

POLICY NUMBER: 46 (C)

NAME OF POLICY: Procurement Policy

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RESPONSIBLE OFFICER: Manager Finance and Information Technology

REFERENCES:

*Local Government Act 1989*

Policy 45 (C) Fraud Prevention

Policy 51 (O) Acceptance of Gifts or Other Gratuities by Employees

Policy 54 (O) Corporate Credit Card

Policy 57 (O) Staff Code of Conduct

CEO Instrument of Delegation to Staff – Purchasing

FOL/15/851 Procurement - Guidance

FOL/15/852 Procurement - Templates

TechOne - Purchasing Procedure – DOC/12/4903

## Best Value Principles

Hepburn Shire Council has the responsibility to provide its ratepayers with best value, with all services provided by Council meeting the expectations in terms of quality and cost. In providing this, all services need to be accessible, responsive to the needs of the community, considerate of the natural environment and subject to continuous improvement.

To achieve the best over life outcome for Council's expenditures, which meets quality and service expectations, there will be periodic review of services against best on offer in both the public and private sectors.

All Council staff members are responsible for supporting best value principles in their normal day to day actions to ensure services are recognised by the community as delivering best value.

To promote the best value principles, Council has, through this policy, developed processes where consistent and continual market testing is required to deliver and demonstrate best value for all areas of procurement. When procuring any goods or services, staff should seek to spend Council funds as if they were their own.

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#### Attachments

1. Purchasing Policy Quick Reference Guide
2. Social Procurement Questionnaire

## Procurement Policy

### 1. INTRODUCTION

Hepburn Shire Council requires that Council's contracting, purchasing and contract management activities endeavour to:

- support the Council's corporate strategies, aims and objectives including, but not limited to those related to value for money, sustainability, waste minimisation, protection of the environment, youth, local employment and corporate social responsibility;
- take a long term strategic view of its procurement needs while continually assessing, reviewing and auditing its procedures, strategy and objectives;
- provide a robust and transparent audit trail which ensures that projects are delivered on time, within cost constraints and that the needs of end users are fully met;
- are conducted, and are seen to be conducted, in an impartial, fair and ethical manner;
- achieve value for money and quality in the acquisition of goods, services and works by the Council;
- ensure that risk is identified, assessed and managed at all stages of the procurement process;
- use strategic procurement practices and innovative procurement solutions to promote sustainability and best value, in particular making use of collaboration and partnership opportunities;
- use social procurement to enhance sustainable and strategic procurement to effectively contribute towards building stronger communities and meeting the wider social objectives of the Council;
- comply with legislation, corporate policies or other requirements, ensuring that all staff responsible for procurement and contract management are aware of and adhere to the legislative requirements, Council standards and best practice.

#### 1.2 Scope

Section 186A of the *Local Government Act 1989* ("the Act") requires Council to prepare, approve and comply with a Procurement Policy encompassing the principles, processes and procedures applied to all purchases of goods, services and works by the Council.

This policy applies to all contracting and procurement activities at Council and is binding upon Councillors, Council Officers, and temporary employees, contractors and consultants while engaged by the Council.

Expenditure not applicable to this policy includes:

- Payments for utilities where the utility provider is the only provider in the market
- A contract for Legal Services (refer Part 4 – Local Government Regulations)
- All Payroll expenses and deductions and
- All refunds

### 1.3 Purpose

The purpose of this policy is to:

- achieve consistency and control over procurement activities;
- demonstrate accountability to rate payers;
- provide guidance on ethical behaviour in public sector purchasing;
- apply best practice in purchasing;
- obtain best value when purchasing goods and services; and
- support the achievement of Council objectives such as sustainable and socially responsible procurement; bottom-line cost savings, supporting local economies; achieving innovation; and better services for communities.

### 1.4 Treatment of GST

All monetary values, being Procurement Thresholds stated in this policy include GST except, where specifically stated otherwise.

### 1.5 Definitions and Abbreviations

Term	Definition
Act	<i>Local Government Act 1989.</i>
Commercial in Confidence	Information that, if released, may prejudice the business dealings of a party e.g., prices, discounts, rebates, profits, methodologies and process information.
Contract Management	The process that ensures both parties to a contract fully meet their respective obligations as efficiently and effectively as possible, in order to deliver the business and operational objectives required from the contract and in particular, to provide value for money.
Council Staff	Includes full time and part-time council officers, and temporary employees, contractors and consultants while engaged by the Council.
Expression of Interest Process	A process, either public or to select respondents, seeking submissions from potential supplier to provide goods, services or works. An Expression of Interest may be followed by a select tender, request for quotations or negotiation with a shortlisted number of respondents. Depending on the amount of the purchase, specific rules relate to purchasing options following an expression of interest process.
Probity	Probity relates to Council conducting its business in a fair, honest, ethical and open manner, demonstrating the highest levels of integrity consistent with the public interest. In the context of a procurement process, probity is a defensible process which is able to withstand internal and external scrutiny – one which achieves accountability and transparency, and provides potential suppliers with fair and equitable treatment.
Panelled Supplier Agreements	Panelled suppliers are in place for regular use items, commodities and services that have been market tested, and compliant with copies of insurances and qualifications held to file for on demand whole of Council use. However, no commitment is made under the agreement to purchase a specified value or quantity of goods or services.

