

2021/22 Contracting Plan

Corporate Plan reference	<i>Our resilient economy</i> <i>Our outstanding organisation</i>
Endorsed by Council	
Manager responsible	Manager Business & Innovation

Overview

Sunshine Coast Council (Council) adopted the Strategic Contracting Procedures to its Contracting Activities in accordance with Part 2, Schedule 6 of the *Local Government Regulation 2012*.

Contracting Activities are the processes by which Council forms contracts with suppliers for the provision of goods, services, and works, and through which it disposes of valuable non-current assets or surplus assets.

Council's Procurement Policy, Contract Manual, and this Contracting Plan, provide the framework for Contracting Activities.

This Contracting Plan states:

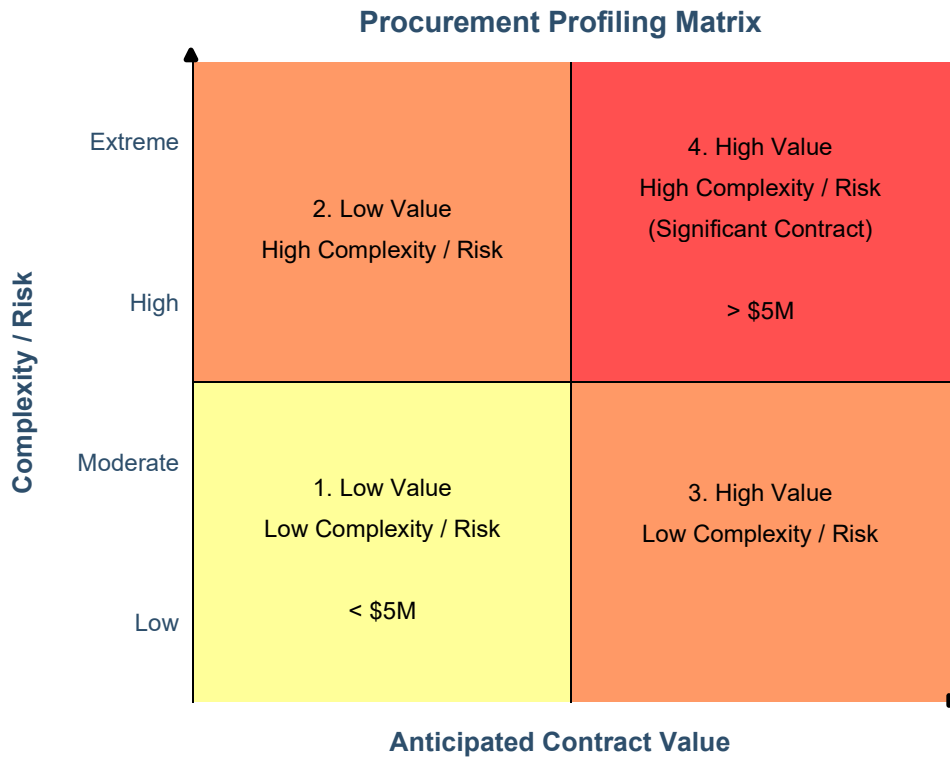
- a) the types of contracts Council proposes to make in the 2021/22 financial year;
- b) the principles and strategies for performing the contracts;
- c) a policy about proposed delegations for the contracts;
- d) a market assessment for each type of contract;
- e) the contracts that Council considers will be significant having regard to the market assessment; and
- f) a policy about the making of a Significant Contracting Plan.

Scope

This Contracting Plan applies to Contracting Activities undertaken by Council for the provision of goods, services, and works.

