

## PROCUREMENT POLICY

---

Policy Classification	- <b>Finance</b>
Policy N°	- <b>POL/517</b>
Policy Status	- <b>Current</b>
Responsible Service Unit	- <b>Financial Services</b>
Authorised by	- <b>Council</b>
Date Adopted	- <b>25 June 2019</b>
Next Review Date	- <b>June 2020</b>

*This policy is part of a suite of policies adopted by Council or the Executive Management Team (EMT).*

*New or replacement policies can be created and developed within Service Units but can only be added to Council's Policy Register by Governance Services following the approval of the policy by Council or the EMT.*

## Contents

<b>1</b>	<b>PURPOSE .....</b>	<b>3</b>
<b>2</b>	<b>POLICY STATEMENT .....</b>	<b>3</b>
	2.1 Best Value .....	3
	2.2 Procurement Ethics .....	3
	2.3 Risk Management.....	4
	2.4 Dual authorisation of expenditure .....	4
	2.5 Expenditure Authority Limits .....	5
	2.6 Levels of Purchasing .....	5
	2.7 Exemptions from Seeking Three Quotations .....	6
	2.8 Exemptions from raising Purchase Orders .....	6
	2.9 Emergency Incident affecting the community .....	7
	2.10 Critical incident affecting Council operations: .....	8
	2.11 In-Kind Contributions .....	8
	2.12 Buying locally.....	9
	2.13 Complaint Handling .....	9
	2.14 Negotiation and Value Management .....	9
	2.15 Probity Audit Plan.....	10
	2.16 Probity Advisor and Probity Auditor .....	10
<b>3</b>	<b>SCOPE OF POLICY .....</b>	<b>Error! Bookmark not defined.</b>
<b>4</b>	<b>RESPONSIBILITY .....</b>	<b>11</b>
<b>5</b>	<b>DEFINITIONS .....</b>	<b>11</b>
<b>6</b>	<b>RELATED POLICIES .....</b>	<b>12</b>
<b>7</b>	<b>SUPPORTING PROCEDURES &amp; GUIDELINES.....</b>	<b>12</b>
<b>8</b>	<b>RELATED LEGISLATION.....</b>	<b>12</b>
<b>9</b>	<b>SUPPORTING RESEARCH AND ANALYSIS .....</b>	<b>12</b>
<b>10</b>	<b>DOCUMENT HISTORY .....</b>	<b>13</b>

## 1 PURPOSE

---

The purpose of this Procurement Policy is to:

- provide a framework for the efficient, effective, socially and ecologically responsible procurement of goods, services and works for Manningham City Council (Council).
- ensure consistency and control over procurement activities;
- demonstrate accountability to ratepayers;
- demonstrate the application of best practice in procurement; and
- Increase the probability of obtaining the right procurement outcome.

This Policy is made by Council in accordance with section 186A of the *Local Government Act 1989* (the Act).

## 2 POLICY STATEMENT

---

### 2.1 Best Value

Determination of Best value for money is to be obtained through proper evaluation of the merits of an offer, and is not necessarily indicated by lowest price. Value for money is achieved by minimising the total cost of ownership over the lifetime of the requirement.

Evaluation criteria used to assess Best value include the suppliers capacity to deliver the requested service/goods on time and on budget (relevant experience, past performance, resources available, technical skills and management systems), quality and the initial and ongoing cost.

Detailed guidance in applying best value is provided on Council's Procurement Intranet Page and in particular references the Value for Money methodology used to evaluate major bids (refer [D15/873](#)).

### 2.2 Procurement Ethics

In accordance with, and further to, the conduct principles outlined in Section 95 of The *Local Government Act*, procurement is to be conducted ethically to enable Council to deal with its suppliers on a basis of mutual trust and respect, and conduct business fairly, reasonably and with integrity. All Council officers involved in procurement must ensure that they:

- Avoid and disclose conflict of interests;
- Do not intentionally split orders in order to avoid procurement financial thresholds;
- Be honest and equitable in the treatment of all suppliers of goods and services;
- Avoid acceptance of any gifts, hospitality or services from a supplier (refer Council's Token Gift Policy via the Intranet: <https://intranet.manningham.vic.gov.au/> document-bank on the intranet or TRIM link [POL/522](#)).

