

Procurement Policy

Classification	Council Policy
Responsible Officer	Group Manager Finance
Relevant Legislation	<i>Local Government Act 1999</i>
Related Policies	Disposal of Land and Assets Policy Risk Management Policy Prudential Management Policy Financial Internal Control Policy Fraud and Corruption Prevention
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Procurement Policy

1. Purpose

In compliance with Section 49 of the *Local Government Act 1999* (Act) and best practice principles in procurement, this Policy seeks to:

- define the methods by which Council can acquire goods and services;
- demonstrate probity, accountability and responsibility of Council to all stakeholders;
- be fair and equitable to all parties involved;
- enable consistency of approach in the application of procurement processes; and
- ensure that the best possible outcome is achieved for Council.

2. Scope

This Policy applies to all procurement activities undertaken in the acquisition of goods or services on behalf of Council, whilst giving due regard to financial thresholds outlined in Procurement Thresholds - Clause 5 below, whether solicited by Council, or the result of an unsolicited proposal from the private or not-for-profit sectors, and whether transacted via a trading account or Council expense card.

This Policy does not cover:

- non-procurement expenditures such as sponsorships, grants, funding arrangements, donations, and employment agreements;
- real property acquisitions of land, buildings, or structures;
- the disposal of land and other assets; or
- procurement processes during the Council Caretaker period. These will be conducted under the requirements of the Council's Caretaker Policy.

3. Policy Statement

Council is committed to implementing fair, transparent and competitive purchasing and contracting practices achieving optimum value for money outcomes aligned to the Council's strategic objectives, community expectations and the requirements of any special funding sources.

4. Procurement Objectives

Council is committed to achieving a range of objectives through its procurement processes that may be considered alongside achieving value for money outcomes. Such objectives should be supported by appropriate evaluation criteria and weightings and decisions of Council.

Procurement activities undertaken by Council can include the following objectives:

Objective 1 - Open and fair competition

Open and fair competition will be fostered and maintained by providing suppliers and contractors with appropriate access to Council's procurement opportunities. Council will ensure, where reasonably practicable, that:

- there is reasonable access for all suitable and competitive suppliers and contractors to the Council's business;
- where market circumstances limit competition, procurement activities recognise this, and associated methodology takes account of it; and
- adequate, identical and timely information is provided to all suppliers and contractors to enable them to quote or tender.

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Objective 2 - Value for money

Value for money outcomes can be achieved through balanced consideration of financial and non-financial factors relevant to the procurement.

The following factors should be considered:

- the contribution to Council's long-term plan and strategic direction;
- any relevant direct and indirect benefits to Council, both tangible and intangible;
- efficiency and effectiveness of the proposed procurement activity;
- the performance history, quality and scope of services, and support of each prospective supplier and contractor;
- fit for purpose of the proposed goods or service;
- whole of life costs including acquiring, using, maintaining and disposal;
- Council's internal administration costs;
- technical compliance issues and costs;
- risk exposure and WHS considerations;
- prevailing market forces and trends;
- the value of any associated environmental benefits;
- local Economic development and social inclusion;
- trade-in values; and
- other relevant matters identified in specific procurement process documentation.

Objective 3 - Probity, accountability and transparency

All procurement shall be undertaken in a manner that ensures:

- clearly established roles and responsibilities;
- appropriate record keeping and documentation;
- integrity through transparency of process and documentation of decisions made;
- adherence to relevant legislation, policy, and procedure;
- identification and management of actual or potential conflicts of interest; and
- confidentiality of all commercial information.

A Probity Advisor and/or Auditor may be appointed to advise on, or review, the procurement activity.

Objective 4 - Ethical behaviour and fair dealing

All personnel involved in procurement activities are to:

- behave with impartiality, fairness, openness, integrity, and professionalism;
- provide all suppliers and contractors with equal opportunity to supply to Council;
- establish clear and easy-to-understand documentation requirements, evaluation criteria and methodology;
- provide consistent processes and constructive feedback on decisions upon request from suppliers and contractors; and
- ensure effective communication and provision of information to all suppliers and contractors.

