



Policy Name: Procurement Policy

Responsibility:	Chief Executive Officer & Finance & Administration Manager <u>Finance Manager</u>
Effective date:	17th March 2015
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Related Policies:	Occupational Health Safety & Welfare Injury Management Policy Gifts & Benefits Policy Complaints Handling Policy Public Consultation Policy Staff Code of Conduct Policy Elected Members Code of Conduct Policy Risk Management Policy Delegations Register Caretaker Policy Fraud and Corruption Prevention Policy <u>Prudential Management Policy</u>

1. INTRODUCTION

- 1.1 In compliance with Section 49 of the Local Government Act 1999 (**Act**), Council should refer to this policy (**Policy**) when acquiring goods and services.
- 1.2 Section 49 of the Act requires Council to prepare and adopt policies on contracts and tenders on:
 - 1.2.1 the contracting out of services; and
 - 1.2.2 competitive tendering and the use of other measures to ensure that services are delivered cost-effectively; and
 - 1.2.3 the use of local goods and services.
- 1.3 Furthermore, Section 49 (a1) of the Act requires Council to develop and maintain policies, practices and procedures directed towards:
 - 1.3.1 obtaining value in the expenditure of public money; and
 - 1.3.2 providing for ethical and fair treatment of participants; and
 - 1.3.3 ensuring probity, accountability and transparency in all operations.

- 1.4 This Policy seeks to:
 - 1.4.1 define the methods by which Council can acquire goods and services;
 - 1.4.2 demonstrate accountability and responsibility of Council to ratepayers;
 - 1.4.3 be fair and equitable to all parties involved;
 - 1.4.4 enable all processes to be monitored and recorded; and
 - 1.4.5 ensure that the best possible outcome is achieved for the Council.
- 1.5 However, this Policy does not cover:
 - 1.5.1 non-procurement expenditure such as sponsorships, grants, funding arrangements, donations and employment contracts; or

1.5.2 the disposal of land and other assets owned by the Council;

~~1.5.2~~1.5.3 the purchase of land by the Council.

During Caretaker Mode, the procurement provisions of the Caretaker Policy will apply and, where any provisions of the Caretaker Policy are inconsistent with any provisions of this Policy, the Caretaker Policy will operate.

2. **POLICY OBJECTIVE**

Council aims to achieve advantageous procurement outcomes by:

- 2.1 enhancing value for money through fair, competitive, non-discriminatory procurement;
- 2.2 promoting the use of resources in an efficient, effective and ethical manner;
- 2.3 making decisions with probity, accountability and transparency;
- 2.4 advancing and/or working within Council's economic, social and environmental policies;
- 2.5 providing reasonable opportunity for competitive local businesses to supply to Council;
- 2.6 appropriately managing risk; and
- 2.7 ensuring compliance with all relevant legislation.

3. **PROCUREMENT PRINCIPLES**

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

- 3.1 *Encouragement of open and effective competition*

3.2 *Obtaining Value for Money*

3.2.1 This is not restricted to price alone.

3.2.2 An assessment of value for money must include, where possible, consideration of:

3.2.2.1 the contribution to Council's long term plan and strategic direction;

3.2.2.2 any relevant direct and indirect benefits to Council, both tangible and intangible;

3.2.2.3 efficiency and effectiveness of the proposed procurement activity;

3.2.2.4 the performance history, and quality, scope of services and support of each prospective supplier;

3.2.2.5 fitness for purpose of the proposed goods or service;

3.2.2.6 whole of life costs;

3.2.2.7 Council's internal administration costs;

3.2.2.8 technical compliance issues;

3.2.2.9 risk exposure; and

3.2.2.10 the value of any associated environmental benefits.

3.3 *Probity, Ethical Behaviour and Fair Dealing*

Council is to behave with impartiality, fairness, independence, openness and integrity in all discussions and negotiations.

3.4 *Accountability, Transparency and Reporting*

3.5 *Ensuring compliance with all relevant legislation*

3.6 *Encouragement of the development of competitive local business and industry*

Where the evaluation criteria are comparable, Council may consider the following:

3.6.1 the creation of local employment opportunities;

3.6.2 increased availability of local servicing support;

3.6.3 increased convenience with communications with the supplier for contract management;

3.6.4 economic growth within the local area;

3.6.5 benefit to Council of associated local commercial transaction; and/or

3.6.6 the short and long term impact of the procurement on local business.

