

# **GREATER SHEPPARTON CITY COUNCIL**

**Policy Number 13.POL1**

## **Procurement Policy**

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<b>Business Unit:</b>	Business Directorate
<b>Responsible Officer:</b>	Manager Property and Procurement
<b>Approved By:</b>	Chief Executive Officer
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## PURPOSE

The intent of the Procurement Policy is to achieve best value outcomes and ensure high standards of probity and accountability in Council's procurement of goods, services and works.

## OBJECTIVE

The objective of this Policy is to ensure that Council's procurement principles, policies, processes and procedures, achieve the following objectives:

1. Value for money, innovation and continuous improvement in the provision of services for the community
2. A strategic approach to procurement planning, implementation and evaluation.
3. Enabling sustainable outcomes including economic, environmental and social sustainability.
4. Efficient and effective use of Council resources;
5. Utilising collaboration and partnership opportunities;
6. High standards of probity, transparency, accountability and risk management; and
7. Compliance with legislation, Council Plan objectives, Council policies and industry standards.

## SCOPE

The *Local Government Act 1989* (the Act) section 186A requires 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. This Policy must be considered in all aspects of Council's procurement of goods, services and works. Council must also review the Procurement Policy annually and make it available for public inspection at Council offices and on the website.

The scope of this Policy commences from when Council has identified a need for procurement requirements. It continues through to the delivery of goods or completion of works and services. This Policy will apply to Councillors, Council staff and all persons undertaking procurement on Council's behalf and they are accountable for complying with all relevant procurement legislative and policy requirements.

**DEFINITIONS**

<b>Reference term</b>	<b>Definition</b>
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"> <li>• contribution to the advancement of the Council's priorities;</li> <li>• non-cost factors such as fitness for purpose, quality, service and support; and</li> <li>• 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.</li> </ul>
Category Management	<p>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.</p>
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.
Contract management	The process that ensures both parties to a contract that 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, and temporary employees, contractors and consultants while engaged by the Council.
Expression of Interest (EOI)	An 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. This Invitation is not an offer or a contract
Panel Contract	A Panel Contract is a Standing Offer Agreement where multiple contractors are appointed to a Panel (of Suppliers), rather than one an agreement with just one contractor.
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.
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.
Request for Proposal (RFP)	A request for proposal is generally sent to the supplier market, designed to capture commercial information and pricing. Allows Council to assess suitability and evaluate responses against a set of pre defined requirements.
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.
Standing Offers Agreement	The contractor agrees to provide Council with specific goods or services as nominated in the contract and the contract is for a fixed period. There is no obligation on Council to purchase

	any goods or services, however if purchases are made under the contract, they are made under the terms and conditions which form part of the contract.
Sustainability	Activities that meet the needs of the present without compromising the ability of future generations to meet their needs.
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.

## POLICY

*Please follow the below numbering system when describing the terms of this policy.*

### 1. Policy Principles and Application

Council will apply the following fundamental best practice principles to every procurement, irrespective of the value and complexity of that procurement:

- Value for money;
- Open and fair competition;
- Accountability;
- Risk management; and
- Probity and transparency.

The application of this policy needs to be considered in the overall context of achieving the best value for money outcomes for Council and the Greater Shepparton community. A key message is that the purchasing of goods, services and works at Greater Shepparton needs to be sensitive to customer needs and expectations, market demand, market supply and prevailing market forces to achieve the best possible purchasing outcomes.

### 2. Roles & Responsibilities

It is Council's policy to operate a centre led procurement service delivery model wherein all strategy, policy, technology, and best practice procurement matters will be led by Council's centre led procurement department. The procurement department are responsible for providing specialist procurement advice and expertise, developing strategy and policy, assisting service departments in applying a consistent organisational wide approach and providing relevant training. The service departments are the experts in their particular area and are responsible for the management of contract performance however these are to be coordinated through a centralised approach.

The Manager Property and Procurement is responsible for leading the operation of the procurement department. The responsibility for implementing, monitoring, evaluating and reviewing this policy sits within the Business Directorate.

### **3. Effective Legislation, Policy Compliance and Control**

#### **3.1. Ethics and Probity**

Councillors and members of staff (and all persons engaged in procurement activities on the Council's behalf) must exercise the highest standards of integrity in a manner able to withstand the closest possible scrutiny.