Standing or Annual Purchase Order	A procurement arrangement whereby agreement a Standing/Annual Purchase Order is issued on a supplier for regular or on demand or for the pickup of materials as may be required. However, no commitment is made under the agreement to purchase a specified value or quantity of goods or services
Sustainability (LGV Definition)	"a process whereby organisations meet their needs for goods, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment"
Procurement	Procurement is the whole process of acquisition of external goods, services and works. This process spans the whole life cycle from initial concept through to the end of the useful life of an asset (including disposal) or the end of a service contract.
Tender Process	The process of inviting parties to submit a tender within a set timeframe, followed by evaluation of submissions and selection of a successful bidder or tenderer. Under the Act, purchasing thresholds dictate when a tender is mandatory and the options for conducting it. A tender can also be used for purchases less than the mandated thresholds.
Local Supply	Refers to suppliers and potential supplier businesses located within or around the boundaries of Hepburn Shire and also includes potential suppliers within the Central Highlands Region.
Sole Provider in a Monopoly Market	For some purchases, it may be that there is only one provider providing the required supply in the market. The only transparent means of demonstrating that multiple suppliers do not exist is to undertake a public tender or expression of interest. If that action demonstrates that there is only one supplier then a council is free to enter into a contract with that supplier, while being mindful of its obligation to obtain value for money.

Public Notice

Public notice is defined as notice published in a newspaper generally circulating in a municipal district of the council chosen by the council for the purpose.

The council must also ensure any public notice required to be given by the council is published on its internet website

## 2. POLICY COMPLIANCE AND CONTROL

### 2.1 Ethics and Probity

Council's procurement activities shall be performed fairly, openly and honestly. Procurement activities must be able to withstand the closest possible internal or external scrutiny.

#### 2.1.1 Conduct of Councillors and Council Staff

Councillors and Council Staff shall at all times conduct themselves in ways that are, and are seen to be, ethical and of the highest integrity (Refer to both the Councillors Code of Conduct and Employees Code of Conduct). Staff and Councillors will:

- treat potential and existing suppliers with equality and fairness;
- not seek or receive personal gain;
- maintain confidentiality of Commercial in Confidence information such as contract prices, intellectual property and other sensitive information;
- present the highest standards of professionalism and probity;
- deal with suppliers in an honest and impartial manner;
- declare and appropriately manage conflicts of interest so that they do not impact on purchasing decisions;
- provide all suppliers and tenderers with the same information and equal opportunity; and
- be able to account for all decisions and provide feedback on them.

#### 2.1.2 Members of Professional Bodies

Councillors and Council Staff belonging to professional organisations shall, in addition to the obligations detailed in this policy, ensure that they adhere to any code of ethics or professional standards required by that body.

### 2.1.3 Tender Processes

All tender processes shall be conducted in accordance with the requirements of this policy and any associated procedures, relevant legislation, relevant Australian Standards and the Act.

### 2.1.4 Conflict of Interest

Councillors and Council staff shall at all times avoid situations in which private interests conflict, or might reasonably be thought to conflict, or have the potential to conflict, with their Council duties.

Councillors and Council staff involved in the procurement process must declare any interest that may conflict or could be perceived to conflict with an impartial assessment of the purchasing decision being made.

Conflicts of interest can be any personal or professional association or interest which may influence, or be perceived to influence, an individual's decision-making in relation to a particular matter. The conflict of interest may or may not be financial in nature. For example, a conflict may arise from a personal relationship or from involvement with a community based organisation.

Having an actual or potential conflict of interest in itself is not a bad thing, but it must be declared promptly to avoid creating problems for Council and the employee. (Refer Employee Code of Conduct Policy 57) (Refer TRIM DOC/15/42757 Conflict of Interest and Confidentiality Declaration-Internal).

Following declaration of a potential conflict of interest by a staff member, that staff member's supervisor or a member of the Leadership Team needs to determine how the conflict will be managed. Managing a conflict can be achieved by excluding the staff member from the related procurement or determining that there is no conflict and allowing the staff member to continue to be involved. If there is any doubt as to the impact of the potential conflict on fairness and probity, the staff member must be excluded from any further involvement in the related procurement process.

Declarations of conflicts by Councillors are managed in accordance with the Act. In addition, Council's Key Management Personnel are required to complete a related party disclosure declaration annually, identifying related parties and known transactions with Council.

### 2.1.5 Fair and Honest Dealing

All prospective contractors and suppliers must be afforded an equal opportunity to tender or quote.

Impartiality must be maintained in selecting contractors and suppliers.

The commercial interests of existing and potential suppliers must be protected.

Confidentiality of information provided by existing and prospective suppliers must be maintained at all times, particularly commercially sensitive material such as, but not limited to prices, discounts, rebates, profit, manufacturing and product information.

#### 2.1.6 Accountability and Transparency

Council Staff must be able to account for all procurement decisions made over the lifecycle of all goods, services and works purchased by the Council and provide feedback on them. All documentation (including but not limited to specifications, correspondence, meeting notes, tenders, quotes, and evaluation notes) related to procurement activities must be saved into Council's records management system.

#### 2.1.7 Acceptance of Gifts and Hospitality

All offers of gifts from potential suppliers to staff must be considered in accordance with Council's Acceptance of Gifts or Other Gratuities Policy 51(O). Under section 78C of the Act, a conflict exists if a staff member has accepted a cumulative value of gifts greater than \$500 from a particular person or supplier over a five-year period.

