

PROCUREMENT

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1 INTRODUCTION

This policy covers all activities associated with the purchasing of all goods, services and works by the Adelaide Hills Region Waste Management Authority.

This Policy seeks to:

- define the methods by which the Authority can acquire goods and services;
- demonstrate accountability and responsibility of the Authority to its Constituent Council ratepayers;
- be fair and equitable to all parties involved;
- enable all processes to be monitored and recorded; and
- ensure that the best possible outcome is achieved for the Authority.

However, this Policy does not cover:

- non-procurement expenditure such as sponsorships, grants, funding arrangements, donations, employment contracts, legal expenses, legislative payments (e.g., Solid Waste Disposal Level or EPA Licence fees); or
- the disposal of land and other assets owned by the Authority; or
- the purchase of land by the Authority.

2 POLICY OBJECTIVE

The primary objective of this policy is to provide clear direction and a framework for the Authority's procurement of goods and services which is consistent with the principles outlined within section 49 (a1) of the Act.

This policy also aims to allow for the expenditure of Authority funds on goods and services that are consistent with the objectives of the Authority's long term financial plan and strategic direction (as adopted and/or amended from time to time).

3 PROCUREMENT PRINCIPLES

When undertaking its procurement activities, the Authority should seek to strike an appropriate balance between the underlying need, timing and specific circumstances relating to the procurement and the following general procurement principles:

Encouragement of open and effective competition

Value for money

- This is not restricted to price alone.
- Considerations will, where appropriate, take the following into account:
 - the contribution to the Authority's long-term plan and strategic direction;
 - any relevant direct and indirect benefits to the Authority, both tangible and intangible;
 - efficiency and effectiveness of the proposed procurement activity;
 - the performance history quality and financial capacity of each prospective supplier;
 - fitness for purpose of the proposed goods or service;
 - whole of life costs;

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- opportunity costs;
- the Authority's internal administration costs;
- technical compliance issues;
- risk exposure; and
- the value of any associated environmental benefits.

Impartiality, Fairness and Integrity

The Authority is to behave with impartiality, fairness, independence, openness and integrity in all discussions and negotiations.

Procedures and Accountability

The Authority shall ensure that procurement procedures appropriate to specific circumstances are followed and that such processes are auditable where possible.

Ensuring compliance with all relevant legislation

Prior to the commencement of a procurement activity, with the exception of expressions of interest, the procurer must ensure that there is sufficient budget for the goods and service, or have secured appropriate and committed funding through another source (e.g. grant funding) unless written approval has been given by the Executive Officer.

Delegated Authority

Encouragement of the development of competitive local business

Where relevant, local economic development including the engagement of local businesses may be in market procurement documents to reflect the Authority's desire to promote economic development within the district or region.

For procurement of a value above \$150,000 when determining evaluation criteria and weightings for tenders a suggested minimum weighting of 10% of the total weighting should be applied, if appropriate, for local businesses. Support and consideration may be given to the location of the business and the potential to contribute to the economic growth within the local or regional area, including the potential to create local employment opportunities and/or the use of local services.

The term "local" or "regional" means suppliers with their head office and/or primary operations (as determined by the Executive Officer) within the boundaries of Murray Bridge, Mount Barker, Adelaide Hills, Alexandrina or Victor Harbor Councils.

The Authority will seek to embrace the circular economy by:

- Endeavoring to adopt purchasing practices which conserve natural resources.
- Where possible, if relevant, purchase recycled and environmentally preferred products.
- Integrate relevant principles of waste minimisation and energy.
- Foster the development of goods and services which have a low environmental impact.

Work, Health and Safety

The Authority will only consider contractors who have appropriate systems to manage Work, Health and Safety or who can demonstrate a capability to establish adequate systems relevant to a contract prior to the commencement of a contract.

4 PROCUREMENT METHODS

Generally, open and fair competition is best achieved by undertaking a tender process so that all interested parties have the opportunity to bid. However, from time to time a tender process may not necessarily be the best approach when considering the Procurement Principles. In such instances, other market approaches may be more appropriate. Specific circumstances of any procurement will be considered when determining a process commensurate with the scale, scope and relative risk of the proposed procurement.

