

District Council of Peterborough



Amalgamated 1997

**DISTRICT COUNCIL
of
PETERBOROUGH**

Procurement Policy



DISTRICT COUNCIL of PETERBOROUGH

PROCUREMENT POLICY

Adoption Reference:	Council Meeting 16/8/2021 Resolution 37/21
Applicable Legislation:	It is a legislative requirement under section 49 of the Local Government Act 1999 to adopt a Procurement Policy. This Policy is based on a model policy prepared by the Local Government Association – Procurement.
Version:	The electronic version of this document is the controlled version. Printed copies are considered uncontrolled. Before using a printed copy, verify that it is the current version.
Accessibility:	This Policy, and all Policies and By-Laws, are available for viewing, downloading or printing from Council's website: www.peterborough.sa.gov.au Hard copies can be provided in accordance with Council's Fees and Charges at the Council office at 108 Main Street, Peterborough, SA 5422 during ordinary business hours.
Grievances:	Any grievances in relation to this Policy or Code, or its application, should be forwarded in writing addressed to the Chief Executive Officer of Council.
Review Dates:	20/11/23, Res 112/23 Amended and Updated 15/06/20, Res 45/20 Revoked policy

1. PURPOSE

In compliance with Section 49 of the *Local Government Act 1999* (Act) and best practice principles in procurement, this Policy seeks to:

- Define the methods by which Council can acquire goods and services.
- Demonstrate probity, accountability, and responsibility of Council to all stakeholders.
- Be fair and equitable to all parties involved.
- Enable consistency of approach in the application of procurement processes, and
- Ensure that the best possible outcome is achieved for Council.

2. SCOPE

This Policy applies to all procurement activities undertaken in the acquisition of goods or services on behalf of Council, whilst giving due regard to financial thresholds outlined in the Procurement Thresholds - Clause 6 below, whether solicited by Council, or the result of an unsolicited proposal from the private or not-for-profit sectors, and whether transacted via a trading account or Council expense card.

This Policy does not cover:

- Non-procurement expenditures such as sponsorships, grants, funding arrangements, donations, and employment agreements.
- Real property acquisitions of land, buildings, or structures.
- The disposal of land and other assets, or
- Procurement processes during the Council Caretaker period. These will be conducted under the requirements of the Council's Caretaker Policy.

3. POLICY STATEMENT

Council is committed to implementing fair, transparent and competitive purchasing and contracting practices achieving optimum value for money outcomes aligned to the Council's strategic objectives, community expectations and the requirements of any special funding sources.

4. PROCUREMENT OBJECTIVES

Council is committed to achieving a range of objectives through its procurement processes that may be considered alongside achieving value for money outcomes. Such objectives should be supported by appropriate evaluation criteria and weightings and decisions of Council.

Procurement activities undertaken by Council can include the following objectives:

Objective 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 and contractors to enable them to quote or tender.

Objective 2 - Value for Money

Value for money outcomes can be achieved through balanced consideration of financial and non-financial factors relevant to the procurement.

The following factors should be considered:

- 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 and contractor.
- Fit 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 and costs.
- Risk exposure and WHS considerations.
- Prevailing market forces and trends.
- The value of any associated environmental benefits.
- Local economic development and social inclusion.
- Trade-in values, and
- Other relevant matters identified in specific procurement process documentation.

Objective 3 – Probity, Accountability and Transparency

All procurement shall be undertaken in a manner that ensures:

- Clearly established roles and responsibilities.
- Appropriate record keeping and documentation.
- Integrity through transparency of process and documentation of decisions made.
- Adherence to relevant legislation, policy, and procedure.
- Identification and management of actual or potential conflicts of interest. and
- Confidentiality of all commercial information.
- Included in Council's Annual Business Plan or approved by Council.

A Probity Advisor and/or Auditor may be appointed to advise on, or review, the procurement activity.

