

2.2 Governance

2.2.1 Structure

The Council shall:

- establish a procurement management responsibility structure and delegations ensuring accountability, traceability and auditability of all Procurement decisions made over the lifecycle of all goods, services and works purchased by the Council;
- ensure that the Councils Procurement structure:
 - obtains value for money
 - is flexible enough to purchase in a timely manner the diverse range of material, goods, works and services required by Council;
 - ensures that prospective contractors are afforded an equal opportunity to register as an approved preferred contractor;
 - encourages competition.

2.2.2 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 delegations. (Refer to 2.4.1 and 3.4.1)

Council staff must not disclose allocated procurement activity 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 Thresholds and Competition

Our economic system relies on firms competing for business so that prices are truly determined by the market. Competition rewards those firms that innovate and strive to deliver the best value for money. Conversely, firms that are less efficient and fail to respond to the needs of customers will not prosper. Market economies need strong regulations to counter the temptation for inefficient suppliers to collude and undermine the competitive process.

2.3.1 Requirement

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

Where a Purchase Order is used, it must be raised prior to the purchase being made following the required quotation process (according to the level of expenditure as reflected in Table 1).

2.3.2 Approved Methods

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

- petty cash;
- corporate credit card;
- purchase order which must be raised prior to the purchase being made, following a quotation process;
- under contract following a tender process; or quotation processes; or
- Group Purchasing Schemes - where the Council is satisfied that Value for Money requirements have been satisfied, under purchasing schemes including collaborative purchasing arrangements with other Councils and commercial schemes such as provided by MAV Procurement or Procurement Australia; or
- unless arrangements otherwise authorised by the Council or the CEO on a needs basis are required by abnormal circumstances such as emergencies.

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

Typically, a multi-stage tender process will commence with an expression of interest stage followed by a tender process involving the organisations selected as a consequence of the registration of interest stage.

Expressions of Interest (EOI) may be appropriate where:

- the requirement is complex, difficult to define, unknown or unclear;
- the requirement is capable of several technical solutions;
- the Council wishes to consider ahead of formal tender processes such issues as whether those tendering possesses the necessary technical, managerial and financial resources
- to successfully complete the project;
- tendering costs are likely to be high and Council seeks to ensure that companies incapable of supplying the requirement don't incur unnecessary expense;
- it is necessary to pre-qualify suppliers and goods to meet defined standards; and
- the requirement is generally known but there is still considerable analysis, evaluation and clarification required (both of the objective and the solution).

2.3.3 Appointment of an Agent for Procurement

In consideration of the appropriate Procurement process to follow, Council may join with other Councils as a defined group, based on similar requirements for products, goods or services. In doing so, Council may nominate to appoint another council to act as Council's Agent or for Council to act as Agent for other Councils.

Council is able to access contracts from State Government, Municipal Association of Victoria Procurement (MAVP) and Procurement Australia (PA) via Approval of Arrangements (section 186(5)(c) of The Act). This means that Council can utilize the rates and suppliers established under any existing State Government, MAVP or PA contract without the requirement to complete the formal agency appointment process. This does not negate the requirement for financial approval dependent on delegation limits.

Where Council requires an Agent to act on Council's behalf for the Tendering process, governance arrangements will be required including;

- Formal appointment of the Agent;
- Review of the Specification to meet Council's requirements; and
- Advice to the Agent of Council's Procurement Policy requirements including evaluation criteria, Tender panel and weightings to the criteria.

2.3.4 Minimum Spend Competition Thresholds

Purchase of all goods and services for which the estimated expenditure exceeds \$150,000 (inclusive of GST) or \$200,000 (inclusive of GST) for contracts for the carrying out of works, must be undertaken by public tender.

However, this does not preclude the tendering for contract works of lesser amounts should this be in the best interests of a value for money outcome.

In addition, where there is a possibility that the service being provided may exceed the threshold, then it should also be tendered.

For example, the number of rates assessments grows each year as new subdivisions come on line. If the current cost of the contract is \$45,000 per year (\$135,000 over 3 years), based on current volumes, it could easily exceed \$150,000 over three years with additional growth in the Shire.

