

2019/20 Contracting Plan

Corporate Plan reference	<i>A smart economy</i> <i>An 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:

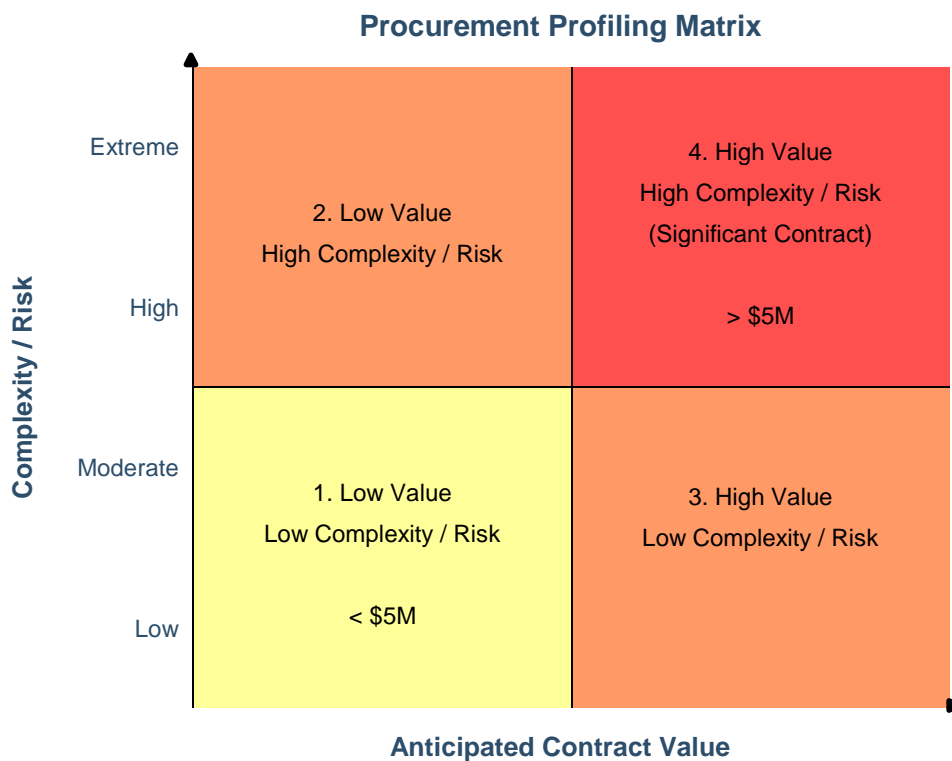
- a) the types of contracts Council proposes to make in the 2019/20 financial year;
- b) the principles and strategies for performing the contracts;
- c) a policy about proposed delegations for the contracts;
- d) a market assessment for each type of contract;
- e) the contracts that council considers 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 (ICTS)

An assessment of the market for each category, based on Contracting Activities during the 2018/19 financial year, is as follows:

Category	Number of Contracts	Number of Suppliers	Total Spend	Procurement Processes	Comments
Engineering and Works	5,446	590	\$150.3M	<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 securing supply within this category is considered low to 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.</p> <p>Costs within this category will tend to increase over time due to increases in labour and manufacturer costs and various indexes such as the Consumer Price Index (CPI), which is forecasted to increase by an average of 2.3% per year over the 2019-2021 period. Also, the relatively low number of highly skilled workers compared to current level in demand will affect the availability of the supply and will most likely raise the prices. 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 which has increased by circa 30% since January 2019.</p> <p>As a result, Council will continue to seek to procure the majority of products and services within this category via existing supplier arrangements, and public tenders.</p>
Facilities	2,879	359	\$56.2	<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 new 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</p>

Category	Number of Contracts	Number of Suppliers	Total Spend	Procurement Processes	Comments
					<p>who can provide multiple 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. Moreover, the number of businesses in this category is expected to increase as the number of medium-to-large-size businesses proportionally increases with the demand. Specifically related to construction, The Australian Industry Group's (AiGroup) Australian Performance of Construction Index advises that the input prices from rises in wages and other input costs are not fully being passed on given strong market competition and a low inflationary environment. The gap between these input prices and the selling prices demonstrates strong pressures on profit margins and is consistent with reports of a highly competitive quoting and tendering environment. Despite strong market competition, there has been a large and expanding pipeline of publicly funded investments in major infrastructure projects (particularly in New South Wales and Victoria) which has contributed to stretched capacity in the sector servicing the Eastern seaboard. This is leading to decreased numbers of suppliers responding to Council tenders and upwards pressure on price. The commodities market electricity being predominately linked to the world stage is presently facing upwards pressure in costs.</p> <p>In this category, Council has been over the past few years, and will continue to seek 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	3,527	836	\$79.6M	<ul style="list-style-type: none"> • Tender • RFQ • Exception 	<p>Supply within the Services category is expected to continue to have a relatively low difficulty of being secured by Council due to sufficient availability of 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 represent the largest spend area within this category for Council (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 CPI. The services industry performance is largely linked to overall economic conditions and a growing of high-value added services has significantly increased profit margins in this category. The services industry is forecast to grow over the next five years partly due to an increase in business confidence which may increase the cost of procuring services to Council.</p>

