

STRATEGIC POLICY

PROCUREMENT POLICY

<p>Corporate Plan Reference:</p>	<p>1. Robust Economy 1.2 Support for local businesses 1.2.4 Ensure council's procurement policies support local businesses and help generate local employment</p> <p>2. Ecological Sustainability 2.6 Environmentally friendly infrastructure and urban design 2.6.3 Review council infrastructure plans, design standards and procurement policies to maximise sustainable outcomes</p>
<p>Endorsed by Council on:</p>	<p>14 May 2009</p>
<p>Policy Owner and Department:</p>	<p>Executive Director, Finance and Business</p>

POLICY PURPOSE

This Policy outlines the Sunshine Coast Regional Council's ("Council") policy framework for the procurement of works, goods and services, and disposal of assets including land.

POLICY SCOPE

Policy goals for undertaking procurement activities are to:

- (a) pursue Council's vision to be Australia's most sustainable region – vibrant, green and diverse.
- (b) provide a governance framework to apply the procurement principles, objectives and strategy;
- (c) facilitate timely delivery of infrastructure and service programs and projects; and
- (d) meet the requirements of the *Local Government Act 1993* (the Act) and *Local Government Finance Standard 2005* (LGFS).

It is the responsibility of all Council officers to ensure that procurement activities are conducted in accordance with the policy, frameworks, Council's delegated authority, and the spending has been provided for in an approved budget for the financial year.

All Council staff are required to comply with Council's Employee Code of Conduct when undertaking procurement activities.

The Procurement and Asset Disposal Manual provides guidelines, procedures and further details about specific roles and responsibilities.

This Policy applies in part to a party that receives a headworks credit for infrastructure contributions under the relevant Planning Scheme for Council. Those parts to apply in these circumstances include sections 1 and 11.

DEFINITIONS/INTERPRETATION

Contract means to enter into or make an agreement and includes:

- a) a contract which may be entered into singularly or in separable portions;
- b) Council's official purchase order; or
- c) Purchase card transaction.

Disposal Activity means:

- a) disposal of land (including an interest in land); or
- b) disposal of non-current assets other than land with an apparent value of, equal to or above the thresholds as are set by Council.

Probity means complete and confirmed integrity, uprightness and honesty.

Procurement Activity means a contract activity which:

- a) requires the expenditure of Council funds for the acquisition of goods; carrying out or provision of a service; carrying out of work; and construction of Council assets; or
- b) is carried out by a party for which a headworks credit has been granted under the provisions of the relevant Planning Scheme for Council.

In this Policy a reference to a Procurement Activity includes a Disposal Activity.

Purchasing Arrangement includes a Preferred Supplier Arrangement, Standing Offer Arrangement, Register of Pre-Qualified Suppliers, Panel of Providers, Local Government Association or other Government Arrangement.

POLICY STATEMENT/DETAILS

This Policy applies to all Council Officers involved in the undertaking or approval of procurement activities and relates to all contracting activities identified under Chapter 6 Part 3 of the Act and open competition exemptions under Part 3, Division 1 of the LGFS.

1. Procurement Principles

Council will have regard to the following principles when carrying out procurement activities and entering into contracts:

- 1.1. Value for money;
- 1.2. Open and effective competition;
- 1.3. Encouragement of the development of competitive local business and industry;
- 1.4. Environmental protection;
- 1.5. Sustainability; and
- 1.6. Ethical behaviour and fair dealing.

The Procurement Principles are discussed in more detail:

1.1. Value for money

A key objective of this Policy is the achievement of the lowest whole-of-life costs for procurement activities. The following factors, as a minimum, are to be considered when assessing value for money:

- a) contribution to the advancement of Council's priorities;
- b) factors such as fitness for purpose, quality, service and support;
- c) whole-of-life costs including the costs of acquiring, using, maintaining and disposal;
- d) the value of any associated environmental benefits or costs;
- e) the impact on society and the economy;
- f) internal administration resources and costs;
- g) technical compliance issues; and
- h) risk exposure and mitigation.

