



Name	FIN03 Procurement
Policy Type	Council
Responsible Officer	Director Community and Corporate Services
Approval Date	21/11/2018
Review Date	20/11/2022

1. Purpose

The purpose of this Policy is to:

- provide guidance to Council to allow consistency and control over procurement activities;
- demonstrate accountability to rate payers;
- provide guidance on ethical behaviour in public sector purchasing;
- demonstrate the application of elements of best practice in purchasing; and
- increase the probability of obtaining the best outcome when purchasing goods and services.

2. Scope

The Policy relates to all full-time, part-time and casual employees of Litchfield Council, as well as Elected Members.

3. Definitions

the Act	<i>Local Government Act</i>
Agency	The Department of Local Government and Community Development
Commercial in Confidence	Information that, if released, may prejudice the business dealings of the party (e.g. discounts, rebates, profits, methodologies and process information). It is information provided for a specific purpose that is not to be used for any other purpose than set out in the initial document.
Conditions of Tendering	Rules governing the content and submission of tenders and the conduct of the tendering process.
Contract Management	The process that ensures both parties to a contract fully meet their respective obligations as efficiently and effectively as possible, in order to deliver the business and operational objectives required from the contract and, in particular, to provide value for money.
Council staff (Council Representative/Contracts Manager)	Includes full time and part-time Council officers, and temporary employees while engaged by the Council.
Delegation	A power handed down by the Council or Chief Executive Officer in an instrument to enable a delegate to act on Council's behalf.

Evaluation Panel	A panel of Council staff members appropriate for determining and undertaking the evaluation of a supplier.
Expression of Interest (EOI)	An invitation for persons to submit a proposal for the provision of the goods, works and services which generally set out the overview of requirements contained in the document. This invitation is not an offer or a contract.
Panel Contract Arrangements	A contract that sets rates for goods and services which are available for the term of the agreement. However, no commitment is made under the agreement to purchase a specified value or quality of goods or services.
Policy	Refers to this specific policy document.
Probity	The dictionary definition of probity refers to uprightness, honesty, proper and ethical conduct and propriety in dealings. Within Government, the work “probity” is often used in a general sense to mean “good process.” A procurement process that confirms to the expected standards of probity is one in which clear procedures that are consistent with the Council’s policies and legislation are established, understood and followed from the outset. These procedures need to consider the legitimate interests of suppliers and ensure that all potential suppliers are treated equitably.
Probity Advisor	An observer in dealings with tenderers and the evaluation panel at presentations and interviews. The probity advisor would be available to answer questions and provide advice to the evaluation team and/or steering committee.
Probity Auditor	Reviews all processes and documentation throughout the procurement process and provides a report on their findings at the conclusion of the process.
Procurement	Procurement is the whole process of acquisition of external goods, works and services. This process spans the whole life cycle from initial concept through to the end of the useful life of an asset (including disposal) or the end of a service contract.
Professional services	<p>A consultancy or other professional service means a one off non-continuous supply of a professional service where the supply agreement is for a particular activity, generally with a set start and finish date or for a set length of time (usually no more than six months).</p> <p>A consultancy is professional practice that provides advice within a particular professional service field. A professional service is usually provided by a tertiary trained person who may be required to hold a professional licence or be registered with a professional body such as an auditor, medical practitioner, architect and lawyer.</p>

Sustainability	Activities that meet the need for goods, works and services in a way that achieves value for money on a whole of life basis in terms of generating benefits not only to Council, but also to society and the economy, while minimising damage or enhancing the environment.
Tender Process	The process of inviting parties to submit a tender by public advertisement, followed by evaluation of submissions and selection of a successful bidder or tenderer.
Thresholds	The value above which a procurement, unless exempt, is subject to the mandatory procurement process.
Quotation Process	The process of inviting parties to submit a quotation followed by evaluation of submissions and selection of a successful respondent.
Value for Money	Value for Money in procurement is about selecting the supply of goods, works and services taking into account both cost and non-cost factors including; <ul style="list-style-type: none"> • contribution to the advancement of the Council’s priorities; • non-cost factors such as fitness for purpose, quality service and support, project delivery, risk, economic contribution to the municipality, financial capacity; and • 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.

