



NAME OF POLICY: Procurement Policy

POLICY MANUAL: Finance

BACKGROUND

The purpose of this Policy is to establish a framework of principles relating to the procurement activities undertaken by the City of Norwood Payneham & St Peters (the Council) pursuant to the requirements of Section 49 of the Local Government Act, 1999 ("Act").

Section 49 of the Act, requires the Council to prepare and adopt policies in respect to contracts and tenders incorporating:

- the contracting out of services;
- competitive tendering and the use of other measures to ensure that services are delivered cost-effectively; and
- the use of local goods and services.

Section 49 (a1) of the Act, requires the Council to develop and maintain policies, practices and procedures which are directed towards:

- obtaining value in the expenditure of public money;
- providing for ethical and fair treatment of participants; and
- ensuring probity, accountability and transparency in all operations.

As well as meeting the legislative requirements set out above, this Policy also seeks to:

- define the principles goods and services will be acquired by the Council;
- demonstrate the Council's accountability and responsibility to its community;
- be fair and equitable to all parties involved in the procurement process;
- enable all processes to be monitored and recorded; and
- ensure that the best possible outcome is achieved for the Council and the community.

SCOPE

This Policy covers all expenditure-related procurement activities associated with the purchase of goods, works and services by the Council. This Policy applies to anyone who undertakes or is involved in procurement activities on behalf of the Council. Compliance with this Policy is mandatory unless expressly indicated otherwise or exempted.

This Policy does not apply to the following:

- a non-procurement expenditure such as sponsorships, grants, funding arrangements, donations and employment contracts between Council and an employee; or
- the disposal of land and other assets that are owned by the Council; or
- the purchase of property by the Council; or
- leasing of Council owned facilities.

Please refer to the Disposal of Land & Assets Policy for more information on asset disposals, property acquisition and disposals.

KEY PRINCIPLES

The following key principles underpin all procurement activities which are undertaken by the Council:

- **Value for Money** is about achieving the best outcome at the most appropriate price. This includes taking into account fit-for-purpose, whole-of-life cost, timeliness, flexibility to adapt to the needs of the project/supply, quality of product, sustainability, intangible costs/benefits, service, support and warranty.
- **Open and Fair Competition** is achieved by providing equitable and appropriate access to the Council's procurement activities. The Council recognises the commercial and economic benefits of open and effective competition and as such, the Council will encourage healthy competition in the markets from which it purchases.
- **Ethical Behaviour and Fair Treatment** is necessary to ensure an appropriate purchase using public money. Council staff have a responsibility to act honestly and impartially and behave in a fair, independent, and open manner and with integrity and professionalism to ensure probity when undertaking a procurement activity. Council staff will observe the Council's *Behavioural Standard Policy* at all times during the procurement process.
- **Professional Integrity and Probity** ensures that the highest ethical and professional standards are observed in the Council's business dealings. The Council aims to achieve integrity in its procurement activities, through accountable and transparent processes and respects the rights of contractors and suppliers, including the right to confidentiality and the expectation to be treated fairly and without bias at all stages of the procurement process.
- **Social, Economic and Environmental Sustainability** – The objective for all of the Council's activities is to achieve Community well-being. The Council is committed to maximising the positive impact of its activities to benefit the local community, vulnerable people, its economy, and the environment. Where all other considerations are equal, the Council may give preference to a local supplier to ensure local employment opportunities, environmental outcomes, economic stability and/or growth.
- In addition to the above, in order to minimise the Council's impact on the environment, the Council will, where all other factors are equal, when purchasing aim to achieve the following outcomes:
 - conservation of natural resources;
 - purchase of environmentally friendly products;
 - Where possible purchase products with recycled content, with weightings assigned to Circular Procurement in performance assessments of products that can include recycled content;
 - integrate principles of waste minimisation and carbon reduction;
 - Advocate for the development of products and services which have a low environmental impact; and
 - provide leadership to local business and the community in promoting the use of environmentally sensitive goods and services.
- **Financial Responsibility** ensures that the Council's staff procure goods or services where there is an approved and allocated budget for that purchase and where staff with the appropriately delegated financial authority approves the purchase.

