

**AGLG Perspectives Series
Accessible Tools**

Audit Topic 1 – Tool 1 (January, 2016)

**IMPROVING
LOCAL
GOVERNMENT
PROCUREMENT
PROCESSES
THROUGH:**



Procurement Policy Enhancements

**Procurement Performance Metrics and
Reporting, and**

Vendor Performance Management



**AUDITOR GENERAL FOR
LOCAL GOVERNMENT**

ACCESSIBILITY • INDEPENDENCE • TRANSPARENCY • PERFORMANCE

Relating to AGLG Audit Topic 1:

Achieving Value for Money in Operational Procurement

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THE AGLG PERSPECTIVES SERIES

The office of the Auditor General for Local Government (AGLG) was created to carry out performance audits of local government operations in British Columbia and provide local governments with useful information and advice. The AGLG's goal is to help local governments fulfil their responsibilities to be accountable to their communities for how well they take care of public assets and achieve value for money in their operations.

The AGLG Perspectives series of booklets is designed to help improve local government performance. These booklets complement the AGLG's performance audit reports by providing local governments across the province with tools and more detailed information relating to the topics we examine.

Some AGLG Perspectives booklets are written mainly for elected Council and Board members, while others are directed more toward local government staff. Booklets are also helpful to others who take an interest in local government in British Columbia.

THIS BOOKLET

The purpose of this booklet is to assist local governments in improving procurement processes by developing strong procurement policy, performance metrics and vendor performance evaluations.

The information contained here comes from the work of our office on audits of operational procurement, as well as a review of current literature on the subject. We may consider addressing additional procurement-related issues not included here in future AGLG Perspectives booklets.

We have divided this booklet into three parts, each based on a theme we identified during our audits of local governments procurement practices. The first part is foundational and covers important procurement policy statements and procedures. The other two parts discuss performance measurement of procurement processes and vendor performance evaluation activities; these two parts are not directly linked to the first part of the booklet. All three parts are targeted to local government elected officials and staff. Local governments will want to customize the use of information contained here to the particular circumstances of their local government.

PART 1 ENHANCING PROCUREMENT POLICY is intended to assist in review of current procurement policies. It identifies procurement policy statements that in our view are essential and provides a list of procurement procedures and additional guidance.

PART 2 METRICS FOR TRACKING AND REPORTING PROCUREMENT PERFORMANCE aims to assist in developing metrics for tracking procurement performance and reporting to the Council/Board and management.

PART 3 MANAGEMENT OF VENDOR PERFORMANCE is designed as a starting point for vendor performance evaluations as a component of contract management.

This booklet offers suggestions to enhance local government procurement, recognizing that their application will vary according to the maturity and capacity of each organization.

We do not expect local governments to apply all practices included here.

Our intent is to highlight best practices currently available that could help ensure value for money in procurement. It is important for elected officials and senior management to be aware of these practices in order to encourage progressive strategies, risk mitigation and, ultimately, the achievement of value for money.

HOW THE AGLG'S AUDIT WORK CONTRIBUTED TO THIS BOOKLET

In our performance audit activities involving B.C. local governments ranging in size from just over 5,000 residents to almost 500,000, we found that:

- Local governments generally have rigorous and transparent budgeting processes.
- Objectives differ from one local government to another. In certain situations, the nature and quality of service delivery to the public is more important than costs.
- Comparison of costs from one year to another within one local government and between different local governments is challenging, as costs sometimes vary significantly depending on the specific circumstances of the local government, timing and other market conditions.
- Procurement functions – where they exist – differ in size and their staff has varying levels of expertise and training.

In our performance audit work, we also noted that:

- Procurement policies varied significantly between local governments and often contained significant gaps.
- Procurement functions often had a written set of objectives, but these tended to be high level and not effective in identifying what would be considered measurable success for the function. Local governments often did not establish goals specifically for their procurement function and did not have performance metrics relating to procurement. This made it difficult to assess the extent to which the procurement function was meeting its objectives.
- Local governments tended to lack an effective vendor performance evaluation process. Instead, a common practice was to document negative performance issues with vendors, but not to otherwise document vendor performance. We believe that local governments would benefit from formal, written assessments of vendors, covering both positive and negative performance, for use in debriefing vendors and in comparing the relative merits of vendors in support of future procurement decisions.

These findings prompted us to carry out further research in these areas and offer information and tools to help improve local government procurement performance. In compiling this information, we reviewed a range of practices and approaches and consulted with subject matter experts.

We hope the information included in this booklet serves as a starting point for local governments of all sizes, and that each local government implements it on a scale appropriate to its size, complexity and resources.

ACKNOWLEDGEMENTS

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QUESTIONS AND ANSWERS FOR
COUNCIL/BOARD MEMBERS AND
LOCAL GOVERNMENT STAFF

PART 1 ENHANCING PROCUREMENT POLICY

1 Why does local government need a comprehensive procurement policy?

The National Institute of Governmental Purchasing has noted that procurement is a complex function, guided by numerous policies and statutes. A comprehensive procurement policy – one that lays out all of local government’s applicable policies as well as relevant laws – is critical to ensuring that the procurement function, staff and stakeholders follow the proper procedures and rules.

In the absence of such guidance, local governments may be inconsistent in how procurement work is carried out. This could lead to the appearance of arbitrary and unfair procurement actions and a resulting loss of confidence on the part of vendors and taxpayers. To avoid this, it is critical for local government to have a comprehensive procurement policy in place.

In addition to a procurement policy, some local governments also have formalized procurement procedures, a documented series of steps to be followed as a consistent approach to accomplish specific results in procurement. Together, policy and procedures contribute to an overall procurement program; they empower the people responsible for the procurement process with the direction and consistency they need for successful procurement.

2 Why should local government consider it a priority to have an updated procurement policy that is effective?

Local governments often find that their procurement policies are out of date as a result of factors such as staff turnover, newly elected officials with a different agenda and priorities, staff workload priorities for operating and capital projects and changes over time to what are considered best practices.

As the policy becomes out of date, it becomes less effective to staff as a guide and local government may no longer use best procurement practices as they are unknown and not included in the policy. If staff try to compensate for outdated policies by using their judgement to do what they feel is best for their department, inconsistency grows. The only common check points may become budget variances and controls.

Outdated procurement policies and practices may still be able to meet its basic operational needs. However, there may be little strategic focus on the organization’s spending practices other than determining whether the work was completed. As inconsistency grows, there is also increasing risk that aspects of the procurement policy may be interpreted differently by different users.

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3 Under what circumstances will local government need to use external resources to update procurement policy?

An important first step is for local government to acknowledge that procurement policies may need updating. The more decentralized a local government's procurement function is, the more it may be exposed to financial or liability risks as decisions may be made based on their understanding of the policy with little oversight.

Local government may need to consider using external resources to review procurement policies and practices when:

- Staff lack expertise in writing policies.
- Staff may not be aware of best practices and lack time to research them adequately.
- Staff face significant workload pressures.
- There is a significant proportion of new staff or the local government has recently undergone organizational restructuring.
- Local government is aware that there are new areas it wants the policy to address such as socio/economic priorities.
- Local government's management team want to reduce the level of risk by using external resources.

