

| PROCUREMENT POLICY | |
|------------------------------|---|
| Type | Governance |
| Category | Infrastructure |
| Responsible Officer | Director Infrastructure |
| First Issued / Adopted | May 2013 |
| Review Period | 2 years |
| Last Reviewed | 26 May 2021, 26 April 2018, 8 December 2017, 23 November 2016, 28 January 2015 |
| Minutes Reference | OM170/21, OM 103/18, OM297/16 |
| Next Review Date | May 2023 |
| Applicable Legislation | ICAC Local Government Act 1999 |
| Related Documents | Code of Conduct for Council Employees Corporate Credit Card Policy Major Projects Prudential Management Policy Procurement Thresholds & Delegations Policy |
| Public Consultation Required | No |
| File Reference | 9.63.1.4 |

1. PURPOSE

- 1.1 The purpose of this policy is to provide guidance on the procurement of goods, works and services.

2. INTRODUCTION

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

| Document No | Version No | Last review | Next review | Page |
|-------------|------------|-------------|-------------|--------------|
| POL-0085 | 1.0 | May 2021 | May 2023 | Page 1 of 11 |

2. INTRODUCTION (Cont'd)

2.2 Section 49 of the Act requires Council to prepare and adopt policies on contracts and tenders on:

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

2.3 Furthermore, Section 49 (a1) of the Act requires Council to develop and maintain policies, practices and procedures directed towards:

- 1.3.1 obtaining value in the expenditure of public money; and
- 1.3.2 providing for ethical and fair treatment of participants; and
- 1.3.3 ensuring probity, accountability and transparency in all operations.

2.4 This Policy seeks to:

- 1.4.1 define the methods by which Council can acquire goods and services;
- 1.4.2 demonstrate accountability and responsibility of Council to ratepayers;
- 1.4.3 be fair and equitable to all parties involved;
- 1.4.4 enable all processes to be monitored and recorded; and
- 1.4.5 ensure that the best possible outcome is achieved for the Council.

2.5 However, this Policy does not cover:

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

3. POLICY OBJECTIVES

Council aims to achieve good procurement outcomes by:

- enhancing value for money through fair, competitive, non-discriminatory procurement;
- promoting the use of resources in an efficient, effective and ethical manner;
- making decisions with probity, accountability and transparency;
- advancing and/or working within Council's economic, social and environmental policies;
- providing reasonable opportunity for competitive local businesses to supply to Council;
- appropriately managing risk; and
- ensuring compliance with all relevant legislation.

| Document No | Version No | Last review | Next review | Page |
|-------------|------------|-------------|-------------|--------------|
| POL-0085 | 1.0 | May 2021 | May 2023 | Page 2 of 11 |

4. PROCUREMENT PRINCIPLES

4.1 Council’s procurement is underpinned by the following key principles:

Principle 1 – Open and Fair Competition

Open and fair competition will be fostered and maintained by providing suppliers and contractors with appropriate access to Council’s procurement opportunities. Council will ensure, where reasonably practicable, that:

- there is reasonable access for all suitable and competitive suppliers and contractors to the Council’s business;
- where market circumstances limit competition, procurement activities recognise this and associated methodology takes account of it; and
- adequate, identical and timely information is provided to all suppliers to enable them to bid.

Employees shall engage in procurement activities on behalf of Council and will at all times undertake their duties in an ethical, open and impartial manner, act responsibly, behave professionally and exercise sound judgement.

Principle 2 – Value for Money

Value for money is not restricted to price alone. To ensure the best value for money, Council may assess the following:

- the contribution to Council’s long term plan and strategic direction;
- any relevant direct and indirect benefits to Council, both tangible and intangible;
- efficiency and effectiveness of the proposed procurement activity;
- the performance history, quality and scope of services, and support of each prospective supplier;
- fitness for purpose of the proposed goods or service;
- whole of life costs including acquiring, using, maintaining and disposal;
- Council’s internal administration costs;
- technical compliance issues;
- risk exposure;
- prevailing market forces and trends;
- the value of any associated environmental benefits; and
- other relevant matters identified in specific procurement process documentation.

Employees identified in the Procurement Thresholds & Delegations Policy are encouraged to negotiate with suppliers and contractors to enhance the quality of the outcome to Council which may be related to price, quality and/or conditions, with appropriate documentation in place.

| Document No | Version No | Last review | Next review | Page |
|-------------|------------|-------------|-------------|--------------|
| POL-0085 | 1.0 | May 2021 | May 2023 | Page 3 of 11 |

4. PROCUREMENT PRINCIPLES (Cont'd)

Principle 3 – Probity, Accountability and Transparency

Council will demonstrate accountability in procurement by ensuring that decisions are able to be explained and evidence provided to ensure that an independent third party can clearly see that a fair and reasonable process has been followed. Personnel must be able to account for all decisions and provide feedback on them. Additionally, an audit trail will be visible for all procurement activities for monitoring and reporting purposes.

