



PROCUREMENT

SECOND PROGRESS UPDATE REPORT

INTRODUCTION

Golden Plains Shire Council ('Council') received a report from the Local Government Inspectorate dated 28 February 2019 making a number of recommendations about Council's governance practices and processes. The review of Council's Procurement Policy, procedures and processes was part of this report. As a result of this review three (3) recommendations were made concerning the procurement function of Council.

Council has welcomed these recommendations and provided its responses concerning implementation of each recommendation.

On 1 August 2019 Council provided its first status report for the period 5 April 2019 to 1 August 2019 to the Local Government Inspectorate outlining significant work that Council has done to strengthen its procurement practices and processes and achieve continuous improvement.

This is the second progress update report ('Report') which covers the period 2 August 2019 to 31 October 2019. In this Report Council provides the following:

1. the actions taken since 2 August 2019 in order to continue implementation of the recommendations;
2. the templates which have been developed since 2 August 2019; and
3. the actions which are under way.

It is recommended that this Report is read in conjunction with the first progress report dated 1 August 2019.

ACTIONS TO IMPLEMENT THE RECOMMENDATIONS (2 August 2019 to 31 October 2019)

Recommendation 1 -

"Council, as a matter of priority, develop a strategy to address the issues identified in the management of procurement."

In order to have compliant procurement and continuous improvement in the management of procurement, Council continues its process of developing a **Procurement and Contract Management Framework ('PCM Framework')** and significant progress has been made in this process. The following actions have been taken during this reporting period:

1. Policy

- a. On 24 September 2019 Council adopted a revised **Procurement Policy** in line with section 186A of the *Local Government Act 1989* (Vic) ('Act'). The revised Procurement Policy covers the changes to the Chief Executive Officer's financial delegation, Council's action to ensure compliance with the *Labour Hire Licensing Act 2018* (Vic) and other administrative matters.

2. Procedure

- a. **Procedure for Panel of Suppliers** – This Procedure outlines the purpose of establishing the Panel, and the process concerning establishment, use and benefits of the Panels. The Procedure is complemented by:
 - (i) the easy and simple to use flow-chart about establishing the Panel;
 - (ii) work-flow about the use of the Panels;
 - (iii) Frequently Asked Questions Sheet in order to provide guidance to Council staff.

3. Evaluation Panel Reports

Three (3) sets of Evaluation Panel Reports were developed in relation to the request for quotation, and request for tender process and approval process.

- a. Evaluation Panel Report – Request for Quotation Process;
- b. Evaluation Panel Report – For the Chief Executive Officer under his Instrument of Delegation;
- c. Evaluation Panel Report – For Council Approval.

4. Guides and Flowchart

- a. **Flow- Chart: Procurement Process** – This Flow-Chart provides a one-page snapshot about the request for quotation and request for tender processes including the approval process.
- b. **Insurance** - Guide for determining appropriate levels of insurance cover for goods or services or works.
- c. **Execution Clause** – Guide for application of the execution clause applicable for Council based on the Council's resolution, financial delegations of the Chief Executive Officer and Directors and applicability to contractors under section 127 of the *Corporations Act 2001* (Cth).

5. Financial Delegation of the Chief Executive Officer

On 24 September 2019 Council by its resolution amended the Chief Executive Officer's financial delegation from \$200,000 to \$400,000 (inclusive of GST). The recommendation to Council was supported by a benchmark brief into other Councils' Chief Executive Officers' financial delegations, research into Council's tendering process and the assurance of having an internal control system in place in order to bring efficiency and effective management of Council's procurement and contract management processes and practices on day to day work.

6. Contract Templates

- a. The template Conditions of Contract for Panel of Suppliers has been developed and has been used for engaging suppliers in the Panel through the tendering or quotation process.
- b. A template Conditions of Contract for Goods or Services is in the process of being developed.

- c. The template Terms and Conditions for Purchase Order is in the process of being reviewed and will be amended where applicable.