Objective 4 - Ethical Behaviour and Fair Dealing

All personnel involved in procurement activities are to:

- Behave with impartiality, fairness, openness, integrity, and professionalism.
- Provide all suppliers and contractors with equal opportunity to supply to Council.
- Establish clear and easy to understand documentation requirements, evaluation criteria and methodology.
- Provide consistent processes and constructive feedback on decisions upon request from suppliers and contractors, and
- Ensure effective communication and provision of information to all suppliers and contractors.

Objective 5 – Identification and Management of Risk

The Risk Assessment process should consider financial, supply, business, legal, management, reputations, probity, work health and safety, environmental, public safety, political and sensitive risks.

Risks relating to the procurement process may include:

- Procurement of unsuitable product or service.

- Funding (eg internal & external, impact on long term financial plan).
- Probity failure.
- Inappropriate or inadequate specification.
- Negotiation of agreement terms/failure to agree to terms.
- Actual or perceived breach of probity/confidentiality.
- Lack of responses/limited supplier participation, and
- Evaluation processes.

Risks relating to the engagement of the product/service provider may include:

- Supplier capability/capacity/availability.
- Agreement management/supervision.
- Price variations.
- Agreement disputes, and
- Unauthorised change in scope of work.

Risk Assessment

Council personnel 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 and contractor's capacity and capability to meet Council's requirements, and identify any other factors which might result in 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 and high-value 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 personnel will ensure that its procurement activities protect the health, safety and welfare of its workers, elected members, customers, and community.

- If the procurement of services, goods, materials or plant and equipment involves implications for work, health or safety, Council's Work Health & Safety & Risk Co-ordinator should also be consulted prior to such procurement, and
- Where appropriate, procurement evaluation must ensure an appropriately skilled person confirms all WHS requirements.

Objective 6 - Environmental Sustainability

Council promotes environmental sustainability through its procurement activities and will consider the purchase of environmentally sustainable goods and services that satisfy the value for money criteria when all other financial and commercial considerations are equal. This can be by:

- Purchasing recycled and environmentally preferred products where possible.
- Adopting purchasing practices which conserve natural resources.
- Aligning the Council's procurement activities with principles of ecological sustainability.
- Select products and services which have lower environmental impacts across their life cycle compared with competing products and services.
- Integrating relevant principles of waste minimisation and conservation of energy.

- Provide leadership to business, industry, and the community in promoting the use of environmentally sensitive goods and services, and
- Fostering the development of products and services which have a low environmental impact.

Objective 7 - Local Economic Benefit

Council recognises the significant impact that its operations play in the local economy yet is mindful of its requirement to provide optimum value for money outcomes through its procurement activities and achieve budget expectations.

Council will endeavour to, at its discretion and to the full extent permitted by law, support local businesses by:

- Promoting to local and regional businesses opportunities to supply to the Council.
- Giving preference to local business when all other commercial considerations are equal.
- Encouraging Aboriginal and Torres Strait suppliers and contractors to quote and tender.
- Giving preference to Aboriginal and Torres Strait, local and regional businesses when all other commercial conditions are equal to ensure local employment opportunities and economic stability and/or growth, and
- Considering economic and social inclusion elements such as employment creation and training opportunities specifically within the Council area.

Objective 8 - Social Impact

This refers to the intentional generation of social value through procurement processes that can occur through direct or indirect approaches, but is not limited to:

- Indigenous Suppliers and Contractors.
- People with a disability.
- Women in business, and
- Small to medium business.

Objective 9 - Effective Management of the End-to-End Procurement Lifecycle

The procurement lifecycle includes all of the steps and tasks within the procurement process, from needs identification and data gathering to contract management, delivery of goods or services and relationships with suppliers and contractors.

Council personnel 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 or services being acquired.