Types of Contracts

The procurement process used to enter into contracts differs depending on the type of contract. The type of contract is determined by considering the complexity of the contract, the associated risks, the anticipated value, and by the category in which it falls. The below Procurement Profiling Matrix can assist to determine the type of contract:



Categories and Market Assessment

The majority of Council's procurement spend can be distinguished into six categories:

- Engineering and Works
- Facilities
- Services
- Waste Services
- Fleet and Plant
- Information and Communication Technology (ICT)

An assessment of the market for each category, based on Contracting Activities during the 2020/21 financial year, is as follows:

Category	Number of Contracts	Number of Suppliers	Total Spend	Procurement Processes	Comments
Engineering and Works	3,891	520	\$149.5M	<ul style="list-style-type: none"> • Tender • RFQ • Exception 	<p>Council's Engineering and Works category of expenditure broadly covers products and services related to roads and construction and includes subcategories such as concrete, bitumen, emulsions & asphalt materials and services, technical and engineering consulting services, playground, open space and recreational infrastructure and traffic management services. Revenue for Engineering and Works has grown at low rate due to a lower number of large-scale project developments in the mining industry and a declining expenditure in private non-residential construction. However, public sector expenditure has risen and increased government outsourcing of engineering consulting services have supported industry revenue. Public sector capital expenditure is forecasted to continue growing over the next few years as federal and state governments improve Australia's infrastructure and stimulate economic growth. Competition is expected to intensify as larger firms are anticipated to undertake mergers and acquisitions. The difficulty of security supply within this category is considered medium as the majority of products and services can be procured via existing panel arrangements and registers of pre-qualified suppliers available both regionally and locally. Whilst subcategories such as personal protective equipment (PPE) including face masks and hydraulic gels were in shortage due to COVIC-19, supply has improved.</p> <p>Costs within this category tend to increase over time due to increases in labour and manufacturer costs, commodity prices (for example for concrete and bitumen) and various indexes such as the Consumer Price Index (CPI). Information on these costs is provided below:</p> <p>- Australian CPI: according to the Australian Bureau of Statistics (ABS), the Australian CPI in March 2021 (Q1) was at 117.9 (2011-12 =100.0) which was a 1.1% increase since the same period last year.</p> <p>- Manufacturing: as of April 2021, the Ai Group Australian Performance of Manufacturing Index (Australian PMI) increased by 72.3% compared to April 2020. In April 2020, due to the coronavirus pandemic, the index had plummeted to 35.8 from 53.7 in the previous month, pointing to the steepest contraction in eleven years. In April 2021, the Australian PMI was at 61.7 points which was the highest monthly result for this index since March 2018 and a seventh consecutive month of recovery from the severe disruptions of COVID-</p>

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					<p>19 in Q2 of 2020. Results above 50 points indicate expansion, with higher results indicating a faster rate of expansion.</p> <p>- Labour: suppliers in the Engineering and Works category are expected to face challenges in securing and retaining personnel as the economy recovers from the pandemic disruptions and due to the significant increase in infrastructure projects. The ABS Job Vacancies index showed a significant increase of 26.8% in February 2021 compared to February 2020 and the ABS Wave Price Index (2008-2009 = 100.0) was at 135.4 in December 2020 (Q4) which was an increase of 1.4% compared to the same period last year. As a result, this may result in increases in Council costs in this category.</p> <p>- Input costs: input costs relating to concrete, bitumen and asphalt materials which represent a significant expenditure area within this category are impacted by commodity prices such as oil and coal. Commodity prices significantly reduced during the pandemic; however, they have significantly increased since mid-2020. For example, the Australian thermal coal price increased by 29% between the period April 2020 and April 2021 and crude oil increase by 145% during the same period.</p> <p>Council will continue to seek to utilise existing panel arrangements to procure products and services within this category.</p>
Facilities	1,895	296	\$45.8	<ul style="list-style-type: none"> • Tender • RFQ • Exception 	<p>The Facilities category covers expenditure related to the construction, maintenance and operations of Council facilities excluding technical and engineering professional services. Supply within this category is expected to continue to have a relatively low difficulty of being secured by Council due to sufficient availability of capable suppliers both regionally and locally and the relatively high level of market competition. Indeed, although the Facilities industry has benefited from the private and public sectors' increasing willingness to outsource facilities services, the industry is highly competitive as other players are entering the market. The industry is also quite diverse and composed of large firms operating across the country but also of smaller providers who can provide multiples services in a limited area in some subcategories such as cleaning; the industry is indeed highly fragmented.</p> <p>Costs within the Facilities category will tend to stabilise as competition from infrastructure, construction and property management firms is anticipated to intensify over the next few years and will therefore keep the prices down. Specifically related to construction, the Australian Industry Group/Housing Industry Association Australian Performance of Construction Index (Australian PCI®) fell by 2.7 points to 59.1 points (seasonally adjusted)</p>

