




# Procurement Policy & Procedure

---

**Approved: 26 March 2020**

Reference Number: F2013/1639

<b>Reference Number:</b>	TRIM Reference: F2013/1639
<b>Classification:</b>	Financial Management
<b>Version:</b>	9.0
<b>Responsible Manager:</b>	Manager Corporate Services
<b>Reviewed by:</b>	Board of Management
<b>Approved by:</b>	CEO
<b>Signature:</b>	
<b>Approved Date:</b>	26 March 2020
<b>Next Review Date:</b>	3 Years (March 2023)
<b>Legislation:</b>	Local Government Act 1999 (SA) Work Health and Safety Act 2012
<b>Related Documents:</b>	Delegations of Authority Policy Request for Proposal / Tender Template Tender Opening document

## 1. Introduction

The purpose of this policy is to provide the principles under which the Authority makes its procurement decisions and conducts its procurement activities pursuant to the requirements of section 49 of the Local Government Act, 1999.

This Policy seeks to:

- define the methods by which the Authority can acquire goods and services;
- be fair and equitable to all parties involved;
- enable all processes to be monitored and recorded; and
- ensure that the best possible outcome is achieved for the Authority.

## 2. Policy

### 2.1. Policy Statement

The Authority aims to achieve advantageous procurement outcomes by:

- enhancing value for money through fair, competitive, non-discriminatory procurement;
- promoting the use of resources in an efficient, effective and ethical manner;
- making decisions with probity, accountability and transparency;
- providing reasonable opportunity for competitive local businesses to supply to the Authority;
- appropriately managing risk; and
- ensuring compliance with all relevant legislation.

### 2.2. Scope

This policy applies to all the Authority's employees when undertaking the procurement of goods and services.

### 2.3. Procurement Principals

The Authority is committed to using the following principles when acquiring goods and services:

#### 2.3.1. Obtaining Value for Money

Identify the best value for the most appropriate price. Best value includes price, whole-of-life costs, fit for purpose and the value of any environmental, social and economic benefits.

### **2.3.2. Ethical Behaviour and Fair Dealing**

The Authority's employees involved in procurement will act in the highest ethical professional standard and will not use or disclose information that confers unfair advantage, financial benefit or detriment on a supplier. Ethical behaviour encompasses the concepts of honesty, integrity, probity, diligence, fairness, trust and consistency in all discussions and negotiations.

### **2.3.3. Accountability, Transparency and Reporting**

The Authority has the responsibility of ensuring that any procurement process is transparent and that its decisions are justified.

### **2.3.4. Local Economic Development**

Where the assessment against the evaluation criteria is comparable, and a sufficient local market exists, consideration may be given to the development of local business and/or industry and suppliers whose activities contribute to local economic development.

### **2.3.5. Environmental Sustainability**

Environmental sustainability involves the inclusion of relevant environmental factors in a decision to purchase goods, services and/or tenders with a view to maintain the health and quality of the environment, conserve resources, minimise waste and protect human health.

### **2.3.6. Occupational, Health & Safety**

The Authority has an obligation to ensure that all suppliers are compliant with the Work Health and Safety Act 2012, as well as being competent in the provision of goods and services.

## **2.4. Procurement Methods**

When purchasing goods and services there are a number of transaction methods that can be used to select and contract with the supplier. The underlying principle is to balance the transaction costs associated with each transaction method, with risk and probity.

The Authority may, having regard to its Procurement Principles and Mandatory Parameters use one of the following procurement methods:

### **2.4.1. Direct Purchasing**

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

This method may be suitable for low value, low risk goods and services, and where the supplier already has a successful service history with the Authority. This may also be suitable where the supplier has particular expertise required by the Authority for instance in the case of a consultant or professional services provider.

**2.4.2. Request for Quotations (RFQ)**

This is where the Authority obtains written quotations from prospective suppliers. Generally, a minimum of three written quotations are sought, except in circumstances in which there are not three suppliers providing the good or service.

**2.4.3. Request for Tenders (RFT) / Request for Proposal (RFP)**

This is where the Authority issues a tender for a proposed good and/or service.

The Authority may issue a “Select” RFT or RFP where it has reasonable grounds for only dealing with a select group of potential suppliers and as approved by the CEO. Otherwise, the Authority will issue an “Open” RFT or RFP.

**2.4.4. Panel contracts**

This is where the Authority establishes panel arrangements with a select group of suppliers – generally, this occurs once the Authority has completed its appointment of such suppliers in accordance with this Policy. Once a panel has been established, the Authority may purchase particular goods and/or service through such panel arrangements.

**2.4.5. Strategic alliances**

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

- LGA Procurement;
- G6 Procurement Group;
- Procurement Australia;
- State Government contracts.

**2.5. Mandatory Parameters**

The following mandatory parameters will be adhered to as a minimum unless an exemption has been authorised by the Chief Executive Officer (CEO) or delegate:

Value of Purchase	Direct Purchasing	3 x Written Quotes	RFT/RFP (open or select)	Panel Contract	Strategic Alliances
< \$5,000	X				
\$5,000 - \$100,000		X		X	X
> \$100,000			X		X

## 2.6. Exemptions

This policy contains general guidelines to be followed by the Authority in its procurement activities. There may be emergencies, or procurements in which a tender process will not necessarily deliver the best outcome for the Authority, and other market approaches may be more appropriate.

