



Procurement Policy

1. INTRODUCTION

- 1.1 In compliance with Section 49 of the Local Government Act 1999 (**Act**), Council should refer to this policy (**Policy**) when acquiring goods and services.
- 1.2 Section 49 of the Act requires Council to prepare and adopt policies on contracts and tenders on:
 - 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 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 operations.
- 1.4 This Policy seeks to:
 - 1.4.1 define the methods by which Council can acquire goods and services;
 - 1.4.2 demonstrate accountability and responsibility of Council to ratepayers;
 - 1.4.3 to be fair and equitable to all parties involved and;
 - 1.4.4 enable all processes to be monitored and recorded.
 - 1.4.5 ensure that the best possible outcome is achieved for the Council;
- 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; or
 - 1.5.3 the purchase of land by the Council.

2. POLICY OBJECTIVE

Council aims to achieve advantageous procurement outcomes by:

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

3. PROCUREMENT PRINCIPLES

Council is committed to achieving a range of objectives through its procurement processes that may be considered alongside achieving value for money outcomes. Such objectives should be supported by appropriate evaluation criteria and weightings.

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

3.1 Encouragement of open and effective competition

3.2 Obtaining Value for Money

3.2.1 This 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 Council's long term plan and strategic direction;

3.2.2.2 any relevant direct and indirect benefits to Council, both tangible and intangible;

3.2.2.3 efficiency and effectiveness of the proposed procurement activity;

3.2.2.4 the performance history, and 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 Transparency

Council is to behave with impartiality, fairness, independence, openness and integrity in all discussions and negotiations. All procurement should be undertaken in a manner that ensures:

3.3.1 clearly established roles and responsibilities;

3.3.2 appropriate record keeping and documentation;

3.3.3 integrity through transparency of process and documentation of decisions made;

3.3.4 adherence to relevant legislation, policy, and procedure;

3.3.5 identification and management of actual or potential conflicts of interest;

3.3.6 confidentiality of all commercial information;

3.4 Ensuring compliance with all relevant legislation.

3.5 Encouragement of the development of competitive local business and industry Where the evaluation criteria are comparable, Council may consider the following:

- 3.5.1 the creation of local employment opportunities;
- 3.5.2 increased availability of local servicing support;
- 3.5.3 increased convenience with communications with the supplier for contract management;
- 3.5.4 economic growth within the local area;
- 3.5.5 benefit to Council of associated local commercial transaction; and/or
- 3.5.6 the short and long term impact of the procurement on local business.

3.6 Environmental Protection

Council will seek to:

- 3.6.1 adopt purchasing practices which conserve natural resources;
- 3.6.2 align the Council's procurement activities with principles of ecological sustainability;
- 3.6.3 purchase recycled and environmentally preferred products where possible;
- 3.6.4 integrate relevant principles of waste minimisation and energy;
- 3.6.5 foster the development of products and services which have a low environmental impact;
- 3.6.6 provide leadership to business, industry and the community in promoting the use of environmentally sensitive goods and services.

3.7 Identification and Management of Risk

The Risk Assessment process should consider financial, supply, business, legal, management, reputations, probity, work health and safety, environmental, public safety, political and sensitive risks.

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.

Procurement risk assessments will focus on assessing a potential supplier's and contractor's capacity and capability to meet Council's requirements, and identify any other factors which might result in goods or services not being successfully delivered.

Council's approach to market will be influenced by procurement risk assessments, with high-risk and high-value acquisitions requiring more formal procurement planning methodologies and higher levels of management oversight. Risks relating to the procurement process may include:

- 3.7.1 procurement of unsuitable product or service;
- 3.7.2 funding (e.g. internal & external, impact on long term financial plan);
- 3.7.3 probity failure;
- 3.7.4 inappropriate or inadequate specification;
- 3.7.5 lack of responses/limited supplier specification;
- 3.7.6 evaluation process.

3.8 Work Health and Safety

Council is committed to protecting health, safety, and welfare. Council personnel will ensure that its procurement activities protect the health, safety and welfare of its workers, elected members, customers, and community.

The District Council of Karoonda East Murray is committed to engaging quality Contractors who have a sound understanding and commitment to WHS as well as being competent providers of the goods and services they are contracted to provide.

