

REVIEW OF QUEENSLAND GOVERNMENT PROCUREMENT

INTERDEPARTMENTAL COMMITTEE
QUEENSLAND GOVERNMENT PROCUREMENT

2015







MINISTER'S FOREWORD

This government is committed to generating jobs right across our state and that is why I am committed to making sure that the procurement of products and services by government supports as many local businesses and jobs as possible.

Each year the Queensland Government spends \$16 billion on procurement. It is important that this spending delivers both value for money for taxpayers and benefits for local communities.

I am pleased to receive this report on the *Review of Queensland Government Procurement* from the Interdepartmental Committee.

The report outlines an approach to procurement that is focused on ensuring value for money and probity, while at the same time maximising the involvement of local businesses and communities.

Government agencies will be encouraged to collaborate and better understand regional supplier capability and supply chains so that businesses across Queensland have the opportunity to contribute to the State's development.

The report has been developed with broad industry consultation and supports this government's commitment to building partnerships that will unlock the industries and jobs of tomorrow.

I look forward to working with you as we continue to generate jobs and advance Queensland.

Mick de Brenni MP
Minister for Housing and Public Works

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- Civil Contractors Federation
- Community Services Industry Alliance
- Consult Australia
- Engineers Australia
- Information Technology Contract and Recruitment Association Ltd
- Infrastructure Association of Queensland
- Institute of Architects
- Institute of Management Consultants
- PricewaterhouseCoopers' Indigenous Consulting
- Queensland Council of Social Services
- Queensland Council of Unions
- Queensland Major Contractors Association
- Queensland Master Builders Association
- South East Queensland Indigenous Chamber of Commerce.

MEMBERSHIP

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- Liza Carroll (Chair) Director-General, Department of Housing and Public Works (Chair from 3 August 2015)
- Damien Walker (Acting Chair) Deputy Director-General, Department of Housing and Public Works (Chair to 2 August 2015)
- Michael Hogan Director-General, Department of Communities, Child Safety and Disability Services
- Kelvin Anderson Chief Executive Officer, Public Safety Business Agency
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- Jamie Merrick Acting Director-General, Department of Science, Information Technology and Innovation (Member from 24 August 2015)
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- KPMG (external reviewers)

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EXECUTIVE SUMMARY

As part of its election commitments, the Queensland Government decided to undertake a broad ranging review of its procurement practices to ensure that probity and value for money remain at the forefront of the State's procurement policy, and consider local content provisions as part of a new procurement policy.

Subsequently, the Interdepartmental Committee (IDC) – Queensland Government Procurement was tasked with answering the question *'how should procurement be delivered across Queensland Government'*, with particular reference to ensuring any future approach includes a focus on value for money, probity and local content.

In answering the above question, the IDC has provided recommendations on:

- improving the focus on value for money, probity and local content – in both policy and practice
- the procurement role to be played by departments and the role to be played by a whole-of-government function (currently the Procurement Transformation Division (PTD) within the Department of Housing and Public Works (DHPW)), and
- an implementation roadmap for the outcomes of the review.

There was a clear view that departments are accountable for their own procurement activities and in doing so they must work within the whole-of-government framework of legislation, policies and minimum standards. This provides confidence to government, industry and the community that there is proper stewardship of public funds, and that government's policy objectives are being delivered.

Together, the recommendations in this report provide a new vision for the future of procurement, which takes forward the positive elements of the current model while incorporating improvements identified in the review.

WHY PROCUREMENT IS IMPORTANT TO QUEENSLAND GOVERNMENT

Procurement enables the delivery of government's activities and outcomes. Taking into account Queensland's dispersed population, commitment to rural and regional outcomes and diverse industry types, the importance of a co-ordinated, planned and appropriate approach to procurement activities is clear. Effective procurement enables government to improve public value by providing outcomes for the community efficiently while reducing the burden on taxpayers.

Queensland Government procurement operates in a complex environment, with public servants and suppliers navigating legislation, policy, as well as government and departmental objectives. It is estimated that Queensland Government procurement of goods, services and infrastructure in departments was approximately \$16 billion¹ in 2014 (not including social services procurement).

The complexity and constraints of the government's spending continues to increase, along with advances in technology and the creation of new industries. In such an environment it is important that there be a corresponding increase in the level of maturity of Queensland Government procurement.

In 2013, as part of the public sector renewal agenda, the Queensland public sector embarked on a program to reform procurement which was known as the Procurement Transformation Program or PTP. The program included the introduction of a principles-based Queensland Procurement Policy (QPP), new ways of undertaking whole-of-government procurement activities and a range of projects to improve the structure and function of procurement. It was proposed that the program could achieve savings to government of between \$660 million and \$1.3 billion in cash and costs avoided by 2018².

1 Queensland Government (2014) *Queensland Government State Procurement Plan*.

2 Queensland Government (2012) *Service Delivery Statements – Department of Housing and Public Works*, p. 6.

CURRENT STATE – QUEENSLAND GOVERNMENT PROCUREMENT (CHAPTER 3)

Queensland has adopted a centre-led procurement model whereby PTD within DHPW acts as the central body for whole-of-government procurement. PTD is intended to work collaboratively with departmental procurement teams to deliver whole-of-government outcomes.

Five separate reviews into whole-of-government procurement have been undertaken since 2007. The scope of the reviews vary to cover elements such as the whole-of-government procurement model, procurement reform programs or specific sourcing activities. Analysis of these reviews shows there are consistent themes repeatedly identified. These reveal a need to:

- strengthen procurement governance, with highly visible leadership, clarity of decision-making processes, and clarification of roles and responsibilities
- understand stakeholder needs, improve engagement and build relationships and trust
- strengthen procurement capacity and capabilities, leveraging off pockets of high performance
- ensure visibility and understanding of procurement performance, and target areas for continuous improvement
- ensure the program of work is manageable and achievable, and is based on a value-added procurement improvement program
- ensure greater program and project management discipline during implementation
- demonstrate outcomes and improve transparency of results through performance measurement and reporting
- secure collective agreement on the best procurement operating model.

The presence of consistent themes gives the IDC information about areas of focus to be factored into design principles and a new procurement model. These are the areas where stakeholders need to work together in a committed and effective way going forward to create positive change.

STAKEHOLDER ENGAGEMENT (CHAPTER 4)

Extensive consultation was undertaken with stakeholders. This included face to face meetings and workshops with departments and industry representing sectors of the economy including construction, information and communication technology, management consulting, and social services, and peak union bodies. Regular meetings with an Agency Reference Group (ARG) were held. 25 written submissions were received.

There were some common themes between industry, union and departmental stakeholders, like a need to clarify the definition and application of value for money, and build capability of procurement officers. Consultation also revealed differences in what is important to industry and government. For example, industry wants greater visibility of upcoming procurement opportunities and better engagement with government, while issues important to departments include greater ‘sovereignty’ with respect to their procurement operations and clearer procurement governance, roles and responsibilities.



INDUSTRY CONSULTATION

Industry expressed concerns about the procurement approach taken by the Government which they believe impacts on their ability to effectively contract with government, and to confidently invest in their business, with respect to infrastructure and the creation of new jobs including trainees and apprentices. The primary issues raised include:

- **Value for money:** Value for money decisions seem to be too focused on price at the exclusion of other qualitative factors. Decisions need to be made over the whole-of-life rather than just at the front end of major procurement processes.
- **Capability:** Concern was expressed regarding senior people with deep capability leaving government. This loss of expertise has an impact on government being an ‘informed buyer’ and on the confidence of industry regarding government’s ability to make good decisions.
- **Certainty over public sector investment, the forward procurement pipeline and avoiding the boom/bust cycle:** The most critical issue for industry is to have a view of the longer term (three years) pipeline of opportunities. Visibility of this pipeline allows industry to invest in infrastructure and people with confidence. The importance of information in enabling business to plan, and contribution of transparency in improving relationships and project outcomes, was also noted.
- **Procurement processes:** These are seen as costly, taking too long to decide and tenderers are sometimes included on shortlists without any reasonable chance of winning. Industry reinforced the importance of engagement and dialogue, and working together with government to reduce requirements and expense to industry.
- **Packaging and bundling/programming of work:** There are opportunities to look at the packaging of work and to break it up so that smaller participants can bid for this work. This broadens the number of suppliers and builds sustainability into the industry.
- **Panels:** Work is sometimes not sourced from the panels that suppliers have spent a lot of time and money on tendering for, and supplier performance on panels is not managed.
- **Probity:** There is a need to establish trust and openness, ensure fairness between suppliers and adherence to ethical tendering processes.
- **Agency involvement:** There is a need to recognise the skills of particular departments. Procurement should not be centralised. One size does not fit all and is not considered appropriate by industry.
- **Social services:** Length of contract is critical for the community based organisations, and links to sustainability. There is a need to go beyond the election cycle. The importance of local decision-making/input to decisions was reinforced as a major driver for the community based and Aboriginal and Torres Strait Islander organisations.

DEPARTMENTAL CONSULTATION

Departments focused on the critical role that they have in delivering outcomes and recognising that procurement is only one of a number of focus areas that needs to be managed in delivering services and driving improvements.

The main feedback themes from departments include:

- **Value for money:** There is a need for improved communication and guidance to all stakeholders (departments and suppliers) on what constitutes value for money.
- **Capability:** There is a need for stronger skills in relation to strategy and commercial development, and further roll out of learning and development programs.
- **Data:** The absence of consistent and reliable procurement data and the impact this has on quality and timely decision-making. It is recognised that this issue is bigger than procurement, and unlikely to be able to be solved by the procurement function alone.

- **Governance:** Roles, responsibilities and accountabilities for procurement across Queensland Government are not clear.
- **Flexibility:** The need for a flexible approach, taking account of department-specific requirements.
- **Category management:** There is support in principle for a category management approach, however, there is not widespread understanding of category management and its practical implementation.
- **Whole-of-government function:** There is support for a whole-of-government procurement function. This function should focus on policy, capability, data standardisation and analytics, maintaining standard documentation, facilitating a consistent approach to procurement across government and establishing and managing common-use arrangements. A whole-of-government function is seen as a vehicle to effectively share information and engage broadly with industry on strategic issues of importance, as well as promote collaboration across the procurement function within government. Departments noted the need to ensure that the accountabilities of any central function were clear and that there was appropriate resources and governance in place.
- **Implementation of changes:** The PTP was seen to be expansive by departments, at the same time as there were other competing reform programs across government.
- **Social services:** Many of the standard approaches across government are geared towards goods and services and not human services. The cost and time impost for tendering for the not-for-profit sector is significant, and competitive processes are not always suited to delivering maximum value in this sector.

CROSS-JURISDICTIONAL COMPARISON (CHAPTER 5)

The review included a cross-jurisdictional comparison of leading practice across the public and private sectors.

The report sets out the current trends in both government and private sector organisations in Australia, North America, Europe and Asia, to establish strengths and lessons learned from reform programs, and to support recommendations about future improvements that can be made to the procurement approach used in Queensland. This work indicated that:

- There are **common definitions** of the procurement of goods, services and construction from external suppliers.
- **Formal governance boards** exist at the Director-General level in government but do not feature heavily in private sector organisations.
- All governments have **clearly defined governance frameworks**.
- Not all governments have **local content policies**.
- Not all organisations have the same approach to procurement but most had a **whole-of-government procurement function**.
- Most organisations had a **common approach to the classification of spend** and ways of managing it using category management.
- All jurisdictions had issues with procurement **data quality**.
- **Performance management** was more rigorously applied in the private sector organisations reviewed.
- Most government and private sector organisations had adopted a range of **innovation initiatives** which include for example, private sector involvement in oversight boards.

THE CASE FOR CHANGE (CHAPTER 6)

The IDC’s recommendations for Queensland Government procurement have been informed by the findings of the current state analysis, stakeholder feedback and best practice approaches identified in the cross-jurisdictional comparison. Improvement themes were identified and formed the basis of the design principles. These design principles are set out in **Table 1** below.

TABLE 1 – DESIGN PRINCIPLES

Moving from ... <i>(the current state)</i>	To ... <i>(the desired future state)</i>	Design principles <i>(guide us in how we get there)</i>
Centrally driven procurement	Agency led, centrally enabled	<p>Be strategic and future focused: Provide support to the delivery of Queensland Government policy initiatives e.g. value for money, probity and local content.</p> <p>Adopt clear governance: Provide clear governance such as clarity of roles, responsibilities and accountabilities.</p> <p>Engage with industry: Incorporate better engagement with industry.</p> <p>Be transparent: Create transparency through visibility of spend and a pipeline of work.</p> <p>Use a portfolio approach: Include a portfolio approach that uses data to manage spend holistically.</p> <p>Collaborate: Support collaboration across government to improve the delivery of value.</p> <p>Be capability focused: Focus on the development of procurement capability across government.</p>
Diffused governance and accountability	Governance structure with overarching and tiered layers of accountability	
Limited effective engagement at the whole-of-government and department level with industry and suppliers	Clear engagement with industry	
Lack of clarity about the ‘scope’ of procurement	Revised interpretation of the scope of procurement that focuses on the acquisition of goods, services and construction in accordance with the QPP	
Value of procurement is not clear and demonstrated, and its contribution towards economic, environmental and social objectives is not optimised or visible	A broader definition of the value of continuous improvement procurement practice in government that reflects achieving a more balanced set of economic, environmental, social and longer term financial improvements	
Inconsistency in procurement capability across government	Prioritisation given to sector capability and maturity improvements	

The design principles form the basis for options for the future model for Queensland Government procurement.

PROCUREMENT MODEL OPTIONS (CHAPTER 7)

The findings for the review were assessed against a procurement maturity methodology. This methodology showed that Queensland Government procurement could be considered to be at the ‘foundation’ level. To move to a ‘leading’ level – where procurement activities will be effectively integrated, with a whole-of-government function that supports departments and is recognised as adding value as a strategic commercial partner – a ‘hybrid’ model (agency led, centrally enabled) has been proposed. A whole-of-government function is responsible for co-ordinating state-wide procurement strategies, policies, practices and capability. Departments still conduct activities unique to their department. Categories are managed on a whole-of-government basis, or by lead agencies.

The new model provides opportunities to embed practices which better support the achievement of economic, environmental and social outcomes. For example, working together, the Department of Aboriginal and Torres Strait Islander Partnerships and the Office of the Chief Advisor – Procurement will develop practical measures to integrate consideration of Aboriginal and Torres Strait Islander economic participation into procurement planning, capability development, KPIs and the accreditation framework.

A NEW APPROACH (CHAPTER 8)

The IDC is recommending a six point plan to provide a new model of procurement across Queensland Government. The six point plan is detailed in **Figure 1** below.

FIGURE 1 – SIX POINT PLAN





EXPLAINING THE SIX POINT PLAN

1) AGENCY LED

Recommendation 1: The IDC recommends that departments remain accountable for their own procurement delivery supported through policy and standards under a whole-of-government governance framework with functional performance management and comparative reporting.

The recommended model is not a one size fits all approach. It allows flexibility and departments that specialise in particular areas of goods and services will continue to manage these. It also caters for the differing requirements and maturity of departments.

This enables departments to innovate with industry and find new and fit-for-purpose procurement options.

Departments will be responsible for category procurement e.g. information and communication technology – Department of Science, Information Technology and Innovation; medical – Queensland Health; transport infrastructure services – Department of Transport and Main Roads; social services – Department of Communities, Child Safety and Disability Services; building, construction and maintenance and general goods and services – Department of Housing and Public Works.

2) SUPPORTED BY A WHOLE-OF-GOVERNMENT PROCUREMENT BODY

Recommendation 2: The IDC recommends the establishment of a new whole-of-government procurement function to provide support to departments to deliver procurement outcomes.

This whole-of-government function will be led by a Chief Advisor – Queensland Government Procurement and be known as the Office of the Chief Advisor – Procurement. Its main function will be to:

- share best practice and innovation
- provide policy support and advice in areas where collaboration across government is required
- be responsible for the QPP, related strategies and frameworks to ensure that procurement is delivered efficiently
- coordinate and publish the Queensland Government forward procurement pipeline
- simplify procurement and tendering processes to help improve access for small and medium enterprises
- develop whole-of-government frameworks in areas including capability, accreditation and performance.
- be hosted by DHPW with agreed structure, roles and responsibilities, and reporting relationships. This is to be fully implemented by 30 June 2016
- be led by a Chief Advisor – Queensland Government Procurement who will be accountable for delivering support to departments and for monitoring procurement performance. The title of this position reflects the advisory, enabling and support role of the new whole-of-government procurement function, and differentiate it from the role of departmental chief procurement officers. This role should be in place by 31 March 2016.

The Office of the Chief Advisor – Procurement will replace PTD which will be decommissioned when the new function is operational no later than 30 June 2016.

3) STRENGTHENING GOVERNANCE

Recommendation 3: The IDC recommends a two tiered governance model, consisting of the CEO Leadership Board and category councils, be implemented to oversee procurement activities across Queensland Government.

The review found that an appropriate procurement governance structure is required to provide clarity of roles, responsibilities and accountabilities, co-ordinate engagement with industry and ensure consistent

Chief Executive Officer (CEO) level support across procurement. A two tiered structure is proposed, which includes:

1. *A CEO Leadership Board (CLB) focusing on performance and policy with procurement to be formally discussed and reported each six months.*
2. *Agency-led category councils to agree and govern the category strategy for the particular spend profile, agree on a spend pipeline and publish it, and endorse execution plans for the category under management. Category councils will provide six monthly reports to the CLB.*

4) IMPROVING INDUSTRY ENGAGEMENT

Recommendation 4: The IDC recommends that an industry engagement strategy be developed and implemented in response to industry’s feedback regarding the need for closer working relationships with government.

This would include:

- Establishment of a Procurement Industry Council which would meet six monthly to discuss issues of strategic importance between government and industry. As opposed to individual suppliers this would include industry peak bodies and non-government organisations. This council would be led by the Chief Advisor – Queensland Government Procurement.
- Continued focus by departments in meeting with industry in relation to their own procurement activities.
- A focus on publishing a forward procurement plan (or ‘pipeline’) at the department and whole-of-government level.

5) INCREASING PROCUREMENT CAPABILITY

Recommendation 5: The IDC recommends a capability development strategy for procurement within Queensland Government be developed and implemented.

A specific focus is required on the development of procurement capability across government to support the delivery of quality procurement outcomes. This will require the development and implementation of a capability management strategy and framework that embeds a culture of leadership, customer service, professional development and procurement practice accreditation across government.