Methods of Procurement

The determination of the method of procurement, will be typically documented by the preparation of a Purchasing Plan, detailing the most appropriate method for the purchase and the staff who will be involved in the purchasing process.

The appropriate method of procurement will be determined by reference to a number of factors, including the value of the purchase, risks associated with the purchase and aspects relating to the availability of supply and other market conditions.

Staff with financial delegated authority to purchase will be responsible for ensuring appropriate procurement practices and procedures including the identification of risk are observed.

Purchases undertaken by the Council can be made using the following procurement methods:

- **Direct Sourcing** - is a procurement process undertaken by directly approaching and negotiating with one supplier without testing the market. This method should only be used for the purchases of good and services that are of low value and low risk and under \$10,000 (excluding GST). Consideration must always be given to ensure Value for Money is achieved.
- **Competitive Sourcing** - is a process which involves testing the market and evaluating the purchasing activity to gain value. It differs from Direct Sourcing because it places emphasis on the entire life cycle of a good or service, not just its initial purchase price. This requires a more stringent planning approach and a better understanding of the competitive marketplace. In undertaking Competitive Sourcing:
 - the Council will seek to obtain at least three (3) quotes for all procurements where the estimated gross value exceeds \$10,000(excluding GST).
 - for purchases where the estimated gross value of expenditure over the life of the initial contract period or purchase price of the goods and services exceeds \$250,000 (excluding GST), the Council's general practice will be to utilise an open tender process unless:
 - when undertaking a secondary procurement based on an existing agreement (for example when buying off a panel contract)
 - where the Council accesses a Strategic Alliance (such as a Local or State Government Panel or Contract) established in accordance with transparent competitive sourcing processes, it is deemed that these are contracts resulting from a tender process.

In approaching the market, the Council utilises a number of procurement tools including Request for Quotes, Request for Expressions of Interest, Request for Proposal and Request for Tenders or Strategic Alliances.

- **Strategic Alliances** - if the Council enters into a strategic alliance 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 Request For Tender/Request For Quote as an open tender process has already been undertaken. The Council can meet its procurement obligations and requirements through contractual arrangements established and administered by other organisations that demonstrate adherence to the intent and 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:
 - Local Government Association Procurement.
 - A purchasing group of which the Council is a member.
 - Some South Australian Government contracts, and
 - Ad-hoc alliances created with other local government entities.

Procurement Thresholds

- The value of the purchase (Contracts or Purchase Orders) will be calculated as follows:
 - Single one-off purchase – the total amount, or estimated amount, of the purchase (excluding GST);
 - Multiple purchases – the gross value, or the estimated gross value, of the purchases (excluding GST); or
 - Ongoing purchases over a period of time – the annual gross value, or the estimated annual gross value, of the purchases (excluding GST);

- Splitting of amounts to bring expenditure within lower limits is **not permitted**.
 - The estimated gross value (excluding GST) of the contract. (Yearly expenditure multiplied by the initial contract term)
 - Cumulative Expenditure is identified as the estimated value of the total proposed purchase(s), including any agreement options, but excluding extensions and renewals, 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 Expenditure 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.
- Approval of Invoices for payment is set out in the Council's *Financial Delegations Policy* and is not calculated by the value of the Purchase.

Exemptions from the Policy

All exemptions from the processes and requirements of this Policy for specific projects must be approved by the Chief Executive Officer (or delegate).

All requests for exemption from this Policy must be made in writing and must outline the reasons for requesting the exemption and any risks which may be involved in not complying with this Policy.

Requests for exemptions which are approved, must be recorded in the Council's record management system.

Where an external Funding Agreement specifies that the Council must follow a prescribed tendering or selection process which differs from that outlined in this Policy, the prescribed process shall be followed only to the extent of the of the requirements stated in the agreement.