3.9 Local Economic Benefit

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:

- 3.9.1 promoting to local and regional businesses opportunities to supply to the Council;
- 3.9.2 giving preference to local business when all other commercial considerations are equal;
- 3.9.3 encouraging Aboriginal and Torres Strait suppliers and contractors to quote and tender;
- 3.9.4 giving preference to Aboriginal and Torres Strait, local and regional businesses when all other commercial conditions are equal to ensure local employment opportunities and economic stability and/or growth;
- 3.9.5 considering economic and social inclusion elements such as employment creation and training opportunities specifically within the Council area.

3.10 Social Impact

This refers to the intentional generation of social value through procurement processes that can occur through direct or indirect approaches, but is not limited to:

- 3.10.1 Aboriginal and Torres Strait Suppliers and Contractors;
- 3.10.2 People with a disability;
- 3.10.3 Women in business;
- 3.10.4 Small to medium business.

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 – in such instances, other market approaches may be more appropriate.

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

4.1 Direct Purchasing

- 4.1.1 This is where Council purchases from a single source, without first obtaining competing bids.
- 4.1.2 The purchase must be approved FIRST via Purchase Order (PO) signed by the relevant manager, based on the year's approved budget; unless if approved by management as a budget review amendment item. This option excludes purchases via Petty Cash or Credit Card.
- 4.1.3 This method may be suitable for low value, low risk goods and services or where the market is known, AND where the supplier already has a successful procurement history with the Council.
- 4.1.4 If the supply involves "Online" once-off purchasing, travel expenses (airfares, accommodation etc) and various approved subscription payments; then the procuring of such service or goods may be via Council Credit Card per the Internal Control Policy – Credit Card. (PO is not necessary).

4.2 Quotations (Informal)

- 4.2.1 This is where Council obtains quotations from prospective suppliers.
- 4.2.2 Generally, a minimum of three quotations are sought.
- 4.2.3 Where possible, these must be written quotes.
- 4.2.4 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.
- 4.2.5 This method may be suitable for, low risk procurement activities.

4.3 Purchase Orders (PO)

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

4.4 Request for Quotations (RFQ)

- 4.4.1 This is where Council obtains written quotations from prospective suppliers.
- 4.4.2 Generally, a minimum of three written quotations are sought.
- 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 This is where Council issues an open invitation for a proposed goods and/or service.

- 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 to then invite to participate in a tender process.

4.6 Request for Tenders (RFT)

- 4.6.1 This is where the Council issues a tender for a proposed goods and/or service.
- 4.6.2 Council may issue a “Select” Request for Tender where it has where it has reasonable grounds for only dealing with a select group of potential suppliers.
- 4.6.3 Otherwise, Council may issue an “Open” Request for Tender.

4.7 Vendor Panel/SA Tenders

- 4.7.1 Council reserves the right to obtain goods or services from Local Government Vendor Panel or SA Tenders or any other avenue that may result in Council obtaining value for money.

4.8 Panel Contracts

- 4.8.1 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:
 - 4.8.1.1 A standing offer from a pool of suppliers for the provision of goods and services on agreed terms; or
 - 4.8.1.2 The prequalification of certain suppliers who may or may not be engaged on terms to be agreed.

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

4.9 Strategic alliances

- 4.9.1 This is where the Council undertakes procurement through contract arrangements already established and administered by other government agencies such as LGA Procurement or the State Procurement Board.

4.10 Inter-Council Procuring

- 4.10.1 The Council may through resolution, approve procuring high value goods or services through or in partnership with another Council.
- 4.10.2 Provided there is a relevant approved allocation in Council's current budget AND offer of due consultation is received for mutual procurement decision-making; then Council reserves the right to NOT permit this procuring method under any circumstance.

