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**COUNCIL POLICY –
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1 Principles

1.1 Background

Port Phillip City Council:

- Recognises that:
 - Developing a procurement strategy and adopting appropriate best practice contracting and procurement principles, policies, processes and procedures for all goods, services and works by Council, will enhance achievement of council objectives such as sustainable and socially responsible procurement; bottom-line cost savings, supporting local economies; achieving innovation; and better services for communities.
 - 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;
 - 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; and
 - a professional approach to all major procurements.
- Requires that Council's contracting and purchasing activities:
 - support the Council's corporate strategies, aims and objectives including, but not limited to those related to sustainability, protection of the environment, and corporate social responsibility;
 - takes into account the whole life cycle of an acquisition;
 - achieve value for money and quality in the acquisition of goods, services and works by the Council;
 - can demonstrate that public money has been well spent;
 - are conducted, and are seen to be conducted, in an impartial, fair and ethical manner;

- seek continual improvement including the embrace of innovative and technological initiatives
- gives consideration to generating and supporting business in the local community.

1.2 Scope

This Procurement Policy is made under Section 186A of the *Local Government Act 1989*.

This section of the Act requires the Council to prepare, approve and comply with a Procurement policy encompassing the principles, processes and procedures applied to all purchases of goods, services and works by the Council.

This policy applies to all contracting and procurement activities at Council and is binding upon Councillors, Council Officers and temporary employees, contractors and consultants while engaged by the Council.

1.3 Purpose

The purpose of this Policy is to:

- provide policy and guidance to the 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 right outcome when purchasing goods and services.

1.4 Treatment of GST

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

1.5 Definitions and Abbreviations

Term	Definition
Act	<i>Local Government Act 1989.</i>
Commercial in Confidence	e.g prices, discounts, rebates, profits, methodologies and process information, etc.
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	Includes full time and part-time council officers, and temporary employees, contractors and consultants while engaged by the Council.
Probity	The dictionary definition of probity refers to uprightness, honesty, proper and ethical conduct and propriety in dealings. Within Government, the word "probity" is often used in a general sense to mean "good process." A Procurement process that conforms 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 equally.
Standing Offer Arrangements (SOA)	A contract that sets out 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 quantity of goods or services.
Sustainability	Activities that meet the needs of the present without compromising the ability of future generations to meet their needs.
Procurement	The procurement process spans the lifecycle, from initial concept and definition of business needs to the end of the useful life of an asset or the end of a service contract.

Tender Process	The process of inviting parties to submit a quotation or tender by public advertisement, followed by evaluation of submissions and selection of a successful bidder or tenderer.
Value for Money	<p>Value for Money in Procurement is about selecting the supply of goods, services and works taking into account both cost and non-cost factors including:</p> <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; 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.

2 Effective Legislative and Policy Compliance and Control

2.1 Ethics and Probity

2.1.1 Requirement

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

2.1.2 Conduct of Councillors and Council Staff

2.1.2.1 General

Councillors and Council Staff shall at all times conduct themselves in ways that are, and are seen to be, ethical and of the highest integrity and *will*:

- treat potential and existing suppliers with equality and fairness;
- not seek or receive personal gain;
- present the highest standards 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; and

- be able to account for all decisions and provide feedback on them.

Council Staff responsible for managing or supervising contracts are prohibited from performing any works for personal gain.

2.1.2.2 Members of Professional Bodies

Councillors and Council Staff belonging to professional organisations shall, in addition to the obligations detailed in this policy, ensure that they adhere to any code of ethics or professional standards required by that body.

2.1.3 Tender Processes

All tender processes shall be conducted in accordance with the requirements of this policy and any associated procedures, relevant legislation, relevant Australian Standards and the Act.

2.1.4 Conflict of Interest

Councillors and Council Staff shall at all times avoid situations in which private interests conflict, or might reasonably be thought to conflict, or have the potential to conflict, with their Council duties. Staff must comply with the staff Conflict of Interest Policy.

2.1.5 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 no action is taken that could evoke criticism of the Council.

The commercial interests of existing and potential suppliers must be protected.

Confidentiality of information provided by existing and prospective suppliers must be maintained at all times, particularly commercially sensitive material such as, but not limited to prices, discounts, rebates, profit, manufacturing and product information.

