



## **Procurement Policy**

[ Public Tender Policy ]

Adopted	October 2015
Recommendation Number	24 / 1015
Review Date	October 2017

## Table of Contents

1	Introduction .....	3
2	Policy Objective .....	4
3	Responsibility .....	4
4	Procurement Principles.....	5
5	Method of Purchase .....	8
6	Evaluation of Projects .....	9
7	Exceptions .....	10
8	Delegations.....	11
9	Work Health & Safety .....	11
10	Further Information .....	11
11	Policy Review .....	11
12	Other Relevant Policies/Procedures .....	11
	Schedule 1 - Procurement Delegation Table .....	12

## 1 Introduction

This document sets out the Council's policy for the acquisition of goods and services. This policy applies to the procurement of all goods, equipment and related services, construction contracts and service contracts (including maintenance).

All Council purchases must be carried out in compliance with the *Local Government Act 1999* (the "Act"). This policy complies with the requirements of the Act. In terms of specific requirements, Section 49 (a1) of the Act requires Council to develop and maintain procurement policies, practices and procedures directed towards:

- Obtaining value in the expenditure of public money; and
- Providing for ethical and fair treatment of participants; and
- Ensuring probity, accountability and transparency in the procurement process.

Consistent with section 49 (a1) this policy should be used as a guide, to enable Council officers to implement procedures, and day-to-day practices in acquiring goods and services.

Without limiting Section 49 (a1), a council must prepare and adopt policies on contracts and tenders, including policies on the following:

- the contracting out of services; and
- competitive tendering and the use of other measures to ensure that services are delivered cost effectively; and
- the use of local goods and services; and
- the sale or disposal of land or other assets.

Section 49(2) of the Act requires that this policy must:

- identify circumstances where the Council will call for tenders for the supply of goods, the provision of services or the carrying out of works, or the sale or disposal of land or other assets; and
- provide a fair and transparent process for calling tenders and entering into contracts in those circumstances; and
- provide for the recording of reasons for entering into contracts other than those resulting from the tender process
- be consistent with any requirement prescribed by the regulations.

Pursuant to Section 49(3) of the Act the Council may at any time alter this policy, or substitute a new policy or policies (but not so as to affect any process that has already commenced).

## **1 Introduction**

Pursuant to Section 49(4) of the Act, the Council must make available for inspection (without charge) a policy adopted under this Section at the principal office of Council during office hours.

Pursuant to Section 49(5) of the Act a person is entitled, on payment of a fixed fee to the council, to a copy of a policy under this section.

This policy should be read in conjunction with and must be consistent with the Council's policy for assessment of projects, under section 48 (aa1) of the Act.

## **2 Policy Objective**

Council's purchasing activities aim to achieve advantageous procurement outcomes by:

- enhancing value for money by encouraging competition by ensuring non-discrimination in procurement and using competitive procurement processes;
- promoting the use of resources in an efficient, effective and ethical manner;
- making decisions with probity, accountability and transparency.
- advancing and/or working within Council's economic, social and environmental policies and/or Agreements in accordance with Council's Strategic Management Plan;
- providing reasonable opportunity for competitive local businesses to supply to Council;
- appropriately managing risk; and
- promoting compliance with all relevant legislation.

## **3 Responsibility**

Council employees responsible for purchasing goods and services must comply with this policy. It is the responsibility of Council employees involved in the procurement process to understand the meaning and intent of this policy.

## **4 Procurement Principles**

Council employees must have regard to the following procurement principles in all purchasing activities:

### 4.1 Open and effective competition

Purchasing should be open and result in effective competition in the provision of goods and services. Council must give fair and equitable consideration to all prospective suppliers.

### 4.2 Value for money

Council must harness its purchasing power to achieve the best value for money. The concept of value for money is not restricted to price alone. The value for money assessment must include consideration, as applicable, of:

- contribution to Council's strategic plan and other priorities;
- the performance history of each prospective supplier;
- compliance with the Statement of Requirement, fitness for purpose, quality, services, support and warranty;
- financial considerations including all relevant direct and indirect benefits both tangible and intangible;
- efficiency and effectiveness;
- costs over the whole procurement cycle whole-of-life costs including costs of acquiring, using, maintaining and disposal;
- delivery and/or timeliness;
- the flexibility to adapt to possible change over the lifecycle of the property or service;
- internal administration costs;
- risk exposure;
- the value of any associated environmental benefits; and
- the evaluation of contract options (for example, contract extension options)

## **4 Procurement Principles**

### **4.3 Ethical Behavior and Fair Dealing**

Council employees involved in purchasing are to:

- behave with impartiality, fairness, independence, openness, integrity, and professionalism in their discussions and negotiations with suppliers and their representatives particularly through open and competitive tendering where practical and appropriate;
- provide all suppliers with equal opportunity to supply to Council;
- develop straight forward and user friendly tender requests;
- use clear and easy to understand evaluation criteria and methodology;
- use consistent processes and feedback on decisions;
- provide access to a timely and effective complaints procedure; and
- provide effective communication and information to all suppliers.