A local government's approach to updating its procurement policy may vary based on the organization's size and complexity. Small local governments may wish to use an external consultant or explore opportunities to work cooperatively with other nearby local governments on the development of a comprehensive procurement policy, as there may be opportunities to cost-share initiatives or services in this important area.

4 What does procurement policy compliance mean?

Compliance, in general, means adherence to applicable law, regulations, rules and ethical standards by employees, agents and others.

There are three main states of compliance with the procurement policy: policy compliance, request for exemption and non-compliance. Policy should require documentation of each situation of procurement policy non-compliance, as well as a requirement for reporting on procurement policy non-compliance to senior management and Council/Board.

POLICY COMPLIANCE: When the local government has fully complied with procurement policies and all reasonable efforts have been taken to ensure value for money. A statement of compliance (or an equivalent document) could be used by the local government where the procurement policy has been complied with. In some cases, compliance may not be evident without documentation to explain the

PART 1 ENHANCING PROCUREMENT POLICY

circumstances. For example:

- **SOLE SUPPLIER SITUATION** is where only one supplier can provide the goods or services required. This does not include where insufficient time was allowed to obtain more quotes. A sole supplier situation is also often referred to as a “direct award”. An appropriate level of market research must be conducted to demonstrate that a sole supplier situation exists. The person requisitioning the purchase and the person approving it both must be satisfied that there is no other supplier able to provide the required goods and/or services.
- **INABILITY TO OBTAIN THE REQUIRED NUMBER OF QUOTATIONS** means that after considerable market research, government has determined there are insufficient suppliers able to provide quotations or an insufficient number of suppliers have responded to a request for quotation, despite best efforts to obtain the required number of quotations.

In situations of compliance where it may not be apparent that there has been compliance, policy should require that a statement of compliance (or an equivalent document) be completed and submitted for approval by the relevant authorities prior to any decision or commitment being made on behalf of the local government.

A statement of compliance can be written on or provided with the purchase requisition or alternatively, approval may be sought prior to raising the purchase requisition. Staff would include a description of the circumstances and an explanation as to how the purchase is compliant with the policy. Any market research conducted to support the decision would form part of the documentation.

REQUEST FOR EXEMPTION: When the local government has a valid and justifiable reason for not complying with the procurement policy or it is not possible to comply with the policy. For example:

- **STANDARDIZATION** is a situation where, although other suppliers are available to supply different brands or similar equipment, there is an operational requirement to ensure standardization and uniformity with existing equipment. For example, where different types of machinery may cause operational issues or where the warranty for an existing piece of equipment requires servicing by a specific supplier. This does not include situations where a purchaser simply has a preference for a particular brand or supplier.
- **BONA FIDE URGENCY** is a situation where there is an urgent or emergent need for the goods or services, without which there would be major operational issues or potential loss of life and/or property. This does not include situations where

PART 1 ENHANCING PROCUREMENT POLICY



Council
and Board
Members

insufficient time was allowed for the normal process to occur, or where there was a lack of planning for the purchase.

Just because a supplier is already engaged to provide goods/services is not a valid reason to engage that supplier for further works without undertaking an appropriate procurement process. If an appropriate procurement process cannot be undertaken for other reasons, a request for exemption may be requested.

Policy should require that a request for exemption (or an equivalent document) be documented and approved by the authorized individual prior to any decision or commitment being made on behalf of the local government. This documentation should explain what policy requirement needs to be exempted, the proposed alternative to following the policy requirement, how value for money will be achieved and the overall cost limitations, any relevant circumstances and supporting documentation. The approved request should be attached to the purchase requisition.

Requests for exemptions approved by senior management could be reported to the Council/Board as part of regular updates on procurement activities.

NON-COMPLIANCE: When a purchase or legally binding commitment was made outside of the requirements of the procurement policy and no formal request for exemption was approved in advance.

Local governments should have an Employee Code of Conduct that explicitly requires compliance with all relevant policies, including the procurement policy. Policies should make clear that an employee who fails to act in accordance with the provisions of procurement policy may be subject to appropriate disciplinary action.

Policy should specify that a Statement of Non-Compliance (or an equivalent document) is required when the local government becomes aware of an incidence of non-compliance. This is important for audit purposes. The statement should be completed with any relevant supporting documentation attached, explaining what occurred and why. It should then be submitted for review and determination of appropriate actions.

Council/Board should be notified of instances of non-compliance with the local government's procurement policy, including an explanation of how management responded to the situation.

PART 1 ENHANCING PROCUREMENT POLICY



Council
and Board
Members

5 Why do local governments need to train Council/Board, senior management and staff on procurement policies and practices?

Practices change in response to markets, legislated requirements and emerging practices. Staying current on procurement practices is as important as it is in other professional fields. Despite this, local governments do not always provide ongoing training on procurement policies and practices to their Council/Board, senior management and staff. This may be more common in local governments with decentralized procurement functions.

Council/Board and possibly senior management might not have a complete understanding of procurement practices and terminology. It is important to educate them on procurement practices so they understand how the local government's procurement function should be organized, staffed and operated.

Ongoing training of procurement staff is also important. In the public sector, staff must understand legal requirements around competitive bidding. Due to the complexity of this field and a relative lack of training for staff, "cut and paste" practices can be common when drafting bid documents. This invites risk and can lead to disputes, which can be time-consuming and expensive to resolve. Unfortunately, training related to procurement policies sometimes may not become a priority until there is a serious breach of contract or failure to perform by a supplier.



PART 1 ENHANCING PROCUREMENT POLICY

6 What should procurement policy and procedures cover?

In our performance audit work, we noted significant variation in procurement policies among local governments, with many containing gaps that – in our view – needed to be addressed. To help local governments update their procurement policies, we have provided:

- A set of procurement policy statements that is recommended to be included in every local government’s procurement policy for the effective management of procurement.
- Additional procedures and guidance on policy statements that may be specific to certain local governments. We recommend that senior management consider including some or all of these in their local government’s procurement procedures manual, if not already included.

Procurement policy will vary based on the size and complexity of the local government. As a result, there is no universal procurement policy template that will work for every local government. It is important for each organization to assess its own needs and ensure that the policy covers them off.