This framework will need to be supported by accreditation schemes (looking at global best practice), tools, templates and training programs and underpinned by a baseline analysis of capability against defined better practice standards. Accreditation for procurement professionals could be supported through training that links to industry standards (e.g. such as those offered by the Chartered Institute of Purchasing and Supply or equivalent). For departments, there are accreditation schemes already established in other jurisdictions that could be leveraged and adapted to Queensland Government.

This will help to professionalise the procurement discipline and create consistent approaches to procurement, career paths for procurement specialists and a mobile workforce that can be moved to areas of greatest need.

6) UNDERSTAND AND ADDRESS KNOWLEDGE AND INFORMATION NEEDS

Recommendation 6: The IDC recommends that there be better understanding of the knowledge and information needs of procurement, and how this should be addressed through enablers including data, systems, reporting and knowledge management.

As a starting point, a high level view of the knowledge and information needs of procurement should be developed and agreed between departments and central agencies. Once this is achieved, a more targeted approach can be taken to developing specifications for data and system enhancements.



FOCUS ON VALUE FOR MONEY, PROBITY AND LOCAL CONTENT (CHAPTER 9)

Departments will be accountable for the quality of procurement outcomes, including economic, environmental or social benefits from procurement decisions and probity of process.

The procurement function will support Queensland Government priorities of delivering economic growth and jobs for Queenslanders by providing certainty to stakeholders about future purchasing activities, ensuring appropriate transparency about the programming of procurement activity, and by better co-ordinating industry input and independent expertise about procurement practice.

Improvements in capability and guidance support are core components in improving value for money, probity and local content outcomes.

VALUE FOR MONEY

Recommendation 7: The IDC recommends that value for money be more clearly defined to take into account economic, environmental and social factors, and that there be a continuing emphasis on reducing process costs, for example, tendering process costs.

Value for money is a key priority but is a broader concept than simply price paid. That is, it needs to take into account the economic, environmental or social benefits that may be achieved. Process costs also need to be reduced. Improvements in capability together with an update to guidance and tools about how to apply value for money are required.

PROBITY

Recommendation 8: The IDC recommends that probity be recognised as a core element of the QPP, and that departments be accountable for implementing probity processes (such as probity plans, self-assessment tools) based on the level of procurement maturity in the department.

Probity needs to be better recognised as a core element of the QPP and incorporated into procurement culture. Departments will be accountable for implementing probity processes (such as probity plans and self-assessment tools) based on the level of procurement maturity in the department. Similar to value for money, improvements in capability together with an update to guidance and tools regarding the management of probity, are required.

LOCAL CONTENT

Recommendation 9: The IDC recommends that departments better understand regional supplier capability and supply chains, apply greater emphasis to developing competitive markets regionally, and collaborate to produce regional procurement plans for longer term programs of works and supply arrangements. It is also recommended that departments contribute information to a forward procurement pipeline for publication, to help ensure earlier identification of supply opportunities.

There will be an increased focus on local content through better understanding of regional markets and planning regarding longer term programs of works and supply arrangements. There is a need for better visibility of opportunities through a published forward procurement pipeline. The first regional procurement plan will be piloted by 30 June 2016.

IMPLEMENTATION ROADMAP AND ASSURANCE FRAMEWORK (CHAPTER 10)

The implementation approach is fundamental to the long term success of the model. It is proposed that the implementation approach be adopted based on the development of an implementation strategy that uses effective change management and communications; scalable rollout; phased implementation of activities and agile implementation.

Feedback from stakeholders has generally supported the need for an IDC or equivalent body to oversee implementation. This could be a sub-committee of the CEO Leadership Board.

The completion of implementation by 30 June 2016, including a transition from PTD to the Office of the Chief Advisor - Procurement, is achievable with the right level of executive and central agency support.

A plan which covers scoping activities and implementation of outputs, will be developed to take implementation forward.

LIST OF RECOMMENDATIONS

1. The IDC recommends that departments remain accountable for their own procurement delivery supported through policy and standards under a whole-of-government governance framework with functional performance management and comparative reporting.
2. The IDC recommends the establishment of a new whole-of-government procurement function to provide support to departments to deliver procurement outcomes.
3. The IDC recommends a two tiered governance model, consisting of the CEO Leadership Board and category councils, be implemented to oversee procurement activities across Queensland Government.
4. The IDC recommends that an industry engagement strategy be developed and implemented in response to industry's feedback regarding the need for closer working relationships with government.
5. The IDC recommends a capability development strategy for procurement within Queensland Government be developed and implemented.
6. The IDC recommends that there be better understanding of the knowledge and information needs of procurement, and how this should be addressed through enablers including data, systems, reporting and knowledge management.
7. The IDC recommends that value for money be more clearly defined to take into account economic, environmental and social factors, and that there be a continuing emphasis on reducing process costs, for example, tendering process costs.
8. The IDC recommends that probity be recognised as a core element of the QPP, and that departments be accountable for implementing probity processes (such as probity plans, self-assessment tools) based on the level of procurement maturity in the department.
9. The IDC recommends that departments better understand regional supplier capability and supply chains, apply greater emphasis to developing competitive markets regionally, and collaborate to produce regional procurement plans for longer term programs of works and supply arrangements. It is also recommended that departments contribute information to a forward procurement pipeline for publication, to help ensure earlier identification of supply opportunities.



PART A – REVIEW OF PROCUREMENT PRACTICES



1. INTRODUCTION

As part of its election commitments, the government decided to undertake a broad ranging review of its procurement practices to ensure that probity and value for money remain at the forefront of the State's procurement policy, and consider local content provisions as part of a new procurement policy.

In actioning the election commitment, Executive Government noted that an external reviewer was to be appointed in consultation with the Treasurer, and a review of the Procurement Transformation Division (PTD) within Department of Housing and Public Works (DHPW) was also to be undertaken. In this regard, examination of recent external reviews of procurement, in particular the Procurement Transformation Program (PTP) and PTD, was also undertaken.

Following an intense period of procurement reform, actioning the election commitment also gives the government an opportunity for reflection and consolidation with respect to the future direction and approach for procurement, and to confirm procurement's alignment with its objectives.

An Interdepartmental Committee (IDC) was established to undertake the review. The IDC is chaired by DHPW and comprises the departments of the Premier and Cabinet; Education and Training; Transport and Main Roads; Communities, Child Safety and Disability Services; Science, Information Technology and Innovation; Queensland Treasury; Queensland Health and the Public Safety Business Agency. An external reviewer was engaged from the Queensland Government's Professional Services Panel to assist the IDC with its review.

This report is the outcome of that review. It is set out as follows:

- **Part A – Review of procurement practices**
- **Part B – Value for money, probity and local content**
- **Part C – Implementation**

A list of abbreviations used in the this report is at **Appendix 1**.

PROCUREMENT IN A GOVERNMENT CONTEXT

Effective procurement enables government to improve public value by providing outcomes for the community efficiently while reducing the burden on taxpayers. From a public sector perspective, 'public value' can be considered as the equivalent of the desire to maximise shareholder value in the private sector¹. Public value considers the broader contribution of public services to society as a whole and is focused on meeting the needs of the public, with creating value as the main driver rather than achieving targets.

This concept can be placed into a Queensland context by assuming that public value is created when departments deliver services, frameworks and programs that meet the expectations of the key stakeholders, and when departments are held accountable for the efficient, fair and open delivery of these outcomes.

Government procurement takes place in a broader context which includes legislative and policy regulation and trading obligations. It is distinct from private sector procurement in the following ways:

- In undertaking a stewardship role for public funds, there is a high level of public visibility and scrutiny of government spending by third parties like the media and external audit.
- Governments leverage procurement beyond commercial or 'profit' driven objectives, to deliver broader economic, environmental and social policy objectives.
- A legislative and budget structure which encourages departments to operate individually rather than in a joined-up way.
- The political repercussions of spending decisions and activities can be substantial.

¹ Coats, C and Passmore, E (2008) *Public Value: The Next Steps in Public Service Reform*.



An understanding of the distinctions between the public and private sectors means that a practical assessment of the constraints around improving government procurement can be made. This has been taken into account in the formation of the recommendations. The recommendations seek to work within constraints, rather than trying to change the nature of government or the current government structure.

PROCUREMENT AND COMMISSIONING

A threshold issue in conducting the review was clarifying the distinction between ‘procurement’ and ‘commissioning’. For the purposes of this review, the following distinction was adopted:

- In simple terms, **commissioning** involves answering the high level policy questions before the commencement of procurement or other delivery mechanisms, to achieve the desired outcomes.² The basic elements of commissioning are to analyse the needs, to specify what is required and to carry out an options appraisal about how best to achieve outcomes.
- While the commissioning process identifies needs and establishes the direction to meet those needs, **procurement** is one mechanism by which the desired outcomes may be achieved. Grants and ‘in-house’ delivery, are two other options for achieving commissioning objectives.

Commissioning and procurement are interrelated. While commissioning objectives drive procurement activities, procurement – including market knowledge – informs the ongoing process of commissioning.

The IDC agreed that, with the exception of core procurement policy (as represented in the Queensland Procurement Policy (QPP)) procurement does not have a policy making role. Procurement does however have a valuable advisory and execution role to play in enabling commissioning outcomes.

² Sturges, G. (2012) *Diversity and Contestability in the Public Service Economy*.

2. REVIEW CONTEXT

BACKGROUND

The Minister for Housing and Public Works has responsibility for government procurement. This includes administering the QPP, which establishes the boundaries within which budget sector agencies, statutory bodies and special purpose vehicles procure goods and services including construction.

It is estimated that procurement by departments of goods and services including construction exceeds \$16 billion annually³ (not including social services procurement).

THE PROCUREMENT TRANSFORMATION PROGRAM

In 2013, as part of the public sector renewal agenda, the Queensland public sector embarked on a program to reform the procurement function. A strategic sourcing procurement diagnostic was undertaken, and it was proposed that reforms to procurement could achieve savings of between \$660 million to \$1.3 billion in cash and costs avoided by 2018⁴.

Known as the PTP, reform activities were to be rolled out in stages. The program also included the introduction of a principles based QPP, new ways of undertaking whole-of-government procurement activities and a range of projects to improve the structure and function of procurement.

The PTP was premised on creating a collaborative, cross-agency environment, with targeted effort aimed at the top seven spend departments (DHPW, Health, Education and Training, Public Safety Business Agency, Transport and Main Roads, Environment and Heritage Protection (as well as representing a further five smaller departments), and Science, Information Technology and Innovation).

The PTP sought to embed a category management approach to government procurement. The categories would roll up into six 'mega-categories' – each with a lead department:

- Building, Construction and Maintenance – DHPW (via PTD)
- General Goods and Services – DHPW (via PTD)
- Information and Communication Technology – Department of Science, Information Technology and Innovation (DSITI)
- Medical – Queensland Health
- Social Services – DHPW (via PTD)
- Transport Infrastructure Services – Department of Transport and Main Roads (DTMR).

The original aim of the mega-categories was to introduce a new way of working that realises additional benefits from a whole-of-government procurement approach.

There were two streams of work under the PTP:

- **Strategic sourcing:** Undertaking strategic sourcing activities across mega-categories. Examples include engineering consultants, marketing and print as a service.
- **Procurement transformation initiatives:** Undertaking structure and process improvement activities, including for example procurement operating model, governance and process.

In total, a count of all of the initiatives under the PTP identified 108 separate commitments.

³ Queensland Government (2014) *Queensland Government State Procurement Plan*.

⁴ Queensland Government (2012) *Service Delivery Statements – Department of Housing and Public Works*, p. 6.

WHOLE-OF-GOVERNMENT PROCUREMENT GOVERNANCE AND STRATEGY UNDER THE PTP

A Director-General Council was established to provide strategic leadership to the PTP and Queensland Government procurement more broadly. Various governance structures were established for each of the mega-categories, and to guide the other transformation initiatives.

Within DHPW, the former Queensland Government Chief Procurement Office was replaced with the PTD, with the divisional head reporting directly to the Director-General, DHPW.

CHALLENGES FOR THE CURRENT REVIEW

A challenge for the review was to leverage and grow constructive support for procurement, including a whole-of-government procurement function, while overcoming cynicism and a view that the PTP did not deliver on expectations.

Another challenge for the review was to develop recommendations that, while moving procurement forward, take account of constraints such as the current system of government (agency-centric, with departments protecting their 'sovereign rights'), embedded issues with respect to data integrity (consistency and accuracy), widely varying degrees of maturity (or organisational capability) relating to procurement, and negative stakeholder sentiment and buy-in.

The review has put an emphasis on consultation and engagement, and making recommendations that are forward looking, achievable, practical and constructive.

TERMS OF REFERENCE

The Terms of Reference for this review were agreed by the IDC and are contained in **Appendix 2**.

The scope component of the terms of reference directed the focus of the review as follows:

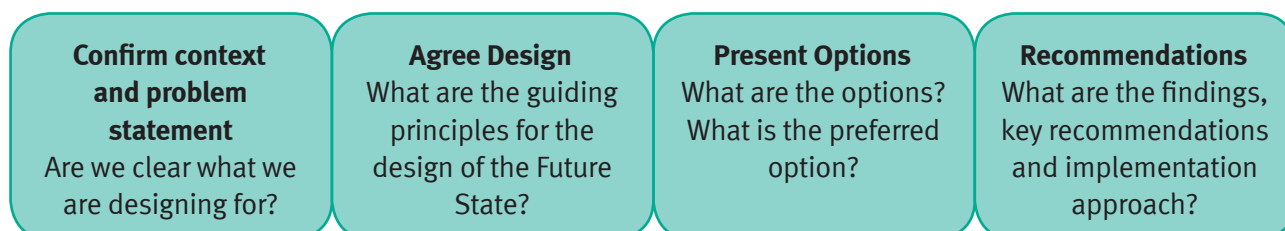
The scope of the review to be overseen by the IDC includes:

- a) consultation with agencies and key industry peak body stakeholders as to what the big issues are in government procurement and what is being done well. This consultation would include how to better engage with key stakeholders*
- b) conducting a cross-jurisdictional analysis of leading public and private sector procurement best practice, and identifying opportunities for Queensland Government to achieve accepted best practice (for example, is category management best practice). This includes, where available, sector specific (e.g. education, health, infrastructure) best practice.*
- c) reviewing the findings of external and internal-to-government reviews of procurement, including the Procurement Transformation Program and Division, since 2007*
- d) recommending the procurement role to be played by government agencies, and the role to be played by a whole-of-government function (i.e. currently the Procurement Transformation Division in the Department of Housing and Public Works)*
- e) recommending an implementation roadmap for the outcomes of the IDC's review, including options, timelines and estimated cost*
- f) the assurance framework by which Queensland Government will have confidence that the recommendations will be delivered as per the IDC review*
- g) recommending whether there is a continued role for the IDC post-delivery of its report to Executive Government.*

SCOPE AND APPROACH

A targeted scope was adopted in recognition of the review activity that had already been undertaken, and the tight timeframe for delivery. In line with Executive Government's decision, the scope included the whole-of-government procurement function (that is, PTD), the PTP and agency procurement activities. The scope excludes the procurement activities of statutory bodies, special purpose vehicles and Government Owned Corporations.

In developing its recommendations, the IDC was guided by the following process:



Underpinning this overall approach was a project methodology based on examination of existing procurement reviews, research, comparisons with procurement frameworks in other Australian and international jurisdictions, and consultation including face to face discussions and analysis of written submissions. A procurement maturity assessment methodology was then applied.

3. CURRENT STATE - QUEENSLAND GOVERNMENT PROCUREMENT

Chapter summary:

Queensland Government procurement operates in a complex legislative and policy framework. Day to day procurement practice is impacted by legislation, policy, international agreements, intergovernmental funding agreements and government and departmental objectives.

Currently, PTD operates as a whole-of-government function hosted by DHPW, leading procurement across government, as well as managing implementation of the PTP. While PTD has achieved some success in working with departments to deliver improvement initiatives, recent external reviews and the IDC review findings have revealed a broad perception within government that the current approach has not been fully effective, nor delivered the planned outcomes or benefits in full.

Five separate reviews into Queensland Government procurement since 2007 were considered by the IDC.

Common themes were identified across the reviews.

The IDC review has used the current state analysis to inform the development of design principles and design options for a new procurement model.

THE JOURNEY SO FAR

The form and function of Queensland Government's procurement has changed over time as a result of recommendations from external reviews and in response to changes of government.

Prior to 2000, the sector operated under the State Purchasing Policy (SPP), comprising over 700 pages. In the early 2000s the SPP was revised, marking a shift of focus from 'process' to 'outcomes' and putting the focus squarely on departments fulfilling government priorities through their procurement activities. The SPP was again revised, first in 2008 following the Service Delivery and Performance Commission's *Review of Purchasing and Logistics in the Queensland Government* (when it was renamed the State Procurement Policy) and then again in 2010 following the release of the Government's *Response to Integrity and Accountability in Queensland*.

The QPP took effect in July 2013, replacing the SPP. The QPP is the Government's overarching policy for the procurement of goods and services. The policy changed from being agency-centric to one that focused on a 'one-government' way of working, and a category management approach (that is, grouping the same or similar goods/services into categories and managing each category holistically) was adopted.

LEGISLATION, OBJECTIVES AND POLICIES IMPACTING PROCUREMENT

The Queensland Government currently procures over \$16 billion annually⁵ (not including social services spend) of goods, services and construction each year, on anything from building and maintaining hospitals, to delivering medical services, to buying school supplies.

Procurement is a vital enabler of government objectives and agency business requirements. Effective procurement enables government to provide goods and services to the community efficiently while saving taxpayers money. Investment in better practice procurement can generate significant department efficiencies, drive savings, encourage market diversity and private sector competition and enhance economic outcomes.

⁵ Queensland Government, *State Procurement Plan 2014 - 2018*

GOVERNMENT OBJECTIVES

The current Queensland Government’s objectives “*which are underpinned by integrity, accountability and consultation, are:*

- *creating jobs and a diverse economy*
- *delivering quality frontline services*
- *protecting the environment*
- *building safe, caring and connected communities.”*⁶

LEGISLATIVE AND POLICY FRAMEWORKS

Queensland Government procurement activities operate under a complex legislative and policy framework. Day to day procurement practice is impacted by:

- Legislation – both Australian and Queensland government statutes
- International agreements – like the Australia-New Zealand Government Procurement Agreement and the Australia-United States Free Trade Agreement
- Policy – ranging from the QPP through to procurement-related policies like the Queensland Government Building and Construction Training Policy
- Intergovernmental funding agreements – which include conditions for the expenditure of funds, and
- Government and agency objectives.

Authority for the QPP derives from two sources – the *Financial and Performance Management Standard 2009*, and Executive Government decision.

The QPP is a principles based framework which gives agencies considerable flexibility within defined boundaries. It sets the overarching framework for government procurement in Queensland.