Objective 5 – Identification and management of risk

The risk assessment process should consider financial, supply, business, legal, management, reputations, probity, work health and safety, environmental, public safety, political and sensitive risks.

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Risks relating to the procurement process may include:

- procurement of unsuitable product or service;
- funding (e.g. internal & external, impact on Long Term Financial Plan);
- probity failure;
- inappropriate or inadequate specification;
- negotiation of agreement terms/failure to agree to terms;
- actual or perceived breach of probity/confidentiality;
- lack of responses/limited supplier participation; and
- evaluation processes.

Risks relating to the engagement of the product/service provider may include:

- supplier capability/capacity/availability;
- agreement management/supervision;
- price variations;
- agreement disputes; and
- unauthorised change in scope of work.

Risk assessment

Council Procurement Procedure and Risk Framework will ensure that appropriate practices and procedures of internal control and risk management are in place for its procurement activities, including risk identification, assessment and implementation of controls.

Procurement risk assessments will focus on assessing a potential supplier's and contractor's capacity and capability to meet Council's requirements and identify any other factors which might result in goods or services not being successfully delivered.

Risk based approach to market

Council's approach to market will be influenced by procurement risk assessments, with high-risk and high-value acquisitions requiring more formal procurement planning methodologies and higher levels of management oversight.

Work Health Safety (WHS)

Council is committed to protecting health, safety and welfare. Council personnel will ensure that its procurement activities protect the health, safety and welfare of its workers, Elected Members, customers and community.

If the procurement of services, goods, materials or plant and equipment involves implications for work, health or safety, Council's Work Health & Safety Officer should also be consulted prior to such procurement.

Where appropriate, procurement evaluation must ensure an appropriately skilled person confirms all WHS requirements.

Objective 6 - Environmental sustainability

Council promotes environmental sustainability through its procurement activities and will consider the purchase of environmentally sustainable goods and services that satisfy the value for money criteria when all other financial and commercial considerations are equal.

This can be by:

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- purchasing recycled and environmentally preferred products where possible;
- adopting purchasing practices which conserve natural resources;
- aligning the Council's procurement activities with principles of ecological sustainability;
- select products and services which have lower environmental impacts across their life cycle compared with competing products and services;
- integrating relevant principles of waste minimisation and conservation of energy;
- provide leadership to business, industry and the community in promoting the use of environmentally sensitive goods and services; and
- fostering the development of products and services which have a low environmental impact.

Objective 7 - Local economic benefit

Council recognises the significant impact that its operations play in the local economy yet is mindful of its requirement to provide optimum value for money outcomes through its procurement activities and achieve budget expectations.

Council will endeavour to, at its discretion and to the full extent permitted by law, support local businesses by:

- promoting to local and regional businesses opportunities to supply to the Council;
- giving preference to local business when all other commercial considerations are equal;
- encouraging Aboriginal and Torres Strait suppliers and contractors to quote and tender;
- giving preference to Aboriginal and Torres Strait, local and regional businesses when all other commercial conditions are equal to ensure local employment opportunities and economic stability and/or growth; and
- considering economic and social inclusion elements such as employment creation and training opportunities specifically within the Council area.

Objective 8 - Social impact

This refers to the intentional generation of social value through procurement processes that can occur through direct or indirect approaches, but is not limited to:

- indigenous suppliers and contractors;
- people with a disability;
- women in business; and
- small to medium business

Objective 9 - Effective management of the end-to-end procurement lifecycle

The procurement lifecycle includes all the steps and tasks within the procurement process, from needs identification and data gathering to contract management, delivery of goods or services and relationships with suppliers and contractors.