PROCUREMENT POLICY STATEMENTS	
OBJECTIVES AND PRINCIPLES	1. Procurement policy objectives 2. Purchasing principles
DEFINITIONS AND RESTRICTIONS	3. Definitions and interpretations used in the procurement policy 4. Restrictions, prohibitions and exceptions
AUTHORITIES AND RESPONSIBILITIES	5. Authorities and responsibilities of procurement staff, department heads and other local government staff as defined in by-laws 6. Authority and spending limit protocols 7. General operational procurement 8. Consulting services procurement 9. Services agreements, rental and lease agreements 10. Land and building purchases 11. Capital equipment 12. Public works and construction/renovation projects 13. Reporting to Council/Board
METHODS OF PROCUREMENT	Methods for Gathering Market Information (tools that do not directly result in a contract award) 14. Request for Information 15. Request for Expressions of Interest 16. Request for Qualifications



PART 1 ENHANCING PROCUREMENT POLICY

PROCUREMENT POLICY STATEMENTS (cont'd)	
METHODS OF PROCUREMENT (cont'd)	<p>Competitive Methods of Procurement</p> <ul style="list-style-type: none"> 17. Negotiation 18. Negotiated Request for Proposal 19. Invitation to Tender 20. Request for Proposal 21. Request for Quotation 22. Cooperative purchasing or government partnership agreements <p>Non-Competitive Methods of Procurement</p> <ul style="list-style-type: none"> 23. Direct contract awards 24. Urgent and emergent situations 25. Discretionary purchases 26. Purchasing card use 27. Petty cash <p>Exemptions and Exceptions to the Required Methods of Procurement</p>
CONTRACTING FOR GOODS AND SERVICES	<ul style="list-style-type: none"> 28. Conditions for contracting for: goods or services, construction-related services, and consulting services 29. Requirements for bid/performance bonds 30. Length of a contract and conditions allowing for extension 31. Contract dispute resolution procedures 32. Review by legal counsel
OTHER PRACTICES	<ul style="list-style-type: none"> 33. Comprehensive purchasing card policy (note: could be a standalone policy) 34. Issue of a public notice of intent to contract 35. Unsolicited proposals 36. Guidance on the use of subcontractors 37. Compliance with competitive bid laws, alignment with trade agreements and other legal obligations 38. Document retention 39. Supplier complaint process 40. Debriefing of unsuccessful bidders
ETHICAL CONSIDERATIONS	<ul style="list-style-type: none"> 41. Code of conduct, conflict of interest and non-disclosure agreements 42. Lobbying 43. Employee acknowledgement of compliance with the procurement policy

PART 1 ENHANCING PROCUREMENT POLICY



Local
Government
Staff

In addition to the procurement policy, we encourage local governments to develop detailed procedures and guidance to assist staff members involved in the various stages of procurement.

EXAMPLES OF PROCUREMENT PROCEDURES AND GUIDANCE

Procedures

- > Contracting Conditions (service level agreements, commodity or category types)
- > Contract administration and monitoring
- > Contract risk mitigation
- > Invoice approval and payment process
- > Review of the procurement policy
- > Use of procurement templates
- > Legal review of purchase templates and contracts
- > Disposal of assets process and responsibility
- > Criminal record check, credit checks, business license validation, legal incorporation check, WorksafeBC and other applicable legal obligations
- > Business recovery in procurement (in case of a disaster or unforeseen event, from a risk management perspective, how the procurement responsibilities will be maintained or brought back into operation to support business continuity)
- > Budget requirements and approval process
- > Vendor performance evaluation
- > Risk mitigation and management
- > Inventory management practices
- > Sustainable procurement: green/environmental, economic and social considerations in procurement
- > Social benefits

Guidance

- > Bid evaluations for vendor selection
- > Competitive processes that may lead to a commitment
- > Alignment with trade agreements (NAFTA, CETA, NWPTA, AIT)
- > “Procure to Pay” practice
- > Level and nature of documentation required in support of procurement decisions
- > When a purchase requires written terms and conditions
- > Preferences in procurement
- > Use of vendor prequalification
- > Revising bid documents and communications
- > When a tender can/should be cancelled
- > Tie bids resolution
- > Vendors’ presentations and interviews
- > Vendor communication

PART 1 ENHANCING PROCUREMENT POLICY

7 Who is responsible for the procurement policy?

All changes to procurement policy should require the approval of Council/Board. Staff responsible for procurement should, from time to time, bring forward amendments to the procurement policy for approval, whether adding new clauses or updating those currently in effect.

The policy should be completely reviewed and evaluated for effectiveness at least every five years. It should also be submitted to Council/Board for review during the first year of the new term of a Council/Board or alternatively be part of an annual orientation package.

Changes to procurement procedures and guidelines should require review and signoff by the Chief Administrative Officer or their delegate. On a periodic basis, these should be reviewed by the local government's legal counsel.

8 How do local governments ensure that their procurement policies enable best or leading procurement practices?

In today's economic environment, doing what procurement functions have always done—even if it is done very well—is often no longer enough. Under pressure to contain costs and produce results in challenging conditions, procurement functions may need to be transformed rather than simply improving their operations. That means learning about leading and best procurement practices and adopting them to the extent appropriate by including these in the local government's procurement policy and procedures.

Leading Practice

A practice that is more efficient and effective for delivering a particular outcome, based upon the constraints of the organization it is being applied to. Leading practices are leading only at a particular point in time, and are acknowledged to be continuously developing. A leading practice will generally only be leading for a period of time, after which it may become a best practice, or other practices may become leading.

Best Practice

A technique, method, process, activity, incentive, or reward that is believed to be more effective at delivering a particular outcome than any other technique, method, process, etc. when applied to a particular condition or circumstance. The idea is that with proper processes, checks, and testing, a desired outcome can be delivered with fewer problems and unforeseen complications. Best practices can also be defined as the most efficient (least amount of effort) and effective (acceptable results) way of accomplishing a task, based on repeatable procedures that have proven themselves over time for large numbers of organizations.

There is no assumption that a leading practice is actually the best and can be applied to all organizations and situations. Also, there is no assumption of permanence.

PART 1 ENHANCING PROCUREMENT POLICY

A grey speech bubble containing the text "Local Government Staff".

Local
Government
Staff

It is important for procurement staff to stay up to date on best and leading practices either by obtaining professional designations, subscribing to relevant publications and participating in workshops and training on procurement. Some examples of organizations that provide such services include:

- **Universal Public Procurement Certification Council (UPPCC)** offers two designations: Certified Public Procurement Officer (CPPO), and Certified Professional Public Buyer (CPPB). These designations are relevant to all-public and/or governmental organizations and agencies.
- **Supply Chain Management Association (SCMA)** provides the Supply Chain Management Professional designation, training and professional development for supply chain management professionals in Canada.
- **National Institute of Governmental Purchasing (NIGP)** provides professional development programs and various resources to government procurement professionals.
- **Educational Institutions** that offer Risk Management Certificates that enhance understanding of the risks an organization faces, including risks associated with supply chain management, thereby helping to prevent losses.

There are also a number of private organizations that provide educational material related to procurement.

PART 2 METRICS FOR TRACKING AND REPORTING PROCUREMENT PERFORMANCE

9 In the context of local government procurement, what is performance measurement, and why should local government define and track procurement performance?

Local governments should have a performance measurement system in place that assesses, on a regular basis (for example, quarterly), progress toward achievement of their strategic plan as it relates to the procurement function.

The National Institute of Governmental Purchasing has defined performance measurement as the “process by which procurement establishes criteria, based on strategic planning goals, for determining the results and quality of its activities. It involves creating a simple, effective system for determining whether procurement is meeting its objectives”.

