

## Procurement Policy

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## 1. TITLE

Procurement Policy

## 2. POLICY STATEMENT

This policy has been jointly developed by Alpine Shire Council, Indigo Shire Council and Towong Shire Council in the spirit of council collaboration and fostering ongoing working relationships between the three councils.

Council is committed to ensuring its purchasing practices are fair and transparent, meet legislative requirements and deliver best value outcomes to ratepayers.

## 3. PURPOSE

Section 186A of the *Local Government Act 1989* requires Councils to prepare, approve and comply with a procurement policy.

The purpose of the Procurement Policy is to:

- Provide policy and guidance to allow consistency and control over procurement activities
- Ensure compliance with legislation
- Establish a framework for Council to achieve best value outcomes
- Demonstrate the application of elements of best practice in purchasing
- Demonstrate accountability to rate payers

## 4. 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 related committees.

## 5. OBJECTIVES

The objectives of the Procurement Policy 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 Environmental Sustainability
- Seek to support local procurement
- Progress Councils commitment to continuous improvement and collaboration.

## **6. POLICY DETAILS**

### **6.1 Principles**

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.

Factors such as quality, quantity, risk, timeliness and cost on a whole-of-contract and whole-of-asset-life basis will be considered to achieve the optimum combination which defines best value.

#### **Open and fair competition**

Prospective suppliers will be afforded an equal opportunity to tender or quote. Impartiality will be maintained in selecting suppliers.

#### **Probity and transparency**

Council's procurement activities will be performed with integrity and in a manner able to withstand the closest possible scrutiny.

Procedures will be implemented to 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.

#### **Accountability**

Council will ensure responsibilities and requirements for compliance are communicated to all staff.

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 all risks are identified, analysed, evaluated, treated, monitored and communicated to the standard required.

Council will ensure:

- systems are in place that limit the risk of unethical behaviour and clearly set the parameters of responsibility and authority
- more than one person is involved in, and responsible for each transaction
- appropriate authorisations are obtained and documented

#### **Reporting**

The procurement policy and implementation of related internal controls will be monitored and reviewed by Council's internal audit committee.

#### **Environmental sustainability**

Council will aim to make purchases that have the least impact on the environment and human health, within the context of purchasing on a value for money basis.

Preference will be given to purchasing products and services which:

- Minimise waste
- Minimise greenhouse emissions
- Minimise habitat destruction
- Minimise pollution
- Minimise soil degradation
- Maximise water and energy efficiency

### **Local sourcing**

Consistent with the value for money and fit for purpose principles, where equivalent value can be sourced both locally and elsewhere, the goods or services should be procured from the local supplier.

### **Continuous improvement**

Council will seek continual operational and process improvement including innovative and technological initiatives with the objective of reducing overall activity 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.

## 6.2 Methods and Thresholds

Council will apply the following purchasing methods and conditions to all procurement activities within the nominated spend threshold:

<b>Spend Thresholds</b>	<b>Purchasing Method</b>	<b>Conditions</b>
<b>Up to \$1,000</b>	Verbal quotation	Seek and receive at least one quote No purchase order required
<b>&gt;\$1,000 up to \$2,500</b>	Written quotation	Seek and receive at least one quote Purchase order required
<b>&gt;\$2,500 up to \$10,000</b>	Written quotation	Seek and receive at least two quotes Purchase order required
<b>&gt;\$10,000 up to \$75,000</b>	Request for Quotation (RFQ)	Seek a RFQ from at least three suppliers Contract and purchase order required.
<b>&gt;\$75,000 up to \$149,999.99</b>	Request for Quotation (RFQ)	Seek a RFQ from at least five suppliers RFQ published on council's tender website RFQ open to response from any supplier Contract and purchase order required
<b>\$150,000 and over</b>	Invitation to Tender (ITT)	ITT published in newspaper ITT published on council's tender website ITT open to response from any supplier Contract and purchase order required

Note:

- 1) All \$ sums include GST.
- 2) The total value of a purchase over its lifetime must be considered to determine the correct procurement method.

Council may choose to publicly invite tenders for purchases with a value less than \$150,000 if it is of the opinion that it may produce a better outcome.

All quotations and tenders will be evaluated in accordance with the methodology outlined in Council's Procurement Procedures Manual.

## 6.3 Procurement Procedures Manual

Council will maintain a Procurement Procedures Manual that sets out in detail the purchasing processes that must be followed, and delegations of authority.

## 6.4 Procedural Exemptions

Under specific circumstances exemption from the methods of this policy can be sought. Procedures for seeking exemptions are documented in the Procurement Procedures Manual.

## 7. SUPPORTING DOCUMENTS

This Policy should be read in conjunction with all other relevant Council policies and procedures, as well as relevant legislative requirements.

### Related Procedures

- Procurement Procedures Manual

### Related Legislation

- *Local Government Act 1989 (Victoria)*
- *Competition and Consumer Act 2010*

### Related Policies

- *Employee Code of Conduct*
- *Corporate Records Policy*
- *Corporate Records Disposal Policy*
- *Occupational Health and Safety Policy*
- *Risk Management Policy*
- *Prevention of Bullying and Occupational Violence Policy*

### Related Guidelines

- Victorian Local Government Best Practice Procurement Guidelines 2013

## 8. HUMAN RIGHTS CHARTER

This policy has been considered in relation to the Victorian *Charter of Human Rights and Responsibilities Act 2006* and it has been determined that it does not contravene the Charter.

## 9. MONITORING, EVALUATION 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*.

## 10. NON-COMPLIANCE, BREACHES AND SANCTIONS

Failure to comply with this Council policy, supporting procedures or guidelines, will be subject to investigation which may lead to disciplinary action.

## 11. DEFINITIONS AND ABBREVIATIONS

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

Term	Meaning
the Act	<i>Local Government Act 1989 (as amended).</i>
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

Term	Meaning
	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, contractors and consultants while engaged by the council.
Delegate	A person authorised by the council or Chief Executive Officer to make general or specified decisions constrained only by the instrument of delegation. Specifically, delegates commit and incur expenditure. The delegate is responsible for actions arising from their use of such power.
Local	<p>In the context of this policy the definition of local is one that seeks to support manufacturers and suppliers located;</p> <ul style="list-style-type: none"> <li>• Firstly within the municipal boundary</li> <li>• Secondly within municipalities adjacent or near to the municipality</li> <li>• Thirdly within Australia</li> </ul>
Probity	In the context of a procurement process, probity is a defensible process that is able to withstand internal and external scrutiny – one that achieves both accountability and transparency, providing suppliers with fair and equitable treatment.
Procurement	Procurement is the whole process of acquisition of external goods, services and works. It can include planning, design, standards determination, specification writing, preparation of quotation and tender documentation, selection of suppliers, financing, contract administration, disposals, and other related functions. It also includes the organisational and governance frameworks that underpin the procurement function.
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.
Request for quotation (RFQ)	A written process of inviting offers to supply goods and/or services involving simple documentation that specifies the requirements.
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.
Sustainability	Activities that meet the needs of the present without compromising the ability of future generations to meet their needs.
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.
Tender process	The process of inviting parties to submit a tender using public advertisement, followed by evaluation of submissions and selection of a successful bidder or tenderer.
Thresholds	The value above which a procurement, unless exempt, is subject to the mandatory procurement procedures.
Value for money	The optimum combination of quality, quantity, risk, timeliness, on a whole-of-contract and whole-of-asset-life basis (VAGO).