



AGENDA APPENDIX
Council Meeting
Wednesday 25 June 2014

AGENDA ITEM FOR SEPARATE DISTRIBUTION TO COUNCILLORS AND EXECUTIVE LEADERSHIP TEAM DUE TO DOCUMENT SIZE.

THE ITEM IS ACCESSIBLE VIA THE COUNCIL WEBSITE OR BY CONTACTING COUNCIL ON 03 5662 9200.

E.17 REVIEW OF COUNCIL POLICIES – INTELLECTUAL PROPERTY POLICY AND PROCUREMENT POLICY

Appendix 1 – Review of Council Policies – Intellectual Property Policy and Procurement Policy



PROCUREMENT POLICY DRAFT REVISED

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| Council Item No. | TBA | Department | Governance |
| Council Adoption Date | 25 June 2014 | Primary Author | David Roche |
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POLICY OBJECTIVE

The objective of this policy is to:

- Provide clear direction to the Council and Council staff to allow consistency and control over procurement activities;
- Demonstrate accountability;
- Provide guidance on ethical behaviour in public sector purchasing;
- Demonstrate the application of elements of best practice in purchasing including effective risk management, probity and transparency and open and fair competition;
- Support Council's corporate outcomes, objectives, plans and strategies, including but not limited to those related to sustainability, protection of the environment and social responsibility;
- Increase the probability of obtaining the right outcome and value for money when purchasing goods and services; and
- Replace Council's Procurement Policy No. C32 adopted by Council on 26 June 2013.

LEGISLATIVE PROVISIONS

This Procurement Policy is made under Section 186a of the Local Government Act 1989 (The Act).

The Act is the key legislative framework that regulates the process of local government procurement in Victoria. Section 186a of the Act requires the Council to prepare, approve and comply with a Procurement Policy encompassing the principles, processes and procedures applied to all purchases of goods, services and works by the Council.

As such the Council's procurement activities will be carried out to the professional standards required by best practice and in compliance with the following, including any changes or amendments made thereto:

Legislation

- Section 186a, 190 and 208A of the Local Government Act 1989;
- Local Government (General) Regulations 2004; and
- Other relevant legislative requirements such as but not limited to the Trade Practices Act 1974, Goods Act 1958, Competition and Consumer Act 2010, Victorian Charter of Human Rights and Responsibilities Act 2006 and the Environmental Protection Act 1970.

Standards and Guidelines

- Department of Planning and Community Development (DPCD) Local Government Procurement Best Practice Guidelines 2013;
- Municipal Association Victoria (MAV) Contract Management Guidelines; and
- Victorian Government Purchasing Board Guidelines (VGBP).

Council Policies

- Council's Councillor and Staff Codes of Conduct;
- Council's policies including Council Purchasing Cards, Procurement Approval Levels, Community Project Management, Land Ownership, Acceptance of Gifts and Donations, Fraud and National Competition, Human Rights, Protected



- Disclosure and Risk Management policies; and
• Council Instrument of Delegation to CEO.

DEFINITIONS

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|--------------------------|---|
| Act | Local Government Act 1989. |
| Best value | <p>Best value in procurement is about selecting the supply of goods, services and works taking into account both cost and non-cost factors including:</p> <ul style="list-style-type: none">• Contribution to the advancement of the Council's priorities;• Non-cost factors such as fitness for purpose, quality, service and support; and• Cost-related factors including whole-of-life costs and transaction costs associated with acquiring, using, holding, maintaining and disposing of the goods, services or works. |
| Category management | A 'Category' is an area of spend determined by known market boundaries separating different products, services or industries. Category management recognises that suppliers within a certain market are likely to have similarities which enable a tailored approach to procurement. |
| Commercial in confidence | Information that, if released, may prejudice the business dealings of a party e.g. prices, discounts, rebates, profits, methodologies and process information. |
| Competitive neutrality | A policy which aims to ensure that, where a government business is competing with the private sector, adjustments are made to remove any net advantage (or disadvantage) the government business has because it is government owned. |
| 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 legislation. |
| Contingency | A contingency allowance is usually provided in contracts to allow for miscellaneous unforeseen costs which cannot be classified under any other heading, but are necessary for the successful completion of the project. This means when variation claims are raised, it is common that Council will cancel the contingency allowance against variation claims. |



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| Contract | An agreement between two or more organisations to perform or not perform a specific act/s that is enforceable by law. A contract may be verbal or written or inferred by conduct. |
| Contract management | The process that ensures both parties to a contract fully meet their respective obligations as efficiently and effectively as possible, in order to deliver the business and operational objectives required from the contract and in particular, to provide value for money. |
| Corporate social responsibility (CSR) | Corporate social responsibility (CSR) is about taking positive action to demonstrate the Council's commitment to the local community and environment on which it impacts. |
| Council staff | Includes full-time and part-time Council Staff, temporary employees, Section 86 Committee, contractors and consultants while acting in the capacity of an employee and engaged by the Council. |
| e-Procurement | e-Procurement is integral to the overall development of procurement processes and involves the use of an electronic system/s to acquire and pay for supplies, services and works. |
| Expression of Interest (EOI) | A publicly advertised invitation for persons to submit an EOI for the provision of the goods and / or services generally set out in the overview of requirements contained in the document. An EOI is not to elicit tenders, but to assess the capacity of respondents to undertake the work or project. This invitation is not an offer or a contract. |
| Late tender | A tender received after the specified closing time. |
| Local businesses | Suppliers within the South Gippsland Shire and the immediate neighbouring municipalities. |
| Minimum spend competition thresholds | Are the minimum dollar amounts which determine which procurement process (quotation or tender) is required for a particular procurement activity. |
| Probity | Within Local Government, the word "probity" is often used in a general sense to mean "good process." A procurement process that conforms to the expected standards of probity is one in which clear procedures that are consistent with the Council's policies and legislation are established, understood and followed from the outset. These procedures need to consider the legitimate interests of suppliers and ensure that all potential suppliers are treated equitably. |
| Procurement | Procurement is the whole process of acquisition of external goods, services and works. This process spans the whole life cycle from initial concept through to the end of the useful life of an asset (including disposal) or the end of a service contract. |



