



**11.1 ANNUAL PROCUREMENT POLICY REVIEW**

**EXECUTIVE MEMBER: CHRIS CARROLL, GENERAL MANAGER, CUSTOMER AND CORPORATE SERVICES**

**PREPARED BY: WAYNE MOORE, COORDINATOR CONTRACTS, PROCUREMENT & FLEET**

**1. PURPOSE**

- 1.1 To outline the results of the annual review of the Procurement Policy and seek approval of the revised Procurement Policy.

**2. EXECUTIVE SUMMARY**

- 2.1 In November 2008 amendments to the Local Government Act 1989, (the **Act**), were passed including Section (186A) which requires Council to prepare and approve a Procurement Policy.
- 2.2 The Act also requires Council to review the Procurement Policy annually and make it available for public inspection.
- 2.3 The Local Government Act 2020 contains new provisions regarding procurement come into effect on 1 July 2021. Councils have a 'grazing' period in which they can get ready and align their processes and policies with the new Act by 31 December 2021.
- 2.4 With that in mind and the introduction of new finance and procurements systems in July 2020 (requiring stability in policy and procedures during the bedding in phase), the review of the procurement policy for this year has been light touch, with a deeper review planned for next financial year.
- 2.5 The Finance Department has led the annual review of the Procurement Policy with input from a range of stakeholders.
- 2.6 The proposed changes in 2020 include;
  - 2.6.1 Clarification on the introduction of the Modern Slavery Act 2018
  - 2.6.2 General enhancements to align with Council's new Contracts and
  - 2.6.3 Procurement system (Technology one)
  - 2.6.4 Focus on encouraging local business opportunities
  - 2.6.5 Risk review of all general procurement for OHS compliance
- 2.7 Further enhancement to Council's corporate social procurement practices including how the policy supports environmental sustainability.
- 2.8 Policy principles have been consolidated to reduce duplication (without losing intent of each principle), highlight our commitment to corporate social responsibility, and better enable development of a monitoring and reporting framework in relation to each principle.



**3. RECOMMENDATION**

That Council:

- 3.1 Notes that the annual review of the Procurement Policy has been completed that facilitates increased efficiency, probity and corporate and social responsibility.
- 3.2 Adopts the Procurement Policy 2020 (Attachment 1).
- 3.3 Authorises the CEO to make minor editorial amendments to the document that do not materially alter the intent of the Policy.

**4. KEY POINTS/ISSUES**

- 4.1 The procurement profile and performance measures from the past 3 years is summarised in the following tables;

**Table 1: Procurement Profile**

Indicator	2017/18	2018/19	2019/20 YTD
Total number of purchase orders	13,130	12,970	10,169
Total \$ of invoices paid	\$142,267,960	\$159,544,514	\$119,609,241
Number of public tenders	97	70	54
Total expenditure under contract	\$73,354,598	\$92,890,894	\$70,537,165

**Table 2: Performance Measures**

Indicator	2017/18	2018/19	2019/20 YTD
% of purchase orders raised prior to invoice	92	93	94
Number of breaches of Section 186 of the Act	1	0	0
Negotiated savings through best and final offer	\$360,908	\$2,050,000	\$333,000

- 4.2 Analysis of the procurement activity highlights a reduction in all forms of procurement in the final quarter of this financial year reflecting the impact of COVID 19.
- 4.3 Year to date in 2019/20 there were no breaches of Section 186 of the Act identified.



- 4.4 The level of expenditure under contract remains consistent with previous years at approximately 59%.

## **5. CONSULTATION AND STAKEHOLDERS**

- 5.1 The review was informed by ongoing feedback with key stakeholders including the Corporate Social Responsibility category areas within Council together with changes in legislation.
- 5.2 The Sustainability team were engaged on all public tenders that exceeded \$1 million.

## **6. LEGAL AND RISK IMPLICATIONS**

- 6.1 The policy is a requirement of Section 186 of the Local Government Act 1989.
- 6.2 The revised policy seeks to reduce the risk of legislative breaches through enhanced monitoring and reporting of procurement activity and more detailed guidance.
- 6.3 Implementation of the new Enterprise Resource Planning System will see improvement in processes.

## **7. FINANCIAL IMPACT**

- 7.1 The proposed minor changes to the Procurement Policy will not have any direct financial implications. The policy continues its focus on achieving best value from procurement activities including collaborating with other council's to achieve financial savings and identify better practices.

## **8. ENVIRONMENTAL IMPACT**

- 8.1 The Policy embeds corporate social responsibility including (environmental sustainability) into council's procurement practices.
- 8.2 Over the next 12 months further enhancements will be implemented to enable better measurement and reporting of achievements in this area
- 8.3 Several public tenders invited throughout the period had direct environmental sustainability impact.

## **9. COMMUNITY IMPACT**

- 9.1 The Procurement Policy incorporates a framework for the application of Corporate and Social Responsibility.
- 9.2 A Social and Sustainability Procurement action plan is being developed based on the Department of Treasury and Finance Social Procurement Framework, and other State and Local Government models.
- 9.3 Ongoing membership of the relevant peak bodies further support this objective.

## **10. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY**

- 10.1 The Policy supports the Council Plan 2017-20207. The key alignments include;
- 10.1.1 Direction 3: We have smart solutions for a sustainable future. Broader sustainable engagement in decision making together with an integrated sustainability training program.
- 10.1.2 Direction 6: Transparent governance and actively engaged community. The consistent application of sound procurement processes promotes culture and good governance.



10.2 The Policy supports the Council's commitment to addressing Climate Change through its focus on supporting environmental sustainability in procurement activities.

## **11. IMPLEMENTATION STRATEGY**

### **11.1 TIMELINE**

- 11.1.1 Following adoption, the Procurement Policy will be updated on both the Intranet and the Internet by 1 July 2020.
- 11.1.2 An internal communication will be sent to staff advising them of the revised changes by 1 July 2020.
- 11.1.3 The ongoing Procurement and Tender Management training program will continue and reflect the changes introduced in this policy.

### **11.2 COMMUNICATION**

- 11.2.1 In accordance with the requirements of Section 186 of the Local Government Act 1989 the Procurement Policy must be reviewed and approved by Council on an annual basis.
- 11.2.2 The proposed changes reflect legislative amendments and an ongoing focus on Corporate and Social Responsibility.

## **12. OFFICER DIRECT OR INDIRECT INTEREST**

12.1 No officers involved in the preparation of this report have any direct or indirect interest in the matter.

**TRIM FILE NO:** 34/11/19

**ATTACHMENTS** 1. 2020 Final Procurement Policy