

Risk Triage  
Project – NSW  
City Council



## INTRODUCTION

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Policies, processes and practice guides reflect modern, streamlined business practices. They aim to provide you with a simplified and more flexible buying process. Process and practice guides intend to make purchasing and contracting an easy to follow process.

There are a number of government websites that can steer clients toward information on current policies and procedures. Procurement and Contracts Division tailor organisations policies and procedures in such a way that mirrors the organisations thirst for risk as well as compliance requirements. We offer out of the box as well as strategic guidance with the developmental phase of organisations policy and procedure needs.

Procurement and Contracts Division own a number of key documents that assist our clients to turn its procurement function into a strategic powerhouse. Our procurement toolbox is filled with different ways to go about procurement, some of these move away from the traditional models most are familiar with.

The following case study below will show, despite these guidelines procurement can be tailor made to suit agencies, and still abide by overarching policies or legislative requirements. Our new approach moves away from the traditional values based and takes on risk as a decisive factor, its name is “Risk Triaging”.



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**A FRESH APPROACH TO PROCUREMENT**

An innovative approach to the procurement of goods and services has presented a NSW City Council with some unique and rewarding opportunities. By revolutionising the way this organisation chooses to procure their goods and services and subsequent evaluation process is carried out, the council has:

- Assumed greater control over its procurement process;
- Delivered more efficient procurement outcomes;
- Met the relevant service objectives; and
- Delivered high quality, value for money goods and services.

**PREVIOUS MODEL**

Before this new procurement process, the NSW City Council had two procurement policies in place, a tendering manual that was 102 pages in length and procurement decision points in place such as:

Value	# of quotes required	Procurement Involvement
Up to \$100	Value for money	No
\$100 to \$1,500	1 verbal or written quote	Yes
\$1,501 to \$7,500	Minimum 2 written quotes	Yes
\$7,501 to \$50,000	Minimum 3 written quotes	Yes
\$50,001 to \$150,000	Tenderlike process	Yes
\$150,000+	Public Tender	Yes

As a result, what we found was that the procurement methods that were on offer did not reflect positive outcomes that could have been realised. Some repeating issues were:

- Disgruntled suppliers due to quoting constantly with no end benefit;
- Staff treating procurement as a chore thus leading to less value for money outcomes or time wasting for compliance with procurement;
- No procurement planning/resource planning;
- Low level of compliance as it is too prescriptive; and
- Low engagement with the Procurement Team.

## PROCUREMENT STRATEGY

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Strategising for procurement is not a lost art, however it is pushed aside whilst managers deal with the day to day procurement operations. What we found at a NSW City Council is that, they wanted positive change and more engagement with the procurement team from the business. They did not understand how to link procurement with:

- A – the benefits; or
- B – the operational and community plans.

P&CD developed a Procurement Strategy document that links with the benefits that the Council achieves for the community and the community and operational plans. We also developed a one-page illustration for the procurement team and business that shows how valuable the procurement team is to the business.

## PROCUREMENT POLICY

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When assigned to conduct policy and procedure reviews, it is interesting to see how business interpret procurement and the relevant objectives that they set the function to achieve. When we entered the NSW City Council's premises, the first thing we tried to achieve was an understanding of the current climate and operations through its policies and procedures. Unfortunately, this was the first Council that left us scratching our heads as we couldn't understand the link to the corporate objectives and which of the two procurement policies was the overarching document.

So, P&CD set out to develop an easy to read policy document that takes away from the traditional procurement policies that are standard across most councils and links to the overarching Procurement Strategy document. And yes, we did away with having two procurement policies.

## INTEGRATED PLANNING AND REPORTING

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One of the key mandatory reporting cycles within the NSW Local Government sector is the Office of Local Governments – Integrated Planning and Reporting. This reporting cycle is mainly focussed on community outcomes, operational planning and budget reporting to the Office of Local Government on a quarterly basis. However, there is some room to adjust what councils can report and generally procurement does not get a mention. At best, our profession may have to answer “how many tenders have we done this quarter?”.

Based on our experience, if we wanted to raise the bar of procurement within council, this was the quickest and easiest route to gaining buy in from managers. So we implemented annual procurement planning as a part of every manager to identify and notify the procurement department what “known” procurements are coming up over each financial year.

