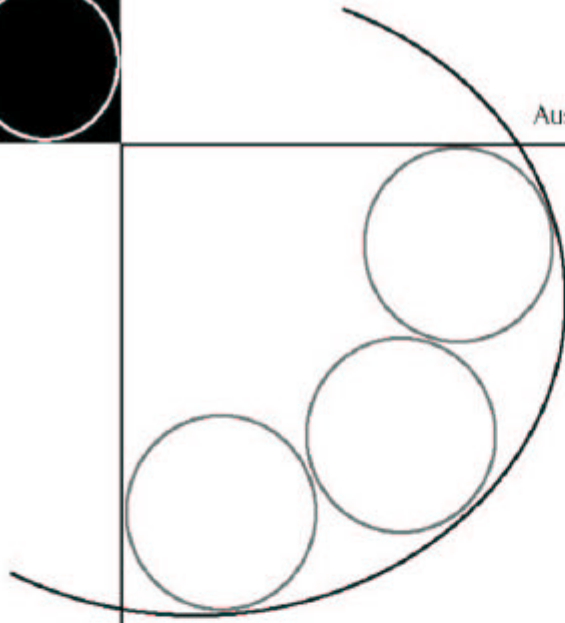




Australian Procurement and Construction Council



National Procurement Reform Principles

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National Procurement Reform Principles

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INTRODUCTION

Commonwealth, State and Territory governments recognise that procurement is a strategic activity that supports the delivery of government goods and services. Governments are able to respond to cost pressures, the realities of a declining revenue base and the changing service expectations of the community by utilising the power of government procurement.

The adoption of national procurement reform principles will assist to generate significant annual savings and efficiencies by encompassing primary drivers such as value for money, risk management, probity and accountability.

Collectively the Australian Commonwealth, State and Territory governments spend approximately \$60 billion on procurement of capital assets, maintenance, goods and services, excluding defence. Each 1% across the board saving through more effective procurement represents direct savings in the order of \$600 million per annum.

The implementation of national procurement reform principles underpinned by opportunities created by adopting a strategic focus will shift procurement from a peripheral support activity to an important management function. Government focusing on the strategic rather than service and asset management will result in government being smarter at using procurement to achieve whole-of-government outcomes. It will better position governments to achieve efficiencies and enhance accountabilities in the purchase of goods and services.

A more strategically focused procurement approach will also generate further broader policy benefits through improved social, environmental and regional development outcomes.

Contemporary government procurement requires a commitment by Commonwealth, State and Territory government agencies to effective procurement planning; innovative contracting strategies; active contract management and continuous improvement of procurement processes. The National Procurement Reform Principles is a tool designed to support government agencies achieve procurement objectives, as well as improving service delivery.

The APCC National Procurement Reform Principles promote and identify opportunities afforded by procurement reform. Individual governments will be able to maintain or develop procurement reform policies and practices to suit respective jurisdictional priorities and circumstances. The APCC National Procurement Reform Principles provides a nationally consistent platform and reflect jurisdictional procurement reform policies and practices.

The proposed National Procurement Reform Principles cover:

- Enhancement of procurement capability and practice
- Procurement discipline
- Improvement of purchasing advantage
- Achieving excellence in procurement

Definition and Scope

Procurement takes many forms and encompasses the acquisition of consumables (goods); real property; capital equipment such as computers; built assets such as hospitals, schools, roads and major facilities; and services such as office accommodation, cleaning and security.

Procurement is a process and incorporates a range of elements: from the definition of business needs and the preparation of a business case; through assessment of market capability, the development of procurement strategies and the calling of tenders for example; to managing contracts, evaluating performance and cost, and disposals.

Procurement can be multifaceted and often complex. Procurement strategies now typically include the acquisition of multiple outcomes (service delivery, along with economic, environmental and social), more innovative contract arrangements, long-term concession periods and innovative risk allocation and relationship arrangements such as alliancing.



PROPOSED NATIONAL PROCUREMENT REFORM

PRINCIPLES

APCC jurisdictions recognise the need to accelerate procurement reform to realise the potential significant efficiencies and savings, and are at different stages in developing their procurement reform initiatives. It is proposed that APCC build on these initiatives to accelerate procurement reform at a national level by developing *National Procurement Reform Principle (National Principles)*.

The challenge for governments is to have a procurement framework that will enable them to:

- make strategic procurement decisions;
- understand and influence the market place;
- manage exposure to risk;
- develop innovative contracts;
- select the best business partners; and
- manage strategic and complex contracts as major buyers.

