



# **LATE ITEMS ORDINARY MEETING**

## **AGENDA**

**22 NOVEMBER 2016**

*Your attendance is required at an Ordinary meeting of Council to be held in the Council Chambers, 232 Bolsover Street, Rockhampton on 22 November 2016 commencing at 9.00 am for transaction of the enclosed business.*

A handwritten signature in black ink, appearing to be "C. R.", is positioned above the name of the Chief Executive Officer.

**CHIEF EXECUTIVE OFFICER**  
18 November 2016

Next Meeting Date: 13.12.16

**Please note:**

In accordance with the *Local Government Regulation 2012*, please be advised that all discussion held during the meeting is recorded for the purpose of verifying the minutes. This will include any discussion involving a Councillor, staff member or a member of the public.

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## 11 OFFICERS' REPORTS

### 11.2 ANNUAL GOODS AND SERVICES SPEND ANALYSIS AND LOCAL PREFERENCE POLICY REVIEW

<b>File No:</b>	<b>5883</b>
<b>Attachments:</b>	<b>1. Draft Revised Local Preference Policy</b>
<b>Authorising Officer:</b>	<b>Ross Cheesman - Deputy CEO/General Manager Corporate Services</b>
<b>Author:</b>	<b>Drew Stevenson - Manager Corporate and Technology Services</b>

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#### SUMMARY

*Presenting details of the annual goods and services spend analysis for the 12 month period from 31 October 2015 to 1 November 2016. This report also includes the annual review of the Local Preference Policy for Council's consideration and adoption.*

#### OFFICER'S RECOMMENDATION

THAT Council:

1. Receives the annual goods and services spend analysis report; and
2. Adopts the revised Local Preference Policy as attached to this report.

#### COMMENTARY

It has now been two complete twelve month periods with the 12% local preference weighting being applied to Council's procurement functions. This report will demonstrate the positive impact the Council's affirmative action to buy local has had on the local goods and services spend. This report will also propose an update to the Local Preference Policy to further enhance Council's commitment to local business and continue to grow the regional economy.

#### BACKGROUND

The spend analysis detailed in this report is based on Council's expenditure on goods and services for the 12 month period, 31 October 2015 to 1 November 2016.

#### Goods and Services Spend Analysis

During this current reporting period, Council spent \$77.3M on goods and services. Of that amount, \$59.6M has been spent within the RRC boundaries. That is, **77%** of Council's goods and services have been acquired from local businesses. An additional \$2M was spent within the CQROC (Central Queensland Region of Councils) boundaries:

- Banana Shire Council;
- Central Highlands Regional Council;
- Gladstone Regional Council;
- Livingstone Shire Council; and
- Woorabinda Aboriginal Shire Council.

#### Plant Hire, Trade Services and Roadmaking Materials

Further analysis of Council's goods and services expenditure in the areas of Hire of Construction Plant and Equipment, Trade Services and Roadmaking Materials shows that we have spent a total of \$24.6M, with \$23.7M (**96%**) spent on local businesses and locally supplied materials. These are the majority of our contracted small business operators.

Comparison to Last Period

Analysis Period	Total Goods / Services	Total Local Spend	% Local	CQ Spend	Plant Hire, etc. Total	Plant Hire, etc. Local	Plant Hire, etc. CQ
Nov 14 – Oct 15	\$95.1M	\$63.8M	67%	\$5.4M	\$23.7M	\$21.8M (92%)	\$1.9M
Nov 15 – Oct 16	\$77.3M	\$59.6M	77%	\$2M	\$24.6M	\$23.7M (96%)	\$900K

**Local Preference Policy Review**New Paragraph 5.3 – Local Preference Weighting for Major Contracts Greater than \$1M

Two elements of the Sound Contracting Principles (*Local Government Act 2009*) are ‘value for money’ and ‘the development of competitive local business and industry’. The local preference weighting has had a positive effective on the development of the local economy. However, for the larger valued contracts there is sometimes an adverse impact on value for money. Therefore, in an effort to find a balance between value for money and competitive local business it is proposed that a minimum weighting of **5%** for local preference be applied for major contracts with a value greater than \$1M.

