

PROCUREMENT POLICY	
Statutory Policy	
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1. POLICY STATEMENT

Council procures a wide range of products and services as part of normal business operations and to provide specific services to rate payers. Council is committed to ensuring a fair, transparent and accountable process in procuring goods/services on a value for money basis. Council ensures that purchases are made in the best interests of the community and in accordance with Council's Strategic Plan and legislative requirements.

2. PURPOSE

2.1 Purpose

- 2.1.1 Section 49 of the Local Government Act 1999, requires Council to prepare and adopt policies on contracts and tenders, including:
- The contracting out of services
 - Competitive tendering and other measures to ensure that services are delivered cost effectively
 - The use of local goods and services
- 2.1.2 The specific requirements for contract and tender policies pursuant to Section 49 of the Act 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
 - Provide a fair and transparent process for calling tenders and entering into contracts in those circumstances
 - Provide for the recording of reasons for entering into contracts other than those resulting from a tender process.

2.2 Scope

- 2.2.1 This policy applies to all contracts and tenders organised by Council employees and associates on behalf of Council. This document outlines:
- the principles that should be applied to all purchases
 - the purchasing methods available and when they should be used
 - risk management considerations.
- 2.2.2 This Policy does not cover:
- non-procurement expenditure such as sponsorships, grants, funding arrangements, donations and employment contracts (including trainees and temporary labour hire).
 - the purchase or disposal of land or other assets, which is addressed in the Disposal of Assets Policy.

2.3 Definitions

Goods mean goods including consumables, materials, plant, equipment.

Procurement includes purchase, finance, operating lease or hire/hire purchase.

Services mean services provided by tradespeople, professionals, consultants or utilities.

Reference to a **price** or **cost** means an amount before GST is added (GST Exclusive).

2.4 Strategic Reference

5 Governance and Financial Sustainability

- 5.5 We meet or exceed legislative and accreditation requirements for all relevant programs.

3. PRINCIPLES

3.1 Procurement Principles

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

3.1.1 *Value for Money*

Value includes price; whole-of-life costs; fit for purpose (technical compliance); and the value of any environmental, social and economic benefits, taking into consideration Council's long term financial plan and strategic direction.

3.1.2 *Transparent, Accountable, Fair and Ethical Standards*

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

3.1.3 *Local Economic Development*

To the extent permitted by law, Council will utilise local providers and provide local businesses the opportunity to quote and give preference to goods made locally and suppliers whose activities contribute to local economic development. Council may prefer a local Supplier when:

- a) the supplier operates from or sources Goods or Services (including labour) from within the area of the Council
- b) the supplier supports community not-for-profit organisations within the area of the Council
- c) the supplier offers Goods or Services that are more environmentally responsible than competing offerings
- d) the supplier is financially competitive with other offers (up to 10% more than the lowest price on offer).

3.1.4 *Social and Environmental Sustainability*

Council will seek to adopt purchasing practices which align with the principles of environmentally responsible action, conserving natural resources, waste minimisation and recycled and environmentally preferable products, providing leadership to business, industry and the community. A supplier who is to work on "local government land" in performance of their contract must commit to environment protection practices at least as stringent as the Council's environment protection policy.

Businesses that provide or support social enterprise should also be utilised.

3.1.5 *Work Health and Safety*

Council has an obligation to ensure that all suppliers are compliant with the Work Health and Safety Act 2012, as well as being competent in the provision of the goods or services. A supplier who supplies or deploys labour in performance of their contract must commit to WHS practices at least as stringent as the Council's WHS policy. Where a procurement of goods or services has WHS implications for employees, those employees should be consulted prior to the Council going to the market.

3.2 Financial and Contractual Delegations

- 3.2.1 Under the Local Government Act 1999 (Section 101) the Chief Executive Officer (CEO) has delegated authority with respect to expenditure of Council funds,

which has been sub-delegated to employees through the sub-delegations document.

- 3.2.2 Where the value of the procurement exceeds an employee's financial delegation, approval must be obtained from the relevant Director before commitment.
- 3.2.3 A procurement not having prior budget allocation must be approved by the CEO before commitment.
- 3.2.4 Under the Local Government Act 1999 (Section 36) the Chief Executive Officer has delegated authority with respect to entering into any kind of contract or agreement, which has been sub-delegated to Directors through the sub-delegations document.

3.3 Prudential Requirements

It is a requirement that a Prudential Report is prepared for projects exceeding a prescribed value, prior to any purchasing being undertaken. For further details refer to Council's Prudential Management Policy.