The level of expenditure in accordance with the following table determines the appropriate procurement methodologies. Staff should consider the total value of the procurement for an ongoing commitment. Tenders should be called for all high-risk procurement no matter what the expenditure level.

TABLE 1

EXPENDITURE LEVEL INC GST	VERBAL QUOTE	GROUP PURCHASING SCHEME (refer to 2.3.2)	WRITTEN QUOTE	PUBLIC TENDER	APPROVED METHODOLOGY
<\$100	1				Petty Cash Corporate Credit Card
\$100 to \$5,000	1	Yes	Optional		Corporate Credit Card Purchase Order
\$5,000 to \$25,000	2	Yes	Optional	Optional	Purchase Order Contract
\$25,000 to \$150,000 Goods/Services		Yes	3	Optional	Purchase Order Contract
\$25,000 to \$200,000 Works		Yes	3	Tender Optional. If not, contractors must be registered as approved contractors	Purchase Order Contract

>\$150,000 Goods/Services				Yes Required by s186 of the LGA	Purchase Order and Contract
>\$200,000 Works				Yes Required by s186 of the LGA	Contract

For the purposes of the table above the expenditure levels (inclusive of GST) are calculated as follows:

- for single one-off purchases shall be the value of, or estimated value of the purchase
- for multiple purchases shall be the gross value of, or estimated gross value of all items to be purchased
 - i.e. buying 30 computers at \$2,000 each is not to be considered 30 separate one-off purchases, but is to be viewed as a spend of \$60,000, therefore requiring 3 written quotes, a public tender, or use of a group purchasing scheme
- for ongoing purchases over a period of time shall be the annual gross value of, or estimated annual gross value of purchases
 - i.e. hire of water carts over a 6-month period for different work sites around the Shire should be considered as one purchase of the same nature
- for contracts spanning a number of years, the value of the expenditure is the total estimated spend for all years specified for the service, including any optional extension periods.

It is unacceptable to divide a particular procurement or procurement phase into separable parts or use a particular method for calculating the estimated total value of procurement for the purpose of circumventing an approach to the open market.

Verbal quotations

Quotations must be sought as per Table 1, and details recorded in Council's corporate system, Authority, when raising the purchase order. Where only one quote is required, the receipt of purchase is sufficient for recording purposes.

Written quotations

When written quotations are sought, details must be stored in Council's corporate record system, Authority, when raising the purchase order.

Council will endeavor to obtain at least one quote from a local supplier wherever possible. (refer to 4.1)

Insufficient quotations

The situation may arise where insufficient quotations are received to satisfy the above requirements. This may occasionally occur where there are few local suppliers for the goods, services or works being sought or the work is highly specialised. In this case, the details of the contacted suppliers must be recorded in the corporate system and an appropriate comment recorded when raising the purchase order.

Random audits will be conducted on purchase orders of this nature.

Cumulative Spend

Council will monitor cumulative spend with suppliers at least annually. If expenditure with a supplier or a number of suppliers providing similar goods, services and works is ongoing in nature and the cumulative spend is likely to exceed the legislated threshold over a two year period, then Council will review the opportunity to pursue a contract for such goods, services and works through a competitive process.

Approved Contractors

Council shall maintain a register of approved contractors, who have met Council's requirements in terms of OH&S systems and processes. All works must be undertaken by approved contractors.

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, quotations, tenders and contractual processes without prior referral to the Council. This enables the Council to conduct procurement activities in an efficient and timely manner whilst maintaining transparency and integrity.

Procurement delegations ensure accountability and provide confidence to Council and the public that purchasing activities are dealt with at the appropriate level.

The Instrument of Delegation by CEO to staff identifies Council Staff authorised to make procurement commitments in respect of goods, services and works on behalf of the Council.

2.4.2 Delegations Reserved for the Council

Council must approve the award of all contracts exceeding a limit as determined by the Instrument of Delegation to the Chief Executive Officer (\$400,000 as at 5 December 2017).

2.5 Internal Controls

The 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 (from purchase to payment);
- 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.