| | |
|-------------------------------|---|
| Procurement planning | Forward planning to determine the appropriate and / or required procurement process (quotation or tender) is completed within the timelines required by Council and / or any contractual obligations. |
| Procurement processes | Council has three main procurement processes – Minor Purchases (Petty cash, Purchasing Card), Quotations (Finance Purchase, Minor Quotation, Intermediate Quotation and Major Quotation) and Tenders. The processes for these are outlined in this Policy and accompanying processes published on Council's intranet. |
| Request for information (RFI) | Formal request for information to gain a more detailed understanding of the supplier market and the range of solutions and technologies that may be available. It may be used to develop documentation for a future tender. |
| Request for quotation (RFQ) | A written process of inviting offers to supply goods and/or services involving simple documentation, a limited number of potential suppliers and generally of relatively lower values. |
| Request for tender (RFT) | A request for offer 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. |
| Social procurement | Social procurement uses procurement processes and purchasing power to generate positive social outcomes in addition to the delivery of efficient goods, services and works. |
| Sustainability | Activities that meet the needs of the present without compromising the ability of future generations to meet their needs. |
| Tender | An offer in writing to supply goods and / or services and / or works, usually submitted in response to a public or selective invitation such as a request for tender. |
| Tender process | The process of inviting parties to submit a quotation by tender using public advertisement, followed by evaluation of submissions and selection of a successful bidder or tenderer. |
| Variation | A change to a contract that is already in place. For example, the price of materials may increase or the result to be achieved may change. Both parties must agree to the variation and it is important that written records of variations are kept. |



POLICY STATEMENT

This policy applies to all procurement activities at Council and is binding upon Council including Councillors, Council staff, Section 86 Committees, temporary employees and contractors / consultants whilst acting in the capacity of an employee and engaged by Council.

This policy encompasses Appendix 1 Procurement Best Practice and Appendix 2 Procurement Process Summary and Thresholds. These appendices are required to be used in conjunction with this policy as well as Council's procurement procedures which provide additional requirements and direction for the implementation of this Policy Statement.

South Gippsland Shire Council through its procurement activities will:

1. **Ensure strategic alignment and effective procurement planning:** by applying a long term strategic view of its procurement needs while continually assessing, reviewing and auditing its procedures, strategy and objectives.
2. **Ensure probity and transparency:** through:
 - Implementing and managing a robust and transparent audit trail and program to ensure that procurement activities are delivered on time, within cost constraints and meet the needs of end users;
 - Ensuring all relevant Council staff are able to account for procurement decisions made over the lifecycle of all goods, services and works purchased by the Council and provide feedback on them; and
 - Ensuring that procurement is conducted in a fair, honest and transparent manner, with the highest levels of integrity and in the public interest.
3. **Comply with legislation and guidelines:** including Council policies or other requirements by ensuring all staff responsible for procurement and contract management are aware of and adhere to legislative requirements, Council policies and best practice.
4. **Manage any conflicts of interest:** by requiring Councillors and Council staff involved with any procurement activities to:
 - Observe legislative and Council requirements relating to managing conflicts of interest;
 - Identify and avoid situations in which private interests conflict or have the potential to conflict with their Council duties; and
 - Declare when a conflict of interest is identified and undertake steps to remove or mitigate the relevant Council staff member's involvement in the procurement activity.
5. **Deal ethically, fairly and honestly:** by requiring Councillors and Council staff involved with any procurement activities to:
 - Act in an impartial, fair, ethical manner which is able to withstand the closest possible audit scrutiny providing all potential suppliers with the same information and equal opportunity;
 - Not either directly or indirectly solicit or accept gifts, presents or hospitality / food from any member of the public involved with any matter that is connected with the duties of the officer, or in which the Council is



interested, with the exception of gifts allowed for under Council's Acceptance of Gifts and Donations Policy; and

- Maintain the confidentiality of Commercial in Confidence information such as contract prices and other sensitive information which is to be stored in a secure location.

6. **Demonstrate sustained value:** through:

- **Achieving best value:** to gain value for money and minimise the total cost of ownership over the lifetime of the requirement consistent with acceptable quality, reliability and delivery considerations. Lowest price is not the sole determinant of best value. Best value will be facilitated through:
 - Weighing up the benefits of the purchase against the costs necessary for the optimum result for the Council and local community;
 - Balancing quality and price;
 - Challenging the need for the procurement and the way in which the service may be reconfigured to achieve improvements in service delivery;
 - Encouraging competition;
 - The effective use of specifications in quotations, tenders and contracts; and
 - Adopting strategic and innovative procurement practices and solutions to promote best value, in particular, making use of collaboration, shared procurement and partnership opportunities.
- **Developing measures and continuous improvement:** to monitor performance and compliance with procurement policies, procedures and controls to support continuous improvement in procurement and contract management practices.
- **Corporate social responsibility and social procurement:** by taking positive action to demonstrate Council's commitment to the local community and the environment on which it impacts. By also using procurement to contribute towards building stronger communities and meeting the wider social objectives of Council, including ensuring Council's procurement activities respect the 20 fundamental rights within the Victorian Charter of Human Rights and Responsibilities Act 2006.
 - Where practicable, purchasing from local businesses where purchases are justified on best value grounds for South Gippsland Shire, which include local economic, environmental and social benefits.
- **Sustainable procurement:** demonstrating Council's commitment to achieving environmental sustainability by monitoring and reporting on Council activities and programs that have an impact on or contributes to the environment. Where applicable Council will integrate sustainability, environmental and social issues into the procurement process.
- **Promoting diversity and equality:** demonstrating Council's corporate commitment to diversity and equal opportunity wherever possible.

7. **Build and maintain supply relationships:** through:

- Developing and managing suppliers;
- Supply market development; and
- Relationship management and communication.

8. **Maintain a procurement governance structure:** including financial



delegations to ensure accountability, traceability and auditability of all procurement decisions made over the lifecycle of all goods, services and works purchased.

9. **Apply responsible financial management:** to all procurement activities, including:
 - Establishing the availability of existing funds within an approved budget prior to commencing procurement;
 - Not authorising the expenditure of funds in excess of financial delegations;
 - Not disclosing allocated tender budgets to suppliers unless deemed in Council's best interest and authorised by the Director;
 - Using Council funds efficiently and effectively to procure goods, services and works; and
 - Containing the costs of procurement.
10. **Manage procurement risks:** by ensuring that risk is identified, assessed and managed at all stages of a procurement process and that strategies for managing risks associated with procurement are in place and consistent.
11. **Apply a consistent and standard approach to procurement activities:** through:
 - Establishing and reviewing standard procurement processes in accordance with this policy, relevant legislation, relevant Australian Standards and the Act; and
 - Establishing performance indicators and management information.
12. **Establish and adhere to Council's Minimum Spend Competition Thresholds:** the table below sets out the procurement process which must be used to purchase goods or services. These must be used in conjunction with Appendix 2 of this policy.

The thresholds established below by Council for a public tender, are less than those required by section 186 of the Local Government Act 1989, which are \$136,364 ex.GST or \$150,000 inc.GST for Goods / Services and \$181,818 ex.GST or \$200,000 inc. GST for Works. Council's thresholds outlined below must be followed, unless determined otherwise by the Director, to avoid the potential of breaching the section 186 of the Local Government Act 1989.