### **4.4 Probity, Accountability, Transparency and Reporting**

Council requires that all its employees be answerable for their plans and actions and for the outcomes. All procurement shall be undertaken in a manner that ensures:

- clearly established roles and responsibilities;
- appropriate record keeping and documentation;
- transparency of decisions made;
- adherence to all statutory legislation and local codes of conduct;
- the identification and management of actual or potential conflicts of interest;
- the confidentiality of all commercial information;

## **4 Procurement Principles**

### **4.5 Encouragement of the development of competitive local business and industry**

Where price, performance, quality, suitability and other evaluation criteria are comparable, the following areas may be considered in evaluating offers:

- creation of local employment opportunities;
- more readily available servicing support;
- more convenient communications for contract management;
- economic growth within the local area;
- benefit to Council of associated local commercial transaction;
- the short and long term impact of the procurement on local business.

### **4.6 Environmental protection**

Council promotes environmental protection through its purchasing procedures. In undertaking any purchasing activities Council will:

- promote the purchase of environmentally friendly goods and services that satisfy value for money criteria; and
- foster the development of products and processes of low environmental and climatic impact; and
- provide an example to business, industry and the community by promoting the use of climatically and environmentally friendly goods and services; and
- encourage environmentally responsible activities.

### **4.7 Contractors**

Council will provide services to the community in the most efficient, effective and economical manner possible. This may require the use of contractors. Contractors are obliged to comply with Council's policies on WHS and environmental protection.

## 5 Method of Purchase

All purchases of goods and services over the amount of \$500 require a requisition/ purchase order signed by the relevant Officer as listed in **Schedule 1**.

### 5.1 Purchases under \$1000

Council Managers must exercise judgment and common sense in determining how the purchase should be undertaken. However the following does provide a general framework based on the value of the purchase with expenditure control maintained through council's delegation framework.

### 5.2 Purchases between \$1001 to \$10,000

For purchases between \$1001 to \$10,000 one quotation is required. This quote can be selected/source with the Council exercising this policy's objectives and principals. A written order signed by the relevant Officer as listed in **Schedule 1** is required before the acquisition or commencement of works/contract.

### 5.3 Purchases between \$10,001 to \$20,000

For purchases between \$10,001 to \$20,000 the Council requires at least two written quotations within the budget allocation. A written order, signed by the Appropriate Manager is required before the acquisition or commencement of works/contract.

### 5.4 Purchases between \$20,001 to \$50,000

For purchases between \$20,001 to \$50,000 the Council requires at least three written quotations and the purchase must be within the budget allocation. The quotes should be acquired through a selective tender process. A written order, signed by the Appropriate Manager is required before the acquisition or commencement of works/contract.

If because of the nature of the purchase [ lack of suppliers, isolation, specific type of purchase ] it is not possible to obtain three written quotes then the Manager is required to fully document the reasons and the process that has been followed including any verbal quotes that have been obtained.

### 5.5 Purchases above \$50,001

The Chief Executive Officer will determine the method considered most effective and efficient for the purchase of items above \$50,001. Options to be considered include

- Invite Expression of Interest followed by selective tendering
- Public Tender, with advertising relevant to the item purchased however compliance with Council's Public Consultation Policy requirements is to be maintained
- Selective Tendering



## **5 Method of Purchase**

Records that relate to the procurement from the establishment of the business case, any acquisition planning, records of relevant conversations, all tender documentation, tenders received, the evaluation, successful and unsuccessful letters, copies of the resultant order must be kept on file electronically and in hard copy.

## **6 Evaluation of Projects**

Where the contract value in terms of expected recurrent or capital expenditure:

- exceeds an amount set by the council for the purposes of Section 48 of the Act; or
- where the expected expenditure of the council over the ensuing five years is likely to exceed 20 per cent of the council's average annual operating expenses over the previous five financial years (as shown in the council's financial statements); or
- where the expected capital cost of the project over the ensuing five years is likely to exceed \$4,000,000 (indexed).

