

District Council of Elliston Policy



Finance

E007 Procurement

Signature	
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Person responsible for maintaining	Deputy Chief Executive Officer

Refer to the last page of this document for the Document History Table

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1. Introduction

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

Section 49 of the Act requires District Council of Elliston (**Council**) to prepare and adopt policies on contracts and tenders on:

- the contracting out of services; and
- competitive tendering and the use of other measures to ensure that services are delivered cost-effectively; and
- the use of local goods and services.

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; and
- 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 Council can acquire goods and services;
- demonstrate accountability and responsibility of Council to ratepayers;
- 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 the Council.

However, this Policy does not cover:

- non-procurement expenditure such as sponsorships, grants, funding arrangements, donations and employment contracts; or
- the disposal of land and other assets owned by the Council; or
- the purchase of land by the Council.

2. Purpose

Council aims to achieve advantageous procurement outcomes by:

- enhancing value for money through fair, competitive, non-discriminatory procurement;
- promoting the use of 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 must have regard to the following principles in its acquisition of goods and services:

Principle 1 - Encouragement of open and effective competition

To ensure open and effective competition is fostered and maintained by providing suppliers and contractors with appropriate access to Council's procurement opportunities.

Principle 2 – Council delivers value for money services to the community

To ensure the best overall value and result is obtained through applying a strategic and cost effective approach which may include post factor negotiations and clarifications. This may include taking into account fitness for purpose, whole of life cost, timeliness, flexibility to adapt, quality, sustainability, intangible costs/benefits, service, support and warranty.

Principle 3 - Probity, Ethical Behaviour and Fair Dealing

Staff engaged in purchasing should at all times undertake their duties in a professional, ethical, honest and impartial manner, act responsibly and exercise sound judgement.

Principle 4 - Accountability, Transparency and Reporting

To ensure that responsibilities are clearly defined and that decisions are made in an open and transparent manner. This will include ensuring all appropriate records/documentation is kept of the procurement process.

Principle 5 - Ensuring compliance with all relevant legislation

To ensure purchasing activities are conducted in accordance with legislative and common law responsibilities.

Principle 6 – Local Industry Sourcing and Local Employment and Training

To the extent permitted by law, Council will give preference to local business when all other commercial considerations are equal (e.g. capability, capacity and competitiveness).

Council has a responsibility to maximise the skills, development and employment opportunities available locally. Consideration may be given, where practicable and appropriate, to incorporate strategies in the procurement process that support local employment and training, which may include contractors engaging apprentices or trainees in their work practices.

Principle 7 - Environmental Sustainability

To promote and adopt purchasing practices which conserve resources, save energy, minimise waste, protect the environment, and are generally consistent with principles of ecological sustainability, to the greatest extent that is practicable. To promote use of products containing recycled content where applicable in all procurement processes.

Principle 8 - Work, Health and Safety / Risk Management

Council will only engage suppliers and/or contractors who are able to maintain a level of work, health and safety (WHS) that is acceptable in accordance with Council's WHS policies and procedures and any additional requirements specified in terms and conditions of contractual arrangements.

- **Pre Purchase Risk Assessment**
Formal pre purchase risk assessments must be undertaken for purchase of all plant and vehicles in accordance with Council's Plant Procedure. Consideration of risk must be undertaken pre-purchase for all other purchases. The level of the pre-purchase risk assessment shall be determined by the value of the purchase, type of purchase and perceived level of risk.
- **Contractor Management**
Council has an obligation to ensure that contractors engaged by Council have an understanding and a commitment to WHS as competent providers of the goods or services they are contracted to provide. Council officers must ensure when engaging contractors, they administer Council's WHS Contractor Management Policy and WHS Contractor Management Procedure, and in particular, selection, monitoring and induction of contractors.

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:

Direct Purchasing

This is where Council purchases from a single source, without first obtaining competing bids. 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.

Quotations (Informal)

This is where Council obtains quotations from prospective suppliers. Generally, a minimum of one to three quotations are sought based on value of purchase. Where possible, the Council must insist on written quotes. If a written quote cannot be obtained, the Council must keep detailed written records of the oral quote obtained. This method may be suitable for low value, low risk goods and services.

Purchase Orders

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

Request for Quotations (RFQ)

This is where Council obtains written quotations from prospective suppliers. Generally, a minimum of two to three written quotations are sought based on value of purchase. 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.

Requests for Expressions of Interest (REOI)

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

Request for Tenders (RFT)

This is where the Council issues a tender for proposed goods and/or services. 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. Otherwise, Council may issue an “Open” Request for Tender.

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

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- 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 services through such panel arrangements.

Strategic alliances

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

- LGA Procurement;
- a purchasing group of which the Council is a member;
- Local and Regional Procurement Group;
- Local and Regional Panels;
- Procurement Australia;
- State Government contracts
- Other recognised procurement platforms.

5. Delegated Authority

Council delegates to the Chief Executive Officer (**CEO**) the authorisation to approve expenditure and enter into contracts within the approved budget. The CEO may sub delegate expenditure authorisations commensurable with officer roles and responsibilities. Signing of contracts and authorisation of payments should be accurate, correct and in accordance with appropriate delegated financial authority (refer to Financial Limits of Authority).

Council delegates to the CEO the authorisation to approve, amend and review any procedures that shall be consistent with this Policy.