In accordance with the Act all members of staff have an overriding responsibility to act impartially and with integrity, avoiding conflicts of interest (Section 95).

In procurement matters:

- members of staff must disclose a direct or indirect interest (and the type of interest) before providing advice or reports (or any other matter) (Section 80C);
- Council officers delegated Council powers or duties are prohibited from exercising those powers, duties or functions if they have conflicts of interest (Section 80B).
- a Councillor must comply with the Primary Principle of Councillor Conduct and avoid conflicts between their public duties as a Councillor and their personal interests and obligations. (Section 76BA). Councillors (and members of audit committees) must disclose a conflict of interest (Section 79).
- Councillors must also comply with the Councillor Code of Conduct.
- Councillors must not improperly direct or improperly influence a member of Council staff in the exercise of any power on in the performance of any duty or function (Section 76E).
- members of staff must also comply with the Code of Conduct for Council Staff (Section 95AA).
- Council must comply with the Best Value Principles (Section 208A-G)
- all staff that are engaged in the evaluation of a quotation or tender must adhere to this Policy and complete and lodge a Conflict of Interest Disclosure Form and a Deed of Confidentiality.
- all Councillors and staff must adhere to Council's Gifts and Benefits Policy in matters of procurement.

Councillors and staff are to make their interests known in any situation where it could be perceived that an interest might unduly influence them.

Late tender: It is Council policy not to accept late tenders under any circumstances.

Probity Plan and Probity Audits: When projects are identified as of sufficient complexity, risk or scale (ie greater than \$10 million) a probity plan is to be prepared and a probity advisor may be engaged. Where necessary a probity advisor or probity auditor shall review and certify the suitability of the tender, evaluation and award activities to ensure



that all tenderers are treated equally and fairly, that all material is kept confidential and that an audit trail of communications and decision-making is retained for proof of process.

### **3.2. 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, 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 matters and 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;
- be able to account for all decisions and provide feedback on them.

Council staff that are responsible for managing or supervising contracts are prohibited from either being engaged by a Council contractor or performing any works under the contract they are supervising.

### **3.3. 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 that it can withstand public and audit 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, manufacturing and product information.

### **3.4. Accountability and Transparency**

Accountability in procurement means being able to explain and evidence what decisions have been made and what has happened. 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.

### **3.5. Gifts and Benefits**

Councillors or Council staff may be offered a gift or benefit in the course of their work. This gift or benefit could be offered in good faith, or it could be an attempt to influence, bribe or compromise the Councillor's or Council staff member's ability to act in the public interest.

In accordance with Council's Gifts and Benefits Policy, no Councillor or member of Council staff shall, either directly or indirectly solicit or accept gifts or presents from any

member of the public who is involved, either directly or indirectly, 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.

Offers of bribes, commissions or other irregular approaches from organisations or individuals (no matter how insubstantial the evidence available), must be promptly brought to the attention of the Chief Executive Officer.

### **3.6. Endorsement**

Council staff must not endorse any products or services. Individual requests received for endorsement must be referred to a Director or the Chief Executive Officer.

### **3.7. Disclosure of Information**

Information received by the Council that is Commercial in Confidence must not be disclosed and is to be stored in a secure location. Councillors and Council staff are to protect, by refusing to release or discuss, information to the extent that it is Commercial-in-Confidence.

This may include:

- information disclosed by organisations in tenders, quotation or during tender negotiations;
- pre-contract information including but not limited to information provided in quotes and tenders or subsequently provided in pre-contract negotiations.

Councillors and Council staff are to avoid references to current or proposed contracts in discussion with acquaintances or outside interests. 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.

At no stage should any discussion be entered into with any tendering party or its representative or agent which could have potential contractual implications prior to the contract approval process being finalised, other than pre-contract negotiations.

### **3.8. Governance Structure**

The Council shall:

- establish a procurement management responsibility structure and delegations ensuring accountability, traceability and auditability of all procurement decisions made over the lifecycle of all goods, services and works purchased by the Council;
- 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 by Council;
- ensures that prospective contractors and suppliers are afforded an equal opportunity to tender;
- encourages competition; and
- ensure that policies that impinge on the purchasing policies and practices are communicated and implemented.

