



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

Annual Report 2019/20

Highlights

Saved the sector
\$75 million
or **382,000 resource hours**



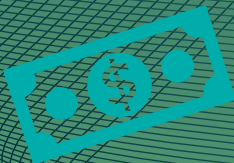
Delivered specialised training to almost



700 people

2,303 RFXs online with
an estimated value of
\$424 million

\$1.28 million
in **rebates** ↑ paid to councils,
ROCs and JOs



\$735 million
contract spend

Sustainable Choice
membership now **'free'**

– additional 24 councils joined

Commenced

'Modern Slavery Assessment'

– all LGP Approved Contractors

About LGP

Purpose

We create and drive value for local communities.

Vision

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

Value Proposition

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

How we deliver our value:

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

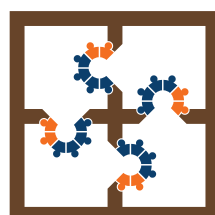
Our Customers

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



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Message from the Chair



The 2019/20 financial year proved to be a tumultuous period on several fronts.

Many councils, businesses, families and communities were impacted by the bushfires, drought and floods across NSW. Before we could recover, we then had to deal with COVID-19 and the impact of a global pandemic not experienced in this lifetime.

With the many challenges of the 2019/20 financial year Local Government Procurement (LGP) has continued to deliver a strong financial result and returns to our owner Local Government NSW (LGNSW). It allowed the business to allocate \$1.28 million in rebates for councils, regional organisations of councils and joint organisations. LGP's 34 contracts delivered \$735 million in contract spend.

At the start of the year the Board embarked on developing a new Strategic Plan and direction. The strategic vision was driven by the Board with significant input from the executive team and leaders across the business.

To support our 3-Year Strategic Plan we developed a strong purpose statement: 'We create and drive value for local communities'.

This year we expanded the LGP Board and welcomed a new associate Director Susan Budd. The associate Director role will help streamline our governance model and improve communication between the LGP Board and our owner Local Government NSW.

On behalf of the Board at Local Government Procurement (LGP) we are delighted to present the LGP Annual Report and share the achievements of the CEO, executive team and all LGP staff.

Thank you

John Truman

Chair



Message from the CEO

It goes without saying the 2020 financial year had an over-supply of challenges for all of us in many ways, impacting all aspects of our professional and personal lives.

From August 2019, we suffered under severe drought, watched the beginning of unprecedented bushfires, which lasted 170 days. Then just as the state drew its breath, a global pandemic arrived.

LGP saw all 128 councils working hard to adapt and support their communities, which motivated LGP to launch our Disaster Recovery Program, to provide low or no cost services, access to our resources and to help economic development in regional areas.

This is a 2-year program with various phases we continue to communicate to those councils most impacted.

I am very proud of our innovation and adaptability to deliver all that we had planned, despite the challenges. LGP renewed its strategic plan, using our existing virtual classroom capability we shifted all our training to online, delivered our planned events virtually, launched a new contract lifecycle management solution, delivered 5 new contracts and brought forward the delivery of 3 more.

Our strategic vision has been set for the next 3 years. We are very appreciative of the time the LGP Board invested with the LGP Executive, and our emerging leaders to design an exciting suite of new directions. The outcomes from the 2020-2023 Strategic Plan will see the organisation transform itself, and how procurement is delivered in NSW

local government. Our new Purpose Statement paints our future focus, LGP will *create and drive value for local communities*.

Under our primary service, whole-of-local government panel contracts the LGP business managed \$735m in council spend. The major categories of spend were Roads (\$142m), Energy (\$104m), HR (\$94m), along with Information Technology & Communication (\$53m).

Now more than ever we thank and show our appreciation for all our stakeholders. We cannot achieve all of what we do without our Councils, ROCs, JOs, Approved Contractors, partners and key stakeholders.

On behalf of the staff and the LGP Executive we thank our Chairman, John Truman for his support and sound guidance during FY20. We thank all our LGP Board Members for their active engagement and focus in guiding our business through unprecedented times. To the Board and management team at LGNSW we also thank and acknowledge their support for LGP.

In a year of complete uncertainty the people who work inside and run the LGP organisation are the true heroes of our business. This gifted group of people supported each other, looked out for one another, and made sure we all came through together. I believe this experience has made us so much stronger. We say a very special thank you to our loyal and hardworking staff at LGP.