6. PROCUREMENT THRESHOLDS

Procurements are to be in accordance with Council's financial thresholds outlined below:

Value of Procurement	Market Approach Minimum Requirements	Market Approach Options	Agreement Type	Approver
Less than \$500	<ul style="list-style-type: none"> Direct Purchase Based on Advertised Price or Written Quotation 	<ul style="list-style-type: none"> Council's pre-qualified contractor register Council's existing panel arrangement or standing offer Direct approach ie email Verbal quote - must be supported by a level of written documentation 	<ul style="list-style-type: none"> Purchase Order Credit Card Petty Cash (\$50) Store Account Fuel cards 	<ul style="list-style-type: none"> As per Council Delegation Register
\$501 to \$5,000	<ul style="list-style-type: none"> Direct Purchasing for a confirmed price 	<ul style="list-style-type: none"> Council's pre-qualified contractor register Council's existing panel arrangement or standing offer Direct approach ie email 	<ul style="list-style-type: none"> Purchase Order Credit Card 	<ul style="list-style-type: none"> As per Council Delegation Register
\$5,001 to \$20,000	<ul style="list-style-type: none"> Request for Quotation (RFQ) Informal (minimum of two (2) written or recorded quotations) 	<ul style="list-style-type: none"> Council's pre-qualified contractor register Council's existing panel arrangement or standing offer Direct approach ie email 	<ul style="list-style-type: none"> Purchase Order 	<ul style="list-style-type: none"> As per Council Delegation Register
\$20,001 to \$100,000	<ul style="list-style-type: none"> Request for Quotation (RFQ) Formal (minimum three (3) written quotes) 	<ul style="list-style-type: none"> Council's pre-qualified contractor panel Council's existing panel arrangement or standing offer 	<ul style="list-style-type: none"> Purchase Order Services Agreement Works Agreement Goods Agreement 	<ul style="list-style-type: none"> As per Council Delegation Register <p>Where the Risk Assessment/ CEO determines that a tender is of commercial or community sensitivity, approval must be obtained by Council resolution</p>

Greater than \$100,001	<ul style="list-style-type: none"> Request for Tender (RFT) (Open or Select) 	<ul style="list-style-type: none"> Council's pre-qualified contractor panel Council's existing panel arrangement or standing offer SA Tenders and Contracts www.tenders.sa.gov.au 	<ul style="list-style-type: none"> Purchase Order Services Agreement Works Agreement Goods Agreement Contract 	<ul style="list-style-type: none"> As per Council Delegation Register <p>Where the Risk Assessment/ CEO determines that a tender is of commercial or community sensitivity, approval must be obtained by Council resolution.</p>
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The value of the procurement is calculated as follows:

- Single one-off procurement – the total amount, or estimated amount, of the procurement (excluding GST);
- Multiple procurements with the same supplier or contractor– the gross value, or the estimated gross value, of the procurements (excluding GST); or
- Ongoing procurements over time – the annual gross value, or the estimated annual gross value, of the procurements (excluding GST).

The value of a procurement or transaction is calculated across all elements of the procurement process including any agreement options, extensions, renewals, and contingencies (exclusive of GST) and should be considered in the planning phase of the project.

Splitting the value of the purchase into individual components to meet with lower value of Purchase Thresholds is not permitted.

If the Council enters into a strategic alliances procurement process under this policy (Strategic Alliances) then there will be no requirement for the Council to approach the wider market or enter into a separate RFT/RFQ as an open tender process has already been undertaken. Council can meet its procurement requirements through contractual arrangements established and administered by other organisations that demonstrate adherence to the requirements of this policy. The use by the Council of Strategic Alliances means that the methods of procurement set out in this policy will be undertaken pursuant to and in accordance with the arrangements set out under the Strategic Alliances.

7. CUMULATIVE SPEND

Cumulative Spend is identified as the estimated value of the total proposed purchase(s), including any agreement options, extensions and renewals (exclusive of GST), and potential cumulative value of the goods or services supplied over a period of time ie twelve (12) months against a supplier and contractor.

Cumulative Spend shall be monitored annually by Council to determine whether the appropriate procurement process has been undertaken and/or an alternative procurement method is required to be undertaken to comply with this policy.

8. PROCUREMENT STRATEGY AND RECORDS

The Council must record by way of preparing a Procurement Strategy that includes the written reasons for utilising a specific procurement method in each activity; where it uses a procurement method other than tendering; where a select tender process is used; evaluation assessment criteria; and risk assessment.