### **3.9. Responsible Financial Management**

The principle of responsible financial management must be applied to all procurement activities. This includes ensuring that existing funds within an approved budget, or source of funds, is established prior to the commencement of any procurement action for the supply of goods, services or works.

Council staff must only authorise the expenditure of funds in accordance with their financial delegations as approved by Council's Exercise of Delegations Policy. 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.

Delegations define the limitations within which Council staff can make financial commitments. 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. The financial delegations for Council staff are detailed in Council's Instrument of Sub Delegation.

### **3.10. Internal Controls**

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

- there is clear accountability and responsibility for all transactions;
- 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.

### **3.11. Risk Management**

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

The provision of goods, services and works by contract potentially exposes the Council to risk. The Council will minimise its risk exposure by measures such as:

- standardising contracts to include current, relevant clauses;
- requiring security deposits or bank guarantees where appropriate;
- referring specifications to relevant experts;
- requiring written contractual formation before allowing the commencement of work
- use of or reference to relevant Australian Standards (or equivalent); and
- effectively managing the contract including monitoring and enforcing performance.

All procurements are to be conducted in accordance with Councils risk framework as detailed in the Risk Management Strategy, Risk Management Policy, this Policy and any associated guidelines.

### **3.12. Occupational Health and Safety**

Council is committed to procurement activities that provide a safe working environment for employees, volunteers and contractors.

Council requires all its contractors and suppliers share this commitment to providing a safe and healthy environment, so far as is reasonably practicable, within the Municipality for the Greater Shepparton community and all workers.

All persons working with Council under a contract, agreement or other documented work arrangement, must:

- Comply with obligations under Occupational Health and Safety Act 2004, Regulations, Codes of Practice, Safety Standards and contract specific requirements.
- Demonstrate effective safety management capabilities
- Identify and manage risk appropriate with the identified level of risk
- Consult with Council in relation to work health and safety duties and obligations to determine how OHS responsibilities will be managed
- Comply with requirements for qualifications, licenses and registration
- Comply with the Council Safety Procedures implemented to protect workers' health and safety
- Report all incidents that have or could have, affected a person's health and safety
- Provide sufficient information to allow performance to be monitored

These are mandatory requirements and non compliance may disqualify prospective contractors and suppliers.

Council employees responsible for any procurement or contractor activities must:

- Undertake due diligence to ensure contractors and service providers within their control comply with all appropriate OH&S legislative requirements.
- Ensure OHS considerations of purchases are given to ensure that the goods do not pose a risk to health and safety of workers.

## 4. Sustainable Procurement

In accordance with the Council Plan, the organisation's procurement decisions and initiatives will be based on clear and transparent evidence, informed economic, environmental and social considerations. Therefore to achieve sustainable procurement, Council will adopt a triple-bottom-line approach by considering economic, environmental and social sustainability.

### 4.1. Economic Sustainability

Council's procurement activities will be carried out on the basis of obtaining value for money. This means minimising the total cost of ownership over the lifetime of the requirement, including disposal and end of life costs, consistent with acceptable quality, reliability and delivery considerations. Lowest purchase price is not the sole determinate of value for money. To help ensure value for money the following factors will be considered:

- Developing, implementing and managing procurement strategies that support the coordination and streamlining of activities throughout;
- Effective use of competition;
- Using panel contracts under a Standing Offers Agreement where appropriate;
- Identifying and rectifying inefficiencies in procurement processes;
- Developing cost efficient tender processes including appropriate use of e-solutions; and
- Council staff responsible for providing procurement services or assistance within the Council providing competent advice in terms of available products and agreements.

### 4.2. Environmental Sustainability

Council is committed to enhancing the environment by supporting the principles of environmentally sustainable procurement within the context of purchasing on a value for money basis

The Council aims to achieve this by:

- Taking into account the need to minimise emissions and reducing the negative impacts of transportation when procuring goods, services and works
- Taking steps to minimise carbon dioxide and other greenhouse gas emissions through the detailed consideration of products, services and works 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 and works that have minimal effect on the depletion of natural resources and biodiversity,
- Giving a preference to Fairtrade, or equivalent, and ethically sourced and produced goods and services
- Ensuring all relevant procurement contracts and tenders contain sustainability specifications as appropriate to the product or service being procured.

