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Related strategic documents, policies, or procedures:	Council's Procurement Procedures Victorian Local Government Best Practice Procurement Guidelines 2013 Procurement Process Threshold Table Conflict of Interest – Council Officers Policy Council's Common Seal Policy Councillor Code of Conduct Gifts and Hospitality Policy Health and Safety Policy Records Management Policy Risk Management Policy and Procedure Corporate Card Policy Staff Orientation and Induction Policy Workplace Code of Conduct Creditor Management Policy Contractor Health and Safety Guidelines (DOC/15/40261) Fraud Control Policy and Procedure		

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18/03/2019	1	Procurement Policy Review 2019	Procurement Coordinator

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1. Purpose

The purpose of this Policy is to express Council's commitment to compliance with legislative requirements including:

- Section 186 of the *Local Government Act 1989* (the Act) (power to enter into contracts)
- Section 186A of the Act (Procurement Policy)
- Section 3C of the Act (objectives of Council)
- Sections 208C of the Act (applying Best Value Principles)
- Sections 77A, 77B, 78 to 78E, 79, 79B to D, 80, 80A to C and 95 of the Act (conflict of interest)
- Section 98 of the Act (delegations) Section 140 of the Act (accounts and records)
- The relevant provisions of the *Competition and Consumer Act 2010*.

In addition to legislative requirements this policy:

- provides a framework to guide the efficient, effective, socially and ecologically responsible procurement of goods, services and works for Council
- provides guidance to the Council to allow consistency and control over procurement activities
- demonstrates accountability to ratepayers
- provides guidance to Council employees regarding ethical behavior in public sector purchasing and
- aligns the Council's procurement practices with the Guidelines.

2. Scope

This policy applies to Councillors and employees (including full time, part time, casual employees, and agency staff), contractors, consultants, volunteers and Section 86 committees of management of the Mount Alexander Shire Council.

This Policy and associated procedures relate to the acquisition of goods, services and works by Council. It contains both mandatory and best practice requirements.

This Policy is applicable through all stages of the procurement process - from when the need to procure goods, services or works is identified, through to the delivery of goods or completion of the works or services.

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

2.1. Exclusions to this Policy

Areas of expenditure identified below are excluded from the requirements of clause 3.1 of this policy:

- Ministerial Approval – the requirements of Section 186 of the Act do not apply if a contract is entered into by Council in accordance with arrangements approved by the Minister
- Emergency response, relief or recovery (section 186 (5)(a) of the Act)
- Legal services (Local Government (General) Regulations 2004 No. 130, Part 4)
- Loans (a quote/tender is recommended)
- Purchase of land (the Act)
- Electoral or valuation services
- Payroll expenses and deductions
- Refunds
- Organisations that are auspiced by Council
- Shop supplies (including artwork) purchased for the purpose of resale are exempt from obtaining quotes i.e. this applies to business units that operate a retail outlet and are required to purchase stock for resale to the public. This is due to the nature of the goods that are offered for resale, which may be unique
- Performers, facilitators, presenters & artists (one off or short term engagement) – units that engage performers as part of their performance program are exempt from the conditions of this policy. Performers are engaged based on potential earnings that can be raised from their engagement
- Artworks, statues and monuments – it is not practical to obtain multiple quotes for artworks, statues and monuments as each piece of work is unique. Items of artworks, statues and monuments are purchased within annual budget restraints but a minimum of one quote must be obtained.
- Sole supplier (core service) – Council deals with a number of core service sole suppliers. There is no market to test and obtain multiple quotes. Examples of core service sole suppliers are:
 - Library service – North Central Goldfields Regional Library Corporation
 - Water – Coliban Water, North Central Catchment Authority; and Goulburn Murray Water
 - Professional membership payments (must relate to the position held)
 - Advertising (newspapers and magazines).
- Plant and equipment servicing and spare parts – plant and equipment purchased by Council requires servicing at regular intervals. In certain instances, to maintain a valid warranty, works need to be carried out by recognised suppliers and therefore Council will utilise the services of the manufacturers from whom the plant or equipment was originally purchased. This clause also applies to specific manufacturer spare parts purchased to complete works on plant and equipment at the Depot
- Employment contracts for staff employed directly by Mount Alexander Shire Council are specifically excluded from this policy.

2.2. Exemptions to this Policy

A Director or the Chief Executive Officer may, upon receiving a written explanation from the relevant staff member, approve an exemption to this policy in the event of:

- an unforeseen emergency
- a strong preference for continuity of supply of goods, services or works
- goods, services or works being of such a specialised nature that there are insufficient known suppliers from which to seek the required number of quotes.