A number of templates have been, or are in the final stages of being, developed since 2 August 2019. **Attachment A** shows the list of these templates.

7. Procurement Learning and Training Workshops

A comprehensive **workshop** about the development and implementation of the PCM Framework, and educational training about procurement have been undertaken as follows:

- a. On 16 October and 17 October 2019 Procurement Learning and Training Workshops were held with the overwhelming attendance of more than 60 Council staff members. This was followed up with one on one meetings. The workshops and follow up meetings covered:
 - (i) refresher training on application and compliance of the procurement process in the light of the changes to the Chief Executive Officer's financial delegation;
 - (ii) introduction of the new templates – Flow-chart, quick guide and Evaluation Panel Reports;
 - (iii) a Questions and Answers session in relation to procurement and contract management process and practices.
- b. The training sessions and workshops will continue to be introduced incrementally after the introduction of next new sets of templates to ensure the use of templates and procedures will be simple, easy to understand and apply. The next sessions of workshops are intended to be held at the end of November 2019 or early December 2019.

8. Procurement and Contract Management Website

- a. Council is continuing to advertise its public tenders on its website and this information is also advertised in Council's internal newsletter which is called "In the Loop". This newsletter is circulated to all staff and Councillors.
- b. Council continues to work on a dedicated website, both external and internal, to enable a 'one stop shop' access for Council staff in relation to the procurement and contract management, and information to public about Council's public tenders.

THE FOLLOWING ISSUES WERE ADDRESSED:

1. Documentation of processes

A review of the Policies and procedures is complete, some of them have been approved as stated above, and some of the documents are work in progress. This process includes using a new suite of templates.



2. Cumulative spend

Research into cumulative spend areas has been undertaken with the aim of ensuring the accuracy of the process to monitor cumulative spend to individual suppliers. As a result of this research Council:

- a. called for a Request for Quotation through MAV Procurement for the provision of supply and delivery of bulk fuel and above ground self-bunded tanks, and at the 24 September 2019 Meeting Council awarded the Contract to Maxi Tankers Pty Ltd;
- b. called for public tender for the provision of pest plant and pest animal control services in September 2019, and a report about outcome of the procurement process and recommendation will be presented to Council at its meeting on 26 November 2019;
- c. other areas such as plumbing services, building maintenance, sports grounds maintenance services, catering services are in progress.

3. Execution of contracts

Any Contract that Council enters into, either by way of Council resolution, or with the Chief Executive Officer's approval within his delegation, is duly executed by both parties, Council and Contractor.

4. Accountability and Management

- a. A governance framework has been put in place to ensure the major projects, the Construction of Golden Plains Community & Civic Centre and Bannockburn Heart Projects, are managed in the best interests of the community, in compliance with legal and policy requirements, and Council's decision. The Project Steering Group ('PSG') which provides supervision and leadership direction to the Project Team meets fortnightly, and quarterly reporting is provided to the Audit and Risk Committee and Council, ensuring all decisions are made in compliance with the law and Council Policy, and in the interests of the community and Council.
- b. Management has identified that Council did not have any formal contract document in place with its current software provider IT Vision Pty Ltd noting that the engagement was done through the public tendering process. A proactive action has been taken to formalise this engagement and the contract was signed between IT Vision Pty Ltd and Council.

5. Training

See Council's response under Recommendation 3 below.

6. Reporting

Council's contracts are managed through a Contracts Register reporting.

Furthermore, Management's decision to provide a quarterly compliance report on the procurement and contract activities is in line with clause of 16 Performance Management and Reporting of the Procurement Policy.

7. Collaboration

Where practical, Council will seek collaboration with other Council/s in the procurement of goods, services or works.



Recommendation 2 -

“Review systems and process relating to procurement to ensure they meet the requirements of the procurement policy, the Act and that the process is fair and transparent.”

