



Local Procurement Report

Q1 and Q2 2020/21

Tracking of Local Procurement commenced in July 2020. The charts below depict Council spend (with the exception of payroll related and compliance related expenditure such as tax payments) in regards to:

1. Local expenditure – goods and services purchased through businesses based in South Gippsland Shire
2. Regional expenditure – goods and services purchased through businesses based in the other Gippsland Shires; Bass Coast, Baw Baw, East Gippsland, Latrobe City, and Wellington.
3. Expenditure with significant businesses within South Gippsland Shire. These significant businesses may have a corporate presence out of region, but we engage the local provider who operates largely as a shire based entity
4. Non local or all out of region procurements.

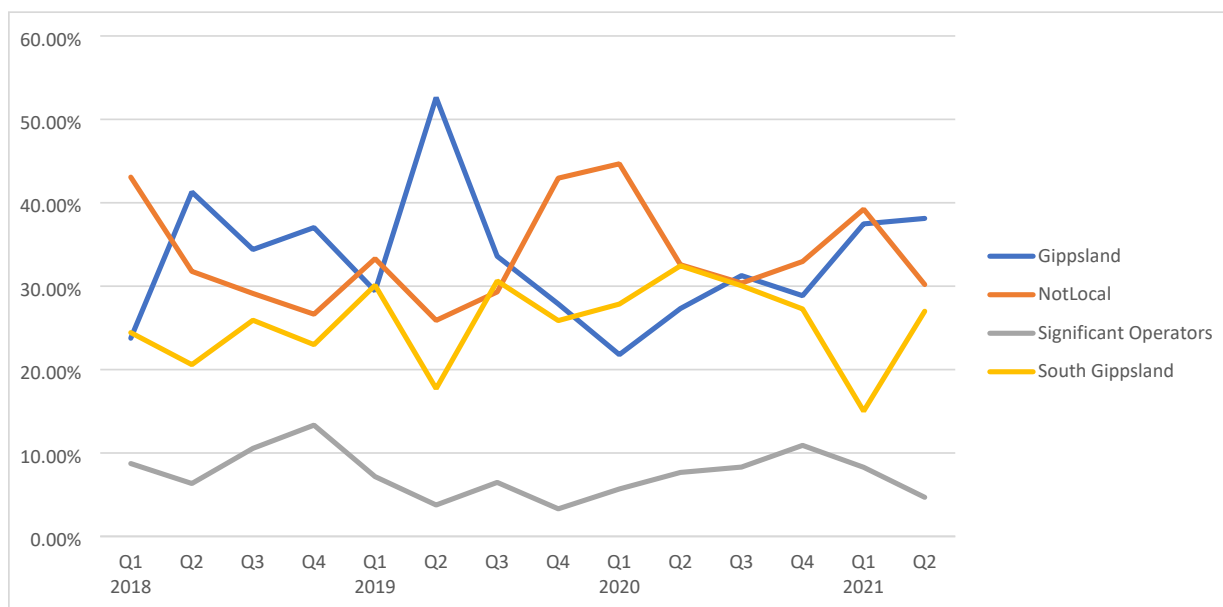


Chart 1. Percentage of local expenditure by financial quarter

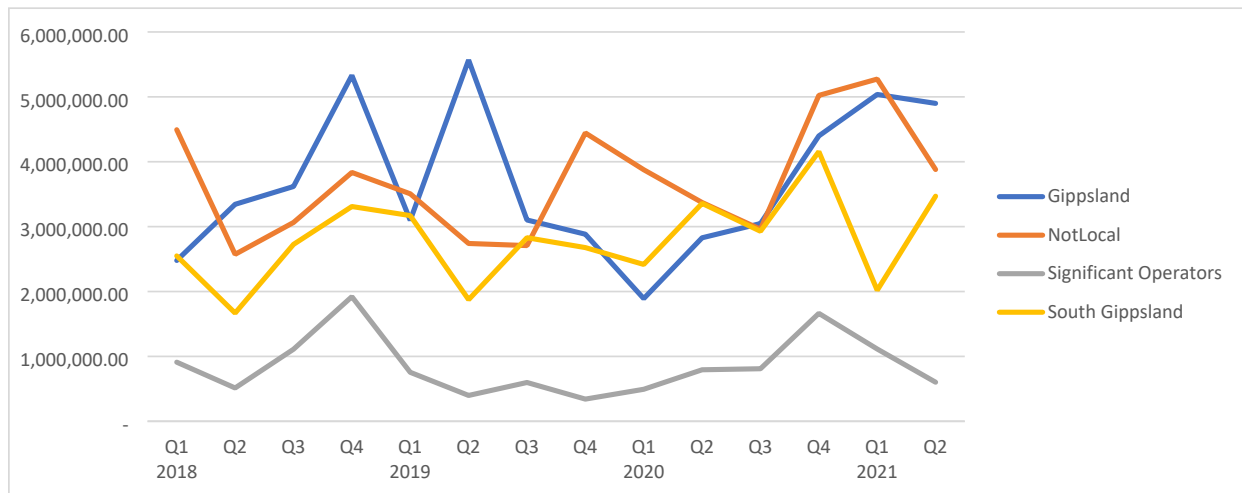


Chart 2: Dollars of local expenditure by financial quarter

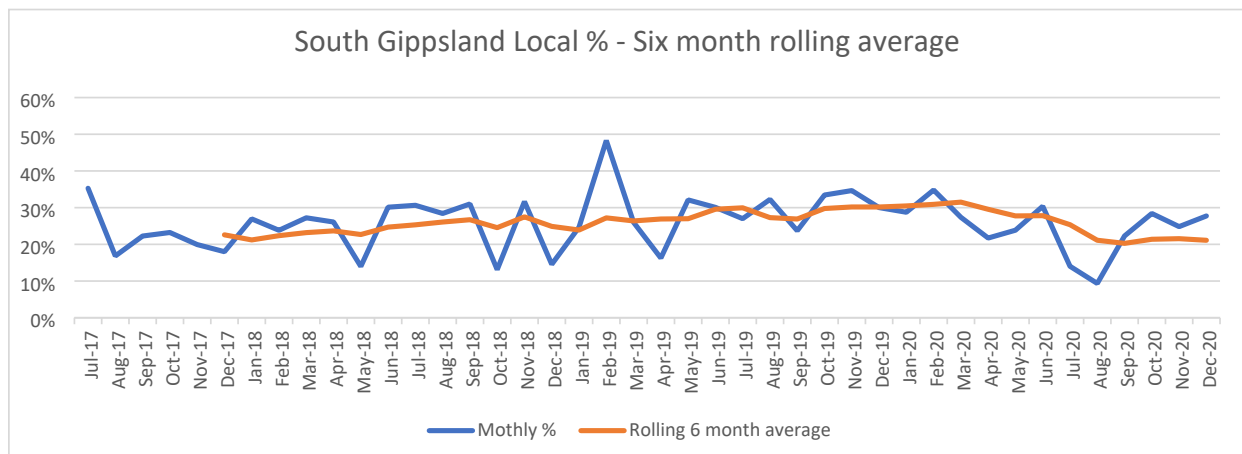


Chart 3: South Gippsland Local (only) – six month rolling average by percentage

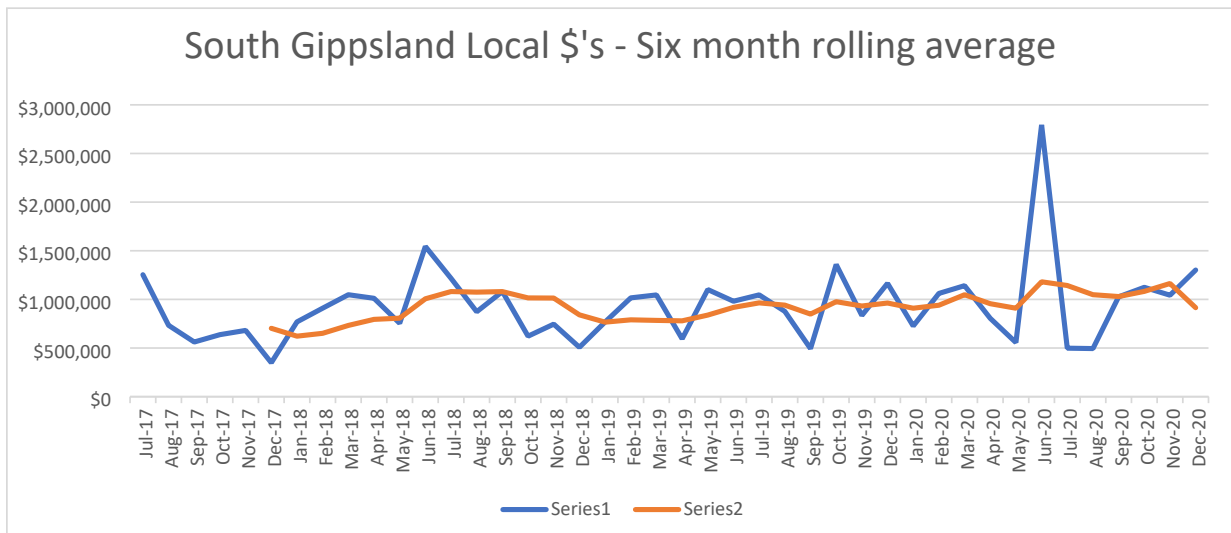


Chart 4: South Gippsland Local (only) – six month rolling average by percentage

Discussion

Review of the expenditure over recent years shows, in the interests of setting a baseline for forward local procurement initiatives, that by percentage overall expenditure for local and regional procurement has stayed relatively steady over the last three and a half years, fluctuating in the range of 50 to 60% of overall expenditure by Council. The slight trending upwards in dollar terms is representative of the increased cost of goods and services procured over time.

