

Policy Document

PROCUREMENT POLICY

Policy No: DCSB-FM-07.05	Version No: 2.0	Administered by: Manager, Corporate Services
Approved by: Council	Approved on: 2 February 2017	Agenda Item/Minute Book No or Approval Ref: 26/17
Last Reviewed: 2010	Review Date 2019	File No: F16/351
Classification: Governance		
Strategic Plan link: Strategy 1.1.7 Section 90(8a) & (8b) of the Local Government Act 1999 Strategy 6.2.2 of DCSB Strategic Plan Review and update Council Procurement Policy, reflect preference to buy locally		
References and related Policies & Procedures: DCSB-FM-07.10 Disposal of Land and Assets Policy DCSB-HS-12.04 Consultation and Communication Policy DCSB-FM-07.12 Credit Card Policy LGA procurement policy - templates Local government act 1999 (section 49)		

1. INTRODUCTION

- 1.1 In compliance with Section 49 of the Local Government Act 1999, Council should refer to this 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; or
 - 1.5.3 the purchase of land by the Council.

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*

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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

Council will only engage suppliers and/or contractors who are able to maintain a level of WHS that is acceptable in accordance with Council's WHS Policies and Procedures and any additional requirements specified in terms and conditions of contractual arrangements.

3.8.1 Pre Purchase Risk Assessment

Formal pre purchase risk assessments must be undertaken for purchase of all plant and vehicles in accordance with Council's Plant Procedure.

Consideration of risk must be undertaken pre-purchase for all other purchases. The level of the pre purchase risk assessment shall be determined by the value of the purchase, type of purchase and perceived level of risk.

3.8.2 (b) WHS Contractor Management

Council has an obligation to ensure that Contractors engaged by Council have an understanding and a commitment to WHS as competent providers of the good or services they are contracted to provide.

Council officers must ensure when engaging contractors they administer Council's OHS Contractor Policy and Procedure, including components upon selection, monitoring and induction.

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.

4.2 *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 *Request for Quotations (RFQ)*

4.4.1 This is where Council obtains written quotations from prospective suppliers.

4.4.2 Generally, a minimum of three written quotations are sought.

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

- 4.4.4 A “Short Form Request for Quotation” can be used for purchases with minimal specifications.
- 4.4.5 A “Long Form Request for Quotation” can be used for purchases with detailed specifications.
- 4.5 *Requests for Expressions of Interest (REOI)*
 - 4.5.1 This is where Council issues an open invitation for a proposed goods and/or service.
 - 4.5.2 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.
- 4.6 *Request for Tenders (RFT)*
 - 4.6.1 This is where the Council issues a tender for a proposed goods and/or service.
 - 4.6.2 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.
 - 4.6.3 Otherwise, Council may issue an “Open” Request for Tender.
- 4.7 *Panel contracts*
 - 4.7.1 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:
 - 4.7.1.1 a standing offer from a pool of suppliers for the provision of goods and services on agreed terms; or
 - 4.7.1.2 the prequalification of certain suppliers who may or may not be engaged on terms to be agreed.
 - 4.7.2 Once a panel has been established, the Council may purchase the particular goods and/or service through such panel arrangements.
- 4.8 *Strategic alliances*
 - 4.8.1 This is where the Council undertakes procurement through contract arrangements already established and administered by other organisations, including:
 - 4.8.1.1 LGA Procurement;
 - 4.8.1.2 a purchasing group of which the Council is a member;
 - 4.8.1.3 G6 Procurement Group;

4.8.1.4 Procurement Australia;

4.8.1.5 State Government contracts.

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 exclusive of GST (\$)	Possible Method of Procurement
<i>Purchases under \$4,999</i>	Only one (1) verbal quotation is required
<i>Purchases from \$5,000 to \$19,999</i>	Two (2) written quotations are required.
<i>Purchases from \$20,000 to \$49,999</i>	Council must invite written quotations. The invitation must be given to at least two (2) persons/organisations who Council considers can meet its requirements. Quotations must be sought using the Request for Quotation Short Form.
<i>Purchases from \$50,000 to \$99,999</i>	<p>Council Policy requires that Council invite written quotations before making a contract for the carrying out of work or the supply of goods or services involving a cost of between \$50,000.00 and \$99,999.00. The invitation must be given to at least three (3) persons/organisations who Council considers can meet its requirements. The request must be made using the Request for Quotation Long or Short Form.</p> <p>These processes are put in place as a “minimum” guide and should Council officers assess the purchase to be of high risk or other applicable reason an alternative purchasing method may be used, however this must be approved by the Chief Executive Officer. This may include the use of a formal contract if multiple purchases are required from the same supplier.</p>

Purchases above \$100,000	<p>Council Policy requires that Council invite tenders before making a contract for the carrying out of work, or the supply of goods or services involving a cost of more than \$100,000</p> <p>Council recognises there are a number of tendering processes and the appropriate tendering process to be used shall be at the discretion of the Chief Executive Officer.</p> <p>The invitation must be advertised in at least one (1) newspaper including one (1) local newspaper allowing at least 21 days from the day of the advertisement for the submission of tenders.</p>
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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) per project;

Splitting of amounts to bring expenditure within lower limits is not permitted.