No Councillor or member of Council Staff shall, either directly or indirectly solicit gifts or presents from any member of the public who is involved, either directly or indirectly, with any matter that is connected with the duties of the officer, or in which the Council is interested and must not use his/her position, knowledge, contacts or influence to extract, demand, intimidate, cajole or coerce any supplier, customer or competitor of the Council to provide or offer any gift, hospitality or gratuity to the employee or any other person.

## 2.2 Governance

### 2.2.1 Structure

Council shall:

- establish a procurement management responsibility structure and delegations ensuring accountability, traceability and audit ability of all Procurement decisions made over the lifecycle of all goods, services and works purchased by the Council;
- ensure that the Council's procurement structure:
  - is flexible enough to purchase in a timely manner the diverse range of material, goods, works and services required by Council;
  - ensures that prospective contractors and suppliers are afforded an equal opportunity to tender/quote;
  - encourages competition; and
- ensure that policies that impinge on the purchasing policies and practices are communicated and implemented.

### 2.2.2 Standards

The Council's procurement activities shall be carried out to the professional standards required by best practice and in compliance with:

- The Act,
- Council's Code of Conduct;
- Other Council policies;
- Other relevant legislative requirements such as but not limited to the Trade Practices Act, Goods Act, Environmental Protection Act and OH&S Act.

### 2.2.3 Methods

The Council's standard methods for purchasing goods, services and works include:

- purchasing card or corporate credit card;
- store card;
- purchase order following a quotation process, including obtaining a minimum number of quotations, from suppliers for goods or services that represent best value for money;
- purchase order following an Expression of Interest (EOI) and/or Request for Quotation (RFQ) process;
- under contract following a Expression of Interest (EOI) and Tender process;
- under contract following a Tender process;
- using aggregated purchasing arrangements with other Councils, Procurement Australia, MAV Procurement, Victorian Government, or other bodies;
- other arrangements authorised by the Council or the CEO on a needs basis as required by exceptional circumstances such as emergencies.

### 2.2.4 Responsible Financial Management

The principle of responsible financial management shall be applied to all procurement activities.

To give effect to this principle:

- the availability of existing funds within an approved budget, or source of funds, shall be established prior to the commencement of any procurement action for the supply of goods, services or works.
- Council Staff must not authorise the expenditure of funds in excess of their financial delegations.

### 2.2.5 Panelled Supplier Selection and Review

Panelled Suppliers will be selected or determined through annual spend review of trends and as requested by Council staff to support their activities.

Market testing and approvals including obtaining copies of insurance policies, qualifications and prices as appropriate will be required. Panelled suppliers must be recommended by the Manager and signed off by the General Manager. All appropriate documentation must be stored in Council's records system.

Panelled suppliers will be subject to at least an annual review for performance and at least bi-annual market test for value for money. The same approval process must occur.

The use of a panelled supplier does not eliminate the requirement to obtain quotations in accordance with quotation thresholds and the minimum number and type of quotations received where the full order amount cannot be pre-determined.

## 2.3 Procurement Thresholds and Competition

The following thresholds are set by the Act and Council and define the minimum requirements in terms of publically advertising EOIs and tenders, and the number of quotations required.

### 2.3.1 Competition Thresholds

#### 2.3.1.1 Public Tenders and Expressions of Interest

Purchase of all goods and services for which the estimated expenditure exceeds \$150,000 inc GST, and all works for which the estimated expenditure exceeds \$200,000 inc GST, must be undertaken by a public process. These thresholds are set in the Act, and may be varied by the Victorian Government in accordance with the process detailed in the Act.

Before Council enters into a contract for the purchase of goods or services, to the value of \$150 000, or for the carrying out of works, to the value of \$200,000 or more, it must -

- (a) give public notice of the purpose of the contract and invite tenders from any person wishing to undertake the contract; or
- (b) give public notice of the purpose of the contract or the project to which the contract relates and invite expressions of interest from any person interested in undertaking the contract or all, or any part of, the project.

Where Council invites expressions of interest -

- (a) it must register those expressions of interest; and
- (b) when it is ready to enter into the contract, it must invite tenders from some or all of those who registered their interest in undertaking the contract (or part of the project to which the contract relates).

The public notice, tenders and expressions of interest must be in the prescribed form (if any) and must contain any details that are prescribed by the Act.

Nothing in this policy requires Council to accept the lowest tender or to accept any tender.

Whenever practicable, a Council must give effective and substantial preference to contracts for the purchase of goods, machinery or material manufactured or produced in Australia or New Zealand.

The above thresholds dictate the value of purchases that must use a public tender and/or EOI process. However, should the CEO or delegated staff member consider that the nature of the requirement and the characteristics of the market are such that a public process would lead to a better result for the Council, public expressions of interest and/or tenders may be called for the purchase of goods, services or works for which the estimated expenditure is below these thresholds.

Excluded Respondents - Where a consultant has been utilised to substantially develop or determine the specification this would normally exclude that consultant from then providing a subsequent tender response. Any such deviation would require CEO approval.

Emergency Situations – Council may enter into a contract up to or beyond the limits above for the provision of goods, services or works without first putting that contract to public tender if the Council resolves that the contract must be entered into because of an emergency.