Expenditure with South Gippsland based businesses averaged 24% in 2018, 26% in 2019 and 29% in 2020 for the last three completed financial years.

The contribution of significant operators within the shire has stayed relatively steady at typically less than 10% of expenditure.

Closer analysis of Council expenditure with the South Gippsland based businesses in chart 3 and 4 shows that while local expenditure tapered off in 2020 by percentage, it maintained a fairly constant profile in \$ terms. Simply stated, Council routinely spends around \$1M per month through South Gippsland based businesses.

Where the overall percentage of local procurement dropped in the latter part of 2020, the combination of these two 6 month rolling average charts demonstrates that this is a reflective of increased spending elsewhere rather than a decline in local expenditure. Through 2020 this shift in % spending was considerably influenced by the significant construction programs of Bair St and Mirboo North pool while local expenditure in \$ terms was sustained.

Specific Local Procurement Initiatives

Having initiated a focus on local procurement at the start of 2020, and considerate to the restriction of trade for many shire based businesses, Council considered that one of the most helpful ways in which to support local businesses was to ensure reliable cashflow in the local economy through expedient payment of correctly provided invoices.

As shown in table 1, Prior to this initiative, around 55% of invoices were paid within 7 days, and 70% within 14 days.

Since the introduction of this initiative, 7 day payment of invoices has lifted to the range of 70% to 80% and 14 day payments consistently over 85 and 90%. This has a direct benefit to businesses ensuring their cashflow is not adversely impacted in doing business with Council. With \$1M per month being spent through local businesses, this is a considerable amount moving quickly into our local economy to assist their financial security.