2.1.6 Accountability and Transparency

Accountability in procurement means being able to explain and evidence what has happened. The test of accountability is that an independent third party must be able to see clearly that a process has been followed and that the process is fair and reasonable.

Therefore the processes by which all procurement activities are conducted will be in accordance with the Council's Procurement policies and procedures as set out in this policy and related Council policies and procedures.

Additionally:

- all Council Staff must be able to account for all Procurement decisions made for all goods, services and works purchased by the Council and provide feedback on them; and
- all procurement activities are to leave an audit trail for monitoring and reporting purposes.

2.1.7 Gifts and Hospitality

No Councillor or member of Council Staff shall, either directly or indirectly solicit or accept gifts or presents from any member of the public who is involved, either directly or indirectly. Councillors and staff must observe the Councillor Gifts and Hospitality Policy and the Staff Gifts & Hospitality Policy respectively.

2.1.8 Disclosure of Information

Information received by the Council that is Commercial in Confidence must not be inappropriately disclosed.

Councillors and Council Staff are to protect, by refusing to inappropriately release or discuss the following:

- 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.

Except where subject of formal reference checking process, Councillors and Council Staff are to avoid references to current or proposed contracts in discussion with acquaintances or outside organisations.

Discussion with potential suppliers during tender evaluations should not go beyond the extent necessary to resolve doubt on 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.

2.2 Governance

2.2.1 Structure

The Council shall:

- establish a procurement management responsibility structure and delegations to ensure accountability, traceability and auditability of all Procurement decisions;
- ensure that the Councils Procurement structure:
 - is flexible enough to purchase in a timely manner the diverse range of material, goods, works and services required by Council;
 - ensures that prospective contractors and suppliers are afforded an equal opportunity to tender/quote;
 - encourages competition; and
 - ensures that policies that impinge on the purchasing policies and practices are communicated and implemented.

2.2.2 Standards

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

- Act,
- The Council's policies,
- The Council's Code of Conduct, and
- Other relevant legislative requirements such as but not limited to the Trade Practices Act, Goods Act and the Environmental Protection Act.

2.2.3 Methods

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

- purchase order following a quotation process,

- under contract following a tender process, or
- where the Council is satisfied that Value for Money Requirements have been satisfied, under purchasing schemes including collaborative purchasing arrangements with other Councils and commercial schemes

unless other arrangements have been implemented that have been authorised by the Council or the CEO on a needs basis as required by abnormal circumstances such as emergencies.

All purchases require authorisation by the relevant manager in accordance with the delegation limits set out in the Delegations Register before any commitment to purchase is made.

2.2.4 Responsible Financial Management

The principle of responsible financial management shall be applied to all procurement activities.

Accordingly, to give effect to this principle: the availability of existing funds within an approved budget, or source of funds, shall be established prior to the commencement of any Procurement action for the supply of goods, services or works.

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, services and works and every attempt must be made to contain the costs of the procurement process without compromising any of the procurement principles set out in this Policy.

2.3 Procurement Thresholds and Competition

2.3.1 Requirement

The CEO will from time to time decide and publish in this policy clear guidelines for minimum spend competition thresholds. These will be decided by the CEO based on the size and complexity of the proposed procurement activities, for non-tendered procurement.

2.3.2 Minimum Spend Competition Thresholds

Range of Total value of Goods or Services*	Procurement action	Management requirement	Record Keeping Requirement
\$500 to \$5,000	A minimum of one written quotation	<ul style="list-style-type: none"> A Purchase Order must be raised at the time of ordering 	<ul style="list-style-type: none"> Records to be kept locally.
\$5,001 to \$50,000	<p>A minimum of two written quotations must be sought</p> <p>No advertising is necessary, but a brief or specification can be prepared if required</p>	<ul style="list-style-type: none"> A Purchase Order must be raised at the time of ordering 	<ul style="list-style-type: none"> Records of quotations must be stored in Financial System
\$50,001 to \$150,000	<p>Three written quotations are to be obtained in response to a brief or specification prepared</p> <p>No advertising is necessary</p>	A Purchase Order must be raised at the time of ordering and a contract considered	<ul style="list-style-type: none"> Records of quotations must be stored in Financial System

- **Advertising.**

Quotations may be advertised at the Council Staff member's discretion. This may occur when a field of potential tenderers hasn't been established, or an innovative approach is required, or the project has broad appeal that may attract keen prices, etc.