- Do not behave in a fraudulent or criminal manner (refer Council Code of Conduct);
- Are scrupulous in their use of public property;
- Seek appropriate probity advice and/or the appointment of a probity auditor where there is a higher than usual level of complexity;
- Comply with all legislative obligations including those required by safety and consumer protection legislation;
- Ensure information obtained on behalf of the Council is not used for personal gain or to the detriment of the Council;
- Ensure items that are personal or private in nature are not charged to the Council;
- Maintain confidentiality and respect the rights of suppliers or potential suppliers in relation to their intellectual property and commercially confidential information; and
- Keep accurate records to justify the process and any decisions made.

### **2.3 Risk Management**

Procurement decisions must include an assessment of risks, and include compliance with relevant occupational, health and safety regulations and requirements. Aspects to be considered may include:

- Where an item to be purchased poses a potential, credible risk of injury/illness to employees, then, after consultation with affected employees, an item of lower risk should be selected;
- Depending on the extent of risk posed by an item, a full hazard identification and risk assessment may be required;
- Where an item poses or potentially poses a risk, consideration needs to be given to implement control measures to lessen the risk; and
- Where purchase of an item that poses or potentially poses a risk proceeds, training in safe use and handling is mandatory.

For general risk assessment and control refer to Council's Strategic and Operational Risk Framework and Risk Registers.

### **2.4 Goods and Services Tax**

All values expressed in this report are inclusive of GST.

### **2.5 Dual authorisation of expenditure**

All purchase orders and invoices for payment must have two officers approve each transaction. The final approving officer must have an expenditure authority limit that is equivalent to or higher than the purchase amount.

## 2.6 Expenditure Authority Limits

A hierarchical system exists for monetary levels of expenditure by which Council Officers may approve expenditure. These are:

<b>Council Officer</b>	<b>Authority Limit</b>	<b>Comments</b>
Purchasing Officer	\$2,000	
Coordinator	\$15,000	
Service Unit Manager	\$75,000	
Group Manager	\$75,000	
Director	\$150,000	
Director City Services	\$200,000	capital only
Chief Executive Officer	Unlimited	subject to delegated authority from Council

The Chief Executive Officer may approve additional delegations to individual officers where operational circumstances require this authority, however any additional delegation must not exceed the Chief Executive Officer's authority.

## 2.7 Levels of Purchasing

The following selection processes are required to be carried out for the purchase value range indicated:

<b>Value of Purchase</b>	<b>Minimum Selection Method</b>	<b>Comments</b>
Up to \$75	One Verbal Quote	
\$75 to \$499.99	One Verbal or Written Quote	Purchase Order not mandatory
\$500 up to \$1,999.99	One Verbal or Written Quote	Purchase Order mandatory for all purchases \$500 and over unless it is an exempt purchase (see 2.7)
\$2,000 to \$14,999.99	One Written Quote	
\$15,000 to \$74,999.99	Three Written Quotes	Trim Record reference number required from the Procurement Unit
\$75,000 to \$149,999.99	Three Written Quotes	The Procurement Unit to coordinate any purchases of \$75,000 and higher.
\$150,000 and over	Tender.	
\$150,000 – \$199,999.99 Works	3 Quotes or Tender (Discretion of Director City Services)	Refer to Tendering Procedures Manual for further details on the tendering process
\$200,000 + Works	Tender	

For the purpose of this policy:

- the value of the purchase is to include the total anticipated cost of the goods, services or works to be supplied over the contract term, including any option to extend the contract;
- where it is known that there will be multiple purchases from the same supplier for the same type of goods or services over a period of time, the value of the purchase is determined by the total of the expected purchases, not the value of each individual transaction; and
- purchases are not to be split in order to circumvent the requirements of this policy or the Local Government Act 1989.

