

Procurement Policy

Version No:	2021
Trim File No:	TBC
Approval Date:	TBC
Approved By:	Council Resolution
Department:	Planning and Corporate Services
Responsible Officer:	Director, Planning and Corporate Services
Next Review Date:	2025
Circulation:	Public Document

1. Purpose

The purpose of the Procurement Policy is to ensure all of Council’s procurement activity:

- Achieves value for money.
- Promotes open and fair competition.
- Minimises Council’s impact on the environment
- Is consistent and controlled.
- Is compliant with legislation.
- Is undertaken with high levels of probity and transparency in decision making.
- Is aligned to the values of Council and the Indigo Shire community.
- Meets the requirements of the *Local Government Act 2020*, relevant regulations, and the *Local Government Procurement Best Practice Guidelines*.

2. Policy

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

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

3. Policy Statement

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

Council will seek to maximise value for money in all procurement decisions. The assessment of value is broader than price alone and must take into account other elements that are relevant to each procurement decision. The “Policy Details” section below contains a number of value principles that are to be taken into account when deciding on procurement activities.

Procurement activities will be performed in line with Council’s *Procurement and Contract Management Procedure* and other relevant policies and procedures.

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4. Value Considerations

Council will apply the following value considerations to procurement activities:

Cost

The cost of a good or a service is one element of the decision. Generally speaking it is one of the most important considerations, but must be balanced against other value elements. Council may decide to not proceed with the lowest cost provider if other value aspects indicate that a better overall decision can be made.

The cost of a purchase must be assessed on the full expected value of the purchase decision being made, including associated commitments and options that are expected to be taken up. For the purpose of procurement decisions (delegation levels, etc.), GST will be included.

Fitness for Purpose

Council will procure items that are appropriate and suitable for the required task. In this context, 'fitness for purpose' may include elements such as;

- Timing/availability.
- Warranty and risk management. Council may defray risk with appropriate warranty and other contractual protections.
- Occupational health and safety. Contractors and suppliers are required to meet appropriate OH&S standards and guidelines and comply with Council's policies.

Environmental Sustainability

Sustainable procurement aims to have the most positive environmental, social and economic impacts possible over the entire life cycle of the goods, service and works.

Value for Money purchasing decisions will consider the impact on the environment and contribution to Council's goal of net zero greenhouse emissions.

Formal tender processes (for purchases above \$150,000) will include a weighting of at least 10% for environmental sustainability. Purchases under this threshold must still consider environmental sustainability factors alongside the other value criteria, however no specific weighting is mandated.

Typical environmental sustainability considerations:

Greenhouse gas emissions

Council is taking action to reduce greenhouse gas emissions to net zero, which includes emissions produced by Council's contractors. Elimination/minimisation of a supplier's greenhouse gas emissions is an important part of Council's net zero goal.

Reduce, Reuse, and Recycle.

Council is committed to reducing resource consumption and minimising waste to landfill during the procurement life cycle including:

- Buying recycled/part recycled or reusable/recyclable products.

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- Encouraging and preferring eco-friendly products which are more energy, fuel and water efficient.
- Preferring to purchase from a source which is less polluting or uses clean technology.
- Considering whole of life cost of a purchase, including the cost of appropriate disposal.

Green the Supply Chain

Suppliers must comply with all applicable laws and regulations relating to the environment, including any management and reporting obligations.

In addition, Council will prefer suppliers that actively work to reduce impact on the environment. This may include;

- Minimising deforestation, habitat destruction, loss of biodiversity and environmental degradation.
- The efficient use of energy, water and natural resources.
- Ensuring safe storage, transportation and disposal of hazardous substances.
- Minimising the risk of pollution.

Local Benefit

Council is committed to supporting businesses and providing benefit to the local area, particularly in the creation of new jobs or securing investment in the shire.