To foster national procurement reform the following *National Procurement Reform Principles* are endorsed by APCC members:

Enhancing Procurement Capability and Practice

Procurement capabilities, skills and standards within governments will be enhanced through cooperation and knowledge exchange at a national level. This would be achieved by:

- The establishment of learning networks to stimulate the sharing of ideas and experience from which governments can innovate and improve their performance.
- The development of a tool for evaluating procurement capability for use by government agencies to assist with obtaining value for money procurement outcomes.
- The periodic review of the required in-house skills base to manage strategic and complex procurement decision making (from scope, contract formation through to contract management) to support project/service delivery outcomes.

- The establishment of a planning methodology that focuses on jurisdictional whole-of-government objectives; that is government's economic, environmental and social objectives.
- Advancing the take-up of e-procurement by identifying and supporting e-procurement solutions within a nationally consistent approach.
- The implementation of procurement activities that are underpinned by best practice policies, guidelines and electronic commerce initiatives.

Procurement discipline

Successful procurement is dependent on the alignment of service outcomes with their objectives in all phases of the procurement project. A sound procurement decision needs to be supported by a tested business case to realise the achievement of the planned level of benefits.

It also requires:

- The adoption of processes to examine and confirm critical decision points from concept development and throughout the life cycle of the procurement process.
- The adoption of an integrated procurement approach which incorporates whole-of-life costing models to increase overall effectiveness of the procurement activity.
- Encouragement of the establishment of accountabilities between client and supplier through clearly defined business relationships.
- Appropriate compliance with internal and external legal obligations to maintain the integrity of the procurement outcome.

Improving purchasing advantage

Commonwealth, State and Territory governments can realise significant savings by using their purchasing advantage to secure better value for money outcomes. By reviewing purchasing and contracting arrangements to identify new or emerging aggregation opportunities within jurisdictions governments can maximise purchasing advantage.

- The adoption of jurisdictional whole-of-government procurement leveraging and aggregation opportunities to improve buying power and procurement outcomes.

Achieving excellence in procurement

Maintaining best practice procurement requires continual improvement and renewal. Good measurement systems with appropriate benchmarks are an important component of any reform program to identify potential areas for enhancement. Best practice procurement also requires:

- The adoption of a strategic focus (rather than an administrative focus) to procurement activities to meet both the short and long term procurement objectives.
- Government buyers to be equipped to systematically identify and assess risks on a case-by-case basis and to develop a risk management strategy commensurate with the significance of the purchase.
- The adoption of government procurement frameworks which will operate with clearly defined accountabilities; open and competitive processes and the highest standards of professionalism.
- The implementation of systematic performance measurement processes.



CONCLUSION

The strategic focus of government procurement is to build an effective operating environment that is both responsive and successful in meeting the challenges of an increasingly complex and competitive market place.

To achieve this, governments are embracing the principles of purchasing strategically and are applying them to all procurement decision-making, practices and strategies.

Adoption of the *National Procurement Reform Principles* provides an opportunity for government agencies to make considerable savings and efficiency gains through improved procurement practices and outcomes.



USEFUL WEB SITES

Australian Procurement and Construction Council Inc. – www.apcc.gov.au

APCC strategies - www.apcc.gov.au/apcc/publications/

Member Authorities:

New South Wales, Department of Public Works and Services –
www.dpws.nsw.gov.au

Victoria, Building Commission - www.buildingcommission.com.au

Victoria Government Purchasing Board, Department of Treasury and Finance –
www.vgpb.vic.gov.au

Queensland, Department of Public Works – www.publicworks.qld.gov.au

South Australia, Department for Administrative and Information Services –
www.dais.sa.gov.au

Western Australia Department of Housing and Works – www.dhw.wa.gov.au

Western Australia State Supply Commission - www.ssc.wa.gov.au

Western Australia Department of Treasury and Finance – www.dtf.wa.gov.au

Northern Territory, Department of Infrastructure, Planning and Environment -
www.nt.gov.au/ipe/dtw/

Commonwealth of Australia, Department of Finance and Administration -
www.dofa.gov.au

ACT, Department of Treasury - www.act.gov.au/ti/

New Zealand, Ministry of Economic Development - www.med.govt.nz



APCC MEMBER AUTHORITIES

Department of Public Works and Services

New South Wales

Building Commission

Victoria

Procurement Branch, Department of Treasury and Finance

Victoria

Department of Public Works

Queensland

Department for Administrative and Information Services

South Australia

Department of Housing and Works

Western Australia

State Supply Commission

Western Australia

Department of Treasury and Finance

Western Australia

Department of Infrastructure, Planning and Environment

Northern Territory

Department of Finance and Administration

Commonwealth

Department of Treasury

Australian Capital Territory

Ministry of Economic Development

New Zealand