



POLICY

C022 Procurement Policy

Table of Contents

1	<i>Principles</i>	5
1.1	Background _____	5
1.2	Scope _____	6
1.3	Purpose _____	6
1.4	Treatment of GST _____	6
2	<i>Effective Legislative and Policy Compliance and Control</i>	7
2.1	Ethics and Probity _____	7
2.1.1	Requirement	7
2.1.2	Conduct of Councillors and Council Staff.....	7
2.1.3	Tender Processes	7
2.1.4	Conflict of Interest.....	7
2.1.5	Fair and Honest Dealing	8
2.1.6	Gifts, Benefits and Hospitality	8
2.1.7	Disclosure of Information	8
2.2	Governance _____	9
2.2.1	Structure.....	9
2.2.2	Standards	9
2.2.3	Methods.....	9
2.2.4	Responsible Financial Management	10
2.3	Procurement Processes and Thresholds _____	10
2.3.1	Process	10
2.3.2	Minimum Spend Competition Thresholds	13
2.3.2.1	Cumulative Spend.....	13
2.3.2.2	Tenders.....	13
2.3.2.3	Quotations	13
2.3.3	Exceptions to obtaining quotations	15
2.3.4	Chief Executive Officers Discretion.....	15
2.3.5	Shared Services	16
2.3.6	Statutory Payments	16
2.3.7	Local Price Preference and Local Supply/Local Jobs First.....	16

2.3.8	Total Cumulative Spend	17
2.4	Delegation of Authority	17
2.4.1	Requirement	17
2.4.2	Delegations	17
2.5	Internal Controls	18
2.6	Risk Management	18
2.6.1	General.....	18
2.6.2	Supply by Contract	18
2.7	Contract Terms	18
2.8	Dispute Resolution	19
2.9	Contract Management	19
2.10	e-Procurement	19
3	Demonstrate Sustained Value.....	19
3.1	Integration with Council Strategy	19
3.2	Achieving Value for Money	20
3.2.1	Requirement.....	20
3.2.2	Approach	20
3.2.3	Role of Specifications	20
3.2.4	Applying and measuring value for money	21
3.2.5	Total cost of ownership.....	21
3.3	Performance Measures and Continuous Improvement	21
3.4	Corporate Social Responsibility	21
3.4.1	Social Procurement	22
3.5	Sustainability	23
3.5.1	General.....	23
3.5.2	Sustainable Procurement.....	23
3.6	Diversity	24
4	Apply a Consistent and Standard Approach.....	24
4.1	Standard Processes	24
4.2	Performance Indicators	25
4.3	Management Information	25
5	Build and Maintain Supply Relationships.....	25
5.1	Developing and Managing Suppliers	25
5.2	Supply Market Development	26
5.3	Relationship Management	26
5.4	Communication	26
6	Review Process.....	26
7	Policy Owner and Contact Details	26
8	Document Control.....	27

Appendix A **Definitions and Abbreviations** **28**

1 Principles

1.1 Background

Hindmarsh Shire Council recognises that:

- Developing a procurement strategy and adopting appropriate best practice contracting and procurement principles, policies, processes and procedures for all goods, services and works by and for Council, will enhance the achievement of Council objectives such as sustainable and social Procurement; bottom-line cost savings, supporting local economies; achieving innovation; and better services for communities.
- The elements of best practice applicable to local government procurement incorporate:
 - broad principles covering ethics, value for money, responsibilities and accountabilities, probity and transparency;
 - guidelines giving effect to those principles;
 - a system of delegations (i.e. the authorisation of officers to approve and undertake a range of functions in the procurement process); and
 - procurement processes, with appropriate procedures covering minor, simple procurement to high value, more complex procurement.