Formal tender processes (for purchases above \$150,000) will include a weighting of at least 10% for local benefit. Purchases under this threshold must still consider local benefit alongside the other value criteria, however no specific weighting is mandated.

Benefits may be financial or non-financial and should align closely to Council's adopted policies, strategies, and value statements.

Local and Social Responsibility

Where it is viable to do so, procurement decisions will support and promote Council's commitment to addressing disadvantage and improving health equity by ensuring that procurement considers social value and positive social outcomes.

The purchasing and procurement decision making will, where relevant, take into account policies and practices that suppliers adopt as a way of further strengthening the health and wellbeing of the community.

Council prefers to purchase from organisations with a demonstrated commitment to human rights and improving local communities, particularly where this is evidenced by social enterprise, fair trade certification, positive and inclusive employment practices, direct community involvement or other demonstrable positive impacts on society.

When assessing potential supplier relationships, Council will consider:

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- Activity that promotes inclusion through social capacity building.
- Exploring joint ventures with Council and social benefit suppliers.
- The ethical procurement of goods and services.
- Engaging local businesses that generate local employment for disadvantaged residents.
- Improving equity of access to opportunities.
- Supporting social and service innovation.
- Using procurement to reinvigorate disadvantaged or marginalised communities.
- Helping to build the capacity and capability of social enterprises.

5. Governance

Conflict of Interest

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

Open and Fair Competition

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

Probity and Transparency

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

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

Second Set of Eyes

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

For this reason, all purchases require a second person to be involved in the procurement process prior to the purchase taking place, and to demonstrate that they have been involved.

Where it is not practical or efficient to obtain a second set of eyes prior to purchase (for example the payment of travel expenses while away from the workplace while travelling alone) the transaction must be confirmed at a later time by a second person.

Accountability

All procurement activities will be documented to provide an audit trail for monitoring and audit purposes. Details of required documentation are provided in the *Procurement and Contract Management Procedure*.

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Risk Management

Council will manage all aspects of its procurement processes in accordance with its *Risk Management Policy* to ensure that risks are identified, analysed, evaluated, treated, monitored and communicated to the standard required to enhance council's capability to prevent, withstand and recover from interruption to the supply of goods, services and works.

Continuous Improvement

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

Collaboration

Council will seek and encourage the development of procurement collaboration with Councils, public bodies, and other organisations. This may be through direct action with another organisation, or through intermediaries such as the Victorian State Government, the Municipal Association of Victoria, Procurement Australia and other aggregated procurement providers as appropriate.

Collaboration will be sought where;

- The anticipated benefits of the collaboration outweigh any additional costs or risks.
- Indigo Shire Council's procurement objectives align with other organisations.
- Time permits.

Delegation Levels

Delegation levels are set according to role by the CEO in the CEO/Staff delegation process. Delegations assume budget authority and budget availability. Purchases require all three (delegation level, budget authority and available budget) to be in place. For the purposes of determining the delegation the future compulsory costs of a purchase decision (additional years of a contract, etc.) must be included.

Role delegations are found in Council's records management system under "Instrument of Delegation by CEO – Procurement".

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

6. Purchase Methods and Thresholds

Council will procure goods, services and works according to a risk-based methodology based on anticipated purchase price (including all compulsory future costs of the purchase decision under consideration). The table below specifies minimum standards, and a higher standard of procurement may be used if it is more appropriate to the situation, or produces a better outcome.