As a matter of policy and principle, the use of this emergency provision, should be limited to situation where a real emergency has arisen. Situations where this might occur include:

- the occurrence of a natural disaster such as flooding, bushfire or epidemic which may require the immediate procurement of goods, services or works to provide relief;
- the occurrence of an event such as flooding or fire at an LGE (Local Government Entity) property which may require the immediate procurement of goods, services or works to ensure business continuity;
- the unforeseen cessation of trading of a service provider due to bankruptcy and a need to appoint a replacement service provider on the grounds of public safety; and
- unforeseen delays to the finalisation of a tender process arising from circumstances outside the control of the LGE, for example legal action taken by one of the tenderers.

By the very nature of the provisions, contracts entered into under the emergency provisions must be limited in scope to that which is necessary to only deal with the emergency. The period for any contract should only be sufficient to enable Council to call for tenders for a new contract or replacement service provider. All details,

including approvals, for use of the emergency provision must be documented in Council's records system.

#### 2.3.1.2 Late Tenders

As a general rule, Council should not accept late tenders or expressions of interest.

The integrity of the tender process may be compromised if a tenderer is provided with extra time to submit a tender response, thus providing an unacceptable advantage in comparison to compliant tenders.

Similarly, if tender submissions have been distributed to the evaluation panel members the possibility arises that the confidentiality of compliant tender submissions is compromised.

Once tenders have closed, late tenders should to be kept unopened in a secure location pending a decision on acceptance. Late tenders which are rejected should, where practicable, be returned to the tenderer unopened with appropriate accompanying advice.

There may be circumstances where a council wishes to accept tenders or expressions of interest which are not received by the closing time in exceptional circumstances and where the integrity of the tender process is not compromised.

A late tender should only be accepted if it can be clearly documented that:

- there were system failure/interruptions in case of the electronic tender system
- access was denied or hindered in relation to the physical tender box.

Any procurement process which accepts late tenders in exceptional circumstances must clarify the grounds upon which they will be accepted and authorised as follows:

- Tender Panel to make recommendation
- Endorsed by Tender Panel Chairperson
- Approved by General Manager or CEO

Where this occurs, it must be disclosed in the tender evaluation report, e.g. Late Tender received - rejected as recommended by panel (for reason) or accepted as recommended by panel (for reason) endorsed by Panel Chairperson and approved by General Manager or CEO.

#### 2.3.1.3 Quotations

Purchase of goods or services having a total annual value of up to \$150,000, or for contracts carrying out works having a total value of up to \$200,000 or less may be undertaken by obtaining a minimum number of quotations as listed in the table below:

Purchase value (inc GST)	Minimum Number of Quotes
Up to \$1,000	1 verbal or written
\$1,001 – \$5,000	1 Written / email
\$5,001 - \$10,000	2 Written / email
\$10,001- \$150,000 (up to \$200,000 for works)	3 Written / email

The application of the above purchasing ranges and associated minimum quotation numbers will assist staff to deliver and demonstrate best value for money to Council in all procurement practices. Staff are encouraged to obtain additional quotations beyond the minimum number required to further seek best value for money.

Copies / evidence of the request for quotations and all quotations received must be held to file to support best value for money, policy compliance and audit. Successful quotations must be attached to purchase requisitions for future reference.

On occasions, when the minimum number of quotations cannot be received after being reasonably requested, approval to proceed with one of the quotations can be granted by General Manager. For this to apply, the council officer must document the reasonable action taken to obtain the necessary quotations and provide this with the request for approval.

2.3.1.4 Purchases through an existing Council, or Collaborative Purchasing scheme

Council Officers should:

- be aware of the Procurement Australia Supplier contracts available to Council for use as a participant in their contracts;
- be aware of the MAV Procurement contracts available to Council as a MAV member organisation; and
- be aware of the Victorian State Government Whole of Government (WHOG) Contracts that are available for Local Government use.

All procurement involving hourly rates requires the minimum number of quotes to be obtained in order to achieve best value. The existing supply arrangements or panels provide a convenient method to identify potential suppliers to seek the number of quotes required.

When the purchase value can be fully derived from the services and rate structures contained within these contracts or agreements, and best value is confirmed, then the minimum number of quotes is not required. In these cases, and only these cases,

a panelled supplier on an existing contract or supply agreement may be engaged without obtaining the minimum number of quotes. An example of this would be supply of raw materials that are charged per tonne. This exemption is not able to be applied if there is any uncertainty in the total costs due to hourly rates or delivery fees.

If an existing supply arrangement was not established, or a panelled supplier was not selected, through a public tender and/or expression of interest process, then the annual spend with that supplier cannot exceed \$150,000 for goods and services, or \$200,000 for works. If the spend is forecast to exceed these thresholds, then a compliant public process must be undertaken.

For support on understanding or access to these available supply facilities, Council Officers can contact the Manager Finance and Information Technology.

#### 2.3.1.5 Evaluation Criteria

##### Selection Criteria

The Selection Criteria must be determined before advertising for a tender/EOI/RFT and must be specified in the tender/EOI/RFT documentation.

The Selection Criteria must reflect the outcome that you desire. e.g. **Highly Qualified** and or **Experienced**, providing **Value for Money**, and the **Timely** delivery of the service and have consideration to social procurement and sustainability issues where appropriate.

Cost and value for money are essential factors to consider in awarding any contract. As Best Value is essential to any decision, total cost to council or value for money needs to be assessed with a significant weighting in any evaluation.

