



14.2 **PROCUREMENT POLICY UPDATE**

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

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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) were passed including Section (186A) which requires Council to prepare and approve a Procurement Policy.
- 2.2 The Act also requires that Council review the Procurement Policy annually and make it available for public inspection.
- 2.3 The Finance Department has led the annual review of the Procurement Policy with input from a range of key stakeholders.

3. RECOMMENDATION

That Council:

- 3.1 Notes that the annual review of the Procurement Policy has been completed that facilitates increased efficiency, probity and sustainability.
- 3.2 Adopts the Procurement Policy 2018.

4. KEY POINTS/ISSUES

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



TABLE 1 PROCUREMENT PROFILE

INDICATOR	2015/16	2016/17	2017/18 YTD
TOTAL NUMBER OF PURCHASE ORDERS	12,074	11,679	13,130
TOTAL INVOICES PAID	\$124,090,873	\$134,668,934	\$142,267,960
NUMBER OF PUBLIC TENDERS	100	83	97
TOTAL EXPENDITURE UNDER CONTRACT	\$69,731,682	\$75,053,547	\$72,354,598

TABLE 2 PERFORMANCE MEASURES

INDICATOR	2015/16	2016/17	2017/18 YTD
% OF PURCHASE ORDERS RAISED PRIOR TO INVOICE	83	85	92
NUMBER OF BREACHES OF SECTION 186 OF THE LGA	NIL	1	1
NEGOTIATED SAVINGS THROUGH BEST AND FINAL OFFER	\$724,397	\$505,099	\$360,908

4.2 Analysis of the procurement activity highlights an increase in the number of purchase orders being raised.

4.3 The total value of invoices paid has also increased from the previous period.

4.4 The percentage of purchase orders raised prior to the invoice continues to increase.

Summary of key changes

4.5 Following the comprehensive strategic review of the Procurement Policy in 2017, the changes proposed in 2018 include;

4.5.1 Ensuring all Council procurement considers ethical supply chain issues including modern slavery guidelines. The assessment must also include any second, third or corresponding tier supply chains.

4.5.2 The tender evaluation process should take into consideration a whole of life costing assessment.

4.5.3 Further clarification of the Corporate and Social Responsibility (CSR) characteristics. The scope for the identification of organisations has also



been broadened to incorporate vendors that “support or provide ancillary services”. The specific CSR industries have been expanded to Fossil Fuel energy generation, exploration or extraction, Gambling including poker machines and Arms.

5. CONSULTATION AND STAKEHOLDERS

5.1 The review was informed by a recent Councillor workshop together with ongoing feedback from key stakeholders across the organisation.

6. LEGAL AND RISK IMPLICATIONS

6.1 The policy is a requirement of Section 186 of the Local Government Act.

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.

7. FINANCIAL IMPACT

7.1 The proposed minor changes to the Procurement Policy will not have any financial implications.

8. ENVIRONMENTAL IMPACT

8.1 Procurement processes are now closely aligned with Sustainability. Ernst Young (EcoBuy) was engaged to review our sustainable procurement processes and develop an improvement strategy. The program introduced techniques for easier identification of sustainable procurement, development of our system for better reporting, training, and targeted workshops for key operational areas.

8.2 The ongoing engagement of Ernst Young will help further embed our revised processes, target additional improvement opportunities and to also develop benchmarking data.

9. COMMUNITY IMPACT

9.1 The Procurement Policy incorporates a framework for the application of Corporate and Social Responsibility (CSR). The policy helps identify the characteristics of CSR and the broader impact of our procurement decision making.

9.2 Ongoing membership of Supply Nation, Eco Buy and Social Traders further endorse this principle.

10. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY

10.1 The Policy supports the Council Plan 2017-2027. The key alignments include;



- Direction 3 We have smart solutions for a sustainable future. Broader sustainability engagement in procurement decision making together with an integrated sustainability training program supports this objective.
- Direction 6. Transparent governance and an actively engaged community. The consistent application of sound procurement processes promotes a culture of good governance.

11. IMPLEMENTATION STRATEGY

11.1 TIMELINE

- 11.1.1 Following adoption, the Procurement Policy will be updated on both the intranet and internet by July 1 2018.
- 11.1.2 An internal communication will be sent to staff advising them of the revised changes by July 1 2018.
- 11.1.3 The ongoing procurement and contract 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 to the Procurement Policy are focused on the ongoing commitment to 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.

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ATTACHMENTS 1. Procurement Policy