



2020/21 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:

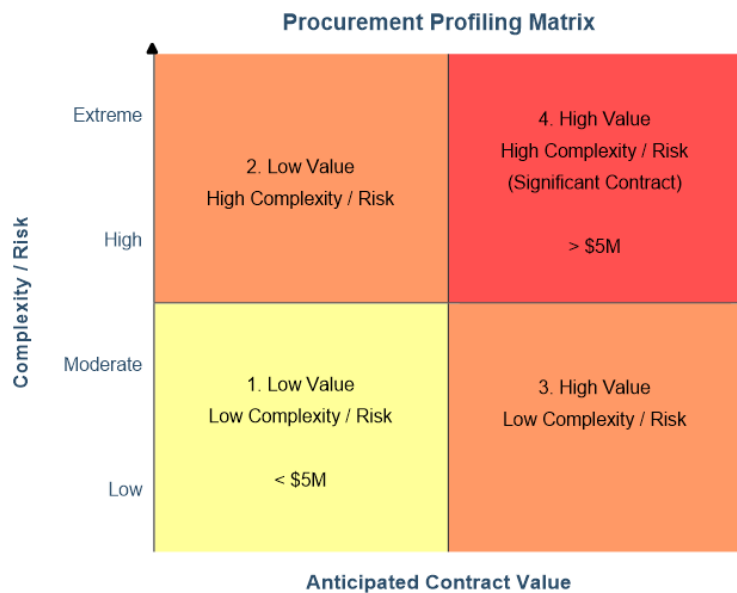
- a) the types of contracts Council proposes to make in the 2020/21 financial year;
- b) the principles and strategies for performing the contracts;
- c) a policy about proposed delegations for the contracts;
- d) a market assessment for each type of contract;
- e) the contracts that council considers 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 2019/20 financial year, is as follows:

Category	Number of Contracts	Number of Suppliers	Total Spend	Procurement Processes	Comments
Engineering and Works	4,496	619	\$211.6M	<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. However, some subcategories such as personal protective equipment (PPE) including face masks and hydraulic gels are in shortage and will likely remain difficult to source over the next 6 months.</p> <p>The Ai Group Australian Performance of Manufacturing Index plummeted to 35.8 in April 2020 from 53.7 in the previous month, pointing to the steepest contraction in eleven years. Both output and new orders fell at the sharpest pace on record amid business closures and lockdowns due to the Covid-19 pandemic. In addition, employment and sales hit their lowest levels since the Global Financial Crisis. On the price front, input price accelerated boosted by higher cost of raw materials.</p> <p>Costs within this category tend to increase over time due to increases in labour and manufacturer costs and various indexes such as the Consumer Price Index (CPI). According to Trading Economics global macro models and analysts expectations, the CPI in Australia is forecasted to stand at 118.29 in Q1 2021 (increase of circa 1.4% from April 2020 CPI). In the long-term, the Australia CPI is projected to trend around 118.76 points in 2021 and 121.02 points in 2022, also according to The Trading Economics.</p> <p>Due to the recent and drastic increase in unemployment rate, availability of highly skilled workers compared to level in demand will improve the availability of the supply and will most likely reduce the prices. Input costs relating to concrete, bitumen and asphalt materials which represent a significant expenditure area within this category are impacted by</p>

Category	Number of Contracts	Number of Suppliers	Total Spend	Procurement Processes	Comments
					<p>commodity prices such as oil which has recently significantly decreased due the Covid-19 pandemic.</p> <p>Council will continue to seek to procure the majority of products and services within this category via existing supplier arrangements.</p>
Facilities	2,365	356	\$72.9	<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 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/Housing Industry Association Australian Performance of Construction Index (Australian PCI®) fell by 4.8 points to 37.9 points (seasonally adjusted) in March 2020, indicating a sharper rate of decline (results below 50 points indicate contraction with lower results indicating a faster rate of contraction). This drop in March 2020 was the lowest monthly Australian PCI® result since May 2013. In a worrying sign for conditions ahead, March also showed a steep decline in the Australian PCI® index for new orders. Slower activity on building sites and heightened uncertainty about the outlook led to further declines in employment. The economic situation was also significantly impacted by the Covid-19 which is likely expected to continue for the remainder of the financial year 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.</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>