The Authority may, having regard to its Schedule of Authorities, the considerations outlined under Procurement Principles of this policy and any other facts considered relevant by the Authority, in its absolute discretion determine to utilise one or more of the following procurement methods:

Direct Purchasing

- Where the Authority purchases from a single source, without first obtaining competing bids.
- This method is typically used for low value, low risk goods and services, and generally where the supplier already has a successful service history with the Authority.
- Electronic purchase order required for purchases valued above \$2,500.

Purchase Orders

- This is where the Authority is purchasing routine, low value and low risk goods and services.
- Generally, Purchase Orders have limited terms and conditions and should not be used for non-routine, high value and high-risk goods and services.

Quotations (Informal)

- This is where the Authority obtains quotations from prospective suppliers.
- Generally, a minimum of one written or three verbal quotations are sought.
- Where possible, the Authority must insist on written quotes.
- If a written quotation cannot be obtained, the Authority must keep detailed written records.
- This method may be suitable for low value, low risk goods and services.

Request for Quotation (RFQ)

- This is where the Authority obtains written quotations from prospective suppliers.
- Generally, a minimum of three written quotations are sought.
- This method may be suitable for simple, largely price-based purchases.
- A “Short-Form Request for Quotation” can be used for purchases with minimal specifications.
- A “Long-Form Request for Quotation” can be used for purchases with detailed specifications.

Requests for Expression of Interest (REOI)

This is where the Authority issues an open invitation for proposed goods and services.

- This method may be used where there is potentially a large market for the proposed goods and service, and the Authority would like to be able to prepare a short list of suppliers to then invite to participate in a tender process.
- REOIs may also be used where the specifications or requirements for a project or procurement are not fully determined.
- REOIs may be publicly advertised or, where the Authority has reasonable grounds for specifically dealing with a select group of potential suppliers or demonstrated and evidenced limited supply market, to a select range of suppliers.

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- An REOI may be used as a preliminary step to gauge interest and gather information from potential suppliers before formalizing the requirements. This can help in shaping the final specifications based on responses received from interested parties.
- Following an REOI process and having reasonable grounds for only dealing with one supplier, the Authority may negotiate a direct purchase without undertaking a tender process.

Requests for Proposals (RFP)

The primary purpose of an RFP is to transmit the Authority’s understanding of the requirements for a project to identified suppliers whom the Authority believes can provide solutions.

Request for Tenders (RFT)

- The Authority issues a tender for proposed goods and services.
- The Authority may issue a ‘Select’ Request for Tender where it has already issued a REOI, or where it has reasonable grounds for specifically dealing with a select group of potential suppliers such as demonstrated and evidenced limited supply market.
- Otherwise, the Authority may issue an “Open” Request for Tender.

Strategic Alliances

Where the Authority undertakes procurement through contract arrangements already established and administered by other organisations, including but not limited to:

- LGA Procurement;
- other Local Government Councils and Subsidiaries;
- the Authority’s Constituent Councils;
- a purchasing group of which the Authority is a member;
- Procurement Australia;
- State Government contracts.

Strategic alliances may enable the Authority to achieve lower costs for standard goods and services through collaborative purchasing and achieve efficiencies in procuring goods and services.

5 APPROPRIATE METHOD OF PROCUREMENT

The appropriate method of procurement will be determined by reference to several factors, including the Procurement Principles, and the following:

Value of the Purchase

VALUE OF PURCHASE (\$)	SUGGESTED METHODS OF PROCUREMENT
UP TO PURCHASE ORDER LIMIT (CURRENTLY \$2,500)	Direct sourcing of low value purchases without a purchase Order
ELECTRONIC PURCHASE ORDER LIMIT (\$2,501 TO \$5,000)	Direct purchase with appropriate documentation for an electronic purchase order to be raised (i.e. email from procurer outlining purchase details)