4. Policy Statement

4.1. PRINCIPLE

4.1.1. Background

Litchfield Council recognises that having a strong procurement approach and adopting appropriate best practice contracting and procurement principles, policies, processes and procedures for all goods, works and services by Council enhances achievement of Council objectives.

The elements of best practice applicable to local government procurement incorporate:

- Broad principles covering ethics, value for money, responsibilities and accountabilities
- Guidelines giving effect to those principles
- Open and effective competition
- A system of delegations (i.e. The authorisation of officers to approve a range of functions in the procurement process)
- Procurement processes, with appropriate procedures covering minor simple procurement to high value complex procurement
- A professional approach to all tenders undertaken
- Support for Council’s corporate strategy and objectives

- A long term strategic view of procurement needs while continually assessing reviewing and auditing procedures, strategy and objectives
- A robust and transparent audit trail which ensures that procurement projects are delivered on time, within cost constraints and that the needs of end users are fully met
- Processes conducted, and are seen to be conducted, in an impartial, fair and ethical manner
- Value for money and quality in the acquisition of goods, works and services
- Identification, assessment and management of risk at all stages of the procurement process
- Strategic procurement practices and innovative procurement solutions, in particular making use of collaboration and partnership opportunities
- Compliance with legislation
- Support for business in the local community where possible
- Support for skills and training of apprentices where possible

4.1.2. Scope

This Procurement Policy is made under the Local Government (Accounting) Regulations and the Act. The Regulations requires Council to prepare, approve and comply with a procurement policy encompassing the principles, processes and procedures applied to all purchases of goods, works and services by Council.

This policy applies to all contracting and procurement activities at Council and is binding upon all of those noted in the section two (2).

4.1.3. Treatment of GST

All monetary values related to this policy **include GST** except where specifically stated otherwise.

4.2. EFFECTIVE LEGISLATIVE AND POLICY COMPLIANCE CONTROL

4.2.1. Ethics and Probity

Requirement

The Council’s procurement activities shall be performed with integrity and in a manner able to withstand the closest possible scrutiny.

Conduct of Elected Members and Council staff

Elected Members and Council staff shall at all times conduct themselves in ways that are ethical and will:

- Treat potential and existing suppliers with equality and fairness
- Not seek or receive personal gain
- Maintain confidentiality of competing companies’ information, such as pricing, specifications, quotations, tender, bid or any other commercial proprietary information
- Present a high standard of professionalism and probity

- Deal with suppliers in an honest and impartial manner that does not allow conflicts of interest
- Provide all suppliers and tenderers with the same information and equal opportunity
- Be able to account for all decisions and provide feedback on them
- Maintain fair, equitable and non-discriminatory procedures for addressing complaints and concerns raised by suppliers or members of the community regarding Council's procurement activities

Market Testing

Council may need to conduct market analysis in order to define the required goods and services in more detail to determine the best way to procure the goods or services. The amount of time and effort taken on deciding on how goods and services will be purchased should be comparative to the value of the goods and services Council is purchasing.

Conflict of Interest

Elected Members and Council staff shall at all times avoid situations in which private interests conflict or might reasonably be deemed to have the potential to conflict, with their Council duties.

Elected Members and Council staff shall not participate in any action or matter associated with the arrangement of a contract (i.e. evaluation, negotiation, recommendation, or approval), where that person or any member of their immediate family has a direct or indirect interest or holds a position of influence or power in a business undertaking tendering for the work. The onus is on the Elected Member and Council staff involved to promptly declare a direct or indirect, actual or potential, conflict of interest to Council or to the CEO in the case of staff members (as per HR01 Code of Conduct for Employees and EM02 Code of Conduct for Elected Members).

Fair and Honest Dealing

All prospective contractors and suppliers must be afforded an equal opportunity to tender or quote. Impartiality must be maintained in selecting contractors and suppliers so that Council can withstand public scrutiny. The commercial interests of existing and potential suppliers must be protected and will be treated as Commercial in Confidence.