The new paragraph 5.3 is shown using track changes in the attached Draft Revised Local Preference Policy.

New Paragraph 5.5 - Contractor Local Content

The spend analysis confirms that Council's buying local affirmative action, including the 12% local preference weighting, is having a very positive impact on the local acquisition of goods and services. However, in line with our values and behaviours of continuous improvement, an amendment to the Local Preference Policy is proposed that will encourage local and external businesses to engage local suppliers and sub-contractors when doing business with Council.

The proposed amendment is shown using track changes in the attached Draft Revised Local Preference Policy. The new paragraph 5.5, *Contractor Local Content – Contracts Greater than \$150,000*, requires the Principal Contractor to provide details of their nominated local suppliers and sub-contractors they propose to engage with during the Council project.

It is proposed a distinct weighting of **10%** would apply for Contractor Local Content, with the following scoring allocation:

Definition	Rating	Supporting Business
Tenderer provides details and nominates local suppliers and/or sub-contractors for goods and services for use in the project to a minimum value of 30% of the contract sum.	10	Demonstrated commitment to using local suppliers and sub-contractors.
Tenderer provides details and nominates local suppliers and/or sub-contractors for goods and services for use in the project to a value less than 30% of the contract sum.	5	Partial commitment to using local suppliers and sub-contractors.
Tenderer does not commit to using local suppliers and/or sub-contractors.	0	

**CONCLUSION**

The goods and services spend analysis for the twelve month period, November 2015 to October 2016, has demonstrated Council's continued commitment to supporting the local economy with \$59.6M (77%) spent locally; including \$23.7M (96%) on Hire of Construction Plant and Equipment, Trade Services and Roadmaking Materials.

The revised Local Preference Policy, including the new paragraphs 5.3 and 5.5 are presented for Council's consideration.

# **ANNUAL GOODS AND SERVICES SPEND ANALYSIS AND LOCAL PREFERENCE POLICY REVIEW**

## **Draft Revised Local Preference Policy**

**Meeting Date: 22 November 2016**

**Attachment No: 1**





## LOCAL PREFERENCE POLICY (ADMINISTRATIVE POLICY)

### 1 Scope:

This policy applies to Rockhampton Regional Council employees involved in the procurement of goods and/or services on behalf of Rockhampton Regional Council.

### 2 Purpose:

To provide a standard process that encourages local businesses to tender or quote in competition with businesses operating outside of the Rockhampton Regional Council boundaries.

### 3 Related Documents:

#### Primary

Nil

#### Secondary

*Local Government Act 2009*

*Local Government Regulation 2012*

Purchasing Policy – Acquisition of Goods and Services

### 4 Definitions:

To assist in interpretation, the following definitions apply:

CEO	<i>Chief Executive Officer</i> A person who holds an appointment under section 194 of the <i>Local Government Act 2009</i> . This includes a person acting in this position.
Council	Rockhampton Regional Council
Employee	<i>Local government employee</i> — (a) the chief executive officer; or (b) a person holding an appointment under section 196 of the <i>Local Government Act 2009</i> .
Local Preference	In the context of this policy, refers directly to Council's commitment to the development of competitive local business and industry.
<u>Principal Contractor</u>	<u>The business or individual appointed under a Council contract to perform the specified works.</u>
Rockhampton Region	Area defined by the electoral boundaries of Rockhampton Regional Council.

#### Corporate Improvement and Strategy use only

**Adopted/Approved:** Adopted, 24 November 2015

**Version:** 3

**Reviewed Date:**

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**5 Policy Statement:**

Council is committed to the sound contracting principles of:

- Value for money;
- Open and effective competition;
- The development of competitive local business and industry;
- Environmental protection; and
- Ethical behaviour and fair dealing.

