

DISTRICT COUNCIL OF LOWER EYRE PENINSULA

Procurement



	<h1>FIN-POL-09 - PROCUREMENT</h1>	Version No:	1.0
		Issued:	March 2016
		Next Review:	March 2018

Responsibility:	Finance
Minutes reference:	C376 CL/23/16
Applicable Legislation:	Local Government Act 1999 Local Government (Accountability Framework) Amendment Act 2009 Local Government (Financial Management) Regulations 2011
Related Policies/Procedures/Codes:	Risk Management Policy & Framework FIN-POL - Prudential Management Policy Internal Control policy Internal Control procedures
Review Frequency:	Biennially

1. INTRODUCTION

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

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

- the contracting out of services,
- competitive tendering and the use of other measures to ensure that services are delivered cost-effectively; and
- the use of local goods and services.

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


- obtaining value in the expenditure of public money;
- providing for ethical and fair treatment of participants; and
- ensuring probity, accountability and transparency in all operations.

This Policy seeks to:

- define the methods by which the organisation can acquire goods and services;
- demonstrate accountability and responsibility to ratepayers;
- be fair and equitable to all parties involved;
- enable all processes to be monitored and recorded; and
- ensure that the best possible outcome is achieved for the organisation.

However, this Policy does not cover:

- non-procurement expenditure such as sponsorships, grants, funding arrangements, donations and employment contracts;
- the disposal of land and other assets owned by the Council; or
- the purchase of land by the Council.

	<h1>FIN-POL-09 - PROCUREMENT</h1>	Version No:	1.0
		Issued:	March 2016
		Next Review:	March 2018

2. POLICY OBJECTIVE

Council aims to achieve advantageous procurement outcomes by:

- enhancing value for money through fair, competitive, non-discriminatory procurement;
- using 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;
- providing reasonable opportunity for competitive local businesses to supply to Council;
- appropriately managing risk; and
- ensuring compliance with all relevant legislation.

3. PROCUREMENT PRINCIPLES

The organisation 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*


This is not restricted to price alone and an assessment of value for money must include, where possible, consideration of:

- the impact on Council's long term plan and strategic direction;
- any relevant direct and indirect benefits to the organisation, both tangible and intangible;
- efficiency and effectiveness of the proposed procurement activity;
- the performance history, and quality, scope of services and support of each prospective supplier;
- fitness for purpose of the proposed goods or service;
- whole of life costs;
- the organisation's internal administration costs;
- opportunities for joint procurement with other bodies;
- technical compliance issues;
- risk exposure; and
- the value of any associated environmental benefits.

3.3 *Probity, Ethical Behaviour and Fair Dealing*

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

<p>G:\New CommonWew_Structure\Policies and Codes\Policies - Current\FIN-POL-09 - Procurement.docx</p>	<p><i>Electronic version on the Intranet is the controlled version. Printed copies are considered uncontrolled. Before using a printed copy, verify that it is the current version.</i></p>	<p>Page 2 of 7 This copy printed on: 23/05/2016</p>
---	---	--

	<h1>FIN-POL-09 - PROCUREMENT</h1>	Version No:	1.0
		Issued:	March 2016
		Next Review:	March 2018

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, the following may be considered:

- the creation of local employment opportunities;
- increased availability of local servicing support;
- increased convenience with communications with the supplier for contract management;
- economic growth within the local area;
- benefit to Council of associated local commercial transaction; and/or
- the short and long term impact of the procurement on local business.

3.7 **Environmental protection**

The organisation will seek to:

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

3.8 **Work, Health & Safety requirements**

Council staff will endeavour to ensure that when utilising a contractor for the supply of a service (other than professional services) contractors will:

- be sourced from the *Approved Contractor Register*;
- be monitored appropriately;
- be issued with a small works order (where applicable) outlining the responsibilities of both parties;
- comply with the Council's WHS policies and procedures (at a minimum).

Where a suitable contractor is not currently listed on the *Approved Contractor Register* the contractor will be requested to at least meet the requirements of registration as an approved contractor prior to commencing work.

G:\New CommonNew_Structure\Policies and Codes\Policies - Current\FIN-POL-09 - Procurement.docx	<i>Electronic version on the Intranet is the controlled version. Printed copies are considered uncontrolled. Before using a printed copy, verify that it is the current version.</i>	Page 3 of 7 This copy printed on: 23/05/2016
---	--	---

	<h1>FIN-POL-09 - PROCUREMENT</h1>	Version No:	1.0
		Issued:	March 2016
		Next Review:	March 2018

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, or where the size of the purchase does not warrant a tender process, - in such instances, other market approaches may be more appropriate.

