



New South Wales  
TREASURY

# **PROCUREMENT PLANNING PROGRAM 2003-04 REPORT**

Office of Financial Management

Research &  
Information Paper

## PREFACE

The NSW Government Procurement Policy is a framework for achieving value-for-money using the government's purchasing power. The policy states that government procurement is to be efficient and effective, with probity and equity, as well as encouraging effective competition for government business. Developing a strategic approach to procurement through procurement planning helps agencies achieve this objective. A key element is the preparation of annual procurement plans by agencies.

In the plan, the agency analyses how it currently procures goods and services and looks at areas where improvements might be made. The plan establishes the baseline to measure the success of these changes and corporately advise staff on procurement direction.

This report is a snapshot of government procurement expenditure on goods and services highlighting trends, purchasing patterns and innovative approaches as derived from the 2003-04 Agency Procurement Plans. It also provides an update on how well agencies are implementing the NSW Government Procurement Policy.

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## EXECUTIVE SUMMARY

This report is a snapshot of government procurement expenditure on goods and services highlighting trends, purchasing patterns and innovative approaches as derived from the 2003-04 Agency Procurement Plans. It also provides an update on how well agencies are implementing the NSW Government Procurement Policy.

### Background

Procurement planning is part of the strategic management framework that NSW Government and its agencies use to plan activities and services, allocate resources and report on performance. The NSW Government Procurement Policy and the Smarter Buying for Government strategy require agencies to prepare an annual procurement plan. In the plan, the agency analyses how it currently procures goods and services and looks at areas where improvements might be made. The plan establishes the baseline to measure the success of these changes and corporately advise staff on procurement direction.

The 2002 Report recommended improvements which were incorporated into the 2003-04 program:

- merge procurement planning requirements with agency savings targets required under the Smarter Buying for Government Strategy
- streamline procurement planning guidelines
- agency plans to support their needs in service outcomes
- collect agency data to produce procurement trends
- publish assessment methodology used to rate plans, and
- provide procurement planning information on the website

In April 2003, NSW Treasury assumed responsibility for the procurement planning program with the Department of Commerce providing procurement advice and support to agencies. The 2003-04 program is the fourth annual program but the first incorporating agency saving targets.

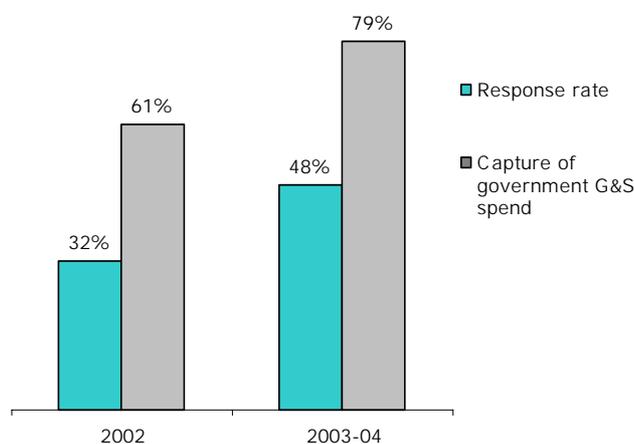
The procurement planning guidelines, issued in May 2003, were supplemented by three half-day workshops, additional information included on the dedicated procurement area on [www.smarterbuying.nsw.gov.au](http://www.smarterbuying.nsw.gov.au), and meetings with selected agencies to discuss draft plans. The guidelines included a template with questions under four headings: strategic objectives, current procurement profile and practices, improving procurement practices, and performance targets and measures.

Plans were due on 29 August 2003 with the majority received by September. An assessment methodology was published: to provide feedback to agencies, and to prepare a whole-of-government report on the quality of procurement planning.

The assessment was split into three parts. Part 1 included agency strategic objectives and procurement profile/practices. Part 2 included reform activities being undertaken by each agency, and figures for benchmarking. Part 3 was a review of savings targets by NSW Treasury agency analysts. There were 20 assessment criteria and these were scored using a nine-point rating scale: 1-3 input-oriented, 4-6 output-oriented, and 7-9 outcome-oriented. All criteria were unweighted.

## Results

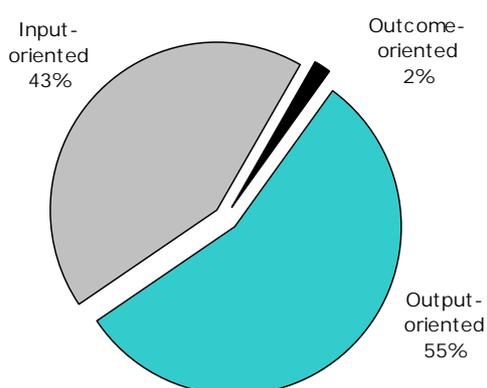
Fifty-six agencies submitted procurement plans with 24 of these (43%) for the first time. The response rate increased from 32% of all agencies in 2002 to 48% in 2003 with agencies taking part in the program accounting for 79% of money spent by the NSW public sector on goods and services, up 30% on 2002.



*Improvement on the 2002 program by response rate and amount of government expenditure captured*

Agencies' plans tended to be output-oriented with the average overall rating of 4.2. Agency ratings ranged from a minimum of 1.2 to a maximum of 7.5.

Agencies with higher levels of procurement spend tended to rate highest. Agencies that participated in earlier programs appear to be benefiting from previous planning. Six agencies rated 6 or above (Rail Infrastructure Corporation, Attorney General's Department, Department of Corrective Services, Department of Juvenile Justice, National Parks and Wildlife Service, State Forests, and State Rail Authority).



*Focus of procurement plans*

The challenge facing the procurement planning program is encouraging agencies to view planning as a tool to improve their procurement to benefit service delivery, rather than an exercise in providing information to comply with a requirement. Some agencies used their small size and low level of procurement expenditure as rationale for not preparing a plan.

## Themes

Five aspects of the procurement plans were analysed.

### PROCUREMENT LINKAGE TO SERVICE OUTCOMES

Most agencies plans identified buying inputs rather than articulating how procurement supports their service outcomes.

### E-PROCUREMENT

Despite detailing a range of separate initiatives, most agencies didn't clearly articulate a cohesive e-procurement strategy, including performance targets and measures. Without a clear strategy, agencies run the risk of a disjointed and haphazard approach that may result in inefficiencies, greater costs and conflicting initiatives. Overall, there is considerable scope for agencies to improve and clarify their e-procurement strategy to ensure it is relevant to their organisation.

Agencies which intend to use the government's electronic marketplace, Smartbuy, as a foundation for their procurement should focus on re-engineering procurement processes in readiness for electronic procurement.

### SAVINGS TARGETS

While most agencies were able to provide some information on savings, not all savings were from procurement, with some from cuts in spending, programs not starting/finishing as expected, and reallocating funds. This indicates an overlap with other savings reporting requirements. Savings reported for 2002-03 were 17% (or \$9.1 million) higher than the estimate.

For the three years ending 2004-05, the plans identified over \$300 million actual and estimated cumulative savings. Areas identified for savings were similar to last report, being common areas of spend such as motor vehicles, printing, stationery and telecommunications. Preferred supplier agreements, rationalising supplier base, and intra and cross-agency aggregation are key savings initiatives being pursued by agencies. Given that the agencies participating in this program account for 79% of total public sector goods and services expenditure, most potential savings opportunities should have been covered in the plans.

	Additional savings	Cumulative savings
Year 1: 2002-03 (actual)	\$60,613,997	\$60,613,997
Year 2: 2003-04 (estimate)	\$46,067,854	\$106,681,851
Year 3: 2004-05 (estimate)	\$31,877,854	\$138,559,705
<b>Total (estimate)</b>		<b>\$305,855,553</b>

*Estimated savings over three years to 2004-05*

## WORKING WITH OTHER AGENCIES

Over 60% of agencies are aggregating their purchasing with other agencies to generate savings. Many agencies are working in their cluster groups. At other times geography brings agencies together. For example, the Ministry of Transport, State Rail Authority (now part of RailCorp) and State Transit Authority are arranging a new cash collection contract. Alternatively, co-tenants of buildings aggregate electricity and waste management, as the Department of Gaming and Racing and the Legal Aid Commission are doing.

## MEASURING SUCCESS

Overall, procurement planning performance was better in justice, transport and utility agencies while only fair in some arts, human services and regulatory agencies. Agencies that had invested in new financial systems were able to provide reasonable procurement data. However the response from many agencies was 'data limitations' or 'systems changes' meaning information was unavailable. These agencies need to overcome these limitations to avail themselves of reliable data to improve procurement efficiencies.

A series of performance measures were produced to allow agencies to benchmark themselves against the average of all agencies. The information was self-reported and care needs to be taken interpreting these measures, as there are differences in how separate agencies calculated their figures.

### **Lessons learnt**

Feedback from agencies, and lessons learnt during the course of the 2003-04 program, have been incorporated into the actions. The two most important elements of a plan are the link between procurement and the agency's service delivery outcomes and improving the way the agency buys. Data for benchmarking is important. There was some repetition in information provided in the procurement plan with other plans or reports such as the Waste Reduction and Purchasing Policy or the Government Energy Management Plan.

To provide evidence of benefit of good planning successful agencies should share with others the details of their successes through the established website as well as other forums.

### **Future procurement program**

Future programs will benefit from lengthening the time span of the procurement planning program to three years, similar to an agency's strategic business plan. The move to a longer planning period emphasises the importance of linking procurement planning to service outcomes. This approach is consistent with, and complementary to, the 'Results and Services Plan' budgetary approach.

Agencies will prepare a three-year rolling procurement plan which will be discussed at regular meetings between the agency and Treasury. The Treasury analyst will work closely with the agency to ensure its procurement plan is consistent with broader agency and government directions.

Agencies will not be required to routinely submit their procurement plans to Treasury. Treasury may however undertake spot audits of agencies procurement plans. Each year, agencies will submit to Treasury a short progress report including information on performance against targets, achievements and data for benchmarking over the next year. The rolling three-year procurement plan would be updated annually by the agency.

## **Conclusion**

The 2003-04 procurement plans are better quality than in previous years, with the plans of many agencies indicating they are now considering procurement beyond an input focus. However, greater emphasis is required to move agencies towards an outcomes based orientation. This will benefit the agencies, the users of the agencies' services, the public sector and those doing business with government.

This can be achieved by implementing the actions arising from this report. Increasing the length of the planning cycle to a three year rolling plan emphasises the strategic nature of procurement planning. This also removes the repetition of routinely reporting similar information each year, avoiding the overlap with other reporting requirements. This should strengthen the procurement planning program and reinforce to agencies the message of an outcomes focus.

## **ACTIONS**

### **Program**

1. The procurement planning cycle be extended to three years.
2. Agencies to prepare a three-year rolling procurement plan, which will not be routinely submitted and assessed but be discussed at routine meetings with NSW Treasury.
3. Agencies to update their rolling procurement plan annually, and submit progress reports on their performance against their procurement plan to Treasury by 31 August each year.
4. NSW Treasury to conduct spot audits of agencies procurement plans.
5. Agencies to disseminate 'success stories' through the dedicated website, as well as other forums.

### **Strategic objectives**

6. Agencies rating less than 4 for procurement objectives are encouraged to establish or strengthen links with their agency's goals and service outcomes.

