



CORPORATE PROCUREMENT PLAN

2015 - 2017

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Executive Summary

The James Cook University (JCU) 2015 – 2017 Corporate Procurement Plan provides a directional statement for better procurement operations within the University.

A major reform agenda commenced in 2014 which was aimed at improving procurement practices and realising significant benefits and savings to the University through improved value for money from the University's spend on supplies, services and capital works. While the progress of the reform program is on track, the pace of change must accelerate in order to realise the full potential of benefits within the three-year planned timeframe. The University needs confidence that our procurement is well managed and maximum value is being achieved.

The JCU 2015-2017 Corporate Procurement Plan consolidates those strategies necessary to deliver on the expected benefits of the reform program but also takes us further and provides a refreshed view for the future. With procurement continuing to grow in size and complexity and the potential for substantial benefits from improved procurement practices, a coordinated response is required.

Through its procurement, JCU is in a position to effect positive changes on our environment and in our communities. This is demonstrated in our commitment to increase the proportion of sustainable products and services bought by JCU, and also by ensuring that competitive local firms (including small and medium enterprises) and indigenous suppliers are given opportunity to supply the University.

This plan will provide JCU with direction on a range of strategies that will support us in getting the best from our procurement spend.

To bring this plan to life, JCU will use this plan to drive University-wide initiatives to be achieved in the next three (3) years. Further, measures are identified in the plan to assess procurement performance so we can identify where change is occurring or where we need to refine our strategies.

This plan sets out the strategies needed to address the challenges ahead for procurement and respond to the needs of our consumers and stakeholders to 2017. Improving procurement practices will lead to better outcomes for the University, industry and the broader community.

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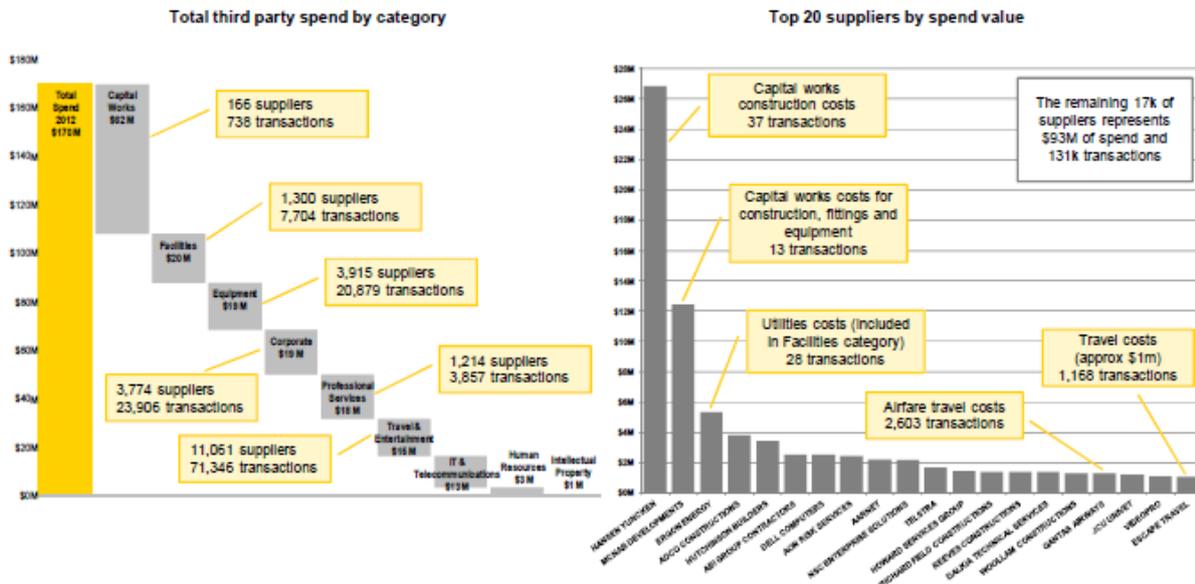
1. Purpose and Scope

The James Cook University (JCU) Corporate Procurement Plan (CPP) is prepared in accordance with the Queensland Procurement Policy 2013. The CPP provides an overview of the strategic procurement objectives, strategies and processes of the University in 2015 and extends to cover the remainder of the triennium (2016 and 2017).