It is important for the procurement function to have a performance measurement system that assesses its progress toward supporting achievement of the local government’s strategic plan. Tracking performance allows for a more strategic perspective on the local government’s procurement activity, supports planning, informs decision making and helps demonstrate accountability.

Council/Board may wish to have oversight that is more than looking at budgeting or reviewing accomplishments in procurement function. While not being directly involved in procurement activities, there is an opportunity to enhance oversight through performance measurement.

Local governments employ a range of strategies to achieve better procurement results. It is important for Council/Board and senior management to know how well these are performing and how well the procurement function is aligned with the objectives and priorities of the Council/Board.

10 How does local government define which procurement performance metrics to track?

The key for local governments is to measure how well their procurement function is performing overall and how well-aligned it is with Council/Board’s priorities and objectives.

While it is common for a local government to look at other local governments to see what they are tracking and adapt their metrics, it is important for performance metrics to be relevant and useful to the organization’s specific circumstances, using information sources that are readily accessible.

To do this, a local government will need to determine what is really important to their success in procurement and then monitor progress toward achieving this success. As a result, performance targets and metrics may vary from one local government to another depending on the particular local government’s established goals and objectives and those of their procurement function.

Depending on an organization’s specific needs, the local government will want to choose performance metrics that focus on the economy, efficiency, and effectiveness of their procurement processes or structure.

PART 2 METRICS FOR TRACKING AND REPORTING PROCUREMENT PERFORMANCE

11 What is the right number of procurement performance metrics to track?

In identifying performance metrics, it is usually best to start small and expand. It is common to identify between two to five (up to a maximum of ten) performance metrics and track them over time.

Typical performance metrics will focus on value for money (economy, efficiency, and effectiveness) of the procurement processes or structure. Local governments may want to begin the process by identifying performance metrics that are reported internally only and then, as the process matures, identify performance metrics that could also be reported to external stakeholders.

It is important that Council/Board, senior management and staff understand the interrelationships and the impact/effect of one metric on others.

We recommend against identifying and tracking too many performance metrics, as this could prove unmanageable, difficult to implement and to sustain. Try to avoid falling into the trap of collecting data, but not using it or acting on it. Instead, strike a balance between the effort devoted to collecting performance information and the value this information brings to the organization.

A performance measurement system should be relevant, and focused on the key pieces of information necessary to meet the organization's goals and objectives. Make sure it is sustainable, depending on information that can easily be gathered and disseminated year after year.

12 Who should the procurement performance metrics be reported to?

In developing procurement performance metrics, it is important to consider the audience: whether they are for reporting just to staff, to senior management, to Council/Board or for use in reports aimed at the general public.

It is important to understand the different priorities and needs of these different groups. Some of their needs will be similar, but others will vary. Generally, it is wise for local governments to select performance metrics that will be meaningful to more than one audience.

PART 2 METRICS FOR TRACKING AND REPORTING PROCUREMENT PERFORMANCE

13 How frequently should local government monitor and report on performance metrics?

Tracking performance metrics provides relevant feedback to staff, senior management and Council/Board about the current state of procurement function's performance. Performance metrics can also support decision-making on how to improve future performance. Local government will likely want to report to different audiences at different intervals, as it is possible to report daily, weekly, monthly, quarterly, bi-annually or annually.

Senior management and Council/Board should choose the frequency of reporting that it requires. In making these choices, the following aspects should be considered:

- The urgency of improving results.
- What period of time is most useful in tracking trends.
- How accurate information will be in a particular time period.
- The costs/benefits of different options for reporting frequency.

The level of automation of local government's information systems will likely influence the frequency with which government will gather data and report on metrics. For example, if the level of automation is low then the frequency will likely also decrease, as the staff time needed to gather data and report will be greater.

It is a common practice to report certain metrics directly to taxpayers annually, with a quarterly reporting to the Council/Board and more frequent reporting to senior management, management and staff.

It is important for senior management and Council/Board to be aware that the tracking and reporting of performance metrics might lead to additional staff time being devoted to follow-up questions from residents, the news media and others. This needs to be considered when implementing a tracking and reporting system.

Decisions on how frequently to report on procurement performance metrics should take into account the intended audience. Different audiences – whether staff, senior management, the Council/Board, residents or others – have different priorities and needs. Local government will want to take this into account in its selection of metrics and the level of detail to track and report.



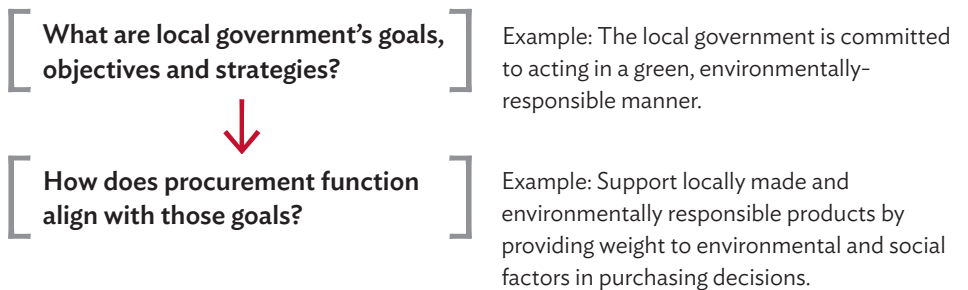
PART 2 METRICS FOR TRACKING AND REPORTING PROCUREMENT PERFORMANCE

14 Why is it important to link procurement to local government's overall goals?

Procurement is a tool to help deliver on operational mandates and commitments. Almost every aspect of procurement can be influenced by a local government's overall goals and strategies and the procurement function should actively support them. If procurement is out of sync with the local government's overall goals and strategies, it may be working at cross purposes with the rest of the organization and not adding its full value.

The challenge is to develop performance metrics that are meaningful to the local government and will lead to appropriate action within the organization.

It is important to link the two:



It is critical that the management responsible for the procurement function is familiar with the local government's priorities and develops a performance measurement framework flexible enough to adapt to potential future changes in goals on a timely manner.

Council/Board and senior management may provide the procurement function with less support and resources if its operations are not clearly linked to the local government's overall goals. Such links may not be obvious to Council/Board and senior management, so may require staff responsible for procurement to actively communicate about them in order to gain and maintain support within the local government.

15 Should our performance metrics change over time?

Performance metrics are applied differently by local governments at various points in time. Their use and application will depend on several factors and constraints, for example, the capability of the local government's information systems or the capacity of the procurement function.

Another factor affecting a choice of metrics could be the level of maturity of the local government and its procurement function. Organizations often start by focusing on cost saving performance metrics, for example, the level of savings due to new contract/supplier arrangements or purchasing initiatives. However, as the organization matures, they may begin to shift their focus to efficiency metrics, such as the cost or time required to issue a request for proposal.

PART 2 METRICS FOR TRACKING AND REPORTING PROCUREMENT PERFORMANCE

16 What are the challenges in setting performance metrics and their desirable attributes?

CHALLENGES

As already mentioned, it is critical for the staff responsible for the procurement function to be familiar with the local government's priorities and to develop a performance measurement framework flexible enough to adapt to priority changes in a timely manner.