In addition to assessing cost or value for money, tender/EOI/RFT selection criteria should include relevant qualitative criteria. The following examples could be used;

Selection Criteria	Definition
Proven Quality	Potential supplier of goods or services or works is of known industry/category quality
Previous Experience	Potential supplier has provided these goods or services or works on other occasions and can be supported by testimonials
Capacity to Supply	Stated or confirmed capacity to provide the goods or services or works
Response to RFT/EOI/RFQ Specifications	Assessment of potential supplier's response to Council specifications sought

Sustainability	Where relevant potential suppliers should provide information demonstrating the sustainability of the goods, works or service being provided
Local Content / Social Procurement	Where relevant consideration can be given to the local content or Social Procurement benefits that will be achieved by the awarding of a contract.  Refer Attachment 2 Social Procurement Questionnaire

Individual weightings of each criterion should be set, prior to reading tender/EOI/RFT responses. Cost or value for money can be assessed on its own and other qualitative criteria assessed separately, or it can be assessed in conjunction with other qualitative criteria provided that it is provided with a significant weighting. Weightings should be set to suit the factors relevant to the purchase with increased weightings on the most critical criteria. It is not necessary to indicate weightings of criteria in your tender/EOI/RFT document, but they need to be applied consistently in assessing all responses.

All tender/EOI/RFT responses must then be evaluated against the published/advertised selection criteria and **no other criteria** can subsequently be included. It is therefore important to have well considered and clearly defined selection criteria.

Depending on the complexity of the purchasing decision, selection criteria should also be developed, documented and consistently applied for purchases less than the tender thresholds where multiple quotes are being obtained.

## 2.4 Delegation of Authority (Section 98 of the Act)

Delegations define the limitations within which Council staff are permitted to authorise expenditure. Delegation of procurement authority allows specified Council staff to approve certain purchases, quotation, tender and contractual processes without prior referral to the Council. This enables the Council to conduct procurement activities in an efficient and timely manner whilst maintaining transparency and integrity.

### 2.4.1 Delegations

#### 2.4.1.1 Council Officer

Council will maintain a documented scheme of procurement delegations, identifying Council staff (employees only and excluding contract staff) authorised to make

procurement commitments in respect of goods, services and works on behalf of the Council.

The delegated limits are set out in the Instruments of Delegation, “S5 Council to CEO” and “CEO to Staff – Purchasing”. The delegations of authority will be reviewed annually.

Council officers without purchasing delegations and contract staff members are unable to make purchasing commitments in writing or verbally to suppliers, until a purchase requisition has been approved either by a staff member with appropriate delegation or by a formal Council resolution.

2.4.1.2 Purchasing Decisions reserved for the Council.

Commitments and processes which exceed the Chief Executive Officer’s delegation must be approved by the Council at an Ordinary or Special Council meeting.

2.4.1.3 Contract Variation

Contract variations must follow delegations and where the Council approved contract value is exceeded a further report to Council may be deemed necessary as determined by the CEO.

2.4.1.4 Purchasing Delegation Thresholds

These thresholds align with Council’s adopted Instrument of Delegation Purchasing. Where inconsistencies exist, the most recently adopted document is to be enforced.

Delegation (Includes GST)	Position
Goods or Services Up to \$150,000 <i>or Works Contract</i> Up to \$200,000	Chief Executive Officer
Up to \$50,000	General Managers (Executive Team)
Up to \$25,000	Managers (Leadership Team)
Up to \$10,000	Supervising Coordinators
Up to \$3,000	Other Delegated Council Officers, as appropriate and specified in the instrument of delegation

Up to \$500	Other Delegated Council Officers, as necessary and specified in the instrument of delegation
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Implementation of threshold values:

All Thresholds Include GST	Minimum Number of Quotes	Quote
Up to \$1,000 (\$909 Excl. GST)	One (1) Verbal	Prices can be obtained from known or Panelled Suppliers and Purchase Order Raised under delegation
\$1,001 – \$5,000 (\$4,545 Excl. GST)	One (1) Written	Written Quotation obtained for file for future audit and Purchase Order raised under delegation
\$5,001 - \$10,000 (\$9,090 Excl. GST)	Two (2) Written	Written quotations where an expenditure/analysis report is prepared and presented to supervisor/manager for approval under delegation and held to TRIM file and/or attached to purchase requisition for future audit
\$10,001 - \$150,000 Goods or Services (\$136,363 Ex. GST)	Three (3) Written	Written quotations where an expenditure/analysis report is prepared and presented to supervisor/manager for approval under delegation and held to TRIM file and/or attached to purchase requisition for future audit
\$25,001 - \$200,000 Works (\$181,818 Ex. GST)	Three (3) Written	Written quotations where an expenditure/analysis report is prepared and presented to supervisor/manager for approval under delegation and held to TRIM file and/or attached to purchase requisition for future audit

## 2.5 Internal Controls

Council will maintain a framework of internal controls over procurement processes that will ensure:

- independent approval of purchase orders by a delegated staff member (different to the staff member who raised the order)

- dual authorisation of payments;
- transparency in the procurement process;
- a clearly documented audit trail exists for procurement activities;
- appropriate authorisations are obtained and documented; and
- systems are in place for appropriate monitoring expenditure within the thresholds and performance measurement.

## 2.6 Risk Management

Risk Management will be appropriately applied at all stages of Procurement activities which will protect and enhance Council's capability to prevent, withstand and recover from interruption to the supply of goods services and works.