Prior to commencing a procurement activity Council staff must, in order to determine which procurement process (quotation or tender) is required, estimate the full transactional cost of each purchase or contract (including any potential contract extensions, contingency allowances or variations to the scope and the reasonable, total foreseeable expenditure for a particular procurement).

The procurement process selected must be approved by the Council officer who will be responsible for providing final purchase approval as outlined in the table below and in accordance with procurement approval levels.

Council staff must not disaggregate or break up items that would normally be procured together in a single order for the purpose of falling under a particular minimum spend competition threshold for a Tender or to fall under a Council staff member's individual financial delegation.



| | Minimum Spend Competition Thresholds (excluding GST) | | | | | |
|---------------------|--|---|--|---|---|--|
| | \$0 to \$50 | \$0 to \$4,999 | \$5,000 to \$29,999 | \$30,000 to \$49,999 | \$50,000 to \$109,999 Goods/Services or \$149,999 Works | Greater than \$110,000 Goods / Services or \$150,000 Works |
| Procurement process | Petty Cash | Finance Purchasing Procedures | Minor Quotation | Intermediate Quotation | Major Quotation | Public Tender |
| Quotes | N/A | One verbal to \$2.5k One written to \$2.5k – \$4,999 | Seek three written | Obtain three written | Obtain three written | Public Tender |
| Specification | N/A | Optional – Simple ^ | Optional – Simple ^ | Yes – Simple | Yes – Detailed | Yes – Detailed |
| Evaluated by | Co-ordinator | Coordinator / Manager | Coordinator / Manager | Coordinator / Manager | Panel# | Panel# |
| Approved by* | Co-ordinator | Co-ordinator / Manager | Manager / Director | Manager / Director | Manager / Director / CEO | CEO / Council |
| Risk assessment | N/A | N/A | Manager advises if required^ | Director advises if required^ | Yes | Yes |
| Agreement required | N/A | Purchase Order | Purchase Order (Goods) / Service Level Agreement - Manager / Director signs* (Service) | Purchase Order (Goods) / Service Level Agreement - Director signs (Service) | Contract – CEO signs | Contract – CEO signs |

* Within Officer Financial Delegations as defined in the Procurement Approval Levels policy and Council Instrument of Delegation to Chief Executive Officer.

^ Projects of a complex nature require the preparation of a project risk management plan and / or simple specification.

All evaluation panels require a minimum of 2 staff for Major Quotations and 3 staff for Tenders, with a minimum of a relevant Director or his/her delegate depending on contract risk required for Tenders and relevant Manager for Major Quotations. All panel members must to be appointed by the relevant Director or CEO prior to the tender being advertised or request for quotation being sent. A member of the Governance Services team will assist the panel to evaluate tenders / quotations but will not participate in the evaluation.

13. Effectively manage contracts: through ensuring all contracts are:

- Documented in writing based on Council’s contract templates;
- Monitored adequately to ensure the responsibilities and obligations of both parties under the contract are achieved and any issues identified and effectively managed; and
- Managed so that any contract extensions, financial variations beyond the contracted amount or non – financial variations, are subject to appropriate scrutiny and approval in line with Procurement Approval Levels or any relevant Council resolution.

14. Expand the use of e-Procurement: to improve Council’s procurement processes using electronic systems to acquire and pay for supplies, services and works to reduce transaction costs, achieve greater leverage, achieve efficiencies, improve management information, increase controls and improve spend compliance.

Matters not covered in this policy

Should a matter arise that is not covered by this policy or the Legislation, Standards and Guidelines or other Council policies, the matter must be referred to the Chief Executive Officer to determine.

RISK ASSESSMENT

This policy and accompanying appendices and procedures have been developed



to comply with relevant legislation and guidelines to minimise Council's risk of non – compliance. Council will also develop an internal audit program and performance measures to increase policy compliance.

Risk management is to be appropriately applied at all stages of procurement activities, which will be properly planned and carried out in a manner that will protect and enhance Council's capability to prevent, withstand and recover from interruption to the supply of goods, services and works.

Where required, based on a risk assessment, tenderers and suppliers submitting quotations will be required to provide an independent assessment of their financial sustainability as part of the evaluation.

The Council will minimise its risk exposure by measures such as:

- Using probity auditors / advisors to assist with high value or sensitive procurement activities;
- Standardising contracts to include current, relevant clauses;
- Requiring security deposits where appropriate;
- Referring specifications to relevant experts;
- Requiring contractual agreement before allowing the commencement of work;
- The use of or reference to relevant Australian Standards (or equivalent); and
- Effectively managing the contract including monitoring and enforcing performance.

IMPLEMENTATION STATEMENT

Council will implement this policy through:

- The development of a Procurement Strategy, incorporating the further review of this policy;
- The development and review of a procurement manual, procedures, templates and roles / responsibilities based on the Procurement Strategy and the revised Procurement Policy;
- Ongoing staff education as part of Council's annual training plan, including staff induction and Procurement Policy training for key staff involved in procurement;
- Implementing IT systems to facilitate procurement activities such as tenders, quotations, purchase orders, credit cards administration and contract management;
- Procurement planning in Departmental business plans; and
- Internal staff communications.



APPENDIX 1 - PROCUREMENT BEST PRACTICE

1. EFFECTIVE LEGISLATIVE AND POLICY COMPLIANCE AND CONTROL

1.1 Ethics and probity

1.1.1 Requirement

The Council's procurement activities shall be performed with integrity and in a manner able to be upheld under the closest possible audit scrutiny.

1.1.2 Conduct of Councillors and Council staff

Councillors and Council staff shall at all times conduct themselves in ways that are, and are seen to be, ethical and of the highest integrity and will:

- Treat potential and existing suppliers with equality and fairness;
- Not seek or receive personal gain;
- Maintain confidentiality of Commercial in Confidence information such as contract prices and other sensitive information;
- Present the highest standards of professionalism and probity;
- Deal with suppliers in an honest and impartial manner that does not allow conflicts of interest;
- Provide all suppliers and tenderers with the same information and equal opportunity; and
- Be able to account for all decisions and provide feedback on them.

All Councillors and Council staff will be made aware of and familiarised with Council's procurement policies and processes. All staff involved in procurement will be provided with procurement training.

1.1.3 Conflict of interest

Councillors and Council staff shall at all times avoid situations in which private interests conflict, or might reasonably be thought to conflict, or have the potential to conflict with their Council duties as outlined in the Councillor and Staff Codes of Conduct.