### **Procurement practices**

7. Agencies are encouraged to use the cost to process an invoice/transaction as a measure of performance.
8. Agencies are encouraged to exceed 70% as a proportion of their procurement spend using SCCB or agency wide contracts.
9. Agencies are encouraged to increase their average spend per invoice.
10. Agencies are encouraged to increase their average spend per service provider.
11. Agencies are encouraged to reduce the average number of service providers for each procurement category.
12. Agencies that receive a high number of separate invoices from the same service provider are encouraged to use consolidated invoices.

### **Performance targets**

13. Agencies to establish clear and quantifiable performance targets and measures, and timeframes for their implementation.

## **INTRODUCTION**

### **Background to government procurement**

Each year the NSW Government injects a significant amount of money into the state economy through its procurement. This amounted to nearly \$19 billion in 2002-03, with \$12 billion spent on goods and services and \$7 billion on construction.

The NSW Government Procurement Policy is a framework for achieving value-for-money using the government's purchasing power. The policy states that government procurement is to be efficient and effective, with probity and equity, as well as encouraging effective competition for government business. Developing a strategic approach to procurement through procurement planning helps agencies achieve this objective. A key element is the preparation of annual procurement plans by agencies.

The Procurement Policy applies to all government agencies except State Owned Corporations which are encouraged to adopt the policy framework and its principles where consistent with their commercial objectives.

The Smarter Buying for Government strategy encourages reform to how agencies procure. The strategy focuses on improving procurement capability, strengthening practices and linking procurement to the agency's service delivery objectives. Smarter Buying includes a savings targets program for the three years to 2004-05.

The 2003-04 procurement planning program is the fourth annual program, but integrates for the first time the agency savings targets requirements of Smarter Buying. This single plan removes overlap and strengthens the links between an agency's procurement objectives and savings targets to its service delivery objectives.

### **Why plan?**

Planning allows an agency to link its procurement objectives to service delivery objectives and identify ways of improving how it purchases to meet its future needs. In a procurement plan, the agency analyses how and what it currently buys and seeks out areas where improvements can be made. The plan establishes the baseline to measure the success of these changes and corporately advise staff on procurement direction within the agency.

Collectively, the plans provide a snapshot of government procurement, highlighting trends, purchasing patterns, good practice and case studies.

### **Agency Savings Targets and Procurement Planning**

In the first year of the three-year agency savings targets program, an agency establishes its targets and identifies how it would reform its procurement, primarily through greater aggregation of purchasing. In the second year, agencies review and expand the targets, taking into account the savings achieved, benefits gained and lessons learnt from the previous year. In 2004-05, the third year, agencies will focus on realising these savings from the improved procurement capability and practices identified in earlier years. Responsibility for achieving the savings, and completing the initiatives, rests with agencies.

Agencies need to analyse, review and plan for their procurement before any savings can be identified. Since this relies on procurement planning, the agency savings targets and procurement planning programs were merged for 2003-04.

## Strategic approach to procurement

The NSW Government Procurement Policy is part of a strategic management framework for NSW Government which agencies use to plan activities and services, allocate resources and report on performance.

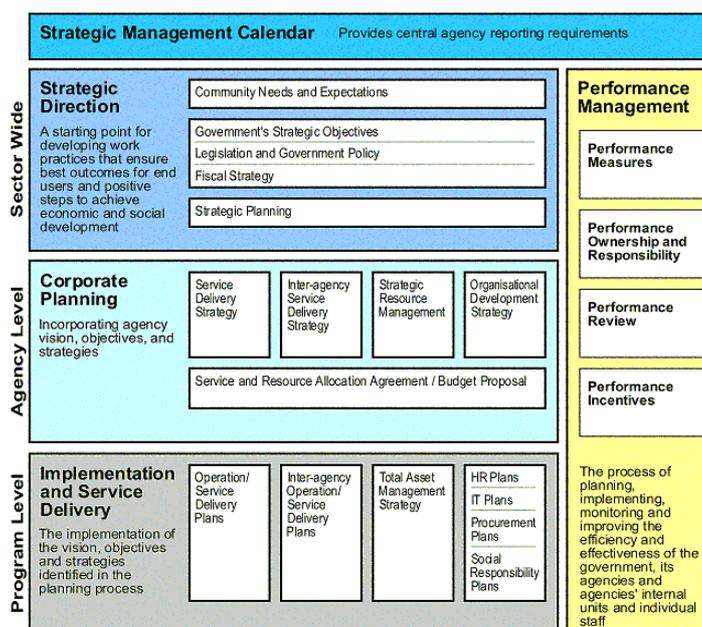


Figure 1: Strategic Management Calendar

## Previous years' programs

In 2000 a pilot program was held with eight agencies. In 2001 organisations with goods and services expenditure over \$5 million were invited to participate in the program. The 2002 program focussed on encouraging all agencies, regardless of expenditure, to develop a plan for procurement consistent with their corporate and business plans.

The review of the 2002 program identified ways to improve the planning process and these were incorporated into the 2003-04 program.

### Lessons learnt in 2002

- Merge procurement planning requirements with savings targets
- Streamline program guidelines
- Agency plans to support their needs in service outcomes
- Collect agency data to produce procurement trends
- Provide the assessment methodology used to rate plans
- Provide procurement planning information on a dedicated website

Figure 2: Lessons learnt from the 2002 program

## 2003-04 PROGRAM

### Changes

In December 2002, the Senior Officers' Committee of the former NSW Government Procurement Council agreed to build upon the synergies between the procurement planning and agency savings targets programs and establish a working party to merge the two processes for 2003-04.

In April 2003, NSW Treasury assumed responsibility for the procurement planning program with the Department of Commerce providing procurement advice and support to agencies.

The main initiatives for the 2003-04 procurement planning program are:

- integrating the agency savings targets requirements of Smarter Buying into the procurement planning process
- providing more targeted guidance for agencies
- preparing a structured template for the preparation of plans (Appendix 1 – Guidelines), and
- more detailed explanation of value-for-money and procurement capability.

To reduce overlap with other existing planning requirements, the procurement planning program does not cover:

<b>Accommodation</b>	Where a Strategic Office Accommodation Management Plan is lodged with the Government Asset Management Committee
<b>Asset Management</b>	Where an Asset Management Plan is lodged with NSW Treasury as part of the Total Asset Management process
<b>Information Technology</b>	Where an Information Technology Strategic Plan or an IT Projects submission is lodged with the Department of Commerce
<b>Construction Projects</b>	Which are part of the capital works budgetary process

*Figure 3: Areas not covered by procurement planning*

### Procurement planning guidelines

The 2003-04 procurement planning guidelines were released in May 2003 which included a planning template with questions under four headings to address an agency's:

- strategic objectives
- current procurement profile and practices
- improving procurement practices, and
- performance targets and measures.

The guidelines were supplemented by three half-day workshops conducted by Treasury in June 2003. The workshops, attended by 58 agencies, covered the guidelines, feedback, individual agency and whole-of-government reports, and offered additional information and advice to help agencies prepare their plans. All information was published on the Smarter Buying website, [www.smarterbuying.nsw.gov.au/pplans](http://www.smarterbuying.nsw.gov.au/pplans).

In addition, Treasury held individual meetings to discuss draft plans with the Department of Ageing, Disability and Home Care, Department of Commerce, National Parks and Wildlife Service, and the Office of the Children's Guardian.

Agencies were encouraged to consider procurement planning as an integral part of, and a similar process to, business planning. They were advised to include in the planning team colleagues from purchasing, finance, strategy, IT, major internal buyers and, if appropriate, shared service providers.

### **Newly created agencies**

The plans submitted by the Department of Commerce, Department of Lands, Department of Infrastructure, Planning and Natural Resources and the Ministry of Transport reflected the creation of these agencies in April 2003.

In August 2003, the Department of Tourism, Sport and Recreation was established and the plan submitted only covers the former Tourism NSW. After submitting their plans in September 2003, the Environment Protection Authority, National Parks and Wildlife Service, and the Royal Botanic Gardens and Domain Trust were merged, together with Resource NSW, to create the Department of Environment and Conservation.

The Rail Infrastructure Corporation and State Rail Authority submitted separate procurement plans before they were merged to create Rail Corporation NSW in January 2004.

### **Plans submitted**

Plans were due on 29 August 2003 with the majority received during September. Fifty-six agencies submitted procurement plans, including 41 budget sector agencies, 9 public trading enterprises, 3 non-budget sector agencies, and 3 state owned corporations.

### **Agencies submitting procurement plans**

- Aboriginal Affairs, Department of\*
- Ageing, Disability and Home Care, Department of\*
- Attorney General's Department
- Audit Office\*
- Australian Museum
- Board of Studies, Office of the\*
- Centennial Park and Moore Park Trust
- Children's Guardian, Office of the\*
- Commerce, Department of
- Community Relations Commission\*
- Corrective Services, Department of
- Country Energy\*
- Director of Public Prosecutions, Office of the
- Education and Training, Department of
- Environment Protection Authority

Gaming and Racing, Department of  
 Housing, Department of  
 Independent Commission Against Corruption  
 Independent Pricing and Regulatory Tribunal\*  
 Infrastructure, Planning and Natural Resources, Department of  
 Judicial Commission\*  
 Juvenile Justice, Department of  
 Lands, Department of  
 Legal Aid Commission\*  
 Long Service Payments Corporation\*  
 Ministry of Transport  
 Motor Accidents Authority  
 National Parks and Wildlife Service  
 NSW Agriculture  
 NSW Film and Television Office\*  
 NSW Fire Brigades  
 NSW Fisheries\*  
 NSW Health  
 NSW Police\*  
 NSW Rural Assistance Authority\*  
 NSW Rural Fire Service\*  
 NSW Treasury (Office of Financial Management)  
 Parliamentary Counsel's Office\*  
 Rail Infrastructure Corporation  
 Roads and Traffic Authority  
 Royal Botanic Gardens and Domain Trust\*  
 SafeFood Production NSW\*  
 State Emergency Service\*  
 State Forests  
 State Library  
 State Rail Authority  
 State Records Authority\*  
 State Transit Authority  
 Sydney Catchment Authority  
 Sydney Harbour Foreshore Authority  
 Sydney Olympic Park Authority\*  
 Sydney Opera House Trust  
 Sydney Water Corporation\*  
 Teacher Housing Authority\*  
 Tourism, Sport and Recreation, Department of (Tourism)  
 WorkCover NSW

*Figure 4: List of agencies submitting procurement plans (\*initial procurement plan)*

Twenty-four agencies (43%) submitted plans for the first time and most of these have goods and services expenditure under \$5 million. There are, however, initial plans from some larger spending agencies including Country Energy (\$215 million), NSW Police (\$378 million), and Sydney Water Corporation (\$524 million).

Some agencies which did not participate cited that they had been newly created or were undertaking a separate procurement review.

The 56 plans submitted is a large improvement on 38 plans received in 2002, an increase from 32% to 48% of all government agencies. The agencies taking part accounting for 79% of money spent by the NSW public sector on goods and services, up 30% on last year (source: NSW Treasury Financial Information System (FIS)).