**5.1 Development of Competitive Local Business and Industry**

In order to enhance the capabilities of local business and industry, employees issuing invitations to suppliers must:

- Advertise in the local newspaper for tenders and on Council's Website for tenders and quotes;
- Actively seek out potential local suppliers and encourage such suppliers to submit a bid where they are qualified and able to meet the requirements of the scope of work;
- Ensure local suppliers are given equal opportunities to respond and are treated without prejudice; and
- Encourage local suppliers to do business with Council.

**5.2 Local Preference Evaluation and Weighting Criteria**

Council's preference is, all things being equal, to purchase locally. The below ratings are to be applied when evaluating invitations:

Definition	Rating	Supporting Business
Business head office set up and run locally within the Rockhampton Region.	12	With the commitment to local businesses and economy.
Business branch operating locally, but with head office setup outside of the Rockhampton Region.	8	With commitment to local economy.
Business head office set up and run outside of the Rockhampton Region but within the Central Queensland Region. The Central Queensland Region includes the local government areas of: <ul style="list-style-type: none"> <li>▪ Banana Shire Council;</li> <li>▪ Central Highlands Regional Council;</li> <li>▪ Gladstone Regional Council;</li> <li>▪ Livingstone Shire Council; and</li> <li>▪ Woorabinda Aboriginal Shire Council</li> </ul>	5	Within Central Queensland.
Business based outside of the Central Queensland Region employing local staff and/or using local resources from within the Rockhampton Region but without a permanent local business branch.	3	Minimal impact on local economy.
Suppliers operating outside of the Central Queensland Region.	0	

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Following determination of the correct rating as defined above, a minimum weighting of **12%** for local preference will be applied to the rating to calculate the final score.

**5.3 Local Preference Weighting for Major Contracts Greater than \$1M**

In an effort to balance the sound contracting principles of value for money and developing competitive local business and industry, the minimum weighting for major contracts greater than \$1M will be 5%.

**5.35.4 Locality Preference**

When determining the engagement of suppliers, preference should be given to suitably qualified suppliers available within the locality of the works or operations.

**5.5 Contractor Local Content – Contracts Greater than \$150,000**

Council is committed to developing the regional economy, as such it is important that principal contractors can demonstrate their commitment to acquiring goods and services from suppliers/sub-contractors within the Council boundaries.

For contracts with a value of greater than \$150,000, the principal contractor must, as part of their tender submission, provide details of and/or nominate local suppliers and sub-contractors for the goods and services proposed for use in the project to a minimum value of 30% of the contract sum (excluding GST).

A weighting of 10% will apply for Contractor Local Content, with the following scoring allocation:

<u>Definition</u>	<u>Rating</u>	<u>Supporting Business</u>
<u>Tenderer provides details and nominates local suppliers and/or sub-contractors for goods and services for use in the project to a minimum value of 30% of the contract sum.</u>	<u>10</u>	<u>Demonstrated commitment to using local suppliers and sub-contractors.</u>
<u>Tenderer provides details and nominates local suppliers and/or sub-contractors for goods and services for use in the project to a value less than 30% of the contract sum.</u>	<u>5</u>	<u>Partial commitment to using local suppliers and sub-contractors.</u>
<u>Tenderer does not commit to using local suppliers and/or sub-contractors.</u>	<u>0</u>	

**6 Review Timelines:**

This policy will be reviewed when any of the following occur:

- 6.1 12 months from the date of the adoption of this policy; or
- 6.2 The related information is amended or replaced; or
- 6.3 Other circumstances as determined from time to time by the Council.

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Adopted/Approved: Adopted, 24 November 2015      Department: Corporate Services  
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**7 Responsibilities:**

Sponsor	Chief Executive Officer
Business Owner	General Manager Corporate Services
Policy Owner	Manager Corporate and Technology Services
Policy Quality Control	Corporate Improvement and Strategy

**EVAN PARDON**  
| **CHIEF EXECUTIVE OFFICER**

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