Council's contracting, purchasing and contract management activities endeavour to:

- support Council's corporate strategies, aims and objectives including, but not limited to those related to sustainability, protection of the environment, and corporate social responsibility;
- take a long-term strategic view of its procurement needs while continually assessing, reviewing and auditing its procedures, strategy and objectives;
- provide a robust and transparent audit trail that ensures that procurement projects are delivered on time, within cost constraints and that the needs of end users are fully met;
- are conducted, and are seen to be conducted, in an impartial, fair and ethical manner;
- achieve value for money and quality in the acquisition of goods, services and works by Council;
- ensure that risks are identified, assessed and managed at all stages of the procurement process;
- use strategic procurement practices and innovative procurement solutions to promote sustainability and value for money, in particular making use of collaboration and partnership opportunities;
- use social procurement to enhance sustainable and strategic procurement to effectively contribute towards building stronger communities and meeting the wider social objectives of Council; and
- comply with legislation, corporate policies or other requirements, ensuring that all staff responsible for procurement and contract management are aware of and adhere to the legislative requirements, Council standards and best practice.

1.2 Scope

This Procurement Policy is made under Section 108 of the *Local Government Act 2020 (the Act)*. The Act is the key legislative framework that regulates the process of all local government procurement in Victoria. Section 108 of the Act 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 Council.

This policy applies to all contracting and procurement activities at Council and is binding upon Councillors, Council staff and temporary employees, contractors and consultants while engaged by Council.

The Act, Council's Procurement Policy and Council's documented contract management processes are the primary reference points for how all procurement are to be performed.

1.3 Purpose

The purpose of this Policy is to:

- provide policy and guidance to Council to allow consistency and control over Procurement activities;
- demonstrate accountability to ratepayers;
- provide guidance on ethical behaviour in public sector purchasing;
- ensure continuous improvement in the provision of services for the community;
- ensure that Council resources are used efficiently and effectively;
- demonstrate the application of elements of best practice in purchasing; and
- increase the probability of obtaining the right outcome when purchasing goods and services.

1.4 Treatment of GST

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

2 Effective Legislative and Policy Compliance and Control

2.1 Ethics and Probity

2.1.1 Requirement

This Policy represents the principles, processes and procedures that will be applied to the purchase of all goods, services and works by Council. The scope of this Policy commences from when Council has identified a need for procurement requirements through to the delivery of goods or completion of works or 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.

2.1.2 Conduct of Councillors and Council Staff

Councillors and Council staff (and all persons engaged in procurement on Council's behalf) must 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;
- comply with the respective codes of conduct;
- 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.

2.1.3 Tender Processes

All tender processes shall be conducted in accordance with the requirements of this policy and any associated guidelines and procedures, relevant legislation, relevant Australian Standards and The Act.

2.1.4 Conflict of Interest

Councillors and Council staff must avoid situations in which private interest's conflict, or might reasonably be thought to conflict, or have the potential to conflict, with their Council duties.

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, plus 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 or the chairperson of the relevant tender assessment panel or board aware and allow them to decide whether the officer should continue to be involved in the specific Procurement exercise.
- **Observe** prevailing Council and Victorian Local Government guidelines 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.

2.1.5 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, manufacturing and product information.

2.1.6 Gifts, Benefits and Hospitality

No Councillor or member of Council staff shall, either directly or indirectly solicit or accept gifts or hospitality from any member of the public involved with any matter that is connected with the duties of the officer, or in which Council is interested.

Councillors and Council staff must not accept gifts, benefits or hospitality from contractors or their representatives, or from organisations, firms or individuals with whom they have official dealings. Councillors and Council staff must 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 (no matter how slight the evidence available), must be promptly brought to the attention of the CEO.

2.1.7 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 are to protect, by refusing to release or discuss the following:

- allocated Council budgets for proposed tenderers, unless included in tender documents;
- information disclosed by organisations in tenders, quotation or during tender negotiations;
- all information that is Commercial in Confidence information; and
- pre-contract information including but not limited to information provided in quotes and tenders or subsequently provided in pre-contract negotiations.

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. Such discussions must only occur with the Contract Manager.

2.2 Governance

2.2.1 Structure

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 Council;
- ensure that 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;
 - provides prospective contractors and suppliers an equal opportunity to tender/quote;
 - encourages competition.

2.2.2 Standards

Council's procurement activities shall be carried out to the professional standards required by best practice and in compliance with:

- The Act,
- Council policies procedures and guidelines,
- Council's Codes of Conduct,
- Local Government Best Practice Procurement Guidelines
- Other relevant legislative requirements such as but not limited to the *Goods Act (1958)*, the relevant provisions of the *Competition and Consumer Act 2010* and the *Environmental Protection Act 2018*. Procurement operations are consistent with prescribed rights and responsibilities and they respect the 20 fundamental rights within the *Victorian Charter of Human Rights and Responsibilities Act 2006*.