Councillors and Council staff involved in the procurement process, in particular preparing tender documentation, including writing tender specifications, tender opening and tender evaluation panels must:

Avoid conflicts, whether actual, potential or perceived, arising between their official duties and their private interests. Private interests include the financial and other interests of Councillors and Council Staff, including their relatives and close associates.

Declare that there is no conflict of interest. Where future conflicts or relevant private interests arise Council staff must make their Manager / Director aware and for the Manager / Director to recommend to the Chief Executive Officer if the officer should be removed from the specific procurement exercise. The Chief Executive Officer has overriding authority to decide.

Observe prevailing Council policy on how to prevent or deal with conflict of interest situations; and not take advantage of any tender related information whether or not



for personal gain.

In a procurement matter where a staff member holds a delegation in relation to procurement and has a conflict of interest, **that member must not exercise their delegation** and must disclose the interest. The procurement matter must be dealt with by another qualified staff member. Staff must also declare Conflicts of Interest when providing advice or writing reports to Council.

Councillors and staff must comply with the requirements of Division 1A – Conduct and Interests of the Local Government Act 1989.

1.1.4 Fair and honest dealing

All prospective contractors and suppliers must be afforded an equal opportunity to tender or quote. Impartiality must be maintained throughout the procurement process so it can withstand public scrutiny.

The commercial interests of existing and potential suppliers must be protected. Confidentiality of information provided by existing and prospective suppliers must be maintained at all times, particularly commercially sensitive material such as, but not limited to prices, discounts, rebates, profit, intellectual property including manufacturing and product information.

1.1.5 Gifts and hospitality

With the exception of gifts allowed for under Council's Acceptance of Gifts and Donations Policy C01, no Councillor or member of Council staff shall, either directly or indirectly solicit or accept gifts, presents or hospitality / food from any person involved with any matter that is connected with the duties of the officer, or in which the Council is interested.

Councillors and Council staff must exercise the utmost discretion in accepting hospitality from contractors or their representatives, or from organisations, firms or individuals with whom they have official dealings. Councillors and Council staff should also avoid the ambiguous situation created by visiting the premises of a contractor, organisation, firm or individual uninvited and / or not on official business.

Offers of bribes, commissions or other irregular approaches from organisations or individuals (even a perception of such), must be promptly brought to the attention of the Chief Executive Officer.

1.1.6 Disclosure of information

Commercial in-confidence information received by the Council must not be disclosed and is to be stored in a secure location.

Councillors and Council staff, by refusing to release or discuss the following are to protect:

- Allocated Council budgets for proposed tenders unless deemed in Council's best interest and authorised by the Director;
- Information disclosed by organisations in tenders, quotations or during tender negotiations;
- All information that is Commercial in Confidence information;
- Pre-contract information including but not limited to information provided in



- quotes and tenders or subsequently provided in pre-contract negotiations; and
- Information relating to the recommended successful supplier, until such time as the decision is formally made by the delegated officer or Council, and once the contract has been executed and / or the decision is disclosed in the Council Meeting minutes.

Discussion with potential suppliers during tender evaluations should not go beyond the extent necessary to resolve doubt on what is being offered by that supplier. Tender details and documentation must not be disseminated beyond members of the panel and relevant Manager(s) / Director(s) / Chief Executive Officer. Each member of a tender evaluation panel will complete a deed of confidentiality.

Council staff will also exercise particular diligence with confidentiality and security of information where Council operates an in house team (e.g. sealing crew) that competes with external contractors. In-house teams must not have access to any tender information which would advantage them over external bidders.

Council will only disclose information by way of:

- A contracts register that will be made available for public inspection which will record all contracts over the statutory threshold set out in the Local Government Act 1989 (refer Policy Section 12 – page 9) required for a public tender which shows the contracts purpose (a brief description of the goods, services or works that is being procured), the successful tenderer (and ABN), contract length and the total contract price; and
- Recording in Council minutes all contracts over the statutory threshold set out in the Local Government Act 1989 (refer Policy Section 12 – page 9) for a public tender which shows the contracts purpose (a brief description of the goods, services or works that is being procured), the successful tenderer (and ABN), contract length and the total contract price.

Given the above Council will also not disclose information about procurements below the statutory thresholds.

These disclosure methods will be made known to prospective tenderers by being included in proposed contract documentation. Council will also make this procurement policy and supporting documents available to the public on its internet site.

1.2 Governance

1.2.1 Structure

The Council will:

- Maintain a procurement management responsibility structure including delegations which ensure accountability, traceability and auditability of all goods, services and works purchased by the Council; and
- Ensure that the Council's procurement structure:
 - Is flexible enough to purchase in a timely manner the diverse range of material, goods, works and services required;
 - Will provide equal opportunities to prospective contractors and suppliers when tendering and quoting; and
 - Encourages competition.



1.2.2 Responsible financial management

The principle of responsible financial management shall be applied to all procurement activities.

Accordingly, to give effect to this principle, the availability of existing funds within an approved budget, or source of funds, shall be established prior to the commencement of any procurement action for the supply of goods, services or works.

Council staff must not authorise the expenditure of funds in excess of their financial delegations.

Council staff must not disclose allocated tender budgets to suppliers unless deemed in Council's best interest and authorised by the Director.

Council funds must be used efficiently and effectively to procure goods, services and works and every attempt must be made to contain the costs of the procurement process without compromising any of the procurement principles set out in this policy.

2. DEMONSTRATED SUSTAINED VALUE

2.1 Integration with Council strategy

The Council Procurement Policy shall support its corporate strategies, aims and objectives.

Council will ensure strategic alignment and effective procurement planning by applying a long term strategic view of its procurement needs while continually assessing, reviewing and auditing its procurement procedures, strategy and objectives.

2.2 Achieving best value

2.2.1 Requirement

The Council's procurement activities will be carried out on the basis of obtaining best value.

This aims to minimise the total cost of ownership over the lifetime of the requirement consistent with acceptable quality, reliability, expertise and delivery considerations. Lowest price is not the sole determinate of best value.

2.2.2 Approach

This will be facilitated by:

- Developing, implementing and managing procurement strategies that support the co-ordination and streamlining of activities through the lifecycle;
- Effective use of competition;
- Using aggregated contracts where appropriate;
- Identifying and rectifying inefficiencies in procurement processes;
- Developing cost efficient tender processes including appropriate use of e-solutions;
- Council staff responsible for providing procurement services or assistance within



the Council providing competent advice in terms of available products and agreements; and

- Working with suppliers to create relationships that are professional, productive and appropriate to the value and importance of the goods, services and works being acquired.

2.2.3 Role of specifications

Specifications used in quotations, tenders and contracts are to support and contribute to the Council's value for money objectives through being written in a manner that:

- Ensures impartiality and objectivity;
- Clearly defines the Council's requirements;
- Encourages the use of standard products;
- Encourages sustainability;
- Allocates risk to the appropriate party; and
- Eliminates unnecessarily stringent requirements.