Some local governments will face challenges in shifting from traditional purchasing tactics to more strategic procurement objectives. These require a certain amount of expertise to thoughtfully select pertinent performance metrics over time.

Finding alignment of procurement with the organization's broader objectives is another challenge to consider when developing performance metrics. Some local governments may have conflicting priorities, which could present a challenge in reaching overall conclusions about the procurement function's performance. For example, a local government might simultaneously have a focus on

- a) achieving cost savings and,
- b) direction to buy sustainable products or services and invest in local social and economic development.

Another challenge is to develop targets and performance metrics that strike the right balance between being realistic and being challenging. For example, a local government might track and report on savings achieved over a period of time, with an expectation of continuous improvement in this area. However, it is not uncommon for reductions in costs achieved through new procurement function initiatives to be much larger in the first year than in subsequent years. It may not be realistic to expect the same or increasing level of savings in subsequent years.

Other challenges in setting performance metrics may include:

- Identifying targets that are achievable within the required time frame.
- Setting targets that are achievable within the budgeted level of resources.
- Expressing targets in a clear and simple way.
- Achieving alignment between compensation framework and performance expectations.
- Setting targets that meet the needs of senior management and Council/Board.
- Collecting and reporting on data that is practical and sustainable.
- Ability to retrieve historic information or track over time.
- Developing a formula, definition or model for consistency in tracking performance metrics.
- Revising metrics as their relative value to the organization changes over time.



PART 2 METRICS FOR TRACKING AND REPORTING PROCUREMENT PERFORMANCE

DESIRABLE ATTRIBUTES

Local governments should evaluate each potential performance metric by determining if it is:

- Easily understood by local government departments, Council/Board and the general public.
- Focused on results or desired outcomes and defined with a specific goal or expected level of performance.
- Well-defined and considers both the quantitative (how much) and the qualitative (how well) aspects of a service.
- Balanced to include cost savings along with quantifiable and qualitative metrics.
- Developed by seeking stakeholder input early in the process.
- Developed with a written definition and well-defined calculation showing how data will be reported.
- Realistic and sustainable in terms of available resources, funding and timeliness and recognizes any externalities that are beyond the control of the local government.
- Overall, follows a SMART format – Specific, Measurable, Achievable, Realistic and Time-related.

17 What are good examples of procurement performance metrics?

Based on our review of literature on the topic and consultation with subject matter experts, we have compiled a list of potential procurement performance metrics that local governments may want to consider in developing their own metrics. Because local governments vary greatly in size, complexity and capacity, we have grouped these into two categories:

PRIMARY: core metrics relevant to all local governments

SECONDARY: metrics that are non-core or specific to certain objectives of some local governments

This division of procurement performance metrics is not intended to limit local governments to performance metrics in a certain category. We encourage local governments to review both categories of metrics in each area and identify those that are the most valuable based on their situation and the criteria discussed elsewhere in this document.



PART 2 METRICS FOR TRACKING AND REPORTING PROCUREMENT PERFORMANCE

Examples of Procurement Performance Metrics

I. COST SAVINGS / COST AVOIDANCE METRICS	
PRIMARY	<ul style="list-style-type: none"> > Organizational budget > Total spend > Purchase spend > Percentage of spend under management > E-business spend > Actual to budget expenditures total and by type (year over year trend) > Total savings > Value and percentage of spending through collaborative or master arrangements (for example cooperative buying groups, master standing offers, corporate service arrangements, contract consolidation, shared services and others) > Reduced inventory holdings > Inventory turnover rate
SECONDARY	<ul style="list-style-type: none"> > Refunds, credit, and/or rebate payments made by vendors > Savings per employee > Amount of savings due to new contract, supplier arrangements or purchasing initiatives > Change in costs due to using alternative goods or services (for example use of plastic instead of steel) <i>Note: this may be a “one-off” metric that might be challenging to track over time</i> > Spend related to specific socio-economic or environmental policies



PART 2 METRICS FOR TRACKING AND REPORTING PROCUREMENT PERFORMANCE

Examples of Procurement Performance Metrics (cont'd)

II. VENDOR-RELATED METRICS	
PRIMARY	<ul style="list-style-type: none"> > Percentage of active suppliers with contracts \geq \$1M per year and \leq \$1M per year (or a range appropriate to the local government's spend) > Number of supplier and/or contractor performance evaluations formally completed per year > Average number of suppliers responding to competitive solicitations > Supplier satisfaction ratings
SECONDARY	<ul style="list-style-type: none"> > Annual spend with small to medium enterprises (SME as defined by the Province of BC) > Annual spend with social enterprises and/or not-for-profit organizations > Number of new sources of particular goods and services > Potential local suppliers identified > Number of firms involved in local supplier development programs > Value and percentage of spend on 'buy local' procurement > Number of vendor debriefings



PART 2 METRICS FOR TRACKING AND REPORTING PROCUREMENT PERFORMANCE

Examples of Procurement Performance Metrics (cont'd)

III. PROCUREMENT EFFICIENCY METRICS	
PRIMARY	<ul style="list-style-type: none"> > Number of competitive bids issued (for example RFQ, RFP, etc.) > Percentage of spend through centralized purchasing group > Contracts direct-awarded: number, \$ value in total and by department > Number of pre-qualified vendors > Volume (\$) of procurement spend transacted electronically or through other transaction methods (for example P-cards) > Savings achieved from procurement spend transacted electronically or through other transaction methods (for example P-cards) > Number of exceptions to the procurement policy (will require a description of specific exceptions and reasons for exceptions) > Cost per P-card transaction
SECONDARY	<ul style="list-style-type: none"> > Cost to issue a competitive bid (for example RFP, RFQ, etc.) > Amount of time required to evaluate competitive bids > Cost to issue a cheque to a supplier through the accounts payable department > Cost to administer the P-card program > Percentage use of P-cards on transactions under a set threshold > Procurement operating costs as a percentage of managed spend > Average spend per full time equivalent procurement staff > Procurement cycle time from the beginning of a sourcing process to the time a contract is executed <li style="padding-left: 20px;"><i>Note: care should be taken as a quick turnaround may not be indicative of a good outcome</i> > Internal customer satisfaction with the purchasing group



PART 2 METRICS FOR TRACKING AND REPORTING PROCUREMENT PERFORMANCE

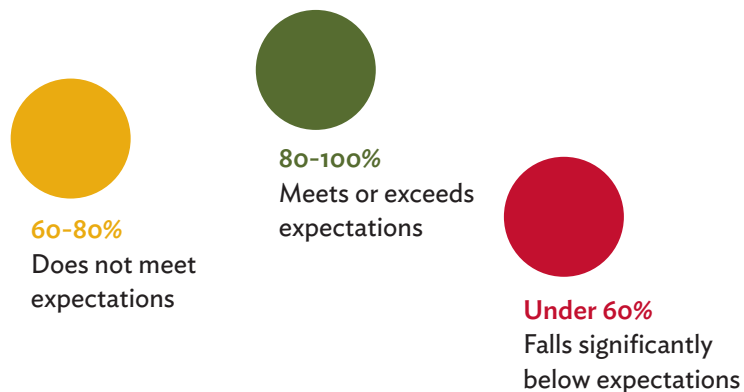
Examples of Procurement Performance Metrics (cont'd)