Council Procurement Procedure will determine appropriate methodology within the various steps of the procurement lifecycle including planning, risk management, tendering, purchasing, contracting and financial control with regard to the scale, complexity and importance of the goods or services being acquired.

5. Procurement Thresholds

Council must have regard to the following principles in its acquisition of goods and

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services:

Purchase Price (excludes GST)	Methods of Procurement	Considerations
Less than \$500	<ul style="list-style-type: none"> • Direct purchase; or • panel contracts; or • VendorPanel (www.vendorPanel.com.au); or • strategic alliances. 	<ul style="list-style-type: none"> • Purchase order not required • Quotation not required • Tax invoice required • Follow Council's Procurement Procedure for guidance and required forms • Consider risk implications and assessment as per Council's Procurement Procedure
\$501 - \$5,000	<ul style="list-style-type: none"> • Direct purchase; or • panel contracts; or • VendorPanel (www.vendorPanel.com.au); or • strategic alliances. 	<ul style="list-style-type: none"> • Purchase order required • Quotation not required • Tax invoice required • Follow Council's Procurement Procedure for guidance and required forms • Consider risk implications and assessment as per Council's Procurement Procedure
\$5,001 – \$10,000	<ul style="list-style-type: none"> • Panel contracts; or • VendorPanel (www.vendorPanel.com.au); or • strategic alliances. 	<ul style="list-style-type: none"> • One Formal / Information Quotation required • Purchase order required • Tax invoice required • Follow Council's Procurement Procedure for guidance and required forms • Consider risk implications and assessment as per Council's Procurement Procedure
\$10,001 - \$30,000	<ul style="list-style-type: none"> • Request for expressions of interest; or • Panel contracts; or • VendorPanel (www.vendorPanel.com.au); or • strategic alliances. 	<ul style="list-style-type: none"> • Minimum two written Formal/Informal Quotations required • Purchase order required • Tax invoice required • Follow Council's Procurement Procedure for guidance and required forms • Consider risk implications and assessment as per Council's Procurement Procedure

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<p>\$30,001 - \$50,000</p>	<ul style="list-style-type: none"> • Request for expressions of interest; or • Panel contracts; or • VendorPanel (www.vendorPanel.com.au); or • strategic alliances. 	<ul style="list-style-type: none"> • Minimum three written Formal / Informal Quotations required • Purchase order required • Tax invoice required • Follow Council's Procurement Procedure for guidance and required forms • Consider risk implications and assessment as per Council's Procurement Procedure
<p>\$50,001 - \$100,000</p>	<ul style="list-style-type: none"> • Request for expressions of interest; or • panel contracts; or • strategic alliances. 	<ul style="list-style-type: none"> • Minimum three written Formal Quotations • Purchase order required • Tax invoice required • Follow Council's Procurement Procedure for guidance and required forms • Consider risk implications and assessment as per Council's Procurement Procedure
<p>\$100,001 and above (Major Contract)</p>	<ul style="list-style-type: none"> • Request for Tenders. 	<ul style="list-style-type: none"> • Established strategic alliances such as LGA Procurement Vendor Panel arrangements may be used in lieu of an organisation procurement process • Tax invoice required • Follow Council's Procurement Procedure for guidance and required forms • Consider risk implications and assessment as per Council's Procurement Procedure

The value of the procurement is calculated as follows:

- single one-off procurement – the total amount, or estimated amount, of the procurement (excluding GST);
- multiple procurements with the same supplier or contractor – the gross value, or the estimated gross value, of the procurements (excluding GST);
- ongoing procurements over time – the annual gross value, or the estimated annual gross value, of the procurements (excluding GST);
- the value of a procurement or transaction is calculated across all elements of the procurement process including any agreement options, extensions, renewals and contingencies (exclusive of GST) and should be considered in the planning phase of the project; and
- splitting the value of the purchase into individual components to meet with lower value of Purchase Thresholds is not permitted.

