

How to use **PROCUREMENT** TO ENHANCE COMMUNITY AND COUNCIL RECOVERY

Councils are grappling with how to assist their communities, cities, districts and regions to recover from the effects of COVID-19. Central and local Government spend is a critical part of the recovery.

It is critical that councils

do the right things Projects that have the greatest positive impact on their communities, drive value into the community and optimise council spend

do them the right way Right strategy, right process – easy and quick

do them within the rules Meet probity and governance requirements

As a company The Integral Group's vision is **A world where the good guys win.** In procurement this means:

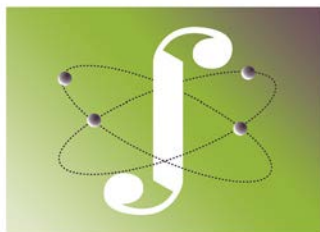
- the best suppliers get the business
- the best clients get the best suppliers
- it also means the bad guys get their just deserts (clients and suppliers)

We see a lot of procurement that is fundamentally flawed and poor decisions are made, with the wrong suppliers winning the business and then the flow on problems that follow. Procurement and contract management can be easy, fast and effective if you know what you are doing, or really bad if you don't.

To try and head procurement in the right direction we have combined:

- lessons from the recent article written by The Office of the Auditor General (OAG) on Local Government Procurement (25 May 2020)
- lessons from our experience. We have worked with over 50 councils in the last 10 years and have progressively been improving procurement models to be more effective, easier, faster and more attractive for the supplier market. We have also seen what works and what doesn't at a council level.

The Integral Group Ltd



The New Paradigm for Procurement

In 2014 out of frustration with poor public sector procurement we developed a **New Paradigm for Procurement:**

- collaborative
- courteous
- considerate

We have applied this paradigm and the new models successfully for quite small projects, right through to reasonably large infrastructure projects and large maintenance contracts.

Now we are heading into tough times and it is the time to work together with the supplier market to get the best results for all involved. It is time to leave behind the old master/servant models and behaviours, along with lowest price models, and work collaboratively to get the best value from the procurement that we need to do. Collaborative procurement requires mutual trust. This is one of the hardest things for traditionalists to get over in the move to more collaborative models.



Introduction

A key quote from the OAG article is "We have seen many situations where procurement goes wrong. In our view, this is more likely to happen when public organisations do not have the right **culture, leadership, or systems in place for procurement.**"

This has been our experience too. We have had different levels of success with procurement across our council clients. We have found the key elements to success include (and the more this is applied the better it goes):

- shifting the culture to a collaborative model, and away from master/servant and lowest price thinking, is a key to getting the best value from procurement
- it is critical to get buy in at senior leadership team level, then elected members, to some fundamental principles – **collaborative, value based, disciplined, fast and effective, fit for purpose processes and models.**
- procurement policy that is up to date, fit for purpose and collaborative based
- decision makers having a clear understanding of what good procurement looks like
- understanding of governance and management roles
- procurement processes, procedures and guidelines that are up to date and fit for purpose
- having the right people doing the procurement
- procurement and contract management training and mentoring is undertaken to build capability and capacity
- discipline – detail, sticking to deadlines, sticking to the process and rules

This lines up directly with the key elements of the OAG article, which are:

- good governance for procurement
- planning for significant capital projects
- conflicts of interest
- emergency procurement
- procurement capability and capacity
- procurement policies and training
- contract management
- achieving broader outcomes through procurement

We have developed short workshops for senior leadership teams and elected members. Our procurement policy is collaborative based and can be customised. The procurement manual has processes, procedures, guidelines and templates that can be customised. We run our training workshops based on the collaborative models we use.



Challenges

One of the challenges that we have seen is where councils buy into the collaborative paradigm, but then don't know how to apply it at ground level. So what tends to happen is they revert to type and use the old models. This can easily be addressed with a bit of guidance.

We have run over 40 procurement projects in the last four years using these techniques. The key is that every project is unique and the most important part is developing the **right strategy for that project at the outset** (not copying what someone else did).

The four key objectives are – *know what you want and need, attract the best suppliers, choose the right ones, manage them fairly.*

The strategy needs to achieve these objectives. The considerations include – *the market conditions, how to go to the market, the type of contract, term, scope, evaluation criteria and weightings, evaluation method.*

This is an area that we often see being done poorly. If you have the wrong strategy you can do everything else right and still end up with the wrong outcomes. As such, this is an area that we focus on a lot in our training and mentoring.



Action

So, the questions to ask yourself are:

- are we up to date in our thinking about procurement?
- are we confident we can meet the OAG requirements?
- are our procurement policy and processes up to date?
- are we delivering best practice and up to date procurement?
- do we know how to apply collaborative procurement at a day to day level?

If the answers to any of these questions are no, and you would seriously like to improve, then **contact us** for help or to receive the free guide to Collaborative Agile Procurement.



Frank's experience

In procurement and in particular council procurement includes:

- Started trading on his own in 1998 and set up The Integral Group Ltd in 2001
- Personally worked with 53 councils and over 15 council senior leadership teams
- Run over 200 procurement projects in over 70 categories
- He has set up 5 alliance contracts (3 roading maintenance, 1 3-waters maintenance, 1 IT support services)
- Negotiated over 350 commercial contracts
- Was one of three procurement trainers engaged by the Ministry of Business Innovation and Employment (MBIE) to do procurement training for the public sector for 4 years. As such, he is very aware of the rules of procurement and how they apply to councils and what the Office of the Auditor General looks for
- TIGL are The Society of Local Government Managers (SOLGM) preferred trainer for procurement, project management and contract management since 2009. Frank has delivered over 70 training workshops in these areas

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