2. The Role of Strategic Procurement

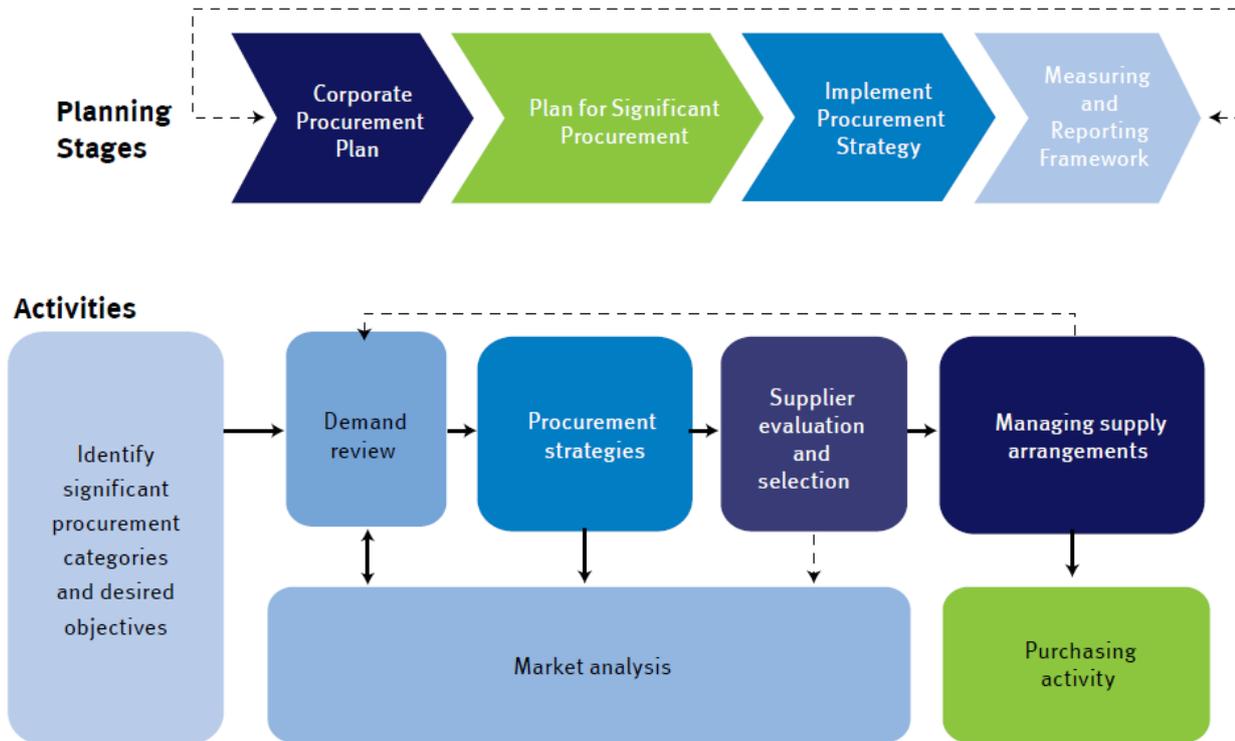
The procurement function within JCU is focused on supporting the provision of resources with the right skills at the right time to develop and maintain strong strategic relationships with our internal stakeholders and our suppliers. The Strategic Procurement Group (SPG) will deliver strategic and innovative supply solutions and policy guidance that bring value, efficiency and compliance to the procurement operations of JCU.

In the 2012 calendar year, JCU's third party spend was approximately \$170m across nine (9) categories. Capital works constitutes the largest percentage (36%) followed by Facilities and Equipment. The top two (2) suppliers providing Capital Works services represented 23% of the total spend.



Source: Ernst & Young – JCU Third Party Spend Analysis – 2013.

In managing significant procurement activities within the University, the broad planning and execution activities that are followed are described in the diagram below.