Average Days to Pay						
			% Invoices Paid with X Days			
	No. of Invoices	Avg Days to Pay	7	14	21	28
Jul-19	366	8.01	75.96%	88.80%	95.08%	97.54%
Aug-19	610	10.29	71.64%	85.57%	89.84%	94.10%
Sep-19	515	10.63	60.78%	81.55%	88.16%	92.62%
Oct-19	603	12.80	56.72%	76.45%	85.74%	89.55%
Nov-19	592	17.34	45.44%	63.01%	70.44%	80.41%
Dec-19	578	11.21	68.69%	80.45%	87.20%	91.00%
Jan-20	494	13.79	58.50%	70.04%	80.97%	86.44%
Feb-20	782	19.66	55.24%	70.33%	76.60%	79.80%
Mar-20	623	13.99	52.33%	77.05%	86.84%	90.05%
Apr-20	618	11.40	67.96%	80.42%	87.70%	90.13%
May-20	593	9.83	70.49%	87.52%	91.91%	94.10%
Jun-20	851	9.68	71.33%	83.43%	89.42%	93.18%
	7225	12.62	62.69%	78.48%	85.51%	89.58%
			% Invoices Paid with X Days			
	No. of Invoices	Avg Days to Pay	7	14	21	28
Jul-20	602	7.53	82.72%	90.70%	95.18%	96.84%
Aug-20	830	6.69	87.95%	93.25%	95.30%	95.78%
Sep-20	885	7.68	78.08%	88.47%	92.32%	97.63%
Oct-20	716	8.41	69.97%	92.04%	95.81%	96.51%
Nov-20	541	8.22	73.94%	92.98%	96.67%	97.41%
Dec-20	605	8.36	68.76%	85.95%	92.56%	97.36%

Table 1. Invoice rate of payment.

VendorPanel

During 2020, SGSC purchased and installed the VendorPanel system. This will provide and simplify the opportunity for businesses to access more opportunities with Council. When seeking quotes for goods or services, VendorPanel will make the process of getting those quotes to market participants automatic to those registering their interest in doing business with Council. This will increase opportunity and competition for suppliers, ease our process steps of distributing and evaluating responses, being able to better identify local supplier opportunities. SGSC use of Vendor panel will be phased in through the 2021 calendar year.