All purchases shall have an accompanying purchase order detailing what is being ordered, which member of staff made the order, its expected value and any associated conditions and account numbers.

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

4.1 *Direct Purchasing*

This is where the organisation purchases from a single source, without first obtaining competing bids.

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 and staff are purchasing in line with established procurement limits (see FIN-PRO-08 – Internal Controls Procedure)

4.2 *Quotations (Informal)*

This is where quotations are obtained from prospective suppliers.

Generally, a minimum of three quotations are sought and where possible, will be written quotes.

If a written quote cannot be obtained, detailed written records of the oral quote must be kept, including details of the commercial terms of the quote.

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

4.4 *Request for Quotations (RFQ)*

This is where written quotations are obtained from prospective suppliers.

Generally, a minimum of three written quotations are sought and this method may be suitable for simple, largely price-based purchases.

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

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

	<h1>FIN-POL-09 - PROCUREMENT</h1>	Version No:	1.0
		Issued:	March 2016
		Next Review:	March 2018

4.5 **Requests for Expressions of Interest (REOI)**

This is where an open invitation is issued for the supply of a proposed good and/or service.

This method may be used where there is potentially a large market for the proposed goods and/or service, and staff 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)**

This is where a tender is issued for proposed goods and/or services.

A “Select” Request for Tender may be issued where Council has already issued a REOI, or where reasonable grounds exist for only dealing with a select group of potential suppliers (such as a limited pool of suppliers for specialised work etc)

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

4.7 **Panel contracts**

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:


- a standing offer from a pool of suppliers for the provision of goods and services on agreed terms; or
- the prequalification of certain suppliers who may or may not be engaged on terms to be agreed.

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

4.8 **Strategic alliances**

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

- LGA Procurement;
- Procurement Australia;
- State Government contracts;
- Eyre Peninsula Local Government Association (EPLGA).

	<h1>FIN-POL-09 - PROCUREMENT</h1>	Version No:	1.0
		Issued:	March 2016
		Next Review:	March 2018

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

Note: The following table / information assumes expenditure is budgeted.

Value of Purchase (\$)	Method of Procurement (guidelines)
Less than \$5,000	Direct Purchase or Informal quotation
\$5,001 - \$10,000	Select Request for Quotation (RFQ) At least 2 quotations (written or verbal)
\$10,001 - \$80,000	Select Request for Quotation (RFQ) At least 3 Written Quotes
\$80,001 - \$150,000	Open Request for Quotation (RFQ)
Over \$150,000	Request for Tender (RFT)

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); and/or,
- *multiple purchases in a single order* – the gross value, or the estimated gross value, of the purchases (excluding GST); and/or
- *ongoing purchases over a 12 month period* – 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.

6. RECORDS

The Council must record written reasons for utilising a specific procurement method other than tendering where the value of the purchase exceeds \$150,000.

	<h1>FIN-POL-09 - PROCUREMENT</h1>	Version No:	1.0
		Issued:	March 2016
		Next Review:	March 2018

7. 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 particular process will not necessarily deliver best outcome for the Council, and other market approaches may be more appropriate.

In certain circumstances, the Council may, with approval from its elected members, waive application of this Policy in relation to the purchase of goods in excess of \$150,000 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. Examples of when it may be appropriate for the Council to waive application of this Policy are:

- (a) emergency situations threatening life and property; or
- (b) the supply market is known; or
- (c) timing constraints

8. DELEGATIONS

Only the Council officers listed in the current delegation suite and Internal Control procedures are entitled to sign requisitions, and then only in accordance with their financial delegation limits and budgeted expenditure.

Expenditure outside of the Council budget will be the subject of a report to Council.

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. PRUDENTIAL REQUIREMENTS

In accordance with FIN-POL-10 – Prudential Management, where a project is a temporary endeavour with a defined beginning and end and is of a temporary nature in contrast to business as usual (or operations) which are of a repetitive nature to produce products or services prudential requirements will apply.

SIGNED:



CEO
(Responsible Officer)

Date: 18 / 03 / 2016



Mayor
DCLEP

Date: 18 / 03 / 2016