Delegations define the limitations within which Council employees are permitted to work. Council personnel will not incur expenditure unless they have a delegated authority and funds are allocated for that specific expenditure in a budget approved by Council.

All tenders where the value of the tender exceeds \$100,000 exclusive of GST will be subject to consideration and approval by the Council Elected Body.

Principle 4 – Effective Management of the End to End Procurement Lifecycle

The procurement lifecycle includes all of the steps and tasks within the procurement process, from need identification and data gathering to contract management, delivery of services/works and relationships with suppliers.

Council will determine appropriate methodology within the various steps of the procurement lifecycle including planning, risk management, tendering, purchasing, contracting and financial control with regard to the scale, complexity and importance of the goods, works, services or consultancies being acquired.

Principle 5 – Identification and Management of Risk

Risk Assessment

Council will ensure that appropriate practices and procedures of internal control and risk management are in place for its procurement activities including risk identification, assessment and implementation of controls.

Procurement risk assessments will focus on assessing a potential supplier's capacity and capability to meet Council's requirements and identify any other factors which might result in works, goods or services not being successfully delivered.

Risk Based Approach to Market

Council's approach to market will be influenced by procurement risk assessments, with high risk acquisitions requiring more formal procurement planning methodologies and higher levels of management oversight.

Work Health Safety

Council is committed to protecting health, safety and welfare. Council will ensure that its procurement activities protect the health, safety and welfare of its workers, Elected Members, customers and community.

| Document No | Version No | Last review | Next review | Page |
|-------------|------------|-------------|-------------|--------------|
| POL-0085 | 1.0 | May 2021 | May 2023 | Page 4 of 11 |

4. PROCUREMENT PRINCIPLES (Cont'd)

Principle 5 – Identification and Management of Risk (Cont'd)

All suppliers must maintain a level of Work Health & Safety as acceptable to the Port Pirie Regional Council. As a minimum this must be compliance with the Work Health, Safety & Welfare Act 2012, including the regulations and all requirements relating to contractors in the Council Work Health & Safety policies and as specified in the terms and conditions of supply.

Principle 6 – Social Procurement Principles

Council endeavours to give consideration to social procurement principles with a view to assessing the “total cost” of purchasing, including economic, social and environmental costs (“triple bottom line”) and associated benefits.

Consideration will be given to:

- Positive employment and training outcomes derived from engaging with suppliers or contractors;
- Fair trade practices and safe workplaces;
- Environmentally sustainable work practices, used of recycled materials or waste reduction processes; and
- Social inclusion with consideration to diversity, equity and accessibility.

Principle 7 – Encouragement of Competitive Local Business & Industry

With the aim of achieving a value for money outcome, Council will endeavor to, at its discretion and to the full extent permitted by law, support local businesses by:

- promoting to local businesses opportunities to supply to the Council;
- structuring the purchasing processes to be accessible to all businesses;
- giving preference to local business when all other commercial considerations are equal; and
- ensuring, where possible, that specifications and purchasing descriptions are not structured so as to potentially exclude local suppliers and contractors.

Principle 8 - Ensuring Compliance with all Relevant Legislation

Relevant legislative requirements include but are not limited to:

- Local Government Act 1999, Section 48, 49 and Section 125 – Prudential Management, Expenditure of Funds & Procurement Policy, Practices & Procedures
- Local Government (Elections) Act 1999, Section 91A
- South Australian Work Health Safety Act, 2012
- South Australian Work Health Safety Regulations 2012
- Freedom of Information Act 1991
- Ombudsman Act 1971

| Document No | Version No | Last review | Next review | Page |
|-------------|------------|-------------|-------------|--------------|
| POL-0085 | 1.0 | May 2021 | May 2023 | Page 5 of 11 |

4. PROCUREMENT PRINCIPLES (Cont'd)

Principle 8 – Ensuring Compliance with all Relevant Legislation (Cont'd)

- Trade Practices Act 1974
- Competition Policy Reform (South Australia) Act 1996
- State Records Act 1997
- Code of Conduct for Employees.

5. PROCUREMENT METHODS

5.1 Generally, open and fair competition is best achieved by undertaking a tender process so that all interested parties have an opportunity to bid. However, there may be procurements in which a tender process will not necessarily deliver the most advantageous outcome for the Council – in such instances, other market approaches may be more appropriate.

