



Procurement Policy

Reference Number:	2.16
Type:	Council
Category:	Corporate Governance and Finance
Relevant Community Plan Outcome:	<ul style="list-style-type: none"> • Be bold and innovative in our practices, leadership and decision making. • Adaptive and sustainable management of the City's finances.
Responsible Officer(s):	Manager Governance & Operational Support
First Issued/Approved:	September 2008
Minutes Reference:	CoS 5/03/2018, Item 3.12
Last Reviewed	March 2018
Next Review Due:	March 2020
Applicable Legislation:	Local Government Act 1999 Competition and Consumer Act 2010 (Commonwealth) National Competition Policy (Commonwealth) Local Government (Elections) Act 1999 - Caretaker provision Freedom of Information Act 1991 Work Health and Safety Act 2012
Related Policies:	Work Health and Safety and Return to Work Policy Credit Cards Policy Goods & Services Tax Policy Petty Cash Policy Gifts, Benefits and Hospitality Policy Customer Experience Policy Public Consultation Policy Risk Management Policy Delegations Register Council Solutions – Procurement Policy (external) Caretaker Policy Prudential Review Policy
Related Procedures:	Procurement Services – Procurement Administrator Procedures User Guides – When available for various categories

1. Purpose

This policy has been developed pursuant to the requirements of Section 49 of the Local Government Act 1999. The aim of this policy is to provide clear direction for procurement within the City of Charles Sturt to ensure consistency and control over procurement activities. It also aims to encourage best practice in procurement. Operating Procedures and Guidelines are maintained to support this policy.

Scope

2.1 In Scope

This policy covers the required conduct for all procurement activities associated with the acquisition of Goods, Works or Services of any value by the City of Charles Sturt. This includes tendering arrangements and the contracting of services and applies to all City of Charles Sturt staff.

It is the responsibility of all staff engaged in any procurement process and third parties involved in procurement activities on behalf of the Council to comply with the Procurement Policy (except collaborative procurements as defined). This responsibility extends to anyone identifying the Goods, Works or Services to be acquired, undertaking or participating in procurement activities, or staff receiving or accepting goods on Council's behalf.

2.2 Out of Scope

This policy does not cover:

- Non-procurement expenditure such as sponsorship, grants, funding arrangements, donations and employment contracts; or
- The disposal of land and other assets owned by the City of Charles Sturt; or
- The purchase of land by the City of Charles Sturt.

3. Policy Statement

3.1 Procurement Principles

All Council's procurement is underpinned by the following key principles;

Principle 1 - Council delivers value for money services to the community

To ensure the best overall value/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 2 - Compliance with statutory obligations

To ensure purchasing activities are conducted in accordance with legislative and common law responsibilities. These include but are not limited the Local Government Act 1999, Competition and Consumer Act 2010, National Competition Policy and other relevant legislation, industrial awards and agreements and international trade agreements.

Principle 3 - Open and Fair/Effective Competition

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

Principle 4 - Professional Integrity and Ethical Conduct

Officers engaged in purchasing should at all times undertake their duties in a professional, ethical, honest and impartial manner, act responsibly and exercise sound judgment by observing the highest standards of integrity and professional conduct in line with the Code of Conduct requirements and the Gifts, Benefits & Hospitality Policy.

Principle 5 - Risk Management

To ensure that appropriate risk management practices and procedures are in place for purchasing activities including risk identification, assessment and implementation of controls, in line with the Risk Management Policy.

Principle 6 - Accountability, Transparency and Probity

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 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.

Principle 8 - 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 (eg capability, capacity and competitiveness).

Council has a commitment to maximising the skills, development and employment opportunities available in the City. 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, trainees and cadets in their work practices.

Principle 9 – Social Sustainability

Consideration may be given, where it is practicable, to investigating the inclusion of not-for-profit organisations (social enterprises) that benefit the community (engaging the disadvantaged).