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ELECTRONIC PURCHASE ORDER LIMIT (\$5,001 TO \$25,000)	Direct purchase with appropriate documentation for an electronic purchase order to be raised (including at least one written quote or three verbal quotes)
\$25,001 TO \$150,000	Request for Quotation (RFQ) with at least three written quotes sought
\$150,001 UP TO \$500,000	Request for Expression of Interest (REOI) Request for Tender (RFT) Select Request for Tender (RFT) Open
OVER \$500,000	Request for Tender (RFT) Open

- Seek guidance if the procurement value is more than \$25,000.
- Guidelines to calculate the value of a purchase are as follows:
 - single one-off purchase: the total amount, or estimated amount, of the purchase (excluding GST);
 - multiple purchases: the value or the estimated value of the total purchases (excluding GST);
 - ongoing purchases over a period of time: the annual value, or the estimated annual value, of the purchases (excluding GST). single one-off purchase – the total amount, or estimated amount, of the purchase (excluding GST).
- Purchase values should be determined on the basis of a reasonable belief.
- Purchases should not be split for the purpose of bringing them within lower limits.
- In the case of uncertainty as to the value of a purchase, the Executive Officer will have authority to determine the value.

Cost of an open market approach versus the value of the acquisition and the potential benefits;

The particular circumstances of the procurement activity;

The objectives of the procurement;

The size of the market and the number of competent suppliers;

The Authority's leverage in the marketplace;

Time constraints;

An assessment of the risks associated with the relevant activity and/or project, including the risk profile of the procurement and any risks associated with the preferred procurement method.

Existing relationship with a supplier relevant to the procurement in question. Extending an existing arrangement, where the extension is modest having regard to the original intent of the agreement, may provide the Authority with greater value for money than if it were to pursue another procurement process in the wider, prevailing market. In the case of more substantial

extensions, the Authority will consider the other procurement methods set out in this policy unless not doing so remains consistent with the procurement principles.

6 RECORDS

The Authority must record written reasons for utilising any procurement method other than those outlined above, in section 5.

At a minimum, documentation which details the procurement method, risk, evaluation plan and evaluation result, must be prepared and maintained for each relevant procurement.

The method of capturing procurement activity records is through use of established templates available to Authority staff.

7 DELEGATIONS

Managers - Appropriate levels of authority to incur and approve expenditure will be delegated to Managers taking into account their budget responsibilities as per the Board adopted Schedule of Authorities.

Executive Officer - The Executive Officer has delegated authority to incur and approve all expenditure in accordance with the Charter and Board adopted Schedule of Authorities.

8 EXAMPLES OF CIRCUMSTANCES WHERE ALTERNATIVES TO SEEKING TENDERS OR QUOTATIONS ARE APPROPRIATE

This policy contains procurement principles and general guidelines to be followed by the Authority in its procurement activities. The procurement methods referred to by reference to purchase value in paragraph 5 are suggestions to be considered in light of the procurement principles and the other considerations set out in this policy.

The purpose of this paragraph (8) is to provide a non-exhaustive list of circumstances where a tender or quotation process will not necessarily deliver the best outcome for the Authority but where other market approaches may be more appropriate.

The following are examples of circumstances where a market approach other than a tender or quotation process would be appropriate:

- where there may be significant public risk if the procurement is delayed by tender or quotation process requirements, such as emergency situations threatening life and property;
- where there may be significant risk to the Authority's operations if a tender or quotation approach is taken;
- where the pressures of time are such that an open call is not feasible, for example, where there has been an unanticipated Government policy decision;
- where the Authority purchases goods and services at an auction;
- where the Authority purchases second-hand goods and services;

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- where the contract is made with, or under arrangement with, or made through a panel contract or a strategic alliance as per this policy;
- where a situation presents itself wherein a supplier has considerable background knowledge and experience or specialist expertise in that particular Authority project. In such situations the procurement of goods and services on negotiated fees and terms through that supplier alone may be deemed sound and advantageous to the relevant project. This could include engaging the supplier on a retainer basis for a specific period of time.

Procurements carried out in circumstances, and of the type referred to in this section (section 8);

- require the approval of the Executive Officer.
- are consistent with the procurement principles and other considerations set out in this policy.

9 REVIEW HISTORY

This policy shall be reviewed every four years or as required.