1.2. Open and effective competition

Open and effective competition means:

- a) open and competitive tendering and public scrutiny of the process;
- b) ensuring all suppliers have an equal opportunity to do business with Council;
- c) developing and maintaining competitive markets;
- d) encouraging market and industry input into procurement practices; and
- e) calling for an Expression of Interest and undertaking market sounding for conceptual suggestions on project deliverables.

1.3. Encouragement of the development of competitive local business and industry

Council encourages the development of business and economic growth within the Sunshine Coast region. Where price, performance, quality, suitability and other evaluation criteria are comparable, Council will support an industry participant that engages in such local economic development and growth.

1.4. Environmental protection

Council's procurement activities are to complement Council's environmental commitments and initiatives and have regard to the eco-efficiency principle (e.g. to procure goods and services that have reduced impacts on the environment compared with competing products and services that achieve the same function and value for money outcomes.)

Environmental risk assessment is to be carried out (where appropriate), to identify the likelihood and consequence of environmental impacts associated with a procurement activity.

Environmental consideration is to include the following:

- a) identification of environmental benefits and impacts for the whole life cycle of products and services including manufacture, maintenance and disposal;
- b) promotion of the procurement of environmentally responsible products, services, works and assets that satisfy whole-of-life value for money criteria;
- c) use of products that use fewer resources and have reduced environmental impacts throughout their life cycle - less toxic, less packaging, less waste to landfill, energy efficient and reduce carbon pollution, water efficient and reduce water use;

- d) use of products made from recycled materials, recycled green organics and recycled plastic products; and
- e) providing an example to business, industry and the community in promoting the use of environmentally responsible products and services for works and creation of assets.

1.5. Sustainability

The sustainability principle involves a framework for integrating economic and social considerations into decision making in addition to environmental protection.

Sustainable procurement is a process whereby organisations meet the needs for products, services, works and assets in a way that achieves value for money on a whole-of-life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment. Simplistically, it is the procurement of products and services which have less impact on the environment, social conditions and human health when compared with competing products or services that serve the same purpose.

1.6. Ethical behavior and fair dealing

Procurement activities are to be conducted honestly and with integrity so that all participants are treated fairly and able to compete equally. Council officers involved in these activities are to behave with impartiality, fairness, independence, openness, integrity, and professionalism in their discussions and negotiations with participants.

Probity is the evidence of ethical behaviour in a particular process. Probity contributes to sound procurement and disposal processes that accord equal opportunities for all participants. Adopting an ethical, transparent approach enables business to be conducted fairly, reasonably and with respect and integrity.

Clear, open and well understood procurement process rules must be applied equally to all parties to the process.

Conflicts of interest may arise in the course of Council operations, including during the procurement process. A conflict of interest may include pecuniary interests, legal interests, associations with external parties and non-direct personal interests. Officers undertaking procurement activities must not allow themselves to be improperly influenced by family, personal or business relationships. Officers must report any actions including conflicts of interest or suspected dishonesty, fraud or corruption as provided in Council's Employee Code of Conduct.

2. Procurement Objective

Council objectives when carrying out procurement activities are to:

1. make strategic procurement decisions;
2. encourage a competitive market place;
3. manage exposure to risk;
4. develop innovative contracts;
5. select the best business partners; and
6. implement and integrate sustainable procurement principles and practices.

3. Procurement Strategy

Council will be guided by the following strategic framework (where relevant) when carrying out procurement activities:

3.1. Procurement Design

The way in which the procurement process is structured will:

- clearly specify the supply or disposal needed;
- ensure complete scoping and effective staging before signing contract or commencing work;
- develop smaller and more manageable contracts (where appropriate);
- prevent overestimating benefits and underestimating risks;
- pre-qualify potential industry participants;
- construct carefully the evaluation criteria; and
- look for win-win outcome for all parties.

3.2. Procurement Management

The conduct of the tendering process will:

- maintain competitive tension to deliver value for money;
- prevent using competition to drive down price at expense of quality;
- benchmark against in-house delivery where a market is weak;
- survey the market to establish level of interest;
- structure the project in way that is attractive to industry;
- engage with potential industry participants to inform them of opportunities and to ascertain their needs and priorities;
- be explicit about the evaluation criteria; and
- avoid 'project drift' by careful planning.

