

	PROCUREMENT POLICY	Version No:	3.3
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Responsible Officer	Chief Executive Officer
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Related Documents	Procurement Thresholds & Delegations Prudential Management Policy
Public Consultation Required	No
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1. PURPOSE

To provide guidance to Council staff on the procurement of goods and services to meet Council's needs.

2. INTRODUCTION

2.1 In compliance with Section 49 of the Local Government Act 1999 (Act), Council should refer to this policy (Policy) when procuring goods and services.

2.2 Section 49 of the Act requires Council to prepare and adopt policies on contracts and tenders on:

2.2.1 the contracting out of services; and

2.2.2 competitive tendering and the use of other measures to ensure that services are delivered cost-effectively; and

2.2.3 the use of local goods and services.

2. INTRODUCTION (Cont'd)

2.3 Furthermore, Section 49 (a1) of the Act requires Council to develop and maintain policies, practices and procedures directed towards:

2.3.1 obtaining value in the expenditure of public money; and

2.3.2 providing for ethical and fair treatment of participants; and

2.3.3 ensuring probity, accountability and transparency in all operations.

2.4 This Policy seeks to:

2.4.1 define the methods by which Council can procure goods and services;

2.4.2 demonstrate accountability and responsibility of Council to ratepayers;

2.4.3 be fair and equitable to all parties involved;

2.4.4 enable all processes to be monitored and recorded; and

2.4.5 ensure that the best possible outcome is achieved for the Council.

2.5 However, this Policy does not cover:

2.5.1 the purchase of land (includes community land, vacant land, operational land, road reserves, any legal interest in land, and any other land-related assets, including all buildings (community and operational) on the land) by the Council.

3. POLICY OBJECTIVE

Council aims to achieve advantageous procurement outcomes by:

3.1 enhancing value for money through fair, competitive, non-discriminatory procurement;

3.2 promoting the use of resources in an efficient, effective and ethical manner;

3.3 making decisions with probity, accountability and transparency;

3.4 advancing and/or working within Council's economic, social and environmental policies;

3.5 providing reasonable opportunity for competitive local businesses to supply to Council;

3.6 appropriately managing risk; and

3.7 ensuring compliance with all relevant legislation.

4. PROCUREMENT PRINCIPLES

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

4.1 Encouragement of open and effective competition

4.2 Obtaining Value for Money

4.2.1 This is not restricted to price alone.

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

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

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

4.2.2.3 efficiency and effectiveness of the proposed procurement activity;

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

4.2.2.5 fitness for purpose of the proposed goods or service;

4.2.2.6 whole of life costs;

4.2.2.7 Council's internal administration costs;

4.2.2.8 technical compliance issues;

4.2.2.9 risk exposure; and

4.2.2.10 the value of any associated environmental benefits.

4.3 Probity, Ethical Behaviour and Fair Dealing

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

At all stages of the procurement process Council will ensure appropriate management of confidential information, conflicts of interest, gifts and gratuities (managed in accordance with Council's Code of Conduct for employees, conflict of interest and gifts and benefits procedures, and Fraud and Corruption Policy).

4.4 Accountability, Transparency and Reporting

Council will demonstrate accountability in procurement by ensuring that decisions are able to be explained, and evidence provided, to ensure that an

4. PROCUREMENT PRINCIPLES (Cont'd)

4.4 Accountability, Transparency and Reporting (Cont'd)

independent third party can clearly see that a fair and reasonable process has been followed.

Personnel must be able to account for all decisions and provide feedback on them. Accordingly, an audit trail will be visible for all procurement activities for monitoring and reporting purposes.

The CEO (or delegate) will conduct an audit on a sample of procurement activities every 6 months and report the outcomes of these audits to Council.

Delegations define the limitations within which Council personnel are permitted to work. Council personnel will not incur expenditure unless they have a delegated authority and funds are allocated for that specific expenditure in a budget approved by Council.