- Complying with all Australian regulations and legislation and ensuring Council's suppliers do the same
- Training all Council staff on sustainability considerations within the procurement process
- Applying a 10 percent price advantage to encourage the purchase of environmentally sustainable products.
- Establishing specific programs, as a member of ECO-Buy, for:
  - Developing, adopting and implementing the Environmental Sustainability Procurement Policy.
  - Developing and implementing an ECO-Buy action plan.
  - Establishing a tracking system to monitor purchasing of environmentally preferred products.
  - Incorporating green purchasing into all purchasing systems.

#### 4.3. Social Procurement

Council is committed to improving the quality of life in Greater Shepparton through the involvement of the community in a range of factors including the provision of goods, services and works. Council is also committed to ensuring that all views are considered through inclusive deliberation and active involvement of the community.

Council will consider social procurement as a key evaluation criteria in the procurement of goods, services and works as appropriate. The criteria may include the following:

- Consulting and engaging with the community;
- Building community involvement in the ways services are delivered or works undertaken;
- Enhancing partnerships with community stakeholders and other service providers;
- Providing a range of other social benefits including community amenity and public health and well-being.

To encourage a focus on local industry, including creating local employment and improving local businesses:

- Council officers must seek at least one quotation from a local supplier, if available.
- In addition, for all tenders greater than \$250,000 including GST, a Local Economic Impact Statement will be submitted by tenderer's that will detail the level of local content including labour, materials, plant and supervision.
- Where tenders are within 5% of the weighted tender evaluation of the highest ranked tender, the tender evaluation will take into consideration the merit of Local Economic Impact Statements when assessing the preferred tender.

Local is defined as within the Greater Shepparton City local government area.

Local content extends to include

- labour and job creation,

- supporting local businesses by sourcing local products and services,
- skills and technology transfer

Council, in conjunction with industry partners, will coordinate and promote information sessions which will provide guidance to business and industry regarding all aspects of procurement and tendering.

The Best Value Principles included in sections 208B and 208C of the Local Government Act 1989 provide that Council may take into account opportunities for local employment growth or retention and environmental advantages for the municipal district.

Council will work with existing and potential suppliers to create relationships that are professional and productive, and are appropriate to the value and importance of the goods, services and works being considered.

## **5 Planning & Methodology**

To ensure that goods, services or works meet the Council's needs, project plans will be prepared for all purchases greater than \$150,000 including GST

### **5.1. Role of Specifications**

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

- ensures impartiality and objectivity;
- encourages the use of reliable and proven products;
- encourages sustainability;
- reduces bureaucracy and encourages innovation; and
- wherever possible, specifies requirements in terms of service outcomes and key performance standards.

Whilst it may be appropriate in certain circumstances to specify inputs, care must be taken to ensure that innovative solutions will still be encouraged.

### **5.2. Purchasing Methods**

Council's standard methods for purchasing goods, services and works shall be by:

- Petty cash or corporate credit card or purchase order for low value simple purchases;
- Purchase order following a quotation process;
- Contract following a tender process;
- Purchasing schemes or approved suppliers including collaborative purchasing arrangements with other Councils, and State Government approved schemes such as Procurement Australia and the Municipal Association of Victoria;

- The Council or the CEO may approve other methods of procurement or exemptions to this Procurement Policy due to abnormal circumstances such as emergencies, in accordance with their level of authority.
- Ministerial exemptions from tendering requirements in exceptional circumstances such as national disaster recovery.

### 5.3. Procurement Thresholds and Competition

Council's Contract Administration Manual details the minimum spend competition thresholds and the associated procurement methods. These thresholds are determined by this Policy as set out in 5.4 and 5.5;

### 5.4. Public Tenders

A public tender process must be undertaken when purchases of goods or services may exceed \$150,000 including GST, or purchases for the carrying out of works may exceed \$200,000 including GST.

