



DISTRICT COUNCIL OF
OROROO/CARRIETON
Southern Flinders Ranges • Established 1997

Procurement Policy

Version 1.0

Procurement Policy

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Applicable Legislation	<i>Ombudsman Act 1972</i> <i>Local Government Act 1999</i> <i>Work Health and Safety Act 2012</i>
Related Policies	Disposal of Land and Assets Policy Public Consultation Policy Prudential Policy
Related Documents	Code of Conduct for Council Employees

1. INTRODUCTION

- 1.1 In compliance with Section 49 of the *Local Government Act 1999* (“the Act”), the District Council of Ororoo Carrieton (“the Council”) will refer to this Policy when acquiring goods and services.
- 1.2 Section 49 of the Act requires the Council to prepare and adopt policies on contracts and tenders with regards to :
- 1.2.1 the contracting out of services; and
 - 1.2.2 competitive tendering and the use of other measures to ensure that services are delivered cost-effectively; and
 - 1.2.3 the use of local goods and services.
- 1.3 Furthermore, Section 49 (a1) of the Act requires the Council to develop and maintain policies, practices and procedures directed towards:
- 1.3.1 obtaining value in the expenditure of public money; and
 - 1.3.2 providing for ethical and fair treatment of participants; and
 - 1.3.3 ensuring probity, accountability and transparency in all procurement operations.
- 1.4 This Policy seeks to:
- 1.4.1 define the methods by which the Council will acquire goods and services;
 - 1.4.2 demonstrate accountability and responsibility of the Council to ratepayers;
 - 1.4.3 ensure fair and equitable treatment to all parties involved;
 - 1.4.4 enable all processes to be monitored and recorded; and
 - 1.4.5 ensure that the outcome achieved is in the Council’s best interests.

- 1.5 However, this Policy does not cover:
 - 1.5.1 non-procurement expenditure such as sponsorships, grants, funding arrangements, donations and employment contracts; or
 - 1.5.2 the disposal of land and other assets owned by the Council (which is dealt with under the Council's Disposal of Land & Assets Policy); or
 - 1.5.3 the purchase of land by the Council.

2. POLICY OBJECTIVE

Council aims to achieve mutually advantageous procurement outcomes by:

- 2.1 identifying circumstances where the Council will call for tenders for the supply of goods, the provisions of services or the carrying out of works;
- 2.2 enhancing value for money through fair, competitive, non-discriminatory procurement;
- 2.3 promoting the use of resources in an efficient, effective and ethical manner;
- 2.4 making decisions with probity, accountability and transparency;
- 2.5 advancing and/or working within Council's economic, social and environmental policies;
- 2.6 providing reasonable opportunity for local businesses to supply to Council;
- 2.7 appropriately managing risk; and
- 2.8 ensuring compliance with all relevant legislation.

3. PROCUREMENT PRINCIPLES

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

3.1 *Encouragement of open and fair competition*

3.2 *Obtaining Value for Money*

3.2.1 This principle is not restricted to price alone.

3.2.2 An assessment of value for money must include, where possible, consideration of:

- 3.2.2.1 the contribution to the Council's long term plan and strategic direction;
- 3.2.2.2 any relevant direct and indirect benefits to the Council, both tangible and intangible;
- 3.2.2.3 efficiency and effectiveness of the proposed procurement activity;
- 3.2.2.4 the performance history, quality, scope of services and support of each prospective supplier;
- 3.2.2.5 fitness for purpose of the proposed goods or service;
- 3.2.2.6 whole of life costs;
- 3.2.2.7 Council's internal administration costs;
- 3.2.2.8 technical compliance issues;
- 3.2.2.9 risk exposure; and
- 3.2.2.10 the value of any associated environmental benefits.

3.3 *Probity, Ethical Behaviour and Fair Dealing*

Council will act with impartiality, fairness, independence, openness and integrity in all its discussions and negotiations.

3.4 *Accountability, Transparency and Reporting*

3.5 *Ensuring compliance with all relevant legislation*

3.6 *Encouragement of the development of local business and industry*

Where the evaluation criteria are comparable, the Council may consider the following:

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

3.7 *Environmental protection*

Council will seek to:

- 3.7.1 adopt purchasing practices which conserve natural resources;
- 3.7.2 align the Council's procurement activities with principles of ecological sustainability;
- 3.7.3 purchase recycled and environmentally friendly products where possible;
- 3.7.4 integrate principles of waste minimisation and energy conservation;
- 3.7.5 foster the development of products and services which have a low environmental impact;
- 3.7.6 provide leadership to business, industry and the community in promoting the use of environmentally friendly goods and services.

3.8 *Work Health & Safety*

Council recognises the importance of workplace health and safety. Employees, and where appropriate, their elected Work Health & Safety Representatives or Committee, are to be informed of any changes, or proposed changes, to the workplace which might affect their health or safety.

Prior to making a decision to purchase plant, equipment, dangerous substances or any other such item that may affect the health, safety or welfare of employees at the workplace, management will consult, so far as is reasonably practicable, with duly elected Work Health & Safety representatives or committees in accordance with the *Work Health and Safety Act 2012*.

All manufacturers, suppliers or distributors contracting with the Council must comply with the *Work Health and Safety Act 2012*, and ensure that plant, equipment and substances are safe, have been tested or examined, are supplied with all relevant documentation, comply with prescribed standards and codes, and that adequate information is available to ensure safe use, handling, processing, storage, transportation or disposal etc.

In accordance with the *Work Health and Safety Act 2012*, all purchasing specifications should include the uses or functions of the plant and equipment and, where possible, the general performance characteristics required to reduce any risk to health and safety.