2.2.3 Methods

Council's standard methods for purchasing goods, services and works shall be by some or all of the following methods:

- 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 contract following a tender process
- under panel contract following a tender process;

- using collaborative or aggregated purchasing arrangements with other Councils, Procurement Australia, the Municipal Association of Victoria (Vendor Panel), and other State and Federal Government Agency or Department Purchasing Panels. Utilising this method would not require Council to go to market.
- contracts entered into under an arrangement approved by the Minister for LG;
- other arrangements authorised by Council or the CEO on a needs basis as required by abnormal circumstances such as emergencies

Council may, at the CEO's discretion and based on the complexity and cost of the project, conduct one stage or multi-stage tenders.

Council may also choose to seek Requests for Information or Requests for Proposals as a precursor to the tender process.

2.2.4 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 delegation.

Purchases must not be split to fit within their financial delegation or to avoid requirements under this procurement policy for quotations and tenders. Council staff that breach their delegated authority may face action under Council's Discipline and Termination Policy. The decision to initiate disciplinary action or other action will be taken by the CEO based on a recommendation by the Director Corporate & Community Services following consultation with the relevant Director or Executive Manager.

Council staff must not disclose allocated tender budgets to suppliers.

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.

2.3 Procurement Processes and Thresholds

2.3.1 Process

Council procurement processes are based on a number of principles:

- **Value for Money**

The benefits of the purchase are weighted against the costs necessary for the optimum result for Council and the local community. Council is not required to accept the lowest tender. Instead, Council is required to consider issues of quality, cost, the accessibility of the service and other factors relevant to the overall objectives of the *Local Government Act 2020*.

Value for Money is often mistaken for meaning the lowest price, however, in terms of the procurement process, Value for Money requires us to balance quality and price with as

much transparency as is reasonably achievable. In this context price should take into account the whole-of-life cost of the provision.

Achieving Value for Money 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 value for money must be the basis of all procurement decisions within the Council.

- **Open and Fair Competition**

All suppliers are treated fairly in an open and transparent manner and have access to the same information. During a public tender process, all prospective providers must be afforded an opportunity to tender.

The commercial interests of suppliers and potential suppliers must be protected.

Late tenders will not be accepted under any circumstances.

- **Accountability**

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 Council's procurement policies and procedures as set out in this policy and related, relevant Council policies and procedures.

Additionally:

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

- **Risk Management**

Council will manage all aspects of its procurement processes in accordance with its adopted risk management policy and in such a way that all risks, including occupational health and safety are identified, analysed, evaluated, managed, monitored and communicated.

- **Probity and Transparency**

Councillors and members of staff (and all persons engaged in procurement on Council's behalf) must exercise the highest standards of integrity in a manner able to withstand the closest possible scrutiny. All members of staff have an overriding responsibility to act impartially and with integrity, avoiding conflicts of interest.

- **Expression of Interest**

An Expression of Interest (EOI) is an invitation process involving the marketplace, to provide information to Council, where Council wishes to consider ahead of formal tender processes such issues as whether:

1. Those suppliers likely to tender possess the necessary technical, managerial and financial resources to successfully complete the project; the requirement is complex, difficult to define, unknown or unclear.
2. The requirement is capable of several technical solutions;
3. Tendering costs are likely to be high and Council seeks to ensure that companies incapable of supplying the requirement don't incur unnecessary expense;
4. It is necessary to pre-qualify suppliers and goods to meet defined standards; or
5. The requirement is generally known but there is still considerable analyses, evaluation and clarification required (both of the objective and solution).

This process may in turn lead to a request for tender or request for quotation process, or directly to a negotiation with one or several preferred suppliers.

The actual EOI is submitted from the marketplace to Council in response to the EOI invitation.

The key document involved in an EOI process is the scoping document. This scoping document outlines the type of information Council is seeking and must be:

1. In writing
2. Clear and unambiguous
3. Prepared by persons (staff or third party) with sufficient expertise to prepare the scoping specifications, and
4. Address evaluation criteria that may be used should a formal request for quotation or request for tender follow the initial EOI.