2.3 Performance measures and continuous improvement

Appropriate performance measures are to be established and reporting systems will be used to monitor performance with procurement policies, procedures and controls.

Procurement procedures, practices and costs will be benchmarked externally. Internal service standards will be agreed within the Council and performance against these targets will be measured and reviewed regularly to support continuous improvement.

The performance measurements developed will be used to:

- Highlight trends and exceptions where necessary to enhance performance;
- Improve internal procurement efficiency and the performance of suppliers; and
- Facilitate programs to drive improvement in procurement to eliminate waste and inefficiencies across key spend categories.

2.4 Corporate social responsibility

Corporate social responsibility (CSR) is about taking positive action to demonstrate Council's commitment to the local community and environment on which it impacts. This means the Council maximising the benefits of the services they provide across the community and minimising the negative aspects of their activities.

2.4.1 Social procurement

Social procurement generates positive outcomes by building on initiatives already undertaken by the Council in enhancing sustainable and strategic procurement practice, further enabling procurement to contribute towards building stronger communities and meeting the social objectives of the Council.

The Council is committed to social procurement by:

- Ensuring all procurement practices are sustainable and strategically aligned with the wider Council objectives;
- Achieving greater value for money across the community through the use of effective procurement;



- Ensuring all businesses have the same opportunity to tender for Council contracts;
- Enhancing partnerships with other councils, suppliers and community stakeholders;
- Building and maintaining a strong community by exploring ways to generate local employment (particularly among disadvantaged residents) and further strengthening the local economy;
- Where practicable, purchasing from local businesses where purchases are justified on best value grounds for South Gippsland Shire, which include economic, environmental and social benefits; and
- Purchasing ethical and fair trade goods to support equitable, local, national and international trade were justified on best value grounds.

The selection criteria which are included in contract documentation and requests for quotations / tender must include all factors which Council proposes to take into consideration when evaluating a proposal.

2.5 Sustainability

2.5.1 General

The Council is committed to achieving environmental sustainability and ensuring it monitors and reports on Council activities and programs outlined in Council's Plans and Strategies, including Council's Sustainability and Waste Management Strategies.

2.5.2 Sustainable procurement

The Council recognises it has an implicit role in furthering sustainable development, through its procurement of goods, services and works.

In addition, the Council recognises the potential impact this spend has on the environment and where applicable will integrate sustainability, environmental and social issues into the procurement process.

The Council, depending on the type of procurement being undertaken, will endeavour to achieve this by:

- Taking into account the need to minimise emissions and reducing the negative impacts of transportation when purchasing goods and services;
- Taking steps to minimise carbon dioxide and other greenhouse gas emissions through the detailed consideration of products and services procured;
- Considering the environmental performance of all suppliers and contractors, and encouraging them to conduct their operations in an environmentally sensitive manner;
- Considering the basic life cycle analysis of products to minimise the adverse effects on the environment resulting directly or indirectly from products;
- Selecting products / services that have minimal effect on the depletion of natural resources and biodiversity;
- Giving a preference to Fair Trade, or equivalent, and ethically sourced and produced goods and services were justified on best value grounds;
- Working more effectively with local suppliers to ensure they are encouraged to bid for the Council's business in line with this Procurement Policy;
- Ensuring all relevant procurement contracts and tenders contain sustainability specifications as appropriate to the product or service being procured;
- Comply with all regulations and legislation and as far as practicable ensuring



- suppliers do the same; and
- Training relevant Council staff on sustainability considerations within the procurement process.

2.6 Diversity

Promoting equality through procurement can improve competition, best value, the quality of public services, satisfaction among users and community relations.

3. BUILD AND MAINTAIN SUPPLY RELATIONSHIPS

Council recognises that in order to achieve sustainable value, a strategic assessment of the appropriate 'channel to market' should be undertaken – whether to go to market on its own, participate in regional or sector aggregated projects or panels, access State Government panel agreements or other means. Council will consider supply arrangements that deliver the best value outcomes in terms of time, expertise, cost, value and outcome.

3.1 Developing and managing suppliers

Developing and managing suppliers is essential to achieving a competitive market capable of delivering the Council's services and works requirements.

Council needs to interact with the market and our suppliers, in particular to understand their views and what enables and encourages diverse parts of the market to bid for work with the Council. At the same time Council will ensure that our relationship with strategic suppliers is mutually productive and that goals are shared. Council aims to develop a relationship with suppliers that create mutually advantageous and flexible relations based on the quality of performance and financial savings.

3.2 Supply market development

A wide range of suppliers should be encouraged to compete for Council work. The focus on new work need not always be with the larger more familiar businesses.

Other types of organisations offering business diversity include:

- Local businesses;
- Green suppliers;
- Small to medium enterprises (SMEs);
- Social enterprises;
- Ethnic and minority business;
- Voluntary and community organisations; and
- Not for profit organisations.

3.3 Relationship management

The Council is committed to developing constructive relationships with suppliers. It is important that the Council identifies its key suppliers so that its efforts are focused to best effect. Such areas may include:

- Size of spend across the Council;
- Criticality of goods / services, to the delivery of the Council's services; and
- Availability of substitutes.

3.4 Communication



External communication is very important in ensuring a healthy interest from potential suppliers and partners to the Council. Council's website can be developed and utilised to provide information on Council's Procurement guidelines and forthcoming procurement opportunities.

COUNCIL POLICY

COUNCIL POLICY

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APPENDIX 2 - PROCUREMENT PROCESS SUMMARY AND THRESHOLDS

1. APPLY A CONSISTENT AND STANDARD APPROACH

The Council will provide effective and efficient commercial arrangements for the acquisition of goods, services and works.

1.1 Standard processes

The Council will provide effective commercial arrangements covering standard products and provision of standard services across the Council to enable employees to source requirements efficiently.

This will be achieved via establishing a Procurement Strategy, including the following:

- A Procurement Manual including processes, procedures and methods;
- Tools and business systems (e.g. implementing appropriate e-tendering, e-evaluation; e-catalogue or e-sourcing arrangements);
- Reporting requirements;
- Staff training; and
- Application of standard contract terms and conditions.

1.2 Procurement methods

The Council's standard methods for purchasing goods, services and works shall be performed using one or more of the following methods:

- Petty cash;
- Purchasing card;
- Purchase order following a quotation process from suppliers for goods or services that represent best value for money under directed quotation thresholds;
- Under a service level agreement or contract following a quotation or tender process;
- Using aggregated purchasing arrangements with other Councils, Municipal Association Victoria Procurement, Victorian Government, or other bodies; and
- Other arrangements authorised by the Council or the Chief Executive Officer on an as needs basis as required by abnormal circumstances such as emergencies as stipulated by section 186 (5) of the Local Government Act 1989.