IV. PROFESSIONAL DEVELOPMENT AND PROCUREMENT EMPLOYEE RETENTION METRICS	
PRIMARY	<ul style="list-style-type: none"> > Number of full time employees with a professional certification (e.g. CPPO, CPPB or SCMP) > Spend per full time procurement employee on procurement-related training
SECONDARY	<ul style="list-style-type: none"> > Workplace engagement scores of procurement staff > Purchasing staff/total employees > Purchasing staff/total spend > Total number of procurement employees retained year-over-year

Once the local government identifies procurement performance metrics, it is important to ensure consistency in how each is calculated, how information is collected and where it is stored (for example, shared hard drive, public website and others). To assist with this, it is useful for those responsible for setting and reporting on each procurement performance metric to complete a performance metric measurement template for each metric.

Performance metrics should have a range for each target established and agreed to. Below is a graphical presentation of how target ranges can be used by a local government as part of regular dashboard reporting to senior management and the Council/Board.

PERFORMANCE TARGET



PART 2 METRICS FOR TRACKING AND REPORTING PROCUREMENT PERFORMANCE

18 How much effort should local government invest in procurement performance metrics?

It is important for local government to assign clear accountability for the performance measurement process, preferably at a senior level. In addition, the local government should identify one or more staff positions as having performance measurement functions as a core job responsibility. If accountabilities are not assigned to specific positions, local governments may not devote sufficient attention to the performance measurement process, which would make the process less useful.

We recommend that local governments begin by identifying a small number of performance metrics and then build expertise in collecting the data, interpreting results and ensuring that the performance measurement process is sustainable. Only when this has been achieved should local governments add metrics and make the process more comprehensive.

THE IMPORTANCE OF ONGOING REVIEW

Local governments should periodically reassess their set of metrics and change or add to them to make sure they remain relevant and sustainable over the long term. However, try to avoid continuously changing metrics, as continuity is important for the results to be meaningful over the long term.

PART 3 MANAGEMENT OF VENDOR PERFORMANCE

19 What is vendor performance?

Vendor performance is the action taken by a vendor to meet its contractual obligations in delivering goods or providing services. Organizations oversee vendor performance through a set of activities that include:

- Monitoring;
- Evaluating;
- Applying corrective measures (if necessary); and,
- Reporting on whether performance objectives were met as per the contract terms and conditions.

Vendor performance assessment plays a key role in ensuring value for money in a contract.

20 Why should local governments have a vendor performance program?

When a local government and a vendor enter into a contract, both parties have legally binding obligations that are outlined in the terms and conditions. Taking a management approach to vendor performance holds vendors accountable for their obligations to the local government and helps achieve best value for the taxpayer. Measuring, monitoring, evaluating and reporting on vendor performance creates an atmosphere that fosters better communication and results in improved vendor relationships.

A good vendor performance program helps protect local government's interests and provides transparency on what the government's expectations are, what evaluation criteria will be used and what the outcomes should be for both parties. If vendor performance information is adequately gathered, validated and shared, it can inform future contract award decisions and prevent contracting with repeat poor performers.

Local governments should establish a clear process for incorporating and implementing vendor performance information for future procurement. If "internal references" such as vendor performance on previous projects might influence future procurement awards, this has to be clearly articulated to vendors to ensure fair, open and competitive public procurement processes.

The sheer volume and nature of a local government's contracts should dictate its level of vendor performance management and approach to supplier relationship management. This should be determined prior to going to market.

An effective vendor performance program shares lessons learned to continuously improve processes and tools, and address issues that may prevent the program from being successful. Senior management should periodically assess its efficiency and effectiveness, revisit the purpose and confirm that it is aligned with the local government's strategic objectives.

PART 3 MANAGEMENT OF VENDOR PERFORMANCE

21 What are the key elements of a vendor performance management framework?

It is important for local governments to have a framework in place for the successful implementation of a vendor performance program. A local government's vendor performance framework should include four elements:

- i) Vendor performance policy;
- ii) Processes and procedures;
- iii) Automated systems that assist in monitoring, evaluation and reporting vendor performance; and,
- iv) Reporting and feedback mechanisms.

At a strategic level, a framework allows a local government to align its vendor performance program with corporate objectives and risk management strategies. It focuses on what is important and why it is important. The framework assists the organization to operate in a cohesive manner, providing corporate-wide information for decision making.

22 Why should local governments have a vendor performance policy?

A vendor performance policy, which could be a standalone document or part of the local government's procurement policy:

- Formalizes the overall approach to managing vendor performance.
- Increases fairness by ensuring that all vendors are treated consistently.
- Enhances transparency of the procurement process by providing information to vendors on the local government's expectations and the basis for decisions and actions.

A good vendor performance policy should:

- Be linked to corporate objectives and risk management strategies.
- Have full support from senior management and Council/Board.
- Support fairness, openness and transparency.
- Identify roles and responsibilities.
- Establish performance metrics and evaluation criteria.
- Enhance relationships with vendors.
- Provide vendors with an opportunity to review and comment on evaluations.
- Provide for an independent dispute resolution mechanism.
- Establish corrective measures.
- Use evaluation results to validate procurement strategies, evaluation criteria and contractor selection methodology, thereby supporting continuous improvement of the procurement process.
- Identify reporting requirements.



PART 3 MANAGEMENT OF VENDOR PERFORMANCE

23 What are best practices in managing vendor performance?

Rightsizing - is key. Any model has to be "fit for purpose" and scalable. Not every procurement requires a rigorous vendor performance review. Such a requirement depends on whether this is a recurring purchase, its complexity, the size of expenditure and how strategic it is to local government's needs. It is common to evaluate vendor performance by type of commodity or services, focusing on vendors with the largest spend.

- Provide for a system to capture vendor performance information in a cost effective manner (for example, using online survey tools).
- Require the sharing of vendor performance information with procurement review staff to assist them in future contract award decisions.

The success of a local government's vendor performance program depends on the commitment of senior management and on how effectively its elements are linked.

Local governments should determine the level of vendor performance it considers adequate during the development of each procurement strategy. Local government can identify this by assessing the complexity, risk, financial threshold, agreement type and other characteristics of the procurement. The key question is: "Is this a strategic supplier to the local government or a general supplier of goods?" The rigour of the performance evaluation will vary based on how critical the procurement is to the organization.