In certain circumstances the Authority, on approval from the CEO, may waive application of this Policy and pursue a method which will bring the best outcome for the Authority. Application for an exemption of the Policy must be provided to the CEO in writing and approval returned in writing.

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

- Emergency situations threatening life and property; or
- The supply market is known; or
- Timing constraints

Any such instances will be reported to the Audit and Risk Management Committee.

For the purpose of this Policy, the hiring of temporary staff through agencies are not considered to be procurement of goods and services.

## 2.7. Prudential Requirements

It is a requirement that a Prudential Report is prepared for projects exceeding a prescribed value (as quantified in the *Local Government Act 1999*), prior to any purchasing being undertaken.

## 3. Procedure

### 3.1. Payment Options

All purchases must be linked to a purchase order prior to receiving the goods and services. Goods and Services will be paid for on the receipt of an invoice from a supplier, emailed directly to a designated central email address.

Exemptions to the requirement for a purchase order include:

- Petty Cash purchases;
- Credit Card purchases;
- Utility Supplies, Rates and Taxes;
- Regular charges from a negotiated service or maintenance agreement;
- Local Government Association and other Insurance premiums;
- Scheduled instalments on approved contracts.



### **3.2. Purchases less than \$5,000**

A quote should be obtained from the preferred supplier, then they may be engaged to provide the good or service.

### **3.3. Purchases \$5,000 - \$100,000**

3.3.1. A written quote must be obtained from three suppliers and can be provided to the Authority either by email or on the supplier's letterhead.

Each supplier must be provided with the same business requirements to ensure a transparent and fair procurement process.

3.3.2. Quotes are to be evaluated against the authority's procurement principles and approved in line with financial delegations.

3.3.3. A copy of all three quotes must be retained in the document management system for probity purposes.

3.3.4. In some instances, the CEO may approve direct purchasing of goods or services through a Panel Contract or Strategic Alliance, approval must be received in writing. A written quote should always be obtained first.

### **3.4. Purchases over \$100,000**

#### **3.4.1 Determine Requirements**

A tender process must be used where a purchase is greater than \$100,000. For smaller goods, services or works that are purchased frequently throughout the year, the total quantities and value for a 12-month period must be used to determine the value of the purchase (\$10,000 per month = value of \$120,000 = tender required). For larger goods, services or projects, the length of the contract must also be taken into consideration (\$50,000 per annum x 3 year contract = \$150,000 = tender required).

The tender must be a public tender unless the CEO approves either a select tender or procurement direct from a strategic alliance, approval must be received in writing. The Authority is also able to join tender processes conducted by strategic alliances or owner councils.

RFT or RFP can be open or select or a two-stage process with an Expression of Interest followed by the RFT/RFP. In the case of a select tender written approval must be obtained by the CEO.

#### **3.4.2 Prepare Request for Tender (RFT) or Request for Proposal (RFP)**

In the case of an RFT or RFP, it is important that the tendering conditions are well documented for probity purposes and that the selection criteria has been clearly defined.

An RFT or RFP will be prepared using the standard template located in the Authority's Documents Management System and will include:

- The Tender Requirements
- Evaluation Criteria
- The Process
- Detailed Scope of Works / Business Requirements

RFT/RFP responses can be lodged in person, by courier, by post or electronically. All printed responses are to be placed in a locked tender box and electronic responses emailed to [tenders@centpark.org.au](mailto:tenders@centpark.org.au).

#### **3.4.4 Develop Evaluation Criteria**

The use of well-defined evaluation criteria, as approved by the CEO, ensures that the decision to select a supplier is objective and fair. Evaluation criteria will usually address compliance with contract terms and conditions, the technical merit of the goods and services offered, the skills of the tenderer to fulfil the specified requirements and an assessment of the risks or constraints associated with each offer.

#### **3.4.6 Evaluating the RFT or RFP**

As soon as practicable after the closing date the tender box and email account will be opened by the relevant Manager together with any member of the authority. The tender opening form is to be completed and signed at the same time.

The RFT or RFP is to be evaluated by the relevant manager and other relevant team members, becoming the Evaluation Team. The Evaluation Team will review the responses and make an assessment against the weighted evaluation criteria and the results must be formally documented for probity purposes. The respondent's expertise, experience and financial stability may be validated via reference checks.

#### **3.4.7 Recommendation for award**

On completion of the evaluation, the selection decision should be documented as a Tender Evaluation Report. The report should be approved by the relevant Manager or CEO in accordance with financial delegations.

#### **3.4.8 Negotiate final contract terms**

Once the recommendation for award has been approved, the Authority will notify the preferred supplier and begin final negotiations.

#### **3.4.9 Execute contract**

Once the terms and conditions have been agreed the contract should be awarded by execution of a formal contract. The contract must be signed by a Manager with the appropriate financial delegation. All tenderers should be advised of the outcome.



### 3.5. Records

The Authority will ensure an appropriate written audit trail of the procurement process is maintained and saved in the Authority's Document Management System.

# Appendix A – Mandatory Purchasing Flowchart