3.7 *Environmental protection*

Council will seek to:

- 3.7.1 adopt purchasing practices which conserve natural resources;
- 3.7.2 align the Council's procurement activities with principles of ecological sustainability;
- 3.7.3 purchase recycled and environmentally preferred products where possible;
- 3.7.4 integrate relevant principles of waste minimisation and energy;
- 3.7.5 foster the development of products and services which have a low environmental impact;
- 3.7.6 provide leadership to business, industry and the community in promoting the use of environmentally sensitive goods and services.

3.8 Work Health & Safety

~~*The District Council of Coober Pedy is meeting current Work Health and Safety legislation, Australian Standards and Codes of Practice*~~ Council is committed to meeting the legislative requirements of the Work Health Safety Act and Regulations. To meet these requirements Council personnel shall develop and effectively implement its procurement framework to eliminate and/or minimise the risk of injury/illness to its workers, elected members, customers and community.

4. **PROCUREMENT METHODS**

Generally, open and fair competition is best achieved by undertaking a tender process so that all interested parties have an opportunity to bid. However, there may be procurements in which a tender process will not necessarily deliver the most advantageous outcome for the Council – in such instances, other market approaches may be more appropriate.

The Council may, having regard to its Procurement Principles and any other factors considered relevant by the Council, in its absolute discretion determine to utilise one or more of the following procurement methods:

4.1 *Direct Purchasing*

- 4.1.1 This is where Council purchases from a single source, without first obtaining competing bids.
- 4.1.2 This method may be suitable for low value, low risk goods and services, and where the supplier already has a successful service history with the Council.
- 4.1.3 The payment methods for this direct purchase include, petty cash, credit cards, ~~memo of supply~~ or purchase order.

4.2 *Quotations (Informal)*

- 4.2.1 This is where Council obtains quotations from prospective suppliers.
- 4.2.2 Generally, a minimum of three quotations are sought.
- 4.2.3 Where possible, the Council must insist on written quotes.
 - 4.2.3.1 If a written quote cannot be obtained, the Council **must** keep detailed written records of the oral quote obtained, including details of the commercial terms of the quote.
- 4.2.4 This method may be suitable for low value, low risk goods and services.

4.3 *Purchase Orders*

- 4.3.1 This is where Council is purchasing routine, low value and low risk goods and services.
- 4.3.2 Generally, Purchase Orders have limited terms and conditions and should not be used for non-routine, high value and high risk goods and services.

~~4.4 *Memo of Supply*~~

~~4.4.1 This is where Council is purchasing routine, low value and low risk goods and services.~~

~~4.4.2 This only applies to pre determined local suppliers. These suppliers will provide copies of memo plus invoices at the end of each month.~~

~~4.5.4 *Request for Quotations (RFQ)*~~

~~4.5.14.4.1 This is where Council obtains written quotations from prospective suppliers.~~

~~4.5.24.4.2 Generally, a minimum of three written quotations are sought.~~

~~4.5.34.4.3 This method may be suitable for simple, largely price-based purchases.~~

~~4.5.44.4.4A “Short Form Request for Quotation” can be used for purchases with minimal specifications.~~

~~4.5.54.4.5A “Long Form Request for Quotation” can be used for purchases with detailed specifications.~~

~~4.6.5 *Requests for Expressions of Interest (REOI)*~~

~~4.6.14.5.1 This is where Council issues an open invitation for a proposed goods and/or service.~~

~~4.6.24.5.2 This method may be used where there is potentially a large market for the proposed goods and/or service, and the Council would like to be able to prepare a short list of suppliers to then invite to participate in a tender process.~~

4.74.6 *Request for Tenders (RFT)*

4.7.14.6.1 This is where the Council issues a tender for a proposed goods and/or service.

4.7.24.6.2 Council may issue a “Select” Request for Tender where it has already issued a REOI, or where it has reasonable grounds for only dealing with a select group of potential suppliers.

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

4.84.7 *Panel contracts*

4.8.14.7.1 This is where the Council establishes panel arrangements with a select group of suppliers – generally, this occurs once the Council has completed its appointment of such suppliers in accordance with this Policy, and can include either:

4.8.1.14.7.1.1 a standing offer from a pool of suppliers for the provision of goods and services on agreed terms; or

4.8.1.24.7.1.2 the prequalification of certain suppliers who may or may not be engaged on terms to be agreed.

4.8.24.7.2 Once a panel has been established, the Council may purchase the particular goods and/or service through such panel arrangements.