Thank you

Luke Kenny
Chief Executive Officer

LGP Board



JOHN TRUMAN
CHAIRPERSON

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



PETER DENNIS

Peter has served on the LGP Board since 2018. He is an engineer with over 35 years water industry and local government experience. His is currently Managing Director at Hunter H2O. His previous roles have included CEO at Seqwater, CEO at Armidale Regional Council, General Manager System Strategy at Hunter Water Corporation and Chief Operating Officer at Hunter Water Australia. His Board experience includes ICON Water, Australian Water Association, Mackay Regional Council Water Board and Newcastle Institute of Energy and Resources. Peter is also currently a Conjoint Professor in the School of Engineering at the University of Newcastle.



ELIZABETH HENDERSON

Elizabeth has served on the LGP Board since 2018. She is an executive, lawyer and sourcing & procurement professional with 20+ years' experience in the banking & financial services and professional sectors. She was a senior manager and commercial director at Westpac, including Director of Strategic Sourcing, Director of the WorkSMART Program and Chief of Staff to the Chief Operating Officer. Previously she worked in both investment banking and as a Senior Associate at major Australian law firm Freehills (now Herbert Smith Freehills). Elizabeth is currently Commercial Director at boutique advisory firm Nyungga Black Group.

LGP Board



PENNY HOLLOWAY

Penny has served on the LGP Board since 2018. She has 30+ years' experience at senior executive level in state and local government in Victoria and NSW, including CEO of Lord Howe Island Board, General Manager at North Sydney Council and CEO at Latrobe City Council. She is currently a Board member on the Victorian Planning Authority, Alternate Chair of Local Planning Panels at Willoughby, Burwood and Camden Councils, Independent Expert on the Local Planning Panel of The Hills Shire Council, a State Member on the Northern Regional Planning Panel and a Member of Northern Sydney Local Health District Audit and Risk Committee.



ROBERT LAGAIDA

Robert has served on the LGP Board since 2018. He has 25+ years' experience in the NSW public health system managing delivery of health services, undertaking procurement and management of assets, goods and services for NSW public hospitals. He was Director of Clinical Operations and Director of Finance and Commercial Services in a number of NSW Health entities, and also held senior policy positions in the NSW Ministry of Health. Robert is currently a Board Director of Arthritis and Osteoporosis NSW and LiveBetter Pty Ltd, an independent member of the Audit and Risk Committees at Blacktown City Council and Nepean Blue Mountains Local Health District, as well as a member of the NSW Medical Council and the NSW Board of Psychology of Australia.



SUSAN BUDD

Susan has served on the LGP Board since 2019. She is a lawyer and governance professional with 30+ years' experience in public and private sector legal practice. As well as her extensive knowledge of legal issues arising in the context of the NSW planning system Susan has strong experience in corporate governance, including corruption prevention. During her career, Susan has worked in a number of senior executive roles with the NSW Department of Planning and Local Government NSW and legal roles in the private sector.

Susan is currently Corporate Counsel and Company Secretary for Local Government NSW, and an alternate member of the Sydney and Regional Planning Panels.

Susan has a Master of Environmental Law, a Bachelor of Arts and a Bachelor of Laws, all from the University of Sydney. Susan is a member of the Law Society of NSW and is admitted as a solicitor of the Supreme Court of NSW.

Measuring our Value

Contract Spend



During the 2019/20 financial year LGP **contract spend was \$735 million**. Noting the COVID-19 pandemic and its impact on the global economy this is a very satisfactory result with a nominal 4% decrease on the previous year.

LGP contracts deliver value through competitive pricing using bulk purchasing power, access to leading and local suppliers and by reducing procurement risk.

Overall **2,303 online RFXs** were submitted – with an estimated value of **\$424 million**.

Rebates



LGP finished the 2019/20 financial year with a gross surplus of \$3.2 million (before allocation of rebates) thanks to the support given by councils across NSW in using our contracts, training and consulting services.

As a result, the FY20 **Rebate scheme paid \$1.28 million** to councils, ROCs and JOs.

Savings



LGP's efficiency and expertise saved the NSW Local Government sector an estimated **\$75 million** or equivalent of **382,000 resource hours** overall for the financial year.