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					<p>in April 2021 after hitting a record high in March 2021. In comparison, the index was at 37.9 points in March 2020 which shows a 56% increase in April 2021 compared to March 2020.</p> <p>Despite strong market competition and the current COVID-19 events there has been a large and expanding pipeline of publicly funded investments in major infrastructure projects which has contributed to stretched capacity in the sector servicing the Eastern seaboard. In February 2021, Infrastructure Australia published the Infrastructure Priority List which contains a comprehensive investment roadmap for Australia. This year's Priority List features a record 44 new infrastructure proposals, the largest number of new proposed ever added to the Priority List. In Queensland, the list includes 24 initiatives and 1 project. Two of the initiatives are on the Sunshine Coast (The Beerburrum to Nambour Rail Upgrade and the Mooloolah River Interchange capacity and safety).</p> <p>In the construction subcategory, costs are currently impacted by an increase in commodity prices such as steel price. The London Metal Exchange (LME) Steel Rebar index increased by 24.2% between 30 April 2021 and 12 May 2021 mainly due to a significant increase in demand. Commodities such as copper, silver and aluminium are experiencing similar increases.</p> <p>In this category, Council has been over the past few years, and will continue to seek opportunities to consolidate its expenditure for facilities management services such as building maintenance, cleaning, security, electrical etc. by offering the market the opportunity to tender for larger scope of work when going out to market to seek competitive offers and achieve value for money outcomes. Construction projects are also competitively tendered on a consistent basis and various procurement methods are available to Council in order to achieve value for money outcomes.</p>
Services	3,218	1,279	\$49.0M	<ul style="list-style-type: none"> • Tender • RFQ • Exception 	The Australian Industry Group Australian Performance of Services Index (Australian PSI®) rose by 2.3 points to 61 points in April 2021 which is indicating a stronger pace of recovery following the COVID-19 recession of 2020. The index increased by 58% since March 2020

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					<p>which indicated a contraction in the index. Results above 50 points indicate expansion in the Australian PSI®, with higher numbers indicating a stronger expansion.</p> <p>Whilst indices for the Services sector are positive, assessing financial sustainability of services suppliers and their ability to meet supply requirements remain important matters for Council.</p> <p>There are capable suppliers in the region and the relatively high level of market competition within most subcategories of procurement under this category such as professional consulting services which remains the largest spend area within this category for Council (which excludes technical consulting services and facilities/asset related services).</p> <p>Costs within the Services category tend to increase over time due to increases in labour costs and various indexes such as the CPI index (refer to the Engineering & Works category).</p> <p>National Australia Bank's index of business confidence which rates the currently level of business conditions in Australia had plunged to a record low of -66 in March 2020 from -4 in February 2020, reflecting severe damage caused by the COVID-19 pandemic. This index has returned to a positive level since October 2020 and the index rose to 26 in April 2021. Similarly, the index of business conditions (which is covering businesses' expectations about changes in their trading performance, profitability, and number of employees) rose to a record high 32 index points in April 2021. For comparison, the index had plummeted to -21 in March 2020 from 0 in February 2020.</p> <p>Council will continue to seek to procure services competitively and leverage existing preferred supplier arrangements, register of pre-qualified supplier arrangements and panel arrangements when possible to secure various types of services and achieve value for money outcomes.</p>
Waste Services	130	22	\$27.1M	<ul style="list-style-type: none"> • Tender • RFQ • Exception 	<p>The Waste Services industry has benefited from increased household, construction and commercial waste generation over the past five years. Government regulations that encourage recycling have added another segment to the industry as landfill disposal cost increases have been impacted to the clients. Various waste-processing advancements have improved the industry's efficiency and therefore increased industry profit over the past few years. Furthermore, a ban on waste imports by the Chinese Government has increased the volumes received by the industry and has therefore positively impacted the growth.</p>

