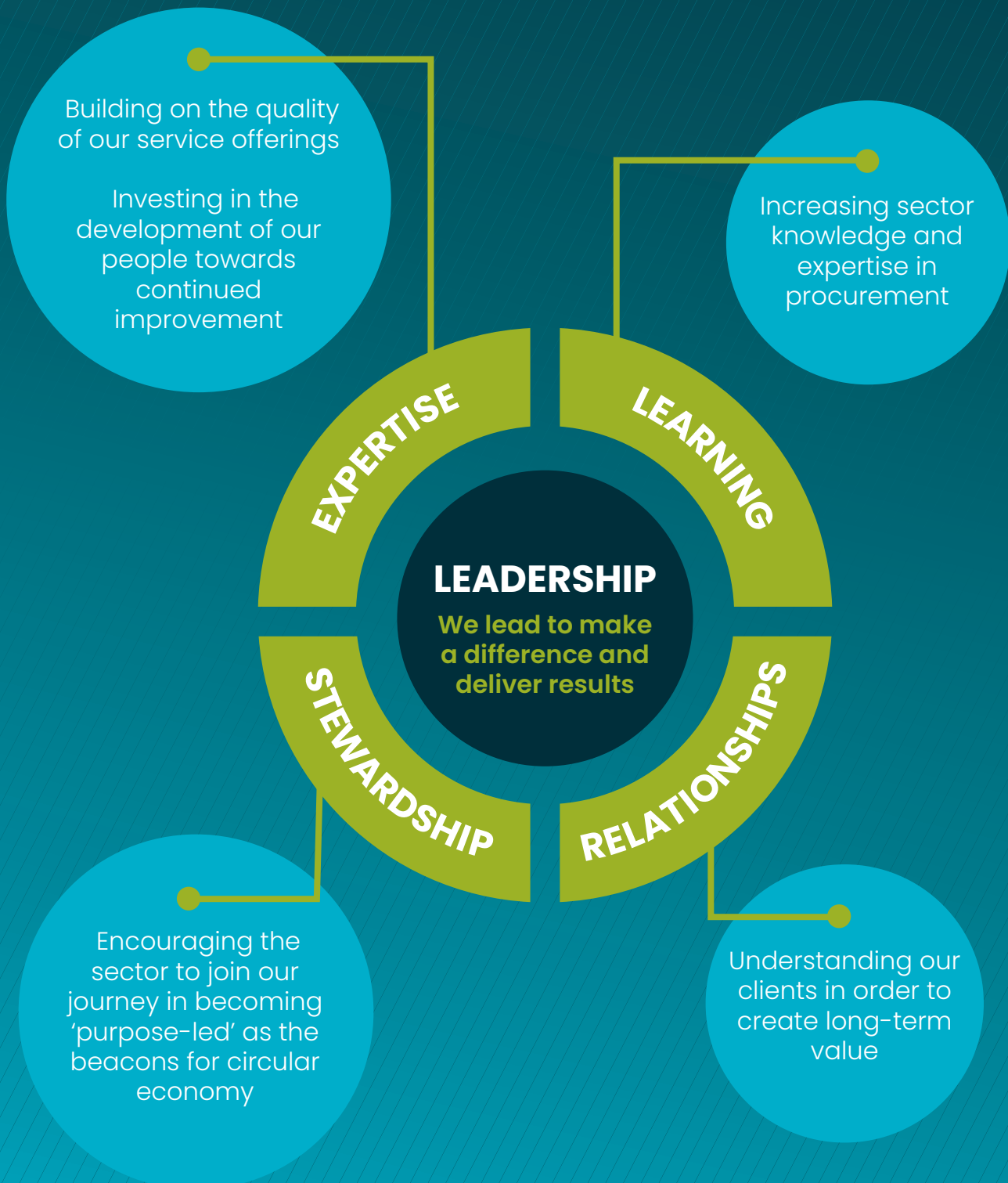


Local

Delivering services in alignment with local government legislation. Promoting local participation, informing and educating local businesses, upskilling council staff.

Our Four Focus Areas

LGP Consulting works across four focus areas to help achieve goals included in the client's 'Vision'. They represent our strategic goals.