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6. Cumulative Spend

Cumulative Spend is identified as the estimated value of the total proposed purchase(s), including any agreement options, extensions and renewals (exclusive of GST), and potential cumulative value of the goods or services supplied over a period of time i.e. 12 months against a supplier and contractor.

Cumulative Spend shall be monitored annually by Council to determine whether the appropriate procurement process has been undertaken and/or an alternative procurement method is required to be undertaken to comply with this Policy.

On an annual basis, Council's Finance Team will run an expenditure report and conduct an analysis of cumulative expenditure across the organisation. Identified cumulative transactions will be assessed to determine whether an alternative procurement method is required to ensure the objectives of this Policy are met.

7. Procurement Methods

The method of procurement will typically be documented in an Acquisition or Probity Plan, with reference to a number of factors including procurement complexity, value, risks, characteristics of the supply market and Council's strategic objectives - and in accordance with procurement thresholds. Personnel with financial delegated authority to procure will be responsible for ensuring appropriate procurement practices and procedures, including the identification of risk are observed.

7.1. Direct Purchasing

- Direct purchasing is a procurement method undertaken by directly approaching and negotiating with one (1) supplier or contractor.
- Procurement method may be conducted where transactions are of low value and low risk.
- Prices should be tested for currency prior to awarding supplier or contractor to give consideration to value for money.

7.2. Request for Quotation (RFQ)

- This is where Council obtains quotations from prospective suppliers or contractors for the provision of low value, low risk goods and services.
- This method may be suitable for simple, largely price-based purchases.

7.3. Expression of Interest (EOI)

- Expressions of Interest are useful when the number of suppliers or contractors, market size or the approach to solving a problem is largely unknown.
- Such a process can form the platform for a future Request for Tender for the goods and/or services required.
- Council should attempt to assess the market before conducting an EOI process and refine its requirements as much as possible to ensure responses are targeted appropriately.

7.4. Request for Tenders (RFT)

- This is where the Council issues a tender for the goods or services required.
- Council may issue a "Select" Request for Tender where it has already issued an

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EOI, or where it has reasonable grounds for only dealing with a select group of potential suppliers or contractors.

- Otherwise, Council may issue an “Open” Request for Tender.

7.5. Panel Contracts

Council may establish its own panel arrangements with a select group of suppliers or contractors to increase efficient procurement of goods and services.

- Panels must be established following the principles of this Policy.
- Any panels must operate under an Agreement and managed for performance and on-going value for money opportunities.

7.6. Strategic Alliances

If the Council enters into a strategic alliances procurement process under this Policy (Strategic Alliances) then there will be no requirement for the Council to approach the wider market or enter into a separate RFT/RFQ as an open tender process has already been undertaken. Council can meet its procurement requirements through contractual arrangements established and administered by other organisations that demonstrate adherence to the requirements of this Policy. The use by the Council of Strategic Alliances means that the methods of procurement set out in this Policy will be undertaken pursuant to and in accordance with the arrangements set out under the Strategic Alliances.

These include, but is not limited to:

- LGA Procurement;
- Eastern Region Alliance (ERA) Member Council;
- Procurement Australia;
- VendorPanel platform;
- State Government contracts;
- a purchasing group of which the Council is a member; and
- any other joint venture, partnership, agreement, contract or strategic alliance entered into with any other South Australian council, or pursuant to the Eastern Region Alliance (ERA) MoU.

8. **Quotes & Purchase Orders Exemptions**

The following list of procurement items will be excluded from requirements of quotes and purchase order:

- ongoing banking fees and charges;
- software licences (i.e. Microsoft, Adobe);
- subscriptions and memberships (i.e. LGA Membership);
- sole utility services including SAPN and SA Water;
- insurance premiums and excess payments through LGRS;
- vehicle registrations;
- vehicle and plant servicing, maintenance and repairs;
- fees or payments imposed under any Act;
- payments pursuant to any court order binding upon Council;
- allowances to elected members and independent members on Council committees;
- ad hoc Auditors Fees (i.e audits for grant acquittal);
- travel and accommodation;

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- conference / training and incidental expenditure for Council Members or staff;
- fuel payments where the account consists of fuel card purchases;
- when a contract agreement is in place;
- postal freight and courier services;
- emergency situation, e.g. cost to remove fallen tree, cost to resolve drainage issues, urgent customer service request, safety etc.;
- lawyer and conveyancer fees associated with normal day-to-day operations;
- reimbursement to staff and Council Members; and
- instances when business continuity plan is activated.