Council may, based on the complexity, cost and best value outcomes, conduct one stage or multi-stage tenders.

Typically a multi-stage tender process will commence with an Expression of Interest stage followed by a tender process involving the organisations selected as a consequence of the Expression of Interest stage.

1.3 Performance indicators

A list of performance indicators will be developed to measure procurement performance. They may include criteria such as:

- User and supplier satisfaction levels;
- Knowledge and skill of Council employees in procurement process;
- Level of compliance and understanding of Council procurement policies; and
- Measuring the success of procurement initiatives.



1.4 Management information

The Council seeks to improve its performance by capturing and analysing procurement management information in a variety of areas, including:

- Volume of spend;
- Number of transactions per supplier;
- Compliance;
- Supplier performance;
- User satisfaction; and
- Category management.

The Council will also use external sources of management information to assist with the procurement decision making process including:

- Benchmarking data;
- Information from professional bodies such as the Chartered Institute of Purchasing and Supply Australia; and
- Supplier reports.

2. PROCUREMENT PROCESSES AND THRESHOLDS

2.1 Process

Council procurement processes are to deliver the following principles:

2.1.1 Best value including value for money

- The benefits of the purchase are weighted against the costs necessary for the optimum result for the Council and local community. The Council is not required to accept the lowest tender. Instead, Council is required to take into account issues of quality, cost, the accessibility of the service and other factors relevant to the overall objectives of the Local Government Act 1989.
- Best value is often mistaken for meaning the lowest price, however, in terms of the contracting process, best value requires balancing quality and price with as much transparency as is reasonably achievable. In this context price should take into account the whole life cost of the provision, so far as is practicable. It follows that the delivery of best value is dependent upon Council priorities.
- Achieving best value also requires challenging the need for the procurement and the way in which the service may be reconfigured to achieve improvements in service delivery, comparing service provision options against all those available, consulting with key stakeholders and ensuring competition in the open market.
- Achieving best value for money must be the basis of all procurement decisions within the Council.

2.1.2 Open and fair competition

All suppliers are treated fairly in an open and transparent manner and have access to the same information.

2.1.3 Accountability

The Council maintains consistency in the approach to procurement across the whole organisation through coherent frameworks, policies and procedures. Accountability in procurement means being able to explain and provide evidence



on the process followed. The test of accountability is that an independent third party must be able to see clearly that a process has been followed and that the process is fair and reasonable.

Therefore the processes by which all procurement activities are conducted will be in accordance with the Council's procurement policies and procedures as set out in this policy and related, relevant Council policies and procedures.

Additionally:

- All relevant Council staff must be able to account for all procurement decisions made over the lifecycle of all goods, services and works purchased by the Council; and
- All procurement activities are to provide for an audit trail for monitoring and reporting purposes.

2.1.4 Risk management

Strategies for managing risks associated with all procurement processes are in place and consistent.

2.1.5 Probity

All Council procurement processes must be conducted in a fair, honest and open manner, with the highest levels of integrity and in the public interest. Council will also provide feedback to unsuccessful tenderers when requested by the tenderer and effectively handle any complaints received in relation to a procurement process.

2.2 Minimum spend competition thresholds

2.2.1 Treatment of GST

All monetary values stated in this policy exclude GST, except where specifically stated otherwise.

2.2.2 Minimum Spend Competition Thresholds general principles

Outlined below are the minimum spend competition thresholds which determine which procurement process must be used. Prior to commencing a procurement activity Council staff must conduct or consider the following:

Procurement planning: to determine which procurement process (quotation or tender) is required, Council Staff must estimate the full transactional cost of each purchase or contract (including any potential contract extensions, contingency allowances or variations to the scope and the reasonable, total foreseeable expenditure for a particular procurement).

The procurement process selected must be approved by the Council officer who will be responsible for providing final purchase approval as outlined in the table below and in accordance with procurement approval levels.

Council staff must not disaggregate or break up items that would normally be procured together in a single order for the purpose of falling under a particular minimum spend competition threshold for a Tender or to fall under a Council staff member's individual financial delegation.



Where Council staff estimate that a total procurement will cost greater than \$110,000 (ex. GST) for Goods / Services and \$150,000 (ex. GST) for Works the procurement will be publically advertised as a Request for Tender (RFT), unless determined otherwise by the Director to avoid the potential of breaching the thresholds required for a public tender by section 186 of the Local Government Act 1989 which is \$136,364 ex. GST or \$150,000 inc. GST for Goods / Services and \$181,818 ex. GST or \$200,000 inc. GST for Works.

Standing offers: all staff undertaking procurement can consider as an option Standing Offers (e.g. State Purchase Contracts, Open State Purchase Contracts or Department Standing Offer Agreements) or supplier panels established by organisations, such as Procurement Australia and MAV, to determine if the purchase can be sourced at a pre - negotiated contracted rate.

When using suppliers from Council Agencies (e.g. Procurement Australia and MAV) Council staff must adhere to the requirements of these agencies and to this policy, including quotation requirements. If the proposed goods, services or works can be purchased from a panel this does not exempt Council staff from seeking the required number of quotes, however, the standing offer or supplier panel pricing should be considered when making purchasing decisions in accordance with this policy.

2.2.3 Procurement processes and thresholds

The requirements for each Minimum Spend Competition Thresholds are summarised in the table below and are outlined in more detail under 2.2.4 Quotations and 2.2.5 Tenders. For each Minimum Spend Competition Threshold Council staff are required to follow the relevant Council procurement process.

| | Minimum Spend Competition Thresholds (excluding GST) | | | | | |
|---------------------|--|---|--|---|---|--|
| | \$0 to \$50 | \$0 to \$4,999 | \$5,000 to \$29,999 | \$30,000 to \$49,999 | \$50,000 to \$109,999 Goods/Services or \$149,999 Works | Greater than \$110,000 Goods / Services or \$150,000 Works |
| Procurement Process | Petty Cash | Finance Purchasing Procedures | Minor Quotation | Intermediate Quotation | Major Quotation | Public Tender |
| Quotes | N/A | One verbal to \$2.5k One written to \$2.5k – \$4,999 | Seek three written | Obtain three written | Obtain three written | Public Tender |
| Specification | N/A | Optional – Simple ^ | Optional – Simple ^ | Yes – Simple | Yes – Detailed | Yes – Detailed |
| Evaluated by | Co-ordinator | Coordinator / Manager | Coordinator / Manager | Coordinator / Manager | Panel# | Panel# |
| Approved by* | Co-ordinator | Co-ordinator / Manager | Manager / Director | Manager / Director | Manager / Director / CEO | CEO / Council |
| Risk assessment | N/A | N/A | Manager advises if required^ | Director advises if required^ | Yes | Yes |
| Agreement required | N/A | Purchase Order | Purchase Order (Goods) / Service Level Agreement - Manager / Director signs* (Service) | Purchase Order (Goods) / Service Level Agreement - Director signs (Service) | Contract – CEO signs | Contract – CEO signs |

* Within Officer Financial Delegations as defined in the Procurement Approval Levels policy and Council Instrument of Delegation to Chief Executive Officer.