5. CONSIDERATIONS FOR 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 (\$)	Possible Method of Procurement
Up to \$100	Use Petty Cash per the Internal Control Policy – <i>Petty Cash</i>
Up to \$7,000	<p>1. <u>Direct Purchasing using a PO</u></p> <p>2. <u>Use Credit Card per the Internal Control Policy Credit Card</u> - For online purchasing, travel airfares & accommodation, various subscription payments and other management approved once-off payments.</p> <p>Prior to issuing an approved PO, at least 3 verbal quotations must be sought.</p> <p>Where possible, always insist on a written quote.</p>
Over \$7,000 to \$50,000	<p>Prior to issuing an approved PO, at least 3 written Quotations must be sought via Request for Quotation (RFQ)</p> <p>Vendor panel.</p>
Over \$50,000	<p>Request for Tender (RFT) – Either “Select” Request for Tender where Council has already issued a REOI, or where Council has reasonable grounds for only dealing with a select group of potential suppliers.</p> <p>“Open” RFT for all other Tenders.</p> <p>Vendor panel.</p> <p>LGA Procurement.</p> <p>A Council agreement/contract is encouraged for successful tenders; which is recorded and registered accordingly.</p>

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 aggregated gross value, of the purchases (excluding GST); or
 - on-going 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. 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 tender process will not necessarily deliver best outcome for the Council, and other market approaches may be more appropriate.

In certain circumstances, the Council may, after approval from the CEO OR the elected members, waive application of this Policy and pursue a method which will bring the best outcome for the Council. The Council must record its reasons in writing for waiving application of this Policy on the Request for Departure procurement form.

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

- 6.1 there may be significant public risk if the procurement is delayed by process requirements, such as emergency situations threatening life and property;
- 6.2 the pressures of time are such that an open tender call is not feasible, such as where;
- 6.3 there has been an unanticipated Council or Government policy decision;
- 6.4 council purchases assets or goods at an auction;
- 6.5 council purchases second hand assets or goods ;
- 6.6 a supplier or contractor is evidenced to be a "sole supplier or contractor" in the market and effectively a niche specialist or monopoly, rendering the tender process redundant;

- 6.7 a supplier or contractor who has considerable background knowledge and experience, or specialist expertise on that particular Council project or asset e.g. an extension of a previous project. In such circumstances, the procurement of assets, goods, or services on negotiated fees and terms through that supplier or contractor alone may be deemed sound and advantageous to the project. This could include engaging the supplier or contractor on a retainer basis for a specified period of time;
- 6.8 continuation of services under an existing purchasing arrangement (i.e. variations/extensions to existing purchase orders or agreements);
- 6.9 goods or services are being provided under an existing purchasing arrangement (i.e. warranty, servicing, maintenance or defects liability);
- 6.10 where knowledge, design and/or intellectual property is being retained to secure continuity of a staged initiative which may be disadvantaged (e.g. time, objective, financially) if subjected to a further competitive engagement process.

7. DELEGATIONS

The delegations schedule has been attached to this Policy.

8. PRUDENTIAL REQUIREMENTS

Through its Prudential Management Policy, DCKEM aims to ensure that a Council project is undertaken only after an appropriate level of “due diligence” is applied to the proposed project; and to ensure that each Council project is managed during the project and evaluated after the project, to achieve identified public benefits or needs; and to minimise financial risks.

For more details, refer to DCKEM Prudential Management Policy.

9. FURTHER INFORMATION

- 9.1 This Policy will be kept on the Council’s website for the public to view.
- 9.2 However, Council may revise or review this Policy at any time (but not so as to affect any process that has already commenced).

10. DOCUMENT AND ADMINISTRATION CONTROL

COUNCIL POLICY	
Policy title:	Procurement Policy
Policy number:	55
Responsible officer:	CEO
Version:	4.0
Committee review:	Audit & Risk Committee 28/06/2023
First issued / adopted:	11/04/2017
Review frequency:	Every 2 Years
Last reviewed:	11/07/2023
Next review date:	July 2025
Applicable legislation / related documents:	Local Government Act 1999

SCHEDULE 1 - DELEGATED AUTHORITY

The following delegated authority of Council for the authorisation of expenditure and approval of payments, will ONLY be on the basis of approved budget:

Value of the Purchase:

Delegated Authority Amounts (excl GST)	Delegated Authority/Position
Up to \$5,000	Senior Corporate & Community Officer Senior Finance Officer Senior Administration Officer Executive Support Officer Economic Development, Tourism and Communications Officer
Up to \$10,000	Infrastructure & Projects Coordinator
Up to \$50,000	General Manager Assets, Infrastructure & Regulatory Services Deputy CEO
Up to \$200,000	Chief Executive Officer
>\$200,000	Chief Executive Officer (where an approved budget exists) OR Council
Unapproved Budget	Council (or CEO in exceptional / emergency situations)