3.4 Procurement Processes

- 3.4.1 Tenders will be called for contracts in excess of \$100,000 provided that a competitive process is practicable and will deliver greater benefit than other methods. Approval of the CEO is required for an exemption.
- 3.4.2 Procurement expenditure must be authorised in accordance with Financial Delegations.

3.5 Exemptions from this Policy

- 3.5.1 The CEO may decide to exclude a transaction, or class of transactions, from the other provisions of this Policy. If a class of transactions is excluded, on its next review this Policy must be altered to show the exclusion.
- 3.5.2 In any circumstances in which this Policy is silent, incapable of taking effect or being implemented according to its strict provisions, the CEO may decide what action may be taken to ensure the effective administration of the Council.
- 3.5.3 Where an exemption to this Procurement Policy over \$50,000 is sought, the CEO must approve the exemption before the process is undertaken. The purchaser must complete the 'Request for Exemption Form' and submit to CEO for approval.
- 3.5.4 Where an exemption to this Procurement Policy under \$50,000 is sought, the relevant Director may approve the exemption. The purchaser must complete the 'Request for Exemption Form' and submit to the relevant Director for approval.
- 3.5.5 Where additional goods or services are required within 6 months of a tender being undertaken, the CEO may agree to use the same supplier and not call for fresh tenders, if the unit rate does not exceed 10% of the previous successful tender and the project remains within the budget allocation.
- 3.5.6 A report detailing all exemptions granted under this policy will be provided to the Audit Committee and Council on a quarterly basis.

3.6 Value of the purchase

The value of the purchase will be calculated as follows:

- 3.6.1 One-off purchase: the total value of the purchase

3.6.2 Multiple purchases: the total value of items/ purchases for a particular project.

3.6.3 Ongoing purchases: the annual value of the purchases from the supplier, or the total value over the contract term, whichever is greater.

3.7 Procurement methods

3.7.1 When purchasing goods and services there are a number of transaction methods which can be used to select and contract with the supplier. The underlying principle is to balance the transaction costs associated with each transaction method, with risk and probity. Transaction costs are lowest with methods such as credit cards, and higher for methods such as tenders.

3.7.2 Purchases which are low value, low risk or low complexity should be acquired through the more efficient processes of credit cards, direct purchase or panel arrangements.

3.7.3 Purchases which are high value, high risk and/or high complexity should be acquired through the more stringent processes of a tender.

3.7.4 The table below defines when specific transaction methods should be used.

Value	Procurement method	Contractor Engagement
Under \$10,000	Direct Purchase / Single Quote	Purchase Order*
\$10,000 - \$100,000	3 Quotes / if of benefit a Select or Open Tender	Purchase order* or Contract
Over \$100,000	Select or Open Tender / Strategic Alliance Contract (VendorPanel)	Contract

*Note Annexure A for exemptions to the requirement for a purchase order.

3.8 Payment Options

3.8.1 Petty Cash: Employees may receive an advance or reimbursement of expenses to a limit of \$30 for one-off purchases where Council does not have an account with the supplier.

3.8.2 Purchase Cards: issued by businesses (Coles, Woolworths, etc), for purchases of specific low value and low risk supplies. Personal rewards cards should not be used in conjunction with these purchases.

3.8.3 Credit Cards: for purchases which are low risk and low complexity.

3.8.4 Payment on invoice: Invoices with a value less than the prescribed limit.

3.8.5 Payment Requisition: A Payment Requisition Form should be completed for purchases that do not have an invoice (eg. Staff reimbursements).

3.8.6 A Purchase Order should be issued prior to receiving the goods or services. Goods and services will be paid for on the receipt of an invoice from the supplier.

3.9 Purchases under \$10,000

A single quote is acceptable for purchases of this value, and should be from a supplier on Council's Preferred Contractors Register where possible. It may be appropriate to obtain more than one quote for some purchases, to ensure value for money.

3.10 Quotations - Purchases \$10,000 - 100,000

3.10.1 Use of direct purchasing using quotations is an efficient means of procuring goods and services without a tender. It also allows for competition by requiring three

quotes where the purchase is over \$10,000.