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					<p>Waste Services is considered of great importance to Council due to the impact it has on both residents and the environment.</p> <p>Pricing within this category have generally increased in the market due to new regulations and a rising volume of waste diversion to recycling and materials recovery facilities. Also, a technology change in the industry with treatment facilities automations and an increasing need for technical staff have had a negative impact on costs. However, Waste Services is a spend area that remains highly competitive with a number of capable and experienced suppliers which enables Council to procure services competitively.</p> <p>Waste collection represents the majority of Council's expenditure within this category and due to the nature of the supply market, the requirements and the significant contract values, Council secures long term arrangements with suppliers for waste collection which supports achievement of value for money for taxpayers. Recycling and Waste Disposal form part of the Waste Services category and Council will continue to work with a consolidated number of suppliers to meet its requirements in terms of waste management.</p>
Fleet and Plant	2,312	155	\$18.3M	<ul style="list-style-type: none"> • Tender • RFQ • Exception 	<p>The Fleet & Plant category covers the purchase, hire and lease of various types of fleet, maintenance of fleet and plant and the purchase of fuel, gas and lubricants. Supply within the Fleet and Plant category is expected to continue to have a low difficulty of being secured by Council due to sufficient availability of capable suppliers in the region and the highly competitive market within the fleet category such as dry and wet hire. Profit margin for fleet suppliers is decreasing as the market is fighting for more shares. Indeed, low cash rate and uncertain economic conditions have reduced the demand for vehicle fleet leasing in the past few years. The difficulty of security supply within this category is considered medium to the largely fragmented supply market for wet and dry hire of equipment.</p> <p>Costs within the Fleet category tend to increase over time due to increases in labour and manufacturer costs and various indexes such as the CPI (refer to the Engineering & works category assessment for further details). Indeed, although the industry has encountered difficulties navigating through a highly competitive environment with tighter margins, the prices have increased over the past few years.</p> <p>The fuel, gas and lubricants subcategory is heavily impacted by crude oil price which has increased by 199% between April 2020 and April 2021.</p> <p>In relation to the leasing of vehicles, IBIS World research in Australia anticipates that supplier profitability will continue to decline due to strong internal competition. However, the</p>

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					<p>diminished threat of regulatory changes to novated leases is projected to drive revenue growth.</p> <p>Council will continue to seek to procure services competitively and leverage existing preferred supplier arrangements, register of pre-qualified supplier arrangements and panel arrangements when possible, to secure various types of services and achieve value for money outcomes.</p>
ICT	406	124	\$14.3M	<ul style="list-style-type: none"> • Tender • RFQ • Exception 	<p>Technology innovation and progress from the past few years have considerably impacted the ICT market; hardware technology is being replaced by mobile and cloud computing solutions which have enabled industry players to move from simply supplying software products to offering Software-as-a-Service solutions.</p> <p>There is a growing number of niche software solution providers who compete directly with larger providers which increases the level of competition in all markets. Although the ICT category has a high level of market competition (both locally and internationally), ICT costs do remain quite high as the need for technical knowledge continues to drive costs upward and as on-going Software-as-a-Service solutions pricing is generally impacted by the CPI. Whilst the location of Council has little impact when it comes to securing hardware and software solutions, securing ICT technical services from ICT services providers with local resources remain challenging.</p> <p>Due to the COVID-19 and resulting social distancing measures, organisations spend related to ICT has rapidly increased to secure the required hardware, software and IT infrastructure to enable employees to work from home. Demand for cybersecurity related software and services has also increased.</p> <p>Council will continue to seek to procure ICT services by going out to market; leveraging existing preferred supplier arrangements; registering pre-qualified supplier arrangements and panel arrangements to secure various types of services and achieving value for money outcomes.</p>

Principles and Strategies

Council will have regard to the Sound Contracting Principles when undertaking Contracting Activities.

The Sound Contracting Principles are:

- a) value for money;
- b) open and effective competition;
- c) the development of competitive local business and industry;
- d) environmental protection; and
- e) ethical behaviour and fair dealing.