9. PROCUREMENT METHODS

The method of procurement will typically be documented in a Procurement Strategy, with reference to a number of factors including procurement complexity, value, risks, characteristics of the supply market, and Council's strategic objectives - and in accordance with procurement thresholds. Personnel with financial delegated authority to procure will be responsible for ensuring appropriate procurement practices and procedures, including the identification of risk are observed.

a. Direct Purchasing

- Direct purchasing is a procurement method undertaken by directly approaching and negotiating with one (1) supplier or contractor.
- Procurement method may be conducted where transactions are of low value and low risk.
- Prices should be tested for currency prior to awarding supplier or contractor to give consideration to Value for Money.

b. Purchase Orders

- This is where Council is purchasing routine, low value and low risk goods and services.
- Generally, Purchase Orders have limited terms and conditions and should not be used for non-routine, high value and high risk goods and services.

c. Request for Quotations (RFQ)

- This is where Council obtains quotations from prospective suppliers or contractors for the provision of low value, low risk goods and services.
- This method may be suitable for simple, largely price-based purchases.

d. Expressions of Interest (EOI)

- Expressions of Interest are useful when the number of suppliers or contractors, market size or the approach to solving a problem is largely unknown.
- Such a process can form the platform for a future Request for Tender for the goods and/or services required.
- Council should attempt to assess the market before conducting an EOI process and refine its requirements as much as possible to ensure responses are targeted appropriately.

e. Request for Tender (RFT)

- This is where the Council issues a tender for the goods or services required.
- Council may issue a "Select" Request for Tender where it has already issued an EOI, or where it has reasonable grounds for only dealing with a select group of potential suppliers or contractors.
- Otherwise, Council may issue an "Open" Request for Tender.

f. Panel Contracts

Council may establish its own panel arrangements with a select group of suppliers or contractors to increase efficient procurement of goods and services.

- Panels must be established following the principles of this Policy.
- Any panels must operate under an Agreement and managed for performance and on-going value for money opportunities.

g. Strategic Alliances

If the Council enters into a strategic alliances procurement process under this policy (Strategic Alliances) then there will be no requirement for the Council to approach the wider market or enter into a separate RFT/RFQ as an open tender process has already been undertaken. Council can meet its procurement requirements through contractual arrangements established and administered by other organisations that demonstrate adherence to the requirements of this policy. The use by the Council of Strategic Alliances means that the methods of procurement set out in this policy will be undertaken pursuant to and in accordance with the arrangements set out under the Strategic Alliances.

These include, but is not limited to:

- LGA Procurement
- A purchasing group of which the Council is a member
- Some State Government contracts, and
- Ad hoc alliances created with other Local Government entities.

10. EXEMPTIONS FROM THIS POLICY

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.

The authority to provide an exemption from using the required method of procurement will be delegated to the Chief Executive Officer or the relevant Manager in accordance with expenditure sub-delegations as prescribed in Council's Delegations Register. Reasons for any exemption to the procurement method must be documented and registered in Council's Electronic Document Records Management System

The Chief Executive Officer or Manager, in approving an exempt method, will consider the scale, scope and relative risk of the purchase, including the principles defined in this Policy.

A request for waiver of a competitive process should not be viewed as a mechanism to remove the need for rigorous procurement planning.

Situations where it may be appropriate to waive application of this policy are:

- There may be significant public risk if the procurement is delayed by process requirements, such as emergency situations threatening life and property.
- 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.
- Council purchases assets or goods at an auction up to \$100,000.
- Council purchases second hand assets or goods up to \$100,000.
- A supplier or contractor is evidenced to be a "sole supplier or contractor" in the market and effectively a niche specialist or monopoly, rendering the tender process redundant.
- A supplier or contractor who has considerable background knowledge and experience, or specialist expertise on that particular Council project or asset eg an extension of a previous project. In such circumstances, the procurement of assets, goods, or services on negotiated fees and terms through that supplier or contractor

alone may be deemed sound and advantageous to the project. This could include engaging the supplier or contractor on a retainer basis for a specialised period of time.