3. Looking Forward - The Vision for 2015 to 2017

The JCU procurement reform will be embedded within the University in 2015 with further enhancements to occur in 2016 and 2017. In 2015, the procurement function will be recognised as an important part of the University’s business operations as it will be delivering substantial benefits for the business. A heavy focus will be on the transition of Procurement to a Category Management model which takes tactical procurement to a strategic level. It focuses on the horizontal end-to-end process (right across a category and many suppliers) ensuring that we bring together new developments in a category as well as the macroeconomics of the world we operate in. This provides the opportunity to assess the impact and opportunities for benefits realisation and efficiency generation for JCU.

Better procurement means better value, less risk and subsequently better service delivery to the University community.

The mission of the Procurement function in 2015 is to support the business and priorities of JCU by maximising value for money from expenditure on supplies, services and capital works.

Procurement faces many challenges, with complexity increasing with:

- **Increasing demand from consumers and customers as recipients of the service**
The University is facing a tight fiscal environment and is being asked to do more for the customers and consumers within tight resourcing constraints. Procurement professionals will be required to strengthen alliances with their stakeholders in order to meet business objectives and maximise the value derived from their procurement expenditure.
- **Major changes occurring in the Australian and global business environments**
Procurement is dealing in more complex, and also changing supply markets. A critical role for procurement professionals is properly understanding the commercial dynamics, structure and the impact of the University as a buyer on these markets and responding in a fair and ethical manner.
- **A focus on the environment and sustainability**
There is a growing concern about the environment, sustainability and ethical behaviour in business. University procurement is directly responding to this concern by being more environmentally and ethically responsible in the way procurement is undertaken.
- **A tighter labour market**
A challenge is the tight labour market for procurement professionals impacting on the ability to attract, recruit and retain staff with the necessary skills and experience. This requires increased proactivity and coordination to appropriately respond to this challenge.

The procurement plan outlines the University's response to these challenges and provides a pathway in the delivery of the procurement vision and mission, through implementation of a range of strategies across the six (6) key areas of transformation as outlined above and in alignment with the Queensland Procurement Policy.

4. Procurement Objectives

In alignment with the objectives of the Queensland Procurement Policy, JCU's procurement objectives for 2015 are to:

- Obtain value for money in ways such as:
 - rationalising internal demand;
 - aggregating demand to obtain volume discounts;
 - significantly reducing the number of instances where a competitive offer process has been avoided;
 - establishing contracts for goods and/or services to ensure market competitiveness; and
 - identifying and regularly monitoring key value for money indicators in supply contracts.
- Be efficient and responsive while maintaining probity and accountability by:
 - developing and maintaining JCU procurement policy and business rules that include minimum probity and accountability requirements;
 - establishing probity and risk management plans proportionate to the scale, scope and risk of each proposed procurement activity;
 - complying with the Queensland Government requirement to publicly advertise the details of all contracts over \$10,000 in value;

- ensuring all stages of the procurement process are documented and defensible; and
- establishing a complaints management system and ensure this process is understood and followed by staff.

- Reduce JCU's procurement risk by:
 - maintaining a risk register where procurement risks are managed, prioritised and mitigated through collaboration with suppliers;
 - managing the JCU procurement risk profile to be within acceptable University tolerances;
 - undertaking regular expenditure and market analysis to identify anomalies and trend variances; and
 - ensuring policies, procedures, guidelines are documented and clearly communicated to ensure maverick spend and risk is limited.

- Support the business needs of JCU by:
 - obtaining appropriate collaboration and sign off by relevant stakeholders when developing specifications, evaluating offers and making recommendations;
 - establishing supply arrangements which reflect the current and future requirements of JCU; and
 - establishing a formal contract review and supplier management process to monitor and review the effectiveness of each contract or supply arrangement.

- Assisting local suppliers by:
 - promoting supplier diversity opportunities to increase the number of Australian Aboriginal and Torres Strait Islander businesses within the supply chain;
 - ensuring compliance with the Charter for Local Content;
 - giving local suppliers the opportunity to tender/quote for goods and services being purchased by JCU; and
 - consulting with the Industry Capability Network (ICN) to identify and assess the capability of local suppliers.