4.94.8 *Strategic alliances*

4.9.14.8.1 This is where the Council undertakes procurement through contract arrangements already established and administered by other organisations, including:

4.9.1.14.8.1.1 LGA Procurement;

4.9.1.24.8.1.2 Procurement Australia;

4.9.1.34.8.1.3 State Government contracts.

4.9 *Local Industry Sourcing*

4.9.1 With the aim of achieving a value for money outcome, Council will endeavour to, at its discretion and to the full extent permitted by law, support local businesses by:-

- Actively promoting local businesses with opportunities to supply to the Council;
- Structuring the purchasing processes to be accessible to all businesses;
- Giving preference to a local business when all other commercial considerations are equal; and

- Ensuring that, where possible, specifications and purchasing descriptions are not structured in such a way that would potentially exclude local suppliers and contractors.

5. CONSIDERATIONS FOR THE COUNCIL

The appropriate method of procurement will be determined by reference to a number of factors, including:

5.1 *Value of the Purchase*

Value of Purchase (\$)	Process
Less than \$1,000	Direct Sourcing
\$1,001 - \$5,000	1 Quotation
\$5,001 - \$15,000	At least 2 Quotations
\$15,001 - \$50,000	At least 3 Quotations
\$50,001 - \$100,000	Selected Tender
Greater than \$100,000	Open Tender

The value of the purchase will be calculated as follows:

- *single one-off purchase* – the total amount, or estimated amount, of the purchase (excluding GST);
 - *multiple purchases* – the gross value, or the estimated gross value, of the purchases (excluding GST); or
 - *ongoing purchases over a period of time* – the annual gross value, or the estimated annual gross value, of the purchases (excluding GST).
- 5.2 cost of an open market approach versus the value of the acquisition and the potential benefits;
 - 5.3 the particular circumstances of the procurement activity;
 - 5.4 the objectives of the procurement;
 - 5.5 the size of the market and the number of competent suppliers;
 - 5.6 the Council’s leverage in the marketplace;
 - 5.7 time constraints;
 - 5.8 a global assessment of the risks associated with the relevant activity and /or project, including the risk profile of the procurement and any risks associated with the preferred procurement method.

- 5.9 benefits to the Community of Local ~~Commercial-Industry Sourcing~~ transactions.

6. PURCHASING PROCEDURES

- 6.1 No goods or services are to be purchased by the Council unless they have been included in the approved budget of the Council.
- 6.2 Goods and services shall be obtained only by use of a Council Order provided that in urgent cases, goods and services may be ordered subject to confirmation by an official order.
- 6.3 The Council Orders shall be numbered consecutively and stocks of unused Council Orders shall be listed in a register under the control of the Chief Executive Officer.
- 6.4 It shall not be necessary to issue a Council Order for:
- 6.4.1 Fees or payments imposed under any Act;
 - 6.4.2 professional ~~s~~Services, insurance and freight charges;
 - 6.4.3 Payments pursuant to any award binding upon Council;
 - 6.4.4 Payments pursuant to any Court order binding upon Council;
 - 6.4.5 Goods purchased from petty cash
- 6.5 When an employee identifies that a particular good or service is required an Authorised Officer should be notified of the details so that the purchase can be initiated. ~~(In certain emergency situations approval can be obtained for expenditure by telephoning the Council Office.~~
- 6.6 The Authorised Officer shall have regard to the purchasing principles and options under this policy before proceeding to order the goods or services.
- 6.7 Where appropriate, consultation should take place between management and employees to determine the quantities and safety aspects appropriate to the goods being purchased and to ensure that goods are satisfactory for the purpose for which they are required.
- 6.8 Tenders
- 6.9.1 Works and services required by Council which are estimated to cost more than \$50,000.00 shall be submitted to selected or open tender unless the Chief Executive Officer determines it is not practical or Council approves that the acquisition not be subject to the tender process depending on the circumstances of each case. This does not preclude the calling of quotes or tenders for purchases or services estimated to cost less than \$50,000, if considered desirable by the Chief Executive Officer or Council.
 - 6.9.2 All invitations to tender must specify a closing date. The quotation period will allow suitable time for the parties concerned to fully study the request for quotation document.