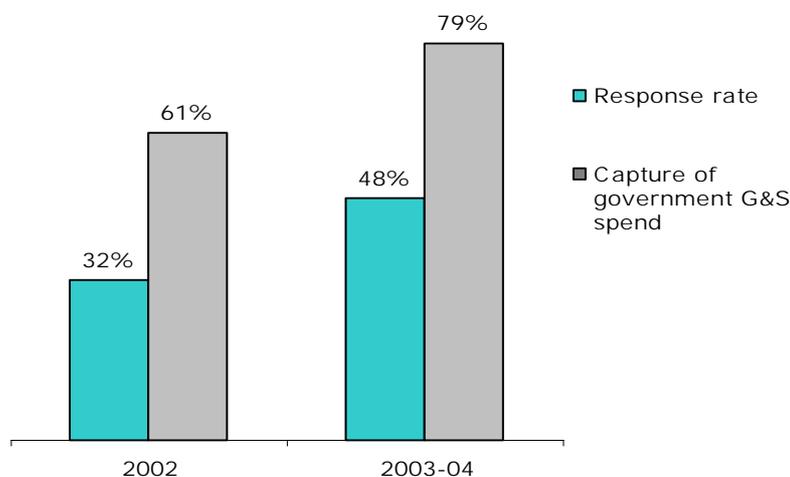


Figure 5: Improvement on the 2002 program by response rate and amount of government expenditure captured

The improved response rate is attributed to merging the savings targets into the procurement planning process, better understanding by agencies of the planning process, and more targeted guidance to help agencies prepare plans.

### Assessing the procurement plans

The assessment methodology was published before the closing date for submitting agency procurement plans (Appendix 2 – Assessment methodology). The purpose of assessing the plans was to:

- provide feedback to agencies on their own plans
- prepare a whole-of-government report, and
- share innovative approaches and good practice.

The focus of the agency assessment was to determine whether the agency’s plan was input/output/outcomes oriented and how the agency could become outcomes based procurement oriented. There are three parts to the agency assessment:

Part 1	Rating agency responses against criteria
Part 2	Benchmarking data and activities supporting procurement reform
Part 3	Savings targets

Figure 6: Three parts of the assessment methodology

A joint NSW Treasury/Department of Commerce team assessed the plans with the agency analysts at NSW Treasury assisting by reviewing savings targets.

There are 20 assessment criteria and these were scored using a nine-point rating scale:

1-3	Input-oriented (attention to procurement processes)
4-6	Output-oriented (attention to procurement performance and output targets)
7-9	Outcome-oriented (attention to achieving service outcomes)

*Figure 7: Rating scale used for Part 1 of the assessment*

In Part 1 an average rating was calculated for each plan with each criterion weighted equally. An average rating of all plans was also calculated to provide an indication of the level of procurement planning across government.

Part 2 considered the reform activities being undertaken by each agency and included figures for benchmarking. The reform activities were grouped into three categories: purchasing advantage, procurement processes and value for money. The benchmarking figures were based either on information reported by the agency or calculated from information in the spend analysis.

Part 3 was a review of agency savings targets by Treasury analysts who reviewed, among other things, the proportion of expenditure covered in the plans to the FIS "other operating expenditure" data, checked if the major categories of spend were identified in the plan and if agency savings targets were linked to reform initiatives identified in the plan.

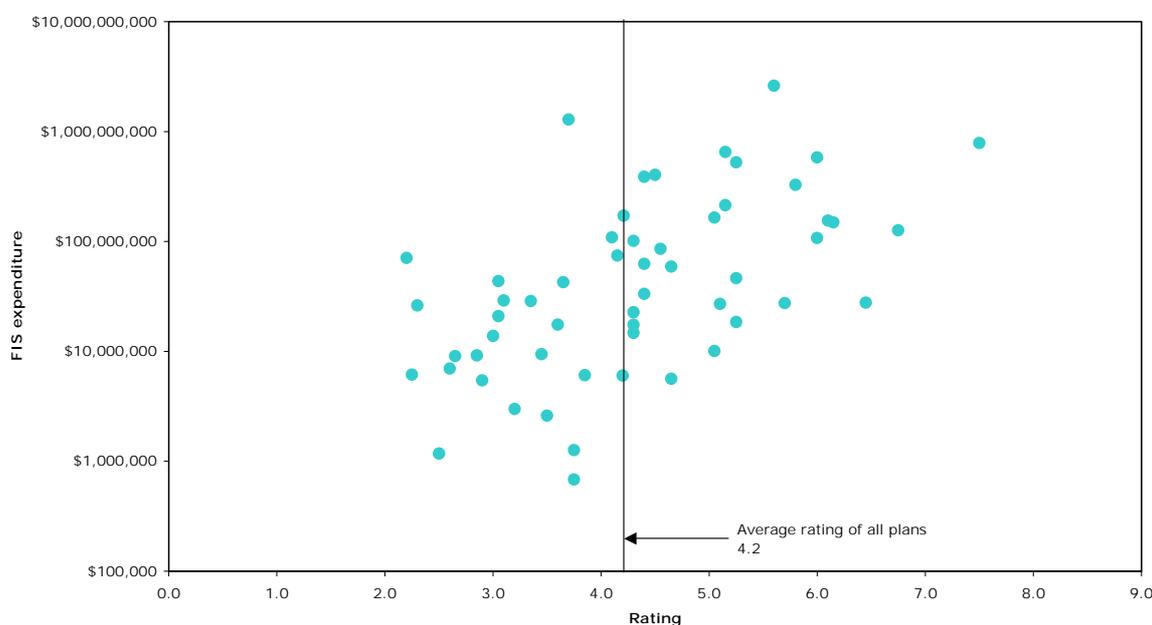
## RESULTS

Using the assessment methodology outlined in Appendix 2, the average rating for all plans submitted was 4.2. This indicated that, overall, agencies' plans are output-oriented. The ratings ranged from a minimum of 1.2 to 7.5.

Agencies	Rating
Rail Infrastructure Corporation	7.5
Attorney General's Department	6.8
Juvenile Justice, Department of	6.5
Corrective Services, Department of	6.2
National Parks and Wildlife Service	6.1
State Forests	6.0
State Rail Authority	6.0

*Figure 8: Agencies rating 6 or higher for procurement plans*

A rating between 7 and 9 (outcome-oriented) is ideal and is influenced by a number of factors such as how well the agency understands its procurement profile, how much procurement reform has already taken place, how good the agency is at planning, and any impacts from restructuring within and/or across agencies. An output rating (4-6) indicates that the agency has reflected upon what it expects to achieve from procurement but hasn't clearly articulated the benefits of how procurement can, and does, impact and influence its service delivery.



*Figure 9: Ratings compared to goods and services expenditure*

A clear trend is a correlation between a good plan and the agency's level of expenditure and, on the whole, agencies with higher levels of spend rated highest.

Rail Infrastructure Corporation rated in the outcome-oriented range. A further six agencies (11%) are at the upper end of the output range with 6 or above: Attorney General's Department, Department of Juvenile Justice, Department of Corrective Services, National Parks and Wildlife Service, State Forests, and State Rail Authority.

These agencies have participated in earlier programs, suggesting that they are now benefiting from their previous planning activities. Procurement within these agencies is moving towards an outcomes-focus where purchasing is linked to the agencies' service delivery outcomes.

Some agencies plans which rated input-oriented did not address all assessment criteria in their plans. This reduced their overall rating.

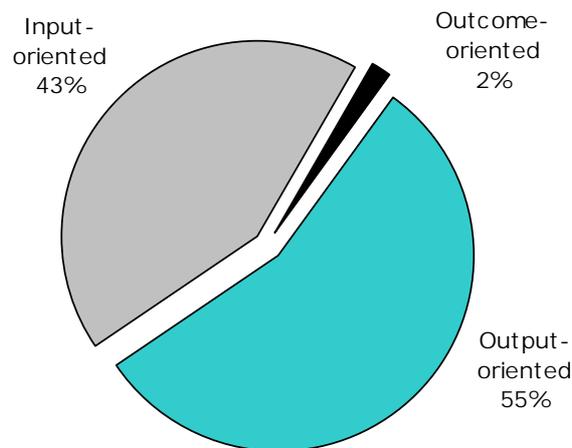


Figure 10: Focus of procurement plans

### First-time and merged agencies

Many first-time and merged agencies produced program plans rating above 4.2. This suggests that these agencies have a sound platform where procurement supports their business needs. A good example is the procurement plans of Rail Infrastructure Corporation and State Rail Authority which considered in relative detail how procurement would strategically link with the new agency RailCorp when established on 1 January 2004.

The challenge facing the procurement planning program is encouraging agencies to view planning as a tool to improve their procurement to benefit service delivery.

The planning template was organised in four parts to match stages of planning. However many agencies focused on providing data rather than using this data to determine how they buy and how to undertake procurement better. Some agencies used their small size and relatively low level of procurement expenditure as rationale for not preparing a plan.

## THEMES

Five aspects from the procurement plans were analysed: linking procurement to service outcomes, e-procurement, agency savings targets, working with other agencies, and measuring success. The information below is drawn from agencies procurement plans.

### Linking procurement to service outcomes

Agencies were asked to provide an overview of their service delivery objectives and to examine them in the context of their procurement. Agencies should have stated clearly defined procurement objectives and linked these to their corporate goals and service outcomes. Most agencies plans identified buying inputs rather than articulating how procurement supports their service outcomes.

The average rating for procurement objectives was 4.8, ranging from a minimum of 0 to a maximum of 9. Fifteen agencies (68%) scored 7 or higher indicating that these agencies linked procurement to their service outcomes.

<b>Procurement objectives</b>	<b>Rating</b>
National Parks and Wildlife Service	9
Rail Infrastructure Corporation	9
State Rail Authority	9
Environmental Planning Authority	8
Housing, Department of	8
Motor Accidents Authority	8
Roads and Traffic Authority	8
State Library	8
State Transit Authority	8
Attorney General's Department	7
Country Energy	7
Infrastructure, Planning and Natural Resources, Dept of	7
Juvenile Justice, Department of	7
NSW Health	7
WorkCover NSW	7

*Figure 11: Agencies rating 7 or higher for procurement objectives*

There were also some excellent responses from agencies that have an 'internal market' culture where their procurement areas provide services to other internal units.

### E-procurement

Agencies were asked to outline their electronic procurement strategy and initiatives. Despite detailing a range of separate initiatives, most agencies didn't clearly express a cohesive strategy, including performance targets and measures. Without a clear strategy, agencies run the risk of a disjointed approach that may result in inefficiencies, greater costs and conflicting initiatives.

The average rating for e-procurement strategy was 3.9 with a range from a minimum of 0 to a maximum of 9. Three agencies (5%) scored 7 or higher because they established an outcomes focus to their strategy which was linked to their procurement objectives and service outcomes while a further seven agencies (12%) indicated they would be developing a strategy over the coming year.

<b>E-procurement strategy</b>	<b>Rating</b>
Attorney General's Department	9
Rail Infrastructure Corporation	9
Children's Guardian, Office of the	7

*Figure 12: Agencies rating 7 or higher for e-procurement strategy*

Thirty percent of agencies plans rated 3 or less (input-oriented). These agencies need to develop and articulate their electronic procurement strategies to ensure their e-procurement strategy meets the needs of the organisation.

Agencies which intend to use the government's electronic marketplace, Smartbuy, as a foundation for their procurement should focus on re-engineering procurement processes and strengthening their procurement capability in readiness for e-procurement. Forty-six agencies (82%) indicated that they were already purchasing on-line, with stationery and office supplies being the most common products. A smaller number of agencies (17 or 30%) are using, or planning to use, procurement-cards for low value purchases. Twenty five percent of agencies are using electronic-tendering, including major buyers such as the Attorney General's Department, Department of Commerce, NSW Health, Rail Infrastructure Corporation, Roads and Traffic Authority, State Rail Authority and Sydney Water.