5.2 The Council may, having regard to its Procurement Principles and any other factors considered relevant by the Council, in its absolute discretion determine to utilize one or more of the following procurement methods:

| Value of Purchase (\$) | Possible Method of Procurement |
|-------------------------------|--|
| Less than \$5,000 | Direct purchase |
| \$5,000 to \$20,000 | Informal Quotation |
| \$20,000 to \$100,000 | Request for Quotation (RFQ) |
| Greater than \$100,000 | Expression of Interest (EOI) and/or Request for Tender (RFT) |

Note: All amounts are exclusive of GST

5.3 Direct Purchase

For purchases from a single source, permitted without seeking multiple quotes.

This method is only for low value, low risk goods and services, and where the supplier already has a successful service history with the Council.

Payment options available for direct purchasing include petty cash, corporate credit, fuel card or purchase card, store account and/or purchase order.

5.4 Informal Quotations

A minimum of three quotations shall be sought for goods and services. These should be written (or email) quotes.

If a written quote cannot be obtained, the details must be recorded on the purchase order, including details of the commercial terms of the quote.

This method is only for low value, low risk goods and services where the scope is clear and the suppliers are known.

| Document No | Version No | Last review | Next review | Page |
|-------------|------------|-------------|-------------|--------------|
| POL-0085 | 1.0 | May 2021 | May 2023 | Page 6 of 11 |

5. PROCUREMENT METHODS (Cont'd)

5.5 Request for Quotations (RFQ)

A minimum of three written quotations based on the Request for Quotation document with written specifications attached.

This method is only suitable for simple, largely price-based purchases with defined scope.

5.6 Requests for Expressions of Interest (REOI)

An Expression of Interest (EOI) may precede the Request for Tender (RFT) process). It is an open invitation issued for the proposed goods and/or service that are of a high value or where the end result of the procurement process is not clear.

This method may be used where there is potentially a large market for the proposed goods and/or service, and there is preference to prepare a short list of suppliers to then invite to participate in a tender process.

5.7 Request for Tenders (RFT)

A formal tender process must be used for goods and/or services of a value greater than \$100,000, but may also be used for goods and/or services less than \$100,000.

Council may issue a “Select” Request for Tender where it has already issued a REOI, or where it has reasonable grounds for only dealing with a select group of potential suppliers.

Otherwise, an “Open” Request for Tender must be issued.

5.8 Panel Contracts

The forming of panel arrangements with a select group of suppliers – generally, this occurs once the Council has completed its appointment of such suppliers in accordance with this Policy, and can include either:

- a standing offer from a pool of suppliers for the provision of goods and services on agreed terms; or
- the prequalification of certain suppliers who may or may not be engaged on terms to be agreed.

Once a panel has been established, the Council will in the first instance purchase the particular goods and/or service through such panel arrangements.

Council’s Panels are established by an open tender process where the contractor’s capability, quality of work, experience, personnel, price and WHS compliance are evaluated. Each Panel member is signed up to a standing offer Contract to provide Goods, Works or Services for the term of the Panel Contract.

| Document No | Version No | Last review | Next review | Page |
|-------------|------------|-------------|-------------|--------------|
| POL-0085 | 1.0 | May 2021 | May 2023 | Page 7 of 11 |

5. PROCUREMENT METHODS (Cont'd)

5.8 Panel Contracts (Cont'd)

Council has also reserved the right to procure Goods, Works or Services outside of its Panel Contracts. Procurement outside of Council's Panel Contracts is recommended under the following circumstances:

- if the Goods, Works or Services required are not serviced via an existing panel arrangement;
- if a better value for money outcome can be achieved for Council via a strategic alliance; or,
- where formal Procurement planning has identified justification for expanding the nominated market approach beyond the Contractor pool identified within Council's panels.

5.9 Strategic Alliances

Procurement through contract arrangements already established and administered by other organisations, including:

- LGA Procurement;
- a purchasing group of which the Council is a member;
- Council Solutions Procurement;
- Procurement Australia;
- Local Government Finance Authority;
- Local Government Risk Services;
- State Government contracts.

The Council may also enter collaborative and subsidiary arrangements with other councils. All such proposals need to be considered and approved by Council prior to the commencement of the provision of services.

6. PROCUREMENT CONSIDERATIONS

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

- cost of an open market approach versus the value of the acquisition and the potential benefits;
- the particular circumstances of the procurement activity;
- the objectives of the procurement;
- the size of the market and the number of competent suppliers;
- the Council's leverage in the marketplace;
- time constraints;
- a global assessment of the risks associated with the relevant activity and /or project, including the risk profile of the procurement and any risks associated with the preferred procurement method.

| Document No | Version No | Last review | Next review | Page |
|-------------|------------|-------------|-------------|--------------|
| POL-0085 | 1.0 | May 2021 | May 2023 | Page 8 of 11 |

7. UNSOLICITED PROPOSALS

An unsolicited proposal is an approach by the private sector (a person or business) with an offer to Council outside of any formal approach to market by the Council for any specific requirement or initiative. An unsolicited proposal may include proposals with respect to goods, works and services or for the acquisition of Council property.