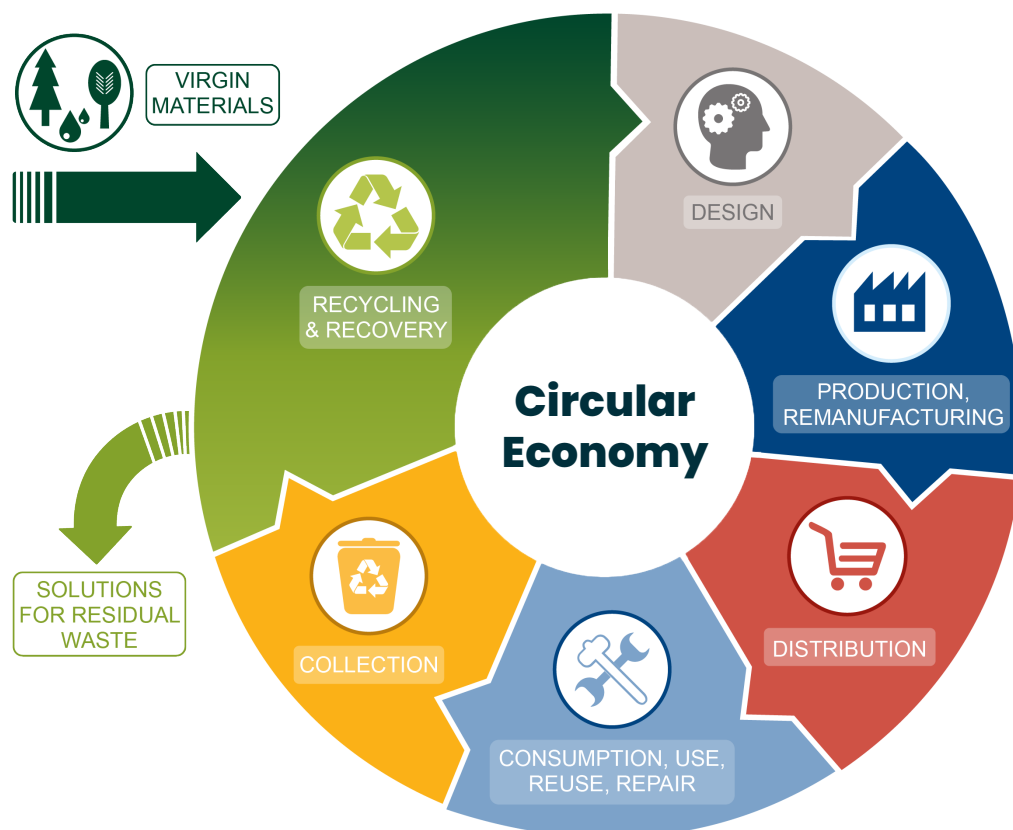
Sustainable Choice

Sustainable Choice assists local government to integrate social outcomes into their procurement systems and purchase sustainable products and services.

During the year, two ISO 20400 **Sustainable Procurement training courses** were delivered to 36 participants. The products and services **database of suppliers has increased by 15% to 384 suppliers** and the online member resources library has expanded with 19 new resources.

Twenty councils participated in the **annual Sustainable Procurement Scorecard and Performance Reporting**. The average score for sustainable procurement **implementation progress has increased by 7%** compared to 2017.

To inform and educate councils, Sustainable Choice collaborated with multiple stakeholders – including PlanetArk, Social Traders, Australian Packaging Covenant Organisation, Tyre Stewardship Australia and NSW OEH. Ongoing support was provided to the LGP Tendering team on six tenders to develop sustainability criteria and participation in evaluation of tenders.





Leading Efficiency and Analytics Program (LEAP)

LEAP is a low-cost continuous improvement program that uses real data and evidence to improve the procurement capability of councils.

The program focuses on:

- cost saving
- internal efficiency
- procurement maturity.

Armidale Regional Council and Inner West Council were recognised for overall improvement in procurement maturity. Inner West Council also achieved Advanced Procurement Stage.

Three new dashboards have been developed – that include custom built, social procurement, and executive KPIs.

The **Community of Practice workshops** were delivered to 15 participants.



Events

In 2018/19 LGP expanded its events program and delivered 30 events to 545 delegates in Sydney, Coffs Harbour, Tamworth, Dubbo, Griffith, Queanbeyan and Wollongong as well as online. In addition, LGP participated in 11 events as a sponsor or exhibitor.

7 **procurement
and engineering
network events**

attended by
more than 290
delegates

1 **annual
conference**

attended by
more than 95
delegates

3 **sustainability
forums**

attended by
more than 70
delegates

19 **online
events**

attended by
more than 95
participants

Our **annual conference** in October 2018 embraced the 'Power of Procurement' theme. It included a new conference app, the use of live polls, new 'Round Robin Networking' sessions with exhibitors and a high calibre speaker line up.

Participation was high with more than 95 delegates, 30 exhibitors and sponsors, and over 160 attendees at the conference and awards dinner. The post-event survey showed 93% of attendees rated the two days 'Very Good' or 'Excellent'.

The procurement and engineering network events are free of charge and the sustainability forums are free for members. The events provide the opportunity for local government staff to hear from guest speakers, collaborate with their peers and discuss current issues.

In addition, 19 online events were delivered to councils, suppliers and approved contractors on a range of issues – including sustainability, cost savings and efficiencies, tender briefings and contract implementations.

2018 Procurement Awards

The procurement awards celebrate those procurement professionals or groups who are making a difference in local government and the community. The awards were presented at the annual conference dinner and recognise excellence and achievement in local government procurement.

Winners of the 2018 procurement awards



**Lisa Neal,
Northern
Beaches Council**

– Outstanding
Procurement
Professional of
the Year



**Lake Macquarie
City Council**

– Sustainable
Procurement
Initiative



**Michael Cable,
Sutherland Shire
Council**

– New
Procurement
Professional

LEAP Procurement Capability

The LEAP procurement capability awards recognise improvement in procurement maturity. The awards were presented at the annual conference dinner and recognise improvement in procurement as well as identified procurement savings.



**Inner
West
Council**

Winners of the 2018 LEAP procurement capability awards



**Armidale
Regional
Council**

Moving Forward

Stakeholder Engagement

In order to achieve and maintain our Vision as an “innovative leader, expert and champion delivering high-value procurement solutions, education and consulting services” LGP staff place customer focus at the top of their priorities every working day.

To that end, our first **LGP Stakeholder Engagement Project** was conducted by an external consultant who sent an online survey to over 3,000 stakeholders, and followed-up with detailed focus groups. By embracing the outcomes of this new initiative, LGP is driving to increase our value and benefit for the NSW local government sector.

Council
sentiment is **72%**



Approved contractor
satisfaction is 73%

employee
satisfaction is 81%



During FY2019, LGP launched its first **Customer Reference Group** (CRG) creating a new and diverse group of council procurement professionals. The purpose of the CRG is to provide representatives with intimate access to LGP management and the opportunity to influence various LGP strategic initiatives.

Leading into FY2020 stakeholder new value creation initiatives include:

- customer journey mapping
- a new LGP website
- launching a customised contract lifecycle management system for local government
- establishing new panel contracts
- procurement intelligence dashboards
- advocacy for social procurement outcomes in local government
- new training programs
- expanding value for our approved contractors
- supporting another 40 events.



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