2.6 Commercial Information

Procurement activities will be carried out in a way that supports Council staff in meeting their obligations - to ensure information of a commercially sensitive or confidential nature is obtained, stored, processed, published (where applicable) in an appropriate manner in accordance with the relevant Council guidelines.

2.7 Risk Management

2.7.1 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 the Councils capability to prevent, withstand and recover from interruption to the supply of goods, services and works.

2.7.2 Supply by Contract

The provision of goods, services and works by contract potentially exposes the Council to risk.

The Council will minimise its risk exposure by measures such as:

- standardising contracts to include current, relevant clauses;
- requiring security deposits where appropriate;
- referring specifications to relevant experts;
- 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.

2.8 Contract Terms

All contractual relationships must be documented in writing based on standard terms and conditions, including dispute resolution and contract management requirements. Where this is not possible, approval must be sought from the Manager Corporate Finance. Upon approval, relevant procurement and legal advice should be sought where necessary.

To protect the best interests of the Council, terms and conditions must be settled in advance of any commitment being made with a supplier. Any exceptions to doing this expose the Council to risk and thus must be authorised by the Manager Corporate Finance.

2.9 Contract Management

The purpose of contract management is to ensure that the Council, and where applicable, its clients, receive the goods, services or works provided to the required standards of quality and quantity as intended by the contract by:

- establishing a system of monitoring and achieving 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.
- Goods, services and works have been completed to Council satisfaction prior to payment occurring.

Furthermore, contracts are to be proactively managed by the member of Council staff responsible for the delivery of the contracted goods, services or works to ensure the Council receives Value for Money.

3 Demonstrate Sustained Value

3.1 *Integration with Council Strategy*

The Council procurement strategy 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 well managed Council services that are Value for Money.

3.2 *Achieving Value for Money*

3.2.1 Requirement

The 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 best value.

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 organisation;
- effective use of competition;
- using aggregated contracts and standing offer arrangements (SOA) where appropriate;
- identifying and rectifying inefficiencies in procurement processes;
- developing a more cost efficient tender process including appropriate use of e-solutions;
- Council staff responsible for providing procurement services or assistance within the Council providing competent advice in terms of available products and agreements; and
- 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 the Council's Value for Money objectives through being written in a manner that:

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

3.3 Sustainability

The Council is committed to achieving sustainable Procurement within the context of purchasing on a Value for Money basis, by ensuring that it monitors and reports on Council activities that have an impact on or contribute to the environment, including:

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

Value for Money purchasing decisions made by the Council are made on the basis of cost and non-cost factors including contribution to the Council's sustainability objectives.

3.4 Performance Measures

Council will establish and put in place appropriate performance measures. Reporting systems will be used to monitor performance against metrics and compliance with procurement policies, procedures and controls.

Council will use the performance measurements developed to:

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

3.4.1 Breaches of the Policy

Any possible breaches of the requirements of the *Local Government Act 1989* s186 (the requirement to publicly tender for any contracts to be awarded above a nominated threshold) will be investigated and the contract will be listed in Council's Annual Report as required by the *Local Government (Planning and Reporting) Regulations 2014*, Regulation 14(cb).

Breaches of the spend thresholds for purchases below the requirements of s186 of the Act will be dealt with in the context of performance management discussions with the relevant staff build and maintain supply relationships.

4 Build and Maintain Supply Relationships

Council recognises that in order to achieve sustainable value, appropriate relationships must be developed and maintained with suppliers and that it seeks to operate with 'informed choice' on what supply strategy it adopts – whether to 'do it yourself', participate in regional or sector aggregated projects or to access State Government panel agreements. Council will consider supply arrangement that deliver best value outcomes for council in terms of time, cost, value and outcome.

4.1 Support of Local Business

Social procurement involves using procurement processes and purchasing power to generate positive social outcomes in addition to the delivery of efficient goods, services and work.

For Local Government social procurement builds on initiatives already undertaken by the sector in enhancing sustainable and strategic procurement practice, enabling procurement to effectively contribute to building stronger communities.

