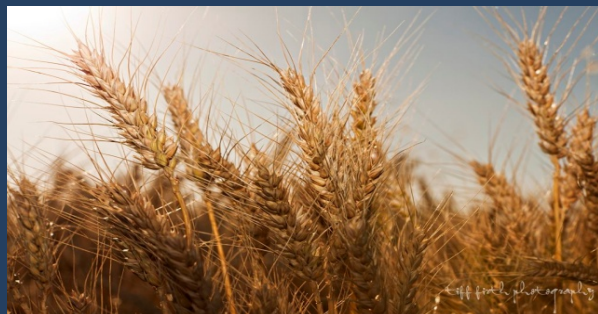




LOWER EYRE
COUNCIL

Procurement



“Working with our Rural & Coastal Communities”

	<h1>FIN-POL-09 - PROCUREMENT</h1>	Version No:	2.1
		Issued:	September 2023
		Next Review:	November 2026

Responsible Department:	Corporate Services
Policy Adopted:	20/09/2023
Minutes Reference:	OCM/23/087
Applicable Legislation:	Local Government Act 1999 (SA) Local Government (Accountability Framework) Amendment Act 2009 Local Government (Financial Management) Regulations 2011
Related Policies/Procedures/Codes:	FIN-POL-01 – Prudential Management FIN-POL-08 - Internal Control Policy GOV-PRO-02 - Internal Control Procedures Code of Conduct (Members and employees)
Related Documents	FIN-APP-09-01 - Conflict of Interest Declaration FIN-APP-09-02 - Procurement Plan FIN-APP-09-03 - Exemption from Procurement Policy Request FIN-APP-09-04 – Tender Opening Record Sheet FIN-APP-09-05 – Value for Money (VFM) Evaluation Scoresheet
Review Frequency:	Every 4 years (within 12 months of council election)

1. INTRODUCTION

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

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

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

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

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

This Policy seeks to:

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

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However, this Policy does not cover:

- non-procurement expenditures such as sponsorships, grants, funding arrangements, donations and employment agreements;
- real property acquisitions of land, buildings or structures;
- the disposal of land and other assets owned by the Council; or
- procurement processes during the Council Caretaker period as these will be conducted under the requirements of the Council’s Caretaker Policy .

2. POLICY OBJECTIVE

Council aims to achieve advantageous procurement outcomes by:

- enhancing value for money through fair, competitive, non-discriminatory procurement;
- using resources in an efficient, effective and ethical manner;
- making decisions with probity, accountability and transparency;
- advancing and/or working within Council’s economic, social and environmental policies;
- providing reasonable opportunity for competitive local businesses to supply to Council;
- appropriately managing risk; and
- ensuring compliance with all relevant legislation.

3. PROCUREMENT PRINCIPLES

Council has regards to the following principles in its acquisition of goods and services:

3.1 *Encouragement of open and effective competition*

Open and fair competition will be fostered and maintained by providing suppliers and contractors with appropriate access to Council’s procurement opportunities. Council will ensure, where reasonably practicable, that:

- There is reasonable access for all suitable and competitive suppliers and contractors to the Council’s business;
- Where market circumstances limit competition, procurement activities recognise this, and associated methodology takes account of it; and
- Adequate, identical, and timely information is provided to all suppliers and contractors to enable them to quote or tender.

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3.2 **Obtaining Value for Money**

Procuring goods and services at the lowest price possible can lead to low quality items or poor workmanship that waste money in the long run. Due to this, obtaining “Value for Money” has become the goal of Council. Value for Money means arranging the best available purchase, consistent with the defined specification, and taking into account factors such as:

- the contribution to or impact upon Council’s long-term plan and strategic direction;
- any relevant direct and indirect benefits to Council, both tangible and intangible;
- efficiency and effectiveness of the proposed activity;
- the performance history, quality and scope of services and support of each prospective supplier or contractor;
- fit for purpose of the proposed goods or service;
- whole of life costs;
- Council’s internal administration costs;
- opportunities for joint procurement with other bodies;
- technical compliance issues and costs;
- risk exposure and WHS considerations;
- prevailing market forces and trends;
- local economic development and social inclusion;
- trade-in values;
- the value of any associated environmental benefits; and
- other relevant matters identified in specific procurement process documentation.

3.3 **Probity, Ethical Behaviour and Fair Dealing**

All personnel involved in procurement activities are to:

- Behave with impartiality, fairness, openness, integrity, and professionalism.
- Provide all suppliers and contractors with equal opportunity to supply to Council.
- Establish clear and easy to understand documentation requirements, evaluation criteria and methodology.
- Provide consistent processes and constructive feedback on decisions upon request from suppliers and contractors. and
- Ensure effective communication and provision of information to all suppliers and contractors.