Requirements for the exemption of a tender are limited by section 186(1) of the *Local Government Act* and are outlined in section 3.7 Exemptions to requirement for public tendering in the [Victorian Local Government Best Practice Procurement Guidelines 2013 \(Guidelines\)](#).

3. Policy

3.1. Procurement Thresholds

3.1.1. Quotations

Procurement Threshold	Procurement Process
\$0 - \$999	Staff member may obtain a quote
\$1,000 - \$4,999	Staff member shall seek at least one (1) verbal quote
\$5,000 - \$14,999	Staff member shall seek at least one (1) written quote
\$15,000 - \$59,999	<p>Procurement Unit shall seek a minimum of three (3) written quotes via the e-procurement portal</p> <ul style="list-style-type: none"> • Public advertising not required • Detailed specification must be prepared that provides a clear description of the goods/services/works being purchased • Must include evaluation criteria relevant to the purchase.
\$60,000 - \$149,999 (\$199,999 for works)	<p>Procurement Unit shall seek a minimum of three (3) written quotes via the e-procurement portal</p> <ul style="list-style-type: none"> • Public advertising not required • Detailed specification must be prepared that provides a clear description of the goods/services/works being purchased

Procurement Threshold	Procurement Process
	<ul style="list-style-type: none"> • Must include Council's standard evaluation criteria.

The situation may arise where insufficient quotations are received to satisfy the procurement thresholds outlined in clauses 3.1.1 and 3.1.4. This may occur where there are few suppliers of the required goods, services or works, the work is highly specialised or the supplier(s) contacted declined to respond to the request for quotation or tender. In this case, details of the contacted suppliers must be recorded in Councils document management system, for transparency. There must be a genuine attempt to achieve value for money.

3.1.2. Tendering

A public tender must be undertaken for procurement of:

- goods and services greater than \$150,000 or
- works with a value greater than \$200,000.

Council may undertake a public tender where the value of goods, services or works does not reach the public tender threshold sums. There may be situations where a public tender may produce a better outcome, managing risk considerations are paramount, or there is a desire for greater transparency of the procurement.

The timeframe given to tenderers must be reasonable with regard to the level of complexity of the tender, however a minimum of 15 working days should be allowed between advertising of the tender until the tender closing date. Director approval must be obtained if it is proposed that a tender period be less than 15 working days, with sufficient information provided explaining why this is necessary.

Advertising at times of major holidays such as Christmas and early January should be avoided if possible. If it is necessary to advertise at these times, the closing date should be extended to accommodate these holiday periods.

Tenders will be advertised on Council's e-Procurement portal.

All tenders between \$250,000 and \$1,000,000 will be reported to Councillors in a monthly briefing report. Councillors will decide whether the tender will be considered for awarding under the Chief Executive Officer's delegation or request that the recommendation for awarding of a tender be placed on the agenda of a future council meeting.

All tenders greater than \$1 million will be presented to a Council meeting for decision by Councillors, including details of the total project cost.

3.1.3. Cumulative Expenditure

For the purposes of section 186 of the Act, a public tendering process will occur if, over two financial years, the cumulative expenditure with a single supplier exceeds or is expected to exceed –

- \$150,000 on the purchase of goods and services and/or
- \$200,000 on the carrying out of works.

3.1.4. Internal Panel Contracts

One of the valid outcomes of a public tender process is the appointment of a panel of contractors to promote security of supply. This is most likely to be the case where a council requires a range of services to be performed. The subsequent use of quotes on a job-by-job basis further promotes competition and value for money.

Panel contractors are usually appointed for an initial two year term with options to extend contracts. Standard contract documentation specifies that contractors will not be guaranteed any work but they may be called on at any time to supply goods, services or works.

In these cases, the contractors may be engaged by:

- using the schedule of rates submitted in their tender or
- requesting quotes.

Once a panel is established, care should be taken in relation to the engagement of one or more of the contractors on the panel. Some aspects to consider are:

- which panel member can best provide the required good/service
- if all members of the panel are offering a similar service, the contractor offering the lowest price may be the best option
- avoiding situations where, over the contract term, one or two members of the panel are allocated the majority of the work.