The QPP’s principles are:

Primary principle:

1. We drive value for money in our procurement


Supporting principles:

2. We act as ‘one-government’, working together across agency boundaries to achieve savings and benefits
3. We are leaders in procurement practice – we understand our needs, the market, our suppliers and have the capability to deliver better outcomes
4. We use our procurement to advance the government’s economic, environmental and social objectives and support the long-term wellbeing of our community
5. We have the confidence of stakeholders and the community in the government’s management of procurement
6. We undertake our procurement with integrity, ensuring accountability for outcomes.

THE CURRENT OPERATING APPROACH

Queensland has adopted a centre-led procurement model whereby PTD within DHPW acts as the central body for whole-of-government procurement. PTD is intended to work collaboratively with departmental procurement teams to deliver whole-of-government outcomes.

⁶ Refer www.premiers.qld.gov.au/publications/categories/plans/community-objectives/assets/qld-government-community-objectives.pdf



Current procurement governance mechanisms include:

Executive Government: Executive Government considers and approves the QPP for compliance by agencies including statutory bodies and special purpose vehicles.

Minister for Housing and Public Works: The Minister for Housing and Public Works has responsibility for government procurement.

Director-General, DHPW: The Director-General, DHPW is accountable for the operations of the whole-of-government procurement function (currently PTD).

CEO Leadership Board (CLB): The CLB is constituted of Directors-General of all departments, and meets to discuss issues of major or whole-of-government impact. It is approached on an as-needs basis for consultation and guidance in regard to PTD and the PTP.

CPO steering committee: The CPO Steering Committee is comprised of procurement representatives across several large departments, and is chaired by the Assistant Director-General, PTD. The Committee has been established to provide oversight, visibility, transparency and accountability of whole-of-government procurement initiatives, including transformation and strategic sourcing.

Mega-category steering committees: Committees have been established for each of the mega-categories to provide governance of the associated whole-of-government category management activity and sourcing programs. Approval of key decisions are sought from the Director-General sponsor (or their authorised delegate) of the respective mega-category and the associated mega-category manager.

PROCUREMENT TRANSFORMATION DIVISION

The PTD was established in May 2013 to co-ordinate a centre-led, whole-of-government approach to procurement focused on building sector wide procurement capability as well as working across government to deliver significant cost savings from a more commercial approach to procurement. Core PTD functions are:

- **Mega-category management:** Responsibilities include whole-of-government category plan development, market and data analysis, related sourcing activities and category improvement initiatives for the Building Construction and Maintenance, General Goods and Services and Social Services mega-categories.
- **Strategy, frameworks and capability:** This unit has oversight of interim procurement strategy and plans, policy advice, procurement planning and reporting, tools and templates development, business intelligence and analytics, co-ordination of mega-category managers and building capability across government.

PTD has adopted a category management approach to procurement to take a longer term, more strategic view of common supply market-aligned areas of spend. PTD has sought to introduce simpler, more agile and consistent procurement practices and processes across the sector.

PROCUREMENT TRANSFORMATION PROGRAM

Following a whole-of-government strategic sourcing review in late 2012, the PTP was launched by PTD in mid-2013 and was targeted for completion in 2018. The aim of this initiative was to drive more strategic and innovative approaches to buying and managing goods and services across government, including saving \$660 million to \$1.3 billion in cash and costs avoided by 2018⁷. The savings have not been fully realised and the feedback has been mixed.

⁷ Queensland Government (2012) *Service Delivery Statements – Department of Housing and Public Works*, p. 6.

FINDINGS FROM PREVIOUS REVIEWS

Five main reviews into the operation of whole-of-government procurement, the PTD and PTP since 2007 have been undertaken:

1. **Report on the Review of Purchasing and Logistics in the Queensland Government**, April 2007 (Service Delivery and Performance Commission). This review performed an assessment of whole-of-government purchasing and logistics, to provide advice on improved methods, models and use of contemporary technologies to enable supply chain reform.
2. **Report relating to establishment of the PTD and savings targets**, late 2012/early 2013. Aspects of that report (such as the savings targets to be achieved by the PTP) have been referred to where publicly available.
3. **Investigation and advice on the Strategic Sourcing Project**, December 2014 (produced by BDO). This review examined a large complex strategic sourcing project to understand the process used, assess the outcomes and identify the lessons learned.
4. **PTP: Stakeholder Engagement Feedback Summary**, March 2015 (produced by Strategic Momentum Group). The scope of this review collected government stakeholder feedback regarding the PTP.
5. **PTP – diagnostic review**, June 2015 (produced by Calcutta Group). The review was conducted as an independent point-in-time review of the PTP to assess program health, provide a prioritised suite of recommendations and define a suggested roadmap for implementation of the recommendations of the immediately preceding review.

Analysis of these reviews highlights a number of consistent themes to be addressed as part of a new procurement model going forward:

- strengthen procurement governance, with highly visible leadership, clarity of decision-making processes, and clarification of roles and responsibilities
- understand stakeholder needs, improve engagement and build relationships and trust
- strengthen procurement capacity and capabilities, leveraging off pockets of high performance
- ensure visibility and understanding of procurement performance, and target areas for continuous improvement
- ensure the program of work is manageable and achievable, and is based on a value-added procurement improvement program
- greater program and project management discipline in implementation required
- demonstrate outcomes and improve transparency of results through performance measurement and reporting
- secure collective agreement on the best procurement operating model.

The presence of consistent themes gives the IDC information about areas of focus to be factored into design principles and a new procurement model. These are the areas where stakeholders need to work together in a committed and effective way going forward to create positive change.

4. STAKEHOLDER ENGAGEMENT

Chapter summary:

Wide-ranging consultation activities with departments, industry and union peak bodies have enabled stakeholders to provide their views about current perceptions, lessons that can be learned (both positive and negative) and applied for the future of Queensland Government procurement.

Industry expressed concerns about the procurement approach taken by the government which they believe impacts on their ability to effectively contract with government, and to confidently invest in their business with respect to infrastructure and the creation of new jobs including trainees and apprentices.

Departments focused on the critical role that they have in delivering outcomes and recognising that procurement is only one of a number of areas that needs to be managed in delivering services and driving improvements.

CONSULTATION PROCESS

A consultation and engagement process with government, industry and union representatives has been undertaken to understand current views of procurement across stakeholders and shape the thinking for the future approach for procurement activities.

The review process has been informed by three streams of consultation activities including:

1. Workshop engagement, including group sessions with the IDC, and departmental senior executives. An Agency Reference Group consisting of executives with responsibility for departmental procurement activities met regularly.
2. Individual department and industry stakeholder meetings, with Directors-General, Chief Procurement Officers and/or Chief Finance Officers, procurement managers and industry representatives.
3. Invitations for written submissions from departments, industry and union peak bodies.

In workshops, meetings and the invitation for written submissions, stakeholders were asked questions about:

- what is being done well and what needs improvement
- better practices that have been observed (and could be leveraged going forward)
- what the role of departments and a whole-of-government procurement function should be
- considerations during implementation, including whether there is an ongoing role for the IDC or an equivalent body.

Consultation activities revealed what is important to industry and departments. These themes are reflected throughout the review.

For industry, recurring themes through consultation included the need for ongoing and genuine engagement, partnership, leadership and consistency, and for departments to comply with their policy obligations.

For departments, recurring themes included taking responsibility for their own procurement – with accountability residing with the accountable officer and not diffused with a whole-of-government body; a supporting and advisory service provided to them by a whole-of-government body, which should also be responsible for policy and framework development within which departments will work; and better clarity with respect to roles and responsibilities.

FEEDBACK FROM STAKEHOLDERS

Recurring issues raised by stakeholders during consultation are set out below.

STRATEGIC AND FUTURE FOCUSED

Industry wants government to use its policy role to influence improvements in areas like industry standards, and smoothing peaks and troughs in demand through longer term programming of procurement and a published forward pipeline of projects.

The lack of clarity for industry about upcoming procurement opportunities is compounded by an inconsistent understanding and varying procurement views across government. Industry want synergies across government rather than a siloed procurement function.

Departments have indicated a need for clear strategic vision, scope and specific objectives for the whole-of-government body.

CLEAR GOVERNANCE

Industry wants the procurement function to be less risk averse as this impacts competition and innovation. It is proposed that more practical support around long term planning and risk management is required.

Departments have said that procurement needs a clear governance structure and to recognise the accountability of departments to manage their procurement with flexibility to meet their particular objectives and circumstances. This approach needs to be balanced to avoid fragmentation and duplication while not imposing a 'one size fits all' approach.

Governance requires strong leadership and appropriate responsible officer oversight which ensures credibility and authority, giving consideration to the most appropriate placement of a centrally enabled function supported by an overarching assessment framework. Some departments indicated that a line agency may not provide the right level of authority.

Clearly defined roles and responsibilities supported by an operating model that considers the end to end procurement process and developed through appropriate cross-government departmental engagement and collaboration.

INDUSTRY ENGAGEMENT

Industry wants to work within an environment in which they can have greater confidence with respect to being able to make longer term business and investment decisions. Confidence is impacted by poor engagement, lack of trust and a perceived disregard for industry by government. The tendering process is costly and complex and payment delays are impacting businesses. There is a need for improved capacity and capability for buyers to engage confidently and effectively with suppliers, at the right time.

A whole-of-government procurement body should support departments in achieving their objectives, and deliver things like policy, frameworks and advice to agencies, as well as services common across agencies such as capability standards and initiatives, and certain supply arrangements for goods and services purchased across government.

Departments want more and better communication from a whole-of-government function, including greater awareness of, and accessibility to, whole-of-government supply arrangements. In addition to this, they want ready access to general procurement advice, guidance and support (focusing on practical process and procedure) from the whole-of-government body.

There needs to be effective change management processes to independently assess procurement maturity and readiness for change within departments.



TRANSPARENCY

Broadly, industry is seeking to partner with government as an expert buyer, who is commercially astute, and acts with fairness and integrity.

There is a desire for more transparency in government decision-making, including better visibility of, and access to, opportunities (e.g. a forward pipeline of potential future procurements) and to provide ideas.

Departments highlight the need for improvements in accurate and readily available data, information connectedness and the usefulness of procurement enabling technology. They want an agreed common set of strategic functional procurement KPIs across government to formally demonstrate tangible outcomes.

PORTFOLIO APPROACH

Departments felt that spending on goods and services should be examined on a case by case basis to identify whether the spend should be managed as a category – and if so, where responsibility for managing it should reside.

Establishing a clear understanding of category management and clear distinctions between categories to identify whole-of-government management versus department ownership are viewed as important.

Departments want transactional procure-to-pay processes devolved which is supported by industry who currently view decisions made centrally when they should be made locally.

COLLABORATION

Industry raised the need for more effective collaboration on strategic issues of importance, including reducing the cost of doing business with government.

Departments want appropriate engagement across government by the whole-of-government body with co-ordination of common issues. Targeted engagement with key decision makers was also highlighted.

CAPABILITY FOCUSED

Overall, industry felt that technical expertise (in areas including value for money assessments, probity, market knowledge and strategy development) needs to be consistent across departments and there needs to be a deeper understanding of the differences between categories and consequently, the way procurement should be approached.

Industry has said that government needs to be an informed buyer with aligned systems, skills, capability and tools. Standardised contracts provide certainty and reduce costs of engaging legal advice in contract development for government and industry. Problems with process issues creates confusion and loss of confidence.

It is important to departments to have access to guidance, tools and templates from a whole-of-government body, while retaining flexibility. Departments also want clarity around how to apply value for money, including how to incorporate economic, environmental and social objectives into procurement processes and decisions.

BEST PRACTICE VIEWS

Stakeholders were asked to briefly describe any specific better procurement practices that have been observed. The feedback mainly reported ad-hoc examples, rather than widespread process or practice.

Industry's feedback centred mostly on positive experiences with departments in areas related to the key themes, for example, where they had seen opportunities for engagement, consideration of alternative procurement models, or an outcomes focus. The infrastructure sector commended the Department of Transport and Main Roads for their pre-qualification system and industry consultation.

With respect to departments, a number of the components of the PTP were recognised, including the QPP, category management and panel arrangements. There was a focus on examples of tools or practices that assisted them in their day to day procurement (like standardised documents including terms and conditions, the whole-of-government contracts system (QContracts) or information sharing forums such as vendor management meetings held by the Department of Science, Information Technology and Innovation). Recognition was also given for the initiatives across government procurement aimed at improving Aboriginal and Torres Strait Islander economic participation, like the Queensland Government Building and Construction Training Policy, and the prioritisation tool being developed by PTD.

In summary, industry's feedback reinforced the importance to industry of good process, engagement and capability, while departmental feedback emphasised leveraging common frameworks and tools to assist with day to day procurement, as well as responsiveness to departmental objectives by procurement.

ROLE OF DEPARTMENTS AND A WHOLE-OF-GOVERNMENT PROCUREMENT FUNCTION

Stakeholders were asked to give feedback on what should be the roles and responsibilities of departments and a whole-of-government function.

In looking at the roles and responsibilities of departments, the feedback from industry included a desire to see departments follow policy, greater transparency of upcoming opportunities, engaging well and allowing industry to be a problem-solving partner.

The departmental focus was more about maintaining their 'sovereign rights' and ultimate accountability for procurement residing with accountable officers, and a desire to see category ownership residing with the departments that have the best fit from a knowledge and expertise perspective.

Industry supports the existence of a whole-of-government body, in particular a whole-of-government function which provides leadership, consistency of policies, strategies, practices, roles, responsibilities and frameworks including capability. A peak union body also suggested this includes consistency in application of procurement to achieve objectives of benefit to the community.

Similarly, departments support a whole-of-government function that can provide consistency in the areas like those nominated by industry, as well as being able to provide expert procurement policy and advice, and share information across government.

Both industry and departments saw the whole-of-government function as being able to manage common categories of spend that may not have a natural home with any one department. In addition, departments saw the whole-of-government body as one which could create sufficient economies of scale to drive local supply chains and the opportunity for social enterprise development.



IMPLEMENTATION FEEDBACK

Departments and industry were asked to provide their feedback on considerations that should be taken into account in the preparation of an implementation roadmap.

Both industry and departments reinforced the need for discipline in implementation.

Industry reinforced common themes including the need for government to keep consulting and work in partnership in making changes. A tripartite reference group (departments, industry and unions) was also suggested. A desire for transparency over implementation of review outcomes was also expressed.

Departments emphasised a need for implementation to be cognisant of the impacts on existing departmental priorities, resourcing and capability, and take into account differing levels of departmental maturity. Communications was regarded as key, with supporting training for both departments and suppliers. Practical tools, procedures and performance measures for consistent application were also sought.

VIEWS ON AN ONGOING ROLE FOR THE IDC

The question was put to stakeholders as to whether there was a an ongoing role for an IDC or similar body post-delivery of the review.

The majority of industry bodies which responded to this question saw a need for an ongoing body – not necessarily an IDC. A joint industry government body or tripartite group was suggested as being able to fill this space. Respondents were also keen on ensuring that an ongoing body did not contribute to more red tape.

There was less support among departments for an ongoing body, but it was felt that monitoring of implementation was important. If there was an ongoing role for an implementation oversight body in addition to a whole-of-government body, then a strategic focus needs to be ensured.

5. CROSS-JURISDICTIONAL COMPARISON

Chapter summary:

An analysis of procurement models and leading practice within other jurisdictions and the private sector was undertaken. This assessment of current trends in Australia, North America, Europe and Asia identifies strengths and lessons learned from other reform programs.

Most governments and private sector organisations sampled are on a journey to improve procurement capacity and capability. While specific objectives and the existing maturity baseline varied, the broad direction of the reforms are aimed at strengthening category management approaches and improving governance structures. This includes fine-tuning organisational models which for government mostly involved a whole-of-sector central function, raising sector capability, reporting data and performance more effectively and adopting innovative practices.

Procurement functions in better practice jurisdictions or organisations are working to assume a more strategic role, to proactively partner with stakeholders and to determine how to create additional value through procurement. Governments are moving beyond targeting short term, one-time outcomes and are looking to implement sustainable models that can deliver enhanced net public benefit over time.

PUBLIC AND PRIVATE SECTOR PROCUREMENT COMPARISON

Comparisons of procurement practice in other developed countries, Australian states and territories and the private sector offer valuable insights as to better practice, emerging trends and lessons that may be of benefit to the future procurement functions of the Queensland Government.

An inter-jurisdictional analysis has been completed to understand the current situation of other selected governments and sample private sector organisations, establish strengths and potential further development areas, and identify any beneficial approaches that could be adopted.

The review has gathered information from:

1. international research, relating to the procurement activities undertaken by governments in England, Scotland, Canada (Ontario), New Zealand and Singapore
2. the Australian Government, states and territories, and
3. private sector organisations, namely a global pharmaceutical company and a major Australian utility.

The research has been compiled based on desktop analysis of publically available information, validation of the desktop analysis and interviews.

CHARACTERISTICS OF OTHER PROCUREMENT SYSTEMS AND MODELS

Government procurement is maturing and evolving in many developed countries, as well as within the Australian Government, states and territories. In part, this is being informed by leading practices adopted in the private sector translating to government; however, considerable focus is also being applied by the procurement profession to meeting the specific needs of government.



The main findings of the cross-jurisdictional comparison are described below:

1. STRATEGY AND GOVERNANCE

- a. **Definition of procurement:** All the governments sampled had varying definitions as to the meaning and scope of procurement. Common to all was that procurement covered the acquisition of goods, services and construction from external suppliers. None of the jurisdictions extended the definition to include grants and, of the overseas countries, only England made reference that in some cases social services commissioning should be handled through procurement mechanisms.
- b. **Procurement boards:** Australian states and territories (the exceptions being Western Australia, Queensland and Tasmania) and overseas countries (within the sampled group, the exception was Singapore) have formally constituted an overarching board to govern procurement. These are typically at Director-General/Chief Executive level, with representation from across government. Several of these groups invite members external to government to sit on these boards (for example, Victoria, South Australia, England and Scotland). None of the sampled private sector organisations have similar boards, instead relying on delegated authority and steering committees drawn solely from the procurement function.
- c. **Leadership forums:** A number of jurisdictions (for example, New South Wales, Scotland and New Zealand) have cross-government leadership groups charged with delegated powers to develop procurement strategy, implement reforms and achieve consistent practices across the sector. The representatives on these bodies are primarily Chief Procurement Officers (when sufficiently senior) or Deputy Directors-General/Deputy Chief Executives in instances where departments are smaller and do not have a specific procurement focus.
- d. **Governance frameworks:** All governments sampled have enabling legislation, procurement policies and a defined governance framework. Collectively, these set out the obligations, responsibilities and requirements of all covered entities within the individual jurisdictions. Similarly, all the private sector organisations had procurement policies and defined governance frameworks.
- e. **Environmental sustainability / small and medium enterprises / local content policies:** Nearly all sampled public and private sector entities had specific policies and guidelines related to environmentally sustainable procurement practices. Most also had specific policies to expand the opportunities available to small and medium enterprises (SMEs) through targeted support. While many Australian states and territories have local content policies (for example, Queensland, South Australia, Victoria and Western Australia), some states have discontinued these. Only New Zealand amongst the sampled overseas countries has such a local assistance policy.
- f. **Procurement strategy and objectives:** All jurisdictions had either a formal procurement strategy or a statement of strategic intent for procurement, including objectives. The strategies and objectives are mostly connected to attainment of better practice, value for money, promotion of competition, supporting social procurement outcomes, transparency and probity, as well as a commitment to continuous improvement.