3.3. Contract Design

Good contract design is the essence of successful procurement achieved by:

- aligning public and private interests in defining the contractual terms;
- maintaining control over public pricing particularly for monopolistic facilities and services;
- proper use of specification versus outcome contracts;
- recognising that output-based contracts transfer risk to industry and need careful management; and
- making sure that the performance regime delivers the core outcomes.

3.4. Contractual Accountability

The process by which contractors and suppliers are monitored and motivated to deliver the desired performance outcomes recognizes that:

- for optimal contractual effectiveness, industry must be motivated through financial and/or reputational incentives with performance monitored and results publicly reported;
- a useful tool for holding contractors to account on service quality and/or outcomes lies in the realization of incentives (where appropriate) – both positive and negative;
- capable and experienced staff are to be used to monitor performance; and

- benchmarking ongoing performance for long-term contracts to prevent the danger of competitiveness waning and ceasing to deliver value-for-money.

3.5. Contract Management

The ongoing contractual relationship acknowledges that:

- successful contract management involves much more than monitoring performance and imposing performance-linked deductions for failure to deliver – relationship management, market information, governance, probity, contingency planning, and ongoing review are equally important elements;
- partnering is needed for complex or long-term contracts with both Council and industry working together to develop a common appreciation of challenges and shared understanding of solutions;
- the ultimate risk of delivery cannot be outsourced and responsibility rests with Council;
- the contractual chain must be scrutinised where there is sub-contracting; and
- a suitable governance structure must be established to achieve optimal open and transparent delivery.

3.6. Market Design

The encouragement of competitive markets by:

- building procurement capability by analysing demand and supply pressures, tracking extent of competition, and guarding against public sector organisations competing against one another and bidding up prices due to market scarcity;
- seeking to avoid over-reliance on a small number of industry participants;
- encouraging deeper markets by developing industry capacity and capability;
- encouraging competition by having smaller contracts rather than fewer large contracts;
- not favouring incumbents with large contracts – small contracts tend to make it easier for new industry participants to enter the market and increase competition; and
- maintaining a fair market by preventing bias in favour of particular industry participants.

3.7. Sustainable Procurement

Practising sustainable procurement will consider:

- strategies to avoid unnecessary consumption and manage demand;
- minimising environmental impacts over whole-of-life of the procurement cycle;
- industry participants' socially responsible practices including compliance with legislative obligations to employees; and
- value for money over whole-of-life, rather than just initial cost.

Sustainable procurement principles will have regard to:

- resource extraction and consumption;
- manufacturing and production;
- transport and logistics;
- products and asset design;
- use and maintenance;
- recycling and disposal;
- employee rights and conditions; and

- o corruption, unfair competition and ethical behaviour.

4. Delegated Authority

For Council to carry out its procurement activities in an open, transparent and mature probity environment, and to take a holistic approach in applying the procurement principles, objectives and strategies, Delegated officers are to comply with the governance framework established for procurement activities.

5. Procurement Thresholds

In carrying out the procurement activities of Council, officers shall adhere to the following requirements relative to the value:

Table A (Note: Local Government Act amounts are GST inclusive)

Value (GST exclusive)	Value (GST inclusive)	Requirement
\$136,363 and above	\$150,000 and above	Advertised Tender (refer Section 5.2)
\$13,636 to \$136,363	\$15,000 to \$150,000	Three written quotations to be sought (refer Section 5.3)
\$6,818 to \$13,636	\$7,500 to \$15,000	Two written quotations to be sought (refer Section 5.4)
Below \$6,818	Below \$7,500	At least one verbal quotation to be sought and recorded

Notes:

The requirement to seek the number of quotations contained in Table A is subject to:

- that number of potential contractors/suppliers being reasonably available to choose from and the process of identifying availability recorded; and
- following invitation in written or verbal form, a second form of follow up contact is made (email/fax, phone) to identify whether the invitees are able to provide a quotation. The invitee/s response to the second follow up shall be recorded.

5.1. Expression of Interest

s489 of the Act shall apply to any Expression of Interest which is proposed to be advertised or likely to result in a contract exceeding \$150,000 GST inclusive.