To ensure and facilitate the consideration of these principles in its Contracting Activities, Council has established a strategic contracting framework, articulated in this document and:

- 2021/22 Procurement Policy
- 2021/22 Contract Manual
- Local Preference in Procurement Guideline
- Social Benefit Procurement Guideline
- First Nations Procurement Guideline
- Innovation and Market-Led Engagement Guideline

Policy about Proposed Delegations

Council has delegated powers to the CEO relating to Contracting Activities. The CEO has in turn delegated these powers onto appropriately qualified Council Officers. These delegations are recorded in the Delegation of Authority No. 2 – Procurement and Contracting Activities and Payments maintained by the CEO.

Policy about Significant Contracts and making Significant Contracting Plans

Significant Contracts are contracts that:

- have an anticipated value of \$5 million or more; and/or
- are deemed Significant Contracts by the Procurement and Contract Performance Team following assessment under the Procurement Profiling Matrix, and Risk Assessment Calculator, which includes an assessment of the market relating to the contract.

Significant Contracting Plans will be prepared for all Significant Contracts prior to commencement, and require resolution of Council. They will state:

- the objectives of the significant contract;
- how the objectives are to be achieved;
- how achievement of the objectives will be measured;
- any alternative ways of achieving the objectives, and why the alternative ways were not adopted;
- proposed contractual arrangements for the activity; and
- a risk analysis of the market in which the contract is to happen.

A list of identified Significant Contracts for the 2021/22 financial year are as follows:

Contract	Reason for Significant Contract	Anticipated Market Release	Proposed Procurement Strategy
Design and Construct – Sunshine Coast City Hall Fitout	>\$5M	Q1	Public Tender
Microsoft Enterprise Licences	>\$5M	Q1	State Government Contract
Pavement Marking Services	>\$5M	Q2	Public Tender
Lifeguard Services	>\$5M	Q3	Public Tender
Kawana Waters Regional Aquatic Centre	>\$5M	Q4	Public Tender
Nambour Landfill Expansion	>\$5M	Q4	Public Tender

Roles and responsibilities

Council Officers with a role or responsibility under the Contracting Plan are:

Chief Executive Officer is responsible for approving the Procurement and Contracting Framework.

Group Executive is responsible for overseeing all financial management systems and services, including Contracting Activities.

Manager Business and Innovation is responsible for implementing and maintaining the Procurement and Contracting Framework, including this Contracting Plan. This includes reviewing and reporting on its effectiveness, Council's compliance with it, and recommending changes to improve its effectiveness.

All Managers are responsible for ensuring all Council Officers comply with this Contracting Plan when undertaking Contracting Activities.

All Officers are responsible for complying with this Contract Plan when undertaking Procurement and Contracting Activities. Only officers delegated the authority to conduct Contracting Activities as per Delegation No 2 – Procurement and Contracting Activities and Payments Delegation are permitted to commence or bind Council in contract resulting from a Contracting Activity, and only within the limits of the relevant financial authority set in that delegation.

Definitions

The definitions in the Procurement Policy and Contract Manual apply to this Contracting Plan.

Related policies and legislation

- *Local Government Act 2009 (Qld)*
- *Local Government Regulation 2012 (Qld)*
- *Statutory Bodies Financial Arrangements Act 1982 (Qld)*
- *Public Sector Ethics Act 1994 (Qld)*
- *Disaster Management Act 2003 (Qld)*

This Contracting Plan is supported by the following organisational documents:

- Sunshine Coast Council's Corporate Plan 2021-2025
- 2021/22 Procurement Policy
- 2021/22 Contract Manual
- Local Preference in Procurement Guideline
- Social Benefit Procurement Guideline
- First Nations Procurement Guideline

- Innovative and Market Led Engagement Guideline
- Significant Contracting Plan/s and Template
- Council’s current delegations
- Employee Code of Conduct
- Code of Conduct for Councillors
- Purchase Cards Guideline
- Councillors Acceptable Request Guidelines

Version control:

Version	Reason/ Trigger	Change (Y/N)	Endorsed/ Reviewed by	Date
1.0	Endorsement		Council	

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