

Draft Procurement Policy

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1. PURPOSE

The purpose of the Procurement Policy is to ensure all of council's procurement activity is:

- Consistent and controlled.
- Compliant with legislation.
- Undertaken with high levels of probity and transparency in decision making.
- Aligned to the values of Council and the Indigo Shire community.

2. SCOPE

This policy applies to all purchases of, and contracts to purchase, goods, services and works.

It is binding upon Council staff and all persons undertaking procurement on behalf of Council, including volunteers, Councillors and delegated committees.

3. OBJECTIVES

The aim of this policy is to ensure that the council's procurement practices are efficient, clearly defined, deliver value for money and do so in accordance with the *Local Government Act 1989* and the *Local Government Procurement Best Practice Guidelines*. Specifically, the objectives are to:

- Achieve value for money for ratepayers.
- Ensure open and fair competition.
- Ensure openness and transparency of the decision making process.
- Achieve high standards of probity, accountability and risk management.
- Achieve compliance with legislation.
- Promote all aspects of sustainable procurement (financial, environmental and community).
- Encourage local and social procurement.
- Progress Council's commitment to continuous improvement and collaboration

4. POLICY STATEMENT

Council is committed to ensuring its purchasing practices encourage a competitive environment that is fair and transparent, aligned with Council's objectives, compliant with legislative requirements and that Council's procurement practices are sustainable and deliver best value outcomes.

5. POLICY DETAILS

Council will apply the following principles to all procurement activities:

Value for Money

Council will seek to maximise value for money in all purchase decisions.

In making this assessment there are a number of factors that will be considered and given appropriate weighting in the procurement decision;

Cost

Including total cost, whole of life cost, associated costs (maintenance, licencing, ongoing costs, replacement cost, trade-in value, etc.).

Fitness for Purpose

Council will procure items that are appropriate and suitable. The selection of goods will reflect the work need.

Timing / Availability

The availability of the good or service is an important consideration in the procurement decision.

Warranty and Risk Management

Council may defray risk with appropriate warranty and other contractual protections.

Environmental Sustainability

Council will aim to make purchases that have the least impact on the environment and human health.

Benefit to the Region

Council is committed to supporting businesses and purchases that provide benefit to the local region, particularly in the creation of new jobs or securing investment in the shire.

Formal tender processes (for purchases above \$150,000) will include a weighting of at least 10% for benefit to the region.

Section 186(4) of the *Local Government Act 1989* provides that council is not required to take the lowest price or accept any tender.

Specific purchasing methods, outlined in the *Procurement Procedure* apply to relative spend thresholds

Open and Fair Competition

Current and prospective suppliers will be allowed an equal opportunity to tender or quote in an efficient, open and transparent manner and impartiality will be maintained in selecting suppliers.

Where a tender process is used a panel is to be formed that comprises a minimum of two relevant staff members. Assessment criteria must be agreed on prior to the tender assessment commencing and records kept of the assessment against these criteria.

All tender panel members must sign a declaration stating that they have no conflict of interest in the process. All records relating to the tender assessment must be stored on Council's records management system.

Probity and Transparency

Council's procurement activities will be performed with integrity and in a manner able to withstand the closest possible scrutiny with a minimum of two people to be involved in each procurement process. This is to be done prior to purchase wherever possible.

Procedures will ensure fairness and impartiality towards suppliers, consistency and transparency of process, identification and management of conflict of interest and security and confidentiality of commercial interests of existing and potential suppliers.

Second Set of Eyes

It is a fundamental principle that one person must not authorise the entire procurement process (initiate a purchase, receive the goods / service, and process payment) without a second person performing at least one step in the process to give the transaction an appropriate level of governance.

For this reason, all purchases require a second person to be involved in the procurement process prior to the purchase taking place, and to demonstrate that they have been involved. This may take one of several forms;

- Counter-signing the purchase order, or
- Different people authorising the purchase order and the payment, or
- A counter signatory on a credit card statement, or
- Signature on a relevant report (payroll, superannuation, etc.) that forms part of the audit trail.

Where it is not practical or efficient to obtain a second set of eyes prior to purchase (for example the payment of travel expenses while away from the workplace while travelling alone) the transaction must be confirmed at a later time by a second person. This may take to form of a second sign-off of a credit card statement, countersigning of petty cash receipt, etc.