- 3.10.2 Three written quotes must be sought from suppliers. A copy of all quotes requested and received must be retained in the records management system for probity purposes. If it is not possible to request three quotes, purchaser must seek written approval from the relevant Director to waive the requirement and must record the reasons, on the Procurement Request for Exemption Form.
- 3.10.3 If Council (or a strategic alliance) has a Panel Contract in place for the supply of goods or services, purchases may be made directly from any of the suppliers on the panel, without the need to obtain quotes or seek tenders (as long as the contract contains a specific price for the items being purchased). Purchasers may choose to obtain quotes from more than one supplier on the panel depending on the value and nature of the purchase.
- 3.10.4 Suppliers should be provided with a written specification for the Goods or Services required. If the specification changes all suppliers must be notified in writing on the same day.
- 3.10.5 Suppliers should be provided with at least one week to supply a quotation. Where one or more suppliers elects not to provide a quotation, the process will be deemed to be compliant with this policy.
- 3.10.6 Reasons for selecting one quotation over another must be recorded.
- 3.10.7 The successful suppliers must be issued with a purchase order or contract.
- 3.10.8 Unsuccessful suppliers must be notified of the outcome, and provided with feedback if requested.

3.11 Tenders - Purchases over \$100,000

3.11.1 Select and Open Tenders

A Tender process must be used when the value of the purchase is greater than \$100,000. Tenders can be an open or select tender or a two stage process with an Expression of Interest followed by tender. Council is also able to join tender processes conducted by strategic alliances.

In a select tender, a minimum of 3 independent suppliers must be invited to tender. The reasons why an open tender was not used must be recorded.

In an open tender, the Tender will be publicly advertised on the Tenders SA website at www.tenders.sa.gov.au.

Where a tender is likely to be complex or contentious, the Council may engage an independent probity advisor, to monitor and ensure the tender process is adhered to.

3.11.2 Request for Tender (RFT)

In a RFT it is important that the tendering conditions are well documented for probity purposes and that the selection criteria have been clearly defined. A RFT includes:

- Conditions of Tender: the rules that govern the tender process, and identifies the evaluation criteria for tender assessment.
- Specification: describes what is being purchased with sufficient detail and clarity and may include technical specifications or drawings.
- Tender Response: provides the Tender form to be submitted and details all of the information that Council will require to make an assessment.
- Conditions of Contract: based on standard templates the draft contract is attached to set out the terms and conditions of the contract.

3.11.3 Evaluation Criteria

Setting the evaluation criteria and weighting each criteria upfront, ensures the decision to select a supplier is objective and fair. Evaluation criteria will usually address compliance with contract terms and conditions, the technical merit of the goods or services offered, the skills of the tenderer to fulfil the specified requirements and an assessment of the risks or constraints associated with each offer.

3.11.4 Release tender

An open tender should be released to the public and formally advertised. The tender period (minimum 21 days) should allow potential respondents sufficient time to respond. Some projects may require detailed information to be provided with a tender briefing or site visits. During the tender period, if circumstances change or additional information is required, all organisations that have sought the RFT documents must be informed.

3.11.5 Submitting Tenders

It is Council's preference that Tenders be lodged electronically via Tenders SA. If a physical tender box is used, it must be locked at all times, and physically closed to prevent submissions being lodged after the closing time. Any tenders received after the closing time will not be considered.

3.11.6 Evaluating the Tender

All tenders must be opened after the closing time in the presence of at least 2 employees. An evaluation panel will comprise at least 3 people, to assess tenders against a weighted point score system contained in a procurement plan. The results must be formally documented for probity purposes and placed on file with a copy of the tender. The tenderers' expertise, experience and financial stability may be validated via reference checks.

3.11.7 Recommendation

The evaluation panel makes a written recommendation, which is signed off by the relevant Director, and provided to the CEO for approval.

3.11.8 Negotiate final contract terms

Once the recommendation report is approved, the successful tenderer will be advised of the acceptance of their tender, or informed that they are the preferred tenderer, subject to negotiation on any outstanding issues.

3.11.9 Execute the contract

Once the terms and conditions have been agreed the contract will be awarded. The contract must be signed by the relevant Director or CEO, in accordance with contractual delegations. All unsuccessful tenderers must be informed of the outcome and be provided with feedback if requested.

Where practicable and subject to legal advice to the contrary, a transaction should be based on the Council's template form of contract (sourced from LGA Procurement) or, a form last published by Standards Australia.

3.12 **Expressions of interest (EOI)**

An EOI allow Councils to elicit information without any obligation to commit. They are useful where the Council is unsure which suppliers are in the market or the scope/budget for a project or where the Council wishes to obtain some conceptual suggestions. The EOI follows a similar process to a tender but is less detailed, and does not include a contract. An EOI may form part of a two phase tender process, where EOI respondents may be short-listed for a select tender. Council's intentions for the process must be clearly stated, so industry is not misled.