Since 28 February 2019, the date of the Report, Council has put an action plan in place to ensure that 8 issues which were identified in relation to this recommendation are addressed in the procurement of goods, services and works in compliance with the Act, the Procurement Policy and fundamental procurement principles which are value for money, probity, transparent and accountable processes, a fair and open competition environment, and mitigating the risks for the Council.

Attachment B to this Report identifies the contracts that Council has entered into since 2 August 2019.

Recommendation 3 -

“Relevant training should be provided for procurement staff to ensure they are fully aware of their roles and responsibilities.”

1. Training sessions were provided to staff members, especially the key stakeholders being the works team and finance team members, in September and October 2019.
2. Procurement training is now part of the induction process for new employees and has been implemented since October 2019.
3. Ongoing support is given by the external specialist to the Procurement Team and other staff members.
4. Clause 27.1 of the new Procurement Policy now requires Council to provide training to the Procurement Team, the Management Team, and induction training to new employees.

CONCLUSION

In conclusion, the status update reports which were submitted on 1 August 2019 and 31 October 2019 are a clear demonstration of the strong commitment by Council to continue establishment of a Procurement and Contract Management Framework for Council. This is a continuous improvement and learning journey, however, Council has now built a good foundation in the management of its procurement and contract practices and processes to ensure compliance with the Act, Procurement Policy and best practice principles in the interests of its community and Council.

The Procurement and Contract Management Framework includes revised Policy, the new developed procedures and templates to support the process. The workshops and one on one meetings are rolled out to introduce the implementation and application of these changes and templates, and will be complemented by the use of technology where applicable, and establishment of monitoring and reporting processes for continuous improvement.



ATTACHMENT A – NEW AND/OR REVISED TEMPLATES DEVELOPED SINCE 2 AUGUST 2019

PART A

1. Procurement Policy;
2. Conditions of Contract for Panel of Suppliers;
3. General Conditions of Tendering;
4. Flow- Chart: Procurement Process;
5. Procurement Quick Reference Guide;
6. Three (3) sets of the Evaluation Panel Reports:
 - a. Evaluation Panel Report – Request for Quotation Process;
 - b. Evaluation Panel Report – For the Chief Executive Officers under his Instrument of Delegation;
 - c. Evaluation Panel Report – For Council Approval.

PART B

1. Procedure for Evaluation Panel;
2. Procedure for Security (such as Bank Guarantee);
3. Procedure for Panel of Suppliers;
4. Guide for Insurance Cover;
5. Guide for Execution Clause;
6. Conditions of Contract for Goods or Services;
7. Amended Purchase Order;
8. Flow Chart for Request for Tender process;
9. Flow-Chart for Request for Quotation process.

Note: Some of the documents are work in progress as Council is continuing revision and development of its procurement and contract templates. The documents in Part A are the completed templates and Part B are in final stages of completion.



ATTACHMENT B – REQUEST FOR TENDERS

(27 AUGUST 2019 – 22 OCTOBER 2019)

No	Contract Number	Contract Name	Contract Price (Exc of GST)	Contractor Name	Date Awarded
1	GPSC- RFT-09- 2019	Coopers Bridge Replacement – Meredith	\$1,235,196.54	ACE Infrastructure Pty Ltd	27 August 2019
2	GPSC-RFT-10-2019	Barwon Park Road Bridge Deck Replacement	\$619,632.43	ACE Infrastructure Pty Ltd	24 September 2019
3	GPSC-RFQ-17-2019	Supply & Delivery of Bulk Fuel and Above Ground Self-Bunded Tanks	Schedule of Rates	Maxi Tankers Pty Ltd	22 October 2019
4	GPSC-RFT-08-2019	Golden Lake Road Bridge Replacement -Piggoreet			

The reports on the outcome of the public tendering and evaluation processes were presented to Council at its meetings on 27 August 2019 and 24 September 2019. Based on the Council officers' recommendations Council did not proceed with awarding any contract in relation to this project as the submitted tender prices were significantly higher than the approved project price. All Tenderers were advised about the Council's decision.