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3.4 **Accountability, Transparency and Reporting**

All procurement shall be undertaken in a manner that ensures:

- Clearly established roles and responsibilities.
- Appropriate record keeping and documentation.
- Integrity through transparency of process and documentation of decisions made.
- Adherence to relevant legislation, policy, and procedure.
- Identification and management of actual or potential conflicts of interest. and
- Confidentiality of all commercial information.

3.5 **Encouragement of the development of competitive local business and industry**

Council recognises the significant impact that its operations play in the local economy yet is mindful of its requirement to provide optimum value for money outcomes through its procurement activities and achieve budget expectations.

Council will endeavour to, at its discretion and to the full extent permitted by law, support local businesses by:

- Promoting to local and regional businesses opportunities to supply to the Council.
- Giving preference to local business when all other commercial considerations are equal.
- Encouraging Aboriginal and Torres Strait suppliers and contractors to quote and tender.
- Considering economic and social inclusion elements such as employment creation and training opportunities specifically within the Council area.

3.6 **Environmental Sustainability**

Council promotes environmental sustainability through its procurement activities and will consider the purchase of environmentally sustainable goods and services that satisfy the value for money criteria when all other financial and commercial considerations are equal. This can be by:

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

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3.7 Work, Health & Safety requirements

In line with legislative and procedural requirements, Council staff will ensure that when utilising a contractor for the supply of a service contractors will:

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

Where a suitable contractor is not currently listed on the *Approved Contractor Register* the contractor will be required to register and be accepted as an approved contractor *prior* to commencing work.

3.8 Risk Management

Council personnel will ensure that appropriate practices and procedures of internal control and risk management are in place for its procurement activities, including risk identification, assessment, and implementation of controls.

4. PROCUREMENT METHODS

Generally, open and fair competition is best achieved by undertaking a tender process so that all interested parties have an opportunity to bid. However, there may be procurements in which a tender process will not necessarily deliver the most advantageous outcome for the Council, or where the size of the purchase does not warrant a tender process, - in such instances, other market approaches may be more appropriate.

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

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

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4.1 Value of the Purchase & Requirements

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

Value of Procurement (\$)	Tier Level	Market approach minimum	Market approach options	Agreement type
Less than \$10,000	1	Direct Purchase Based on Advertised Price or Written Quotation	Council's preapproved contractor register Direct approach (i.e. via email) Verbal quote supported by written documentation	Purchase order Credit Card Petty Cash Store Account
\$10,001 - \$50,000	2	Request for quotation (min 2 written quotes)	Council's preapproved contractor register Direct approach (i.e. via email) Select Request for Quotation (RFQ)	Purchase order Services or Works Agreement Store Account
\$50,001 - \$150,000 (Procurement Plan Required)	3	Request for quotation (min 2 written quotes) Request for Expressions of Interest	Council's preapproved contractor register Open or Select Request for Quotation (RFQ) Expressions of Interest	Purchase order Services or Works Agreement Store Account
Above \$150,000 (Procurement Plan Required)	4	Select Request for quotation – Goods only (Low Risk) (min 3 written quotes) Select Request for Tender (min 3 written quotes) Request for Expressions of Interest	Council's pre-approved contractor register Request for Quotation (RFQ) – Goods Only (Low Risk) Open or Select Request for Tender (RFT) Expression of Interest (EOI)	Purchase Order Contract Services agreement

****NOTE: ALL DOCUMENTATION MUST BE STORED IN COUNCILS ELECTRONIC DOCUMENT RECORDS MANAGEMENT SYSTEM****

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The value of the purchase will be calculated as follows:

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

Splitting the value of the purchase into individual components to meet with lower value of Purchase Thresholds is not permitted.

Any project that seeks to engage a consultant or professional service provider requires documentation detailing price and project deliverables.

4.2 Direct Purchasing – Tier 1

This is where Council purchases from a single source, without first obtaining competing bids to a total value of up to \$10,000.

This method is considered suitable for low value, low risk goods and services, and where the supplier already has a successful service history with the Council and staff are purchasing in line with established procurement limits (see GOV-PRO-02 – Internal Controls Procedure).

4.3 Quotations - Tier 2

This is where quotations are obtained from prospective suppliers. This is the requirement for procurement activities between \$10,001 and \$50,000.

A minimum of two quotations are sought and where possible, will be written quotes.

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

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

4.4 Request for Quotations (RFQ) – Tier 3

All tier 3 procurement activities shall have a procurement plan defining the planned procurement process for that individual activity with all steps to be authorised by persons with the relevant delegated authority.