Accountability and Transparency

The processes by which all procurement activities are conducted will be in accordance with this Procurement Policy and related Council policies and procedures to ensure an accountable and transparent process if followed.

All Council staff are required to comply with the Code of Conduct for Council staff and must be able to account for all procurement decisions made over the lifecycle of all goods, works and services purchased by the Council and provide feedback on them; and all procurement activities are to leave an audit trail for monitoring and reporting purposes. Elected Members must not direct or influence a member of Council staff in the exercise of any power in the performance of any duty or function.

Disclosure of Information

Information received by the Council that is Commercial in Confidence must not be disclosed and is to be stored in a secure location. Elected Members and Council staff are to protect,

- information disclosed by organisations in tenders, quotation or during tender negotiations
- all information that is Commercial in Confidence and

- pre-contract information including but not limited to information provided in quotes and tenders or subsequently provided in pre-contract negotiations.

Elected Members and Council staff are to avoid references to current or proposed contracts in discussion with acquaintances or outside interests. Discussion with potential suppliers during tender evaluations should not go beyond the extent necessary to resolve doubt or clarify what is being offered by that supplier. At no stage should any discussion be entered into which could have potential contractual implications prior to the contract approval process being finalised.

Tenderers are, however, advised that a report on a tender process may be presented at an open meeting of Council, and some information arising from the tender will be publicly available for three years from the date of the awarded tender.

Only successful tendering should be presented in open meetings of Council and only successful tenders will be published as per the Regulations. Otherwise tendering reports are dealt with in closed meeting as per the Local Government (Administration) Regulations.

4.2.2. Governance

Structure

The Council has a procurement management responsibility structure and delegations that ensures

- accountability, traceability and auditable procurement decisions
- that it is flexible enough to purchase in a timely manner the diverse range of goods, works and services required by Council
- prospective contractors and suppliers are afforded an equal opportunity to tender/quote
- competition is encouraged and
- policies that impinge on the purchasing policies and practices are communicated and implemented.

Standards

The Council's procurement activities shall be carried out to the professional standards required by best practice and in compliance with

- the Act;
- Council's policies and procedures
- Elected Members and Staff Codes of Conduct and
- other relevant legislative and policy requirements.

Methods

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

- Costed purchase order
- Under contract following a tender process
- Petty cash
- Credit card

- Under purchasing schemes including collaborative purchasing arrangements with other Councils, Local Buy and commercial schemes such as provided by Territory Purchase Contracts.

Multi-staged tender process

A multi-stage tender process may commence with an expression of interest stage followed by a tender process. Expressions of Interest (EOI) may be appropriate where:

- Council wishes to consider ahead of the formal tender process such issues as whether those tendering possess the necessary technical, managerial and financial resources to successfully complete the project
- Council wishes to determine the market interest of suppliers or vendors tendering for the provision of goods, services or works
- It is necessary to pre-qualify suppliers and goods to meet defined standards
- Council is required to gain a greater understanding of its needs, the availability of relevant goods and services and the likely costs on the open market

Responsible Financial Management

The principles of responsible financial management in accordance with the Act and its Regulations shall be applied to all procurement activities. Council staff must not authorise the expenditure of funds in excess of their financial delegations. Council funds must be used efficiently and effectively to procure goods, works and services and every attempt must be made to contain the costs of the procurement process without comprising any of the procurement principles set out in this Policy.

Probity Advisor/Auditor

Council will consider the appointment of a probity advisor or probity auditor for tender requests based on the nature and complexity of the proposed procurement.

4.2.3. Procurement Thresholds and Competition

Quotations

When procuring goods and services and/or works the following requirements must be observed in accordance with the Local Government (Accounting) Regulations.