2. ORGANISATION

- a. **Procurement operating model:** Virtually all governments could be characterised as using a model that had some form of central support or leadership function, with varying responsibilities for strategy, policy, sector-wide improvements and common use supply contracts. In such models, agency responsibilities varied to being responsible for small parts of procurement (where the central function has a significant degree of responsibility for functional activities) through to models where agencies manage their own unique procurement requirements. Singapore tended towards the decentralised end of the spectrum, while New Zealand tended more towards centralisation. The sampled private sector organisations primarily operated centralised procurement models with the majority of procurement activities being conducted within a unified procurement function.

- b. **Entities covered by the model:** The centre-led procurement functions in most government jurisdictions had scope limited to budget-funded departments and agencies. In contrast, for Ontario and Scotland the definition of ‘government procurement’ responsibilities falling to the central function also included the broader public sector (for example, local government (Scotland) and universities (Ontario)).
- c. **Size of the central procurement function:** As expected, the size of the central procurement function varies significantly given the differentiated value of government spend, the overall government priority placed on whole-of-sector procurement and the specific activities conducted by the function.

3. PROCESS

- a. **Category management:** A category management approach is deployed in most jurisdictions such that spend on defined groups of similar goods and services is cohesively managed on a lifecycle basis. Whether the lifecycle management activities occur within the central function, the departments or on a collaborative basis varies by category and the type of procurement operating model adopted. Categories defined as common/whole-of-government typically have category plans, procurement strategy and sourcing, contract management and supplier relationship development led by the centre with collaborative support from departments. Elements of contracting (such as making commitments to suppliers under panel agreements or standing offer arrangements) reside with agencies. Jurisdictions differ on the approach adopted in relation to management of categories that span several departments only. For example, Ontario and New Zealand manage these categories centrally, while others such as Scotland, Victoria and New South Wales devolve these to lead bodies/agencies to establish supply arrangements open to whichever entities wish to make use of them. Category management is also a widespread practice within leading private sector organisations.
- b. **Category classifications:** Broad alignment exists on the types of categories managed through a central function or by a lead agency on behalf of other agencies (depending on the model adopted), and those that are undertaken individually by agencies. Whole-of-government categories (whether managed centrally or by a lead agency, depending on the procurement operating model used) are typically services procured broadly by all agencies, like travel, administrative IT systems, and professional services. Departments generally retained procurement responsibility for departmental specific procurement like transport infrastructure, specialist medical equipment and school learning software packages.

4. ENABLERS

- a. **Data and performance management:** Many jurisdictions are endeavouring to improve the quality of the procurement data available to decision-makers. For example, England, Scotland and New South Wales have developed spend classification guidance and the central function regularly collects spend data from agencies. Some collect a broader range of data to assess performance and inform future strategies. Data and performance management practices appear more sophisticated in the private sector organisations sampled with the global pharmaceutical company setting global performance objectives for local customisation and consolidated global reporting (such as return on investment, sustainability, consolidated global KPI (balanced scorecard) reporting and benefits tracking).
- b. **Technology:** The majority of enabling procurement technology is deployed on a department-by-department basis rather than as a whole-of-government implementation. The exceptions are electronic tender solutions which are deployed on a sector basis in many jurisdictions. Some jurisdictions also provide electronic purchase-to-pay capability to agencies to complement the established Enterprise Resource Program.

- 
- c. **Reform programs:** Procurement transformation and improvement programs are common in both the public and private sectors to strengthen functional capacity and capability, as well as achieve enhanced outcomes. Specific reform programs are underway in England, Scotland and New South Wales, with more general improvement strategies being implemented within New Zealand and Ontario. Planned European Union Procurement Reform aimed at a simplification of the rules which govern European Union procurement is shaping the agenda in both England and Scotland, while the latter has a further specific legislative reform underway. Common elements between all these improvement programs include:
- initiatives to strengthen efficiency and collaboration
 - delivery of savings and benefits (economic, social and environmental)
 - improved SME access to contracts
 - further professional development of procurement employees in the sector
 - access to enhanced procurement data, both in regard to baseline spend information and broader performance reporting, and
 - improved engagement with stakeholders, both across government and with industry.
- d. **Innovative practices:** The government and private sector organisations sampled had a number of innovative aspects to their procurement models, such as:
- *Oversight boards and forums include representatives from both the public and private sectors* to ensure that the views and experiences of industry are considered in the formulation of procurement strategy, policy and initiatives.
 - *Staff capability development is prioritised with significant investments made in training*, for example the New Zealand Procurement Academy and the Procurement Academy operated by the global pharmaceutical company.
 - *Department access to specialist commercial advice and improvement resources as required.* New Zealand Government Procurement group includes a pool of commercial experts that respond to agency requests for assistance with high-risk, high-value and unusual procurement activities. New South Wales Procurement has a Business Advisory branch which operates like an internal consulting team to support agencies with capability improvement projects.
 - *Deployment of a ‘mystery shopper’ team* within the United Kingdom Cabinet Office to carry out spot checks on agency procurement processes. The aim of this approach is to determine existing service levels, check on equality of access to supply opportunities and identify areas for improvement.
 - *Initiatives to make it easier for suppliers to do business with government and increase spend with SMEs.* A number of jurisdictions have active policies and strategies to increase market access to supply opportunities. For example, Scotland has introduced clear guidance on the use of community benefit clauses, involvement of SMEs and non-government organisations.
 - *Communication of a rolling pipeline of future supply opportunities to industry.* In Ontario, a three year outlook for planned whole-of-government Vendor of Record or panel procurements is published to suppliers and updated quarterly. This assists industry to plan ahead and acts to promote competition.

- *Operation of an independent accreditation scheme to review and certify agencies' procurement capability / processes / systems / tools.* In New South Wales, the Procurement Board sets out an agency accreditation scheme which is managed by New South Wales Procurement. Independent, private sector assessors use detailed guidelines to determine an agency's relative procurement maturity and identify improvement areas. The rating approach is used to judge an agency's progress towards better practice and to calculate a maximum contract value which the agency can let on a standalone basis without support from specialist procurement resources from the central function. In South Australia, a capacity and capability accreditation framework is in place for agencies based on five high level performance categories.
 - *Investment in a whole-of-government procurement data analysis ('spend cube').* An accurate, comprehensive analysis of procurement expenditure forms an essential foundation component for effective procurement reform. Many private sector organisations have invested in regularly refreshed 'spend cubes' with dashboards to present cleansed data by category, supplier, buying unit, geography, nature of supplier (SME, Aboriginal and Torres Strait Islander, other priority areas) and transaction profile (such as invoices and purchase orders). For example, a global pharmaceutical company is rolling out consistent analysis software worldwide and New South Wales has a dedicated analytical team managing monthly updates to the New South Wales Spend Cube which covers virtually all material agencies.
- e. **Development of whole-of-government performance measures:** In Victoria, the Department of Treasury and Finance has developed a suite of procurement metrics for implementation aimed at bringing transparency and consistency in outcome tracking across agencies. These measures include indicators related to savings, proportion of low value transactions on corporate cards and supplier satisfaction measures.

6. THE CASE FOR CHANGE

Chapter summary:

Based on the findings of the current state analysis, stakeholder consultation and cross-jurisdictional comparison, this section of the report presents a compelling case for change.

While pockets of excellence exist, departments and industry are looking for a new approach that delivers greater value and supports outcome delivery.

The review has identified seven areas or ‘improvement themes’ where risks, issues or opportunities exist. These themes encapsulate the ‘case for change’ and should be addressed within the new procurement model.

These improvement themes shaped the development of guiding design principles that were used to evaluate the potential future models and to select the new, ‘best fit’ approach to Queensland Government procurement.

The current Queensland Government procurement model is the result of several rounds of review and reform over the last 15 years. While pockets of excellence exist, feedback from stakeholders is that the current whole-of-government procurement approach does not meet their needs.

In setting out the way forward for procurement, policy, governance and practice change are needed. These changes are intended to help optimise opportunities to build regional economies and jobs, stimulate innovation, encourage diversity and competitiveness in markets, and reduce the cost and difficulty for businesses, particularly small businesses, of supplying government.

CONSOLIDATED FINDINGS AND IMPROVEMENT THEMES

The consolidated findings bring together the analysis of the current state of procurement activities in Queensland (*Chapter 3: current state – Queensland Government procurement*), the views of both government and industry stakeholders (*Chapter 4: stakeholder engagement*) and the best practice approaches evidenced by a number of Australian and international jurisdictions and organisations (*Chapter 5: cross-jurisdictional comparison*). Analysis of the consolidated findings can be grouped into seven ‘improvement themes’.

These themes encapsulate the case for change and should be addressed within the new procurement model to deal with the issues currently being experienced by the Queensland Government in relation to procurement.

Improvement theme 1: Clarify the whole-of-government procurement scope, strategic vision, objectives and definitions of key terms. The review has found that stakeholders hold different views on the definition, nature and extent of government procurement. This includes the application of key concepts such as value for money, probity and local content. Specific points to address include:

- the absence of a defined and widely agreed vision, strategy and value proposition for whole-of-government procurement
- the expansion of scope of ‘procurement’ within Queensland to include grants and commissioning should be avoided.

Improvement theme 2: Revise and strengthen the governance framework. A clear, overarching whole-of-government procurement governance structure could not be identified that provided senior, cross-agency oversight of either business as usual activities relating to procurement or strategic initiatives impacting procurement outcomes. Departments and industry point to a lack of executive approval and legitimacy for the existing whole-of-government approach. Specific points to address include:

- the governance model that provided oversight to the previous procurement approach had adopted an ‘isolated approach’, which did not reside within established whole-of-government frameworks and departmental arrangements
- the seniority of officers providing oversight and making decisions as part of the governance process was insufficient, meaning that senior stakeholder buy-in did not occur and delegated officers lacked the strategic, whole-of-government view required
- unclear roles and responsibilities between PTD and departments
- insufficient departmental input into the strategy and direction of whole-of-government categories
- limited assurance, program portfolio management and performance monitoring of the PTP.

Improvement theme 3: Adopt a new procurement model that is centrally supported (rather than driven), where departments are the clear leaders. Common understanding and agreement is not in place across government as to the role, responsibilities and capability of the PTD compared to the differentiated needs of departments. This has contributed to the PTD being perceived as tending towards a more directive mind-set and standardised solution approach. Specific points to address include:

- industry concerns that government is hard to engage with, bureaucratic and not sufficiently clear on value requirements
- departmental concerns that whole-of-government procurement is ‘one size fits all’ and is insufficiently flexible to accommodate specific department needs
- virtually all government jurisdictions can be characterised as having some form of central functions whereas PTD seeks to operate what is effectively characterised as a ‘centre-led/centralised’ approach
- insufficient focus applied to change management and communications across the sector to bring ‘hearts and minds’ of stakeholders on the improvement journey led by PTD.

Improvement theme 4: Establish a clear performance management framework which provides the basis for measuring maturity and improvement over time, as well as business as usual procurement activities.

Procurement in Queensland currently lacks an agreed suite of sector-wider performance objectives and associated indicators. In addition, there is not a consistent whole-of-government spend, maturity or activity baseline. The PTD, departments and industry consequently lack the transparency to effectively prioritise and plan for the future, as well as demonstrate the benefits of improving procurement activities. Specific points to address include:

- the inaccuracy and lack of visibility of whole-of-government spend information to inform collaboration opportunities
- limited standard performance measures and reporting across government
- limited future procurement pipeline information shared with industry to allow suppliers to effectively prioritise investments and plan for the future.

There are established frameworks in place (like the Business Excellence Framework promoted by SAI Global⁸) which could be taken into account in the development of a performance management framework which supports continuous improvement.

8 www.saiglobal.com/business-improvement/process/framework/excellence.htm



Improvement theme 5: Introduce a portfolio approach to spend aggregation. A category management approach to whole-of-government procurement is recognised as a better practice approach within other jurisdictions and is supported by most departments. In regard to its specific application within Queensland, the existing model championed by PTD is considered unclear, overly prescriptive in nature and seeks to manage too many categories centrally. This has curtailed the broad range of benefits that the technique could deliver. Specific points to address include:

- lack of a common, agreed definition for category management and its associated implications across government
- confusion within departments as to the scope and operation of mega-categories
- lack of clear segmentation as to which categories are best managed by PTD on a whole-of-government basis and others more appropriately managed by departments
- rollout of category management by PTD without adequate reference to departmental maturity and capabilities.

Improvement theme 6: Strengthen the incentives for proactive collaboration amongst departments.

The willingness to collaborate amongst some departments is being undermined by constraints and disincentives, and there is a lack of buy-in by departments to support collaborative approaches within government that may achieve better procurement outcomes by leveraging the size and scale of government expenditure.

An historical focus on financial savings from whole-of-government initiatives, coupled with the harvesting of these savings back to Queensland Treasury, has eroded support for the existing approach and contributed to departments' reluctance to widely collaborate and publish spend data. A specific point to address is the lack of an 'opt-in' by departments in regard to collaboration initiatives without adequate reference to maturity and capabilities.

Improvement theme 7: Address the key capability gaps across government. Departments and industry agree that, while pockets of excellence exist, procurement maturity and capability across government is generally low. Inconsistent standards for better procurement practice, limited technical skills, lack of experience particularly with strategic, complex procurements and the need to train 'informed buyers' were common consultation themes. Specific points to address include:

- limited prioritisation of staff capability development across the sector despite departmental willingness to participate and a clear need
- lack of an independent accreditation scheme to set standards and support both departments and procurement professionals to develop capability
- unclear understanding of the role of CPOs and other key procurement positions across government.

If these improvement themes are not acted upon, possible impacts could include loss of value, inefficient ways of working, increased risk, loss of talent, erosion of departmental engagement and loss of market competition.

DESIGN PRINCIPLES

Based on the improvement themes, a set of design principles have been developed to guide the future design of a revised procurement model. These principles have been used to both shape the development of options (set out in the next chapter), and then to evaluate the various options that have been developed, to determine a new procurement model that best fits the needs of Queensland. **Table 2** below sets out the design principles and the associated implications for the future procurement model:

TABLE 2 – DESIGN PRINCIPLES AND IMPLICATIONS FOR THE FUTURE PROCUREMENT MODEL

Design principles		Implications for the future procurement model	
1	Strategic and future focused	Provides support to the delivery of Queensland Government policy initiatives e.g. value for money, probity and local content	<ul style="list-style-type: none"> • Use an agency led, centrally enabled approach to deliver government and agency outcomes. • Any central function must focus on delivering net benefits to the procurement function across the Queensland Government over time. • Maximise value for money outcomes that consider: business needs, supply market characteristics, cost and non-cost factors, and the objective of the procurement activity.
2	Clear governance	Provides clear governance such as well-defined roles, responsibilities and accountabilities	<ul style="list-style-type: none"> • Develop an overall governance framework which shows all stakeholders with governance responsibilities for procurement. • This framework should outline decision-making bodies and supporting committees. • Clarity of roles, responsibilities and accountabilities for all stakeholders. • Develop a performance management and assurance framework.
3	Engage with industry	Incorporates better engagement with industry	<ul style="list-style-type: none"> • Processes and approaches designed with the customer in mind. • Customer-focused approach that ensures the policies, processes and enablers are developed and communicated in a manner which supports departments in delivering their outcomes and better engagement with industry. • Fosters active engagement with industry.
4	Transparent	Creates transparency through visibility of spend and a forward pipeline of work	<ul style="list-style-type: none"> • Processes that provide greater visibility of cross-government spend and a forward procurement pipeline. • Use of data for more informed strategic decision-making. • Use of targets and outcomes that are accurate, measurable and able to be reported. • Greater visibility will drive innovation and collaboration opportunities across government and industry.
5	Portfolio approach	Includes a portfolio approach that uses data to manage spend holistically	<ul style="list-style-type: none"> • Adopt ‘category management’ principles – collaborative spend management, greater visibility through better data, and identifying opportunities across departments. • Implementation of any approach will be phased in as maturity and capability grows.
6	Collaborative	Supports collaboration across government to permit the delivery of value	<ul style="list-style-type: none"> • A collaborative approach will be encouraged across government – agency led, but centrally enabled. • Approach will allow flexibility and choice to cater for differences amongst departments.
7	Capability focused	Focuses on the development of procurement capability across government	<ul style="list-style-type: none"> • Focus on strengthening and uplifting procurement capability across government. • Commitment to setting standards for accreditation as a department and a procurement professional, supported by training and development. • Redefine the role of the CPO across government and departments. • Standardise the role, structure and functions of key procurement roles in government. • Educate and support the application of key frameworks across government, such as value for money, probity and local content.

7. PROCUREMENT MODEL OPTIONS

Chapter summary:

As noted in the 'Case for change' chapter, there are seven 'improvement themes' where risks, issues or opportunities exist. The themes have been used to develop design principles to evaluate potential future procurement models and select the solution which provides the 'best fit' for Queensland.

Consideration of review findings indicate a 'Foundation' level of procurement maturity across government.

In recognition of the investment required and the benefits that may be achieved, Queensland's future aspirations for procurement should be to improve the maturity of procurement from 'Foundation' level to the 'Leading' level of maturity over a realistic period of three to four years. At this level of maturity, procurement activities will be effectively integrated, with a whole-of-government function that supports departments and is recognised by the sector as adding value as a strategic commercial partner. Government will be able to capitalise on this model to realise an enhanced level of financial performance, social opportunity and economic impact. Evaluation of five potential procurement models led to the selection of a hybrid or 'agency led, centrally enabled' model. The high-level characteristics being:

- Unified and transparent governance structure with overarching and tiered layers of accountability and oversight for both project-related and operational procurement activities.*
 - Customer-focused approach to the delivery of government and departmental outcomes.*
 - Stricter interpretation of the scope of procurement that focuses on the acquisition of goods and services including construction in accordance with the QPP.*
 - Adoption of a broader definition of collaborative procurement benefits away from a focus on cost saving targets to reflect a more balanced set of economic, environmental and social objectives.*
 - Higher prioritisation given to sector capability and maturity improvements in terms of professional staff development and departmental accreditation standards.*
 - Category management implemented within Queensland Government reflecting agencies' priorities.*
-

In determining the most appropriate new procurement model for the Queensland Government's procurement function, the review has used a 'best fit' approach based on a three-step method:

1. **Identification** of the key components that determine relative procurement maturity, together with a view as to Queensland's existing level of performance and potential future level of achievement.
2. **Assessment** of conceptual future functional models against the design principles and selection of a 'best fit' solution.
3. **Development** of the selected model to outline the intended procurement roles and activities across government.