- **Panel Contracts**

Contractors may be engaged through the use of panel contracts which Council has put in place. Supplier panels may be appointed by Council after a publicly advertised tender process has taken place.

Purchases may be made directly from the supplier panel to source goods, services of works. A supplier, consultant and / or contractor listed on an approved supplier panel has been assessed against a value for money criteria for inclusion on a preferred supplier panel arrangement.

- **Collaborative Procurement**

In accordance with s 108(c) of the *Local Government Act 2020*, Council will give consideration to collaboration with other Councils and public bodies or utilise collaborative procurement arrangements, when procuring goods, services or works. This may be done by assessing:

- The nature of the opportunities available (if any), and the councils or public bodies with whom they are available; and
- Whether the identified opportunities should be perused

Council may collaborate with other councils or use other agents (such as MAV Procurement or Procurement Australia) to procure goods, services and works or utilise existing collaborative procurement arrangements for the procurement of goods, services or works established through a public tender process where it provides an advantageous value for money outcome for Council.

2.3.2 Minimum Spend Competition Thresholds

Any Council procurement under the thresholds must comply with Council's own policy, guidelines and procedures.

Council will from time to time decide and publish in this policy clear guidelines for minimum spend competition thresholds. These will be decided by Council by analysing the historical size and complexity of the procurement activity and of proposed procurement activities.

2.3.2.1 Cumulative Spend

Council has a cumulative spend competition threshold. A cumulative spend competition threshold is where spend with any one supplier or any one product category is at risk of exceeding the threshold for public tender, unless exempt.

2.3.2.2 Tenders

Purchase of all goods, services, building and construction works for which the estimated expenditure exceeds \$200,000 (exclusive of GST) or cumulative spend threshold (as defined in sub-section 2.3.2.1.) over a 12 month rolling period is expected to exceed \$200,000, must be undertaken by public tender, except that these limits shall not apply for the supply of fuel for plant and vehicles provided that:

- Arrangements entered into must satisfy an approved Ministerial arrangement under s108(3)(d) of the *Local Government Act 2020* which provides for exemption from other provisions of s108 of *the Act* requirements for public tendering by a Council, and
- The Chief Executive Officer must consider price and any detrimental effect on local businesses of any contract entered into, before entering into such a contract.

However, should the CEO consider that the nature of the requirement and the characteristics of the market are such that the public tender process would lead to a better result for Council, public tenders may be called for purchase of goods, services and works for which the estimated expenditure is below these thresholds.

2.3.2.3 Quotations

Purchase of goods, services and construction works having a total valuation of \$200,000 (exclusive of GST) or less may be undertaken using the procurement by quotation method as described below:

- **Items with a value up to \$1,000 – does not require a written quotation.**
A minimum of one verbal quotation must be obtained. For purchases less than \$100, no purchase order is required however an itemised tax invoice must be obtained.
- **Items with a value up to \$10,000 – Request for Quotation.**
A minimum of one written (including email/fax) quotation must be obtained or a preferred supplier used. The details must be recorded before placing an order (similar details must be recorded where more than one supplier has quoted) and documented in Council's Electronic Document and Records Management System (**EDRMS**).
- **Items with a value \$10,001 to \$30,000 – Request for Quotation.**
Council will request a minimum of two written (including email/fax) quotations.

The quotation offering the best value for money must be confirmed by the supplier on company letterhead or with an email signature and the order placed with that firm.

Details of the suppliers contacted and their quotations must be recorded on at least a simple spreadsheet or similar document in Council's EDRMS.

- **Items with a value \$30,001 to \$125,000 – Request for Quotation.**

Council will receive a minimum of three written quotations by issuing a written Request for Quotation.

Public advertising is not required.

Quotations returned by the nominated closing date must be evaluated and a recommendation made in favour of the supplier offering the best outcome.

The original suppliers' quotations must be maintained in Council's records system.

- **Items with a value \$125,001 to \$200,000 – Public Advertising.**

Purchases of \$125,001 and over must be publicly advertised unless prior approval from the Chief Executive Officer is sought to receive a minimum of three written quotations by issuing a written Request for Quotation instead.

Quotations returned by the nominated closing date must be evaluated and a recommendation made in favour of the supplier offering the best outcome.