- For purchase up to \$1,000 a minimum of one verbal quote is required to confirm the cost prior to receiving the goods. Invoice must be obtained to accompany either credit card statement or purchase order.
- For purchases from \$1000 up to \$10,000, a minimum of a single written quote is required to confirm the cost prior to receiving the goods or services.
- For purchases greater than \$10,000 but less than \$100,000, a minimum of three (3) written quotes through a written request for quotation containing a detailed scope. The supplier will be chosen from amongst those submitting written quotations.
- For professional services, a minimum of a single quote

If it is not practicable to obtain quotations from three (3) possible suppliers under the Regulations, Council must obtain as many as practicable and must record in writing its reasons for not obtaining the three (3) quotations using the Quotation Exemption Form.

Minimum Spend Competition Thresholds

The Local Government (Accounting) Regulations provides that Council must not enter into a contract for the provision of supplies to the Council at a cost of more than \$100,000, unless it has first called for tenders for that contract by public notice published in a newspaper circulating the Council's area. A contract is limited under the Regulations to a maximum of three (3) years and this includes options to extend.

Council will determine the optimum period for the contract, based on value for money and the efficiency and effectiveness of the procurement and then assess the value of the contract.

Council may choose as per section 30(b) of the Local Government (Accounting) Regulations to apply for an exemption or apply any general exemption issued by the Northern Territory Government.

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

As a rule Council will not accept late tenders, the exception being where it can be substantiated that;

- There was a Council related system failure/interruption in the case of submission of an electronic tender, or
- Access was denied or hindered in relation to the physical tender box.

The Chief Executive Officer can accept a late tender where it can be determined the above circumstances prevailed at the time of attempted lodgement.

Tender and Quotation Processes

It is a breach of this policy to split purchases to manipulate the quotation and tender thresholds

All tender and quotation processes shall be conducted in accordance with the requirements of this policy and any associated procedures, relevant legislation, relevant Australian Standards and the Act, including the possibility of obtaining a quotation or tender exemption as per Regulation 31 of the Local Government (Accounting) Regulations or the general exemptions issued by the Department of Local Government.

4.2.4. Delegation of Authority

Delegation of procurement authority allows specified Council Officers to approve certain purchases, quotations, tender and contractual processes without prior referral to the Council. This enables 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. As such, Council has delegated responsibilities as detailed below relating to the expenditure of funds for the purchase of goods, works and services, the acceptance of quotes and tenders and for contract management activities.

Council maintains a documented record of authorised procurement delegations, identifying Council officers authorised to make such procurement commitments in respect of goods, works and services on behalf of Council, including but not limited to the following:

- Power to authorise and issue order forms for goods and services
- Power to enter into contracts within approved budgets

- Power to sign letters of acceptance on behalf of Council to enter into contracts; and
- Power to sign contract term extensions and contract variations

Tender recommendations where the expenditure is over the Chief Executive Officer's delegations must be approved.

4.2.5. Internal Controls

The Council will establish and maintain procurement processes that will ensure

- more than one person is involved in and responsible for a transaction end to end
- 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.

4.2.6. Risk Management

General

Risk Management is to be appropriately applied at all stages of procurement activities and will be properly planned and carried out in a manner that will protect and enhance the Council's capabilities to prevent, withstand and recover from interruption to the supply of goods, service and works. Risk Management will be carried out in accordance with the stated requirements in Council and Territory regulatory requirements.

Supply by Contract

The provision of goods, works and services by contract potentially exposes the Council to risk. The Council will minimise its risk exposure by measure such as:

- Standardising contracts to include current, relevant clauses
- Requiring security deposits where appropriate
- Referring specifications to relevant experts
- Requiring contractual agreement before commencement
- Use of or reference to relevant Australian standards (or equivalent)
- Effectively managing the contract including monitoring and enforcing performance.

Work Health and Safety and Other Mandatory Requirements

Council undertakes due diligence activities on all suppliers to ensure compliance to legislative and business requirements. Council requires all contractors to meet safety legislative requirements. These are mandatory requirements and non-compliance will disqualify prospective suppliers. Suppliers must provide evidence of insurance, when requested, for the provision of goods, services or works.

4.2.7. Contract Terms

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 in this process will expose the Council to risk and thus must be authorised by the appropriate member of Council staff.

4.2.8. Endorsement

In the interests of fair market share and transparency, Council staff must not endorse any one specific product or service above another brand or company.