IDENTIFICATION OF PROCUREMENT FUNCTIONAL MATURITY

The ability of procurement to make a net public benefit contribution is dependent on the maturity of the procurement function and the consistent adoption of the model across government.

The Procurement Maturity Assessment methodology⁹ comprises maturity benchmarks for global private and public sector entities, as well as the results of organisational maturity surveys, allowing comparisons of relative maturity by geography and sector between organisations seeking to improve and those that have achieved better procurement practice.

The methodology contains five distinct levels of procurement maturity ('Laggard' through to 'Excellence').

The level of maturity is the result of an assessment against four criteria: **Strategy and Governance**, **Organisation, Processes** and **Enablers**.

1. Strategy and Governance: covering an agreed future direction that supports government objectives with appropriate oversight and controls. This includes:

a. *Strategy and change management*

The role and scope of the whole-of-government procurement function, the development of its vision and strategy, the clarity of its aims and objectives and the extent to which it is aligned with wider government strategy. It also considers the extent to which procurement has the processes and capabilities to manage change.

b. *Regulation and compliance*

The extent to which the whole-of-government procurement function has visibility and effective management of issues of regulation and legislation.

c. *Governance and assurance*

The effectiveness of whole-of-government procurement operation and governance. Consideration is given to the structures, frameworks and policies in place, and how effective these are in achieving the desired outcomes.

2. Organisation: meaning fit-for-purpose functions (including structure/size/skills). This includes the organisational chart of the whole-of-government procurement function and its interaction with departments, reporting lines and structures and the resources allocated to each function, as well as the effective capability and ongoing development of procurement practitioners (from talent acquisition through to training and career progression).

3. Processes: resulting in efficient and effective activities aligned to the strategy and goals. This includes:

a. *Category management cycle*

The maturity of processes and activities undertaken across government to segment spend areas, identify opportunities, develop strategies for enhanced commercial value and then execute on these plans to achieve tangible benefits.

b. *Source-to-contract*

The step by step processes involved from initial spend analysis, through sourcing and negotiation, contracting, and recognising the different approaches between high and low complexity market events (e.g. buying stationery vs buying infrastructure).

c. *Operational process*

The operational or transactional activities involved typically within the purchase-to-pay process (such as requisition and approval, invoicing and payment).

d. *Contract and supplier lifecycle management*

⁹ Based on the global Procurement Maturity Assessment methodology used by KPMG. It has been developed based on extensive industry review and benchmarking activities. The current state rating for Queensland Government procurement activities formed during the IDC Review is indicative only and was not derived from a complete maturity assessment using KPMG's methodology, because to undertake such an assessment would require a detailed analysis of individual agencies.

The management of contracts and strategic suppliers throughout the lifecycle, including identifying and managing performance, risk and ongoing relationships.

4. Enablers: supporting the intelligence and information needed for timely decision-making, while managing the risks of the processes. This includes:

a. *Systems and technology*

The existence of whole-of-government enabling technology aligned to a range of established processes and activities. From spend analysis, sourcing and purchase-to-pay to supplier management and knowledge management.

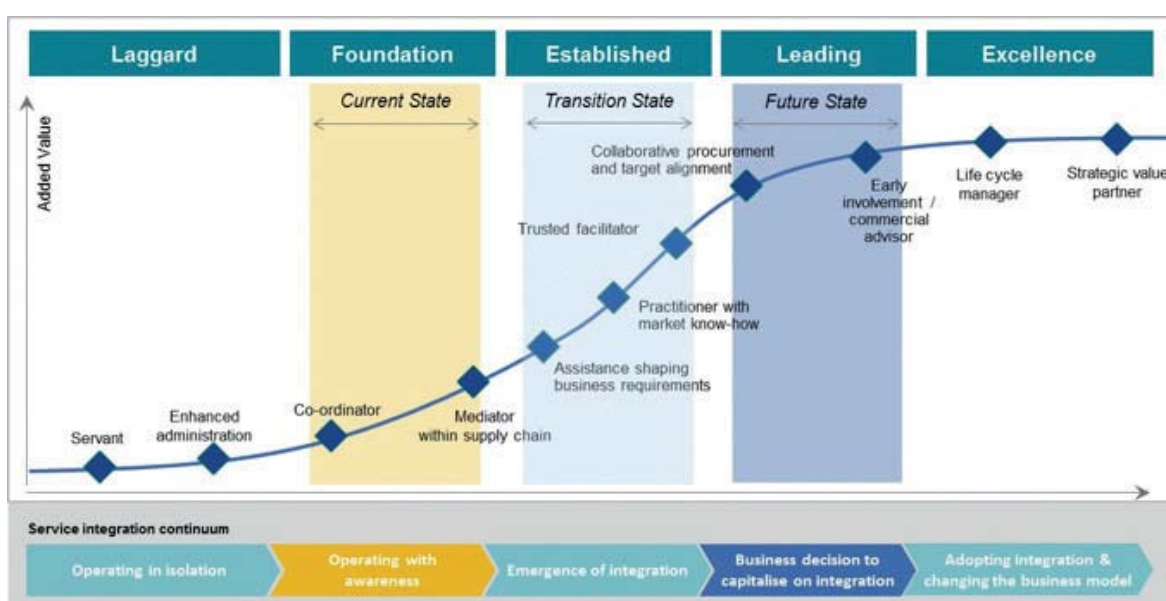
b. *Procurement intelligence and performance reporting*

The existence and quality of core procurement intelligence and management information across government e.g. benefits tracking, contract profiles and knowledge capture. Suite of whole-of-government functional performance measures and targets.

The sustained improvement of procurement maturity is best viewed as an activity undertaken over a period of time. Procurement functions in better practice jurisdictions or organisations are working to assume a more strategic role, to proactively partner with stakeholders and to determine how to create additional value through procurement. Governments are moving beyond targeting short term, one-time outcomes and are looking to implement sustainable models that can deliver enhanced net public benefit over time.

A high level assessment of the characteristics of the Queensland Government procurement environment (at a macro-level, rather than for individual departments which may vary significantly) indicates that Queensland can be characterised as exhibiting a ‘Foundation’ level of maturity (see **Figure 2** below). While individual departments and functions contain pockets of excellence, these attributes are inconsistent across government. This position on the maturity curve is associated with procurement operating under an awareness of whole-of-government considerations, yet not being sufficiently capable to fully integrate and leverage whole-of-government size and scale.

FIGURE 2 – QUEENSLAND FUTURE PROCUREMENT JOURNEY FROM A FOUNDATION TO A LEADING LEVEL OF MATURITY



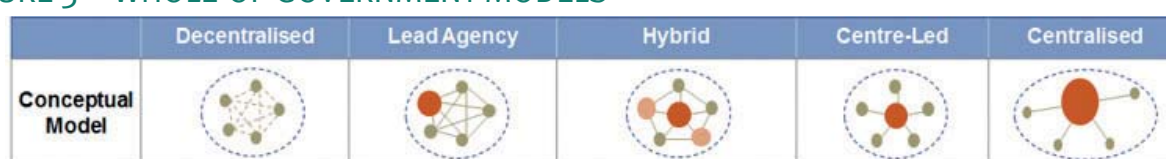
In recognition of the investment required and the benefits that may be achieved, Queensland’s future aspirations for procurement should be to improve the maturity of procurement from ‘Foundation’ level to the ‘Leading’ level of maturity over a realistic period of three to four years. Such an approach would provide the basis for delivering the most realistic net public benefit.

The selected future model therefore needs to be reflective of a ‘Leading’ level of maturity. At this level procurement activities will be effectively integrated, with a whole-of-government function that supports departments, and where departments recognise the value of a strategic commercial partner to support attainment of their needs. Government will then be able to capitalise on this flexible integration model to realise an enhanced level of financial performance, social opportunity and state economic impact.

CONCEPTUAL FUTURE FUNCTIONAL MODELS

This review has identified five conceptual future operating models for the Queensland Government’s future procurement model. The five whole-of-government models and respective outline descriptions are shown in **Figure 3** below.

FIGURE 3 – WHOLE-OF-GOVERNMENT MODELS



1. Decentralised

Procurement activity is devolved to departments. A minimal central function exists, with minimal involvement in any activity. Little collaboration between departments on whole-of-government initiatives occurs and, instead, procurement is conducted on a standalone basis by each department.

2. Lead Agency

A small central function provides policy, governance, guidance and tools to departments. This team also undertakes a limited central co-ordination role to segment categories and suggest lead departments to perform specific category execution activities and improvement initiatives. Procurement activity is conducted by a nominated single department on behalf of government where applicable. The categories are apportioned to the lead department based on best fit with respect to the nature of the category.

3. Hybrid (*agency led, centrally enabled*)

A small to medium-sized central function responsible for co-ordinating state-wide procurement strategies, policies, practices and capabilities exists. This team also undertakes a central co-ordination role to segment government categories to determine those which should be managed centrally on a whole-of-government basis, or those where several departments may band together under the activities of a lead department. Individual departments still conduct unique/local procurement activities for their respective department.

4. Centre-led

A medium-sized central function that leads on whole-of-government strategy and reform, as well as providing policy, governance, guidance and tools to departments. This team manages the segmentation of categories and is responsible for leading all strategic categories with local agency support, which may include conducting actual procurement execution for those categories where whole-of-government approaches are best ‘rolled up’. Non-strategic or agency-specific categories are managed by departments.

5. Centralised

A large central function responsible for the majority of procurement activity across government from strategy development, category management, sourcing execution, contract management and purchase-to-pay activity. Departments retain limited local procurement autonomy primarily related to low value purchases.



The selection of an optimal model is a decision which depends entirely on the organisation’s target level of maturity, procurement strategy, objectives, operating environment and stakeholder priorities. This means that there is no ‘perfect’ model with universal applicability, each model is a valid choice to the extent it enables the organisation to meet its procurement aspirations.

The review considered both ends of this spectrum (that is, the decentralised and centralised models) to be incompatible with:

- QPP commitments
- industry and departmental feedback
- current state assessment
- cross-jurisdictional findings, and
- aspirations for a ‘Leading’ level of procurement maturity.

Broadly, a decentralised approach would lose the administrative efficiency, financial, social and economic benefits associated with collaboration between departments in regard to whole-of-government activities. The model would increase the costs of industry in doing business with the Queensland Government and be out of step with global and national inter-jurisdictional practice.

Similarly, a centralised approach would significantly curtail departmental discretion for procurement and would be in conflict with the concept of a department’s ‘sovereign rights’. It is also likely that such a model would be too inflexible to take adequate account of differentiated agency requirements. Such a centralised approach would be inconsistent with virtually all global and national inter-jurisdictions practice.

This restricts the potential viable models to lead agency, hybrid (agency led, centrally enabled) and centre-led.

ASSESSMENT OF CONCEPTUAL FUTURE MODELS

The ‘best fit’ conceptual model for Queensland was determined through evaluation of each option against the seven design principles. An assessment was made as to whether the model was capable of fulfilling the criteria, using a rating scale of ‘Meet’ (score 5 points); ‘Partially Meets’ (score 3 points) or ‘Not Meets’ (score 1 point). The assessment outcomes are shown in **Table 3**.

TABLE 3 - EVALUATION OF CONCEPTUAL PROCUREMENT OPERATING MODELS

#	Guiding Principles	Decentralised	Lead Agency	Hybrid	Centre-led	Centralised
1	Strategic and future focused	Not Meets	Partially Meets	Meets	Partially Meets	Partially Meets
2	Clear governance	Meets	Partially Meets	Meets	Meets	Meets
3	Engage with industry	Partially Meets	Not Meets	Meets	Partially Meets	Not Meets
4	Transparent	Partially Meets	Meets	Meets	Meets	Meets
5	Portfolio approach	Not Meets	Meets	Meets	Meets	Partially Meets
6	Collaborative	Partially Meets	Meets	Meets	Not Meets	Not Meets
7	Capability focused	Partially Meets	Partially Meets	Partially Meets	Meets	Partially Meets
Overall rating		19	25	33	27	21

Recommended Model

Rating	Description	Score
Meets	'Meets' – Model can fully satisfy all elements of the design principle	5
Partially Meets	'Partially Meets' – Model can satisfy some but not all elements of the design principle	3
Not Meets	'Not Meets' – Model is not able to satisfy the majority of the elements of the design principle	1

Note: Although both the decentralised and centralised models were scored for completeness, neither are viable options for Queensland given the issues noted within the preceding section.

The evaluation resulted in the selection of the hybrid model as the approach that scored highest and so was deemed best able to meet the Queensland Government’s current procurement priorities and objectives. Such an approach is consistent with stakeholder feedback obtained throughout the review process.

It is important to note that leading organisations regularly review their adopted model over time and test whether or not an alternative solution would deliver enhanced benefits.

ENABLERS FOR THE HYBRID (AGENCY LED, CENTRALLY ENABLED) MODEL

While the hybrid model provides for flexibility in the approaches used to manage whole-of-government procurement and categories in response to specific drivers and departmental needs, there are a number of non-negotiable enablers required that are essential for effective collaborative working across the sector. These include:

- **Standard spend structures and categorisation** built on the United Nations Standard Product and Services Code to ensure consistency of reporting between departments.
- **Portfolio spend management approach** such that categories are segmented by department and managed under the most suitable operating model. This means common categories across government being managed by a lead department on behalf of government, categories that are used by only a few departments being managed by a lead department while other departments may opt-in to that activity, and unique/local categories being managed on a standalone basis by the acquiring department.

- **Selective performance reporting** such that standard, whole-of-government functional procurement performance indicators can be communicated. For example:
 - government spend trends
 - outcomes linked to policy objectives such as utilisation of Aboriginal and Torres Strait Islander businesses
 - customer satisfaction
 - spend under contract
 - operating costs of the procurement function, and
 - status of collaborative improvement initiatives.
- Consistent knowledge management that provides shared resources to inform better practice procurement. This could include supply market analysis, technology trends and contract lists.
- Common professional standards and accreditation for both departmental capabilities and individual professional development. This permits development of a consistent baseline against which targeted development initiatives can be proposed.
- Unified technology platforms where the business case proves the benefit of collaboration, for example the cross-government utilisation of QTenders.

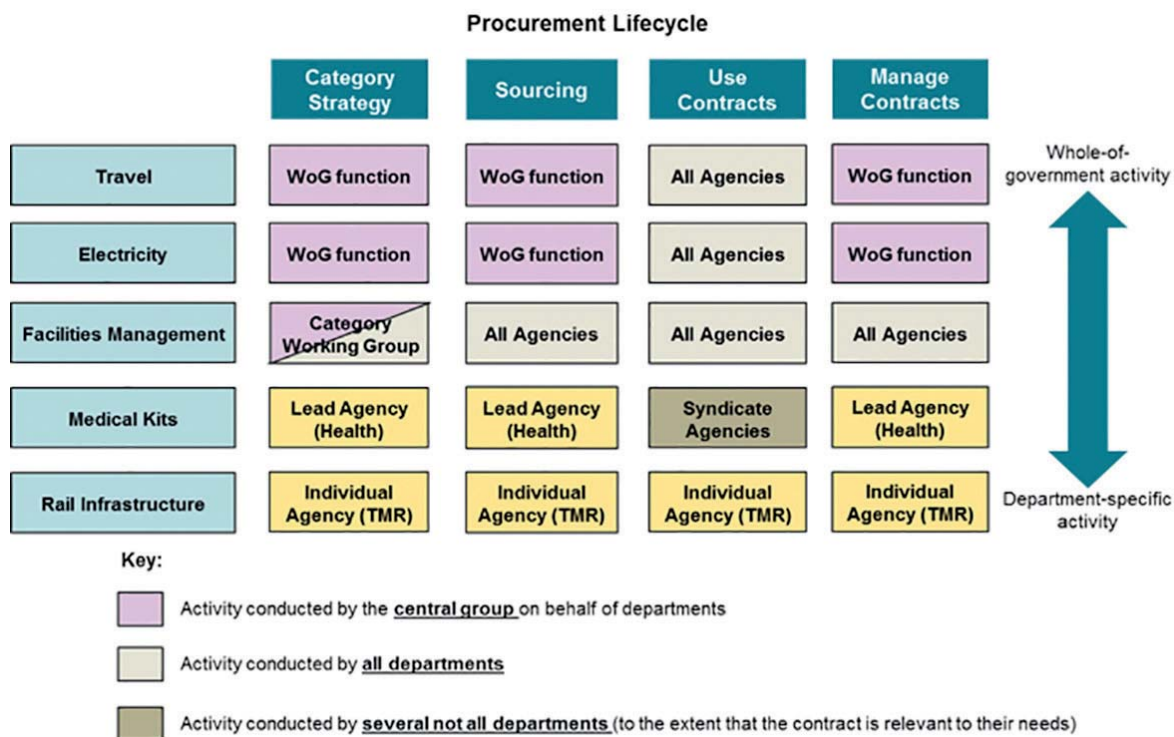
CATEGORY SEGMENTATION UNDER THE HYBRID (AGENCY LED, CENTRALLY ENABLED) MODEL

The chosen model is referred to as a hybrid solution since it can flex between both the Lead Agency and Centre-led approaches as required. For Queensland, this will be most clearly manifested in the allocation of category leadership and sourcing responsibilities across government. The spend categories can be segmented into three distinct groups:

- a. **Common, whole-of-government categories** such as travel and electricity to be managed on a **lead agency** basis, with open access to common use contracts available to all departments. These arrangements will be established through the proposed governance mechanism with a link to the relevant department.
- b. **Syndicate categories** such as medical kits to be managed under a **lead agency** approach such that the largest spending agency (Queensland Health, in this instance), establishes open access supply agreements that any other agencies requiring these items can utilise.
- c. **Local and unique categories** that only one agency requires, such as TMR in the case of rail infrastructure, are managed on an **individual agency** basis with the exception that open access supply agreements are not required.

The following diagram provides five category examples and shows the associated entity taking the lead role in conducting key activities throughout the procurement lifecycle (see **Figure 4** below).