The estimated savings included:

\$13 million

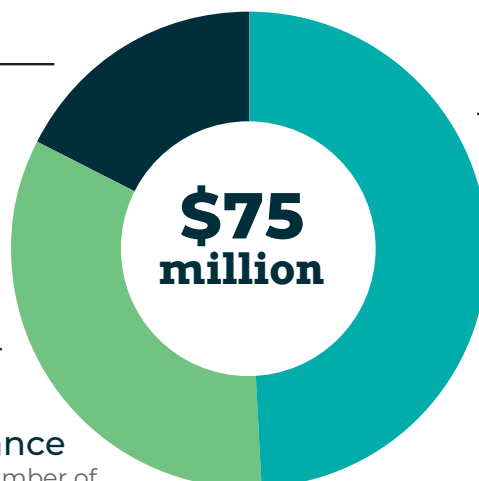
in contract management costs

(\$5k per contract x number of contracts used)

\$25 million

in tender cost avoidance

(\$10k per tender x average number of contracts used x number of councils);



\$37 million

through negotiated price savings

achieved under LGP contracts (actual contract expenditure x 5%);



Procurement Intelligence Dashboards

LGP has developed **Power BI analytic dashboards** for our councils and LGP Approved Contractors. The dashboards provide dynamic and valuable data, which is **available 24/7** across all contract spend and performance. A one-of-a-kind savings dashboard shows total cost savings for councils based on their contract spend.

A high-angle, top-down photograph of a business meeting. Three people are seated around a glass-topped table. A man in a dark suit is shaking hands with a man in a brown suit. A woman in a light grey blazer is seated to the right, looking down. The scene is brightly lit, with reflections on the glass table and floor.

LGP Tendering & Contracts

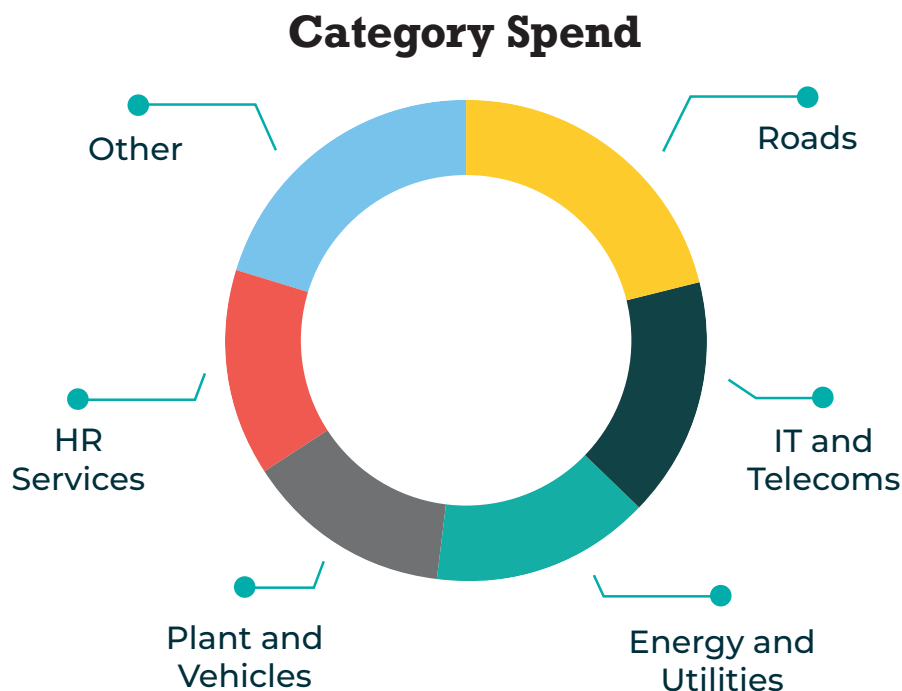
Tendering & Contracts

Our team remains strong, but also vitalised by the arrival of new staff, who bring new ideas and valuable input.

In 2019/20 the NSW local government sector spent \$735 million through LGP contracts.

The contracts with the **biggest spend** during the year were:

- \$142 million – Bitumen, Emulsions and Asphalt Materials and Services
- \$104 million – Supply of Electricity, Gas and Greenpower
- \$94 million – HR Placements
- \$53 million – IT&C Products, Services and Consulting
- \$46 million – Professional Consulting Services.



During the year we established 11 new contracts.

LGP established **five new** contracts for:

- Asbestos Removal & Associated Services
- Corporate Clothing, Workwear and PPE
- Energy Services
- Plant, Equipment and Machinery
- Media, Advertising and Creative Services.