Purchase Orders must be created prior to the purchase being made.

4.5 Ensuring compliance with all relevant legislation

4.6 Encouragement of the development of competitive local business and industry

To the extent permitted by law, when all other considerations are equal, Council aims to encourage the participation of local contractors, suppliers and manufacturers and provide where practical, opportunity for local economic benefit whose activities contribute to the economic development of the region and/or provide local employment opportunities.

When setting the evaluation criteria for goods or services, Council may include criteria and/or weightings which value the following local economic benefit considerations:

4.6.1 creation of local employment opportunities;

4.6.2 structuring the purchasing process to be accessible to all businesses

4.6.3 ensuring, where possible, that specifications and purchasing descriptions are not structured so as to potentially exclude local and regional suppliers and contractors

4.6.4 increased availability of local servicing support;

4.6.5 economic growth within the local area; convenience of access to and communications with the supplier for contract management;

4.6.6 benefit to Council of associated local commercial transaction;

4.6.7 the short and long term impact of the procurement on local business

4.6.8 level of activity in and support of the community

4. PROCUREMENT PRINCIPLES (Cont'd)

4.7 Environmental Protection

Council promotes environmental protection through its purchasing procedures. In undertaking any purchasing activities Council will, wherever possible

- 4.7.1 adopt purchasing practices which conserve natural resources;
- 4.7.2 align the Council's procurement activities with principles of ecological sustainability;
- 4.7.3 purchase recycled and environmentally preferred products where possible;
- 4.7.4 integrate relevant principles of waste minimisation and energy;
- 4.7.5 foster the development of products and services which have a low environmental impact;
- 4.7.6 provide leadership to business, industry and the community in promoting the use of environmentally sensitive goods and services and Work Health & Safety.

4.8 Work Health and Safety

The procurement of all goods and services must be undertaken in accordance with all relevant Council Workplace Health and Safety Policies and procedures.

5. 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.

Council is required to consider the Total Cumulative Spend with a supplier, or a number of suppliers providing similar goods and services, during the planning phase of procurement. Council is precluded from splitting the value of the purchase to bring individual purchases into a lower Value of Purchase Threshold.

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:

5.1 Direct Purchasing

- 5.1.1 This is where Council purchases from a single source, without first obtaining competing bids.

5. PROCUREMENT METHODS (Cont'd)

5.1 Direct Purchasing (Cont'd)

5.1.2 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.

5.1.3 Petty cash or credit cards may be utilised for this procurement method.

5.2 Quotations (Informal)

5.2.1 This is where Council obtains quotations from prospective suppliers.

5.2.2 Generally, a minimum of two to three quotations are sought.

5.2.3 Where possible, the Council must insist on written quotes.

5.2.3.1 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.

5.2.4 This method may be suitable for low value, low risk goods and services.

5.3 Request for Quotations (RFQ)

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

5.3.2 Generally, a minimum of three written quotations are sought based on written specifications.

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

5.4 Requests for Expressions of Interest (REOI)

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

5.4.2 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.

5.5 Request for Tenders (RFT)

5.5.1 This is where the Council issues a tender for a proposed good(s) and/or service(s).

5.5.2 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.

5. PROCUREMENT METHODS (Cont'd)

5.5 Request for Tenders (RFT) (Cont'd)

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

5.6 Panel contracts

5.6.1 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:

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

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

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

5.7 Strategic alliances

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

5.7.1.1 LGA Procurement;

5.7.1.2 a purchasing group of which the Council may be a member;

5.7.1.3 Procurement Australia;

5.7.1.4 State Government contracts.

6. PROCUREMENT STRATEGY

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

Value of Purchase (\$) ex GST	Possible Method of Procurement
Less than \$5,000	Direct Sourcing - No quotations necessary
Between \$5,001 and \$15,000	Quotations (Informal - Quotations x2min)
Between \$15,001 and \$75,000	RFQ (Request for Quotations Written x2 min)
Between \$75,001 and \$150,000	SRFT (Select Request for Tender)
Over \$150,000	RFT (Request for Tender)
As Required	REOI (Request for Expression of Interest)