Detailed guidelines and procedure documents regarding quotation and tendering processes are included on the Council's Procurement Intranet page: **Home > Working at Manningham > Procurement**

### 2.8 Exemptions from Seeking Three Quotations

Council officers may seek only one written quote where one or more of the following circumstances apply (the circumstances must be documented):

- a) the purchase is being made under a Council contract, or to an agency arrangement with, for example, Procurement Australia;
- b) there is a sole supplier of a particular product or specialized service;
- c) where there is a technical requirement to integrate with an existing operating environment;
- d) the purchase involves the sole source of, or access to, particular intellectual property;
- e) the product, service or work is an extension of previous work undertaken by the supplier and the Manager/Group Manager/Director is satisfied that the background knowledge, site knowledge or capability to match the product justifies obtaining only one quotation and that the quotation is competitive;
- f) the purchase is for a matter of urgent public health, security or safety (refer to section 2.9 Critical or Emergency Incident); or
- g) on approval from the Minister of Local Government.

Exemptions a) to e) do not apply to purchases at or above the tendering threshold. Council Officers wishing to access an exemption from quotation requirements must complete a [Report Seeking Exclusion from Competitive Quote form](#).

### 2.9 Exemptions from raising Purchase Orders

The following expenditure types are exempt from the requirement to raise a purchase order (but they must still follow the levels of purchasing requirements in 2.6 and existing authorisation operating procedures):

- where the value of the items is at or below \$500 (including petty cash transactions);
- Where a purchase is made using a corporate credit card (to a maximum of purchase value of \$2,000);

- where the transaction is one of the following types:
  - \* Staff salaries or wages;
  - \* Temporary staff using the *Comensura* recruitment portal;
  - \* Taxation;
  - \* Superannuation and Workcover;
  - \* Payroll deductions;
  - \* Investments/term deposits;
  - \* Payments to statutory authorities;
  - \* Telephone rentals and charges;
  - \* Couriers;
  - \* Utilities;
  - \* Subscription renewals;
  - \* Warranty renewals;
  - \* Cab charges;
  - \* Conferences, seminars and travel arrangements;
  - \* Councillors and Mayoral allowances;
  - \* Grants;
  - \* Fees paid to committee members.

### **2.10 Emergency Incident affecting the community**

In recognition that full compliance with existing Council procurement procedures may not support the Council's needs during an emergency incident affecting the community, an alternative procurement process may operate during these types of incidents, through the response, relief and recovery phases of the incident. This alternative process aims to accommodate urgent community needs, while ensuring that the procurement process adopted is reasonable and conducted with appropriate consideration of standard procurement principles.

An emergency incident affecting the community is defined as:

- An actual or imminent occurrence of an event which in any way endangers or threatens to endanger the safety or health of any person and/or which destroys or damages, or threatens to destroy or damage, any property and/or endangers or threatens to endanger the environment or an element of the environment. ;
- The Municipal Emergency Manager (MEM), Municipal Emergency Resource Officer (MERO) and/or the Municipal Recovery Manager (MRM) is activated to coordinate Councils response to the emergency.

#### **Purchases Below the Tendering Threshold**

Where an emergency incident affecting the community has occurred then the MEM, MERO and/or the MRM may authorise purchases without the need for competitive quotes where that officer is of the opinion that delays in obtaining and analysing quotes will unduly delay the response to the emergency incident.

### **Purchases Above the Tendering Threshold**

The CEO may resolve that a contract be entered into without going to tender because of an emergency.

Once the immediacy of the incident has passed, purchase orders should be raised to record the expenditure in the same way as they would have been in normal circumstances.

### **2.11 Critical incident affecting Council operations:**

In recognition that full compliance with existing Council procurement procedures may not support the Council's needs during a critical incident affecting Council operations, an alternative procurement process may operate during these types of incidents. This alternative process aims to accommodate urgent Council needs, while ensuring that the procurement process adopted is reasonable and conducted with appropriate consideration of standard procurement principles.