The original suppliers' quotations must be maintained in Council's records system.

- **Public Advertising.**

Quotations may be advertised at the Chief Executive Officer's discretion in addition to the methods above. This may occur when a field of potential tenderers has not been established, or an innovative approach is required, or the project has broad appeal that may attract keen prices, etc.

Table Summary;

Procurement Value (excluding GST)	Minimum Market Engagement	Payment Method	Record Keeping
\$0 to \$1,000	1 Verbal Quotation	Petty Cash (\$100 limit) Purchase Order \$100 and above	No purchase order required for amounts under \$100 however tax invoice essential
\$1,000 to \$10,000	1 Written Quotation	Purchase Order	Written Quote/s must be saved in Council's records system for Audit purposes
\$10,001 to \$30,000	2 Written Quotations		
\$30,001 to \$125,000	3 Written Quotations		

\$125,001 to \$200,000	Public Advertising unless approval from CEO for 3 Written Quotations		In accordance with Council's Procurement Procedure
\$200,001 and over*	Public Advertising and Tenders		

*Including Cumulative Spend Threshold.

2.3.3 Exceptions to obtaining quotations

The required number of quotations must be obtained in all circumstances except for:

- Emergency response, relief or recovery and public safety situations requiring immediate action including urgent medical attention.
- Plant and equipment servicing and genuine parts and similar under warranty.
- Legal services.
- Labour Hire.
- Electoral or valuation services.
- Specialist knowledge and skill or sole supplier of intellectual property.
- Information technology resellers and software developers.
- Conferences, Training Courses, Seminars, Information Forums.
- Insurance.
- Sole supplier services such as Utility providers (power and water).
- Vehicle suppliers where the only option is for central online quotations.
- At Council or the Chief Executive Officers discretion in accordance with section 2.3.4.

2.3.4 Chief Executive Officers Discretion

Where a member of Council staff has taken all reasonable steps to comply with this policy and its associated procedures but is unable to meet requirements the Chief Executive Officer can use discretion in the event of:

- An unforeseen urgency; or
- Where there is an inability to obtain sufficient quotations; or
- a strong preference for continuity of supply; or
- goods, services or works being of such a specialised nature that there are insufficient known suppliers from which to seek the required number of quotations; or
- other exceptional circumstances.

The Chief Executive Officer may, upon receiving a written explanation, give approval to not advertise or to seek less than the number of quotations required by section 2.3.2.3. All CEO exemptions are to be provided to the Audit and Risk Committee for notification.

2.3.5 Shared Services

Where Council has entered into Shared Services arrangement with one or more Councils, individual Councils will not be required to obtain tender/quotations. Tenders/quotations will be sought by the lead Council and approved according to the individual Council's Procurement Policy.

2.3.6 Statutory Payments

The Chief Executive Officer has authority to approve statutory payments (eg. Fire Services Levy, GST, fortnightly payroll expenses and deductions) to Government and Legislated authorities and in line with legislated requirements that are in excess of the Chief Executive Officer delegations.

2.3.7 Local Price Preference and Local Supply/Local Jobs First

Council wishes to maintain and encourage the development of local industry and commerce including local employment. Council's preference is to source goods locally from suppliers and contractors within the Prescribed Local Area and Prescribed Regional Area and will provide a price weighting preference for Local Supply/Local Jobs First.

A price preference will apply to quotations and tenders invited by the Hindmarsh Shire Council, for the supply of goods, services and works, unless Council Officers resolve that this does not apply to a particular quotation or tender.

For Prescribed Local Contractors/Suppliers located in a **Prescribed Local Area**, a 2.5% price preference reduction will be weighted. For Prescribed Regional Contractors/Suppliers located in a **Prescribed Regional Area**, a 2.5% price preference reduction will be weighted.

Where a Prescribed Contractor/Supplier falls under both **Prescribed Local Area** and **Prescribed Regional Area**, they will receive a combined 5% weighting for price preference.