Section 186(1) of the Act requires that before Council enters into a contract for the purchase of goods or services to the value of \$150,000 or more, or for the carrying out of works to the value of \$200,000 or more, it must:

- a) give public notice of the purpose of the contract and invite tenders from any person wishing to undertake the contract; or
- b) give public notice of the purpose of the contract or the project to which the contract relates and invite expressions of interest from any person interested in undertaking the contract or all, or any part of, the project.

Section 186 does not require Council to accept the lowest tender or to accept any tender.

Section 186 does not apply if the:

- a) Council resolves that the contract must be entered into because of an emergency; or
- b) contract is entered into with a Council acting as the agent for a group of Councils and the Council has otherwise complied with this Act; or
- c) contract is entered into in accordance with arrangements approved by the Minister

Section 186(6) requires that whenever practicable, a Council must give effective and substantial preference to contracts for the purchase of goods, machinery or material manufactured or produced in Australia or New Zealand.

The Council may, at its discretion and based on the complexity and cost of the project, conduct one stage or multi-stage tenders. Typically a multi-stage tender process will commence with a registration of interest stage followed by a tender process involving the organisations selected as a consequence of the registration of interest stage.

Registrations of interest may be appropriate where:

- the requirement is complex, difficult to define, unknown or unclear
- the requirement is capable of several technical solutions



- where the organisation lacks knowledge about the particular good or service being purchased and wants to be able to take advantage of information submitted in an expression of interest process
- the Council wishes to consider ahead of formal tender processes such issues as whether those tendering possess the necessary technical, managerial and financial resources to successfully complete the project
- tendering costs are likely to be high and Council seeks to ensure that companies incapable of supplying the requirement don't incur unnecessary expense
- it is necessary to pre-qualify suppliers and goods to meet defined standards
- the requirement is generally known but there is still considerable analysis, evaluation and clarification required (both of the objective and the solution)

Where significant sums are spent which aggregate to greater than \$150,000 for goods and services or \$200,000 for works with one supplier or on one service, it is necessary to structure procurement proposals as requests for tenders or quotations to achieve greatest value and supplier performance by leveraging this aggregate spend, rather than treating each discrete arrangement as a separate procurement exercise.

There is no specific time limit applying to the length of a contract which is subject to the tender threshold. Rather the optimum period of a contract should be first determined on the basis of value for money and the efficiency and effectiveness of the procurement.

Measures which intentionally seek to avoid the requirement to give public notice, for example contract splitting, placing multiple orders, seeking multiple quotations with a single supplier or engaging in effect a single supplier under different guises, are considered to breach the requirement to call public tenders where threshold values would otherwise be reached.

## 5.5. Quotations

Purchase of goods, services and works having a total valuation of \$150,000 inclusive of GST or less, in a single contract (over the total life of the contract) or supply arrangement must be undertaken using a quotation method as described below:

- *Item of a value less than \$500. Minimum one verbal quotation.*
- *Item of a value \$501 to \$5,000 - Minimum one verbal quotation. Quotation details must be recorded in the Council's records system before placing an order. Similar details must be recorded where more than one supplier has quoted.*
- *Item of value \$5,001 to \$25,000 – Minimum two verbal quotations. Quotation details must be recorded in the Council's records system before placing an order. Similar details must be recorded where more than one supplier has quoted.*
- *Items with a value \$25,001 to \$150,000 for goods and services, or \$200,000 for works - Request for three written quotations. A minimum of three quotations is to be obtained by issuing a written Request for Quotation. Details of the suppliers contacted and their quotations must be recorded in Council's Record Management System.*

Quotations returned by the nominated closing date must be evaluated and a recommendation made to consider the supplier offering the best value for money outcome.

**Public Advertising.** Quotations may be advertised when judged to be sufficiently advantageous to Council. This may occur when a field of potential tenderers has not been established, an innovative approach is required, the project has broad appeal that may attract competitive prices, etc. The relevant Responsible Manager must consider the potential benefits of public tendering for any purchases over \$100,000 inclusive of GST. A considered and conscious decision must be made by the Manager that three quotes will still achieve the best net value outcome. The minimum placement requirement includes use of any newspaper approved by Council for such purpose.

**Insufficient quotations.** The situation may arise where insufficient quotations are obtained to satisfy the above requirements. This may occasionally occur where there are few suppliers for the goods, services or works being sought. In this case, Director's approval is required. The details of the contacted suppliers must be recorded and an appropriate comment recorded.