3.13 Panel Contract

Under a panel arrangement a tender is undertaken to select a group of suppliers which provide the services and have the capability to meet the Council's needs. Panel Contracts consist of multiple suppliers that can supply Council with goods, works or services on a regular or ad hoc basis. Council can then purchase items directly from that supplier in accordance with the contract rates, without the need to obtain quotes. Panel arrangements may operate for up to 5 years.

3.14 Strategic Alliance

3.14.1 A Strategic Alliance allows Council to undertake procurement through contract arrangements already established and administered by other organisations, including, but not limited to:

- a) LGA Procurement
- b) Procurement Australia
- c) State Government contracts
- d) Other Councils.

3.14.2 The Council may become party to an existing contract if the Council's employees are satisfied the contract is likely to offer the Council better value for money than the Council going direct to the market.

3.14.3 Bulk purchasing activities with Upper Spencer Gulf and other Regional Councils will be negotiated between the Cities where it is identified that collaboration will offer an efficiency or better value for money than each Council going direct to the market.

3.15 Record-keeping

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

3.16 Conflicts of interest

3.16.1 If a conflict of interest for an employee becomes known during a purchasing process, the Chief Executive Officer must be advised in writing as to the nature of the conflict.

3.16.2 An employee with a conflict of interest must not participate in the purchasing process.

3.16.3 Contractor canvassing of Staff or Elected Members in relation to purchasing activities of the Council is prohibited and must be reported to the CEO. Any occurrences will result in the contractor being removed from Council's Preferred Contractors Register and the offer being removed from consideration.

3.17 Contract management and administration

3.17.1 It is important that contracts are managed diligently to maximise the outcomes and minimise risk. An employee must be appointed as the Contract Manager to represent the Council when engaging the supplier.

3.17.2 The Contract Manager must review all invoices, to ensure charges are in accordance with the contract terms and conditions. They must also verify that the percentage of work complete and invoiced is accurate.

3.17.3 The Council must review all contract variations and make an assessment whether they are part of the original contract scope. Variations must be approved in accordance with financial delegations for the total value of the project including the variation. It may be necessary to re-tender the variation, to ensure open and fair competition.

3.17.4 Council requires contractors and consultants engaged to undertake activities on the Council's behalf, who work with children and vulnerable people on a

regular basis, to comply with Council's Vulnerable Persons Policy.

3.18 Risk and Opportunity Management

3.18.1 Council must ensure that appropriate practices and procedures of internal control and risk management are in place for its procurement activities.

3.18.2 Council must ensure the suppliers have sufficient professional indemnity, public liability and personal injury insurance.

4. RESPONSIBILITY & REVIEW

4.1 Responsible Officer

4.1.1 Director City Services

4.1.2 Delegated Officers dealing with issuing purchase orders must abide by this Policy and ensure compliance with their delegated authority as outlined in the Delegations Register.

4.2 Availability

This policy will be available on Council's website, and may be inspected (without charge) at the Civic Centre during ordinary business hours, with a copy provided on payment of a fee fixed by the Council.

4.3 Review

This policy will be reviewed within 12 months of a General Election for Local Government, or as required to meet other obligations.

5. REFERENCES

5.1 Legislation

Competition and Consumer Act 2010
Environmental Protection Act 1993
Local Government Act 1999
Work Health and Safety Act 2012

5.2 Other References

Corporate Credit Card Policy
Disposal of Land and Assets Policy
Instrument of Sub-delegations under the Local Government Act 1999
Vulnerable Persons Policy
Prudential Management Policy

Annexure 1 - Purchases that do not require a purchase order

Any purchase where there is a contract for the provision of goods, services or construction works.

Banking Service
Coles Card Purchases
Courier Services
Credit Card Purchases
Dial Before You Dig
Debt Collection
Emergency Purchases (as defined within Policy)
Employee Assistance Program Costs
Food and Beverages (incidental only)
Insurance Payments
Labour Hire
Lease and Rental Payments
Legal Services
Licence and Membership Fees
Media Monitoring
Medical Treatment and Tests
Organisational Cultural Inventory
Online Services
Phone Accounts
Photocopier Services
Postal Services
Psychometric Testing
Publishing Charges
Refunds or reimbursements
Software licences and maintenance
Statutory Government Charges
Subscriptions
Taxi Fares
Traineeship Charges
Travel and Accommodation
Utilities
Vehicle Registrations
Vehicle Servicing
Woolworths Card Purchases