FIGURE 4 – PROCUREMENT LIFECYCLE MANAGEMENT ROLES



KEY DIFFERENCES BETWEEN THE PROPOSED MODEL AND THE CURRENT STATE

The proposed hybrid procurement model exhibits a number of specific differences compared to the current approach to secure increased agency support for collaboration, better engagement with industry, greater levels of performance and strengthened sector capability:

- **Agency led, centrally enabled** as opposed to the existing approach which is more akin to a centre-led / centralised model.
- **Unified and transparent governance structure** with overarching accountability and oversight for both project-related and operational procurement activities.
- **Customer-focused approach** to the delivery of government and agency outcomes that utilises flexible and fit-for-purpose collaboration solutions to accommodate differentiated departmental requirements and desired improvement pathways.
- **Stricter interpretation of the scope of procurement** that focuses on the acquisition of goods and services including construction in accordance with the QPP and does not include grants or commissioning to reflect stakeholder feedback and cross-jurisdictional practice.
- **Adoption of a broader definition of collaborative procurement benefits** away from a core focus on cost saving targets to reflect a more balanced set of economic, environmental and social objectives.
- **Higher prioritisation given to sector capability and maturity improvements** in terms of professional staff development and accreditation standards.
- **Category management structure** reflecting departmental priorities.



AN EXAMPLE OF HOW ECONOMIC, ENVIRONMENTAL AND SOCIAL OUTCOMES WILL BE FACILITATED IN THE NEW MODEL

The new model provides opportunities to embed practices which better support the achievement of economic, environmental and social outcomes.

As an example, under the proposed model, policy making departments like DATSIP will remain accountable for policy and practice development in areas such as economic participation, while the Office of the Chief Advisor - Procurement will continue to provide advice on how this should best be implemented where there is a procurement impact.

DATSIP will provide input to whole-of-government performance KPIs and the accreditation model with respect to Aboriginal and Torres Strait Islander economic participation. Category plan templates will include consideration of economic participation and will incorporate any relevant KPIs. Improved policy, guidance and capability development activities regarding value for money will help to improve decision making with respect to utilisation of Aboriginal and Torres Strait Islander businesses and workforces.

8. A NEW APPROACH

Chapter summary:

The six point plan is a culmination of the IDC's review activities discussed in chapters 3-7, and provides the practical detail on how the Government can take the new procurement model forward.

The IDC is proposing a six point plan which focuses on continuous improvement in preference to 'big bang' reform.

The IDC proposes that in an agency led, centrally enabled model, departments remain accountable for their own procurement delivery supported through policy and standards under a whole-of-government governance framework including performance reporting.

The new model seeks to enhance access to innovation through better engagement with industry. It recognises that capability is a fundamental building block to support the transition to a new model, including improvements in engagement, harnessing innovation and addressing value for money, probity and local content.

This chapter concludes with recommendations based around the six point plan.

To achieve a new model that delivers innovation and benefits, the IDC is recommending a six point plan.

The aim of the plan is to deliver a procurement function that will support Queensland Government priorities of delivering economic growth and jobs for Queenslanders by providing certainty to stakeholders about future procurement activities, ensuring appropriate transparency about the programming of procurement activity, and by better co-ordinating industry input and independent expertise about procurement practice. The six point plan is detailed in **Figure 5** over page.

FIGURE 5 – SIX POINT PLAN



ABOUT THE SIX POINT PLAN

1) AGENCY LED

The IDC proposes that in an agency led, centrally enabled model, departments remain accountable for their own procurement delivery supported through policy and standards under a whole-of-government governance framework with functional performance management and comparative reporting.

This enables departments to innovate with industry and find new and fit-for-purpose procurement options.

The recommended model is not a one size fits all approach. It allows flexibility and departments that specialise in particular areas of goods and services will continue with their outcomes. It also caters for the differing requirements and maturity of departments. The model provides for small departments to continue to utilise the procurement services of other departments (e.g. the Business and Corporate Services Partnership arrangement hosted by the Department of Environment and Heritage Protection).

Departments will be responsible for category procurement e.g. information and communication technology – Department of Science, Information Technology and Innovation; medical – Queensland Health; transport infrastructure services – Department of Transport and Main Roads; social services – Department of Communities, Child Safety and Disability Services; building, construction and maintenance and general goods and services – Department of Housing and Public Works.

2) SUPPORTED BY A WHOLE-OF-GOVERNMENT PROCUREMENT BODY

This whole-of-government function will be led by a Chief Advisor – Queensland Government Procurement and be known as the Office of the Chief Advisor – Procurement. Its main function will be to:

- share best practice and innovation
- provide policy support and advice in areas where collaboration across government is required
- be responsible for the QPP, related strategies and frameworks to ensure that procurement is delivered efficiently
- coordinate and publish the Queensland Government forward procurement pipeline
- simplify procurement and tendering processes to help improve access for small and medium enterprises
- develop whole-of-government frameworks in areas including capability, accreditation and performance
- be hosted by DHPW with agreed structure, roles and responsibilities, and reporting relationships. This is to be fully implemented by 30 June 2016
- be led by a Chief Advisor – Queensland Government Procurement who will be accountable for delivering support to departments and for monitoring procurement performance. The title of this position reflects the advisory, enabling and support role of the new whole-of-government procurement function, and differentiate it from the role of departmental chief procurement officers. This role should be in place by 31 March 2016.

The Office of the Chief Advisor – Procurement will replace PTD which will be decommissioned when the new function is operational no later than 30 June 2016.

3) STRENGTHENING GOVERNANCE

The governance arrangements that oversight, drive and give effect to both the program of works relating to procurement and also the activities of the new procurement model will be particularly important in ensuring that desired outcomes are achieved.

The IDC proposes a governance model which is intended to be implemented across two defined levels, comprising the CLB which will focus on strategic issues and performance, and category councils to be led by departments.

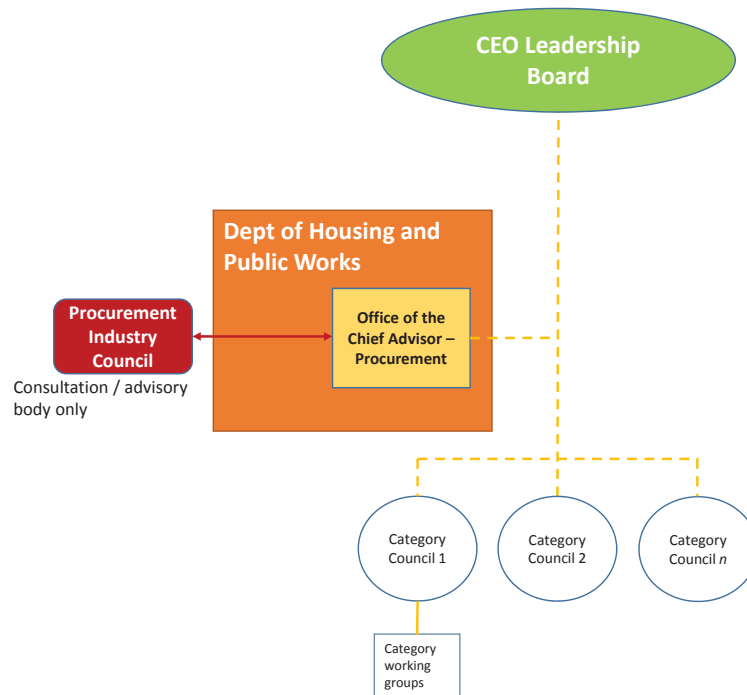
Fundamental to the new governance arrangements will be an implementation approach that establishes the Queensland Government's procurement function – particularly the new whole-of-government organisation – in a manner that:

- demonstrates value to departments
- is respected for its expertise and the support that it provides, and
- senior stakeholders are invested in driving sustained improvement in procurement outcomes.

One of the key elements of effective governance is clarity, demonstrated by alignment of responsibility and accountability.

The governance model set out below is intended to be practically implemented across two defined levels, offering governance over the strategic, operational and tactical elements of the Queensland Government's procurement activities (see **Figure 6** over page).

FIGURE 6 – FUTURE QUEENSLAND GOVERNMENT PROCUREMENT MODEL



Refer to **Appendix 3** for an outline of the proposed roles and responsibilities of the main governance bodies.

4) IMPROVING INDUSTRY ENGAGEMENT

The IDC noted that industry has given consistent feedback regarding the need for closer working relationships with government. In developing an industry engagement strategy, things to be considered would include:

- Establishment of a Procurement Industry Council which would meet six monthly to discuss issues of strategic importance between government and industry. As opposed to individual suppliers this would include industry peak bodies and non-government organisations. This council would be led by the Chief Advisor – Queensland Government Procurement who is responsible for whole-of-government procurement.
- Continued focus by departments in meeting with industry in relation to their own procurement activities.
- A focus on publishing a forward procurement pipeline at the department and whole-of-government level.

5) INCREASING PROCUREMENT CAPABILITY

The IDC found that a capability development strategy for procurement within Queensland Government should be developed and implemented.

A specific focus is required on the development of procurement capability across government to support the delivery of quality procurement outcomes. This will require the development and implementation of a capability management strategy and framework that embeds a culture of leadership, customer service, professional development and procurement practice accreditation across government.

This framework will need to be supported by accreditation schemes (looking at global best practice), tools, templates and training programs and underpinned by a baseline analysis of capability against defined better practice standards. Accreditation for procurement professionals could be supported through training that links to industry standards (e.g. such as those offered by the Chartered Institute of Purchasing and Supply or equivalent). For departments, there are accreditation schemes already established in other jurisdictions that could be leveraged and adapted to Queensland Government.

This will help to professionalise the procurement discipline and create consistent approaches to procurement, career paths for procurement specialists and a mobile workforce that can be moved to areas of greatest need.

6) INVESTING IN DATA AND KEY ENABLERS

The IDC found that there needs to be better understanding of the knowledge and information needs of procurement, and how this should be addressed through enablers including data, systems, reporting and knowledge management.

As a starting point, a high level view of the knowledge and information needs of procurement should be developed and agreed between departments and central agencies. Once this is achieved, a more targeted approach can be taken to developing specifications for data and system enhancements.

RECOMMENDATIONS

- 1. The IDC recommends that departments remain accountable for their own procurement delivery supported through policy and standards under a whole-of-government governance framework with functional performance management and comparative reporting.**
- 2. The IDC recommends the establishment of a new whole-of-government procurement function to provide support to departments to deliver procurement outcomes.**
- 3. The IDC recommends a two tiered governance model, consisting of the CEO Leadership Board and category councils, be implemented to oversee procurement activities across Queensland Government.**
- 4. The IDC recommends that an industry engagement strategy be developed and implemented in response to industry's feedback regarding the need for closer working relationships with government.**
- 5. The IDC recommends a capability development strategy for procurement within Queensland Government be developed and implemented.**
- 6. The IDC recommends that there be better understanding of the knowledge and information needs of procurement, and how this should be addressed through enablers including data, systems, reporting and knowledge management.**



PART B – FOCUS ON VALUE FOR MONEY, PROBITY AND LOCAL CONTENT



9. FOCUS ON VALUE FOR MONEY, PROBITY AND LOCAL CONTENT

Chapter summary:

As part of its election commitments, the current government decided to undertake a broad ranging review of its procurement practices to ensure that probity and value for money remain at the forefront of the State's procurement policy, and consider local content provisions as part of a new procurement policy.

*With respect to **value for money**, its position as primary policy principle has been reaffirmed. There is an opportunity to review the policy definition and practice to respond to consultation feedback that value for money is too narrowly focused, and not supported by the right levels of capability in its application. More attention needs to be given to ensuring the government's policy priorities in economic, environmental and social areas can be effectively enabled where appropriate through procurement.*

*For **probity**, the IDC found that there is a need to bring it more to the forefront of the QPP, and feedback from industry in particular found a need to boost public service capability in striking a balance in the application of probity. Departments need to be accountable for understanding their maturity and capability with respect to probity and taking an approach which recognises this capability.*

*The IDC recognised that more can be done to focus departments on **local content** through better co-ordination of procurement spend in the regions, implementing regionally based supply arrangements, and better understanding and visibility of local supplier capability. This will respond to calls from stakeholders for government to take a more planned view to programming procurement particularly in building capability and competitiveness in regional supply chains.*

OVERVIEW

As part of its election commitments, the current government decided to undertake a broad ranging review of its procurement practices to ensure that probity and value for money remain at the forefront of the State's procurement policy, and consider local content provisions as part of a new procurement policy.

The three characteristics identified in the election commitment - value for money, probity and local content - have been long standing features of the Queensland Government's procurement policies:

- **Value for money** is the primary principle of the QPP, with mechanisms embedded within the QPP to enhance value for money (e.g. taking a planned approach to procurement; choosing the most appropriate procurement method).
- **Probity** is embedded in Principle 6 of the QPP, regarding integrity and accountability for outcomes. The QPP also provides for related mechanisms like disclosure of contract award results and defensibility of decision-making.
- **Local content** is regulated by the *Queensland Industry Participation Policy Act 2011*, and the Queensland Charter for Local Content ('Charter') administered by the Department of State Development (DSD). Supporting provisions exist in the QPP, mainly in Principle 4, including publication of open tender opportunities, the requirement for notices of potential future procurements, devolution of procurement decision-making, and ensuring local suppliers have a full, fair and reasonable opportunity to supply the government. PTD has commenced a project to consider how best to incorporate economic, environmental and social policy priorities of government at a category management level. Local content is one of the priorities to be addressed.

QPP principles

Primary principle:

1. We drive value for money in our procurement.

Supporting principles:

2. We act as 'one-government', working together across agency boundaries to achieve savings and benefits.
3. We are leaders in procurement practice – we understand our needs, the market, our suppliers and have the capability to deliver better outcomes.
4. We use our procurement to advance the government's economic, environmental and social objectives and support the long-term wellbeing of our community.
5. We have the confidence of stakeholders and the community in the government's management of procurement.
6. We undertake our procurement with integrity, ensuring accountability for outcomes.

The IDC considered the current position of each characteristic versus the desired end state expressed through the election commitment, sought to identify any gaps, and considered options to address the gaps.

STARTING POINT – A HIGH LEVEL ASSESSMENT

Results of a high level assessment of the three characteristics specified in the election commitment are contained in **Table 4**:

TABLE 4 – HIGH LEVEL ASSESSMENT

Criteria	Value for money assessment	Probity assessment	Local content assessment
QPP cites value for money, probity and local content as headline policy principles	Satisfactory	Requires improvement	Satisfactory (has both legislation, and a standalone policy document (the Charter) in place (through DSD)
Guidance, tools and templates in place	Requires improvement	Requires improvement	Satisfactory (charter is supported by guidelines) (through DSD)
Government has visibility of outcomes	Requires improvement	Requires improvement	Requires improvement
Stakeholders are satisfied with the current approach	Requires improvement	Requires improvement	Requires improvement

The following sections specify how the election commitments will be addressed.

VALUE FOR MONEY

Achieving value for money is a fundamental consideration of any procurement process. Research shows that achieving value for money is a common aim of the Australian Government, states and territories' procurement frameworks.

A simple way of thinking about value for money is that it is securing the best return and performance for money spent. It is also about ensuring that policies, processes and practices promote efficient and effective procurement.

CURRENT SITUATION

In setting out the functions of accountable officers, section 61 of the *Financial Accountability Act 2009* provides that these officers are to "... achieve reasonable value for money by ensuring the operations of the department ... are carried out efficiently, effectively and economically".

Consistent with this legislative obligation, value for money has held primacy of position in successive versions of Queensland Government procurement policy.

When assessing value for money under the existing QPP, agencies are required to consider:

- The overall objective of the procurement, and outcome being sought.
- Cost-related factors including up-front price, whole-of-life costs and transaction costs associated with acquisition, use, holding, maintenance and disposal.
- Non-cost factors such as fitness-for-purpose, quality, delivery, service, support and sustainability impacts.

Guidance exists to support the policy provisions – although this is now dated.



The IDC noted that in general terms, there are two means by which value for money can be optimised:

- through decision-making processes (e.g. understanding what value for money is, how to incorporate it into procurement strategy development, evaluation processes etc)
- through process improvements (e.g. streamline tender processes, reduce duplication of tender processes).

In driving ‘return’ for dollars spent, government may wish to deliver benefits, for example, engaging social ventures to help disadvantaged groups in the community, improving Aboriginal and Torres Strait Islander economic participation or buying products which are less harmful to the environment. These options may cost more, and procurement officers often face challenges in evaluating the trade-off between traditional value for money components (like price and whole-of-life costs) and the policy requirements to consider economic, environmental and social policy outcomes through procurement.

The increasingly complex environment including the need for trade-offs to be made with economic, environmental and social policy priorities, means that there is a need to test whether the definition for value for money remains appropriate. There is also a need for guidance to be reviewed and relaunched, and to take particular account of how to incorporate the government’s policy priorities into value for money decision-making.

WHAT STAKEHOLDERS TOLD THE IDC

The common thread across stakeholder responses was that value for money should not be narrowly focused on price. The construction sector in particular felt that whole-of-life considerations needed to be the focus, not price. One industry body noted that turnover of long-term staff within one department had meant that there was an increasing focus on price. This view was supported by comments from a department which proposed that there is still a view in departments and industry that value for money equals lowest price. More broadly, the peak union body proposed that value for money is construed too narrowly and needs to consider the option which produces the greatest public good overall.

Another department proposed that the QPP needs to reflect and interpret ‘best value’ across all policy principles, not just as a standalone. An industry body and a departmental business unit proposed that it is difficult to determine if value for money is being achieved.

FINDINGS

The IDC noted that there is considerable discretion for agencies to emphasise certain value for money components over others – to recognise the varying levels of size, complexity, risk and opportunity presented by each procurement. Capability to optimise this flexibility is not consistent across the sector.

Further, tools to help agencies make value for money decisions require updating and supplementation. This is particularly needed to help agencies meet challenges as the environment becomes more complex, including when and how to implement competing government policies which seek to regulate procurement.

In examining the issue of value for money, the IDC found that:

- Value for money is the primary principle of the QPP and in this respect is already at the forefront of the policy. However, current practice is not reinforcing this. Capability also needs to be improved to help procurement officers navigate today’s more complex value for money environment.
- More needs to be done to promote and explain value for money and build the confidence and capability of procurement staff to make value for money decisions.
- There is a need for a better connection between policy making functions in government and procurement, to improve process and outcomes around priorities seeking to leverage procurement, and to understand how this impacts value for money assessments.

- Process improvements (such as more efficient tendering processes) drive value for money outcomes as well as help make it easier for suppliers to do business with government.