In the following circumstances only one quotation may be required:

- In the event of emergency works for safety reasons; or
- When there is only one known and reputable supplier.

## 5.6. Delegation of Authority

Delegations define the limitations within which Council staff are permitted to work. Commitments and processes which exceed the Chief Executive Officer's delegation and which must be approved by the Council are:

- awarding contracts where the total contract value exceeds \$750,000 inclusive of GST for goods and services and works; and
- delegating to the Chief Executive Officer responsibility for awarding contracts with a total value in excess of the Chief Executive Officer's delegations.

The Financial Delegations allow specified Council staff to approve certain purchases, quotation, tender and contractual processes without prior referral to the Council. These delegations identify the Council staff authorised to make such procurement commitments in respect of goods, services and works on behalf of the Council.

The Council has delegated to the Chief Executive Officer authority to expenditure against approved contracts up to \$2 million. The Chief Executive Officer has in turn delegated authority to Council staff. This Instrument of Sub-delegation is titled 'Financial Delegations' and is made by the Chief Executive Officer under the authority of an Instrument of Delegation authorised by resolution of Council.

## 6 Evaluation & Engagement

### 6.1. Quotation & Tender Evaluation

All quotations and tenders must be evaluated in a consistent manner against pre-determined and weighted evaluation criteria listed in order of importance. A weighted matrix analysis must be used for analysing and comparing tenders, and quotations in excess of \$50,000 inclusive of GST, in a detailed and consistent manner.

An evaluation plan is to be prepared and a formal evaluation is to be carried out for purchases that exceed \$50,000 inclusive of GST. The purpose of the evaluation plan is to define roles and responsibilities and ensure probity of the tender process.

The evaluation plan sets out the method of purchase and establishes who will be preparing the tender, the evaluation criteria, weightings and the evaluation panel.

The evaluation criteria must be determined prior to inviting proposals. The evaluation criteria and weightings must be included in the tender documents. The evaluation may consider the following and other criteria;

- Whole of life costs, including cost of disposal;
- Delivery times offered;
- Quality offered;
- Previous performance of tenderer;
- Experience of tenderer and personnel proposed;
- Capability of tenderer, including technical, management, human resources, organisational and financial capability and capacity;
- Tenderer's occupational health and safety management practices and performance;
- Tenderer's workplace and industrial relations management practices and performance;
- Tenderer's environmental management practices and performance;
- Tenderer's community relations practices and performance;
- Value adding components such as economic, social and environmental development initiatives, if appropriate and relevant to the procurement; and
- Conformity of tender with requirements.

A due diligence analysis of the preferred or short-listed suppliers for all high value and/or highly complex projects must be undertaken to ensure that the suppliers have the capacity and stability to comply with the requirements of the contract.

### 6.2. Post Tender Negotiations

The objective of post tender negotiations is to obtain the optimal solution and commercial arrangements. All substantive issues must be agreed and the contract documentation amended to reflect the agreement. Negotiations must be mindful not to alter the scope or intent of a tender or proposal.

The conduct of negotiations after the close of a tender or quotation as part of the process for recommending the preferred supplier may be conducted prior to entering into a contract or making a purchase. Matters for post tender negotiations may include:

- clarifying the robustness of the lump sum price and/or schedule of rates;
- additional value adding options;
- specific contract management arrangements;
- identifying key personnel for various stages of the contract;
- intellectual property transfer opportunities; and
- service supply arrangements.

## **7 Contract Management & Administration**

### **7.1. Corporate Records**

The Responsible Officer authorised to make procurement commitments in respect of the relevant goods, services and works, will ensure timely and accurate corporate records are kept. Records shall include but not be limited to the following;

- Acceptance of tenders;
- Acceptance of quotes;
- Contract term extensions (within authorised budget);
- Contract amendments and variations (financial and non-financial);
- Appointment to register of pre-qualified suppliers;
- Corporate Credit Card purchases; and
- Procedural exceptions.

### **7.2. Contract Terms**

All contractual relationships must be documented in writing based on standard terms and conditions. The contract must be signed by the supplier before works or services commence.

