LATROBE CITY COUNCIL

AGENDA FOR THE SPECIAL COUNCIL MEETING

TO BE HELD IN NAMBUR WARIGA MEETING ROOM CORPORATE HEADQUARTERS, MORWELL
AT 5.30PM ON 16 SEPTEMBER 2013

SM419
**Latrobe Community Vision**

“In 2026 the Latrobe Valley is a liveable and sustainable region with collaborative and inclusive community leadership.”

**Council Mission**

Latrobe City continues to implement the values, corporate directions and partnerships necessary to bring reality to the Latrobe's 2026 community vision for a liveable and sustainable region with collaborative and inclusive community leadership.

**Council Values**

Latrobe City Council's values describe how it is committed to achieving the Latrobe 2026 community vision through:

- Providing responsive, sustainable and community focused services;
- Planning strategically and acting responsibly;
- Accountability, transparency and honesty;
- Listening to and working with the community; and
- Respect, fairness and equity.
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1. OPENING PRAYER

Our Father in Heaven, hallowed be your Name, your kingdom come, your will be done on earth as in Heaven. Give us today our daily bread. Forgive us our sins as we forgive those who sin against us. Save us from the time of trial and deliver us from evil. For the kingdom, the power, and the glory are yours now and forever.

AMEN

2. ACKNOWLEDGEMENT OF THE TRADITIONAL OWNERS OF THE LAND

We respectfully acknowledge that we are meeting here today on the traditional land of the Braiakaulung people of the Gunnai/Kurnai Clan and pay our respect to their past and present elders.

3. APOLOGIES AND LEAVE OF ABSENCE

4. DECLARATION OF CONFLICT OF INTEREST

Direct and indirect interests - Section 77A(1) Local Government Act 1989

A relevant person has a conflict of interest in respect of a matter if the relevant person has a direct interest or indirect interest in the matter.

5. PUBLIC QUESTION TIME

Suspension of Standing Orders for Members of the Public to Address Council
GOVERNANCE
6. GOVERNANCE

6.1 CONSIDERATION OF THE PROCUREMENT POLICY AS PUT FORWARD BY COUNCILLOR ROSSITER AND COUNCILLOR HARRIMAN

General Manager Governance

NOT CONFIDENTIAL
For Decision

PURPOSE
The purpose of this report is to present a Procurement Policy as drafted by Councillors Rossiter and Harriman in accordance with the Notice of Special Council Meeting submitted 9 September 2013.

DECLARATION OF INTEREST
No officer declared an interest under the Local Government Act 1989 in the preparation of this report.

STRATEGIC FRAMEWORK

*Latrobe 2026: The Community Vision for Latrobe Valley*

*Strategic Objectives - Governance*

In 2026, Latrobe Valley has a reputation for conscientious leadership and governance, strengthened by an informed and engaged community, committed to enriching local decision making.

*Latrobe City Council Plan 2013 - 2017*

*Theme and Objectives*

*Theme 3 - Efficient, effective and accountable governance.*

*To achieve the highest standards of financial probity and meet all statutory obligations*

*To provide open, transparent and accountable governance*

*Work to minimise rate increases for our community*

*Effectively manage Council debt to minimise long term costs*
Strategic Directions

Continuously review our policies and processes to increase efficiency and quality of our facilities and the services we provide.

Increase local procurement of goods and services received by Council where feasible.

Establish and maintain rigorous Council policies that comply with legislation and respond to community expectation.

Continuously improve financial management and reporting.

Continuously improve decision-making structures and processes.

Legislation – Local Government Act 1989

Section 186A Procurement Policy of the Local Government Act 1989

1. A Council must prepare and approve a procurement policy.

2. A Council must within 12 months after the commencement of section 67 of the Local Government Amendment (Councillor Conduct and Other Matters) Act 2008 prepare and approve a procurement policy.

3. A procurement policy must include any matters, practices or procedures which are prescribed for the purposes of this section.

4. A Council must have regard to guidelines made under subsection (5) in preparing a procurement policy.

5. The Minister may make guidelines with respect to the form or content of a procurement policy.


7. At least once in each financial year, a Council must review the current procurement policy and may, in accordance with this section, amend the procurement policy.

8. A copy of the current procurement policy must be available for inspection by the public—
   (a) at the Council office; and
   (b) on the Council's Internet website.

9. A Council must comply with its procurement policy.

10. In this section procurement policy means the principles, processes and procedures that will apply to all purchases of goods, services and works by the Council.
Policy - Council Policy Development Policy 13 POL-6
Policy development has a key role to play in the good governance of Latrobe City Council. Policy sets the broad parameters for guiding and setting the boundaries to influence the actions and operations of the organisation. Policies are designed to provide clear, unambiguous guidelines and to provide continuity and a consistent point of accountability. Policy-making shall therefore follow set procedures to ensure the efficacy of the process and the overall policy framework.