Provided the proposal has no other competition Council will evaluate the proposal based on the following criteria:

- Uniqueness/Innovation
- Value for money
- Community need/Council priority
- Capacity and capability of supplier

Council will assess each proposal on its merits with reference to this Policy.

8. DELEGATIONS

8.1 The CEO has authority to procure goods, materials, works, services and consultancies provided that the value of the procurement does not exceed \$100,000 (ex GST), subject to the Council approved budget allocation, and the CEO may delegate such authorisation to other employees in accordance with Section 101 of the Act.

8.2 The Chief Executive Office is permitted to sub-delegate this purchasing authority to other Council staff.

8.3 Any procurement outside Council’s adopted budget or greater than \$100,000 (ex GST) requires a decision of Council to proceed.

8.4 Expenditure sub-delegation, detailing authorized purchasers and purchasing limits are prescribed in Council’s Procurement Thresholds and Delegations Policy.

9. RECORDS

9.1 Council has an extensive procurement documentation toolkit, which must be used for all purchases over \$5,000. Items from the toolkit may be used for smaller purchases where it is deemed appropriate by the CEO / Director / Manager.

9.2 A purchase order must be issued for all purchases over \$5,000.

9.3 The Contract Register must be updated when a contract is awarded.

9.4 Disclosure – all contracts above \$100,000 will be subject to the public release of the following information:

- Name, price and brief reason for successful selection.
Except in the circumstance where there is a risk of Commercial advantage, IP, public safety, security of facilities, legal risk.

| Document No | Version No | Last review | Next review | Page |
|-------------|------------|-------------|-------------|--------------|
| POL-0085 | 1.0 | May 2021 | May 2023 | Page 9 of 11 |

10. EXEMPTIONS FROM THIS POLICY

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

10.2 In certain circumstances, it may be considered appropriate to waive the application of this Policy and pursue a method which will bring the best outcome for the Council. In this regard, any departure from the provision in this Policy must be documented and co-signed by the CEO and the relevant Director / Manager.

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

- There may be significant public risk if the procurement is delayed, such as emergency situation threatening life or property; or
- The pressures of time are such that an open tender call is not feasible, such as where there has been an unanticipated Council or Government policy decision; or
- A breach of statutory obligations and common law would occur; or
- Goods are purchased at an auction; or
- Second hand goods are purchased.

A situation presents itself wherein a contractor or consultant has considerable background knowledge and experience or specialist expertise on that particular Council project or asset e.g. an extension of a previous project.

In such situations the procurement of assets, goods, works or services on negotiated fees and terms through that consultant or contractor alone may be deemed sound and advantageous to the project. This could include engaging the contractor or consultant on a retainer basis for a specified period of time.

10.3 Where it is considered appropriate to waive the application of this Policy and pursue a method that will bring the best outcome for the Council, but the decision is of a certain sensitivity, a resolution of Council will be required to record the reasons.

11. STANDING ORDERS

Regular monthly purchases may use a Standing Order to authorise these payments, rather than issue of multiple purchase orders. These are generally prepared at the beginning of each financial year, in consultation with the delegated officer.

| Document No | Version No | Last review | Next review | Page |
|-------------|------------|-------------|-------------|---------------|
| POL-0085 | 1.0 | May 2021 | May 2023 | Page 10 of 11 |

11. STANDING ORDERS (Cont'd)

The following supplies may use Standing Orders:

- Banking;
- Vehicle registrations;
- Postal and freight;
- Telephone and internet;
- Power and water;
- Employee Assistance Program;
- Lease and rental;
- Subscriptions;
- Software licence renewals and assurance and support services;
- MFD equipment usage;
- Security maintenance and patrols;
- Insurance;
- Fuels, oils and lubricants;
- Statutory Government charges and fees;
- Minor and direct purchases to a specified limit.

12. PRUDENTIAL REQUIREMENTS

The Prudential requirements of Council are contained in the Major Projects Prudential Management Policy in accordance with section 48 of the Local Government Act 1999.

Refer to Council's Major Projects Prudential Management Policy.

13. FURTHER INFORMATION

This policy will be available for inspection at the Council offices listed below during ordinary business hours and available to be downloaded, free of charge, from Council's internet site: www.pirie.sa.gov.au

- Port Pirie Council Administration Centre, 115 Ellen Street, Port Pirie
- Crystal Brook Rural Office, Bowman Street, Crystal Brook.

Copies will be provided to interested parties upon request, and upon payment of a fee in accordance with Council's Schedule of Fees and Charges.

| Document No | Version No | Last review | Next review | Page |
|-------------|------------|-------------|-------------|---------------|
| POL-0085 | 1.0 | May 2021 | May 2023 | Page 11 of 11 |