3.2. Agreement / Contract Types

Council purchases Goods, Works and Services using various types of Agreements or Contracts. Prior to adopting one of the following methods of procurement, the Contracts Register must first be checked for existing contracts with the same scope, products or services. Consideration should also be given to utilising any other existing contracts available to Council.

Agreement or Contract Types include:

Purchase Orders

Purchase Orders serve three main purposes;

- ensuring expenditure is within a staff member's delegation,
- demonstrating a financial commitment in Council's Finance System to allow accurate tracking of Council's financial obligations at any point in time, and
- establishing a set of Terms and Conditions for purchase of Goods, Works, or Services.

Single Contracts

This is a Contract where there is only one Supplier contracted to provide or supply Goods, Works or Services to Council.

Panel Contracts

This is a Contract where there is more than one Supplier contracted to provide or supply a Goods, Works or Service to Council. This method is used to improve the efficiency of the procurement process and reduce the impact of repetitive bidding both on internal resources and on potential suppliers. Guidance will be provided on how to engage Panel Contractors by procurement staff.

When utilising existing panel contracts for purchases over \$50,000, a minimum of 2 written quotations must be obtained, creating a competitive environment, or refer to "User Guide" where one is available.

Standing Offer

This is an Agreement where a supplier/s agrees to provide specified goods (which are considered commodities off the shelf (COTS) which are readily available from multiple suppliers and frequently purchased), at an agreed price fixed for a set period of time. Standing Offers are a commitment by suppliers to provide agreed products at the fixed price on receipt of a City of Charles Sturt Purchase Order. Standing offers do not commit council to any minimum volume.

Prequalified Contractors

This is a where a tender process has been undertaken, to prequalify preliminaries of a contractor for a specific scope. This will eliminate the need for lengthy or repetitive tender process.

Head Agreements

This agreement type refers to a Contract where a Supplier is contracted to provide Supplies, but the item is then sourced from a local retailer. Generally, this contract operates by sourcing quotes, after the formal tender process has resulted in a formal contract.

Collaborative Purchasing Contracts:

This is where Council is a part of a collective group where a contract has been put in place that Council may access.

- **Council Solutions (previously G6 Purchasing)**

Council Solutions is a Regional Authority (subsidiary) established in accordance with the Local Government Act (1999) SA to provide procurement and services to South Australian councils. Council Solutions is a joint initiative of the cities of Adelaide, Charles Sturt, Marion, Onkaparinga, Salisbury and Tea Tree Gully. In addition to the benefits of other collaborative purchasing arrangements, Council Solutions contracts aim to:

- Achieve consistency in specification of Goods, Works and Services commonly purchased across the Council Solutions membership in order to attract more suppliers to the market, reduce costs and improve efficiency.

The Council Solutions Representative for the City of Charles Sturt is the CEO or the CEO's nominated delegate, who is authorised to sign contracts on behalf of Council.

- ***LGA Procurement***
LGA Procurement (LGAP) is a commercial entity owned by the Local Government Association of South Australia (LGA of SA) and is designed to support Councils to deliver best value for their communities by identifying, developing and delivering value-added products and generating economies of scale through bulk purchasing, contract administration and e-commerce. There are various methods for engaging contractors under LGAP Contracts.
- ***Procurement Australia***
Procurement Australia operates across Australia, generating economies of scale through bulk purchasing. There are various methods for engaging contractors under Procurement Australia Contracts.
- ***Australian State or Federal Government***
There are some instances where Council may access contracts available through State and Federal Government.

3.3 Delegated Authority

Prior to the commencement of any purchase or tender process the department or business unit must have an approved and allocated budget to spend, or appropriate and committed funding available through another source (eg. grant funding).

Signing of Contracts and authorisation of payments should be accurate, correct and in accordance with appropriate delegated financial authority (refer to Delegations Register).

Contract Variations / Extensions require applicable documentation to be completed, and approved by the delegated authority for total contract value (initial contract value plus any variations).