Best practices that contribute to improving the fairness, openness and transparency of the procurement process include the following:

ESTABLISHING PROCESSES
Build on established processes to manage ongoing vendor performance. These processes are structured and defined according to the type of commodity, the operational requirements to be satisfied and the value, scope and complexity of the contract.
Communicate with the vendor community about the introduction of a vendor performance management program in order to manage any fears of the program being punitive.
PROCUREMENT PLANNING
Identify vendor performance measures at the requirement definition stage of the procurement process and incorporate them into solicitations and resulting contracts. This is a good practice to support fairness and transparency and is critical for the effective monitoring and evaluating of vendor performance during the lifecycle of a contract. If this is done, it assists in holding vendors accountable for performance and minimizes the risk of legal challenges should the organization apply corrective measures.
USE OF PERFORMANCE INDICATORS
Develop key performance indicators to measure vendor performance. These can be used to help select from rotational qualified supplier lists. If local governments build an evaluation process into each use of a specific vendor on a qualified supplier list, then measures of their performance can be used to help determine whether they will be selected in the future.

PART 3 MANAGEMENT OF VENDOR PERFORMANCE



Local
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USE OF PERFORMANCE CLAUSES

Build performance clauses into contracts that penalize the vendor for performing below an agreed-upon service level. Local governments can use payment holdbacks (for example, ten per cent of the contract value) in certain contracts to ensure compliance with all terms and conditions of the contract before paying the vendor in full.

ONGOING MONITORING

Use dedicated staff to conduct ongoing monitoring activities. This can help ensure that performance issues are raised and dealt with swiftly and effectively. Ongoing monitoring minimizes contract risks linked to time, quality, schedule and cost. It reduces delays in execution of the work and payment to the vendor as well as costly legal action to resolve disputes and potentially needing to repeat a competition for a contract if it is terminated.

USE OF TOOLS

Use formal tools such as milestones, progress meetings and technical review meetings to manage performance issues as they occur. Local governments may also want to use checklists, forms, templates, user guides and manuals. These tools support decision-making and contribute to improving the procurement process' fairness and transparency.

USE OF AUTOMATED SYSTEMS

Use an automated system to effectively manage vendor performance when an organization has a large number of contracts under their responsibility. This can assist in the monitoring, evaluation and reporting of vendor performance.

Small to medium sized local governments may not have sufficient resources to invest in this type of software, but can use existing systems to maintain corporate history on vendor performance, including corrective measures that have been applied.

Larger or more mature local governments may wish to use customized software for contract management/knowledge management or a specific system to measure the performance of the vendor against key performance indicators.

CONTRACT FILE CLOSE-OUT PROCEDURES

Have formal file close-out procedures. These may include verification with users of the product or recipient of the service that the goods have been delivered or services rendered in accordance with the contract, verification that the vendor has been paid and verification that a vendor performance evaluation form has been completed.

Uphold the principles of fairness and transparency by informing the vendor, at the solicitation phase, that a formal evaluation will be conducted upon completion of the contract and that the results will be provided to the vendor, who then has an opportunity to provide comments.

PART 3 MANAGEMENT OF VENDOR PERFORMANCE

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CORRECTIVE MEASURES

Apply corrective measures where appropriate. The application of corrective measures sends a message to vendors that there are consequences for not meeting contract performance objectives, such as suspending future bidding privileges of vendors for a specific or indefinite period.

DEFENDING LEGAL CHALLENGES

Clearly communicate performance expectations in advance to vendors, properly document poor performance and apply corrective measures accordingly and following due process. Each of these steps will assist local government in justifying its actions if legally challenged by a vendor.

24 Are vendor performance evaluation templates available?

We consulted with subject matter experts to help us prepare three examples of vendor performance evaluation templates:

Vendor Post Contract Completion Evaluation Template for Consulting Contracts

Vendor Post Contract Completion Evaluation Template for Other than Consulting Contracts

Interim Vendor Performance Monitoring Template

Once a vendor evaluation process is well established and several vendor performance evaluations have been completed, we encourage local governments to begin regular reporting to Council/Board using a summary report.

We also encourage local governments to discuss how long to keep vendor performance evaluations on file. Past vendor performance evaluations can be used to evaluate future competitive bidding response scores.

We suggest that local government staff review the templates presented here, adapting them to match the specific needs and capacity of their local government.



PART 3 MANAGEMENT OF VENDOR PERFORMANCE

VENDOR POST CONTRACT COMPLETION EVALUATION TEMPLATE FOR CONSULTING CONTRACTS

Date:	Contract No.:
Name of Contractor:	Contract/Project Manager:
High level overview of services provided:	
Solicitation method:	Dollar value of the contract and terms:

POST CONTRACT EVALUATION (EXAMPLES)	VENDOR PERFORMANCE RATING (see guidelines on page 40)					
	SCORE 7	SCORE 5	SCORE 3	SCORE 2	SCORE 0	SCORE N/A
The contractor’s ability to plan work as directed by the local government’s project plan, specifications, standards and schedule(s).						
The contractor’s flexibility and attitude to local government-imposed amendments/changes to the work plan/schedule(s).						
The contractor’s ability to complete the original or revised contract on schedule and within budget.						
The contractor’s ability to meet the requirements of a Service Level Agreement for critical areas.						
The contractor’s ability to effectively supervise all aspects of the contract.						
The contractor’s ability to work well with local government’s staff, inspectors and outside agencies.						
The contractor’s adherence to all relevant technical, financial, operational and safety regulations (for example, WCB clearance letter, approved safety program, etc.).						
The contractor’s ability to work well with subcontractors.						
The contractor’s response to constructive criticism and progress evaluation reports.						
Did the contractor recommend or request any changes to the work plan?						
Were these requests accepted?						

Other comments:

TOTAL SCORE *(Note: The local government will need to maintain documentation in support of the scores.)*

Would you contract with this contractor again?



PART 3 MANAGEMENT OF VENDOR PERFORMANCE

VENDOR POST CONTRACT COMPLETION EVALUATION TEMPLATE FOR OTHER THAN CONSULTING CONTRACTS

Date:	Contract No.:
Name of Contractor:	Contract/Project Manager:
High level overview of services provided:	
Solicitation method:	Dollar value of the contract and terms:

POST CONTRACT EVALUATION (EXAMPLES)	VENDOR PERFORMANCE RATING (see guidelines on page 40)					
	SCORE 7	SCORE 5	SCORE 3	SCORE 2	SCORE 0	SCORE N/A
Were the inputs provided in accordance with the project plan?						
Did these inputs meet the quality standards or specifications?						
Did the outputs achieve the local government’s objectives?						
Were the outputs completed according to the local government’s standards / specifications?						
Were the outputs achieved on time?						
Was the contractor able to meet the requirements of a Service Level Agreement for critical areas?						
Were all the risk factors identified? Successfully dealt with?						
Was the contract monitoring plan appropriate and workable?						
If amendments or changes to the contract were made, were they necessary and successful?						
Was the contract completed on the original or amended budget?						
Did this contract provide any residual benefits to the local government?						
Did local government personnel receive new ideas or approaches for future contracts of this kind?						
Did the contract progress smoothly to final completion?						
Did the contract achieve its objectives in the most economical, efficient and effective manner?						

Other comments:

TOTAL SCORE *(Note: The local government will need to maintain documentation in support of the scores.)*

Would you contract with this contractor again?