9. Exemptions from this Policy

This Policy contains general guidelines to be followed by the Council in its procurement activities. There may be emergencies or procurements in which a tender process will not necessarily deliver the best outcome for the Council and other market approaches may be more appropriate.

The authority to provide an exemption from using the required method of procurement will be delegated to the Chief Executive Officer. Reasons for any exemption to the procurement method must be documented and registered in CEO Procurement Waiver Register. This register must be provided to the Council and the Audit & Risk Committee for each financial year.

The Chief Executive Officer in approving an exempt method will consider the scale, scope and relative risk of the purchase, including the principles defined in this Policy.

A request for waiver of a competitive process should not be viewed as a mechanism to remove the need for rigorous procurement planning.

Situations where it may be appropriate to waive application of this policy are:

- there may be significant public risk if the procurement is delayed by process requirements, such as emergency situations threatening life and property;
- the pressures of time are such that an open tender call is not feasible, such as where there has been an unanticipated Council or Government policy decision;
- a supplier or contractor is evidenced to be a “sole supplier or contractor” in the market and effectively a niche specialist or monopoly, rendering the tender process redundant;
- a supplier or contractor who has considerable background knowledge and experience, or specialist expertise on that particular Council project or asset e.g. an extension of a previous project. In such circumstances, the procurement of assets, goods, or services on negotiated fees and terms through that supplier or contractor alone may be deemed sound and advantageous to the project. This could include engaging the supplier or contractor on a retainer basis for a specialised period of time;
- continuation of services under an existing purchasing arrangement (i.e. variations/extensions to existing purchase orders or agreements);
- goods or services are being provided under an existing purchasing arrangement (i.e. warranty, servicing, maintenance or defects liability); and/or
- where knowledge, design and/or intellectual property is being retained to secure continuity of a staged initiative which may be disadvantaged (e.g. time, objective, financially) if subjected to a further competitive engagement process.

10. Financial Delegation

In accordance to sections 44(4)(b) and 101 of the *Local Government Act 1999*, the Chief Executive Officer can sub-delegate the function and power with appropriate limitations, to expend funds as the Council thinks fit in the exercise, performance or discharge of its

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powers, functions or duties. The Chief Executive Officer may, from time to time, alter financial delegations as appropriate.

Please refer to the Council's Procurement Procedure for financial delegations.

11. Prudential Requirements

Refer to Council's [Prudential Management Policy](#).

12. Records

Where a Method of Procurement results in Council entering into a contract, Council must keep a written record of the contract. Such records will be kept and maintained by Council in accordance with the General Disposal Schedule (GDS40) as approved by State Records Council.

13. Policy Maintenance and Review

This Policy will be available for inspection at the Council Community & Civic Centre, 66 Walkerville Terrace, Gilberton during ordinary business hours and on Council's website www.walkerville.sa.gov.au. Copies will be provided to interested parties upon request for the payment as per Councils Fees & Charges listing.

Council will undertake a review and evaluation of this Policy at least once every four years. Council may, in any event, conduct a review and evaluation of the effectiveness of this Policy at any time.

The Chief Executive Officer will report to the Council Members on the outcome of any such review and will make recommendations for amendments, alterations or substitutions as may be required.

If this Policy is amended, altered or substituted in accordance with the above, it will not apply retrospectively to a Method of Procurement already commenced or completed.