## VALUE IN KIND

One of the areas that council procurement functions loose value is by not testing whether a supplier will provide a value in kind opportunity. It takes a dynamic procurement professional to understand the types of value that this can bring to an organisation. There are no governing laws that mention a supplier as a part of their bid cannot provide a value in kind offering.

At the NSW City Council, they understood the benefit that this could bring to their organisation. We developed a basic framework that dealt with value in kind offerings and it is now a part of their tender document, within the schedules asking a question about value in kind. The benefit of value in kind is that ultimately it could shorten the amount of time to negotiate, opportunity to find innovation and it could provide excellent budget relieving opportunities.

The first step in the process in identifying potential value in kind opportunities is led by the managers when they report on their known procurements.

## RISK TRIAGE MODEL

The more traditional procurement methods lacked some of the flexibilities offered by newer collaborative models. Focusing greater emphasis on the formation of positive working relationships between vendors and agencies during the procurement phase, the newer models help to deliver greater efficiencies and positive outcomes for both parties.

Introducing the Procurement Risk Triage:

Value	Risk Rating	Requirement
\$1 to \$50,000	Low Risk	Low Risk – Just purchase
\$50,001 to \$150,000	Low Risk High Risk	Low Risk – Just purchase High Risk – E-tender
\$150,000+	N/A	Legislative requirement to tender

Under this new system, procurement staff are focussed on supporting the business by resourcing the top 10 projects that were identified as being high risk and high value. This is due to the low resourcing of two procurement staff members supporting a de-centralised procurement model.

## HOW DOES IT WORK?

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There are a number of ways that the Risk Triaging process assist the procurement staff and the council. The Risk Triaging tool is an excel spreadsheet developed specifically for this NSW City Council.

### **Annual Procurement Planning**

This is considered the easiest and most efficient way to triage all known procurements into the relevant risk rating. Once the forward procurement planning template is returned by the relevant department managers, the procurement staff can start Triaging the procurements by answering the following questions:

- Is there a business operational risk?
- What is the nature of supply?
- User experience in procuring this good/service?
- Is the procurement politically sensitive?
- Is the procurement a spot buy or from a panel?
- What is the estimated value of the procurement?

By answering these questions, the spreadsheet will determine whether the procurement is high to low risk and it will tell you what you need to do in terms of process.

### **Unplanned Procurement**

This is more on the tactical side of procurement operations within council. It follows the same questions as above and the difference between the two is that there will be no forward planning around resourcing for this project and may lead to procurement assistance being outsourced if the risk or value is high.

The Risk Triage model allows staff to engage directly with procurement if spot buys are above \$50k which gives the procurement team visibility of the organisations spend and locations without being tarnished as the stop gap within the buying lifecycle.

Adopting this strategy overcame the limitations of the traditional procurement approach. This provided a much greater depth of analysis and efficiencies and allowed the procurement team to deliver on highly successful outcomes for the overall business by allocating the appropriate staff to the right projects.

## IMPROVED OUTCOMES

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Councils new procurement strategy has delivered a fast and economical outcome that met all legislative requirements and being cost effective by saving the amount of time for being compliant on low level spend thresholds. Council reported:

- Many items moved off the quoting pipeline;
- Procurement is now a driving profit centre by assisting with the top 10 high risk and high value procurements and not the transactional low risk low value spends;
- The resulting efficiency estimate is expected to be more than 30% increased daily output for other tasks other than procurement;
- An improvement in customer supplier relations by allocating procurement staff to engage more with business with council forums, this resulted in quality service outcomes for council; and
- Development of an internal Service Level Agreement with an emphasis on service management processes and a shared approach to solving problems with Procurement.

## BENEFITS

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By revolutionising the procurement methodologies, particularly with the implementation of the Risk Triage system, council has:

- Produced an outcome focused procurement attitude within council;
- Generated greater depth of understanding from the tender evaluation process due to specialist expertise now having time for more complex projects;
- Reduced the duration and complexity of procurement as a whole; and
- Increased Procurement buy in from internal stakeholders.

## PARTNER ORGANISATIONS WHO ASSISTED

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P&CD were not the only organisations who assisted in bringing this project to life. Steve Moore Director of The Second Chair assisted the whole project delivery team in bringing this concept to life by value added procurement coaching and mentoring techniques.