### 2.6.1 Supply by Contract

Council will minimise its risk exposure by measures such as:

- standardising contracts to include current, relevant clauses;
- establishing where appropriate a panel of suitable suppliers;
- requiring security deposits where appropriate;
- requiring signed contractual agreement before allowing the commencement of work;
- referring complicated technical specifications to relevant experts;
- adhering to Council's Risk Management Policy and OH&S contractor compliance procedures.

## 2.7 Contract Terms

All contractual relationships will be documented in writing based on standard terms and conditions.

Where this is not possible, approval must be sought from the CEO or relevant General Manager. A request for such an approval should be supported with procurement details and relevant legal advice.

## 2.8 Terms of Payment

Council's standard terms of payment are 30 days from receipt of invoice.

These terms must be included as the standard payment for organisations dealing with Council and any change to these standard terms must be negotiated to the advantage of Council and further approved by Manager Finance and Information Technology or delegate.

## 2.9 Dispute Resolution

All Council contracts shall incorporate dispute management and alternative dispute resolution provisions to minimise the chance of disputes leading to claims of loss or legal action.

## 2.10 Contract Management

A contract supervisor will be assigned for each Contract to ensure that the Council, and where applicable its clients, receive the goods, services or works provided to the required standards of quality and quantity as intended by the contract by establishing a system reinforcing the performance of both parties' responsibilities and obligations under the contract. Furthermore, contracts are to be proactively managed by the member of Council staff responsible for the delivery of the contracted goods, services or works to ensure the Council receives value for money.

## 2.11 Engagement of Contract Staff

All contractors engaged as personnel are to be authorised by the Chief Executive Officer, as with the recruitment of staff.

In order to facilitate the Chief Executive Officer authorisation and account payment the following process will be required to be followed:

- requirement for a contractor identified;
- preferred supplier listing checked for employment agencies;
- quotes obtained from employment agencies as per the Procurement Policy;
- preferred contractor selected;
- engagement contract obtained;
- the following documentation prepared for authorisation by General Manager, Human Resources Manager and Chief Executive Officer
  - Request for Chief Executive Officer Signature Memorandum
  - Request to Engage a Contractor Form
  - Engagement Contract
  - Purchase Order regardless of value so that the Finance Department know that the Chief Executive Officer has authorised the engagement of the contractor.

This process will ensure that the Chief Executive Officer authorises all contractors engaged as personnel; Human Resources are aware of all new contractors and can undertake induction programs; and, the Finance Department has a Chief Executive Officer authorised purchase order for the payment of accounts.

This process does not apply where we have an external contractor engaged on a specific task, i.e. (Architects/Design/Consultants) and not located at Council's premises to carry out the required work, this should be covered by our procurement policy where

quotations and purchase orders have been raised for the specific task. This comparison should not be used to circumvent the engagement of contractors/personnel process in any way.

### 3. DEMONSTRATE SUSTAINED VALUE

This Council procurement policy supports the Council Plan, its corporate aims and objectives, including but not limited to those related to sustainability, waste minimisation, protection of the environment, corporate social responsibility and meeting the needs of the local community such as:

- feeling safe,
- living in a clean and pleasant environment
- providing good quality well managed Council services that deliver value for money

#### 3.1 Achieving Value for Money

Council's procurement activities will be carried out on the basis of obtaining value for money. This means minimising the total cost of ownership over the lifetime of the requirement consistent with acceptable quality, reliability and delivery considerations.

Value for money will be subject to regular and ongoing market testing against annual expenditure review and requesting of quotation or tenders or confirming ongoing participation in agreed appropriate collaborative purchasing schemes

To test value for money, Council will:

- review annual expenditure by commodity groups or service provision for aggregation;
- conduct market tests including internal versus external;
- request competitive quotation or tenders;
- investigate the inclusion of Council expenditures in Local Government Procurement Contracts with MAV or Procurement Australia or Victorian Government WHOG Contracts.

##### 3.1.1 Approach

This will be facilitated by:

- developing, implementing and managing procurement strategies that support the co-ordination and streamlining of activities throughout the lifecycle;
- effective use of competition;
- using aggregated spend where appropriate;
- identifying and rectifying inefficiencies in procurement processes;

- developing a more cost efficient tender process including appropriate use of e-solutions;

### 3.1.2 Role of Specifications

Specifications used in quotations, tenders and contracts will support and contribute to the Council's value for money objectives through being written in a manner that:

- ensures impartiality and objectivity;
- encourages the use of standard products;
- encourages sustainability;
- eliminates unnecessarily stringent requirements;
- wherever possible specifies technical standards and requirements that are within the capabilities of local suppliers; and
- include outcome measures or key performance indicators (KPIs) to ensure ongoing performance standards are met.

## 3.2 Performance Measure and Continuous Improvement

Appropriate performance measures will where appropriate be put in place. Reporting systems will be used to monitor performance against compliance with procurement policies, procedures and controls.

Procurement procedures, practices and costs will be benchmarked externally. Internal service standards will be agreed within the Council as appropriate and performance against these targets will be measured and reviewed regularly to support continuous improvement.

### 3.2.1 Standard Processes

Council will provide effective commercial arrangements covering standard products and standard service provisions across the Council to enable employees to source requirements in an efficient and cost effective manner.

This will be achieved via harmonisation of the following areas where possible:

- information systems;
- relevant established panelled supplier arrangements;
- processes, procedures and techniques;
- tools and business systems;
- reporting requirements;
- application of standard contract terms and conditions.