- 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.*

6. RECORDS

For all methods of procurement, appropriate records must be kept on the procurement and decision making process.

It is the responsibility of all employees involved in purchasing to ensure that records are kept in accordance with Council's Records Management Policy, requirements of the Local Government Act 1999 and regulations and State Records GDS 20 Schedule.

7. EXEMPTIONS FROM THIS POLICY

Council may be exempt from the requirement to seek tenders or quotations, if:

- a) there may be significant public risk if the procurement is delayed by process requirements, such as emergency situations threatening life and property, or
- b) to ensure that residents or occupants of Council owned buildings are not subject to undue discomfort or hardship due to breakdown of building facilities or equipment; or
- c) to ensure the security of Council's assets; or
- d) a small, stable and well documented supply market exists such that the council can ensure that all potential suppliers are invited to participate; or
- e) the pressures of time are such that an open call is not feasible, such as where there has been an unanticipated Council or Government policy decision; or
- (f) Council purchases goods at an auction; or
- (g) Council purchases second-hand goods; or
- (h) the contract is made with, or under an arrangement with or made by:
 - (i) the State, a government entity, a local government owned corporation, another local government, Local Government Corporate Services (LGCS Pty Ltd) or Strategic Purchasing (MAPS Group); or
 - (ii) another Australian Government, an entity of another Australian Government or a local government of another State or a Territory; or
- (i) Council resolves to enter into a contract using a significant purchasing activity plan which must state:
 - (i) the objectives of the purchase and how they will be achieved; and
 - (ii) any alternative ways of achieving the objectives, and why the alternative ways were not adopted; and
 - (iii) a risk analysis of the market from which the goods or services are to be procured.
- j) Officers may deem that there is only one (1) supplier to provide or supply goods, services or goods and services to Council. In this instance officers must demonstrate and document their market research and process in order to ascertain sole supplier status.
- k) Unsolicited offers – LGA draft; or
- l) A neighbouring, regionally based council, is able to provide shared services that meet Councils needs

When assessing the most effective method of obtaining goods and/or services, Council officers should consider the administrative costs to Council of seeking tenders or quotations independently, and the reduction of these costs which can be achieved by use of approved alternative arrangements outlined above.

A request for waiver of competitive process should not be viewed as a mechanism to speed processes in a way that will not stand up to rigorous scrutiny nor as a mechanism to obviate the need for careful forward planning. The granting of waiver of competitive process must be appropriately documented and approved in accordance with Council Policy. The request for waiver shall only be approved by the Chief Executive Officer.

Where a Funding Agreement specifies that Council must follow a prescribed tendering process which differs from the process outlined in this Procurement Policy, the project funded under that Agreement is exempted from the Policy.

Where a purchase is made in the event of any emergency the expenditure must be within the officer's delegated authority, limited to that required to alleviate the emergency situation only; and officers must ensure that appropriate methods of purchase are resumed as soon as practicable.

8. DELEGATIONS

Council delegates to the Chief Executive Officer the authorisation to approve expenditure and enter in to contracts valued at less than \$200,000 (exclusive of GST). The Chief Executive Officer may sub delegate expenditure authorisations commensurable with officer roles and responsibilities.

Council delegates to the Chief Executive Officer the authorization to approve, amend and review any procedures that shall be consistent with this Policy.

9. CONFIDENTIALITY

All information provided between Contractor and the Principal shall be treated as confidential only to the extent provided by the law, including Freedom of Information Act 1991 (FOI) provisions.

10. REVIEW

It is the responsibility of the Manager, District Services and Corporate Services Manager jointly to monitor the adequacy of this policy and recommend appropriate changes. This policy will be formally reviewed by Council triennially.

11. PUBLIC CONSULTATION

Where a purchase requires public consultation, then such consultation must be in accordance with Council's Public Consultation Policy.

12. PRUDENTIAL REQUIREMENTS

Consideration should also be given to DCSB-FM-07.13 Prudential Management Policy when considering Council projects.

13. FURTHER INFORMATION

13.1 This Policy will be kept on the Council's website for the public to view.

13.2 This policy will next be reviewed in 2019.

13.3 However, Council may revise or review this Policy at any time (but not so as to affect any process that has already commenced).