This is where written quotations are obtained from prospective suppliers.

A minimum of two written quotations must be sought. This method may be suitable for simple, largely price-based purchases.

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

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

Activities with an estimated value between \$50,001 and \$150,000 (tier 3) may have direct quotations sought from specific suppliers.

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Activities for the provision of “Goods Only” that are deemed low risk and have an estimated value of \$150,000 and above (tier 4) may have direct quotations sought from specific suppliers.

Tier 3 procurements require multiple assessment criteria and pre-defined weightings to enable a “Value for Money” assessment to be completed. Assessment criteria applied to procurement activities may include any or all of the following:

- Past Performance
- Timeliness
- Capacity/Capability
- Local Benefit
- Scope Specific
- Price
- Benefit to Aboriginal or Torres Strait Islander Peoples
- Environmental Sustainability

The determined assessment criteria and weightings will be included in any tier 3 & 4 procurement activity (\$50,001 and above) to ensure prospective suppliers are aware of what criterion Council value in that specific activity.

Price as a criterion will have a minimum 30% and a maximum of 80% weighting in any one procurement activity.

“Local Benefit” will receive a minimum 10% weighting on all tier 3 & 4 procurement activities (\$50,000 and above).

In assessing the value of Local Benefit, the following may be considered:

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

All assessments of quotation or tender activities Tier 3 (\$50,001) and above shall be carried out by a tender assessment team. The assessment team shall be nominated in the procurement plan prior to the request for quotation or tender being issued.

The assessment team may be either two or three people and can be comprised of Council staff or external stakeholders (where their experience is relevant to that particular activity). Assessments are confidential and only members of the assessment team and the delegated signatories may view quotation or tender documentation.

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4.5 Request for Tenders (RFT) – Tier 4

All tier 4 procurement activities shall have a procurement plan defining the planned procurement process for that individual activity with all steps to be authorised by persons with the relevant delegated authority.

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

Open tendering allows anyone to submit a tender to supply the goods or services required and offers an equal opportunity to any organisation to submit a tender.

This method is suitable for high value, high risk or highly competitive activities.

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

Activities for the provision of “Goods Only” that are deemed low risk and have an estimated value of \$150,000 and above (tier 4) may have direct quotations sought from specific suppliers.

Tier 4 procurements require multiple assessment criteria and pre-defined weightings to enable a “Value for Money” assessment to be completed. Assessment criteria applied to procurement activities may include any or all of the following:

- Past Performance
- Timeliness
- Capacity/Capability
- Local Benefit
- Scope Specific
- Price
- Benefit to Aboriginal or Torres Strait Islander Peoples
- Environmental Sustainability

The determined assessment criteria and weightings will be included in any tier 3 & 4 procurement activity (\$50,001 and above) to ensure prospective suppliers are aware of what criterion Council value in that specific activity.

Price as a criterion will have a minimum 30% and a maximum of 80% weighting in any one procurement activity.

“Local Benefit” will receive a minimum 10% weighting on all tier 3 & 4 procurement activities (\$50,000 and above).

In assessing the value of Local Benefit, the following may be considered:

- address/location of the business
- community impact of the business (do they sponsor local clubs/originations)
- the creation of local employment opportunities;
- increased availability of local servicing support;
- increased convenience with communications with the supplier for contract management;
- economic growth within the local area;

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- benefit to Council of associated local commercial transaction; and/or
- the short- and long-term impact of the procurement on local business.

All assessments of quotation or tender activities Tier 3 (\$50,001) and above shall be carried out by a tender assessment team. The assessment team shall be nominated in the procurement plan prior to the request for quotation or tender being issued.

The assessment team may be either two or three people and can be comprised of Council staff or external stakeholders (where their experience is relevant to that particular activity). Assessments are confidential and only members of the assessment team and the delegated signatories may view quotation or tender documentation.

4.6 **Requests for Expressions of Interest (EOI) – Any Tier**

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

This method may be used where there is potentially a large market for the proposed goods and/or service, and staff would like to be able to prepare a short list of suppliers to then invite to participate in a tender process.

This method will typically be used for tier 4 purchases, unless there is a valid reason for doing otherwise, and such reasons will be recorded (in writing) and approved by an officer with the relevant delegation.

4.7 **Select Quotation/Tender**

Where there is reason to seek quotations from less suppliers than required for that tier or to exclude public quotations/tenders, this is considered as “select” quotation or tender. A project superintendent will document the reasoning for varying from the stipulated requirements for that tier and ensure this is approved by an officer with the relevant delegation.