To protect the best interests of the Council, terms and conditions must be agreed in advance of any commitment being made with a supplier. Any exceptions to doing this exposes the Council to risk.

### **7.3. Dispute Resolution**

All Council contracts should incorporate dispute management and alternative dispute resolution provisions to minimise the chance of disputes escalating to legal action.

### **7.4. Contract Management**

The purpose of contract management is to ensure that the 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 reinforcing the performance of both parties' responsibilities and obligations under the contract; and
- providing a means for the early recognition of issues and performance problems and the identification of solutions. All Council contracts are to include contract management requirements and quality and cost standards. Furthermore, contracts are to be proactively managed by the member of Council staff responsible for the delivery of the contracted goods, services or works to ensure the Council receives value for money and that quality and cost standards and measurable key performance indicators are met.

### **7.5. Performance Reporting**

A list of performance indicators will be used to measure procurement performance. These criteria will be used as the basis for regular performance reports to Council.

They will include criteria such as:

- quality and cost standards (as required by the Best Value requirements in the Act);
- the proportion of expenditure against corporate contracts;
- user and supplier satisfaction levels;
- level of compliance and understanding of Council procurement policies; and
- measuring the success of procurement initiatives e.g. Procurement panels.

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

### **7.6. Continuous Improvement**

Council is committed to continuous improvement as part of its Business Excellence Program and will review the procurement policy on an annual basis, to ensure that it continues to meet the corporate objectives.

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 trend and exceptions where necessary to enhance performance;
- improve the internal efficiency of the procurement process and where relevant the performance of suppliers; and
- facilitate relevant programs to drive improvement in procurement to eliminate waste and inefficiencies across key expenditure categories.

### **7.7. Procurement Strategy**

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;
- supplier performance;
- user satisfaction;
- category management;
- local spend; and
- green spend.

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
- industry reports.

Council will establish a procurement strategy to support Council Plan objectives and to ensure a strategic approach to purchasing and tendering. This strategic approach will include:

- detailed analysis of Council's spending patterns;
- improving the nature and use of approved supplier lists and panels;
- balancing acceptable levels of risk versus expected returns;
- optimising the procurement process to reflect market conditions;
- strategic assessment of the, appropriate 'channel to market';
- structuring continuous improvement into contractual relationships with suppliers;
- aligning Council's requirements with supplier capacity;
- supply market development; and
- exploring alternative and innovative methods of procurement.

#### **7.8. Policy Owner and Contact Details**

The Director Business, Greater Shepparton City Council is the designated owner of this policy. For further information on the Policy please contact via email – [council@shepparton.vic.gov.au](mailto:council@shepparton.vic.gov.au) or phone [03] 5832 9700.

Please note: This policy is current as at the date of approval. Refer to Council's website ([www.greatershepparton.com.au](http://www.greatershepparton.com.au)) or staff intranet to ensure this is the latest version.

## RELATED POLICIES AND DIRECTIVES

### Policies

- Code of Conduct Policy
- Conflict of Interest in Local Government Feb 2009
- Exercise of Delegations
- Gifts and Benefits Policy
- Risk Management Policy
- Sustainable Purchasing Policy
- Fraud Control Policy

### Procedures

- Procurement Procedures Contract Administration Manual
- Contract Administration Manual

### Strategies

- Council Plan

## RELATED LEGISLATION

- Section 186 of the Act (Power to enter into Contracts)
- Section 186A of the Act (Procurement Policy)
- Section 3C of the Act (Objectives of a Council)
- Sections 208C of the Act (Best Value Principles)
- Sections 77A, 77B, 78, 78A to 78E, 79 79B to D, 80, 80A to C and 95 of the Act (Conflict of Interest)
- Section 98 of the Act (Delegations)
- Section 140 of the Act (Accounts and Records)
- The relevant provisions of the Competition and Consumer Act 2010

## REVIEW

Section 186A (7) of the Act requires that at least once in each financial year, Council must review the current procurement policy and may amend the procurement policy. Council's Audit and Risk Management Committee also provides additional monitoring by receiving quarterly reports.

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**Gavin Cator**

**Date**

**Chief Executive Officer**

## ATTACHMENTS

*Nil*