6. Purchase Method

The appropriate method of procurement will be determined by reference to a number of factors, including:

- Cost of an open market approach versus the value of the acquisition and the potential benefits;
- The particular circumstances of the procurement activity;
- The objectives of the procurement;
- The size of the market and the number of competent suppliers;
- The council's leverage in the marketplace;
- Time constraints;
- 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;

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Value of Purchase	Possible Method of Procurement
0 - \$1,000	Direct purchase One (1) verbal quote required Conditions: Purchase Order or Credit Card
\$1,001 - \$15,000	Direct purchase One (1) written quote required Conditions: Purchase Order or Credit Card
\$15,000.01 - \$25,000	Request for Quotation (RFQ) Conditions: Two (2) written quotations required Purchase Order
\$25,000.01 - \$100,000	RFT, RFQ, REOI, Panel Contracts, Strategic Alliance/Conditions: Three (3) written quotations required. Purchase Order
\$100,000 and above (as approved within budget)	RFT, Panel Contracts, Strategic Alliance Conditions: Tender contract documents and process required Advertise Purchase Order

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);
- Ongoing purchases of a period of time – the annual gross value, or the estimated annual gross value, of the purchases (excluding GST).

7. Records

Council must keep appropriate records detailing the procurement and decision making process for all procurement. It is the responsibility of all employees involved in purchasing to ensure that records are kept in accordance with Council's Records Management Policy, requirements of the *Local Government Act 1999* and Regulations, and State Records legislation. The Council must record written reasons for utilising a specific procurement method in each activity and where it uses a procurement method other than tendering.

8. Exemptions from this Policy

This Policy contains general guidelines to be followed by the Council in its procurement activities. There may be instances in which the processes noted will not necessarily deliver the best outcome for the Council, and other market approaches may be more appropriate.

In certain circumstances, the CEO may waive application of this Policy and pursue a method which will bring the best outcome for the Council. The CEO must record their reasons in writing for waiving application of this Policy.

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When assessing the most effective method of obtaining goods and/or services, Council officers should consider the administrative costs to Council of seeking tenders or quotations independently, and the reduction of these costs which can be achieved by use of approved alternative arrangements.

A request for waiver of competitive process should not be viewed as a mechanism to speed processes in a way that will not stand up to rigorous scrutiny nor as a mechanism to obviate the need for careful forward planning. The granting of waiver of competitive process must be appropriately documented and approved in accordance with Council Policy. The request for waiver should only be approved by the CEO.

Where a funding agreement specifies that Council must follow a prescribed tendering process which differs from the process outlined in this Procurement Policy, the project funded under that agreement is exempted from the Policy.

Where a purchase is made in the event of any emergency, the expenditure must be within the officer's delegated authority, limited to that required to alleviate the emergency situation only, and officers must ensure that appropriate methods of purchase resume as soon as practicable.

Schedule 1 provides a list of nominated goods / works / services which are exempt from a purchase order being issued for payment.

9. Prudential Requirements

In some circumstances a procurement process may require additional due diligence in accordance with the Act prudential requirements. If this occurs, the process will be subject to Council's Prudential Management Policy.

10. Public Consultation

Where a purchase requires public consultation as part of the process, then such consultation must be in accordance with Council's Public Consultation Policy.

11. Associated Documents

- Annual Business Plan and Budget Policy
- Credit Card Policy
- Code of Conduct for Council Members
- Code of Conduct for Employees Policy
- Fraud and Corruption Prevention Policy
- Internal Financial Controls Policy
- Prudential Management Policy
- Public Consultation Policy
- Travel and Accommodation Policy
- Disposal of Land and Assets Policy
- Risk Management Policy
- Plant Procedure
- Financial Limits of Authority

Schedule 1 – Nominated goods / works / services which are exempt from requiring a purchase order to be issued for payment

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Please note: The items on this schedule may change from time to time based on Council's operational requirements. This information is provided as supplementary information to the Procurement Policy only, and does not require endorsement by Council or its committees as it is amended.

Purchases for the following goods, services, fees or charges:

- Minor purchases from local suppliers where it is considered not practical to issue an order and conform with the approved financial limits of authority
- Resource sharing contractor arrangements
- Statutory Government charges or levies
- Vehicle registration
- Insurance charges
- Postal services
- Subscriptions and memberships
- Utilities (e.g. SA Water, Telstra, Optus, Origin, AGL, Elgas)
- License and membership fees
- Banking services
- Freight or Courier services
- Dial Before You Dig services
- Training, conferences, travel, meals, accommodation
- Food and beverages
- Employee reimbursements
- Payments for elected and committee members, i.e. EPRAP, Audit Committee
- Emergency purchases, or situations threatening life or property. Where a purchase is made under this section, the following will apply:
 - Expenditure should be limited to that required to alleviate the emergency situation only; and
 - Officers must ensure that appropriate methods of purchase are resumed as soon as practical (i.e. purchase order generated, quotations sought for the remainder of the goods, services or works other than that required for emergency response)
- Planning and building consultant fees
- Professional services (i.e. auditing, accounting and legal)
- Purchases / Contractors that have been created by means of a Tender / Contract
- Minor electrical or plumbing repairs where cost is unknown but likely to be minimal

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DOCUMENT HISTORY				
Version	Changes since last version	Approved by	Record No	Issue Date
1	Original	Council		
2	Reviewed	Council		April 2020
3	Reviewed	Council		June 2022
4	<p>Updated with new format</p> <p>3. Procurement Principles – explanations added in or updated</p> <p>4. Procurement Method</p> <p>Quotations (Informal) - Added, 'If a written quote cannot be obtained, the Council must keep detailed written records of oral quote obtained.'</p> <p>Strategic Alliances – Added to the list: Local & Regional Procurement Group Local & Regional Panel Other recognised procurement platforms</p> <p>5. 'Valued at less than \$500,000' changed to 'within the approved budget'.</p> <p>6. Table dollar limits updated</p> <p>8. Exemptions from Policy – removed examples</p> <p>9. Prudential Requirements - reworded</p>	Council	9.63.1/1	October 2023