Standing Exemptions from the Policy

In order to balance financial controls with operational effectiveness, the Council will maintain a list of standing exemption from the Policy. These exemptions will be endorsed by the Chief Executive Officer (or delegate).

Procurement in Emergency Situations

The provisions of this Policy can be suspended in emergency situations to ensure that purchases can be made in the most-timely manner to alleviate an emergency situation. The provisions for Emergency Procurement must not be used as an excuse for not complying with the requirements of the Policy.

For the purpose of this section, emergency situations are restricted to:

Community

- genuine concerns for public health and safety;
- avoiding major expenses; or
- activation of the Emergency Response Plan.

Council Assets

- ensuring that citizens, occupants or hirers/users of the Council-owned buildings and facilities, are not subject to undue discomfort or hardship due to breakdown of building facilities or equipment;
- security of the Council's assets;
- activation of the Council's Business Continuity Plan or Emergency Management Plan; or
- determination of whether these situations apply will be at the discretion of the relevant Manager on a case by case basis.

Where a purchase is made under the Emergency Procurement provisions, the following will apply:

- expenditure must be limited to that required to alleviate the emergency situation only;
- the staff member must ensure that appropriate methods of purchase are resumed as soon as practicable; and

- the staff member must inform their General Manager and/or immediate Manager who must inform the relevant General Manager in writing of the details of the Emergency Situation and the actions undertaken to alleviate the situation, as soon as possible after the emergency situation.

Outsourcing

Any proposal to purchase by outsourcing of any service or function currently performed predominantly 'in house' by Council staff, must in any circumstance and all times, be approved by the Chief Executive Officer (or delegate).

Public Consultation

Where a purchase requires community consultation, the consultation process must be conducted in accordance with the Council's *Community Consultation Policy*.

Work Health and Safety

The City of Norwood Payneham & St Peters will only engage Contractors and Suppliers who are able to maintain the required level of Work Health & Safety standards which are acceptable to the Council for the contract which they are engaged to undertake. As a minimum, this will include compliance with all applicable legislation, regulations, project requirements, standards and Council policies, and as specified in terms and conditions of contractual arrangements.

Delegations

The Chief Executive Officer has delegated authority to enter into contracts and approve expenditure for works, goods or services, within the Councils approved budget, to the value of \$1,000,000.

The Chief Executive Officer may sub-delegate the authority to the staff to enter into contracts and approve expenditure as per the *Financial Delegations Policy*.

Relevant Legislation

This Policy should not be considered as the only document that may relate to procurement; other levels of Government, agencies or organisations may have legislation that also apply.

- *Competition and Consumer Act (Cth) 2010*
- *Competition Policy Reform (SA) Act 1996*
- *Criminal Law Consolidation Act 1935*
- *Disability Inclusion Act 2018*
- *Environment Protection Act 1993*
- *Freedom of Information Act 1991*
- *Independent Commission Against Corruption Act 2012*
- *Industry Advocate Act 2017*
- *Local Government (Elections) Act 1999 – Caretaker Provision*
- *Local Government Act 1999 (SA)*
- *Local Government (Financial Management) Regulations 2011*
- *Modern Slavery Act (Cth) 2018*
- *Ombudsman Act, 1972*
- *State Records Act 1997*
- *Trades Practices Act (Cth) 1974*
- *Work Health and Safety Act (SA) 2012 and Regulations 2012*

REVIEW PROCESS

The Council will review this Policy within 36 months of the adoption date of the Policy.

INFORMATION

The contact officer for further information at the City of Norwood Payneham & St Peters is the Council's Procurement Specialist, Finance Unit, telephone 8366 4555.

ADOPTION OF THE POLICY

This Policy was originally adopted by the Council on 1 June 2015 and has been reviewed on a regular basis (annually/biannually), since that time.

This Policy was endorsed by the Audit & Risk Committee on 19 August 2024.
This Policy was adopted by the Council on 2 September 2024.

TO BE REVIEWED

August 2027.