5.2. Value above \$150,000 GST inclusive

s484 of the Act shall apply where tenders are required before making a contract for a procurement activity involving a cost of more than \$150,000 GST inclusive ¹.

5.3. Value between \$15,000 and \$150,000 GST inclusive

s485 of the Act shall apply where quotations are required before making a contract for a procurement activity involving a cost of between \$15,000 and \$150,000 GST inclusive ¹.

5.4. Value below \$15,000 GST inclusive

Quotations shall be sought as per Table A ¹

¹ Exceptions may apply as referenced under section 6 of this Policy.

6. Exceptions to Tendering or Seeking Quotes

Exceptions to tendering or seeking quotes are applicable for the following instances:

6.1. Preferred Supplier Arrangement or Standing Offer Arrangement

Where a properly established purchasing arrangement is preference ranked (Preferred Supplier Arrangement or Standing Offer Arrangement), the first preferred supplier must be selected. Where the goods or services of the first ranked supplier are unavailable, the next supplier is selected, and so on.

6.2. Register of Pre-Qualified Suppliers or Panel of Providers

Where the properly established purchasing arrangement is not ranked (Register of Pre-Qualified Suppliers or Panel of Providers), the purchase may be approved in accordance with Council's financial delegation including approving an exemption from inviting quotations from the required minimum persons or firms.

6.3. Other Exceptions

Subject to Sections 6.1 and 6.2, Council may otherwise carry out a procurement activity without complying with sections 484 or 485 of the Act if an exception under section 486 of the Act applies. These exceptions are:

- a Federal, State or other Local Government, Government Entity or other Local Government Owned Corporation arrangement is being utilized;
- a genuine emergency exists;
- goods are purchased at auction or are second hand;
- there is only one reasonably available supplier (Council resolution is required);
- services to be supplied are of such a specialized or confidential nature that it would be impractical or disadvantageous for Council to invite tenders or quotes (Council resolution is required); and
- a Significant Procurement Activity Plan endorsed by resolution of Council has been prepared (refer Section 7).

7. Significant Procurement Activity Plan

For the purposes of seeking an exception from inviting tenders or quotes a Significant Procurement Activity Plan must state:

- a) its objectives and how they will be achieved; and
- b) any alternative ways of achieving the objectives and why the alternative ways were not adopted; and
- c) a risk analysis of the market from which the relevant goods and services are to be procured.

8. Separable Portions

Where a Contract comprises separable portions under an umbrella of procurement activities, the necessary financial approval is determined by the total value of the separable portions.

9. Contract Variations

Contract variations are to be approved in accordance with Council's financial delegation. If a variation (or cumulative variations) exceeds 10% of the original contract value, the resultant value of the total contract determines the level of delegation to be applied. A more detailed explanation is available within the Procurement & Asset Disposal Manual.

10. Disposal of Assets

Disposal activities are to be undertaken in accordance with the requirements of section 491 of the Act. Council may carry out its disposal activities without complying with section 491 of the Act if an exemption under section 492 of the Act applies.

11. Procurement and Asset Disposal Manual

This Policy notes that a Procurement and Asset Disposal Manual is to be established and maintained as per the requirements of s492A of the Act.

12. Councillors

In consideration of the provisions of section 230(2) of the Act, Councillors are to direct any procurement activity issue to the Chief Executive Officer.

Councillors should comply with their obligations under the Code of Conduct for Councillors and should not influence the awarding of a contract. Any such attempt to influence a contract may disqualify the favoured industry participant under the probity conditions and general conditions of offer.

RELATED POLICIES AND LEGISLATION

- Corporate Plan 2009-2014*
- Sustainable Procurement Guidelines*
- Procurement & Asset Disposal Manual*
- Accounting Manual*
- Code of Conduct for Councillors*
- Employee Code of Conduct*
- Human Resources Manual*
- Maroochy Plan 2000* }
- Noosa Plan* } and their successor
- Caloundra City Plan 2004* }
- Local Government Act 1993*
- Local Government Finance Standard 2005*
- Statutory Bodies Financial Arrangements Act*

Version control:

Version	Reason/ Trigger	Change (Y/N)	Endorsed/ Reviewed by	Date
1.0	Eg. Create new			DD/MM/YYYY
	Eg. Review			