The IDC proposes that value for money is a key priority in the government’s procurement policy, but that it is a broader concept than price paid. That is, it needs to take into account the economic, environmental or social benefits that may be achieved. Process costs also need to be reduced. Actions to consider include that:

- the value for money definition be updated to more clearly reflect that it includes consideration of government’s economic, environmental and social policy priorities
- capability building initiatives conducted by the Office of the Chief Advisor – Procurement have a stronger focus on incorporating value for money considerations into procurement strategy development, evaluation and decision-making processes
- the Office of the Chief Advisor – Procurement review and develop, as appropriate, guidance and tools to assist agencies in addressing economic, environmental and social considerations in category planning activities
- the Office of the Chief Advisor – Procurement and departments continue to reduce process costs in procurement, through for example, streamlining and simplifying tender documentation and processes.

PROBITY

Probity is the evidence of ethical behaviour in a particular process. Probity supports integrity by minimising conflicts and avoiding improper practices.

Ensuring probity of process is fundamental to any procurement process. Research shows that probity is a common aim of Australian Government, states and territories’ procurement frameworks, although specific practices are not mandated.

Demonstrating probity of process maintains the confidence of Executive Government, suppliers and the community about the way in which money has been spent and resources used.

CURRENT SITUATION

Probity is one component of Principle 6 of the QPP ‘We undertake our procurement with integrity, ensuring accountability for outcomes’. The term ‘probity’ has decreased in prominence in the current QPP, although the overriding consideration – ensuring defensibility of decisions and the ability to withstand public scrutiny – remains.

Extensive guidance is maintained both within Queensland Government and in other jurisdictions about managing probity. Additional guidance was developed as part of the PTP but has not been finalised and released.

Current issues with respect to probity include striking the right balance between an excessive focus on probity – which frustrates suppliers and can stifle innovation and engagement; and insufficient attention to probity, which can result in legal challenges, damage to stakeholder relationships, a reduction in public trust and unwanted attention from integrity bodies and the media.

WHAT STAKEHOLDERS TOLD THE IDC

Industry responses emphasised aspects including trust, openness, confidence and transparency. This is preferred to legal controls or ‘big stick’ approaches. Ensuring adherence to ethical tendering practices and Australian Standards was also mentioned.



An industry body reinforced the need for fairness and appropriate information sharing to improve procurement outcomes. It also raised concerns about government acting in a risk averse way which does not assist in achieving best outcomes.

Departments have taken a varying approach to ensuring probity, including for example:

- appointing probity delegates
- appointing external probity advisors for high risk and/or high value procurements
- using internal procurement staff to brief evaluation panels.

A department has also developed and issued online training tools for use in its business partnership agencies.

The Agency Reference Group raised concerns about value for money overriding probity considerations, and proposed that all QPP principles should be equal to avoid this.

FINDINGS

Like value for money, it is important to ensure that any changes to the QPP regarding probity are embedded in practice.

The IDC found that:

- There is an opportunity to better emphasise probity within the QPP to ensure it is at the forefront of the policy.
- Queensland probity guidance is dated and requires review.
- Probity should be integrated into assurance frameworks, not standalone. It should be part of procurement culture.
- Varying capability across the sector means that probity is managed to different standards across government.
- Use of probity advisors or auditors should be on a case by case basis, taking into account the circumstances of the procurement including risk and complexity. The IDC also noted that this should be a local assessment, and that dollar thresholds should not be mandated.
- There are a range of options with respect to policy and practice amendments for probity – ranging from mandating requirements through to letting departments self-assess and manage.

The IDC proposes that any approach taken needs to foster openness, accountability and integrity in procurement decisions – raising the profile of probity as a core element of the QPP by embedding a culture that recognises the value of probity beyond compliance. Departments will be accountable for implementing probity processes (such as probity plans and self-assessment tools) based on the level of procurement maturity in the department. Actions to be considered consistent with this approach include that:

- Principle 6 of the QPP be amended to more explicitly reference 'probity'. This needs to include reference to integrating probity into the procurement culture
- self-assessment tools be developed and issued to departments, to identify areas for improvement with respect to probity
- practice guidance and capability activities are brought up to date. Factors including risk and complexity should be main considerations in determining probity approaches.

LOCAL CONTENT

The Minister for State Development and Minister for Natural Resources and Mines has responsibility for legislation and policy relating to local industry, and DSD administers the Queensland Industry Participation Policy Act and the Charter.

The State's local industry policy (currently the Charter) was introduced as a result of Queensland's participation in the Australia and New Zealand Government Procurement Agreement (ANZGPA) which has the objective to create and maintain a single ANZ government procurement market to maximise opportunities for competitive ANZ suppliers and reduce costs of doing business for both government and industry.

Provisions within the QPP complement the outcomes of the Charter. Both the QPP and the Charter act together to encourage diversity, competition and sustainability in the local market.

CURRENT SITUATION

The bulk of Queensland Government procurement contracts are already awarded to Queensland firms. High level analysis of general ledger data obtained from departments indicates that approximately 70% of Queensland Government spend is with Queensland suppliers.¹⁰

In relation to major government procurement, 28 projects which met the threshold requirements of the Charter, reported progressive spend on local content in 2014-15. These projects include four 2018 Gold Coast Commonwealth Games™ projects. The 28 projects had a progressive spend of over \$1.66 billion for this period. Of this, Queensland-based firms won over \$1.35 billion (81%) of the value of the contracts awarded.

The Charter applies to procurement (excluding ICT), grants and infrastructure projects over certain thresholds.¹¹ It does not include mandatory requirements. Rather it provides a framework for encouraging government agencies to apply best practice to ensure full, fair and reasonable opportunity is provided to local suppliers, while ensuring compliance with international agreements including the ANZGPA.

Under the Charter, an agency may choose to request prospective tenderers to submit a Statement of Intent from prospective tenderers which sets out what the tenderer will do to maximise local content. This is then enforced through the contract with the successful tenderer and local content outcomes are reported to DSD as part of the contracted reporting requirements. DSD does not undertake a monitoring or enforcement role regarding compliance with the Charter.

IMPACT OF INTERNATIONAL AGREEMENTS

In support of international trade outcomes, Queensland has agreed to observe certain process requirements and a climate of non-discrimination with jurisdictions including New Zealand, the United States, Chile, Japan and Korea.

Participation in these agreements helps Queensland suppliers to compete in other state, territory and overseas jurisdictions, without discrimination. Participation also limits the Government's options for favouring suppliers because they are Queensland owned or offer Queensland goods and services.

¹⁰ This figure is indicative only and was not verified as part of this review.

¹¹ For detail refer to www.statedevelopment.qld.gov.au/resources/charter-for-local-content.html

WHAT STAKEHOLDERS TOLD THE IDC

Industry and the peak union bodies support and encourage the use of local content in government procurement to develop and build capability of local suppliers.

One industry body noted that an increasing amount of work is being awarded to companies outside particular regions, impacting capability and capacity within those regions. It is proposed that government work with local industry to build capacity so they are able to tender for and win work in their own right.

Another industry body advised that its members observe that not all local content rules are followed. Departments are generally supportive of the Charter and use of local businesses. Some suggestions made in submissions about how to engage more with regions include:

- departments should work together in rural and remote locations to optimise procurement outcomes
- embedding a third party provider, or public servants from local offices, to provide local knowledge in regards to the service needs of the area or advice regarding imminent service failures
- looking for opportunities to create economies of scale for the procurement of simple goods using local enterprises in regional areas to drive local supply chains and the opportunity for social enterprise development
- allowing departments to buy outside of standing offer arrangements where they are supporting local industry in small communities.

DSD are currently reviewing the Charter and noted that:

To further support local industry development, consideration should be given to strengthening procurement planning to allow for early engagement with potential suppliers, consideration of innovative products and solutions and, at the completion of the procurement process, feedback mechanisms should be strengthened to provide businesses with the opportunity to improve their capabilities.

FINDINGS

The IDC found that:

- Successive governments have implemented both legislation and policy aimed at maximising opportunities for local suppliers to participate in government procurement opportunities. This framework is supported by extensive practical support and guidance.
- There is limited visibility of upcoming government procurement opportunities. This reduces opportunities for suppliers to plan ahead.
- There is an opportunity to further embed local content considerations into category planning activities.
- Many departments undertake procurement in regions, however there is little co-ordination of these activities. Further, regional offices often have the best understanding of local needs and markets. There are therefore opportunities to improve understanding of regional markets, diversity of the supply base including Aboriginal and Torres Strait Islander businesses, and collaboration to help build regional supply chains.
- While international agreements constrain the Government's ability to explicitly advantage Queensland suppliers, they protect Queensland suppliers' ability to compete in other jurisdictions on a fair basis. For these reasons, activities which improve the capability and competitiveness of Queensland suppliers, help build local supply chains, improve visibility of procurement opportunities and make it easier to do business with Government, are seen as more effective than policies aimed at artificially regulating local content.

It is the IDC's view that departments be required to focus on local content through understanding regional supplier capability and supply chains, greater emphasis on developing competitive markets regionally, and collaborating to produce regional procurement plans for longer term programs of works and supply arrangements. There is a need for departments to contribute information to a forward procurement pipeline that can be published to help ensure earlier identification of supply opportunities. Actions to be considered include:

- Update the QPP and guidance to:
 - require departments to work with DSD and suppliers in regional and remote areas, to understand and enhance visibility of supply chains and supplier capability in the region
 - require collaboration between departments through category councils to develop regional procurement plans for longer term programs of works and supply arrangements
 - introduce a criteria for all category plans, new standing offer, lead agency or whole-of-government arrangements, to ensure local suppliers are given a full, fair and reasonable opportunity to participate
 - require departments to provide a 12 month forecast of procurement activity each quarter so that a forward pipeline of procurement can be published quarterly by the Office of the Chief Advisor - Procurement.
- The Office of the Chief Advisor - Procurement work with DSD to provide support to departments in setting up collaboration activities, tapping into regional supply markets and piloting the first regional procurement plan by 30 June 2016.

RECOMMENDATIONS

- 7. The IDC recommends that value for money be more clearly defined to take into account economic, environmental and social factors, and that there be a continuing emphasis on reducing process costs, for example, tendering process costs.**
- 8. The IDC recommends that probity be recognised as a core element of the QPP, and that departments be accountable for implementing probity processes (such as probity plans, self-assessment tools) based on the level of procurement maturity in the department.**
- 9. The IDC recommends that departments better understand regional supplier capability and supply chains, apply greater emphasis to developing competitive markets regionally, and collaborate to produce regional procurement plans for longer term programs of works and supply arrangements. It is also recommended that departments contribute information to a forward procurement pipeline for publication, to help ensure earlier identification of supply opportunities.**



PART C – IMPLEMENTATION



10. IMPLEMENTATION ROADMAP AND ASSURANCE FRAMEWORK

Chapter summary:

The implementation approach is fundamental to the long term success of the model. It is proposed that an implementation approach be adopted based on the:

- Development of an implementation strategy that takes account of agency maturity and capacity, uses effective change management and communications; deploys scalable rollout plans that pilot changes within representative departments prior to sector-wide adoption; phases implementation of activities and is founded on agile implementation techniques.*
- Development and execution of a detailed implementation plan and strong program assurance framework.*
- Adoption of whole-of-government functional performance measures to assess progress.*
- Comprehensive identification and tight management of risks.*

The implementation program consists of two main phases to be completed by 30 June 2016:

- Detailed design of the new whole-of-government procurement model.*
- Closure of PTD and PTP and transition to an Office of the Chief Advisor - Procurement led by a Chief Advisor – Queensland Government Procurement.*

The program will be delivered by an implementation team accountable to the CEO Leadership Board through the host agency responsible for the new whole-of-government procurement function.

OVERALL IMPLEMENTATION STRATEGY AND APPROACH

The implementation strategy for the model recommended by the IDC takes a demonstrably different approach to past procurement reforms to reassure stakeholders that the mixed success of previous implementation activities will not be repeated.

In taking forward positive elements of the previous environment and introducing improvements as efficiently as possible, it is important that where appropriate, suitable work already performed under the PTP in areas such as capability and procurement performance measurement informs the scoping of new frameworks.

The approach needs to leverage lessons learned from previous activities. In particular, it needs to be formed around executive leadership, strong program governance, effective change management and communications.

The principles of the implementation strategy are outlined below:

- **Proactive and visible executive leadership from the top of government** (Executive Government, Ministers) and senior stakeholders (Directors-General, Deputy Directors-General, Chief Finance Officers, Chief Operating Officers) within departments. The importance of procurement in general to the delivery of government outcomes and the success of the new whole-of-government approach must be emphasised and regularly communicated as part of the communications approach.
- **Phased implementation of key activities** that aims to deliver realistic change at a pace aligned to departmental capacity to absorb the new ways of working. This recognises feedback which characterised the PTP as ‘too much too soon’, and left some departments struggling to effectively embed the proposed changes due to limitations in base maturity and capacity.



This approach means that the core implementation activities would be progressively sequenced and delivered through to 30 June 2016, with further stages of consolidation and leverage of the new ways of working to occur thereafter.

- **Scalable rollout plans** that initially pilot key changes within representative departments prior to sector-wide adoption. Feedback and learnings from the pilots will be used to refine the concepts and strengthen the solution where required. This will ensure that the new model works in departmental environments before broad rollout occurs, assists with the tailoring of solutions to meet departmental needs and provides evidence of proven value to the procurement community to build confidence.

As an example, pilots of the staff professional development and the accreditation scheme should be conducted with both a smaller and a large department to check applicability within differentiated levels of maturity and capacity prior to full launch.

In addition, the approach needs to be agile using a high-level framework plan with the detail by phase as to specific activities, deliverables, timing and resources being subject to regular independent assurance check points or stage gates. These stage gates are used to confirm that both the deliverables and the nature of change implemented have been in accordance with the agreed plan, check that departments are satisfied with the solutions, review the detailed plan for the next phase of work and grant approval to proceed to the next check point. This approach avoids significant amounts of program time and effort being expended on activities and deliverables that are out of step with the expectations of stakeholders as occurred with elements of the PTP.

The timing for stage gate reviews should be set at the beginning of the project dependent on the specific nature of the work being undertaken.

- **Readiness assessment** of departments to determine their level of maturity (or the baseline) in relation to the procurement maturity. This maturity assessment will then form the basis of development activities for each department, a future work plan for the Office of the Chief Advisor - Procurement with regard to its capability development activities, and the basis for procurement improvement key performance indicators to be included by the Public Service Commission in the standard Senior Executive Service and Chief Executive performance agreements.
- **Effective and resourced change management** is essential to the successful transition to the new procurement model. A clear change strategy and plan, impact assessments and targeted change interventions are required to address the needs of key stakeholder groups, departments and specific individuals. One of the primary implementation challenges to be addressed is 'change fatigue' in regard to government procurement with Queensland Purchasing, QGCPO, PTD and the PTP as well as five separate reviews into whole-of-government procurement having taken place since 2007.

Key elements of the change strategy and plan must include mechanisms to:

- Re-orientate the culture and tone of whole-of-government procurement towards a department-driven approach, whereby the Office of the Chief Advisor – Procurement enables collaboration across the sector to meet the needs of departments.
- Focus on re-affirming the value of across government procurement collaboration to stakeholders.
- Excite stakeholders with quick wins that consistently demonstrate the value associated with the new way of working.
- Build early advocates and change champions for the approach at all levels within government.
- Keep the model rollout customer focused and aligned to the needs of departments through secondments of capable procurement staff members, regular workshops to test planned solutions and key follow-up checks post-implementation to ensure that the solution is working appropriately within the departmental context.
- Work with other whole-of-government programs to manage stakeholder involvement and avoid excessive activity clashes where feasible.

IMPLEMENTATION PLAN AND A PROGRAM ASSURANCE FRAMEWORK

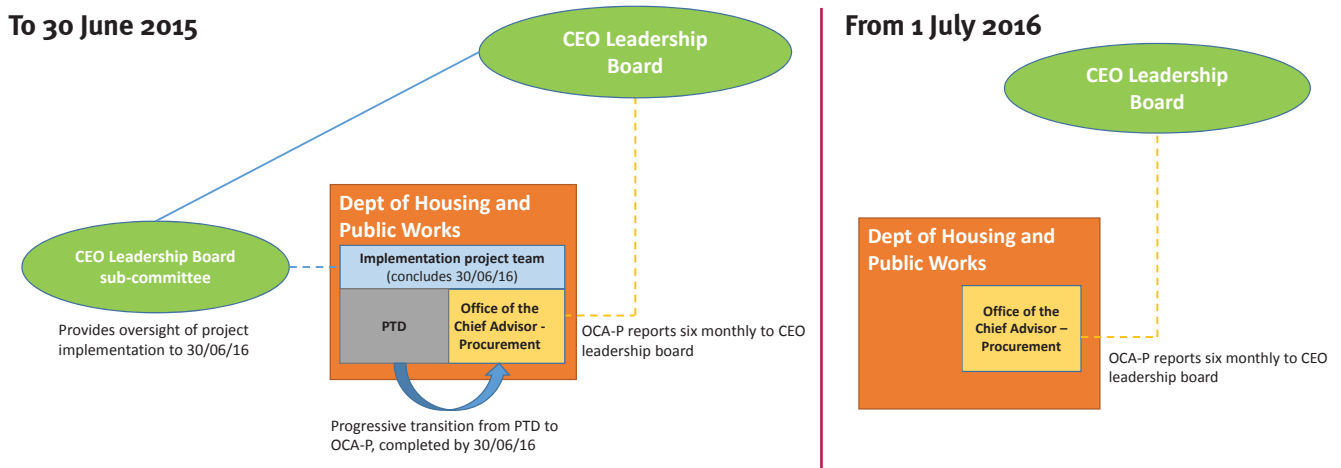
Successful adoption of the new procurement model within Queensland will require the considered development and execution of an implementation plan that embodies the overall implementation strategy. This plan will need to be supported by a program governance and assurance framework, effective change management and regular communications.

The implementation plan should consist of two main phases:

- Phase 1: detailed design of the new whole-of-government procurement model, and
- Phase 2: closure of PTD and PTP and the establishment of the new Office of the Chief Advisor – Procurement, led by a Chief Advisor – Queensland Government Procurement.

Figure 7 shows high-level governance during the transition phase.