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Spend Threshold (Notes #1, #2, and #3)	Purchase Process	Min. # of Quotes (Notes #4 and #5)	Purchase Order (Note #6)	Written Contract (Note #7)	Written Specification	Publicly Advertised (Note #8)	Written Conflict of Interest Form
Up to \$1,000	Verbal quotation	1	N	N	N	N	N
>\$1,000 to \$2,499	Written quotation	1	N	N	N	N	N
>\$2,500 to \$9,999	Written quotation	2	Y	N	N	N	N
>\$10,000 to \$49,999	Request for quotation	3	Y	N	Y	N	N
>\$50,000 to \$149,999	Request for quotation	1	N	Y	Y	Y	Y
\$150,000 and over	Tender (Note #9)	1	N	Y	Y	Y	Y

Notes:

- 1) All amounts include GST.
- 2) The total value of a purchase over its lifetime must be considered to determine the correct purchasing process. See “Cost” section earlier in this policy.
- 3) Where a State Government regulation specifies a lower threshold (for tender or public EOI) then the lower (regulated amount) is to be used.
- 4) The number of quotes refers to the number received, not requested.
- 5) Where a procurement is publically advertised the minimum number of required quotes is 1 if staff are confident that the quote represents value for money – guided by unit rate comparisons, similar contracts, industry standards, etc.
- 6) Purchase orders are to be raised prior to the purchase being made. Multiple (progress) payments may be covered by a single purchase order, but separate purchases require a separate purchase order.
- 7) Where a contract is used the contract substitutes for the purchase order.
- 8) Advertising expectations are based on the market for the item or service being procured. Advertising should demonstrate a reasonable attempt to engage a number of suppliers in a competitive process.
- 9) Tenders over \$150,000 require a minimum weighting of;
 - a. 10% for local benefit, and;
 - b. 10% for Sustainability.

Tender process

Where Council undertakes a public tender it will demonstrate the principles of public advertising, deliberate consideration and decision making that demonstrates excellent process.

The following process will apply;

1. Tenders will be advertised through Council’s tender management software.
2. Tenders will be open for a minimum of seven days.
3. Tenders will be assessed by a panel of not less than 2 relevant staff members.

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4. All tender panel members will complete a declaration prior to assessment of the tender responses stating that they have no conflict of interest in the process.
5. The tender assessment criteria will be set prior to the tender assessment commencing and records kept of the assessment against these criteria.
6. Tender responses will be formally assessed against the tender criteria and the selection process will be documented. Tender responses will be treated as confidential to the extent practicable to allow for efficient Council operations.
7. Any report to the Council that recommends entering into a procurement agreement includes information in relation to any opportunities for collaboration with other Councils or public bodies which may be available.

A public expression of interest will follow the principles of the tender process, but with less formality and more procedural flexibility as deemed appropriate for the specifics of the good or service being procured.

7. Procedural Exemptions

Council anticipates a number of circumstances that may require modification to the usual procurement process. These are outlined below with guidance on the application of an exemption. In general, an exemption should only be used to the minimum extent required to facilitate efficient procurement, and to the extent practical, all other policy considerations and processes should be followed as normal.

It is not possible for ISC to grant an exemption to a legislative obligation.

Except where noted below, a procedural exemption must be authorised in writing beforehand by the relevant Director or the CEO with an explanation for the exemption.

Exemption categories are shown below.

i. Emergency Response

At times of emergency (fire, storm, after-hours call outs, etc.) it may not be possible or efficient for staff to follow Council's usual procurement procedures. During an emergency, prioritisation will be given to responding to the event and minimising the impact of the event. Therefore, procurement practices will take a pragmatic approach that facilitates an efficient response. In these events;

- Staff that are required to purchase goods or services for emergency response are to use reasonable judgement and care to achieve the principles of this procurement policy wherever practical.
- Purchases that are not related to the emergency or impacted by the emergency response are to be dealt with in the usual way.
- Records will be kept in a practical format to assist with reconciliation after the event.
- Council's procurement rules will revert to normal as soon as practical.

By definition, emergency response expenditure is difficult to pre-authorise and therefore no prior approval is required for this exemption, providing it relates to genuine emergency response expenditure.

ii. Collaborative Procurement

Where Council engages in a collaborative procurement process with other organisations it is not practical or efficient for each organisation to individually apply their own procurement requirements.