A summary of weighting Council will use during the tender process;

Criteria	Description	Weighting
Local Supply / Local Jobs First	Percentage of Goods, Services or Works sourced from within the Prescribed Area*	2.5%
	Permanent staff based within the Prescribed Local Area	1.5%
	Employment of trainees and apprentices from within the Prescribed Local Area	1.0%
Prescribed Contractor/Supplier	Principal Place of Business (permanent office in the Prescribed Local Area for a period of at least 6 months)	2.5%

	Principal Place of Business (permanent office in the Prescribed Regional Area for a period of at least 6 months)	2.5%
--	---	------

*Majority of goods, materials and services sourced from Prescribed Areas. Goods, materials and services may only be sourced from outside the Prescribed Area where Local Supply isn't available. Where Local Supply is sourced from outside the Prescribed Area, Australian made and manufactured products and services will be favoured over imported.

If in the opinion of Hindmarsh Shire Council a Contractor/Supplier has deliberately provided false or misleading information so as to benefit from this preference, their quotation/tender may be considered non-conforming and as such may be excluded from the evaluation process.

Please see Appendix A for further details on Prescribed Local Area, Prescribed Regional Area, Prescribed Local Contractor/Supplier, Prescribed Regional Contractor/Supplier and Prescribed Area.

2.3.8 Total Cumulative Spend

Care should be taken when reviewing the limits at 2.3.2.1 and 2.3.2.2 (above). In order to comply with the requirements of the Act where significant sums are spent in aggregate with one supplier or on one service, it is necessary to structure procurement proposals (as requests for tenders, quotations or prices), in order to achieve greatest value and supplier performance by leveraging this cumulative spend, rather than treating each discrete arrangement as a separate procurement exercise. Council has determined that the cumulative expenditure to a supplier or for a specific product/service for a rolling period of three (3) years is to be taken into account unless the exemption is approved by the Chief Executive Officer.

Should the Chief Executive Officer consider that the nature of the requirement and the characteristics of the market are such that the public tender process would lead to a better result for the Council, public tenders may be called for purchase of goods, services and works for which the estimated expenditure is below the thresholds set under this Policy.

2.4 Delegation of Authority

2.4.1 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 Council to conduct procurement activities in an efficient and timely manner whilst maintaining transparency and integrity.

2.4.2 Delegations

Council shall maintain a documented scheme of procurement delegations to the CEO to make procurement commitments in respect of goods, services and works on behalf of the Council. The CEO may sub-delegate these functions to Council staff in an Instrument of Delegated Staff Purchase Authorities.

2.5 Internal Controls

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.
- Maintain all records relevant to administering this Policy in accordance with the *Public Records Act 1973 (Vic)*.

Council will develop and maintain a Contract Management Manual to provide guidance to staff on all operational aspects of procurement. The manual will include all checklists and forms required in Council's procurement process.

2.6 Risk Management

2.6.1 General

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.

2.6.2 Supply by Contract

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

- standardising contracts to include current, relevant clauses;
- requiring security deposits where appropriate;
- referring specifications to relevant experts;
- implementing a robust, systematic and unbiased tender evaluation and due diligence process;
- requiring contractual agreement 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.

2.7 Contract Terms

All contractual relationships must be documented in writing based on standard terms and conditions. Where this is not possible, approval must be obtained from the appropriate member of Council staff listed in the Council Delegations.

To protect Council's best interests, terms and conditions must be settled in advance of any commitment being made with a supplier. Any exceptions to doing this expose Council to risk and thus must be authorised by the appropriate member of Council staff listed in the Council Delegations.

2.8 Dispute Resolution

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

2.9 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 system monitoring and meeting the responsibilities and obligations of both parties under the contract; and
- 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.

All Council contracts are to include contract management requirements. 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 Council receives value for money.

2.10 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. Council may use e-procurement to:

- reduce transaction costs;
- achieve greater leverage;
- improve audit trail for internal control, compliance and accountability;
- make processes more efficient;
- improve management information and visibility of spend;
- increasing control and consistency of processes, and
- improve spend compliance.

3 Demonstrate Sustained Value

3.1 Integration with Council Strategy

The Council procurement policy shall support its corporate strategy, aims and objectives, including but not limited to those related to sustainability, protection of the environment, corporate social responsibility and meeting the needs of the local community such as:

- feeling safe,
- living in a clean and pleasant environment, and
- receiving good quality and well managed Council services that are value for money

3.2 Achieving Value for Money

3.2.1 Requirement

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 consistent with acceptable quality, reliability and delivery considerations.

