



LGP Uses TenderLink to Reduce Tender Burden for Local Councils in NSW

Tendering can be an expensive, time-consuming and risky process - and one that government bodies are obligated to go through when they are spending \$150,000 or more. These issues led the New South Wales local councils to form an organisation called Local Government Procurement which handles not only the tenders for them but also assists with smaller regular purchases to ensure compliance, cost reductions and efficiencies across all purchasing.

Local Government Procurement uses a number of e-procurement tools to support councils and their own business. In particular, they use the portal from Australasian company TenderLink to send, receive and evaluate tenders to shorten the process for councils, saving them time, effort and money.

"Councils need to be completely transparent about their purchases, about the process of going to tender, about the tenders themselves, about... everything," said Brian O'Mara, General Manager, Local Government Procurement. "Every transaction must be recorded, every email must be kept, every fax photocopied.

"However, as a recognised outsourcing company representing all 152 councils in NSW we need to be compliant with these demands leaving the councils free to concentrate on the issues and services important to their local residents and businesses.

"We are able to do this because TenderLink - the premier tendering e-procurement solution - has a system that is perfectly suited to our needs and the needs of the councils we serve."

The tendering process – risky, time-consuming, expensive

O'Mara estimates the costs for councils to run a tender are, at a minimum, in the \$15,000 range, and can reach the \$70,000 range for the more detailed, complex tenders. But not only that, the sheer number of tenders can be overwhelming to a local council. "Take heavy plant equipment for example," said O'Mara. "Prior to us establishing our organisation, there were roughly 450 tenders run by councils for heavy plant equipment alone."

What many people don't realise is that even purchase orders, when the cumulative total over time passes the \$150,000 threshold, should go to tender. This could include purchase orders for perceived "minor items" such as stationery orders or magazine subscriptions over a period of time, or three separate purchase orders of \$60,000 for computer software.

Local Government Procurement was established in 2006 to negotiate umbrella-style contracts that councils could buy through and therefore avoid this protracted and time-consuming tendering process. It takes care of the tendering process on behalf of councils and has established contracts for 27 procurement classifications.

These classifications cover everything from IT hardware and software, mobile garbage bins, heavy plant equipment and the recruitment of temporary staff. Even newspaper advertising needs to go to tender, and Local Government Procurement has a contract for that, too.

But Local Government Procurement does not do this alone. It relies on a number of e-procurement solutions to create efficiencies, lower costs and to help assume probity risks.

"The savings in time alone is enough for councils to consider an outsourced, e-procurement service, and that is before factoring in the contracts themselves, which are transparently negotiated and in line with expectations from regulators," said Darrin Stollznaw, TenderLink's NSW-based Australasian Business Development Manager. "The issues of probity and transparency are passed on from councils to an authorised, third-party organisation like Local Government Procurement."

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General Manager
Local Government Procurement*

TenderLink - "premier e-procurement"

Local Government Procurement relies on the TenderLink e-procurement system to fulfil the tendering procurement role effectively and efficiently.

"Since we opened our doors in 2006 we have never issued a paper tender, and we have never received a paper tender," said O'Mara.

Before e-procurement, if a council took a phone or email enquiry from a supplier about an open tender opportunity, they had to document the entire call before sending those details via email or fax to everyone that had downloaded tender documents. But with the TenderLink e-procurement portal, a quick forum notice is posted and every interested supplier has the same information.

O'Mara said the benefits of using e-procurement systems are profound. "The time saved by your staff is significant, the professionalism of how you do your business increases significantly, and the amount of time it takes to tender is reduced," he said.

While it is hard to put an exact figure to the potential cost savings, which can vary from tender to tender, O'Mara estimates that a 35 per cent cost reduction in running a tender process could be made in using an electronic system.

O'Mara said Local Government Procurement selected the TenderLink e-procurement system based on the breadth of its functionality, the strength of its processes and the depth of expertise of the support team. "In my opinion TenderLink is the premier e-procurement tendering solution," said O'Mara. "With the TenderLink web-based system, people publish their tenders online and all bid responses download in a uniform format. This is real efficiency. There's no double or triple handling."

"Our e-procurement portal solution creates the same efficiencies and cost savings for purchase orders as for larger tenders," said Stollznow, "and if the purchase orders end up exceeding the threshold over time, the processes and transparency, which are the foundation of the e-portal, can negate the risk of having not gone to tender initially."

The biggest benefit O'Mara found in the TenderLink system was the ease of transparency in tendering.

"TenderLink, and e-procurement in general, creates a process that is transparent and conforms to every single aspect of

probity regulations. That reduces the time councils might spend handling procurement enquiries or disputes because it's all done electronically, it's all recorded," said O'Mara. "You can justify every step you have taken because it's all recorded within the solution's audit trail.

"We have only ever received two formal complaints about our tender processes. Both of those were related to a tender not being accepted by us because they came in too late," said O'Mara. "One particular supplier wanted to know when we received their electronic tender submission."

The answers to such queries are critical to the probity requirements of the tendering process. Local Government Procurement needed to show when the documents were received in order to prove its claim that the tender submission missed the deadline, or it could have faced a formal challenge.

TenderLink was able to pinpoint down to the minute when Local Government Procurement received the documents, and the 'paper trail' was available online for confirmation.

"The level of support we have received over the years has been exceptional," said O'Mara. "I couldn't fault them."

"Sometimes companies will sign you up as a client, get you on board and then just move on to next new client, but that's not the case with TenderLink."

O'Mara believes that any council that does not use an e-procurement provider is costing itself time and money, and making itself vulnerable to possible challenges due to inconsistent processes or unauthorised procurement.

"Any council not using an e-procurement portal system is really running a high-risk operation," said O'Mara. "The risk surrounding probity issues is reduced markedly by using such systems."

The web-based system is also more efficient than the spreadsheet- and paper-based systems used by many organisations.

"Procurement staff will save a significant amount of time, the professionalism of how you do your business will increase significantly and when using TenderLink's evaluation toolset, the responses you get from the tender process will be uniform," said O'Mara.

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