Accountability

Clear lines of responsibility will be provided to ensure compliance with best practice guidelines. All procurement activities will be documented to provide an audit trail for monitoring and audit purposes.

Risk Management

Council will manage all aspects of its procurement processes in accordance with its *Risk Management Policy* to ensure that risks are identified, analysed, evaluated, treated, monitored and communicated to the

standard required to enhance council's capability to prevent, withstand and recover from interruption to the supply of goods, services and works.

Sustainability

Council is committed to adopting a green procurement approach by supporting the principles of sustainable procurement within the context of purchasing on a value for money basis. Where possible recycled and recyclable products will be used and consideration given to sustainable procurement practices, including the limitation of transport distances, reduction of waste product and minimisation of packaging material.

Procurement will be undertaken in reference to Council's adopted environmental sustainability policies.

Local and Social Responsibility

Council supports the establishment of a diverse supply chain with particular focus on entities that deliver or have the potential to deliver social, economic and/or environmental benefit locally and/or regionally.

As a significant purchaser of goods and services in the community Council recognises that it has a responsibility to ensuring that procurement decisions provide a positive social benefit wherever practicable. This may take several forms, such as working closely with local groups to identify opportunities or providing appropriate flexibility in specifications to allow for alternative delivery methods.

Reporting

The procurement policy and implementation of related internal controls will be monitored by council's finance department and internal audit processes.

Fair & Honest Dealings

All prospective contractors and suppliers will be afforded an equal opportunity to tender or quote. Impartiality will be maintained throughout the procurement process so as to withstand public scrutiny.

Continuous Improvement

Council will seek continual operational and process improvement including innovative and technological initiatives with the objective of reducing overall procurement costs, improving management reporting capabilities and achieving best practice.

Collaboration

Council will seek and encourage the development of procurement collaboration with other councils and organisations including contracts available through the Victorian State Government, the Municipal Association of Victoria, Procurement Australia and other aggregated procurement providers as applicable.

Conflict of Interest

Council staff engaged in procurement must ensure that all conflicts (including potential & perceived conflicts) are identified, discussed with management, and handled in a way that meets the highest standards

of governance, transparency and probity. For formal tender processes a conflict of interest declaration will be signed by each participant and retained for audit purposes.

Delegation Levels

Delegation levels are set by the CEO according to role and the schedule of delegations assumes budget authority and budget availability. For the purposes of determining the delegation the future compulsory costs of a purchase decision (additional years of a contract, etc.) must be included.

The CEO may vary this schedule from time to time and may provide short-term delegations for a particular project or event. The CEO may also remove delegation from a position, or range of positions. These variations will be in writing and will be recorded on Council's intranet system as well as the electronic records management system.

Methods and Thresholds

Council will procure goods and services according to a risk-based methodology based on anticipated purchase price (including all compulsory future costs of the purchase decision under consideration).

Spend Threshold	Purchase Process	Min. # of Quotes	Purchase Process			
			Purchase Order	Contract	Written Specification	Advertised
Up to \$1,000	Verbal quotation	1	N	N	N	N
>\$1,000 to \$2,500	Written quotation	1	Y	N	N	N
>\$2,500 to \$10,000	Written quotation	2	Y	N	N	N
>\$10,000 to \$75,000	Request for quotation	3	Y	Y	Y	N
>\$75,000 to \$149,999	Request for quotation	3	Y	Y	Y	Y
\$150,000 and over	Tender	N/A	Y	Y	Y	Y

Notes:

- 1) All amounts include GST.
- 2) The total value of a purchase over its lifetime must be considered to determine the correct purchasing process.
- 3) Purchase orders are to be raised prior to the purchase being made.
- 4) The above table represents minimum standards. Council may choose a higher standard of procurement at any time if it is of the opinion that it may produce a better outcome.
- 5) The number of quotes refers to the number received, not requested.

Full Costing and Increasing Spend

The selection of the purchasing method from the above table should be based on the expected value of the purchase decision being made. For instance a contract that has a lock-in period of three years and an option of a further two should be assessed on the value of the three year lock-in period. The total value should include all associated unavoidable costs of the purchase (maintenance, repair, parts etc.). Consumables

(such as fuel for a vehicle) should not be included in this calculation if it is going to be generally the same for all options under consideration.