Lowest price is not the sole determinant of value for money and it is a balanced judgement of financial and non-financial factors relevant to the procurement. Value for money must be taken into account for all procurement activities Council engages.

3.2.2 Approach

This will be facilitated by:

- developing, implementing and managing procurement strategies that support the co-ordination and streamlining of activities throughout 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 (e.g. e-Procure);
- Council staff responsible for providing procurement services or assistance within the Council providing competent advice in terms of available products and agreements;
- working with suppliers to create relationships that are professional and productive, and are appropriate to the value and importance of the goods, services and works being acquired.

3.2.3 Role of Specifications

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

- ensures impartiality and objectivity;
- clearly defines Council's requirements;
- encourages the use of standard products;
- encourages sustainability;
- eliminates unnecessarily stringent requirements.

3.2.4 Applying and measuring value for money

Value for money takes into account a wide range of factors such as quality, costs and resources, fitness of purpose, timelines and risk. Financial and non-financial factors are both critical elements for measuring value for money. The key elements of the value for money procurements process is;

- analysis
- stakeholders
- market engagement
- innovation
- delivery
- reporting

3.2.5 Total cost of ownership

Calculating the total cost of ownership includes a 'whole of lifecycle' analysis taking into account the costs of acquiring, operating, maintaining and disposing. Total cost of ownership involves all costs associated with ownership (calculated over whole of life of procurement and contract cycle) including residual / salvage values.

For high risk and high value projects spanning over a number of years, it may be necessary to analyse cash flow taking into account net present value, return on investments and internal rate of return into the total cost of ownership calculation as well as other financial indicators.

3.3 Performance Measures and Continuous Improvement

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

Procurement procedures, practices and costs will be benchmarked externally. Internal service standards will be agreed within 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;
- facilitate programs to drive improvement in procurement to eliminate waste and inefficiencies across key spend categories.

3.4 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 Council maximising the benefits of the services it provides across the community and minimising the negative aspects of its activities.

Council integrates CSR into its organisational policies and practices through social procurement, sustainability and diversity.

3.4.1 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 effectively contribute towards building stronger communities and meeting the social objectives of the Council.

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;
- purchasing ethical and fair trade goods to support equitable, local, national and international trade;
- supporting procurement from local businesses (please see 2.3.7 local and regional preference for further information).

Council will include in its tender process, where applicable, a weighting of two and a half percent (2.5%) for social procurement practices when engaging Contractors/Suppliers.

Criteria	Description	Weighting
Social Procurement	Employment of Aboriginal people and purchasing goods, services and works from Aboriginal Businesses*.	1.0%
	Contractors/Suppliers employing people with a disability or disadvantaged people such as long term unemployed, single parents, migrants and refugees etc.	0.5%
	Engaging Contractors/Suppliers that promote gender equality, provide training and services in relation to family violence, mental health etc.	1.0%

*Please see Appendix A for further details.

3.5 Sustainability

3.5.1 General

Council is committed to achieving sustainability and ensuring it monitors and reports on Council activities and programs that have an impact on or contribute to the environment, including but not limited to the following:

- waste management;
- recycling;
- energy management;
- emission management;
- water conservation;
- green building design; and
- environmentally sustainable procurement.

3.5.2 Sustainable Procurement

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

In addition, 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. Council aims 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 Fairtrade, or equivalent, and ethically sourced and produced goods and services;
- working with local suppliers to ensure they are encouraged to bid for Council's business in line with the Procurement Policy and Regional Price and Local Supply (please see 2.3.7 for further details);
- 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 our suppliers do the same;
- training all Council staff on sustainability considerations within the procurement process.

Council will include in its tender process, where applicable, a weighting of two and a half percent (2.5%) for environmentally sustainable practices and content when engaging Contractors/Suppliers.

Criteria	Description	Weighting
Sustainable Procurement	Percentage of sustainable content in the delivery of the Goods, Services or Works.	1.5%
	Documented evidence of the organisation's commitment to its own environmental performance. This may include policies, initiatives and environmental management systems.	1.0%

3.6 Diversity

Promoting equality through procurement can improve competition, value for money, the quality of public services, satisfaction among users, and community relations. It should be a consideration in every procurement project and reflect corporate commitment to diversity and equal opportunities wherever possible.