^ Projects of a complex nature require the preparation of a project risk management plan and / or simple specification.

All evaluation panels require a minimum of 2 staff for Major Quotations and 3 staff for Tenders, with a minimum of a relevant Director or his/her delegate depending on contract risk required for Tenders and relevant Manager



for Major Quotations. All panel members must to be appointed by the relevant Director or CEO prior to the tender being advertised or request for quotation being sent. A member of the Governance Services team will assist the panel to evaluate tenders / quotations but will not participate in the evaluation.

2.2.4 Quotations

Purchase of goods and services having an estimated total of \$109,999 (excluding GST) and works having an estimated total valuation of \$149,999 (excluding GST) or less for the full contract period including any potential contract extensions, are undertaken using the relevant procurement method as outlined above and the relevant Council procurement process.

If a planned procurement falls within a minimum spend threshold which requires a Quotation process, a Request for Quote or a full Public Tender may be publically advertised, if the nature of Council's requirements and the characteristics of the market are such that public advertising would lead to a better result. This may occur when a field of potential suppliers hasn't been established, an innovative approach is required, the project has broad appeal that may attract competitive pricing or there is a risk that the Tender threshold will be breached.

Dispensation from receiving three quotes: may be granted by the Director where three quotes cannot be obtained where required, for valid reasons including where limited suppliers are available / willing to provide quotations, where required components can be sourced from a limited range of suppliers or where specialist skills limit the range of potential suppliers. This approved dispensation is to be recorded on a dispensation form and filed in Council's record management system.

2.2.5 Tenders

Where Council staff estimate that a total procurement will cost greater than \$110,000 (ex. GST) for Goods / Services and \$150,000 (ex. GST) for Works the procurement will be publically advertised as a Request for Tender, unless determined otherwise by the Director to avoid the potential of breaching the thresholds required for a public tender by section 186 of the Local Government Act 1989 (refer Policy Section 12 – page 9)

Requests for information: if Council is unsure as to what goods and services it requires, a request for information may be undertaken for reasons which include establishing available technologies, products or services to meet Council needs, whether proposed terms and conditions are acceptable in the market place or whether proposed budgets are adequate to meet non-standard procurement needs. A Request for Information is not an Expression of Interest (EOI) or form part of a Tender process.

Expression of Interest: a publically advertised EOI may be issued prior to a potential closed Request for Tender being issued to some or all of the EOI respondents for the purpose of pre-qualifying respondents and refining specifications where necessary. The aim at EOI stage is not to elicit tenders, but assess the capacity of respondents to undertake the work or project, i.e. pre-qualify the respondents and to refine specifications where necessary. This invitation is not an offer or a contract.

Open Standing Offer Agreements (OSOA): where similar items are procured on a regular basis and the value of the procurement over a period of the financial year exceeds the specified amount requiring a tender under the Local Government Act



1989, the Chief Executive Officer (or delegate) will approve public advertising calling for invitations to establish an OSOA for a set period through a tender process as a means of complying with section 186 of the Local Government Act 1989. An OSOA is to be established and approved using the same processes required for a Tender. Once an OSOA is in place, subsequent procurement can be made directly with contracted suppliers without the need to first seek quotes.

Late tenders: must be kept unopened in a secure location pending a decision on acceptance. Late tenders which are rejected should be returned to the tenderer unopened with appropriate accompanying advice. Council, will only accept a late tender if it can be clearly documented that access was denied or hindered in relation to the physical tender box or there was a system failure / interruption to any electronic tender system which Council may implement. The Chief Executive Officer will consider and may approve the acceptance of a late tender only on these grounds. The condition that late tenders will only be accepted in these circumstances will be included in request for tender and expression of interest documentation.

Evaluation of in-house tenders / quotation: where a tender or quotation is received which either includes services from a Council in – house team (e.g. Sealing Crew) or is directly from an ‘in-house’ Council team then Council will:

- Before any quotation or tender is provided, it must be referred to the Governance Services team and Finance for evaluation and feedback to ensure all quotations / tenders are provided consistently, on an equal basis and comply with the principles of Competitive Neutrality, especially to external tenderers;
- An evaluation panel is established comprising of the following as a minimum;
 - Independent chair appointed by the CEO to play a non – evaluation, probity observer role; or
 - Independent consultant with expertise in the contract works; and
 - Not including any Director or Manager responsible for directly managing the in-house team that has provided the tender or quotation; and
- Ensure the highest standards in all matters associated with the tender.

Community stakeholder involvement in a procurement process / evaluation panel: in circumstances where a Council request for tender or major quotation directly involves community stakeholders (e.g. sporting club) as an important component of the project (e.g. providing funding or in – kind contribution or ongoing facility management) then:

- Prior to the tender / quotation specification being prepared the community group / organisation be invited to nominate a representative to participate in the process provided that person signs a confidentiality agreement and agrees to abide by the conflict of interest and confidentiality rules applicable to Council staff and has experience or expertise in the procurement matter.
- If a community group representative is nominated:
 - The nomination must be approved by the Director responsible for the procurement on the basis that involvement of the representative will benefit the decision making process;
 - The representative is provided with a copy of the project specification prior to advertising the tender or the seeking of quotes;
 - From this point on, the representative is not involved in the tender / quotation evaluation;
 - The representative is to be informed at each of the above stages and including when a recommendation is to be made and when a decision is made; and



- The Director at any time may determine that information because of its commercial in confidence nature should not be provided to the representative.

Exemption from public tendering: Section 186 (5) of the Local Government Act provides for specific circumstances when Council may enter into a contract without first putting that contract to a public tender. These circumstances include:

- Section 186 (5) (a): where the Local Government Entity (LGE) has resolved that the contract must be entered into because of an emergency;
- Section 196 (5) b: where the contract is entered into with a LGE acting as agent for a group of LGE's and the LGE has otherwise complied with the Local Government Act 1989;
- Section 186 (5) (c): where the contract is entered into in accordance with arrangements approved by the Minister for the purposes of this sub-section of the Local Government Act 1989; and
- Section 186 (5) (d): the contract is a type of contract that has been exempted from this section by regulations (only contracts for legal services are currently exempted).