Any proposal to purchase by outsourcing of any service or function currently performed predominantly 'in house' by Council staff, must be approved by the Council.

3.4 Methods of Procurement

The appropriate method of purchase is determined by the level of expenditure and the most appropriate purchase approach. The determining factors are detailed in this section.

Determining the Appropriate Method of Procurement

Council will generally purchase Goods, Works and Services through the following methods:

- Accessing Existing Agreements / Contracts (refer section 3.2 above);
- Direct sourcing;
- Quotations;
- Tender;
- Strategic Alliances / Collaborative Purchasing; and/or
- Emergency Purchases.

Purchase Method

The below table provides the minimum requirements based on purchase value. Individual circumstances must be considered.

Value of Purchase	Process
Less than \$1,000	Direct sourcing
\$1,001 - \$5,000	Seek a Minimum of 1 written Quotation
\$5,001 - \$15,000	Seek a Minimum of 2 written Quotations
\$15,001 - \$50,000	Seek a Minimum of 3 written Quotations
\$50,001 - \$100,000	Selected Tender or Prequalified Contractor
Greater than \$100,001	Open Tender

For the purpose of this policy, the expenditure level of the value of purchase will be for:

- Single one off purchase shall be the total amount, or estimated amount of the purchase (excluding GST);
- Multiple or ongoing purchases shall be the gross value of, or the estimated gross value of all items to be purchased (excluding GST) for the period of the agreement / contract term (including extension options); or
- All purchases will be in accordance with the City of Charles Sturt's Goods & Services Tax Policy.

Note: Splitting of amounts to bring expenditure within lower limits is not permitted.

Purchase Approach

Consideration will also be given to the purchase approach to ensure Council is achieving value for money. These will include:

- The 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;
- City of Charles Sturt's leverage in the marketplace;
- Time constraints; and
- An 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.

Use of Purchase Orders

Purchase Orders must be created prior to the purchase being made. Purchase Orders are required for purchases, except as follows:

- Purchases of a value less than \$1,000 (excluding GST) (refer to Petty Cash Policy);
- Purchases made using Corporate Credit Cards (refer to Credit Cards Policy);

- Purchases made for nominated Goods, Works or Services listed in Schedule 1;
- Purchases relating to an entity which is a wholly or partially owned subsidiary of Council; or

Existing contracts, including collaborative purchasing, require a purchase order to be created quoting the contract number (allowing contract spend to be captured) for any Capital Works projects.

3.4.1 Direct Sourcing

The Direct Sourcing approach may be used where the value of the purchase is less than \$1,000, and can be sourced directly from one supplier. This transaction may be completed with Credit Card (in accordance with Credit Cards Policy), by Petty Cash (in accordance with Petty Cash Policy) or by requesting an invoice direct from the supplier.

3.4.2 Quotations

The need to seek quotations must be determined in accordance with section 3.4.

Quotations should generally be sought for one off purchases only. If multiple purchases are required from the same supplier, then the use of a Contract should be considered (Panel or Standing Offer).

Quotations should be received in writing, and once received, must be recorded in Council's Records Management System.

If the level of expenditure exceeds \$15,000 or has high risk factors in the purchase, then the following should be considered:

- Use of a formal contract in lieu of Purchase Order especially where terms and conditions are required beyond the normal terms attached to Purchase Orders;
- Where the quotation is within the staff member's financial delegation, it is best practice to have the staff member's supervisor approve the purchase method and
- The use of evaluation documentation nominating evaluation criteria, recorded on a weighted matrix to rank the suppliers in order of preference.

3.4.3 Tenders

The need for selected or open tenders will be determined in accordance with section 3.4.

When it is considered that a tender is an appropriate method of purchase the following shall apply:

- Tenders will be evaluated by an evaluation panel against the Evaluation Criteria stated in the tender documents;
- All tenderers will be advised of the results including the identity of the successful tenderer; and
- All unsuccessful tenderers will be offered a verbal debrief.