Category	Number of Contracts	Number of Suppliers	Total Spend	Procurement Processes	Comments
					As a result, Council will continue to seek to procure services competitively and leverage existing supplier arrangements when possible to secure various types of services and achieve value for money outcomes.
Waste Services	112	31	\$24.3M	<ul style="list-style-type: none"> • Tender • RFQ • Exception 	<p>As a result of a buoyant housing market and commercial sector growth over the past five years, the Waste Management industry has experienced increased household, construction & demolition, and commercial waste generation. Government regulations that encourage recycling have added another segment to the industry as the sector is encouraged to develop and implement resource recovery initiatives to avoid landfill disposal levy costs imposed in most Australian States. Various waste technology advancements have improved the industry's collection, processing and disposal efficiency, creating competitive tension in the industry as service providers vie for market share. The recent ban on waste imports by the Chinese Government has further increased the volume of waste required to be managed at a local or national level, providing opportunity for a new circular economy approach to waste management where the material is treated as a resource that will encourage strategic investment in advanced waste treatment technologies.</p> <p>Pricing within this category has generally increased in the market due to new and more stringent environmental regulations, including landfill diversion targets established by respective State Governments. This has led to a rising number of advanced waste diversion and materials recovery facilities and technology innovations in the industry, and an increasing need for technical staff which impact on costs. However, Waste Services is a spend area that remains highly competitive with a growing number of capable and experienced suppliers which enables Council to procure services competitively.</p> <p>Waste collection, processing and disposal represent 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 for waste management which support achievement of value for money for ratepayers and customers. Reuse, Recycling and Waste Disposal form the basis of the Waste Services category and Council will continue to work with current and new suppliers to meet its requirements in terms of waste management.</p>
Fleet and Plant	1,634	191	\$23.6M	<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 enjoy 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 greater market share. Indeed, low cash rate and uncertain economic conditions have reduced</p>

Category	Number of Contracts	Number of Suppliers	Total Spend	Procurement Processes	Comments
					<p>the demand for vehicle fleet leasing in the past few years. The difficulty of securing supply within this category is considered medium due to the largely fragmented supply market for wet and dry hire of equipment.</p> <p>Costs within the Fleet category will tend to increase over time due to increases in labour and manufacturer costs and various indexes such as CPI. Although the industry has encountered difficulties navigating through a highly competitive environment with tighter margins, the prices have increased over the past few years. The commodities market for fuel and gas are predominately linked to the world stage and all presently face upwards pressure in costs.</p> <p>As a result, Council will continue to seek to procure services competitively and leverage existing supplier arrangements when possible, to secure various types of services and achieve value for money outcomes, in accordance with recommendations of the recently conducted Fleet Strategy.</p>
ICTS	607	151	\$13.8M	<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 and software technology is being replaced by managed services and cloud computing solutions which have enabled industry players to move from simply supplying ICT products and services to offering As-a-Service solutions. In terms of telecommunications, higher volumes and greater economies of scale have limited the decline in profit margins due to the implementation of the National Broadband Network.</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 remain quite high as the need for technical knowledge continues to drive costs upward, and as on-going As-a-Service solutions are implemented. Whilst the location of Council has little impact when it comes to securing hardware and software solutions, securing ICT technical services from ICT service providers with local resources remain challenging.</p> <p>As a result, Council will continue to procure ICT goods and services by going out to market and leveraging existing supplier arrangements to achieve value for money outcomes. As the ICT category is quite segmented, a number of small and medium size enterprises (SMEs) will participate as they were during the financial year 2017-18 where they secured 20% of government ICT.</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:

- 2019/20 Procurement Policy
- 2019/20 Contract Manual
- Local Preference in Procurement Guideline (Appendix 1)
- Social Benefit Procurement Guideline (Appendix 2)
- Indigenous (Aboriginal and Torres Strait Islander) Procurement Guideline (Appendix 3)
- Innovation and Market-Led Engagement Guideline (Appendix 4)

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 2019/20 financial year are as follows:

Contract	Reason for Significant Contract	Anticipated Market Release	Proposed Procurement Strategy
Natural Area Management Services	>\$5M	Released 1 June 2019	Public Tender
Construction of Nambour Resource Recovery Centre	>\$5M	Q2	Public Tender
Nambour Landfill Expansion	>\$5M	Q3	Public Tender
Telecommunication Carrier Services	>\$5M	Q1	Public Tender
Construction - Mooloolaba Transport Corridor Upgrade	>\$5M	Q2	Public Tender
Road Surfacing, Rehabilitation and Construction Asphalt program	>\$5M	Released 1 June 2019	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 2018-2022
- Sunshine Coast Council's Operational Plan 2018/19

- 2019/20 Procurement Policy
- 2019/20 Contract Manual
- Local Preference in Procurement Guideline
- Social Benefit Procurement Guideline
- Indigenous (Aboriginal and Torres Strait Islander) 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
2.0	Annual review	N	Council	

© Sunshine Coast Regional Council 2009-current. Sunshine Coast Council™ is a registered trademark of Sunshine Coast Regional Council.