### 3.2.2 Performance Indicators

Performance indicators will be determined where appropriate to measure procurement performance. They will include criteria such as:

- the proportion of spend against corporate contracts;
- user and supplier satisfaction levels;
- the extent to which procurement is involved in supporting larger projects;
- measuring the success of procurement initiatives e.g. purchasing cards.

### 3.2.3 Management Information

The Council will capture where information systems allow Procurement Management information in a variety of areas, including:

- volume of spend;
- number of transactions per supplier;
- supplier performance;
- user satisfaction;
- category management.

Council will also use external sources of management information to assist with the procurement decision making process including:

- benchmarking data with other Local Government Enterprises;
- information from professional bodies such as MAV and Procurement Australia Supplier generated reports.

## 3.3 Sustainability

Council is committed to achieving sustainable procurement outcomes incorporating the following waste minimisation principles for relevant purchases:

1. AVOID: Purchases will only be made once it has been determined that the product or service is necessary.
2. REDUCE: Using less in the first place and avoiding waste
3. REUSE: Using the same item more than once, and extending the useful life of products and equipment before replacing an item
4. RECYCLE: Purchase products that contain recycled materials or those that have been or can be re-manufactured

### 3.3.1 Sustainable Procurement

Council is committed to adopting environmentally responsible procurement practices, while maintaining value for money.

Value for money purchasing decisions made by the Council are made on the basis of cost and non-cost factors including contribution to Council's sustainability objectives.

Council has a lead role to play to send a market signal to suppliers to uptake sustainable products and practices.

Where relevant for a purchase being made, the evaluation criteria should include a requirement for potential suppliers to provide information demonstrating the sustainability of the goods, works or service being provided.

### 3.4 Diversity

Promoting equality through procurement can improve competition, value for money, the quality of public services, satisfaction among users, and community relations.

### 3.5 Support of Local Business

Council is committed to supporting procurement from local businesses in order to build a stronger community. As such Council will have consideration for those local businesses in procurement decisions in determining best value for money and as may be considered and recommended by the evaluation panel. This support to local business will have regard to local employment, local youth initiatives by local suppliers and those aspects of environmental good governance and social procurement relative to the commodity supply or service provision.

The mechanism for incorporating the support of local businesses into procurement decisions may be through the use of a local content element in the evaluation criteria. Higher weighting may be given to local production and processing activities which produce greater local employment outcomes whilst achieving value for money.

### 3.6 Social Procurement

Social Procurement generates positive outcomes by building on initiatives already undertaken by Council in enhancing sustainable and strategic procurement practice. Procurement can effectively contribute towards building stronger communities and meeting the social objectives of Council or the community, such as:

- employment of disadvantaged groups;
- employment of apprentices;
- employment of recognised youth traineeships;
- employment of youth labour permanent or part time in relation to council contracts;
- additional cost to the contract or service provision in compliance to social procurement;
- youth outcomes and other community benefits;

If relevant to the purchase, suppliers and potential suppliers will be required to complete the "Social Procurement Questionnaire" allowing Council to evaluate the supplier's broader impact on the community. Refer Attachment 2 - Social Procurement Questionnaire.

### 3.7 Performance Reporting

It is typical through the life of a Supply Contract to record by regular review the ongoing performance of the supplier and ensure these review outcomes are placed on file as a future reference and support or otherwise for contract extension or renewal.

As suppliers are aware of these reviews they are encouraged to continue to provide that quality of performance, value for money and supply sustainable products and services which supported their initial selection.

## 4. BUILD AND MAINTAIN SUPPLY RELATIONSHIPS

Council recognises that in order to achieve sustainable value, appropriate relationships must be developed and maintained with suppliers and that it seeks to operate with 'informed choice' on what supply strategy it adopts – whether to 'do it yourself', participate in regional or sector aggregated projects or to access Procurement Australia, MAV or State Government panel agreements. Council will consider which supply arrangement delivers best value outcomes for council in terms of time, cost, value and outcome. Within these desired supply relationship, suppliers to Council will have knowledge of Councils ongoing review of such commodity supply and service needs to ensure measured ongoing value for money.

## 5. POLICY REVIEW

Council will review this Policy annually in accordance with the requirement as determined within section 186 of the Act, and this is the responsibility of the Manager Finance & Information Technology.

Purchasing Policy Quick Reference Guide

Attachment 1

Quotations must be obtained where:

- Purchase of goods, services having a total valuation of up to \$150,000 including GST, or
- For contracts carrying out works having a total valuation of up to \$200,000 including GST

Quotations must be obtained in accordance with the thresholds listed in the table below:

Threshold (Inc GST)	Minimum Quotes	Quote
Up to \$1,000	1 Verbal	Prices can be obtained from known or Preferred Suppliers and Purchase Order Raised under delegation
\$1,001 – \$5,000	1 Written	Written Quotation obtained for file for future audit and Purchase Order raised under delegation
\$5,001 - \$10,000	2 Written	Written quotations where an expenditure / analysis report is prepared and presented to supervisor / manager for approval under delegation and held to TRIM file for future audit
\$10,001 - \$150,000 (Goods or Services)	3 Written	Written quotations where an expenditure / analysis report is prepared and presented to supervisor / manager for approval under delegation and held to TRIM file for future audit
\$10,001 - \$200,000 (Carrying out Works)		

These thresholds align with Councils adopted Instrument of Delegation – Purchasing.