- Provide a safe environment by:
 - including safety/risk assessments in the development of specifications for hazardous equipment and materials;
 - engaging appropriate expertise when preparing specifications, evaluation criteria, evaluation plan, procurement plans, reports and recommendations for hazardous equipment and materials; and
 - including provision for staff training prior to commissioning or using any hazardous materials or equipment.

- Promote sustainability by:
 - minimising the environmental impacts of goods and services over the whole life of the goods and services;
 - purchasing products with less packaging or with provision for packaging take-back;
 - the use of renewable resources;
 - reduced purchasing of toxic and hazardous substances;
 - reducing waste; and

- purchasing energy efficient products and services.

5. Procurement Systems

The procurement system used by JCU is FinanceOne and utilises its requisitions, purchase order, accounts payable, contracts, inventory, accounts receivable, general ledger and budgeting modules. This corporate system works alongside the Spendvision Expense Management System (EMS) which is used to manage low value credit card transactions for purchasing and travel.

A new FinanceOne supply chain contract module was implemented 2014. It is proposed to investigate the incorporation of further enhancements to transition JCU to a full Contract Management Database which will enable Contract Lifecycle Management (CLM). This will allow a methodical management of contracts from initiation through to award, management and renewal. Implementing CLM can lead to significant cost savings and efficiency gains.

It has also been identified that a robust analysis and reporting tool is required to provide timely, informative and relevant expenditure data reports to the University's senior management. This will be a cloud-based tool.

6. 2015 Procurement Plan

JCU will continue to take a strategic approach to procurement that aligns with the University Plan and the statement of Strategic Intent.

A major focus will be to drive savings through procurement which can be achieved in several ways:

- increasing the percentage of spend under contract from 28% to an industry standard of 75% to 80%;
- rationalising product range and consistency of specifications to remove procurement complexity;
- consolidate the range of suppliers and develop and maintain preferred supplier panels;
- develop a performance framework and metrics for key contracts and suppliers and incorporate into all new contracts; and
- integrate JCU ethics and sustainability into the procurement strategy.

7. 2015 Major Procurement Activities

As the procurement function of JCU is transitioning to a contemporary practice model focusing on category management, a significant amount of work is required in order to embed the significant change and realise savings and efficiencies. These activities include:

1. Undertake analysis of expenditure and behavioural trends to determine a procurement strategy for high risk or high value items and areas where there is ease of implementation along with a high return, with a view to this data assisting the University to implement product/category differentiation strategies as per Kraljic's Matrix in Appendix 2. Analysis of third party spend will specifically occur for the following expenditure areas:
 - Electrical and communication services;
 - Chemicals, drugs and poisons
 - Printing services;

- Media monitoring services;
 - Laboratory testing services;
 - Hardware and building supplies;
 - Furniture and office equipment;
 - General freight and removal/relocation services;
 - Facilities management services, including air conditioning, electrical, plumbing, general building maintenance and grounds maintenance; and
 - ICT repairs and maintenance services.
2. Drawing on the procurement objectives, the following specific activities within relevant procurement categories will be sourced/undertaken throughout 2015. This list will be amended and augmented based on need and requirement.
- Construction and Maintenance
 - Probity and tender support for construction of:
 - Science Place;
 - Cornerstone Building;
 - AITHM Building (Cairns);
 - AITHM (Thursday Island);
 - Staff & Student Amenities;
 - Verandah Walk Townsville;
 - MHMS Animal House;
 - Student Mall Redevelopment;
 - Multi Purpose Courts Roof;
 - Tropical Sustainable Futures Complex;
 - Learning Spaces, Cairns and Townsville;
 - Peer to peer Space redevelopment (Townsville); and
 - Space rationalisation Project (Townsville and Cairns).
 - Request For Tender (RFT) process for:
 - general waste removal;
 - campus cleaning services (Townsville and Cairns);
 - electrical services; and
 - plumbing services.
 - Direct (Teaching & Learning)
 - RFT process for:
 - supply of industrial gases;
 - hazardous waste removal; and
 - chemicals and laboratory consumables.
 - Specification development and tendering support for:
 - Live animal imaging technologies;
 - Drone based remote sensing instruments; and
 - DNA extraction and normalisation robotics.