4.2.9. Freedom of Association

All parties have the right to freedom of association. This means that parties are free to join or not to join industrial associations of their choice and not be discriminated against or victimised on the grounds of membership or non-membership of an industrial association.

4.2.10. Dispute Resolution

All Council contracts shall incorporate dispute management and alternative dispute resolution provisions to minimise the potential for legal action.

4.2.11. Contract Management

The purpose of contract management is to ensure that the Council, and where applicable its clients, receive the goods, services or works delivered as per the required Australian Standards of quality and quantity and as stipulated in the contract by:

- Establishing a system reinforcing the performance of both parties
- Detailing responsibilities and obligations under the contract
- Ensuring adherence with Council's Risk Management framework and compliance with applicable Work Health & Safety procedures
- Providing a means for the early recognition of issues and performance problems and the identification of solutions

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.

4.2.12. Electronic Tendering Systems

An electronic tendering system is integral to the overall development of procurement processes and involves the use of an electronic system to acquire goods, service and works through an online portal which manages all 'tender' interactions between a prospective tenderer and the organisation, adding greater transparency and accountability to our systematic obligations.

By utilising an electronic tendering system, the aim is to

- reduce transaction costs
- ensure probity and record keeping
- make processes more efficient
- improve management information and visibility of spend
- increasing control and consistency of processes and

- improve spend compliance.

4.3. DEMONSTRATE SUSTAINED VALUE

4.3.1. *Integration with Council Strategy*

Council's procurement strategy supports its strategic priorities and outcomes (as outlined in Litchfield Council's Municipal Plan) – "Everything you need", "A great place to live" and "A beautiful and safe natural environment" enabled by a "well run Council".

Council will set the appropriate decision criteria and weighting prior to seeking quotes, expressions of interest or a tender.

4.3.2. *Achieving Value for Money*

Requirement

The Council's procurement activities will be carried out on the basis of obtaining Best Value for Money. Lowest price is not necessarily an indicator of value for money and cost is not the only factor for assessing value for money. When evaluating competing company's submissions, a comparative analysis or a weighting score system shall be used. Key tools used in the assessment criteria include but are not limited to:

- Local Development and Value Adding
- Past Performance
- Timelines
- Capacity
- Innovation
- Scope Specific
- Price

Approach

This will be facilitated by:

- Developing, implementing and managing procurement strategies that support the co-ordination and streamlining of activities throughout the entire procurement process
- Making use of collective procurement agreements, such as the Localbuy collective agreement facilitated by the Local Government Association of the Northern Territory, consistent with the Act where appropriate
- Effective use of competition
- Using schedule of rates and panel contract arrangements where appropriate
- Continual monitoring and evaluation of procurement processes
- An emphasis placed on the procurement planning process
- Council staff responsible for providing procurement services or assistance within the Council providing competent advice in terms of available products and agreements

- Working with suppliers to create relationships that are professional and productive, and are appropriate to the value and importance of the goods, works and services being acquired
- Undertaking analysis of Council's category spending patterns
- Ensuring procurement effort corresponds with risk and expected return

Role of Specifications

Specifications used in expressions of interest, quotations, tenders and contracts are to support and contribute to the Council's Value for Money objectives through being written in a manner that:

- Ensures impartiality and objectivity whilst remaining reasonably practicable
- Encourages the use of standard products
- Encourages sustainability
- Eliminates unnecessary stringent requirements

4.3.3. Performance Measures and Continuous Improvement

Council will establish an appropriate management and reporting system to monitor performance against targets and compliance with procurement policies, procedures and controls. Procurement will use the performance measurements developed to

- highlight trends 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.

4.3.4. Sustainable Procurement

Council is committed to reducing its environment impacts and operating in a socially, financially and environmentally responsible manner. Council will encourage the design and use of products and services which have minimal impact on the environment and human health.

Council shall encourage suppliers to adopt good environmental practices. Council will actively promote green procurement throughout its supply chain and where possible consider selection which has minimum environmental impact.