A critical incident affecting Council operations is defined as:

- The Crisis Management Team is activated by the Chief Executive Officer or Director; and
- An internal incident to which the Chief Executive Officer has authorised the provision of urgent support.

### **Purchases Below the Tendering Threshold**

Where a critical incident affecting Council operations has occurred then the Chief Executive Officer, Director, Group Manager or Manager may authorise purchases without the need for competitive quotes where that officer is of the opinion that delays in obtaining and analysing quotes will unduly frustrate the response to the critical incident.

### **Purchases Above the Tendering Threshold**

The Council may resolve that a contract be entered into without going to tender because of emergency critical incident.

Once the immediacy of the incident has passed, purchase orders should be raised to record the expenditure in the same way as they would have been in normal circumstances.

### **2.12 In-Kind Contributions**

An in-kind contribution is defined as a donation of goods, materials, services, time or expertise, by a community group or club that assists a tenderer to deliver their contractual obligations to Council.

Where a community group or club wishes to provide an in-kind contribution to a Council funded project, and the value of the project is such that Council's policy requires a competitive arrangement, then the community group or club may elect to either:

- Tender direct to Council for the entire project (noting that Council's Conditions of Contract and protocols will apply), or
- Engage with the tenderer(s) for the provision of the in-kind contribution for the project and the tenderer submits the tender to Council.

In either scenario the tenderer must be capable of performing the work. This would include having the required skills, regulatory registrations and financial capacity to undertake the works. The tenderer will be assessed on their ability to complete the project to the satisfaction of Council within the contract price, and in doing so will bear total contractual liability for the delivery of the project including the in-kind contribution.

### **2.13 Buying locally**

Council's procurement activities are to encourage opportunity for local suppliers to compete for the provision of goods and services, consistent with the purchasing principles of value for money and open and effective competition.

In addition, Council must whenever practicable, give consideration to contracts for the purchase of goods, machinery or material manufactured or produced in Australia or New Zealand (Section 186(6) of the Local Government Act 1989).

### **2.14 Complaint Handling**

Complaints relating to procurement matters will be dealt with under Council's Complaints and Feedback processes. Information on Council's commitment to quality customer service and how to make a complaint is provided on Council's website.

### **2.15 Negotiation and Value Management**

Council officers may enter into negotiation or a value management process with suppliers.

Written approval from the relevant Director is required and all officers involved in the negotiations must have signed a Probity and Confidentiality form.

A minimum of two Council Officers must be present at any negotiation, of which one must be an officer that has undertaken procurement training.

The officer approving the final purchase must be satisfied that the negotiation has not led to a material change (see definitions) in scope of the service or tender.

### 2.16 Probity Audit Plan

A Probity Audit Plan sets out the steps to be taken and the processes implemented to ensure a tender is conducted fairly and ethically.

A Probity Audit Plan must be prepared and implemented when:

- The expected purchase value is above \$2,500,000;
- The purchase is highly complex, or of a high risk or controversial nature; or
- Requested by the Chief Executive Officer or a Director

The Probity Audit Plan is to be reviewed and approved by the relevant Director and Manager Procurement and Contracts. The approval process includes whether a Probity Advisor and/or a Probity Auditor is to be appointed for the procurement process.

The appointment of a Probity Advisor and/or Probity Auditor needs to be considered early on in the project life and well before the tendering phase.

### 2.17 Probity Advisor and Probity Auditor

A Probity Advisor – is appointed to provide independent advice on probity issues which may arise regarding the tender process, to review final specifications and tender documents prior to going to the market and to provide advice on strategies to overcome potential problems.

A Probity Auditor - monitors compliance with processes established to identify conflicts of interest, and provides high level assurance about the standard of tender probity.