FIGURE 7: GOVERNANCE DURING THE TRANSITION PHASE

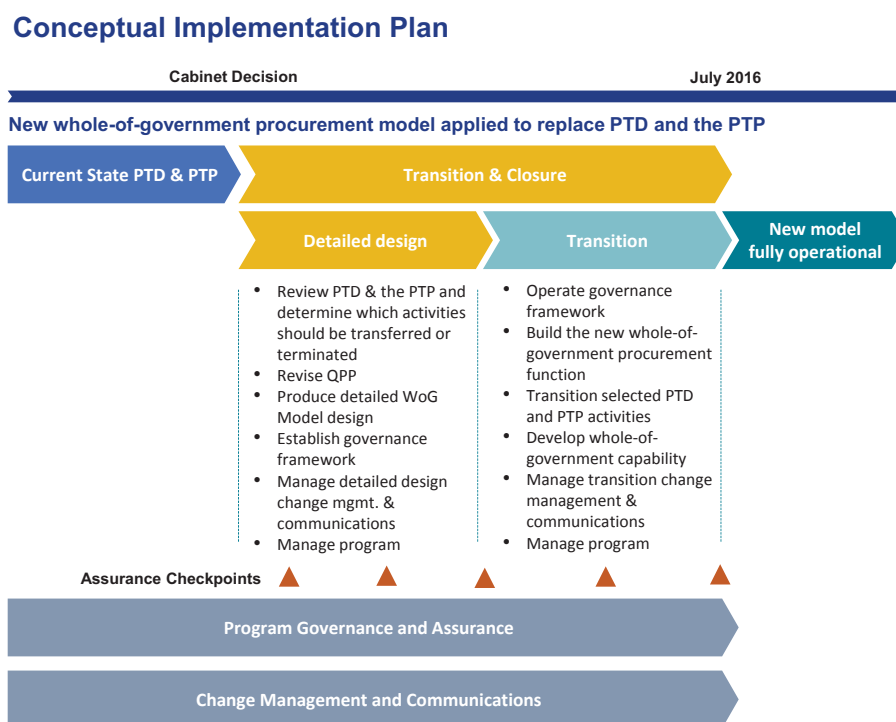


The program assurance framework should provide a level of confidence to government about the activities and progress of the implementation plan and involve:

- Sufficient time to design a ‘fit-for-purpose’ whole-of-government procurement solution tailored to department needs.
- Independent ‘gateway’ check points to confirm that program delivery to date meets department requirements.
- Incremental rollout with proof of concept pilots.
- Sufficient quantity and calibre of implementation support resources.
- Independent ‘health check’ review of departments and the new Office of the Chief Advisor - Procurement within one year after program commencement to check that the new model is working effectively.

It is envisaged that the implementation phase will be completed by 30 June 2016. An indicative timeline and key activities is set out below in **Figure 8**.

FIGURE 8: INDICATIVE TIMELINE



The implementation plan should outline main expected activities, target milestones, responsibilities and dependencies and be based around the specific opportunities, enablers and constraints for procurement in Queensland. Detailed implementation plans for each phase of work (e.g. including detailed activities, agreed milestones, dependencies, resources, roles, deliverables, risks and cost) are to be developed once approval is secured under each assurance check point.

WHOLE-OF-GOVERNMENT FUNCTIONAL PERFORMANCE MEASURES

The implementation of whole-of-government functional performance indicators will provide government with a standardised approach to measuring the success of the new procurement model. The experience of other Australian Government jurisdictions and better procurement practice suggests five main performance themes:

1. Adoption of category management and category strategies that take advantage of all value levers, from volume leverage to demand management and process optimisation.
2. Strategic sourcing processes that deliver improved social outcomes, broader economic benefits, market diversity, service and innovation.
3. Robust contract and supplier management processes, codified through contractual terms and conditions.
4. Efficient end-to-end transactional procurement processes that channel spend to preferred suppliers and are conducted according to prescribed protocols.
5. Strong risk and compliance management.

The following indicative performance measures have been derived from other national and international jurisdictions and will be developed in more detail:

- proportion of total government spend under contract
- proportion of spend managed by category councils
- proportion of procurement spend in regional Queensland
- increase in the capability of departmental procurement staff
- supplier opinion assessment based on direct feedback
- department opinion assessment based on direct feedback, and
- forward procurement plan forecast versus actual activity.

The actual performance measures will be developed prior to implementation, and will be informed by work that was extensively consulted across government as part of the PTP. The rollout of the indicators should be staged and take account of differing departmental maturity and capabilities. This would allow the initial implementation of measures that could be achieved and calculated by all agencies, with a number of 'stretch' measures to introduce in later years as sector maturity and capability increases. In time, government should take remedial action to correct the performance of departments that are not performing in accordance with the established performance indicators.

COMPREHENSIVE IDENTIFICATION AND TIGHT MANAGEMENT OF KEY RISKS

Program delivery risks must be identified up front and managed tightly to ensure that government and industry gain confidence in the revised procurement model.

The main areas to be managed from a risk perspective regarding implementation include:

- ensuring support for the new whole-of-government procurement model
- ensuring the implementation strategy and plan are well conceived and executed
- providing adequate implementation resources
- ensuring effective change management and communication.



APPENDIX 1 – ABBREVIATIONS



Glossary and abbreviations	
ARG	Agency Reference Group
CEO	Chief Executive Officer
CLB	CEO Leadership Board
CFO	Chief Finance Officer
Charter	Queensland Charter for Local Content
COO	Chief Operating Officer
DHPW	Department of Housing and Public Works
DSITI	Department of Science, Information Technology and Innovation
DTMR	Department of Transport and Main Roads
IDC	Interdepartmental Committee on Queensland Government Procurement
PTD	Procurement Transformation Division, Department of Housing and Public Works
PTP	Procurement Transformation Program
QGCPO	Queensland Government Chief Procurement Office
QPP	Queensland Procurement Policy
SME	Small and medium enterprise
SPP	State Purchasing Policy



APPENDIX 2 – IDC TERMS OF REFERENCE



PROCUREMENT IN THE QUEENSLAND GOVERNMENT

INTERDEPARTMENTAL COMMITTEE

BACKGROUND

An Interdepartmental Committee (IDC) has been established in response to an election commitment regarding “...a broad ranging review of Government procurement practices to ensure that probity and value for money remain at the forefront of the State’s procurement policy and consider local content provisions as part of a new procurement policy for Government”.

This review will also include a review of the functions of the Procurement Transformation Division within the Department of Housing and Public Works.

The Minister for Housing and Public Works and Minister for Science and Innovation will consult with the Treasurer, Minister for Employment and Industrial Relations and Minister for Aboriginal and Torres Strait Islander Partnerships to determine a suitable external reviewer to assist with the process.

The review is expected to be finalised by 31 July 2015, with findings, recommendations and implementation options anticipated to be brought back for the consideration of Executive Government by 30 September 2015.

The review will acknowledge the context for procurement, that is, its role and function with respect to Government’s economic, environmental and social priorities (for example, employment) and the framework within which it is established. This framework includes accountabilities and obligations prescribed in legislation and policy which impact the approach to procurement from a whole-of-Government perspective.

PURPOSE OF THE INTERDEPARTMENTAL COMMITTEE

The purpose of the IDC is to oversee the review of Government procurement set out in section 1 above, and produce a report for the consideration of Executive Government by 30 September 2015.

SCOPE OF THE REVIEW

The scope of the review to be overseen by the IDC includes:

- a) consultation with agencies and key industry peak body stakeholders as to what the big issues are in Government procurement and what is being done well. This consultation would include how to better engage with key stakeholders
- b) conducting a cross-jurisdictional analysis of leading public and private sector procurement best practice, and identifying opportunities for Queensland Government to achieve accepted best practice (e.g. is category management best practice). This includes, where available, sector specific (e.g. education, health, infrastructure) best practice.
- c) reviewing the findings of external and internal to Government reviews of procurement, including the Procurement Transformation Program and Division, since 2007
- d) recommending the procurement role to be played by government agencies, and the role to be played by a whole-of-Government function (i.e. currently the Procurement Transformation Division in the Department of Housing and Public Works)
- e) recommending an implementation roadmap for the outcomes of the IDC’s review, including options, timelines and estimated cost

- 
- f) the assurance framework by which Queensland Government will have confidence that the recommendations will be delivered as per the IDC review
 - g) recommending whether there is a continued role for the IDC post-delivery of its report to Executive Government.

MEMBERSHIP

Subject to confirmation at the first meeting, membership of the IDC will include the:

- Director-General, Department of Housing and Public Works (Chair)
- Director-General, Department of Communities, Child Safety and Disability Services
- Director-General, Public Safety Business Agency
- Director-General, Department of Science, Information Technology and Innovation
- Deputy Under-Treasurer, Queensland Treasury
- Deputy Director-General, Department of Education and Training
- Chief Executive, Health Support Queensland, Department of Health
- Chief Operating Officer, Department of Premier and Cabinet
- Chief Finance Officer, Department of Transport and Main Roads

Membership may be changed at any time by resolution of the IDC.

RESPONSIBILITIES OF IDC MEMBERS

Members of the IDC have responsibility for:

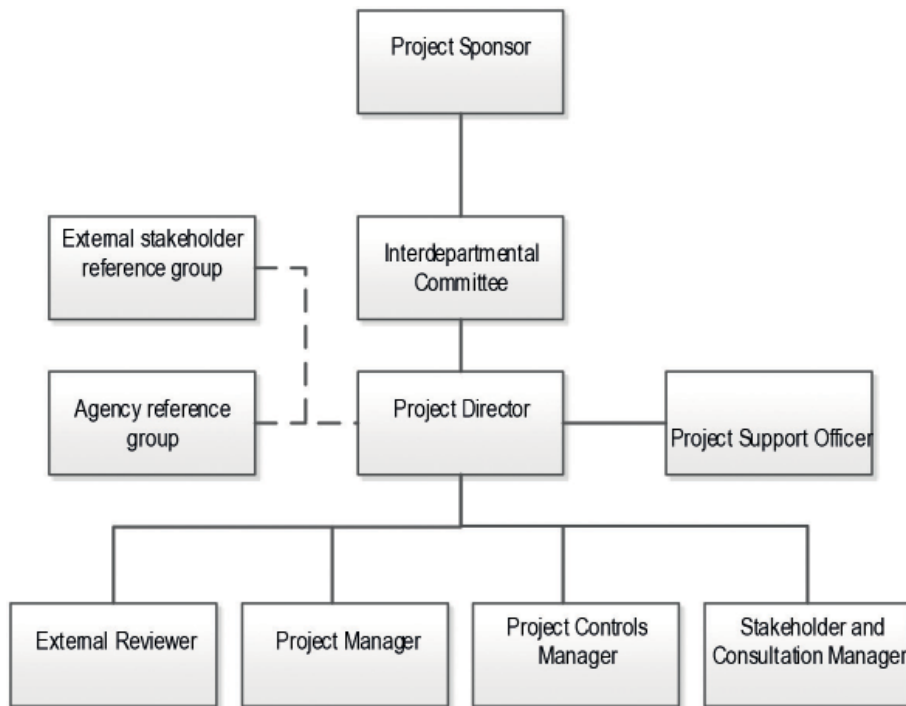
- overseeing the review, including the work of the external reviewer
- bringing a collaborative, whole-of-government view to deliberations
- identifying practical solutions and recommendations
- helping remove any blockages to the timely conduct of the review, and ensuring delivery of the review report on time.

GOVERNANCE STRUCTURE

The Director-General, Department of Housing and Public Works, is accountable for delivery of the project and acts as Chair of the IDC and project sponsor.

The Project Director has oversight of the project team including the external reviewer and is responsible for ensuring the achievement of project milestones as per the project plan, and for providing a secretariat function for the IDC. The Project Director reports to the Project Sponsor.

The Project Team is responsible for the day to day delivery of project milestones as per the project plan, and reports to the Project Director.



CONSULTATION AND IDC REFERENCE GROUPS

Inclusion of the reference groups will enable appropriate consideration of:

- a broad suite of views for the future direction of procurement across Government, and
- the diverse needs of individual agencies and industry and their respective capabilities and capacity.

EXTERNAL STAKEHOLDERS REFERENCE GROUP

External organisations that will be invited to participate in consultation activities will be tabled at the first meeting of the IDC for discussion, and will include (but not be limited to) representatives of the following peak body organisations and sectors:

- the Australasian Procurement and Construction Council
- industry peak bodies:
 - The Australian Industry Group
 - Australian Computer Society Queensland
 - Australian Information Industry Association
 - Cairns Chamber of Commerce
 - Chamber of Commerce and Industry Queensland
 - Civil Contractors Federation
 - Consult Australia

- Engineers Australia
- Information Technology Contract and Recruitment Association Ltd
- Infrastructure Association of Queensland
- Institute of Architects
- Institute of Management Consultants
- PwC Indigenous Consulting
- Queensland Council of Social Services
- Queensland Major Contractors Association
- Queensland Master Builders Association
- South East Queensland Aboriginal and Torres Strait Islander Chamber of Commerce
- union peak bodies:
 - Queensland Council of Unions
 - Australian Workers Union

AGENCY REFERENCE GROUP

- Department of Housing and Public Works
- Department of the Premier and Cabinet
- Queensland Treasury
- Department of Aboriginal and Torres Strait Islander Partnerships
- Department of Communities, Child Safety and Disability Services
- Department of Education and Training
- Department of Environment and Heritage Protection (on behalf of Business and Corporate Partnerships departments)
- Department of Health
- Department of Justice and Attorney-General
- Department of Science, Information Technology and Innovation
- Department of State Development
- Public Safety Business Agency

INFORMATION REQUIREMENTS AND INCLUSIONS

In conducting the review and forming its recommendations, the IDC will have regard to the recommendations of reviews of Queensland Government procurement undertaken since 2007, including reviews of the Procurement Transformation Program and Division. These reviews include:

- Review of Purchasing and Logistics in the Queensland Government, Service Delivery and Performance Commission, 2007
- Reviews of the State Procurement Policy and Queensland Procurement Policy (2007, 2010, 2013)
- Report relating to establishment of the PTD and savings targets, 2012
- Investigation and Advice on the Strategic Sourcing Process, BDO, 2014
- Stakeholder Sentiment Survey, Strategic Momentum Group, 2015
- Procurement Transformation Program – Diagnostic Review, Calcutta Group, 2015

PROCEDURES

SECRETARIAT

The Chair will establish a project team to support the IDC and act as secretariat.

QUORUM

A quorum is constituted when at least 50 per cent of total membership of the IDC, including the Chair, are in attendance.

USE OF PROXIES

Proxies may attend meetings subject to the prior approval of the Chair.

MEETING FREQUENCY

The IDC will meet on the following dates:

- 24 June 2015
- 10 July 2015
- 24 July 2015

The Chair may approve additional meeting dates or changes to dates as required.

AGENDA

An agenda and supporting papers will be distributed to IDC members for each meeting at least three working days prior to each meeting.

MINUTES

The secretariat is responsible for the preparation of IDC minutes. Draft minutes:

- will be distributed within five working days after each IDC meeting
- will be endorsed by the Chair, prior to distribution
- will be submitted to the next IDC meeting for approval, by the Chair

Draft and approved minutes are confidential and will not be distributed outside of the IDC membership, unless approved by the Chair.

SUBMISSIONS

Submissions or information papers for the IDC may be made by any IDC member in consultation with the secretariat.

Submissions are provided for endorsement by the IDC and subsequent approval by the Chair. Information papers are provided for noting by the IDC.

Submissions, information papers and any attachments are to be emailed to the secretariat not less than three full working days prior to each meeting.

OUT OF SESSION ENDORSEMENT

For matters that require consideration by the IDC outside of usual meeting times, out of session endorsement may be obtained. The secretariat will organise the distribution of papers and co-ordinate feedback from IDC members. If there is not unanimous support for proposals which are distributed out of session, then the matter will be held over for discussion at the next IDC meeting.



APPENDIX 3 – GOVERNANCE BODIES



CHIEF EXECUTIVE OFFICER LEADERSHIP BOARD

It is proposed that six monthly reports will be provided to the CEO Leadership Board, providing a combined update on:

- progress against the implementation of recommendations of this review that are accepted, and
- performance of Queensland Government procurement activities, based on an agreed set of key performance indicators.

The CEO Leadership Board will also oversee the activities of a temporary (to 30 June 2016) implementation project team, through the host agency, which will be responsible for driving the implementation of the recommendations of this review.

PROCUREMENT INDUSTRY COUNCIL

To respond to industry feedback about the need for more co-ordinated input into strategic procurement-related decision-making of government, a Procurement Industry Council will be established. It will meet twice a year and be chaired by the Chief Advisor – Queensland Government Procurement and include representatives from departments and industry.

The Procurement Industry Council will have the functions of:

- advising on industry requirements with regard to forward procurement planning, for consideration as part of the publication of the Queensland Government's 12 month Forward Procurement Pipeline
- providing industry expertise and input regarding policy development, emerging trends and opportunities for improvement relating to procurement activities, and
- providing advice on sector-wide procurement matters, including industry standards, future directions, procurement strategy, and the impact of the Queensland Government's procurement management decisions on industry and the non-government sector.

It will be important to ensure that the Procurement Industry Council is not involved in operational decision-making relating to procurement activities, to avoid any perceived or real conflict of interest that may arise. Accordingly, governance over procurement execution (also referred to as procurement operations) will be the purview of category councils.

CATEGORY COUNCILS

Category councils will be established to oversee operational procurement activities and execution of procurement functions. Category councils will be constituted by the CEO responsible for specific categories.

Procurement activities conducted under the new model will be undertaken at a whole-of-government level in a syndicated approach (where a lead agency takes responsibility on behalf of a number of other departments) or by individual departments (for their own purposes).

Where a whole-of-government or syndicated approach is adopted, a category council will be formed to oversee the activities undertaken within that category. The category council will be led by the senior executive of the department responsible for procurement (either the Deputy Director-General, Corporate Services, Chief Finance Officer or Chief Procurement Officer), with the position being a direct report to the Director-General of the lead agency with responsibility for that category. This position should not be further delegated within departments to more junior officers. Category councils will not have industry/external representation.

Category councils may be established on an on-going or time-limited basis, depending on the specific



needs of the category, and can be supported by category working groups in the event that more detailed deliberations or activities relating to sub-categories need to be conducted. For example, an Infrastructure and Construction Category Council may specifically form a category working group to investigate options relating to facilities management opportunities across government.

Category councils will have the functions of:

- developing category management strategies for their respective category
- implementing procurement policies of government
- ensuring co-ordination and alignment of activities to avoid competing with other parts of government for resources
- understanding and influencing supplier /buyer behaviour in the market
- promoting competition
- investigating and dealing with complaints about the procurement activities, with escalation procedures within departments as required
- reporting performance data in accordance with agreement requirements
- implementing appropriate procurement and business intelligence systems for use by government departments
- making category-specific decisions (panels, approaches, boundaries for activities within each category by agencies)
- executing procurement activities for relevant categories
- delegating actions to category working groups if/as required to undertake activities relating to sub-categories.