E-procurement initiatives should include a cost benefit analysis that considers outcomes sought, the impact on business processes, clear and quantifiable performance targets and how success is to be measured.

### **Agency savings targets**

While most agencies were able to provide some information on savings, not all savings were from procurement, with some from cuts in spending, programs not starting/finishing as expected, and reallocating funds.

The average rating for agencies reviewing their 2002-03 savings targets performance was 3.8, ranging from a minimum of 0 to a maximum of 9. The Attorney General's Department was the only agency that rated 7 or higher because it documented and analysed the savings it achieved and linked these to its procurement objectives, corporate goals and/or service outcomes.

Some agencies revised their 2002-03 estimates and the actual savings reported is 17% (or \$9.1 million) higher than the (revised) estimate. For the three years ending 2004-05, agencies plans identified over \$300 million actual and estimated cumulative savings.

	Additional savings	Cumulative savings
Year 1: 2002-03 (actual)	\$60,613,997	\$60,613,997
Year 2: 2003-04 (estimate)	\$46,067,854	\$106,681,851
Year 3: 2004-05 (estimate)	\$31,877,854	\$138,559,705
<b>Total (estimate)</b>		<b>\$305,855,553</b>

*Figure 13: Estimated savings over three years to 2004-05*

The average rating for the revised 2003-04 and 2004-05 savings estimates was 4.1, ranging from a minimum of 0 to a maximum of 9. The higher rating agencies established clear links between agency savings and meeting procurement objectives and service outcomes.

A number of agencies did not analyse the number of service providers and the number of invoices processed as a strategy for identifying potential savings through better practices and aggregation (see measuring success below). Undertaking a comprehensive analysis of spend patterns is a pre-requisite to identifying savings and areas to improve.

Plans submitted by agencies identified a range of areas for savings and, similar to last report, the main areas were the common categories of spend such as printing, stationery, motor vehicles and telecommunications. A number of agencies are using preferred supplier arrangements, guaranteeing purchasing volumes, and pursuit of cross-agency aggregation opportunities. These activities largely rely upon the agencies' capabilities, the ability to work together and how they manage their relationships with each other and their suppliers.

Given that the agencies taking part in the 2003-04 program account for 79% of total public sector expenditure, most savings opportunities are likely to be covered in the procurement plans.

### **Working with other agencies**

Thirty-eight agencies (69%) are aggregating some of their purchasing needs with other agencies and 31 agencies are also looking in-house for opportunities to generate savings. Most agencies are working in their cluster groups such as arts, emergency services, justice, transport and utilities. Other areas, such as similar location, allow agencies to share purchasing.

Sometimes the aggregation is for common products, such as motor vehicles for Attorney General's Department, Department of Commerce, Department of Education and Training and the Roads and Traffic Authority. Others, such as the Ministry of Transport, State Rail Authority (now part of RailCorp) and State Transit Authority are working together to establish an interagency contract for cash collection. Alternatively, co-tenants of buildings aggregate electricity and waste management as the Department of Gaming and Racing and the Legal Aid Commission are doing.

## Measuring success

The structure of the planning template was designed to follow the planning process, and in the final section summarise and list in order of priority the agency initiatives for 2003-04. Information required included a short outline of the initiative, a timeframe and target for implementation, how success is to be measured and who is responsible for the initiative. It is effectively an 'action plan'.

The quality and relevance of agencies' performance targets and measures varied significantly. Twenty-six agencies (46%) rated lower for this part of the plan than they did for their procurement objectives and service outcomes. This is attributed to a lack of clear, quantifiable targets and limited connections between procurement and agencies objectives. The absence of targets makes it difficult for agencies to measure the success of their initiatives.

These gaps are reflected in performance targets and measures with an average rating of 4.3, ranging from a minimum of 0 to a maximum of 9. Unfortunately some agencies either indicated that targets and measures were being developed or offered a very limited response which had the effect of lowering the average rating.

<b>Performance targets and measures</b>	<b>Rating</b>
Rail Infrastructure Corporation	9
Commerce, Department of	8
Corrective Services, Department of	8
Juvenile Justice, Department of	8
Sydney Water Corporation	8
WorkCover NSW	7

*Figure 14: Agencies rating 7 or higher for performance targets and measures*

Overall, procurement planning performance was better in justice, transport and utility agencies while only fair in some arts, human services and regulatory agencies. Agencies that had invested in new financial systems were able to provide reasonable procurement data. However the response from many agencies was 'data limitations' or 'system changes' meaning information was unavailable. These agencies need reliable data to improve procurement efficiencies.

## Benchmarking

Seven performance measures were provided by agencies or produced from the spend analysis data: cost per invoice, cost per tender, SCCB/agency contract spend, spend per invoice, spend per service provider, service providers per category, and invoices per service provider. Many of these measures are interrelated, for example, reducing the number of 'invoices per service provider' will increase the 'spend per invoice'.

The information was self-reported and some agencies provided a estimate while others a relatively detailed breakdown.

<b>Measure</b>	<b>Min</b>	<b>Average</b>	<b>Max</b>
Cost per invoice	\$9.23	<b>\$42.79</b>	\$105.00
Cost per tender	\$2,500	<b>\$13,561</b>	\$40,000
SCCB/agency contract spend	14%	<b>70%</b>	100%
Spend per invoice	\$229	<b>\$2,759</b>	\$32,990
Spend per service provider	\$565	<b>\$45,262</b>	\$21.5m
Service providers per category	1.8	<b>96.4</b>	1,206
Invoices per service provider	1.6	<b>16.4</b>	29,035

*Figure 15: Measurements of procurement performance*

While the measures allow some comparison between agencies, care needs to be taken interpreting these measures, as there are differences in how the figures and turnover volumes were derived.

### **Cost per invoice**

This measure is important to understanding the cost of buying. From 26 responses (46%), the average cost per invoice is \$42.79, ranging from a minimum of \$9.23 to a maximum of \$105. The figure for 'cost per invoice' is important to help calculate potential savings by reducing the number of invoice transactions. For example, five hundred fewer invoices equates to efficiency savings of \$21,395 (500 x \$42.79).

An agency with a high cost per invoice (eg \$100) could achieve substantial benefits and savings by reducing this cost, but an agency with a lower transaction cost (eg \$15) would not achieve the same degree of savings. Many agencies highlighted they are moving towards e-procurement for efficiency, but not be able to measure savings without this baseline figure. All agencies should therefore attempt to calculate this figure.

### **Cost per tender**

While not all agencies tender, from 15 responses (27%), the average cost per invoice is \$13,561 with the cost ranging from a minimum of \$2,500 to a maximum of \$40,000. Many responses were \$10K, \$15K, \$20K etc, suggesting an estimated figure.

Sydney Water Corporation suggested an alternative method could be to calculate a ratio by dividing the cost of preparing, issuing and evaluating a tender by the value of the tender. This would take account of the complexity and range of tenders issued. However, this still requires agencies to calculate the cost of tendering.

### **SCCB/agency contract spend**

From the 47 responses (84%), the average proportion of expenditure on either State Contracts Control Board (SCCB) or agency contract is 70% with a minimum of 14% and maximum of 100% reported. Some agencies only focused on SCCB contracts and did not include their own agency contracts. Office-based agencies are likely to have a higher figure because most of their needs are available on contract, while public trading enterprises and state owned corporations may have special purchasing needs not available on government contract and have a lower figure.

Agencies with below average (<70%) proportion of expenditure on SCCB and/or agency contracts are encouraged to increase this figure to take advantage of government buying efficiencies.

### **Spend per invoice**

Fifty-two agencies (93%) provided information for the following four calculations: spend per invoice, spend per service provider, service providers per category and invoices per service provider.

The average value of each invoice is \$2,759, ranging from a minimum of \$229 to a maximum of \$32,990. As a general rule, the higher the value of the invoice the better, particularly if the cost to process each invoice is high. An agency should be concerned if its spend per invoice is \$229 and it costs \$105 to process that invoice. Conversely, multiple or low value invoices will impact less if the cost per invoice is \$10.

To decrease transaction costs agencies are encouraged to increase their average spend per invoice.

### **Spend per service provider**

The average spend per service provider is \$45,262 with \$565 being the least spent and over \$21 million the most. Ideally, the higher the value of expenditure with each service provider the better. Agencies spending a small amount should look at how much they are spending with each service provider.

Agencies are encouraged to increase their average spend per service provider.

### **Service providers per category**

There is an average of 96.4 service providers per category of spend, ranging from a minimum of 1.8 to a maximum of 1,206. As a rule, an agency would want a low number of service providers for commonly available goods and services and possibly a higher number for more complex goods and services such as specialised equipment or consultants.

A hundred service providers for each category, for example, could be too high, indicating either many inactive service providers or multiple entries in the financial system for the same service provider. Agencies are encouraged to rationalise the number of service providers for each category.

### **Invoices per service provider**

Each service provider sends an average of 16.4 invoices a year to an agency and this ranges from a minimum of 1.6 invoices to a maximum of 29,035 invoices. A low figure suggests either many inactive service providers or one-off purchases. Although it is possible for some areas of spend, such as rent or insurance, to be invoiced annually, from the evidence in the plans this does not occur frequently.

Too many invoices from one service provider suggest the need to consolidate these into fewer invoices, particularly when the value of the invoice is also small. Agencies that receive a high number of invoices from the same service provider should reduce the paperwork for themselves and their service provider, by consolidating multiple invoices, say monthly. Fewer invoices benefits the agency and service providers by reducing the cost of doing business with government.

### **Economic, environmental and social objectives**

The procurement policy requires agencies to provide appropriate opportunities for local industry and small to medium enterprises (SME), economic and regional outcomes, and environmental and social objectives.

Overall, the responses to these questions were average. Most agencies could not substantiate how they contribute to these objectives while others were not able to outline what they do. Agencies are either not capturing this information or did not relate to procurement initiatives in their plans.

Information about economic objectives in the plans was general while information on social outcomes provided by many agencies referred to their human resources initiatives rather than achieving social goals through their procurement. Information provided by agencies on environmental outcomes was, on the whole, drawn from their Waste Reduction and Purchasing Policy (WRAPP) and the Government Energy Management Plan (GEMP) documents.

## LESSONS LEARNT

Feedback received from agencies and lessons learnt have been incorporated into the recommendations.

The guidelines were designed to lead agencies through a planning process and covered three broad areas:

- how agencies are reforming their procurement
- collecting data for benchmarking, and
- monitoring how agencies are assisting economic development, environmental, and social objectives.

The most important aspect of a procurement plan is to link procurement to its service delivery and to improve the way the agency buys. Data for benchmarking is important. Some agencies used the plan as a tool to improve procurement while others completed a report.

Information provided by agencies about the broader objectives of the procurement policy often repeated information provided in other plans or programs such as WRAPP and GEMP.

The procurement planning program would benefit from a greater focus on planning, reform and linking procurement to the delivery of services. The NSW budgetary process 'Results and Services Plan' assists by focusing on:

- what services are agencies providing with their budget allocation
- what results are agencies achieving for the community, and
- how can agencies improve service delivery?

