



## Procurement's Cinderella moment:

Digital Solutions  
are Transforming  
Procurement in Local  
Government



Many eyes have been on sub-tender sourcing in Local Government since ArcBlue Consulting's 2015 whitepaper, 'It's not sexy but it matters: An examination of low value (below-tender) procurement in Australian Local Government'.

Western Australia, South Australia and New South Wales have all carried out audits of state and local government procurement supporting the thesis of the earlier whitepaper: that the opportunity to reduce risk and drive value through sub-tender sourcing is significant and that new systems were needed to improve outcomes.

Five years on from the whitepaper, it's timely to review the findings alongside those from the state reports.

Have the recommendations for Local Government sub-tender procurement been addressed?

What has been achieved?

What new opportunities have emerged for Procurement to drive value?



## It's not sexy: a Snapshot

When ArcBlue surveyed 79 Australian Local Governments in 2015 they found that between 40-60% of spend fell below the tender threshold. These low value transactions accounted for the majority (over 80%) of procurement events but were mostly managed by non-procurement staff using manual, poorly supported processes.

### Key survey findings:

- 93% of RFQs managed via email
- 80% managed by non-procurement staff
- 57% of Councils had difficulty demonstrating probity
- 65% had little insight into spend and sourcing behaviour

These challenges resulted from the decentralised nature of sub-tender procurement, where buyers are spread across business units and locations. Small procurement teams lacked the resources to properly support staff to run consistent and compliant sourcing events, as almost all activity was obscured in email and spreadsheets. As a consequence, demonstrating probity in sub-tender procurement was very difficult.

*The findings suggested that Councils were clearly at risk of non-compliance - as subsequent enquiries established. Recommendations focused on implementing systems to improve controls and transparency and support buyer compliance.*

# Echoes from subsequent State reports

Similar findings appeared in the 2018 Western Australia Auditor's Report into eight local governments. While all had policies and procedures in place, they were not consistently used. Procurement teams lacked oversight, controls, and full documentation to demonstrate probity, so Councils were exposed to unnecessary risks.

A separate report showed that almost two-thirds (63%) of audited NSW Councils did not track contractor performance and lacked a contract management policy.

Meanwhile, a report from the South Australian Productivity Commission identified shortcomings in contract management, and poor transparency and lack of innovation in procurement. It highlighted weak evaluation processes that focused too squarely on price and didn't provide guidance on how non-financial objectives should be factored into decision making.

Market and supplier intelligence was another area identified as lacking by the Commission. It found that thorough research into potential new suppliers was rarely conducted and that supplier capabilities were often poorly detailed.

*All three reports cited lack of transparency and data as key themes and called for systematic changes to improve transparency and increase capability in non-procurement staff.*

# Changing landscape: the rise of digitisation

Procurement technologies that were considered emerging at the time of the 2015 report are now seen as core solutions by many Councils. They allow them to actively manage suppliers, gather and organise data, automate processes, and gain visibility across decentralised sourcing - from supplier discovery to contract award.

One of the authors of the original report - Chris Newman, Managing Director at ArcBlue Consulting, agrees that progress has been made, but that more is needed. "The move to digitisation has never felt more important for Local Government. Our teams are out there supporting the sector to continue this vital transition and maximise the benefits of technology. We are excited to see how public procurement is now working to not only deliver value, but to strengthen local economies and communities - that's what motivates us."

For Councils that have not moved ahead, it's time to build a case for upgrading procurement tools. And digital solutions can be surprisingly affordable in light of the ROI they deliver. For example, a recent audited case study of 29 Councils using VendorPanel found an average cost avoidance saving of 9.74%. Even in 2015, when an average Council spent \$16 million per year on operational sourcing, that would have been a real saving of \$1.5 million, many times the cost of deploying the technology.

The effect of digitisation for procurement teams is immediate and transformative. As procurement manager **Jesse Johnson** of the Shire of Wyndham-East Kimberley describes:

Digitising procurement can improve processes in all of the areas that State audits have identified:

- **Transparency and control:** Central place for buyers to source
- **Staff capability:** Structured processes to ensure compliant behaviour
- **Supplier management:** Automated reminders and notifications
- **Supplier discovery:** Open local supplier marketplace to help broaden and diversify supply chains
- **Evaluation:** Digital tools support better, faster decision making in line with weighted criteria
- **Data management:** Rich data and accurate reporting
- **Contract monitoring:** Sourcing data securely transferred to the contract management phase

*"The dramatic reduction in my workload freed me up to better support staff and suppliers to improve their Requests and Responses. And having an audit trail readily available and all sourcing visible to Procurement covered off compliance for the Shire."*



## What does the future hold?

Implementing procurement technology is only going to become more compelling as companies use APIs to connect business systems. Local Governments can now build on their existing infrastructure by connecting their procurement solutions with other systems, like contract life-cycle management, finance and ERP.

APIs also enable improvements to supplier management, as critical information like compliance status, sustainability ratings and IT security standards can be displayed for buyers in their procurement tool, preventing unqualified suppliers from being included in Requests.

As adoption of new procurement solutions has become more widespread, their development has become increasingly customer-led.

Bruce Renneberg is part of a team of three that oversees 140 buying staff at a large NSW metro local government. They moved to digital procurement in 2013 and have seen their needs influence the development of the platform. He says of VendorPanel:

*“Accessible forums for submitting feedback and the subsequent releases have proven that the company listens. Our procurement capability and the value we drive to the organisation continues to grow as a result.”*



## Don't be left behind.

The case for digitisation has never been stronger as solutions become increasingly user-friendly, easy to implement and sophisticated in their functionality. Local governments that have implemented procurement technology since 2015 have achieved transformational gains in efficiency, control and cost savings. They're making better decisions based on data-driven insights and achieving outcomes beyond savings, including increased engagement with local suppliers and social enterprises.

Don't be left behind, take the time to see what procurement technology can do for your organisation.