- **Insufficient quotations.**

The situation may arise where insufficient quotations are received to satisfy the above requirements.

This may occasionally occur where there are few local suppliers for the goods, services or works being sought or the work is highly specialised. In this case, the details of the contacted suppliers must be recorded on the spreadsheet or recommendation and an appropriate comment recorded.

2.4 Delegation of Authority

2.4.1 Requirement

Delegations define the limitations within which Council Staff are permitted to work. Delegation of procurement authority allows specified Council Staff to approve certain purchases, quotation, tender and contractual processes without prior referral to the Council. This enables the 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.

2.4.2 Delegations

The Council shall maintain procurement delegations in the register of delegations as authorised by the CEO, identifying Council Staff authorised to make Procurement commitments in respect of goods, services and works on behalf of the Council. The register of delegations may be amended from time to time by the CEO under the Local Government Act.

Note: the delegation to staff must require that expenditure cannot be approved by the beneficiary of the goods and services.

2.5 Internal Controls

The Council will install and maintain a framework of internal controls over procurement processes that will ensure:

- 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.

2.6 Commercial Information

Procurement activities will be carried out in a way that supports Council staff in meeting their obligations - to ensure information of a commercially sensitive or confidential nature is obtained, stored, processed, published (where applicable) in an appropriate manner in accordance with the relevant Council guidelines.

2.7 Risk Management

2.7.1 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 Councils capability to prevent, withstand and recover from interruption to the supply of goods services and works.

2.7.2 Supply by Contract

The provision of goods, services and works by contract potentially exposes the Council to risk.

The Council will minimise its risk exposure by measures such as:

- standardising contracts to include current, relevant clauses;
- requiring security deposits where appropriate;
- referring specifications to relevant experts;
- requiring contractual agreement before allowing the commencement of work;
- use of or reference to relevant Australian Standards (or equivalent); and
- effectively managing the contract including monitoring and enforcing performance.

2.8 Contract Terms

All contractual relationships must be documented in writing based on standard terms and conditions.

Where this is not possible, approval must be sought from the appropriate member of Council Staff listed in the Delegations section above. A request for such an approval should be supported with procurement and legal advice as relevant.

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 to doing this expose the Council to risk and thus must be authorised by the appropriate member of Council staff listed in the Delegations section above.

2.9 Endorsement

Council Staff must not endorse any products or services. Individual requests received for endorsement must be referred to General Manager level or above.

2.10 Dispute Resolution

All Council contracts shall incorporate dispute management and alternative dispute resolution provisions to minimise the chance of disputes getting out of hand and leading to legal action.

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 provided to the required standards of quality and quantity as intended by the contract by:

- establishing a system reinforcing the performance of both parties' responsibilities and obligations under the contract; and
- providing a means for the early recognition of issues and performance problems and the identification of solutions.

All Council contracts are to include contract management requirements. Furthermore, 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.

3 Demonstrate Sustained Value

3.1 Achieving Value for Money

3.1.1 Requirement

The Council's procurement activities will be carried out on the basis of obtaining Value for Money.

This means minimising the total cost of ownership over the lifetime of the requirement consistent with acceptable quality, reliability and delivery considerations.

3.1.2 Approach

This will be facilitated by:

- developing, implementing and managing procurement strategies that support the co-ordination and streamlining of activities throughout;
- effective use of competition;
- using aggregated contracts and Standing Offer Arrangement (SOA) where appropriate;
- identifying and rectifying inefficiencies in procurement processes;
- developing, implementing and managing cost effective tender processes
- dedicating Council staff responsible for providing procurement services or assistance within the Council providing competent advice in terms of available products and agreements; and
- working with suppliers to create relationships that are professional and productive, and are appropriate to the value and importance of the goods, services and works being acquired.