Alternatively it may be appropriate to test the market place by using an Expression of Interest (EOI). This EOI approach may be used either by seeking market interest in a project or to prequalify for a select tender. If used to prequalify then EOI responses must be evaluated against pre-determined criteria.

Consultants and others may address the market place on Council's behalf, provided that they have written approval and comply with Council's policies and requirements.

a) **Selected Tender (\$50,001 – \$100,000)**

Where a selected tender method is used, the following information must also be recorded:

- The identity of the selected tenderers; and
- Justification as to why the tenderers have been selected.

b) **Open Tenders (>\$100,000)**

Open tenders must be advertised publicly.

The preferred method of advertising tenders will be through the use of the State Government's Contracts & Tenders web site.

Tenders may result in the appointment of a single supplier or a panel/standing offer of contractors for the nominated Goods, Works or Service.

3.4.4 Strategic Alliances / Collaborative Purchasing

While there may be a number of pre-existing collaborative purchasing contracts accessible to Council, Council may also chose to participate in a collaborative procurement (most likely a tender) process. The purpose of participating in collaborative purchasing arrangements is to:

- Reduce direct and indirect purchasing costs; and/or
- Provide tangible benefits through joint purchasing; and/or
- Improve delivery and/or quality of services to residents; and/or
- Represent best procurement practice; and/or
- Attract more competition or more innovative responses or a more suitable field of providers to respond to the tender call.

3.4.5 Emergency Purchases

Purchases can be made without the need to initially follow policy in emergency situations. The provisions of this section must not be used as an excuse for not following policy. For the purpose of this section emergency situations are restricted to:

Community

- Genuine concerns for public safety;
- Avoiding major expenses; and/or
- Activation of the Emergency Response Plan.

Council Assets

- Ensuring that residents or occupants of Council-owned buildings are not subject to undue discomfort or hardship due to breakdown of building facilities or equipment;
- Security of Council's assets; and/or
- Activation of the Business Continuity and Crisis Management Plan.

Determination of whether these situations apply will be at the discretion of the relevant Team Leader or Manager on a case by case basis.

Where a purchase is made under this section, the following will apply:

- Expenditure must be within delegated financial authority;
- Expenditure should be limited to that required to alleviate the emergency situation only; and
- Officers must ensure that appropriate methods of purchase, as stipulated within this Procurement Policy, are resumed as soon as practicable (e.g. purchase order generated, quotations sought for remainder of the Goods, Works or Services other than that required for the emergency response).

3.5 Other Considerations***3.5.1 Work Health and Safety***

The City of Charles Sturt will only engage suppliers who are able to maintain a level of Work Health and Safety acceptable to the City of Charles Sturt. As a minimum, this will be compliance to the Work Health and Safety Act 2012, all associated regulations and all requirements relating to contractors in Council's relevant Work Health and Safety policies, and as specified in terms and conditions of contractual arrangements.

3.5.2 Record Keeping Requirements

Council will document the reasons for entering into specific procurement methods or contracts other than those resulting from a competitive quoting, tender process or purchases less than \$1000. Records are to be stored in Council's Records Management System.

3.5.3 Public Consultation

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

3.5.4 Prudential Requirements

In some circumstances a procurement process may require additional due diligence in accordance with the Local Government Act 1999 prudential requirements. If this occurs the process will be subject to the City of Charles Sturt Prudential Review Policy.

3.5.5 Confidentiality

All information provided between Contractor and the Principal shall be treated as confidential only to the extent provided by the Law, including Freedom of Information Act 1991 (FOI) provisions.

3.5.6 Caretaker Policy

This policy is subject to the provisions of Section 91A of the *Local Government (Elections) Act 1999* which requires Council to prepare and adopt a Caretaker Policy governing the conduct of the Council and its staff during the election period for a general election.

3.5.7 Complaints Management

Any complaints arising from the undertaking of activities during the procurement process will be dealt with in line with the City of Charles Sturt's Customer Experience Policy.