- Continuation of services under an existing purchasing arrangement (ie variations/extensions to existing purchase orders or agreements).
- Goods or services are being provided under an existing purchasing arrangement (ie warranty, servicing, maintenance or defects liability).
- Where knowledge, design and/or intellectual property is being retained to secure continuity of a staged initiative which may be disadvantaged (eg time, objective, financially) if subjected to a further competitive engagement process.

11. DELEGATIONS

Expenditure sub-delegations, detailing authorised purchases, purchasing limits and the ability to enter an agreement are prescribed in Council's Delegations Register.

This Policy also applies to any Committee of Council, or other delegated bodies with specific delegated authority to procure goods under its Terms of Reference. Where there is a conflict between the Terms of Reference and this Policy for the procurement of goods or services, this Policy will prevail.

FURTHER INFORMATION

Any complaint in relation this Policy or its application should be forwarded in writing addressed to the Chief Executive Officer, District Council of Peterborough, PO Box 121, Peterborough, SA 5422 or Email: council@peterborough.sa.gov.au

PROCUREMENT GLOSSARY

Procurement Strategy	A document that outlines the procurement methodology and sourcing strategy to be undertaken in a proposed procurement
Agreement	An agreement between two or more authorised persons on behalf of their organisations to perform or not perform a specific act that is enforceable in law. An agreement may be verbal, written or inferred by conduct.
Contractor	Is an individual or organisation that is formally engaged to provide goods or services for or on behalf of an entity. This definition does not apply to casual, fixed-term or temporary employees directly employed by the entity.
Direct Purchase	Procurement process undertaken by directly approaching and negotiating with one supplier or contractor without testing the market. This method is generally only appropriate for low value and low risk goods and services.
Emergency Situation	A situation where Council is required to remedy or make good damage incurred to Council property from a natural or man-made incident. The Chief Executive Officer has the authority to act in an Emergency Situation: goods and services in these instances may be purchased from a supplier or contractor without reference to the financial limitations provided in this Policy.
Expression of interest (EOI)	Used to identify suppliers and contractors interested in, and capable of, delivering the required goods or services. Potential suppliers and contractors are asked to provide information on their capability and capacity to do the work. It is usually the first stage of a multi-stage procurement process.
Goods	A physical or tangible item that does not include a labour component
Lifecycle cost	The total cost of an item or system over its full life. It includes the cost of development, production, ownership (operation, maintenance, support), and disposal, if applicable. Also referred to as whole of life cycle cost or total cost of ownership.
Local Supplier	A supplier or contractor which is beneficially owned by persons who are residents or ratepayers of the Council, or has its principal business within the Council area, or a business that substantially employs persons who are residents or ratepayers.
Market Approach	The process undertaken to inform the market of your requirements to obtain offers to meet your requirements.
Probity	Uprightness, honesty, proper and ethical conduct and propriety in dealings. It is often also used in government in a general sense to mean good process.
Procurement	A series of activities that are undertaken when purchasing goods and services, based on three key phases: planning, purchasing and contract management
Procurement process	The step-by-step process for the planning, establishment and contract management of small and large acquisitions.
Purchasing	The process by which an organisation contracts with another party to obtain the goods and services required to fulfil its business objectives.
Quotation/quote	An offer to supply goods and/or services, usually in response to an invitation to supply known as a request for quotation. Often used interchangeably with proposal, tender, bid and offer.
RFQ	A written process of inviting offers to supply goods and/or services involving simple documentation and a limited number of potential suppliers or contractors.
RFT	An invitation to supply or a request for offer against a set of clearly defined and specified requirements. Invitees are advised of all requirements involved including the conditions of participation and proposed contract conditions.
Services	The performance of a task, duties or work for another, by an individual or an organisation, which normally involves the provision of labour and/or professional services.
Supplier	A person or entity that provides goods or service to the Council.
Total Cumulative Spend	The total expenditure with a supplier or contractor or a number of suppliers or contractors over a set time period providing similar goods or services of an ongoing nature
Value for money	Achieved in procurement by finding the optimum balance of financial and non-financial factors including whole of life cost (lifecycle cost).