Council will obtain and consider a report that addresses any potential prudential issues before the final contract, agreement, Memorandum of Understanding, Deed or other form of undertaking is executed. As outlined in the Councils Prudential and Strategic Decision Making Policy

This requirement does not apply to purchases and/or projects funded through grants or where the procurement is for road construction, road maintenance or drainage works.

Refer to Section 48 of the Act, and to the Council's Prudential Management Policy.

## 7 Exceptions

Generally, open and fair competition is best achieved by undertaking a full public tender call so all interested parties have an opportunity to bid on the call. However, there may be procurements in which a full public tender will not necessarily deliver best value for money and other market approaches may be more appropriate.

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

- 7.1 there may be significant public risk if the procurement is delayed by process requirements, such as emergency situations threatening life and property, or
- 7.2 a small, stable and well documented supply market exists such that the council can ensure that all potential suppliers are invited to participate; or
- 7.3 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
- 7.4 Council purchases goods at an auction; or
- 7.5 Council purchases second-hand goods; or
- 7.6 the contract is made with, or under an arrangement with or made by:
  - the State, a government entity, a local government owned corporation, another local government, Local Government Corporate Services (LGCS Pty Ltd) or Procurement Australia; or
  - another Australian Government, an entity of another Australian Government or a local government of another State or a Territory

When assessing the most effective method of obtaining goods and/or services, Council officers should consider the administrative and price 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 by the relevant Officer as listed in **Schedule 1** attached.

Council from time to time will bulk purchase diesel fuel and the Works Manager because of the nature of this purchase [ Limited Suppliers, ongoing supply and specific supply ] has an exemption from obtaining any quotes.

## **8 Delegations**

Only the Council employees listed in the attached Schedule 1 are entitled to sign requisitions, and then only in accordance with their financial delegation limits. By signing a requisition/ purchase order all officers are confirming that they have taken full notice of this policy and will comply with all of the requirements of this policy and the appropriate council guidelines and procedures.

## **9 Work Health & Safety**

The Southern Mallee District Council will only engage suppliers who are able to maintain a level of Work Health and Safety acceptable to the Southern Mallee District Council. As a minimum, this will be compliance to the Work Health & Safety Act 2012, all associated regulations and all requirements relating to contractors in Council's relevant Work Health and Safety policies, and as specified in terms and conditions of contractual arrangements.

When considering the purchasing, hiring or leasing of plant, equipment and substances a pre-purchase review will be undertaken before the purchase occurs. All reasonably foreseeable hazards are to be identified and assessed prior to the introduction of plant, equipment and substances into the workplace. (Refer associated procedures – 1.2.2 Plant/Equipment Inspection Procedure, 1.2.3 Hazardous Management Procedure, 1.4.1 WHS Contractor Management Procedure.)

## **10 Further Information**

Members of the public may inspect this Policy on Council's website [www.southernmallee.sa.gov.au](http://www.southernmallee.sa.gov.au) and at the principal office of the Southern Mallee District Council at Day Street, Pinnaroo SA 5304.

On payment of a fee, a copy of this Policy may be obtained from the Council, or otherwise may be downloaded for free from the Council's website.

Any queries in relation to this Policy should be directed to the Chief Executive Officer contactable at the principal office on 8577 8002.

## **11 Policy Review**

This policy will be reviewed within two years or as Council requires.

The Council may at any time alter this policy, or substitute a new policy.

## **12 Other Relevant Policies/Procedures**

Internal Control Policy and Procedure

Disposal of Assets Policy

Prudential Management Policy.

### Schedule 1 - Procurement Delegation Table

<b>Position</b>	<b>Up to \$100</b>	<b>\$101 - \$1000</b>	<b>\$1001 - \$20,000</b>	<b>\$20,001 + (Approved Budget only)</b>
Chief Executive Officer	X	X	X	X
Managers	X	X	X	
Employees	X	X [ * Endorsement required ]		

The Chief Executive Officer, or his delegate, has authority to spend the Council approved Budget upon recommendation from the council that it approves and endorses the budget.

\* Acquisitions between \$101 - \$1000 by employees are required to be endorsed by the Chief Executive Officer or their appropriate Manager.

Petty Cash expenditure is provided for the acquisition of emergency purchases, general kitchen goods and daily Employee hospitality, which is at the discretion of individual employees, knowing that purchases are in concurrence with the Southern Mallee District Council's Employees Code of Conduct. Petty Cash or credit Cards are not seen to be a method of procurement that bypasses the Purchase Order process. Purchase Orders is Council's preferred method of procurement.