Where the total spend is uncertain (such as legal costs for a court action) an estimate of the value should be used to guide the procurement process. If costs escalate over time then this should be brought to the attention of the relevant Director for consideration.

Collaborative Procurement

Council will explore opportunities for shared procurement where circumstances indicate that an improved outcome is possible.

Council will utilise industry groups and consolidated procurement opportunities such as those offered by The Municipal Association of Victoria or similar groups.

Procedural Exemptions

Under specific circumstances exemption from the methods of this policy can be sought. This must be done in writing with an explanation for the non-compliance and must be authorised by the relevant Director or the CEO. A copy of this authorisation will be supplied to the finance team with the purchase order, and recorded on Council's records management system.

Contracts for legal services are exempt from complying with section 186 (1) of The *Local Government Act 1989*, however Council's internal procedures must be followed wherever practical.

6. MONITORING AND REVIEW

Review of this policy and associated documentation will occur at least once in each financial year as required by section 186A(7) of the *Local Government Act 1989* and minor amendments may be authorised by the CEO at any time where such changes do not alter the substance of the policy.

In addition, Council's finance department may perform compliance audits at any stage to ascertain the level of compliance with this policy. This includes, but is not limited to;

- Checks of purchase paperwork such as quotes, purchase orders or invoices.
- Analysis of aggregate spend with individual suppliers.
- Evidence retention including the granting of exemptions and contract documents.

7. NON-COMPLIANCE, BREACHES AND SANCTIONS

Procurement activities must be performed to the highest standards and in compliance with all laws and Council policies. Failure to comply with this Council policy, supporting procedures or guidelines, will be subject to investigation which may lead to disciplinary action.

8. DEFINITIONS AND ABBREVIATIONS

Definitions of terms used in the policy and explanations of any abbreviations and acronyms.

Term	Meaning
Conflict of interest	In Victorian local government the law provides that a staff member holding a delegation or advising council or a special committee has a conflict of interest which they must disclose in writing when they have a personal or private interest of the type specified in the legislation.
Contract	An agreement between two or more authorised persons on behalf of their organisations to perform or not perform a specific act/s that is enforceable in law. A contract may be verbal or written or inferred by conduct.
Council staff	Includes full-time and part-time council staff, and temporary employees, trainees, contractors and consultants while engaged by the council.
Delegation	A power handed down by the council or Chief Executive Officer in an instrument to enable a delegate to act on council's behalf.
Local	In the context of this policy the definition of local is one that seeks to support manufacturers and suppliers located; Firstly within the municipal boundary Secondly within municipalities adjacent or near to the municipality Thirdly within Australia
Purchase order	A form of contract, which is an official document used to authorise and record the purchase of goods or services by a buyer. It is the prime reference confirming the contractual situation between the buyer and supplier.
Quotation/quote	A document in the form of an offer to supply goods and/or services, usually in response to a request for quotation.
Invitation to tender (ITT)	A publicly advertised invitation to tender against a set of clearly defined and specified requirements. Tenderers are advised of all requirements involved, including the conditions of tendering and proposed contract conditions.
Tender	An offer in writing to supply goods and/or services, usually submitted in response to a public or selective invitation such as an invitation to tender.
Value for money	The optimum combination of quality, quantity, risk, timeliness, on a whole-of-contract and whole-of-asset-life basis.

9. RELATED POLICY, LAW AND OTHER REFERENCES

This policy supports and where appropriate is to be read in conjunction with existing policies, laws and references, including:

- Employee Code of Conduct Policy
- Conflict of Interest Policy
- Risk Management Policy
- Plasticwise policy
- Climate Change Response Policy
- Environment Strategy
- National Competition Policy (Competition Policy Reform Act 1995) + Competition Neutrality Policy Victoria 2000
- The Victorian Charter of Human Rights and Responsibilities Act 2006 Competition and Consumer Act 2010 (formerly known as Trade Practices Act)
- Victorian Local Government Best Practice Procurement Guidelines 2013 Municipal Association of Victoria – Model Procurement Policy August 2011 Victorian Government Purchasing Board Policies