

5. Draft *Procurement Policy*

SF/3494

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PURPOSE OF REPORT

The report presents for consideration a draft *Procurement Policy* (2021).

BACKGROUND

The *Local Government Act 2020* (the Act) requires the Council to prepare and adopt a Procurement Policy which specifies the principles, processes and procedures applying in respect of the purchase of goods and services by the Council, including for the carrying out of works.

The Council must review its Procurement Policy at least once during each four-year term of the Council.

DISCUSSION

Regular communication with Local Government Victoria (LGV), LGPro Special Interest Group – Procurement (LGPRO SIG – Procurement) and the HUME Regional Procurement Excellence Network (RPEN) has been undertaken over the past 10 months in preparation for the introduction of the Act.

The proposed amendments are intended to better reflect the legislative expectations of councils and feedback received from councillors:

- Prepare and adopt a procurement policy, that must specify the principles, processes and procedures applying in respect of the purchase of goods, services or the carrying out of works.
- Use the policy to set thresholds for when a public tender must be sought and criteria to be used to evaluate whether the proposed contracts to be entered into provide value for money.
- Ensure to test the market when carrying out procurement activities to promote open and fair competition and value for money.
- Continue to implement and apply transparent and fair processes which record the basis for any decision.
- Task their audit and risk committees with independent, regular assessments and reporting of procurement processes, with established internal structures that provide for independent review of processes, decision making and robust financial management.

- Uphold an environment that is conducive to good governance.
- Pursue innovation and continuous improvement.
- Establish and maintain an effective approach to the identification, assessment, monitoring and management of risks.
- Deal with finances and assets responsibly, to appropriately manage financial risks, and be transparent in their financial dealings.
- Promote economic, social and environmental sustainability.
- Collaborate with other councils and describe how the collaboration in the procurement for goods and services is being managed.
- An amendment to the Local Content component to introduce a 5 per cent weighting toward local contractors and suppliers to encourage economic development in Benalla Rural City. Local is defined as contractors and suppliers based within a 100km radius of the Council's Customer Service Centre.

Key Changes

Public Tender Threshold

Wording has been changed to ensure it aligns with the Act and includes a threshold for when a public tender must be sought.

In the updated policy it is proposed that the threshold increase from \$150,000 (goods and services) and \$200,000 (works) to \$300,000 (ex. GST). The proposed increase is to:

- Make the procurement process more efficient as procurement under \$300,000 can be approved by the CEO without aligning to the Council monthly meeting cycle, which can cause delays.
- Decreasing the number of tender reports presented to the Council, which will enable staff to focus on service and project delivery.
- Align the threshold with neighbouring councils, which will be an advantage if collaborative procurement is undertaken.

Sustainability

The Sustainability principle has been significantly enhanced with the inclusion of evidence-based decision making and the provision of reuse and recycling as part of the project planning process.

Social Procurement

New principle to use the Council's procurement processes and purchasing power to generate positive social outcomes.

Local Content

Consistent with the value for money principle, procurement best practice does not include a local content price discount or weighting percentage. However, as requested by the Council a 5 per cent Local Content weighting has been included in the Policy to provide local economic stimulus wherever possible. The weighting will apply to procurement activities more than \$150,000 (ex. GST).

Collaborative Procurement

New section detailing the Council's commitment to procurement collaboration and knowledge sharing.

The draft *Procurement Policy* is attached as **Appendix 1**.

COUNCIL PLAN 2017-2021 (2020 REVIEW) IMPLICATIONS

High Performing Organisation

- *Provide quality customer service focussed on continuous improvement.*
- *Provide good governance and responsible management and planning.*
- *We are compliant with our legislative and risk management responsibilities.*

LEGAL OR STATUTORY IMPLICATIONS

It is considered that the report is consistent with the *Charter of Human Rights and Responsibilities Act 2006* and *Gender Equality Act 2020*.

FINANCIAL IMPLICATIONS

There are no material financial implications in the review and update of the Policy. However, the Policy will play a vital role in ensuring the Council obtains value for money when undertaking procurement activities.

COMMUNITY ENGAGEMENT

In accordance with the Council's *Community Engagement Policy*, it is proposed, due to administrative nature of the Policy, that community engagement be undertaken at the 'Consult' level under the International Association for Public Participation's IAP2 public participation spectrum.

Level of Public Participation	Promise to the community	Techniques to be used
Consultation	We will provide information and consider feedback prior to making a decision.	<ul style="list-style-type: none"> ▪ Public notice in the <i>Benalla Ensign</i> and on the Council website. ▪ Draft policy to be exhibited and feedback invited on the Council website ▪ Draft policy available in hardcopy for review at key locations. ▪ Community feedback to be invited on social media. ▪ Audit and Risk Committee members invited to provide feedback on the Policy.

Recommendation:

That the Finance and Operations Committee, acting under its delegated authority of the Council, resolve:

- **That the draft *Procurement Policy* be endorsed and placed on public exhibition for a period of at least 28 days in accordance with the Benalla Rural City Council *Governance Rules 2020*. .**