### Feedback

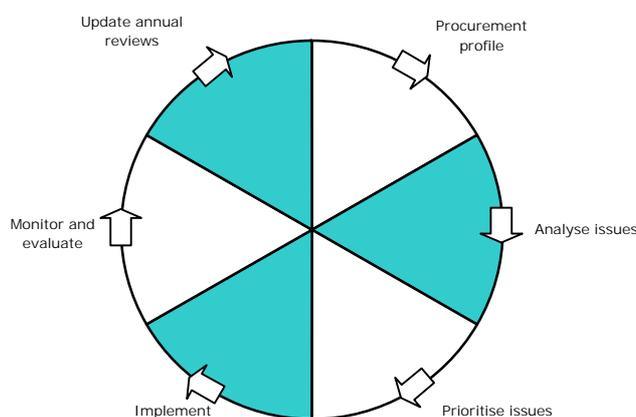
Feedback forms were included in the guidelines and published on the website. A number of agencies provided comments and suggestions, particularly on the benefits of the planning process.

Workshop sessions were well received and the structure of the questions about the 'cost per invoices' and the 'cost per tender' were refined as a result. Four agencies met with Treasury/Commerce team to discuss their draft plans, and improved their final plans with comments and suggestions.

A better procurement planning process promotes the benefits to agencies of planning and removes duplication with other programs. Refocusing the procurement planning program away from assessing plans to an outcomes approach is consistent with the assessment methodology of this year's program.

## Future procurement program

Information included in the 2003-04 guidelines on current procurement profile and practices included the internal review process agencies needed to do to identify areas for improvement. Building on this approach, figure 16 illustrates a procurement reform cycle that could be used.



*Figure 16: A procurement reform cycle*

While more agencies took part in this year's program and the plans covered a greater proportion of goods and services expenditure, submitting procurement plans to NSW Treasury for assessment reinforces compliance rather than planning (to reform).

Future programs would benefit from a period similar to an agency's strategic business plan with the time of a procurement plan lengthened from 1 year to a three year rolling program with annual reviews or updates to report on progress. Many procurement reform initiatives take longer than one year and a longer procurement planning period would reduce repetition. For example, a number of agencies reported similar information for e-procurement in the past 12 months, and highlighted this work would continue for the coming year and in the longer-term.

The move to a longer planning period also emphasises the importance of linking procurement planning to service outcomes. This is consistent with and complements the 'Results and Services Plan' budgetary approach.

Agencies will prepare a three-year rolling procurement plan commencing 2004-05 but not submit these routinely to Treasury for assessment. Instead, the plan will be discussed at regular meetings between the agency and Treasury, with the Treasury analyst working closely with the agency to ensure its procurement plan is consistent with broader agency and government directions. Treasury will also undertake audits of agencies procurement plans.

Agencies will be required to submit to Treasury by 31 August each year a short progress report including information on performance against targets, achievements and data for benchmarking over the next year. The three-year rolling procurement plan would be updated annually by the agency.

## **Ideally what agencies should be doing**

Agencies plans need to be clear and succinct so any reader should be able to understand the agency's procurement objectives, how these link to its service outcomes, what initiatives are planned, and how the agency will measure the success of these initiatives.

There are many procurement initiatives agencies are doing or should consider doing. Below is a typical checklist. Ideally, agencies should:

- understand how procurement effects service delivery (hospitals cannot run without medical supplies, prisons without food, printers without paper)
- think about future demand for goods and services
- include procurement as a regular agenda item at executive meetings
- develop the procurement skills of staff, including recognised professional qualifications (this broadens the skill base of staff, and improves contract management)
- manage the risks of the different forms of procurement
- communicate and share the benefits and experiences internally, and with other agencies (also useful for market intelligence)
- include a procurement page on the intranet (to share information within the agency and raise awareness of the procurement unit)
- know the marketplace (market intelligence is an important way to find out about innovations and changes to market conditions)
- improve access for companies to compete for government business (improving competition and efficiencies for the agency and companies)
- be ready for e-procurement (the transition will be easier)
- choose service providers based on value for money (this includes the whole-of-life cost of goods and services)
- understand the key service providers critical to the agency's operation (ie those suppliers, if their performance was affected, would disrupt service delivery)
- measure and review service provider performance and manage the relationships with them (including solving minor problems before they become major issues, and working with service providers to improve service delivery)
- measure and review procurement performance (understanding the cost of procurement, particularly low value/low risk purchasing is important. Assess how much is spent, with whom and on what goods and services)
- tap into contracts organised by other agencies instead of creating new ones
- rationalise the number of service providers, reducing the number of invoices and using catalogues for common products such as stationery, clothing, consumables etc (aggregation saves money)
- reduce the amount of spend off contract (maverick spending undermines the contract and contract suppliers relationships)

To provide evidence of benefit of good planning successful agencies should share with others the details of these successes either directly or via the established website.

## CONCLUSION

More agencies are planning their procurement. The number of procurement plans submitted increased by 50% in 2003-04 with 24 agencies preparing their first plan. The amount of total government goods and services expenditure covered in the plans increased by a third to nearly 80%.

The 2003-04 procurement plans are better quality than in previous years and the plans of many agencies indicate they are now considering procurement beyond an input focus. Agencies should move towards an outcomes based orientation, where procurement is linked to their service delivery outcomes. This will benefit the agencies, the users of the agencies services, the public sector and those doing business with government.

This can be achieved by implementing the actions arising from this report and lengthening the planning cycle from 1 year to a three year rolling program. This will reinforce the strategic nature of procurement planning, and remove duplication with other reporting requirements. Refocusing the program should strengthen the procurement planning program and reinforce the outcomes approach.

# APPENDIX 1

## 2003-04 PROCUREMENT PLANNING GUIDELINES – MAY 2003

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# 1 INTRODUCTION

The 2003-04 Procurement Planning Guidelines build upon the synergies between the procurement plans and savings targets, by integrating the savings targets requirements of Smarter Buying for Government into the procurement planning cycle. The single plan links an agency's procurement strategy and savings targets to its objectives.

The key changes for 2003-04 are the integration of the savings targets, more targeted guidance for agencies and a structured template. The guidelines also address in more detail the concept of value for money and procurement capability.

All government agencies, including Public Trading Enterprises, are required to prepare and submit a procurement plan by Friday, 29 August 2003. State Owned Corporations are strongly encouraged to prepare and submit a plan.

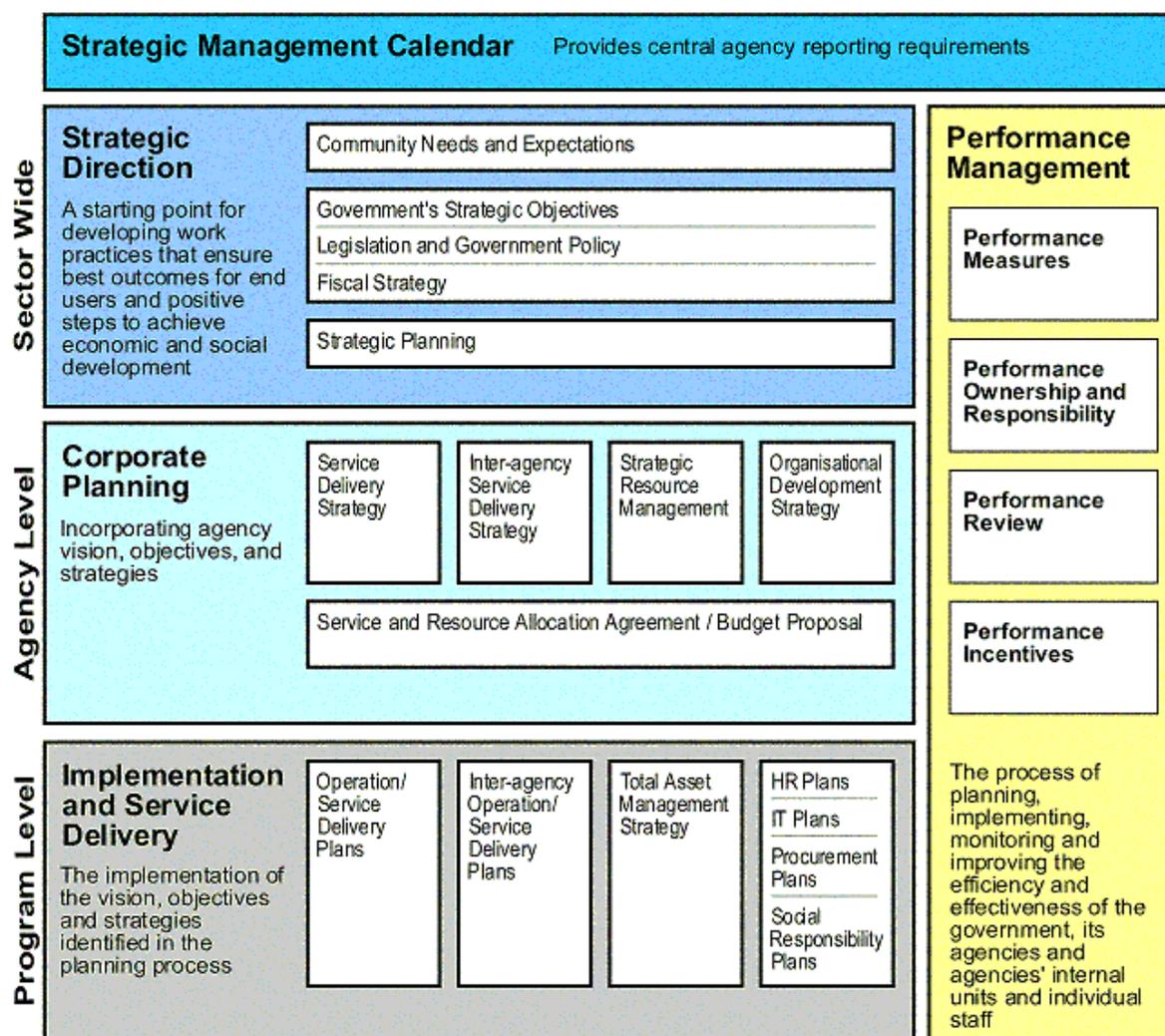
A series of workshops will be held in mid June 2003 to assist agencies to complete their procurement plan. The workshops will offer agencies the opportunity to discuss draft plans, clarify questions and share ideas.

A whole-of-government report will be published on the Smarter Buying website and agencies will receive feedback concerning their reports.

## 2 POLICY FRAMEWORK

### Strategic management framework

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. Procurement planning, encompassing savings targets, is an integral part of the strategic management framework.



source: Premier's Department website

### Procurement Policy and procurement plans

The NSW Government Procurement Policy (Premier's Memorandum 99-8) is a framework for achieving best value for money in government procurement. This includes recognition of the role small to medium enterprises and regional business can have in government service delivery as well as improving environmental and social outcomes for the community. Developing a strategic approach to procurement through procurement planning is a key initiative under the policy.

A procurement plan is an effective tool to identify and review current procurement profile and practices, to determine future needs and to link procurement to your agency's objectives.

Procurement plans are also an opportunity to communicate to staff the direction of procurement within your agency as well as establishing benchmarks to measure performance.

Procurement plans are independently assessed and government agencies are provided feedback on their plans. A whole-of-government report provides a snapshot of government procurement expenditure highlighting trends, purchasing patterns and innovative approaches.

### **Smarter Buying and savings targets**

The NSW Government Procurement Council was established in December 2001 to accelerate procurement reform. The Smarter Buying for Government strategy (March 2002) outlines the reforms to improve procurement capability, achieve performance improvements and enhance agency objectives.