LGP **refreshed six** contracts for:

- Supply, Fitting, Maintenance & Recycling of Tyres, Tubes and Automotive and Marine Batteries
- Supply of Electricity for Large Building & Facilities
- Supply of Electricity for Small Tariff Sites
- Supply of Electricity for Unmetered Street Lighting
- Supply of Natural Gas for Tariff V Sites
- Supply of Natural Gas for Large Sites.

Tendering & Contracts

During the year 12 tender processes were conducted with 765 submissions received from tenderers. **LGP had 34 contracts in operation, encompassing 957 LGP Approved Contractors.**

Our work continues strongly. LGP has prepared and now operates against a **3-year tendering program** enabling tenders for new projects to be researched and ready for release. Planning for three new contracts commenced in FY20 and will be available in FY21; including: Line & Road Marking, Legal Services, Major & Minor Works.



LGP also worked in conjunction with the National Procurement Network (NPN) to standardise tendering process and contract terms and conditions. LGP is a member of the NPN – a collective of all Australian State and Territory local government procurement agencies. Through the NPN, LGP customers have exclusive access to eight national local government contracts.

A memorandum of understanding was finalised with the New South Wales Department of Planning, Industry and Environment (DPIE). This memorandum builds on earlier works that both organisations have jointly participated in and sets up a formal relationship through which we can progress other mutual activities.

We continue to have positive and open dialogue with the Office of Local Government regarding procurement matters and the potential for legislative change.

LGP Services



Training



LGP Training courses range from basic eLearning modules in procurement and contracting up to nationally accredited qualifications, tailored to meet the needs of procurement professionals in the local government sector.

During the 2019/20 financial year, LGP delivered specialised cost-effective **procurement training and eLearning to almost 700 people**. More than **40 courses were delivered online or in-person** in Sydney and at regional locations. The most popular public and onsite courses were:

- Contract Management Essentials
- Procurement for Local Government
- Planning and Specification Development
- Evaluation, Supplier Selection and Contract Establishment.



LGP in partnership with a registered training organisation (RTO) delivered several **nationally accredited courses in procurement and contracting and project management, customised for the local government sector**. The courses are in procurement and contracting and project management. Five qualifications were delivered to more than 50 participants who successfully graduated.

In FY20 LGP established a **new training panel** with a diverse range of qualified trainers with suitable knowledge and experience to deliver LGP training courses.

Consulting

The LGP Consulting Team is a **specialised unit** established to provide **customised outsourced services** to councils in relation to their specific procurement projects.



In 2019/20 we provided specialised procurement services to councils on **15 procurement projects**. The services included facilitation of tender processes, procurement documentation reviews and probity services.

As part of LGP's Disaster Recovery Program launched in March 2020, and throughout the COVID-19 pandemic to support our councils LGP Consulting introduced a reduced discounted hourly rate to **make our consulting services more accessible** during these difficult times.

LGP Consulting: adding value to your procurement team

LGP Consulting works across four focus areas – learning, relationships, stewardship and expertise – and these focus areas help achieve goals in each client's vision. We provide value through:

- Increased efficiencies
- Safeguarding customer reputations
- Probity advice
- Transfer of knowledge.

Sustainable Choice



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

Twenty councils participated in the Sustainable Choice annual sustainable procurement survey. The survey is a health check against the ISO 20400 guidance standard on sustainable procurement. Participating councils receive an individual performance report and scorecard. The performance report provides guidance to councils on how they can progress their sustainable procurement practices.

During the year, one ISO 20400 Sustainable Procurement training course was delivered to 12 participants.

Sustainable Choice membership now free for all NSW councils.

LGP has removed the membership fee for Sustainable Choice as part of its Disaster Recovery program. All councils are now invited to join Sustainable Choice and enjoy the many benefits of membership for free. The challenges and difficulties councils have and continue to face due to numerous events such as bushfires, droughts and COVID-19, along with Net Zero Emissions goals and Climate Change Emergency declarations, further highlight the need for local government to embed sustainable procurement practices.

Since removing the membership fee in May 2020, an **additional 24 councils** have opted to join Sustainable Choice.

LGP's Sustainable Choice, representing Local Government and contributing to change

LGP's Sustainable Choice drafted a submission to the Legislative Council Standing Committee on Social Issues regarding the inquiry into the NSW Modern Slavery Act 2018 (the Act). Over 102 submissions were received by the Committee, which after considering all submissions, released its recommendations in March 2020.