Category	Number of Contracts	Number of Suppliers	Total Spend	Procurement Processes	Comments
Services	3,680	1,396	\$34.6M	<ul style="list-style-type: none"> Tender RFQ Exception 	<p>The Australian Industry Group Australian Performance of Services Index (Australian PSI®) plunged by 8.3 points to 38.7 points in March 2020 which is the lowest result since March 2009 and the fourth month of contracting results. The services sector is now entering a difficult period of pandemic-related closures and adjustments from a base already weakened by summer's bushfire crisis and by longer-term factors. Results below 50 points indicate contraction in the Australian PSI® with lower numbers indicating a stronger pace of decline.</p> <p>Local responses to the global Covid-19 pandemic are already decimating large segments of the services sector. The Australian PSI® indicated stable conditions in finance & insurance but contractions in the other sectors in March. Restrictions on human movement and gatherings means closures for many businesses in hospitality, retail, transport, recreation, personal services, education and even community services. Businesses that remain open face falling sales and increasing operational restrictions.</p> <p>Difficulty in supply within the Services category is expected to increase in difficulty due to the current economic environment and related Covid-19 restrictions. Assessing financial sustainability of services suppliers and their ability to meet supply requirements are important matters for Council.</p> <p>There remains 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 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. According to Trading Economics global macro models and analysts expectations, the CPI index in Australia is forecasted to stand at 118.29 in Q1 2021 (increase of circa 1.4% from April 2020 CPI). In the long-term, the Australia CPI is projected to trend around 118.76 points in 2021 and 121.02 points in 2022, also according to The Trading Economics. The services industry performance is largely linked to overall economic conditions.</p> <p>The services industry may decrease over the next year due to the current economic uncertainties and outlook, which may reduce the cost of procuring services to Council as services providers are seeing a drop in revenue and an increased need to secure new contracts. Indeed, National Australia Bank's index of business confidence plunged to a record low of -66 in March 2020 from -4 in February, reflecting severe damage caused by the Covid-19 pandemic. The index of business conditions plummeted to -21 from 0 in February, dragged down by sharp declines in sales, profits and employment. In addition, forward orders dropped to its lowest on record and capacity utilization tank. The virus has caused severe damage on two of Australia's most lucrative sectors - tourism and education</p>

Category	Number of Contracts	Number of Suppliers	Total Spend	Procurement Processes	Comments
					- with the Reserve Bank of Australia (RBA) warning economic output will suffer a very sharp contraction this quarter. Council will continue to seek to procure services competitively and leverage existing supplier arrangements where possible to secure various types of services and achieve value for money outcomes.
Waste Services	157	25	\$28.0M	<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. 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	3,271	191	\$20.2M	<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. Indeed, although the industry has encountered difficulties navigating through a highly competitive environment with tighter</p>

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					<p>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 have significantly reduced in price due to the significant drop in demand from sectors such as manufacturing and transport.</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 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 supplier arrangements where possible to secure various types of services and achieve value for money outcomes.</p>
ICT	523	155	\$16.2M	<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. In terms of telecommunications, higher volumes and greater economies of scale have limited the decline in profit margins arising from the costly development of the NBN.</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 have also increased.</p> <p>Council will continue to seek to procure ICT services by going out to market; leveraging existing supplier 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:

- 2020/21 Procurement Policy
- 2020/21 Contract Manual
- Local Preference in Procurement Guideline (Appendix 1)
- Social Benefit Procurement Guideline (Appendix 2)
- First Nations 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 2020/21 financial year are as follows:

Contract	Reason for Significant Contract	Anticipated Market Release	Proposed Procurement Strategy
Landscape Maintenance	>\$5M	Q2	Public Tender
Supply of Card Fuel	>\$5M	Q2	State Government Contract
Waste Collection Contract	>\$5M	Q2	Public Tender
Mooloolaba Foreshore Revitalisation Project	>\$5M	To be determined	Public Tender
Turf and Vegetation Maintenance	>\$5M	Q3	Public Tender
Maroochydore City Centre Multideck Carpark	>\$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 2020-2024
- Sunshine Coast Council's Operational Plan 2018/19
- 2020/21 Procurement Policy
- 2020/21 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	23 July 2020

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