**NOTE:**

- Quotations must be saved to Council's records management system and attached to the relevant purchase requisition in TechOne;
- Public requests for expressions of interest, tenders or quotations may be carried out at the Managers discretion despite these thresholds;

Request for tenders or expressions of interest **must be** publicly advertised for all goods, services and works where the estimated or known expenditure (s) including contingencies is above these thresholds.

**Where expenditure estimates, including GST, are close to these thresholds it is advisable to utilise the request for tender or expressions of interest process to avoid any possible non compliance.**

Following receipt and assessment of the quotations, a Purchase Order must be raised prior to provision of the goods or services or works. All expenditures must be within budget and authorised with regard to Council's Instrument of Delegation. Where insufficient quotations

(2/3) are obtained the reasons should be documented and approved by a General Manager prior to raising the purchase order.

### Applying Delegations and Thresholds

- Do not “split” orders to fit within delegations or purchase thresholds

*Example: Two like plant items say tractors at \$80,000 require a tender process where the combined expenditure is above \$150,000*

*Example: Two materials supply orders from the same supplier ordered on the same day. The use of multiple lines should be utilised to combine these orders.*

*Example: Individual monthly orders raised for ongoing contractor engagements.*

- Where there is no fixed term, the purchasing threshold is based on the annual expenditure with a specific supplier or for a specific service.  
*Example: Typical annual spend is six transactions of \$5,000 (annual spend \$30,000) then three quotes should be obtained for this service.*
- For fixed term contracts, the aggregate spend over the life of the contract shall be utilised to determine the appropriate threshold. The aggregate spend includes the proposed tenure of the procurement arrangement plus planned or optional extensions i.e. three years plus two one year extensions is five years planned expenditure or commitment.

### Purchases using established Panelled Supplier Agreements

- Where Council has “panelled” suppliers, Council Officers should choose value for money in the lowest overall cost by price/rate or location to works or specific expertise and in any event purchasing thresholds still must be observed in obtaining the required number of quotations.
- Where the known or estimated spend is over the tender thresholds, the public tender and/or expression of interest process must be followed.
- If the full order amount cannot be confirmed, or is unclear from the panel arrangements (e.g. hourly rates quoted but unconfirmed quantity of hours) officers must obtain quotations for specific works from these “panelled” suppliers and/or other suppliers as necessary to ensure the appropriate minimum number of quotations are obtained.
- When prices are derived from the specific Preferred Supplier Contract, reference to this should be included as an attachment to the Purchase Order.

**If you require assistance or advice in determining your process requirement for any action relative to the above please contact:**

- Manager Finance and Information Technology
- Coordinator Governance and Information

## Social Procurement

## Attachment 2

The Following Questionnaire is to be included in Quotation/Tender/Expression of Interest Requests when relevant.

### **Social Procurement Questionnaire**

#### **Questions to be answered by potential suppliers**

#### **1. Employment and Training**

- 1.1 Describe the steps that will be taken to ensure that local apprentices, trainees, unemployed persons and residents of the Hepburn Shire Council will be engaged for the duration of each contract.
- 1.2 Describe how you will achieve compliance from sub-contractors necessary to meet the employment requirements.
- 1.3 Describe your policy with regard to training and new apprenticeships and identify and describe opportunities for increasing skills of employees.

#### **2 Targeted Recruitment**

- 2.1 Describe the steps that will be taken to ensure that all vacancies, including those with subcontractors, are notified to local agencies.
- 2.2 Describe the steps that will be taken to ensure that information on the numbers of vacancies filled by local people are recorded for monitoring and reporting purposes.
- 2.3 Describe the steps that will be taken to ensure that suitable apprentices / trainees are engaged.

#### **3 Local Business**

- 3.1 Describe activities that you will undertake to identify local SMEs and assess their capacity to deliver works, services or supplies that are required for the contract.
- 3.2 Describe any actions you will undertake to support or assist local SMEs to obtain contracts in relation to the Revitalising Clunes Township initiative.

#### **4 Social Enterprise**

- 4.1 Describe any experience or evidence from other areas that has influenced your thinking on support for social enterprises.
- 4.2 Describe the support you will give to social enterprises, including development support, business support and funding.

#### **5 Youth and Community Development**

- 5.1 Does your company support any of the youth groups in Trentham, Clunes, Daylesford or Creswick? (If so please circle which)

5.2 Does your company provide any other form of support for young people such as, youth mentoring or donations to local sporting bodies? Please outline

Contractors are also required to complete information about how the above will be recorded, monitored and reported, including sub-contractor requirements. In addition contractors are required to name who will be responsible for ensuring that the Community Benefit requirements are met.

Finally, potential suppliers are required to list the predicted outcomes for each community benefit requirement.

Requirement	Unit of Measure	Predicted Outcome
Number of new recruits	No. of people	
Number of apprentices that will be recruited	No. of people	
Number of trainees that will be recruited.	No. of people	
Level of local content	No. of people	
Vacancies to be advertised	No. of vacancies	
Work opportunities for social enterprises	% of overall spend	
Work experience opportunity	No. of placements	
Local SMEs assessed as potential suppliers	% of overall spend	

**Certification**

The information provided in this questionnaire and in the attachment is true and correct.

Company Name:

.....

Signed: ..... Name: .....

Position: ..... Date: .....

To be included in Tender/Quotation documents as required