4 Apply a Consistent and Standard Approach

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

4.1 Standard Processes

Council will provide effective commercial arrangements covering standard products and provision of standard services across the Council to enable employees to source requirements in an efficient manner.

This will be achieved via establishing the following:

- pricing where relevant;
- processes, procedures and techniques;
- tools and business systems (e.g. implementing appropriate e-tendering, e-evaluation; e-catalogue or e-sourcing arrangements);
- reporting requirements;
- application of standard contract terms and conditions.

4.2 Performance Indicators

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

- the proportion of spend against corporate contracts;
- user and supplier satisfaction levels;
- knowledge and skill of Council employees in procurement process;
- level of compliance and understanding of Council procurement policies;
- measuring the success of procurement initiatives e.g. procurement cards.

4.3 Management Information

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

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
- Supplier reports

5 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 value for money in terms of time, expertise, cost, value and outcome.

5.1 Developing and Managing Suppliers

Developing and managing suppliers is essential to achieving a competitive market capable of delivering 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 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 creates mutually advantageous, flexible and long term relations based on the quality of performance and value for money.

5.2 Supply Market Development

A wide range of suppliers should be encouraged to compete for Council work. The focus for 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 sized enterprises (SMEs)
- Social enterprises
- Ethnic and minority business
- Voluntary and community organisations

5.3 Relationship Management

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

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

5.4 Communication

External communication is very important in ensuring a healthy interest from potential suppliers and partners. Council will use its website and local media to promote forthcoming contract opportunities.

6 Review Process

Council endeavours to continually improve its procurement performance such that all relevant policies, guidance and training are continually reviewed and updated.

7 Policy Owner and Contact Details

Responsible Officer: Director Corporate & Community Services
Adopted by Council: 03 April 2024
Review Date: 03 April 2026

For further information on this policy, please contact via email: info@hindmarsh.vic.gov.au or phone **03 5391 4444**.

8 Document Control

Procurement Policy		Policy Category	Council
Version Number	1.4	Policy Status	Approved
Approved/Adopted By	Council	Approved/Adopted on:	3 April 2024
Prepared By	CEO		
Version History	Date	Version	Descriptions
	7 February 2018	1.0	Creation of Policy
	16 December 2020	1.1	Update of Policy
	4 August 2021	1.2	Review of Policy to comply with new LGA 2020
	27 July 2022	1.3	Update of Policy
	3 April 2024	1.4	Update of policy and revision of cumulative spend provisions.

Appendix A Definitions and Abbreviations

Term	Definition
Aboriginal Business	An entity where an Aboriginal person has direct control and management of at least 50% of the business. E.g. a Director in a Company, Partner in a Partnership etc.
Act / The Act	<i>Local Government Act 2020.</i>
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.
Council Staff	Includes full-time and part-time Council staff, and temporary employees, contractors and consultants while engaged by Council.
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 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.
Prescribed Local Area	Municipal areas of Hindmarsh Shire Council
Prescribed Regional Area	Municipal areas of Hindmarsh Shire Council, Yarriambiack Shire Council, Horsham Rural City Council, Northern Grampians Shire, West Wimmera Shire Council and Buloke Shire Council.
Prescribed Local Contractor/Supplier	Contractor or supplier located within the municipal areas of Hindmarsh Shire Council.
Prescribed Regional Contractor/Supplier	Contractor or supplier located within the municipal areas of Hindmarsh Shire Council, Yarriambiack Shire Council, Horsham Rural City Council, Northern Grampians Shire, West Wimmera Shire Council and Buloke Shire Council.
Prescribed Area	means either the Prescribed Local Area or the Prescribed Regional Area.
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.

Sustainability	Activities that meet the needs of the present without compromising the ability of future generations to meet their needs.
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.
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.
Thresholds	The value above which a procurement, unless exempt, is subject to the mandatory procurement procedures prescribed under this policy as outlined by Section 108 of <i>the Act</i> .
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
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
Value for money	Value for money in Procurement is about selecting the supply of goods, services and works taking into account both cost and non-cost factors including: <ul style="list-style-type: none"> • contribution to the advancement of 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.