Council is committed to:

- Ensuring that procurement practices are strategically aligned with Councils wider objectives
- Purchase ethical and fair trade goods to support equitable, local, national and international trade
- Enhance partnerships with community stakeholders, suppliers and other Councils
- Provide opportunities to business who support, aboriginal people, people with disabilities and disadvantaged people.

In addition, the *Local Government Act 1989* requires that Council must give effective and substantial preference to contract for the purchase of goods, machinery or material manufactured or produced in Australia or New Zealand.

Council will endeavor to obtain at least one quote from a local supplier wherever possible (refer to 2.3.3)

4.2 Social Procurement

Social procurement involves using procurement processes and purchasing power to generate positive social outcomes in addition to the delivery of efficient goods, services and works.

For Local Government social procurement builds on initiatives already undertaken by the sector in enhancing sustainable and strategic procurement practice, enabling procurement to effectively contribute to building stronger communities.

Social procurement is a key mechanism by which to generate wider social benefits by providing a mechanism for linking and integrating social and economic agendas.

4.3 Developing and Managing Suppliers

Council recognises the importance of effective and open working relationships with its suppliers, and is committed to the following:

- Managing existing suppliers, via the appropriate development programs and performance measurements to ensure the benefits are delivered;
- Developing approved supplier lists; and
- Developing new suppliers and improving the capability of existing suppliers where appropriate.

4.4 Relationship Management

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

- Size of spend across the Council;
- Criticality of goods / services, to the delivery of the Council's services;
- Availability of substitutes; and
- Market share and strategic share of suppliers.

4.5 Communication

External

External communication is very important in ensuring a healthy interest from potential suppliers and partners to the Council. The external website will be updated and provide:

- Information about Council and how to become an approved contractor;
- A list of existing contract opportunities;
- Guidelines for doing business with Council; and
- Links to other relevant sites.

Internal

Council is committed to providing ongoing training to all staff with procurement responsibilities, which will include:

- Initial training prior to undertaking any procurement activities (new staff); and
- Ongoing annual refresher training for all staff engaged in procurement.

4.6 Continuous Improvement

The Council is committed to continuous improvement and will review the procurement policy on an annual basis, to ensure that it continues to meet its wider strategic objectives.

In particular, Council will continue to explore the potential cost implications for 'greening' the supply chain, and minimising waste through use of Eco-friendly, recycled or recyclable products.

APPENDIX A-

EXEMPTION LIST – No Purchase Orders Required

- Accommodation/travel
- Advertising placement fees
- Agency Staff (including labour hire contractors and umpires)
- Audit Committee
- Community Hall Hire
- Conferences
- Contractual Agreements (e.g. software maintenance/licences, debt collection, leases, secure pay)
- Contributions (e.g. grants, sponsorships, Committee of Management (COM) operating subsidy)
- Councillor Allowances & reimbursements
- Couriers/ freight only accounts
- Daily food purchases for Aqua Energy café/kiosk (e.g. fruit, vegetables, bread)
- E-tags
- Emergency after- hours repairs/maintenance, up to 3 days after emergency first occurred
- Equipment Inspections (e.g. CFA, First Aid kits)
- Fuel Accounts
- Government/statutory charges (i.e. EPA levy, licences, police checks)
- Insurances (including work cover)
- Legal Fees
- Medical Expenses
- Memberships/subscriptions
- Milk
- Postage
- Rental (property)
- Photocopier volume charges
- Reactionary maintenance – fire hydrants
- Reimbursements/refunds (employees and others)
- Royalties – (EBBWECC shows etc)
- Security Services e.g. call out fees (not contract charges)
- Spring Water
- Training courses
- Utilities – electricity, phone, water, gas, street lighting etc
- Vehicle Registration
- Vet accounts (e.g. euthanasia of animals)

HUMAN RIGHTS

Wellington Shire Council is committed to upholding the Human Rights principles as outlined in the *Charter of Human Rights and Responsibilities Act 2006 (Vic)* and referred to in Council's Human Rights Policy. The Human Rights Checklist has been completed and this policy accords with Council's policy commitment to uphold human rights principles.

Related Documents

Type:	Details:
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Procedure	
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Strategy	
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