Procurement Threshold (Panel Contracts)	Procurement Process
\$0 - \$14,999	Staff member may obtain a quote from panel contractors
\$15,000 - \$59,999	Staff member shall seek at least two (2) written quotes from panel contractors
Above \$60,000	Procurement Unit shall seek at least three (3) written quotes from panel contractors using the e-procurement portal <ul style="list-style-type: none"> • Public advertising not required.

Procurement Threshold (Panel Contracts)	Procurement Process
	<ul style="list-style-type: none"> Detailed specification must be prepared that provides a clear description of the goods/services/works being purchased. Must include evaluation criteria relevant to the purchase.
Above \$150,000 (\$200,000 works)	Public tender recommended

3.2. External Panel Contracts

The following principles will be applied when utilising procurement agents (e.g. MAV Procurement and Procurement Australia) and whole of government contracts:

- Council will use an agent where potential cost savings exist and
- The use of procurement agents must not eliminate the ability of suppliers locally and within our region to submit a quotation or tender.

Where there are suppliers locally and within our region and Council participate in a procurement process with an agent, Council will take every reasonable effort to notify relevant suppliers of the procurement opportunity.

Council may participate in joint tenders with other Councils and also act as the lead agent on behalf of other Councils. The aggregated spend of all joint tender participants may increase the level of responses received and provide better value to Council.

3.3. Evaluation Criteria

The following mandatory evaluation criteria must be applied to all purchases above \$60,000. Weightings may be adjusted depending on the size and complexity of the contract.

- Risk management – pass/fail evaluation
- Local content / economic benefit (minimum 5% weighting)
- Cost to Council, both direct and indirect
- Response to specification
- Experience and qualifications
- Business and financial capacity, including quality management
- Environmental sustainability

3.4. Support of the Local and Regional Economy

Council is committed to buying from businesses locally (within the Shire) and within our region (neighbouring municipalities), where such purchases may be justified on value for money grounds. Of primary importance is the need to encourage open and effective competition to ensure the best possible outcomes for Council.

To support this commitment and to encourage a focus on local industry, including creating local employment and improving local businesses, Council will:

- seek at least one quotation from a supplier from within our region, if available
- include a 'Local Content/Economic Benefit' schedule in all quotations and public tenders above \$60,000 which will detail the level of local content including labour, materials, plant and supervision
- include a 'Local Content/Economic Benefit' evaluation criteria with a minimum weighting of 5% for all quotations and public tenders above \$60,000
- encourage suppliers to register their business with the [TenderSearch e-Procurement](#) and [Mount Alexander Business Connect](#) systems to receive notifications of procurement opportunities with Council and
- provide regular communication through the Council Column and local business groups.

3.5. Delegations

Delegations and authorisations define the limitations within which Council employees are permitted to operate. Delegation or authorisation of procurement activity allows specified employees to approve certain purchases, quotations, tenders and contractual processes without prior referral to Council. This enables procurement activities to be conducted in an efficient and timely manner while maintaining transparency and integrity.

Procurement delegations and authorisations ensure accountability and provide confidence to the Council and the public that procurement activities are dealt with at the appropriate level (Refer to Appendix 1).

3.6. Contract Variations

Throughout the life of a contract changes may arise to the original specification or scope of the service or project. In order to accept these variations approval must be obtained from the relevant delegated officer.

The total of the original contract and all variations must be taken into account when determining if the change is within financial delegation limits.

Unless otherwise approved, contract variations must be assessed against the value of the original contract, and all subsequent variations, when determining if the change is within financial delegation limits.

The cumulative value of variations must not exceed the levels and approvals outlined in Appendix 1 – Contract Variation Delegation Thresholds.

Council may resolve to include nominated levels of approval for variations on specific contracts, depending on the nature of goods, services and/or works being delivered under the contract and the contract value.

Where contracts allow provision for a Superintendent and/or Superintendents representatives, contract variations must be approved by the appropriate delegate.

A purchase order is not considered sufficient proof of a contract variation. Variations must be documented and approved using Council's procurement and contract management system (above \$15,000).

3.7. Internal Controls

Council will maintain a framework of internal controls over procurement processes that will ensure transparency in the procurement process by:

- having more than one person involved in, and responsible for, a transaction end to end
- documenting procurement activities using relevant Council systems including Council's document management and procurement systems to provide a clear audit trail
- ensuring appropriate authorisations are obtained and documented
- ensuring purchase orders are raised and approved in accordance with procurement procedures and
- ensuring systems are in place for appropriate monitoring and performance measurement.