- Indirect
 - Negotiate new agreements for:
 - Airline providers (Qantas and Virgin); and
 - Rental vehicles.
 - RFT process for:
 - travel management services;
 - salary packaging management;
 - office supplies;
 - debt collection services;
 - insurance services;
 - banking and corporate card services;
 - expense management system;
 - parking management system;
 - network access controller;
 - modular data centre; and
 - F5 load balancer replacement.
3. Move towards a centralised receipting and dispatch centre that will assist the University to obtain the following benefits:
- financial benefits through reduced freight charges;
 - consistent handling and logistical arrangements for goods;
 - safe handling of dangerous goods and chemicals;
 - centralised goods receipting to facilitate faster payment to suppliers; and
 - streamlined end-to-end procurement function.
4. Establish preferred supplier panels for:
- Accommodation providers;
 - Consultants;
 - Labour hire;
 - Legal services;
 - Catering services;
 - Event management services;
 - Teaching services;
 - Helicopter hire services;
 - Researchers and research services; and
 - Facilities Management Services including:
 - Air-conditioning;
 - Electrical;
 - Plumbing;
 - Building Maintenance; and
 - Grounds Maintenance.

8. Appendix 1 – Strategy, Deliverables and Targets Summary

Our Strategies	Key Activity/Deliverable	Targets
Partnerships	Key measure: <i>All significant procurement activities include stakeholder consultation and endorsement</i>	
Maximise opportunities through effective partnerships	<ul style="list-style-type: none"> • Develop collaborative relationships between procurement staff and stakeholders • Implement category management strategy • Keep stakeholders informed of changes to procurement policies and business rules 	<ul style="list-style-type: none"> • Stakeholders engaged at procurement process inception • Regular meetings to ensure stakeholder engagement at category level • Establish regular forums with stakeholders to ensure they are kept up to date with changes
Workforce	Key measure: <i>Stakeholder satisfaction with procurement function (regular surveys)</i>	
Attract, retain and develop a highly skilled professional workforce	<ul style="list-style-type: none"> • Conduct skills gap analysis for the procurement group • Maintain individual training and development plans • Undertake training where gaps are identified 	<ul style="list-style-type: none"> • Commenced June 2014, ongoing • Plans updated by June 2015 • Training scheduled as identified and available

Our Strategies	Key Activity/Deliverable	Targets
Service Delivery	Key measure: <i>Number of tenders completed on time and within budget (quarterly)</i>	
Deliver cost effective services and maximise value	<ul style="list-style-type: none"> • Increase the percentage of spend under contract • Ensure local supplier participation in all tenders • Establish Contracts or PCP's for goods and services where there is significant spend • Ensure the University enters the market for RFT, RFQ and EOI in a reasonable timeframe 	<ul style="list-style-type: none"> • 50% under contract in 2015 • Ensure compliance with Charter for Local Content and engage ICN for assistance where required • Top 5 groups have spend under management by June 2015 • Depending on size and complexity, RFT, RFQ & EOI to be issued to market within one week of receiving all documentation
Performance	Key measure: <i>Contract/PCP life cycle outcomes/benefits reported for all significant procurement (quarterly)</i>	
Promote accountability through good governance and robust procurement practices	<ul style="list-style-type: none"> • Implement Supplier Management process • Develop procurement procedures • Review template Contract Terms & Conditions and tender documents • Implement Supply Chain Contract Management database 	<ul style="list-style-type: none"> • Commenced September 2014, ongoing • Commenced October 2014, ongoing • Ongoing • Phase 1 completed September 2014, phase 2 to commence early 2015
Improve quality and use of performance information	<ul style="list-style-type: none"> • Implement data extraction and analysis processes and capability within Procurement • Record and report on Contract/Tender savings • Record and report on supplier/JCU performance 	<ul style="list-style-type: none"> • Ongoing • Prepare quarterly reports on negotiated savings by category • Prepare quarterly reports and arrange regular meetings with suppliers

9. Appendix 2 – Supply Positioning (Kraljic Matrix)