6. PROCUREMENT STRATEGY (Cont'd)

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) i.e. any one off purchase;
- multiple purchases – the gross value, or the estimated gross value, of the purchases (excluding GST) i.e. collective costs for purchases from one supplier; or
- ongoing purchases over a period of time – the annual gross value, or the estimated annual gross value, of the purchases (excluding GST) i.e. collective costs from one supplier over a period of time.

- 6.1 cost of an open market approach versus the value of the acquisition and the potential benefits;
- 6.2 the particular circumstances of the procurement activity;
- 6.3 the objectives of the procurement;
- 6.4 the size of the market and the number of competent suppliers;
- 6.5 the Council's leverage in the marketplace;
- 6.6 time constraints;
- 6.7 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.

7. DELEGATIONS

The Chief Executive Officer has delegated to approve any procurement of goods and service by Council, provided that the value of the services does not exceed \$100,000 (ex GST) and that the purchase does not exceed Council's adopted current budget for this item.

The Chief Executive Officer is permitted to sub delegate this purchasing authority to other council staff.

The monetary amounts sub delegated to officers are as listed in the Northern Areas Council Procurement Thresholds & Delegations Register.

All plant and equipment purchases over \$30,000 (Exc. GST) – require Council approval.

The Chief Executive Officer has delegated authority to waive a procurement method based on extraordinary factors. These factors include emergency works required for public safety and lack of available suppliers (i.e. only one quote can be obtained). All other budget rules and thresholds still apply.

8. AUTHORITY TO COMMIT EXPENDITURE

The Council will not be committed to any expenditure unless funds are allocated and approved in the budget. Given that funds are available the levels of authority to commit expenditure in respect to Operating and Capital Budgets - the Chief Executive Officer, or other employee as delegated by the Chief Executive Officer.

Where provision in the budget is insufficient to meet the expenditure required it will be referred to Council for a decision.

The Chief Executive Officer is authorised to sign purchase orders for the purchasing of goods and services on behalf of Council and to delegate this authority to other employees. The employees who have the authority to sign purchase orders shall not order any goods or services over their delegated limit, or for which finance is not available or approved.

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

Those services that are a legislative requirement or are part of a larger scheme that will give Council a better rate for the service will be exempt from the Procurement Policy. These services are Insurance (including Workers Compensation and Income Protection), Legal fees, Lease and Rental Costs, Monthly Service Charges Under a Contract, Software Licences, Subscriptions, Accommodation, Water, Electricity, Communications, NRM Levy, Land Services Valuations, Planning Fees, Dog Cat Management Board, Vehicle Registrations, Services rendered under a Formal Executed Contract between Council and a Contractor and Low Value Purchases under \$200.

Fuel will be exempted from this policy as there is an arrangement in place where fuel is shared between three (3) suppliers within the Council region.

In certain circumstances, the Council may, after the recommendation from the CEO, 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.

Some examples of when it may be appropriate for the Council to waive application of this Policy are:

- 9.1 There may be significant public risk if the procurement is delayed by process requirements, such as emergency situations threatening life and property,
- 9.2 A small, stable and well documented supply market exists such as that council can ensure that all potential suppliers are invited to participate,
- 9.3 A breach of statutory obligations and common law could occur,
- 9.4 Council purchases goods at an auction,
- 9.5 Council purchases second hand goods

10. FURTHER INFORMATION

This policy will be available for inspection at the Council office, 94 Ayr Street, Jamestown (Ph. 8664 1139) during ordinary business hours and available to be downloaded, free of charge, from Council's internet site: www.nacouncil.sa.gov.au

Copies will be provided to interested parties upon request.
Email admin@nacouncil.sa.gov.au