In Year 1, agencies established savings targets primarily based on greater aggregation of purchasing requirements: a proven mechanism to find savings quickly without the need for significant process re-engineering. Reform to procurement capability and effectiveness of procurement practices is also part of the first year.

For Year 2, these targets are reviewed and expanded upon to take into account savings gained from Year 1 and incorporating the benefits flowing from more aggregated buying, the implementation of better procurement practices and the wider use of e-procurement.

The final year focuses on realisation of the savings targets and attainment of improved procurement capability and practices.

How much each agency saves will obviously vary and depends on a number of factors including the agency's procurement profile, its capacity to leverage its purchasing power, its ability to realise aggregation opportunities with other agencies and whether significant savings have already been achieved from prior initiatives. Saving targets are self-determined with responsibility for realising the targets resting with the agency.

### **Integrating plans and targets**

The processes for preparing a procurement plan and savings targets have a number of similarities. Both require agencies to map their procurement profile in order to understand current practice and to identify opportunities for efficiencies through aggregation. However there are two key differences.

For savings targets, agencies consider aggregation strategies for the full range of goods and services including consumables, service contracts, property/leasing arrangements and construction services. The scope of a procurement plan, however, does not include areas covered by other planning requirements, namely asset planning, office accommodation and construction projects.

Procurement plans require agencies to cover a range of issues including achieving the Government's economic, environmental and social objectives through purchasing, implementing electronic procurement and linking procurement to service delivery objectives of the agency. Agencies are not required to address these issues when developing savings targets.

### **3 PLAN FORMAT**

Procurement planning is an integral part of business planning and a number of areas in your agency can contribute to its development including purchasing, finance, strategy, IT, and buyers with major purchasing requirements along with external consultants or shared serviced providers. The plan this year is based on a series of questions for agencies to complete addressing the key areas of:

- Strategic objectives
- Current procurement profile and practices
- Improving procurement practices
- Performance targets and measures

As a starting point, it is anticipated that much of the information can be collated from your agency's corporate and business unit plans, financial system reports and previous procurement plans and saving targets submissions.

#### **Part A – Strategic objectives**

The first section is designed to provide an overview of your agency, how procurement links to your agency's objectives as well as whole-of-government objectives. While some questions may seem routine, they assist in establishing a platform to focus on achieving procurement reform.

#### **Part B – Current procurement profile and practices**

The second section looks at the current state of play of procurement within your agency. Before any improvements and savings can be identified, your agency's current procurement practices, expenditure levels, purchasing patterns and year 1 savings targets need to be reviewed.

#### **Part C –Improving procurement practices**

This section builds on your agency's current procurement practices and is where your initiatives and areas identified for improvements during 2003-04 are outlined. This may include finding better linkages between procurement and agency objectives, leveraging purchasing advantage, developing procurement capability and identifying savings. A summary of project specific procurement plans for purchases of goods and services that are of high value (over \$500,000) or strategic should also be included.

#### **Part D – Performance targets and measures**

The last section is your action plan for the next year to achieve improved procurement practices as identified in Part C. This section will include a table listing your initiatives to improve procurement practices and the timeframes, performance targets and measures.

## 4 FURTHER INFORMATION AND ASSISTANCE

### Smarter Buying website

Additional information has been prepared to assist you to prepare your agency's plan and is available on the Smarter Buying website [www.smarterbuying.nsw.gov.au/ppplans](http://www.smarterbuying.nsw.gov.au/ppplans).

### Workshops

Workshops will be held in June 2003 to assist you to prepare your agency's plan and provide an opportunity to discuss draft plans, clarify questions and share ideas. All workshops will provide advice and suggestions for completing a plan and outline how the plans will be assessed. Further information will be posted to the Smarter Buying website.

### Feedback

A questionnaire is provided for you to offer suggestions and comments about the 2003-04 program. Your feedback will be used to improve future programs and guidelines. Return the questionnaire, in confidence, to the Council secretariat.

### Submission

Completed plans are due by **Friday, 29 August 2003** and should be submitted to:

Secretariat  
**NSW Government Procurement Council**  
Level 26, Governor Macquarie Tower  
1 Farrer Place  
Sydney NSW 2000  
E [smarterbuying@mail.treasury.nsw.gov.au](mailto:smarterbuying@mail.treasury.nsw.gov.au)

Email submission is preferred.

### Communication

Communicate your agency's plan to staff, similar to circulating a business plan, so staff are informed how the procurement direction of your agency is linked to its objectives as well as some of the initiatives, improvements and other changes ahead in procurement. You may wish to publish the plan on your agency's intranet or include it as an agenda item in staff meetings.

### Assessment

How the plans are to be assessed will be covered in the workshops. A team from NSW Treasury and the Department of Commerce will assess the plans and agencies will receive feedback. A report highlighting key findings, innovative strategies adopted by agencies and future opportunities will be published on the Smarter Buying website.

### Key contacts

If a question is difficult to answer or information is not easily available, please contact the procurement planning team for clarification and advice.

## 5 PLAN TEMPLATE

The glossary defines terms and concepts used in the plan. Please label attachments according to the question number.

Agency	
Contact name	
Address	
Phone	
Email	

### Part A – Strategic objectives

- Q1 Provide an overview of your agency. Include information on your agency's role, size, financials and locations. If relevant, outline the changes in functions, activities and size resulting from the ministerial and administrative arrangement changes of April 2003.
- Q2 Outline your agency's procurement objectives and how these are linked to your agency's role and broader economic, environmental and social objectives?
- Q3 Outline your agency's e-procurement strategy. Include information on when it was developed, what are its objectives, the timeframes and performance measures?

### Part B – Current procurement profile and practices

#### Background

- Q4 If applicable, review last year's procurement plan and outline your agency's progress at meeting the targets and goals in the plan. Include information on the areas in which your agency has achieved procurement process improvement, details of the improvements achieved, benefits gained, performance measures and lessons learnt.
- Q5 Has your agency undertaken a procurement review (independent of the procurement planning or savings target programs)? If yes, please summarise the major recommendations of this review if these have/are being implemented?
- Q6 How is the procurement function co-ordinated and managed within your agency? Is it centralised or decentralised? Is a senior manager or executive responsible for strategic guidance and oversight? Have procurement policies, procedures, manuals and/or standard contract documentation been updated for e-procurement?
- Q7 How does your agency manage and keep staff informed on contract information, service provider/supplier performance information and market information on suppliers, products, pricing, new developments and trends?

## Spend analysis

Q8 In the table below analyse your agency's expenditure and service provider (vendor) profile. List categories by chart of accounts line item using information from your financial systems. See the procurement planning page on the Smarter Buying website for additional information to assist you with this question. Delete the examples in the table.

Category (1)	Actual spend 2001-02 (2)	Actual spend 2002-03 (3)	No. of current service providers for each category (4)	No. of orders/ invoices processed 2002-03 (5)	Proportion of spend in and out of contract (6)	Comment (7)
eg. Catering	\$87,245	\$68,535	58	925	100% outside	Each area looks after own catering arrangements.
eg. Couriers	\$35,653	\$24,563	2	18	100% SCCB	No change
eg. Stationery and paper	\$235,526	\$173,635	5	45	63% SCCB 37% outside	Using 2 service providers not on SCCB contracts. Consolidate to 3 SCCB suppliers. Current paper is 100% virgin. Establish policy to use paper with recycle content and print duplex.
eg. Temporary staff	\$453,405	390,472	18	176	53% SCCB 28% Agency 19% outside	Invoiced weekly. Look to establish service level agreements with SCCB service providers and consolidate all invoices for all temps onto one monthly invoice.
<b>Total</b>						

- Q9 What was your agency's operating expenditure for 2002-03?
- Q10 Do you measure the cost per unit for your agency to process a purchase order/invoice from the raising and issuing of the initial purchase order to the payment of the invoice? If yes, what is the cost per unit to process a standard purchase order/ invoice and outline how you measured or calculated this cost. How does this cost compare with earlier years?
- Q11 Do you measure the cost per unit for your agency to prepare, issue, close and evaluate tenders? If yes, what is the cost per unit for a standard tender and outline how you measured or calculated this cost. How does this cost compare with earlier years?
- Q12 What is the average number of transactions for each service provider? From the table in Q8 above, Column 5 (total number of invoices issued in 2002-03) divided by Column 4 (current total number of service providers).
- Q13 What is the average value of expenditure for each service provider? From the table in Q8, Column 3 (total actual spend in 2002-03) divided by Column 4 (current total number of service providers).
- Q14 What is the average number of service providers for each category? From the table in Q8, Column 4 (total number of service providers) divided by the number of categories.
- Q15 What percentage of your agency's expenditure for 2002-03 was made under either SCCB contracts or your agency's own contracts?

### **Procurement capability**

- Q16 What are the current e-procurement initiatives being undertaken by your agency? Include information on the benefits realised and lessons learnt.
- Q17 Detail the aggregation opportunities undertaken within your own agency and with other agencies. Include information on the goods or services aggregated, the benefits gained, the internal units or other agencies involved and lessons learnt.
- Q18 Outline what your agency has done to assess its procurement capability and any initiatives to address gaps and issues identified. Include information on repositioning and/or restructuring of procurement within your agency, upgrading procurement skills of staff, benefits gained and lessons learnt.

### **Value for money**

Outline achievements by your agency to support economic, environmental and social objectives.

- Q19 **Economic** objectives including, but not limited to, increasing opportunities for local industry and small to medium enterprises (SME) and fostering economic and regional outcomes. How do the 2002-03 outcomes compare to earlier years? Include information on any changes to your agency's approach to economic objectives, how these influenced outcomes and lessons learnt.

- Q19a What is the number and percentage of SMEs on your agency's period contract panels?
- Q19b What is the number and percentage of regional service providers on your agency's period contract panels?
- Q19c What was the value of expenditure made through regional service providers in 2002-03?
- Q19d In 2002-03, what was the number, percentage and value of tenders over \$1 million reviewed by the Industry Capability Network (NSW) Ltd (formerly the NSW Industrial Supplies Office).
- Q19e In 2002-03, what was the number, percentage and value of contracts where an Industry Impact Statement has been applied?

Q20 **Environmental** objectives including, but not limited to, reducing waste or buying items with recycled content (Waste Reduction and Purchasing Policy), including ecologically sustainable development in procurement requirements, reducing greenhouse emissions from government operations (Government Energy Management Plan). How do the 2002-03 outcomes compare to earlier years? Include information on any changes to your agency's approach to environmental objectives, how these influenced outcomes and lessons learnt.

Q21 **Social** objectives including, but not limited to, workforce diversity, providing equal employment opportunities for women, people of non-English speaking backgrounds, people with a physical disability or improving employment and training opportunities for Aboriginal and Torres Strait Islander people. How do the 2002-03 outcomes compare to earlier years? Include information on any changes to your agency's approach to social objectives, how these influenced outcomes and lessons learnt.

### Savings targets 2002-03

Q22 If applicable, outline your agency's performance against the savings targets and strategies identified in your 2002-03 savings targets submission.

Categories	Savings Estimate 2002-03 \$000	Savings Actual 2002-03 \$000	Reason for variation
<b>Total</b>			

### Part C – Improving procurement practices

Q23 Using your analysis from Part B and reviewing current procurement practices and capability, what areas are identified for improvement in 2003-04? Include background information to the improvement, what will change, what the objectives and targets are, the anticipated savings and/or non-cost benefits and the timeframes and performance measures to be used.