This report referred to Sustainable Choice's submission on several occasions. The submission highlighted the importance of capturing modern slavery risks associated with local government spend under the NSW Act.

LGP now includes modern slavery criteria in all RFTs. It has also commenced its own **modern slavery risk assessment** across all its contracts and will provide the outcomes of that assessment to customers. Modern slavery awareness training has been offered to all Approved Contractors and modern slavery awareness training with councils has been undertaken through networking events, newsletters and forums.

Leading Efficiency and Analytics Program

LGP’s Leading Efficiency and Analytics Program (LEAP) is a low-cost continuous improvement program that uses real data and evidence to improve procurement capabilities of councils.

The program assesses how procurement is structured within a council. It generally runs for three years, to allow enough time to consolidate and implement the necessary changes for council to reach its target procurement objectives.

Eight councils are participating in LEAP – and collectively have identified more than \$4.4 million savings.



Contract Lifecycle Management System



LGP’s Contract Lifecycle Management System (CLMS) has been designed to support the NSW local government sector in delivering an effective contract management solution. We have partnered with Portt and ArcBlue as our technology and delivery partners.

In 2019/20 a **pilot program commenced with four participating councils:** Central Coast Council, Northern Beaches Council, Port-Macquarie Hastings Council, Queanbeyan-Palerang Regional Council and LGP.

The pilot program delivered:

Managed contract **risk and governance**

Contract management system **embedded** into business operations

Ease of use with the contract management system

Centralised contract management

Transparency to council of contract **value**

Events

During 2019/20 the LGP events program delivered **29 events** to **788 delegates**. Due to COVID-19 several planned in-person events were adapted and delivered virtually with the remaining events delivered in Sydney, Port Macquarie and Central Coast. LGP supported several local government events, participating in 6 events as a sponsor or exhibitor.

7 Procurement and Engineering Network Meetings

attended by more than 281 delegates

1 Sustainability Forum

attended by 17 delegates

20 Engagement Events

attended by more than 360 participants

1 Annual Conference

attended by more than 130 delegates

The 13th LGP **Annual Conference** was held in October 2019 at Sydney, with a theme 'The Matrix of Supply Chain – Connect the Moving Parts'. It included our first engineering stream with procurement sessions designed for local government engineers. Over the two days, delegates enjoyed over **16 hours of presentations and panel sessions** with high quality speakers, a newly introduced roundtable session, and lots of interactivity through networking and discussion groups.

The conference continues to grow and evolve and this year we had a record number of over **130 delegates** and **32 sponsors and exhibitors**. The feedback from delegates showed 91% of attendees rated the conference as very good or excellent.

The **procurement and engineering network meetings and sustainability forums** are free and exclusive to the local government community. The events provide a platform for council officers to meet in an environment conducive to networking and information sharing, while discussing procurement, engineering and sustainable initiatives within local government and best practices.

Twenty **engagement events** were delivered by LGP to share information with councils, suppliers and approved contractors. These events included sustainability webinars, tender briefings and contract implementation sessions.

Procurement Awards

The procurement awards recognise excellence and achievement in procurement and celebrate those procurement professionals or groups who are making a difference in local government and the community.

In 2019 the inaugural LGP Approved Contractor of the Year Award was announced. This award celebrates the diversity of LGP Approved Contractors and recognises excellence in supporting the local government sector.

The awards were presented at the Annual Conference dinner.

Winners of the LGP procurement awards:



**Craig Wade,
Cessnock City
Council**

2019
Outstanding
Procurement
Professional of
the Year



**Byron Shire
Council**

2019 Sustainable
Procurement
Initiative



**Charlotte Cottam,
Liverpool City
Council**

2019 New
Procurement
Professional



**Brandworx
Australia**

2019 LGP
Approved
Contractor of the
Year Award

Moving Forward

Council
satisfaction is



employee
satisfaction is 80%



Approved contractor
satisfaction is **69%**

Leading into FY2021 new 'value creation' initiatives include:

- A new **3-year strategic plan**
- Advocacy for social procurement outcomes in local government
- Proactively support sourcing strategy for new grant-funded projects
- A **new website**
- Establishing LGP as a registered training organisation (RTO)
- Developing new training programs
- Establishing new contract panels
- Incorporating **'virtual' into all LGP events**
- LGP automating source-to-contract process for greater efficiency
- Expanding stakeholder engagement through the **new LGP Chief Procurement Officer** role.





Local Government
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