Select quoting/tendering involves inviting a limited number of suppliers to tender on a contract, based mainly on how closely their known capabilities or experiences match the contract requirements.

This minimises the cost to industry of tendering, promotes competition and uses a transparent, fair and equitable process.

In general, a select tender process is used if:

- The local supply market and the pool of contractors available to choose from are a known quantity and using the local contractor is considered a benefit to the district; or
- The works have very specific requirements and only suitable contractors are invited to tender.

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All assessments of quotation or tender activities Tier 3 (\$50,001) and above shall be carried out by a tender assessment team. The assessment team shall be nominated in the procurement plan prior to the request for quotation or tender being issued.

The assessment team may be either two or three people and can be comprised of Council staff or external stakeholders (where their experience is relevant to that particular activity). Assessments are confidential and only members of the assessment team and the delegated signatories may view quotation or tender documentation.

All steps of the procurement activity shall only be approved by persons with the relevant delegated authority.

All tier 3 & 4 procurement activities shall have a procurement plan defining the planned procurement process for that individual activity.

4.8 Deviations from procurement methods

Approval must be sought from the Department Director, and the CEO must be notified in the event that any procurement is undertaken where the required procurement method/s as stated in this policy is not followed for any reason.

4.9 Period contracts

This is where the Council establishes a contract with a supplier for an extended period of time such as 1, 3 or 5 years. This generally occurs in areas where it is identified that a particular activity will be required multiple times and to ensure consistent competitive pricing over that period – for example, electrical or plumbing maintenance at the Cummins Homes, waste management contracts (including options for extension).

4.10 Panel contracts

This is where the Council establishes panel arrangements with a select group of suppliers – generally, this occurs once the Council has completed its appointment of such suppliers in accordance with this Policy, and can include either:

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

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

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4.11 Strategic alliances

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

- LGA Procurement;
- Procurement Australia;
- State Government contracts;
- Eyre Peninsula Local Government Association (EPLGA);
- Neighbouring Councils via a shared service arrangement.

5. OTHER PROCUREMENT CONSIDERATIONS

In addition to the factors identified in section 4 (Procurement Methods) the appropriate method of procurement will be determined by reference to a number of factors, including:

- Value of the purchase;
- Cost of an open market approach versus the value of the acquisition and the potential benefits;
- Circumstances of the procurement activity;
- Objectives of the procurement;
- Size of the market and the number of competent suppliers;
- Council's leverage in the marketplace;
- Time constraints;
- 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 project superintendent must ensure all documentation relating to the procurement is appropriately recorded and managed within Council's records management system.

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7. EXEMPTIONS FROM THIS POLICY

This Policy contains general guidelines to be followed by the Council in its procurement activities. There may be emergencies, or procurements in which a particular process will not necessarily deliver best outcome for the Council, and other market approaches may be more appropriate.

The authority to provide an exemption from using the required method of procurement will be delegated to the Chief Executive Officer or the relevant Director in accordance with expenditure sub-delegations as prescribed in Council’s Delegations Register. Reasons for any exemption to the procurement method must be documented and registered in Council’s Electronic Document Records Management System.

Examples of when it may be appropriate for the Council to waive application of this Policy are:

- (a) emergency situations threatening life and property; or
- (b) the supply market is known; or
- (c) timing constraints
- (d) no contractor able to be obtained through the defined procurement method

8. DELEGATIONS

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

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

By signing a requisition/ purchase order all officers are confirming that they have taken full notice of this policy and will comply with all of the requirements of this policy and the appropriate council guidelines and procedures.

Procurement activities within tiers 1, 2 and 3 shall be completed and approved by persons with the relevant delegated authority. Activities within tier 4 shall only be approved by a member of the Executive Team with endorsement of the Chief Executive Officer.

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9. PRUDENTIAL REQUIREMENTS

Council's Prudential Management policy (FIN-POL-01) must be applied where a project is:

- Expected to have operating expenses calculated on an accrual basis of the council over the ensuing five years exceeding 20 per cent of the council's average annual operating expenses over the previous five financial years (as shown in the council's financial statements); or
- the expected capital cost of the project over the ensuing five years is likely to exceed \$4,000,000 (indexed); or
- the council considers that it is necessary or appropriate.

DOCUMENT HISTORY		
Version:	Issue Date:	Description of Change:
1.0	March 2016	Adopted
1.1	19/07/2019	Adopted with minor changes
2.0	21/8/2020	Adopted with change to tiers and procurement methods / documentation
2.1	20/09/2023	Amendments to objectives and procurement tiers, conflict of interest declarations required by staff and market approaches.