Q24 Provide a summary of high value (over \$500,000) or strategic procurement planned for 2003-04? Include information on how they link to your agency's objectives and value for money objectives, the anticipated savings and/or non-cost benefits to be gained, timeframes, performance measures, targets and whether you are working with other agencies.

Q25 What e-procurement initiatives or actions are planned for 2003-04? Include information on how the initiatives link to your agency's objectives and value for money objectives, the anticipated savings and/or non-cost benefits to be gained, timeframes, performance measures, targets and if you are working with other agencies.

Q26 What initiatives or actions are planned for 2003-04 to support economic, environmental and social objectives? Include information on how the initiatives link to your agency's objectives the anticipated savings and/or non-cost benefits to be gained, timeframes, performance measures, targets and if you are working with other agencies.

Q27 What longer-term strategy does your agency have to drive procurement reform beyond 2003-04?

### Savings targets 2003-04 and 2004-05

Q28 Using the 2002-03 savings targets and initiatives to improve procurement processes and practices outlined in this plan, update your agency's savings targets for 2003-04 and 2004-05.

Categories	Revised Savings Estimate 2003-04 \$000	Revised Savings Estimate 2004-05 \$000	Reason for variation
<b>Total</b>			

Q29 How will your agency achieve the savings identified in Q28? For example, maximising use of contracts, consolidating into new contracts, rationalising or reducing product range, using preferred service providers or guaranteeing quantities.

Q30 Detail any aggregation opportunities either within your own agency or with other agencies planned for 2003-04? Include details about the good or service to be aggregated, the expected benefits and the internal units or other agencies involved.

Q31 Outline what initiatives are underway or planned to improve asset procurement within your agency. Include information on how these initiatives are linked to your agency's asset management plan, your agency's objectives and value for money objectives.



## 6 FEEDBACK QUESTIONNAIRE

Your feedback will be used to improve the procurement planning program and guidelines for 2004-05. Feel free to provide suggestions and comments. Return the feedback form, in confidence, to the secretariat by either email, fax or return with your completed plan.

### F1 – Explanation of Procurement Policy and Smarter Buying

The Procurement Plans 2003-04 Guidelines provided a good explanation of the NSW Government Procurement Policy as well as the Smarter Buying for Government strategy:

- Yes, it was very informative and in plain English
- Yes, but it could be more informative
- Yes, but it could be written in plain English
- No, it did not explain the Procurement Policy or Smarter Buying very well.

Suggestions and comments:

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### F2 – Enough information

The information provided with the procurement planning guidelines and on the Smarter Buying website was sufficient and in enough detail to complete your agency's procurement plan:

- Without further information or clarification
- Without further information but some clarification
- With further information and clarification

Suggestions and comments:

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### F3 – Workshops

The workshops held to assist you to complete your agency's plan were:

- Very informative and useful
- Very informative but not of much use
- Not very informative but useful
- Not very informative and not of much use
- I knew they were held but did not attend.
- I did not know they were being held.

Suggestions and comments:

#### F4 – Questions in Part A

The questions in **Part A – Strategic objectives** were

- Easy to understand and answer
- Easy to understand but difficult to answer
- Difficult to understand and answer

Suggestions and comments:

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#### F5 – Questions in Part B

The questions in **Part B – Current procurement profile and practices** were

- Easy to understand and answer
- Easy to understand but difficult to answer
- Difficult to understand and answer

Suggestions and comments:

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#### F6 – Questions in Part C

The questions in **Part C – Improving procurement practices** were

- Easy to understand and answer
- Easy to understand but difficult to answer
- Difficult to understand and answer

Suggestions and comments:

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#### F7 – Questions in Part D

The questions in **Part D – Performance targets and measures** were

- Easy to understand and answer
- Easy to understand but difficult to answer
- Difficult to understand and answer

Suggestions and comments:

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**F8 – Information required**

Information required for the plan was readily available and easy to obtain:

- Yes
- Only some of it
- No, it was available but not easy to obtain
- No, the information was not available.

Suggestions and comments:

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**F9 – Easy to follow and understand**

Overall, the guidelines were easy to follow and understand

- Yes
- Somewhat
- No

Suggestions and comments:

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**F10 – General comments**

Do you have any general comments about the procurement planning program or guidelines?

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**End of questionnaire**

Thank you for your participation. Your feedback will assist in improving the procurement planning program and guidelines for 2004-05. Please return your questionnaire, in confidence, to: Secretariat

**NSW Government Procurement Council**  
Level 26, Governor Macquarie Tower  
1 Farrer Place  
Sydney NSW 2000  
F 02 9228 3173  
E [smarterbuying@mail.treasury.nsw.gov.au](mailto:smarterbuying@mail.treasury.nsw.gov.au)

## 7 GLOSSARY

**Agency** means New South Wales Government departments or declared authorities within the meaning of the Public Sector Employment and Management Act 2002 (replacing the Public Sector Management Act 1988); state-owned corporations within the meaning of the State Owned Corporations Act 1989 as amended; or entities established by a separate act of parliament, if that corporation or entity is expressed to represent the Crown.

**Asset Management** is not covered by the procurement planning program but by an asset management plan lodged with NSW Treasury as part of the Total Asset Management (TAM) process. However, a question is asked about asset management in relation to savings targets and related initiatives under Smarter Buying. Further information is available at

[www.gamc.nsw.gov.au/tam](http://www.gamc.nsw.gov.au/tam).

**Benchmarks** are standards or targets against which a performance indicator can be assessed. Benchmarking in general simply refers to drawing comparisons between like indicators. For example a comparison may be made between states in relation to the level of resources allocated for comparable services.

**Construct New South Wales**, released in July 1998 (Premier's Memorandum 99-02), is a framework to assist the construction industry in NSW to meet the challenges and take advantage of the opportunities in the years to 2005. It affirms the NSW Government's commitment of support to key industries in the state, helping them to achieve their potential and maximise their contribution to the growth of an internationally competitive state. Further information is available at [www.cpsc.nsw.gov.au/constructnsw](http://www.cpsc.nsw.gov.au/constructnsw).

**Construction projects** are not covered by the procurement planning program but are part of the Asset Investment and Capital Works planning process.

The **Department of Commerce** is a new government agency created from the merger of the departments of Fair Trading, Industrial Relations, Public Works and Services and the Office of Information Technology. Further information is available at [www.commerce.nsw.gov.au](http://www.commerce.nsw.gov.au).

The **Electronic Procurement Implementation Strategy** (Premier's Memorandum 01-16) is a framework on the take up of electronic commerce in procurement and information technology in construction. Further information is available at [www.cpsc.nsw.gov.au/e-procurement](http://www.cpsc.nsw.gov.au/e-procurement). The key objectives are to achieve:

- Better value for money outcomes
- Reduced cost of doing business for both government and industry
- Reduced duplication and more efficient purchasing within and between agencies and service providers
- Increased ability to capture strategic information and data on procurement including purchasing patterns
- Greater access for regional and small to medium enterprise.

The **eReadiness** program, developed by the Department of Commerce, provides NSW Government organisations with a step-by-step process to assess their procurement and purchasing eReadiness. At the end of the program organisations will have clearly defined how and when they should integrate with smartbuy™, the NSW Government electronic marketplace. Further information is available at [www.commerce.nsw.gov.au](http://www.commerce.nsw.gov.au).

**Expenditure or expenses** mean an agency's operating expenses and excludes employee expenses, depreciation and amortisation, grants, subsidies or borrowing costs.

**Gateway reviews** provide a means of obtaining independent advice at key decision points in the procurement cycle on how well the project is progressing. Gateway Reviews are an element of Smarter Buying. Further information is available at [www.smarterbuying.nsw.gov.au](http://www.smarterbuying.nsw.gov.au).

**Goods and services** of all kinds, including consumables, service contracts, consultancies and professional services, construction, maintenance and material supply contracts, services and facilities contracts, capital equipment, and property and leasing arrangements.

The **Government Energy Management Policy** (Premier's Memorandum 98-35) was developed in response to the National Greenhouse Strategy requirement to reduce greenhouse gas emissions. Improving the energy efficiency of buildings is one important National Greenhouse Strategy measure. Goals under GEMP include a reduction in the total energy consumption of government buildings and the requirement that all Schedule 1 agencies purchase electricity with at least 6% Green Power. Further information is available at [www.energy.nsw.gov.au](http://www.energy.nsw.gov.au).

## Indicators

- community indicators: describe the state of broad social, economic and environmental conditions in the community. They reflect the influence of a range of factors beyond the direct control of any one state government agency (eg community literacy standards).
- resource indicators: quantify the resources the government puts into each policy area (eg levels of expenditure on the delivery of services and the number of staff employed).
- service indicators: measure the quantity, quality, accessibility and timeliness of services provided (eg number of reported crime incidents investigated by the police).
- satisfaction indicators: measure the personal assessment of services by clients and/or community stakeholders based on their own expectations (eg percentage of population satisfied with services provided by police).

**Information technology** is not covered by the procurement planning program but by an IT strategic plan or IT projects submission lodged with the former Office of Information Technology, now part of the Department of Commerce.

**Maverick spending** refers to purchases made with non-preferred or non-contracted service providers and may mean higher prices are paid for goods and services, service level agreements with contracted service providers are not honoured and potential probity issues.

The **NSW Government Procurement Council** is the body created to provide leadership, drive and commitment to implementing the Smarter Buying for Government strategy. The chair of the Council is the Treasurer and membership is drawn from chief executives of key service, procurement, and central government agencies. The Council meets three to four times a year. Further information is available at [www.smarterbuying.nsw.gov.au](http://www.smarterbuying.nsw.gov.au).

**NSW Supply** see State Procurement.

**Office Accommodation** is not covered by the procurement planning program but by an office accommodation plan lodged with the Government Asset Management Committee. Further information is available at [www.gamc.nsw.gov.au](http://www.gamc.nsw.gov.au).

**Procurement** has three distinct phases: (1) organisational planning and preparation, (2) the tendering and evaluation process and (3) contract management. These three phases cover all procurement activities, including the decision that a good, asset, facility or service is required, as well as defining the scope of the acquisition, its acquisition and disposal.

**Procurement Capability Tool**, part of the Smarter Buying strategy, provides a simple method to help agencies measure and improve their overall procurement capability. Further information is available at [www.smarterbuying.nsw.gov.au](http://www.smarterbuying.nsw.gov.au).

**Procurement plans** are agency-specific documents outlining an agency's procurement direction, strategies, processes and procedures. It also serves as a benchmark for measuring progress with procurement plans.

The **NSW Government Procurement Policy** (Premier's Memorandum 99/8) aims to achieve service, economic, environmental and social objectives while obtaining best value for taxpayers' money by bringing the Government's full purchasing power to bear. Four key principles underpin the procurement policy:

- Value for money, covering price as well as developing local industry, and social and environmental responsibilities
- Efficiency and effectiveness
- Probity and equity
- Effective competition.

Further information is available at [www.dpws.nsw.gov.au/government+policy/procurement](http://www.dpws.nsw.gov.au/government+policy/procurement).

**Public Trading Enterprise (PTE)** are public sector entities that are principally engaged in trading activities that could, in principle, be provided through the private sector without compromising the Government's social and economic objectives. PTEs raise the majority of their income via user charges and have undergone 'commercialisation' reforms to varying degrees. Further information is available at [www.treasury.nsw.gov.au](http://www.treasury.nsw.gov.au).