The Chief Executive Officer can approve if a contract should be entered into without putting that contract to a public tender, however, the DPCD Local Government Procurement Best Practice Guidelines should be consulted and if required legal advice obtained prior to the contract being entered into to avoid a breach of the Local Government Act 1989 or entering into a void contract.

Reporting non-compliance with section 186 of the Local Government Act 1989: Council will make available for public inspection, a list of contracts that were required to go to public tender under section 186 of the Local Government Act 1989, that Council entered into during the financial year without first engaging in a competitive process and which are not contracts referred to in section 186 (5). These contracts must also be reported in Council's annual report.

Appointing an agent: Council's Chief Executive Officer may appoint an agent to undertake a public tender on its behalf. However, Council staff must ensure the agent conducts the tender in an open and transparent manner and in accordance with the Act and Council's procurement policies and procedures.

3. DELEGATION OF AUTHORITY

3.1 Requirement

Delegations define the limitations within which Council staff are permitted to work. Delegation of procurement authority allows specified Council Staff to approve certain purchases, quotation, tender and contractual processes without prior referral to the Council. This enables the Council to conduct procurement activities in an efficient and timely manner whilst maintaining transparency and integrity.

3.2 Delegations

3.2.1 Council staff

The Council shall maintain a documented scheme of procurement delegations and responsibilities, identifying the Council staff authorised to make such procurement commitments in respect of goods, services and works on behalf of the Council and their respective delegations in this Policy, the Council Delegation to Chief Executive



Officer, Procurement Approval Level policy, Council Purchasing Card policy and related procedures.

3.2.2 Delegations reserved for Council

Purchasing commitments and processes are set out in Council's Delegation to the Chief Executive Officer.

4. INTERNAL CONTROLS

The Council utilises its Audit Committee to conduct periodic, internal reviews of Council's procurement processes and monitor any identified non-compliances.

The Council will install and maintain a framework of internal controls over procurement processes that will ensure:

- More than one person is involved in and responsible for a transaction end to end;
- Transparency in the procurement process;
- A clearly documented audit trail exists for procurement activities;
- Appropriate authorisations are obtained and documented; and
- Systems are in place for appropriate monitoring and performance measurement.

Council will establish a program of internal monitoring to identify and implement improvements to Council's procurement performance.

5. ESTABLISHING CONTRACT TERMS AND CONDITIONS

All contractual relationships must be documented in writing based on Council's contract templates containing standard terms and conditions in accordance with the roles outlined above. Where this is not possible (e.g. a change is required to standard terms and conditions by a supplier), approval must be obtained from the Director following a risk assessment to determine if adequate insurance provisions, security and contractual arrangements are in place. To protect the interests of the Council, terms and conditions must be settled in advance of any commitment being made with a supplier.

All Council contracts shall incorporate dispute management and alternative dispute resolution provisions to minimise the chance of significant disputes leading to legal action.

6. CATEGORY MANAGEMENT

The Council will adopt a Category Management approach to procurement which brings together expertise from across the Council to identify the most appropriate and effective approach to deliver the Council's outcomes through sourcing and supply arrangements.

The main objective of category management is to reach a point where all or a very high percentage of the Council's spend within a category is being channelled through approved arrangements, aligned with strategic priorities such that value is maximised across all expenditure.



7. CONTRACT MANAGEMENT

7.1 Contract management

The purpose of contract management is to ensure that Council, and where applicable its clients, receive the goods, services or works provided to the required standards of quality and quantity as intended by the contract by:

- Establishing a system of monitoring and achieving the responsibilities and obligations of both parties under the contract, including, where required, periodic contract management meetings and service audits;
- Providing a means for the early recognition of issues and performance problems and the identification of solutions;
- Adhering to Council's Risk Management Framework; and
- Adhering to relevant Occupational Health and Safety Contractor Compliance procedures.

Furthermore, contracts are to be proactively managed by Council's contract manager to ensure the requirements of the contract are delivered.

7.1.1 Financial variations

When a contract is awarded, the Responsible Officer will:

- Raise a Purchase Order;
- Arrange for the amendment of the relevant Council budget to reflect the contracted price; and
- If the contract is determined to require a contingency budget to manage any reasonable, potential variations this shall also be allocated and set aside in a separate account for that contract.

All proposed contract cost variations which exceed the total approved contract price (including any approved contingency) require approval at the level of the total revised contract amount, rather than the variation itself, in line with Procurement Approval Levels or any relevant Council resolution. Should the revised contract amount exceed the CEO's delegation, the CEO is authorised by Council to approve any necessary variations to allow the proper fulfilment of the contract, subject to this variation being reported to the next practicable Council Meeting.

Issues considered in whether to approve the variation will include:

- Commercial issues, such as the potential impact on the provision of the service;
- The state of the market if Council retenders;
- Managing procurement risk; and
- Whether the variation scope is materially different.

7.1.2 Non-financial variations

Significant, non-cost variations to the product, service or works being provided that affects the outcome of the project, such as the following, should be referred to the Director, and if necessary to the Executive Leadership Team or Council, for approval:

- A reduction or change in scope, which may include a reduction in the services provided or the significant substitution of one component with another; or
- A significant, unacceptable increase in the contracts delivery timeframes.

Minor non – financial scope variations to the product, service or works that do not



materially affect the outcome of the project can be approved by the relevant Council staff responsible for the project / budget expenditure.

7.1.3 Reporting of Variations

Variations which either exceed the total contract budget (including contingency) or involve significant changes to a contracts scope or timelines will either be reported to Council for contracts approved by Council or to the CEO for contracts that fall within the CEO's financial delegation.

7.2 Contract extensions

Where a contract contains an option(s) to extend for an additional period(s), the Council staff responsible for managing the contract will capture within their department business plan that a contract is due for extension / expiration within the coming Financial Year or within 12 months to allow for the following to be completed within the required contractual timeframes:

- Review the Contractors performance and competitive environment to determine whether or not the contract should be extended or concluded;
- Gain approval, from the Chief Executive Officer or Council, to either grant a contract extension or undertake a new procurement process and conclude the contract; and
- Provide adequate notice to the Contractor, in accordance with the conditions and notice period specified in the Contract of Councils consent to either extend or conclude the contract.

7.3 Contract document retention

Contract management documentation is to be retained as follows in consultation with Council's Manager of Information Systems.

- Contracts signed under Council seal and / or awarded following a public tender are to be retained for 15 years;
- Contracts not signed under Council seal and not awarded following a public tender are to be retained for 7 years; and
- Documents relating to large scale infrastructure projects are to be kept permanently.