In these situations, Council supports the identification of a "lead organisation" to manage the procurement process and endorses the policy and process that is used by this lead organisation, providing that;

- a. The requirements of the Local Government Act 2020, and any applicable regulations, are adhered to.

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- b. Council staff are engaged in the collaborative procurement process and represent the principles of this policy wherever practical.
- c. The expected benefits of the collaborative procurement are sufficient to outweigh any policy concessions that may be required.

iii. Variations and Escalating Spend

An exemption is applicable when a procurement has been undertaken in accordance with this policy and the price varies by 10% or less. In this instance it is not efficient to commence a new procurement exercise and the original process will be deemed as adequate.

Where a variation is larger than 10% then the procurement policy becomes reactivated and further expenditure is subject to the usual considerations, and processes, of this policy.

iv. Sole Supplier

Where a single supplier is in place it is not reasonable to seek multiple quotes on a good or service. This may be the case for existing goods or services that require upgrade, alteration, or enhancement. For example a piece of software (that was procured in the normal way) now requires an update, or a major project variation to scope.

Where a single supplier is in place, an exemption to the usual procurement process may be granted.

This exemption must be applied in a reasonable way that does not lead to an unacceptable outcome for Council, and limits should be placed on the number of times that this exemption is applied without re-testing the market to ensure that the original good or service still meets Council's value for money criteria.

v. Statutory Authority/Government Payments

One specific version of the sole supplier exemption are the payments that Council makes to a statutory authority or government, (VBA fees, payroll tax, GST, etc.). In these cases there is a clear automatic exception from the need to consider alternate suppliers.

Other aspects of this policy may still apply to these payments and relevant governance processes (such as two sets of eyes on a payment before it is processed) are still applicable

vi. Insurance

Insurance is a contract for indemnity (not a contract for a good or service) and are therefore not covered by the procurement policy requirements and processes. This exemption is automatic (i.e. does not require written pre-authorisation) and is appropriate to facilitate the smooth operation of Council's insurance cover – that is often procured as a joint tender (with other Victorian Councils) by an insurance broker on behalf of Council.

Despite this general exemption, reasonable efforts should be made to apply the principles of this policy to insurance contracts to ensure, where practical, that Council's value for money criteria is considered.

For the purposes of clarity, insurance brokerage services are not covered by this exemption and the usual procurement processes apply to brokerage services.

vii. Outgoing Grants

Where Council funds an individual or an organisation this is a contract for funding, rather than a contract for a good or a service. Outgoing grants are therefore automatically exempt from this procurement policy and this exemption does not require pre-authorisation.

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8. Monitoring and Review

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

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

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

Procurement practices are subject to both internal and external audit and proper record keeping is important to ensure that adequate evidence is available to demonstrate that each procurement is undertaken in accordance with the Procurement Policy and associated procedures.

Review of this policy and associated documentation will occur at least once in each Council term and minor amendments may be authorised by the CEO at any time where such changes do not alter the substance of the policy.

9. Non-compliance, breaches and sanctions

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

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10. Definitions and abbreviations

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

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

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11. Related policy, law and other references

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

- Procurement and Contract Management Procedure
- Instrument of Delegation by CEO – Procurement (Trim ID: INTERNAL 19/2587)
- Employee Code of Conduct Policy
- Conflict of Interest Policy
- Public Transparency Policy
- Risk Management Policy
- Plasticwise policy
- Climate Change Policy
- Climate Emergency Declaration
- Environment Strategy
- National Competition Policy (Competition Policy Reform Act 1995) + Competition Neutrality Policy Victoria 2000
- The Victorian Charter of Human Rights and Responsibilities Act 2006 Competition and Consumer Act 2010 (formerly known as Trade Practices Act)
- Occupational Health and Safety Act 2004
- Victorian Local Government Best Practice Procurement Guidelines 2013 Municipal Association of Victoria – Model Procurement Policy August 2011 Victorian Government Purchasing Board Policies
- Victoria’s Social Procurement Framework