3.6 Exemptions from this Policy

This policy contains general guidelines to be followed by City of Charles Sturt in its procurement activities. There may be emergencies, or purchases where the defined methods of procurement will not necessarily deliver best outcome for the Council, and other market approaches may be more appropriate.

Except as provided for in the procurement guidelines document, exemptions to the requirements of this policy must be approved by the Chief Executive Officer (CEO) or relevant General Manager. [Note: Only the CEO can approve exemptions for Method of Procurement involving expenditure exceeding \$50,000.]

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.

In certain circumstances, the City of Charles Sturt, may, after approval from delegated authority or Council, waive application of this Policy and pursue a method which will bring the best outcome for the Council.

The City of Charles Sturt must record its reasons in writing for waiving application of this Policy.

4. Definitions

Key Term – Acronym	Definition
Value for Money	Best outcome achievable when all costs and benefits, both qualitative and quantitative, over the procurement lifecycle (acquisition, use, maintenance and disposal) are considered.
Direct Sourcing	Where the purchase value warrants the involvement of only one supplier.
Quotation	Seeking a price and scope of Goods, Works or Services from a supplier to enable comparison
Selected Tender	Seeking tenders from a limited number of suppliers on the basis of, e.g. location, previous performance, or the result of an Expression of Interest process
Open Tender	Seeking tenders from the market place via an open invitation process, e.g. advertisement.
Strategic Alliance	Seeking tenders/contracts as part of a purchasing group e.g. combined purchasing arrangements with other Councils and/or spheres of government.
Head Agreement	Head Agreements are primarily used for the supply of Goods and are contracts in which the Supplier has agreed to a contract price or process, with the Principal generally sourcing the Supplies through a local supplier.
Panel Contract	Multiple contractors have been awarded agreements for providing the same defined scope of works or services. These agreements have no guarantee of work and usually engaged is on an individual project basis by issuing a Purchase Order or letter of engagement.
Prequalified Contractor	Contractors have provided details which are formally assessed against pre-defined criteria. These criteria usually include capability/experience, WHS, Quality and Environmental certification, Financial sustainability, work methods, insurances and licences.
Expression of Interest (EOI)	Expression of Interest allows market responses to be assessed to identify potential contractors interested in a project. This approach could potentially reduce to a select tender, or be used to short list contractors for future tenders.
Standing Offer	This is an Agreement where a supplier/s agrees to provide specified goods (which are considered commodities off the shelf (COTS) readily available from multiple suppliers and frequently purchased) at an agreed price fixed for a set period of time. Standing Offers are a commitment by suppliers to provide product when required (by placing a purchase order) but Council is not committed to any minimum volume.

Schedule 1 – Nominated Goods / Works / Services which are exempt from requiring a Quotation and using a Purchase Order for Payment

Please note that 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.

When paying by invoice only and a contract exists the contract number must be quoted in the notes section of the work flow (allowing contract spend to be captured).

Purchases for the following Goods, Services, Fees or Charges:

- vehicle registrations
- refunds or reimbursements of expenses
- banking services
- Government charges
- courier services
- insurance payments
- lease & rental payments
- media monitoring
- publishing charges
- postal services
- subscriptions
- software license renewals and maintenance payments (where agreement exists)
- Software license renewals for imbedded software (existing)
- taxi fares
- travel and accommodation
- utilities (e.g. SA Water, Telstra, AGL, Origin Energy)
- food and beverages
- licence and membership fees, and temporary labour hire and traineeship charges
- payment of State Government Affordable Housing funding
- Site investigation and minor repairs of electrical works
- Employee Assistance Program Costs
- All pre-approved Staff and Council Member training (including catering and venue hire where applicable)
- Specific payments endorsed through Council i.e.; Grant funding
- Psychometric Testing
- Labour Hire (other than contracted)
- Organisational Cultural Inventory (OCI)
- Dial Before You Dig Services
- Emergency purchases (as defined in the Policy)
- Legal Services