3.1.3 Role of Specifications

Specifications used in 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;
- encourages the use of standard products;
- encourages sustainability;
- eliminates unnecessarily stringent requirements; and
- wherever possible specifies technical standards and requirements that are within the capabilities of local suppliers.

3.2 Integration with Council Strategy

The Council procurement strategy shall support its corporate strategy, aims and objectives, including but not limited to those related to sustainability, protection of the environment, corporate social responsibility and meeting the needs of the local community.

3.3 Performance Measure and Continuous Improvement

Reporting systems will be used to monitor performance against specified metrics and compliance with procurement policies, procedures and controls.

Performance measurements will be developed to:

- Highlight trend and exceptions where necessary to enhance performance.
- Improve the internal efficiency of the procurement process and where relevant the performance of suppliers
- Facilitate relevant programmes to drive improvement in procurement to eliminate waste and inefficiencies across key spend categories.

3.4 Sustainability

3.4.1 General

The Council is committed to achieving sustainability and ensuring it monitors and reports on Council activities and programs that have an impact on or contribute to the environment including but not limited to:

- waste management,
- recycling,
- energy management,
- emission management,
- water conservation,
- green building design
- procurement, and
- supply chain management

3.4.2 Sustainable Procurement

The Council is committed to adopting a Green Procurement approach by supporting the principles of sustainable Procurement within the context of purchasing on a Value for Money basis.

City of Port Phillip encourages the purchase of environmentally preferable and socially responsible products through applying the price preference of 10% if line with the departmental budget.

Value for Money purchasing decisions made by the Council are made on the basis of cost and non cost factors including contribution to the Council's sustainability objectives.

The Council will therefore:

- Reduce, Reuse, and Recycle

The Council is committed to reduce resources, consumption and minimise waste during the procurement cycle including:

- The Council shall encourage and prefer Eco-friendly products which are more power efficient.
- The Council shall prefer to purchase from a source which is less polluting or uses clean technology
- The Council's procurement projects should automatically consider the provision of re-use and recycling as part of the project planning process, including the consideration of whole-life costs and disposal considerations.

- Buy Recycled:

The Council is committed to buy recycled/part recycled products to optimise consumption and stimulate demand for recycled products, promoting the collection and reprocessing of waste and working towards zero discharge to the landfill.

- Green the Supply Chain:

The Council shall encourage Council suppliers to adopt good environmental practices.

The Council will actively promote green procurement throughout its supply chain and ensure selection which has minimum environmental impact, balancing this against value for money.

3.5 Diversity

Promoting equality through procurement can improve competition, Value for Money, the quality of public services, satisfaction among users, and community relations. It should be a consideration in every procurement project and reflect corporate commitment to diversity and equal opportunities wherever possible.

3.6 Support of Local Business

City of Port Phillip has adopted a strategy to enhance Port Phillip economic viability through the efficient use of community resources.

The overriding principle of procurement activity remains achieving best value for money. In this context, however there are positive actions that can be taken to provide opportunities for local businesses and support the Port Phillip economy.

4 Apply a Consistent and Standard Approach

The Council will provide effective and efficient commercial arrangements for the requisition of goods and services

5 Build and Maintain Supply Relationships

Council recognises that in order to achieve sustainable value, appropriate relationships must be developed and maintained with suppliers and that it seeks to operate with 'informed choice' on what supply strategy it adopts – whether to 'do it yourself', participate in regional or sector aggregated projects or to access State Government panel agreements. Council will continue to consider which supply arrangement delivers best value outcomes for council in terms of time, cost, value and outcome.

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, via the appropriate development programmes and performance measurements to ensure the benefits are delivered.
- Maintaining approved supplier lists
- Developing new suppliers and improving the capability of existing suppliers where appropriate.

5.2 Supply Market Development

A wide range of suppliers should be encouraged to compete for Council work. The focus for new work need not always be with the larger more familiar businesses. Other types of organisations, offering business diversity include:

- Local businesses
- Green suppliers

- Small to medium sized enterprises (SME's)
- Social enterprises
- Voluntary and community organisations

5.3 Relationship Management

The 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 focused to best effect. Such areas may include:

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

6 Continual Improvement

The Council is committed to continuous improvement and will review the procurement policy on an annual basis, to ensure that it continues to meet its wider strategic objectives.