4.3.5. Support of Local Business

Council is committed to buying from local businesses where such purchases may be justified on Value for Money grounds, whilst remaining compliant with the legislation requirements. Wherever practicable, Council will give effective and substantial preference to contracts for the purchases of goods, machinery or materials/contractors within the Municipality. Council will also seek from prospective suppliers/contractors, where applicable, what economic contribution they will make to the Municipality. The percentage applied to any procurement will be determined by the quotation or tender evaluation panel.

All Council procurement will be consistent with any local content contractual requirements identified by external funding bodies.

Such examples may include:

- Engaging and contracting with local suppliers
- Engaging local sub-contractors
- Suppliers/contractors participation in any apprenticeship schemes or employment of apprentices
- Contributing to the financial, social and environmental well-being of the region
- Enabling the business expansion, growth and servicing of local business and contractors
- Being an existing local business

4.4. APPLY A CONSISTENT AND STANDARD APPROACH

4.4.1. *Standard Processes*

Council will provide effective commercial arrangements covering standard products and standard service provisions across the Council to enable employees to source requirements in an efficient manner. This will be achieved via a combination of the following areas:

- Use of preferred supplier-based system
- Pricing where relevant
- Processes, procedures and techniques
- Tools and business systems e.g. Tenderlink, e-quotation sourcing arrangements
- Reporting requirements
- Application of standard contract terms and conditions

4.4.2. *Performance Indicators and Management Information*

Performance indicators and management information will include criteria such as

- the proportion of spend against corporate contracts and
- user and supplier satisfaction levels measuring the success of procurement initiatives.

4.5. BUILD AND MAINTAIN SUPPLY RELATIONSHIPS

4.5.1. *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, to ensure the benefits are delivered
- Maintaining approved preferred supplier lists and compliance with Council's requirements for insurances, work health and safety etc.
- Developing new suppliers and improving the capability of existing suppliers where appropriate

4.5.2. *Supply Market Development*

A wide range of contractors and suppliers will be encouraged to compete for Council work. This will be achieved through a Panel of Preferred Contractors, advertising through newspapers and utilising the electronic media i.e. Tenderlink portal.

4.5.3. Relationship Management

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 focussed to best effect. Such areas may include:

- Size of spend across the Council
- Criticality of goods/services supplier, to the delivery of authorised services
- Availability of substitutes
- Market share and strategic share of suppliers

4.5.4. Communication

External communication is critical in ensuring a healthy interest from a broad spectrum of potential suppliers and partners to Council. The Tenderlink portal will play a key role in achieving this outcome by making available to local, regional and national entities, outline information and industry best practice and directions – data shall include:

- Information about Council and how to become an approved supplier
- Guidelines for doing business with Council
- Standard documentation used in the procurement process
- Links to other relevant sites

4.6. CONTINUAL IMPROVEMENT

Council will focus on developing and maintaining effective working relationships with external and internal stakeholders, to assist in delivery of Council's strategic objectives. Council's procurement strategy aims to support Council's objectives by implementing continuous improvement and value for money opportunities in the following areas:

- Technology
- Process and Governance
- People and Skills
- Strategy and Organisation
- Leadership and Influence
- Sourcing and Collaboration
- Supplier Management
- Sustainability

5. Associated Documents

EM01 Code of Conduct for Elected Members

EM06 Conflict of Interest

EM07 Elected Member Gifts and Benefits

FIN12 Purchasing Card

HR01 Code of Conduct for Employees
 Litchfield Council Delegation Manual
 Litchfield Council Quotation Exemption Form

6. References and Legislation

Northern Territory Local Government Act
 Northern Territory Local Government (Administration) Regulations
 Northern Territory Local Government (Accounting) Regulations
 Local Government General Instructions

7. Review History

Date Reviewed	Description of changes (Inc Decision No. if applicable)
21 November 2018	Full review to remove procedural items into a procurement manual and clarify Council's policy objectives
21 June 2017	Compliance updates
15 October 2015	Compliance updates, update to new policy code from LC56 to FIN03. (15/0138/02)
14 August 2014	Compliance updates (PA/CAM/068)