PART 3 MANAGEMENT OF VENDOR PERFORMANCE

INTERIM VENDOR PERFORMANCE MONITORING TEMPLATE

Date: _____ Contract No.: _____

Name of Contractor: _____ Contract/Project Manager: _____

High level overview of services provided:

Solicitation method: _____ Dollar value of the contract and terms: _____

INTERIM PERFORMANCE MONITORING (EXAMPLES)		COMMENTS
Are the services proceeding according to the terms of the contract?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>]	
Do invoices correlate to the work performed to date, as per the terms of the contract?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>]	
Have progress reports been submitted, complete and on time, as per the terms of the contract?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>]	
Does the contractor meet its financial obligations to subcontractors?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>]	
Does the contract require any amendments due to unexpected findings?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>]	
Are corrective actions necessary to ensure the contractor fulfills obligations as per the contract terms? If yes, provide details of intended actions.	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>]	

Provide details of monitoring strategies used to date (e.g. site visits, complaints investigations, surveys, random samples, analysis of documentation developed, etc.)



PART 3 MANAGEMENT OF VENDOR PERFORMANCE

VENDOR PERFORMANCE RATING GUIDELINES

The guidelines presented below are an example of a subjective way to assess a vendor’s performance. A final score should be reached by consensus and/or averaged by the number of staff completing an evaluation to mitigate bias. The evaluation process should include end users, procurement, legal, finance or accounting staff or other affected stakeholders to assess their perception at the completion of a project. This forms a part of the contract record and can be used when evaluating future proposals.

RATING	SCORE	DEFINITION
EXCEPTIONAL	7	Exceeds many of the objectives as per the statement of work to the organization’s benefit; work completed early or on time; where necessary, corrective actions taken were effective; deliverables, including technical performance, exceeded expectations.
VERY GOOD	5	Meets the objectives as per the statement of work and exceeds some to the organization’s benefit; work was completed on time; corrective actions taken were effective; deliverables, including technical performance, were within expectations.
SATISFACTORY/ GOOD	3	Meets the minimum requirements as per the statement of work; most of the work was completed on time; corrective actions taken required organizational staff input.
MARGINAL	2	Failed to meet some of the requirements as per the statement of work; the current scope of work was partially completed; deliverables were partially met but full completion is unlikely.
UNSATISFACTORY	0	Does not meet most contractual obligations; full completion is unlikely; corrective actions were ineffective; the current scope of work is incomplete; corrective actions failed to resolve related issues or were not implemented; deliverables were not met.
NOT APPLICABLE	N/A	Based on specific conditions or criteria.

PART 3 MANAGEMENT OF VENDOR PERFORMANCE



RIGHTSIZING VENDOR PERFORMANCE FRAMEWORK

As with developing performance metrics, there is no single best model for vendor performance. Vendor performance evaluations should not necessarily be required for every vendor the local government has business with; which vendors and contracts to evaluate may be based on risk, opportunities and materiality. The size, complexity and circumstance of the local government will have to be considered.

Smaller local governments, will of necessity, need to tailor their approach to their needs and capacity. This, for example, may mean evaluating certain suppliers only, determined by considerations such as annual cost. Such evaluations may include collecting a limited amount of information and developing less complex templates. Smaller local governments with a similar approach may wish to work together on developing a vendor performance system and sharing the cost of doing so. As a local government's capacity grows, its evaluation framework can be made more sophisticated.

RESOURCES

We encourage local governments to explore the numerous resources that are available. The following list is in addition to a list of resources included in question eight of this booklet:

NIGP: The Institute for Public Procurement - global best practices.

“The Partnership for Public Procurement” by the CIPS and NIGP.

“BC Bid Resources” - B.C. government corporate resource for purchasing goods, services and construction.

“Responsible PPP (Public Private Partnership) Procurement for British Columbia” by the Canadian Council for Public-Private Partnerships.

“Management Approach to Vendor Performance” a study by the Office of the Procurement Ombudsman (OPO).

“Best Practices in Performance Measurement, Part 1: Developing Performance Measures,” a National State Auditors Association Best Practices Document.

“KPIs: Winning tips and common challenges” by Dr. Rachad Baroudi PhD, Director, Strategy Advisory Services, EY, United Arab Emirates.

“Procurement policy” of the Town of Bradford West Gwillimbury.

DEFINITIONS

Local Governments

Local governments (as defined by *the Auditor General for Local Government Act*) are municipalities, regional districts, greater boards, commissions, corporations or other organizations that are financially controlled by one or more municipalities, regional districts or greater boards and any other local body that may be prescribed by regulation at some point in the future.

Council

The duly elected Municipal Council of a local government.

Board

The board of directors of a regional district.

Procurement

The combined functions of purchasing, inventory management, transportation, receiving and inspection, salvage and disposal operations.

Purchases

All acquisitions financed by tax levies, user rates, debenture issues, leases or donations as approved by the Council/Board.

Procurement Policy

Policies governing purchasing that have been approved by the Council/Board, as amended from time to time.

Purchasing Group

The designated authority responsible for the procurement of goods, services and/or construction on behalf of the local government.

Purchasing Staff

The staff performing the purchasing function on behalf of a local government.

Policy

A governing principle or plan as set out by the Council/Board that establishes general parameters for the local government to follow in carrying out its responsibilities.

Procedure

A series of steps to be followed as a consistent and repetitive approach to accomplish specific results.

Performance Management

An ongoing, systematic approach to improving results through evidence-based

DEFINITIONS

decision making, continuous organizational learning and a focus on accountability for performance. Performance management is integrated into all aspects of an organization's management and policy-making processes, aligning an organization's practices so it is focused on achieving improved results.

Performance Measurement

A process by which procurement establishes criteria, based on strategic planning goals, for determining the results and quality of its activities. It involves creating a simple, effective system for determining whether procurement is meeting its objectives.

Performance Metrics

Measures used to gauge performance. They are an analytical application of measurements that allows comparison of performance standards.

Key Performance Indicators

The metrics used by a local government that are deemed critical for success.

NAFTA

The North American Free Trade Agreement is an agreement among the United States, Canada and Mexico designed to remove tariff barriers between the three countries.

NWPTA

The New West Partnership Trade Agreement (NWPTA) is an accord between the Governments of British Columbia, Alberta and Saskatchewan that creates Canada's largest, barrier-free, interprovincial market.

AIT

The Agreement on Internal Trade is an intergovernmental trade agreement. Its purpose is to reduce and eliminate, to the extent possible, barriers to the free movement of persons, goods, services, and investment within Canada and to establish an open, efficient, and stable domestic market.

CETA

The Comprehensive Economic and Trade Agreement is a free trade agreement between Canada and the European Union. If approved, the agreement would begin to come into effect in 2016. CETA is expected to surpass the North American Free Trade Agreement between Canada, the United States, and Mexico as Canada's largest cross-border agreement.

AGLG CONTACT INFORMATION

The AGLG welcomes your feedback and comments. Contact us electronically using our website contact form on www.aglg.ca or email info@aglg.ca to share your questions or comments.

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