

Attachment A

Sourcing Framework Principles

Sourcing Framework Principles

1. The purpose of the Sourcing Framework Principles (the Principles) is to:
 - (a) Support strategic planning and decision-making to meet the diverse needs of the community;
 - (b) Ensure services provide the best possible value and quality outcomes and provide innovation opportunities for residents and ratepayers; and
 - (c) Provide a standard process to assess optimal service delivery when managing contracts and planning for procurement.
2. The Principles apply to major services contracts:
 - (a) with a value over \$5M;
 - (b) expiring within the term of Council;
 - (c) delivering services traditionally performed by councils.
3. These include services performed by not-for-profit organisations, but exclude the following categories: IT, major construction and specialised services.
4. Staff may utilise the Principles when performing service reviews, or throughout the procurement decision-making cycle, as appropriate.

Staged Approach

5. Opportunities to insource services follow a sequential process:
 - (a) Stage 1 –High-Level Review;
 - (b) Stage 2 – Costs and Benefits Analysis; and
 - (c) Stage 3 – Readiness Assessment.
6. Stage 1 – High Level Review – Criteria to select which opportunity could be subject of a detailed cost benefit analysis in Stage 2:
 - (a) Level of investment in assets, infrastructure or similar, compared with Council's Long-Term Financial Plan commitments;
 - (b) Non-specialised resources readily available in the employment market;
 - (c) Demand for services is regular and continuous, allowing for full-time employment;
 - (d) No conflict with other strategies to support and grow specific segments of the economy and community; and
 - (e) Time required to perform the review against contract expiry timelines and operational requirements for services.

7. Stage 2 - Cost Benefit Analysis – Criteria to select opportunities that could be subject to a readiness assessment:
 - (a) Assess risk against the Council's risk appetite;
 - (b) Identify the potential benefits, including non-financial benefits, of insourcing and outsourcing;
 - (c) Assess the financial sustainability of each option through a cost benefit analysis;
 - (d) Assess competitive neutrality;
 - (e) Assess the impact on accessing innovation and economies of scale; and
 - (f) Oncosts for services valued between \$5M and \$20M are calculated using internal assumptions and templates such as the City's Activity Based Costing template audited by the NSW Audit Office. Any service with a total contract value exceeding \$20M includes a detailed overhead validation as part of Stage 2.
8. Stage 3 – Readiness Assessment:
 - (a) Availability of the necessary workforce and likely engagement period;
 - (b) Availability of appropriate facilities including, plant and fleet to support resources;
 - (c) Indirect resources required to support additional activities;
 - (d) Related procurements such as specialised subcontractor arrangements; and
 - (e) Transition risk and direct and indirect workload assessment.
9. Stages 2 and 3 may be combined depending on the contract value and complexity and may include consultation with industry groups or unions, as appropriate.

Timing of reviews

10. A Council briefing will be held within 12 months of the election of Council to advise of the outcome of Stage 1 assessment.
11. Staff will complete assessments of insourcing opportunities in relation to contracts progressing to following stages prior to retendering these services and advise Council of the outcome by CEO Update at least 6 months prior to the contract expiry.