Where a Probity Auditor is to be engaged, the Audit Committee will be informed at the next available meeting. On completion of the audit, a report on the findings will be issued by the Probity Auditor and a copy provided to the Audit Committee.

### 2.18 Disposal of Minor Assets

Council surplus minor property may be disposed of in one of the following ways:

- Through a charity or non-profit organisation that provides services to Manningham residents
- A public sale or equivalent

- Disposal as waste
- Other - at the discretion of the Manager Procurement and Contracts

The disposal is to be coordinated through the Procurement and Contracts Unit.

Motor vehicles, plant and equipment are to be sold by public auction and the sale of land and building property assets is governed by the Local Government Act 1989.

To dispose of items Council Officers must complete the Minor Disposal form (TRIM: D10/32070).

### 3 SCOPE OF POLICY

---

This Policy applies to all procurement of goods, services and works for Council.

All staff are required to comply with the provisions of this policy, the Employee Code of Conduct and related policies, guidelines and procedures.

Staff breaching this policy may be subject to action under Council's Disciplinary Policy.

### 4 RESPONSIBILITY

---

Directors, Group Managers and Managers are responsible for:

- ensuring compliance with the policy and related guidelines/procedures within their work areas
- supporting staff to apply this policy.

The Manager Contract and Procurement has responsibility for the management and administration of this Policy but has no authority to waive or vary the Policy without the express authority of the Council.

### 5 DEFINITIONS

---

Procurement: the whole process of acquisition of external goods, services and works (either outright or by rental or lease).

Material and substantial change (in the context of negotiating with suppliers):

- The scope of the works or services negotiated change to such a degree, that an entirely new works or service is brought into being from the one first proposed in the specification.
- That as a result of negotiation, a separate service, process, or

portion of significant value, is added to the specification scope; that in fairness to other contractors should have been tendered as a standalone project.

## **6 RELATED POLICIES**

---

- Council's Strategic and Operational Risk Framework and Risk Registers
- Municipal Emergency Management Plan (MEMP)
- POL/361 Corporate Credit Card Policy
- POL/496 Employee Code of Conduct
- POL/238 Disciplinary Policy
- POL/483 Fraud and Corruption Policy
- Workplace Health and Safety Commitment Statement

## **7 SUPPORTING PROCEDURES & GUIDELINES**

---

- Victorian Local Government Best Practice Guidelines 2013.
- Tendering Procedures [POL/273](#) (TRIM)
- Managing Contractors Procedure
- Complaints Handling Procedures
- Council Operating Procedures:
  - Manual handling
  - Plant and Equipment
  - Chemical Storage and Handling;
  - Noise Management;
  - Environmental management risk assessment worksheet
  - SOP 6.2.14: Financial Arrangements for Emergencies – TRIM: [D17/42004](#)

## **8 RELATED LEGISLATION**

---

- Occupational Health and Safety Act 2004
- Local Government Act 1989
- Emergency Management Act 1986 and 2013

## **9 SUPPORTING RESEARCH AND ANALYSIS**

---

- Independent Broad-based Anti-Corruption Commission (IBAC) and Victorian Auditor General's Office (VAGO) reports into Procurement practices.

## 10 DOCUMENT HISTORY

---

<b>Policy Title:</b>	Procurement Policy
<b>Responsible Officer:</b>	Kevin Ayre
<b>Resp. Officer Position:</b>	Chief Financial Officer
<b>Next Review Date:</b>	June 2020
<b>To be included on website?</b>	Yes

Last Updated	Meeting type? - Council or EMT	Meeting Date	Item N°
June 2019	Council	25 June 2019	TBA
June 2018	Council	26 June 2018	13.3
Feb 2017	Council	21 February 2017	13.2
July 2015	Council	28 July 2015	12.4
June 2014	Council	24 June 2014	12.4
June 2013	Council	25 June 2013	12.3
June 2011	Council	28 June 2011	12.1
June 2010	Council	29 June 2010	12.6
October 2009	Council	27 October 2009	12.1
June 2004	Council	29 June 2004	12.1