All purchasing contracts will be endorsed with the requirement that all prescribed standards of the *Work Health and Safety Act 2012*, and associated Regulations, are met. All plant equipment will be inspected prior to commissioning to ensure that all relevant requirements have been met.

4. PROCUREMENT METHODS

Open and fair competition is generally best achieved by undertaking a tender process so that all interested parties have an opportunity to bid. However, there may be instances in which other market approaches may be more appropriate in order to deliver the most advantageous outcome for the Council.

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

4.1 *Direct Purchasing*

- 4.1.1 Where the Council purchases from a single source, without first obtaining competing bids.
- 4.1.2 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.
- 4.1.3 Direct Purchasing payment methods will ordinarily be completed by petty cash or credit card and will adhere to Council's internal control procedure.

4.2 *Quotations (Informal)*

- 4.2.1 Where Council obtains quotations from prospective suppliers.
- 4.2.2 Generally, a minimum of three (3) quotations should be obtained.
- 4.2.3 Where possible, the Council must insist on written quotes.
 - 4.2.3.1 If a written quote cannot be obtained, the Council **must** keep detailed written records of the oral quote obtained, including details of the commercial terms of the quote.
- 4.2.4 This method may be suitable for low value, low risk goods and services.

4.3 *Purchase Orders*

- 4.3.1 Where the Council is purchasing routine, low value and low risk goods and services.
- 4.3.2 Generally, Purchase Orders have limited terms and conditions and should not be used for non-routine, high value and high risk goods and services.

4.4 *Request for Quotations (RFQ)*

- 4.4.1 Where Council obtains written quotations from prospective suppliers.
- 4.4.2 Generally, a minimum of three (3) written quotations should be obtained.
- 4.4.3 This method may be suitable for simple, largely price-based purchases.
- 4.4.4 A "Short Form Request for Quotation" can be used for purchases with minimal specifications.
- 4.4.5 A "Long Form Request for Quotation" can be used for purchases with detailed specifications.

4.5 *Requests for Expressions of Interest (REOI)*

- 4.5.1 Where Council issues an open invitation for proposed goods and/or services.
- 4.5.2 This method may be used where there is potentially a large market for the proposed goods and/or service, and the Council would like to be able to prepare a short list of suppliers who are then invited to participate in a tender process.

- 4.6 *Request for Tenders (RFT)*
- 4.6.1 Where the Council issues a tender for proposed goods and/or services.
- 4.6.2 Council may issue a “select” Request for Tender where it has already issued a REOI, or where it has reasonable grounds for only dealing with a select group of potential suppliers.
- 4.6.3 Otherwise, the Council may issue an “open” Request for Tender.
- 4.7 *Panel Contracts*
- 4.7.1 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:
- 4.7.1.1 a standing offer from a pool of suppliers for the provision of goods and/or services on agreed terms; or
- 4.7.1.2 the prequalification of certain suppliers who may or may not be engaged on terms to be agreed.
- 4.7.2 Once a panel has been established, the Council may purchase the particular goods and/or service through such panel arrangements.
- 4.8 *Strategic Alliances*
- 4.8.1 This is where the Council undertakes procurement through contract arrangements already established and administered by other organisations, including:
- 4.8.1.1 LGA Procurement;
- 4.8.1.2 a purchasing group of which the Council is a member;
- 4.8.1.3 Council Solutions;
- 4.8.1.4 Procurement Australia; and
- 4.8.1.5 State Government contracts.

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*

Value of Purchase (\$)	Recommended Method of Procurement
Less than \$500	Direct Purchasing
\$500 - \$5,000	Informal Quotation / Written Quotation
\$5,001 - \$50,000	Request for Quotation (RFQ)
More than \$50,001	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);
- *multiple purchases* – the gross value, or the estimated gross value, of the purchases (excluding GST); or
- *ongoing purchases over a period of time* – 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 for each activity and, in particular, when it uses a procurement method other than tendering.

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 other instances, in which a tender process will not necessarily deliver best outcome for the Council, and other procurement options may be more appropriate.

The Council may resolve to waive the application of this Policy in order to pursue a procurement method which will bring the best outcome for the Council. The Council must record its reasons in writing for waiving application of this Policy.

8. DELEGATIONS

All goods and services must be procured by official Purchase Order where not deemed petty cash (i.e. amounts less than \$100).

The following Officer designations are authorised to sign Purchase Orders on Council's behalf:

Chief Executive Officer	Unlimited within Budget
Manager of Corporate & Community Services	\$10,000 limit within Budget Programs
Works Overseer	\$10,000 limit within Budget Programs

These authorisations are for the commitment of goods and services within Budget programs and are subject to any limits or conditions so specified herein.

Specific authorisation may be given by a listed Officer to another listed Officer to issue an official Purchase Order on their behalf and within any limits or conditions applicable to them. Such authorisation must be noted on the Purchase Order and subsequently countersigned by the listed Officer to confirm that authorisation was duly given.

All goods and services outside of the current Annual Budget require Council approval.

9. PRUDENTIAL REQUIREMENTS

For all Prudential Requirements refer to Council's Prudential Policy.

10. FURTHER INFORMATION

Availability of Policy

A copy of this Policy is available for inspection by members of the public at the offices of Council during normal office hours, or from the Council's website. Alternatively, the public may obtain a copy for a fee fixed by Council.

Further enquiries in relation to the policy should be directed to the Chief Executive Officer, or telephone 8658 1260 or by email to council@orroroo.sa.gov.au

Review

The effectiveness of this Policy shall be reviewed at least once every two (2) years. However, Council may revise or review this Policy at any time (but not so as to affect any process that has already commenced).