3.8. Contract Management, Performance Measures and Continuous Improvement

Wherever possible, contracts must contain measurable performance criteria and reporting systems relevant to the goods, services or works being purchased to accommodate the following requirements:

- highlight performance trends and exceptions where necessary to enhance performance
- provide high level capabilities in auditing and monitoring service delivery and
- highlight the internal efficiency of the procurement process and, where relevant, the performance of suppliers.

Contracts are to be proactively managed by the Council staff member responsible for the delivery of the contracted goods, services or works. Staff will utilise Council's procurement and contract management system to assist with the management of their contracts.

3.9. Council's Risk Management Policy must be applied at all stages of procurement activities

All procurement activities must be properly planned and carried out in a manner to protect and enhance Council's capability to prevent, withstand and recover from interruption to the supply of goods, services and works.

Council will minimise its potential exposure to risks concerning the provision of goods, services and works by:

- using standardised contracts that include current and relevant risk clauses
- conduct and document a risk assessment
- identify other health and safety/risk requirements relevant to the scope of works for the particular project
- requiring security deposits where appropriate
- referring specifications to relevant experts
- requiring contractual agreements to be executed before allowing the commencement of work
- use of or reference to relevant Australian Standards (or equivalent)
- effectively managing the contract, including monitoring and enforcing performance and
- complying with the Contractor Health and Safety Guidelines.

3.10. Environmental Sustainability

Council recognises that procurement decisions have an impact on the environment and that through considered purchasing decisions Council has the opportunity to contribute to positive environmental outcomes, maximising long-term benefits for the community.

Council is committed to achieving long term environmental sustainability through the procurement process and is committed to reducing resources, consumption and minimising waste during the procurement life cycle.

4. Key Principles of the Policy

Council's procurement activities must be performed with integrity and in a manner able to withstand close scrutiny. The following fundamental best practice principles must be applied to all procurement, irrespective of the value and complexity of the procurement:

- Value for money
- Open and fair competition
- Accountability
- Risk management
- Probity and transparency.

5. Definitions of Abbreviations Used

A table of terms and their definitions as they relate to the policy

Term	Definition
Act	the <i>Local Government Act 1989</i> (Vic).
Best Value	<p>Council's procurement activities will be carried out on the basis of obtaining best value.</p> <p>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 determinate of best value.</p>
GST	GST within the meaning of <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Commonwealth).
Guidelines	<p>the Victorian Local Government Best Practice Procurement Guidelines 2013 which provide a set of principles and practices that represent the most efficient and prudent course of action for developing and maintaining best practice local government procurement processes.</p> <p>If this policy is inconsistent with the guidelines, this policy supersedes the guidelines.</p>
Local	suppliers located within the municipality of Mount Alexander Shire
Our Region	suppliers located in municipalities immediately adjoining the municipality of Mount Alexander Shire
Procurement	the process of acquiring external goods, services or works from initial concept through to disposal of an asset, either at the end of its useful life or on completion of the contract.
Thresholds	The value above which procurement, unless exempt, is subject to the mandatory procurement procedures.
Value for money	<p>selecting the supply of goods, services and works taking into account both cost and non-cost factors including:</p> <ol style="list-style-type: none"> contribution to the advancement of the Council's priorities local content non-cost factors such as fitness for purpose, quality, service and support 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

Term	Definition
	in conjunction with the best value principles contained in Section 208B of the Act and the Guidelines .

6. Human Rights Statement

Human Rights Statement

It is considered that this policy does not impact negatively on any rights identified in the *Charter of Human Rights and Responsibilities Act* (2006). Mount Alexander Shire Council is committed to consultation and cooperation between management and employees. Mount Alexander Shire Council will formally involve the Workplace Consultative Committee in any workplace change that may affect employees.

7. Appendix 1 – Contract Variation Delegation Thresholds

Position	Financial Delegation Limit Maximum total value of original contract plus any cumulative variations	Variations
Council	Above \$1M*	Cumulative contract variations exceeding 30% of the original contract sum, or over \$150,000 individually
CEO	Up to \$1M	Can approve cumulative variations up to 30% of the original contract, or \$150,000 individually, whichever is the lesser, and within financial delegation limit
Director	Up to \$150,000	Can approve cumulative variations up to 25% of the original contract and within financial delegation limit
Managers	Up to \$50,000	Can approve cumulative variations up to 20% of the original contract and within financial delegation limits*
Coordinators	Up to \$15,000	

* or any contract below \$1,000,000 that Council considers requires a resolution for approval.