**Purchasing** is the actual buying process, whether placing or transmitting an order orally, in hard copy, electronically, or buying across the counter.

**QICS™** (Quick Information Contract Search) is an electronic catalogue of State Contract Control Board contracts and is published by NSW Supply. QICS™ allows clients to access information on over 150,000 contracted goods and services. Searches can be made by period contract number, supplier or free text search and it provides information on pricing, price histories, supplier details and contract notes. Further information is available at [www.qics.dpws.nsw.gov.au](http://www.qics.dpws.nsw.gov.au).

**Regional service providers** are based outside the metropolitan areas of Sydney, Newcastle and Wollongong.

**Savings targets**, part of strategies 2 and 7 of Smarter Buying, is a three-year program designed to achieve the benefits of the Smarter Buying strategy.

**Year 1: Establishment.** Agencies establish their savings targets and accompanying procurement reform strategies, having regard to factors such as the agency's procurement spend, its capability in procurement, and the effectiveness of its procurement practices.

**Year 2: Implementation.** Initial targets, savings achieved, innovative approaches and whole-of-government benefits assessed and reviewed.

**Year 3: Achievement and Renewal.** Realisation of the savings target and improved procurement in NSW public sector. Review overall program to achieve greater value for money.

A **Service Delivery Strategy** translates the broad aims of an agency's corporate plan into:

- Specific service outcomes the agency plans to achieve (independently or with other agencies)
- Strategies the agency plans to use to achieve these outcomes
- An indication of resources the agency requires to do so.

Further information is available at [www.premiers.nsw.gov.au](http://www.premiers.nsw.gov.au).

**Service providers** includes contractors, suppliers, subcontractors, consultants, agents and employers who provide goods, assets, facilities or services to a client.

**Small to medium enterprises (SME)** are businesses with 200 or less employees and is based on criteria used by the Australian Bureau of Statistics (ABS). Further information is available at [www.abs.gov.au](http://www.abs.gov.au).

**smartbuy**<sup>TM</sup> is a whole-of-government electronic marketplace developed for NSW Government and its agencies. A secure government to business e-commerce platform, smartbuy<sup>TM</sup> allows NSW government agencies and other organisations to browse, select and purchase goods and services online from approved service providers to government. Further information is available at [www.smartbuy.nsw.gov.au](http://www.smartbuy.nsw.gov.au).

**Smarter Buying for Government** strategy, released in March 2002, provides a new accelerated phase in procurement reform and aims to achieve:

- Improved ownership and accountability of procurement outcomes
- Best practice procurement
- Enhanced sector wide procurement capability
- A sector wide co-ordinated approach
- Performance measurement and benchmarking.

Further information is available at [www.smarterbuying.nsw.gov.au](http://www.smarterbuying.nsw.gov.au).

The **State Contracts Control Board** has sole power for the provision of goods and services (except for capital works), for the NSW public service. The role of the SCCB is set out in the [Public Sector Management \(Goods and Services\) Regulation 2000](#). The SCCB, through its operational arm State Procurement, arranges period contracts for purchasing of commonly used goods and services. These contracts are standing offers by suppliers and usually apply for a specific period of time. Further information is at [www.tenders.nsw.gov.au/dpws](http://www.tenders.nsw.gov.au/dpws).

**State owned corporations** are corporatised Public Trading Enterprises and involves the establishment of a corporate governance structure which mirrors (as far as possible) that of a public -listed company, essentially creating an "arm's length" relationship between the SOC board, management and shareholding government. SOCs are incorporated under the State Owned Corporations Act 1989. Further information is available at [www.treasury.nsw.gov.au](http://www.treasury.nsw.gov.au).

**State Procurement** (formerly NSW Supply) is the operational arm of the State Contracts Control Board and arranges procurement contracts for a diverse range of goods and services for government and community clients. State Procurement publishes QICS<sup>TM</sup> (Quick Information Contract Search), an electronic catalogue of contract information. Further information is available at [www.supply.dpws.nsw.gov.au](http://www.supply.dpws.nsw.gov.au) and [www.qics.dpws.nsw.gov.au](http://www.qics.dpws.nsw.gov.au).

The **Total Asset Management** strategy is agency-specific and encourages asset planning to be linked with planning for human resources, information management, technology and financial resources. The Total Asset Management strategy is normally incorporated into an agency's business planning to ensure that it focuses on attaining service outcomes.

**Value for money** includes three elements. (1) Cost of the goods and service and/or infrastructure (including whole of life costing such as quality, performance, maintenance and disposal. (2) Enhancement of local business, industry and regional development. (3) Social and environmental responsibilities including environmental protection, Aboriginal employment and equal employment opportunities.

The **Waste Reduction and Purchasing Policy** (Premier's Memoranda 97-20 and 99-19) requires all state government agencies and state owned corporations to develop and implement a WRAPP plan to reduce waste in four scheduled areas:

- paper products
- office equipment and components
- vegetation material
- construction and demolition material.

WRAPP also requires that priority be given to buying materials with recycled content where they are cost and performance competitive. Further information is available at [www.wrapp.nsw.gov.au](http://www.wrapp.nsw.gov.au).

### **Sources**

Council on the Cost and Quality of Government  
Department of Commerce  
NSW Government Procurement Council  
NSW Treasury  
Premier's Department  
The Audit Office  
The Cabinet Office

### PROCUREMENT PLANS ASSESSMENT METHODOLOGY – AUGUST 2003

#### BACKGROUND

The assessment methodology for the 2003-04 Procurement Planning program builds on the 2002 Procurement Planning and Savings Targets programs. The key purpose is to:

- provide feedback and a report to agencies on the plans submitted
- identify whole of government trends and opportunities for continuing procurement reform, including savings targets and sharing of best practice based on agencies' procurement experiences.

Outputs from the assessment process will be:

- a consolidated 2003-04 Procurement Planning Program report to the State Contracts Control Board and the NSW Government Procurement Council
- provision of feedback to individual agencies on their plans and an executive summary of the consolidated report
- publishing of the consolidated report on the Smarter Buying website at [www.smarterbuying.nsw.gov.au](http://www.smarterbuying.nsw.gov.au).

#### METHODOLOGY

The assessment of plans will primarily focus on the extent to which agency plans are input/output/outcomes oriented. The aim is to provide feedback and guidance to assist agencies in achieving an outcomes oriented approach to procurement planning.

From an agency perspective, an outcomes oriented plan should focus on the strategic positioning of procurement and demonstrate clear linkages to support achievement of service outcomes. Agencies may also wish to consider using the methodology as a guide for ensuring their plan has a strategic and service outcomes focus.

#### Rating scale

The following rating scale applies to the four sections of the procurement planning template:

0. No response provided by agency

#### *Input oriented (attention to procurement processes)*

1. Response by agency indicates under development for future years
2. Very limited response - no detail
3. Limited response - some detail, but no analysis

### ***Output oriented (attention to procurement performance and output targets)***

4. Very limited response - no detail, but includes some broad linkages to procurement performance and savings targets
5. Limited response - some detail, no analysis, but includes some linkages to procurement performance and savings targets
6. Detailed response - analysis, with clear linkages to procurement performance and savings targets

### ***Outcome oriented (attention to resources aligned to achieve service outcomes)***

7. Very limited response - priorities documented with some broad linkages established between procurement objectives, savings targets, corporate goals and service outcomes
8. Limited response - priorities documented with some linkages established between procurement objectives, savings targets, corporate goals and service outcomes
9. Detailed response - priorities documented with clear and demonstrated linkages established between procurement objectives, savings targets, corporate goals and service outcomes.

The assessment process will also include gathering of quantitative and qualitative data for inclusion in the consolidated report. Data reported in plans such as activities supporting procurement reform, including identification of best practice initiatives, case studies, and lessons learnt for sharing across agencies, responses to benchmarking questions on procurement processes and value for money, and savings targets will assist in identifying trends and opportunities across government.

### **Assessment criteria**

The rating scale applies to the following assessment criteria:

#### ***Strategic Objectives***

- Corporate goals communicated
- Service outcomes defined and documented
- Procurement objectives defined and linked to achievement of corporate goals and service outcomes
- Procurement objectives defined and linked to achievement of economic, environmental and social objectives
- E-procurement strategy developed, including performance targets and measures, and linked to procurement objectives.

#### ***Current procurement profile and practices***

- Progress towards targets and goals from previous procurement plan or other procurement reviews documented, including improvements achieved, benefits gained and lessons learnt
- Management and co-ordination of procurement function documented, including processes for communicating changes in contracts, supplier performance and market information to staff

- Progress towards targets and goals from procurement capability review documented, including improvements achieved, benefits gained and lessons learnt
- E-procurement initiatives identified and benefits realised documented
- Performance against 2002-03 savings targets program identified and documented
- Operating expenditure identified and spend analysis documented
- Aggregation opportunities detailed and benefits realised documented
- Benchmarking data identified and documented for procurement processes
- Achievements and benchmarking data identified and documented for economic, environmental and social objectives.

### ***Improving procurement practices***

- Areas of focus for procurement reform identified and documented, including high value or strategic procurement and performance targets and measures
- Planned e-procurement initiatives identified and documented, including performance targets and measures
- Planned initiatives to support economic, environmental and social objectives identified and documented, including performance targets and measures
- Longer-term strategy for procurement reform developed and documented
- Savings targets and strategies for 2003-04 and 2004-05 identified and documented.

### ***Performance targets and measures***

- Performance targets, measures and timeframes identified and documented.

### **Note**

Criteria relating to operating expenditure and spend analysis, and benchmarking of procurement processes are input/output driven.

## **ASSESSMENT REPORT AND FEEDBACK TEMPLATE**

The assessment report and feedback template comprises three parts:

1. Rating of agency responses against specific criteria
2. Benchmarking data and activities supporting procurement reform
3. Savings targets.

The template forms the basis of reporting and feedback to agencies. When considering the report and feedback on your agency plan, particular emphasis should be placed on the comments and ratings against each of the criteria.

### **Process for assessing plans**

A joint NSW Treasury/Department of Commerce team will assess the plans.

Full assessment of plans will be shared between 2-3 team members, with NSW Treasury to ensure consistency of approach. Treasury Resource Allocation Directorate (RAD) analysts will assist with review of the plans with a focus on the savings targets component.

Based on the ratings assigned to each of the assessment criteria, an average overall rating for each agency plan will be calculated. This average will provide an indication of the overall focus of the plan based on the input/output/outcomes oriented approach.

## **Reporting**

Similar to previous years, the 2003-04 program will include feedback to each agency on their plan and a consolidated whole of government report to the State Contracts Control Board and the NSW Government Procurement Council.

Agency feedback will be prepared by the NSW Treasury/Commerce assessor reviewing the plan. Each agency will be provided with comments on the assessment undertaken on their plan, including comments to assist in the development of future plans, and the executive summary from the consolidated report.

The consolidated report will be prepared by NSW Treasury and focus on the trends and opportunities identified across government for continuing procurement reform, including savings targets and sharing of best practice based on agencies' procurement experiences. The consolidated report will also include a snapshot by percentage of the plans submitted based on the input/output/outcomes oriented approach. This snapshot will use the average overall rating for each agency plan and provide an indicator across government of the extent to which procurement planning is linked to the achievement of service outcomes.