- 6.9.3 The Tender quotation period will close after 5.00pm on a weekday but not a Monday or a day following a public holiday.
- 6.9.4 Council reserves the right to extend the closing date and time for the receipt of tenders.
- 6.9.5 All tenders must be received by the Chief Executive Officer prior to the closing date and must be in sealed envelopes clearly identified as containing tenders. Upon receipt of a tender (via mail or delivery) the Administration Officer will date stamp the tender envelope. All tenders received and recognised as such must immediately be placed in the Tender Box. The Tender Box will be locked and secured.
- 6.9.6 When an envelope containing a tender is not marked as required, and is opened in the normal process of mail handling, the tender and envelope are to be sealed into another envelope by the person dealing with the mail, correctly endorsed with the tender number and signed by the officer and counter signed by another officer, and immediately placed into the Tender Box. The contents of the tender must not be divulged to any other person by the said officer.
- 6.9.7 The Tender Box shall only be opened after the close of tenders (as a matter of urgency) in the presence of the Chief Executive Officer ~~and a member of staff~~ ~~and one Elected Member~~, who shall date stamp and sign all tenders received.
- 6.9.8 Once the tenders have been opened and the evaluation process is able to commence, it is essential that controls are in place to ensure the following-
- That access to tender documents is controlled
 - That the documents are not to be copied without authority
 - That they are treated on a “need to Know” basis only
 - That staff involved in the evaluation process are aware of the requirement for care and a total ethic conduct.
- 6.9.9 Tenders received shall be presented to Council for consideration using the Tender Evaluation Scorecard. This assists with summarizing the tenders against the set selection criteria. A comparison summary if considered necessary by the Chief Executive Officer.
- 6.9.10 No tenders will necessarily accepted.
- 6.9.11 In response to any enquiry, the Council only needs to disclose the identity of the successful tenderer, or of any reasons as to why a successful tenderer has been selected, if appropriate in the particular circumstances.
- 6.9.12 Letters will be written to both successful and unsuccessful tenders.

7. RECORDS

The Council must record written reasons for utilising a specific procurement method in each activity and where it uses a procurement method other than tendering.

8. 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 best outcome for the Council, and other market approaches may be more appropriate.

In certain circumstances, the Council may, after approval from its elected members, waive application of this Policy and pursue a method which will bring the best outcome for the Council. The Council must record its reasons in writing for waiving application of this Policy.

- (a) if the Chief Executive Officer decides that there is only one supplier reasonably available to it; or
- (b) the Chief Executive Officer decides that a genuine emergency exists; or
- (c) the Chief Executive Officer is satisfied that the services to be supplied are of such a specialised or confidential nature that it would be impractical or disadvantageous to Council to invite tender or quotations; or
- (d) the purchase of goods at auction; or
- (e) the purchase of secondhand goods; or
- (f) the contract is made with a person who is on a panel of suitable suppliers maintained by Council

9. DELEGATIONS

The Council has delegated to the Chief Executive Officer the power in Section 137 of the Act to expend the funds of the Council.

9.1 Monetary Limitations

Staff are subject to limitations set out in the Financial Delegations Register which records the sub delegations made by the Chief Executive Officer to other staff under Section 137 of the Act.

9.2 Separation of Powers

Procurement expenditure in excess of \$10,000 cannot be authorised by the person responsible for managing the Procurement process.

9.3 Timing of Approval

Approval must be obtained from an appropriately authorised Officer before an Offer is accepted -

- in the case of acceptance of an Offer by Purchase Order, prior to forwarding a Purchase Order to a Supplier, or

- in the case of acceptance of an Offer by entering into a Contract, prior to advising the Supplier that its Offer has been accepted.

9.4 Unbudgeted & Over-budget Purchases

No Goods, Services or Works may be procured unless they have been included in an approved budget. Expenditure which does not form part of an approved budget may not be incurred or committed without formal approval of the Chief Executive Officer.

Where the value of a Procurement is likely to exceed the budget for that activity, formal approval of the Chief Executive Officer is required before an Offer is accepted.

9.5 Contract Variations

Contract variations costing 5% or more of the original contract value or resulting in a cumulative cost variation of 10% or more of the original contract value must be approved as if the new (varied) total contract value is being approved.

9.

Officers authorised to sign orders

Position	Authorisation
Chief Executive Officer	any goods or services with unlimited value
Finance & Administration Manager	any goods or services with a value not exceeding \$75,000.00
Distribution Supervisor	any goods or services within the officer's department with a value not exceeding \$50,000.00
Water Supply Manager	any goods or services within the officer's department with a value not exceeding \$50,000.00
Works Manager	any goods or services within the officer's department with a value not exceeding \$50,000.00
Creditors Officer	any goods or services with a value not exceeding \$2,000.00
Administration Assistant (External Departments)	Any goods or services with a value not exceeding \$2,000.00
Executive Assistant	any goods or services within the administration department with a value not exceeding \$2,000.00

10. PRUDENTIAL REQUIREMENTS

In regards to Major projects Refer to Council's Prudential Management Policy, pursuant to Section 48 of the Local Government Act 1999.

11. **FURTHER INFORMATION**

- 11.1 This Policy will be kept on the Council's website for the public to view.
- 11.2 Council will review this Policy once every 2 years.
- 11.3 However, Council may revise or review this Policy at any time (but not so as to affect any process that has already commenced).