BACKGROUND

The existing Procurement Policy 12 POL-4 adopted 18 June 2012 was developed in accordance with Section 186A of the Local Government Act 1989, using a preferred template by Local Government Victoria Procurement division and taking into consideration the Victorian Local Government Best Practice Procurement Guidelines.

Section 186A requires 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 Council.

In accordance with the Local Government Act 1989, Councils are required to review and update their Procurement Policy every 12 months. A revised draft Procurement Policy (13 POL-5) was provided to Councillors on 29 April 2013, including notification that the policy was required to be reviewed by the 30 June 2013, in preparation for the annual review process.

At the request of Councillors, on the 27 May 2013 and 8 July 2013, Officers provided additional information to Councillors in relation to benchmarking information against other Councils, tender evaluation weightings, best practice benefit to regional economy criteria and financial impacts of changes to the procurement thresholds.

The revised draft Procurement Policy 13 POL-5 was presented as an agenda item for discussion at the Audit Committee meeting on 6 June 2013 and it was noted that Councillors were still to undertake further amendment to the policy.

On the 20 August 2013 Councillors Rossiter and Harriman provided an amended Procurement Policy to the Chief Executive Officer and three Councillors subsequently requested that this amended policy be presented to Council at a Special Council Meeting to be held on the 16 September 2013.
ISSUES

Best Practice Procurement Guidelines
The structure of the proposed Procurement Policy was benchmarked against the Best Practice Procurement Guidelines, and although there has not been sufficient time to complete a detailed comparison of the content against the Best Practice Procurement Guidelines, on balance the proposed document structure meets the minimum requirements as set out in the guide.

Relationship to Council Plan & Latrobe 2026
The proposed policy has no identified link to the existing Council Plan or Latrobe 2026 documents and is not presented in the standard Policy format.

- The implementation of the proposed changes to the Procurement Policy would appear inconsistent with the 2013-2017 Council Plan strategic direction of
- “Continuously review our policies and processes to increase efficiency and quality of our facilities and the services we provide”
- as the proposal has the potential to significantly reduce efficiency and result in increased staff and equipment costs.

Analysis of Proposed Amendments
Councillors Rossiter and Harriman have proposed significant changes to the existing Procurement Policy which will result in a weighty increase in the annual cost to manage the procurement process, require a substantial upfront cost to upgrade the existing computerised procurement system and result in a significant reduction in efficiency.

Financial Governance
Latrobe City Council meets all statutory and reporting requirements regarding financial management and procurement practices and has a robust system of auditing, including the operation of the Latrobe City Council Audit Committee.
A summary of the most significant changes proposed in the amended Procurement Policy include:

- **Decreased delegated approval levels for expenditure**

<table>
<thead>
<tr>
<th>Authoriser</th>
<th>Existing Delegation</th>
<th>Proposed Delegation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coordinator / Team Leader</td>
<td>&lt; $25,000</td>
<td>&lt; $1,000</td>
</tr>
<tr>
<td>Managers (3rd Level Managers)</td>
<td>&lt; $50,000</td>
<td>&lt; $5,000</td>
</tr>
<tr>
<td>General Managers (2nd Level Managers)</td>
<td>&lt; $100,000</td>
<td>&lt; $25,000</td>
</tr>
<tr>
<td>Chief Executive Officer (Goods &amp; Services)</td>
<td>&lt; $150,000</td>
<td>&lt; $50,000</td>
</tr>
<tr>
<td>Chief Executive Officer (Construction Works)</td>
<td>&lt; $200,000</td>
<td>&lt; $50,000</td>
</tr>
<tr>
<td>Council</td>
<td>&gt; $150,000 or &gt; $200,000</td>
<td>&gt; $50,000</td>
</tr>
</tbody>
</table>

Council officers currently generate in the vicinity of 13,500 purchase orders per annum. The proposed changes to the delegated approval levels will result in senior officers within the organisation spending significantly more time and resources authorising purchase orders and will result in the generation of significantly more Council reports.

Based on purchase orders generated in 2012 an indication of the change in the number of purchase orders able to be authorised at each level would be as follows.

<table>
<thead>
<tr>
<th>Authoriser</th>
<th>Existing number of PO authorised</th>
<th>Proposed number of PO authorised</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coordinator / Team Leader</td>
<td>13,127</td>
<td>9,141</td>
</tr>
<tr>
<td>Managers (3rd Level Managers)</td>
<td>137</td>
<td>3,179</td>
</tr>
<tr>
<td>General Managers (2nd Level Managers)</td>
<td>48</td>
<td>807</td>
</tr>
<tr>
<td>Chief Executive Officer (Goods &amp; Services)</td>
<td>20</td>
<td>137</td>
</tr>
<tr>
<td>Council (Goods &amp; Services)</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>
LATROBE CITY COUNCIL

• Increased requirements for the collection of quotations and documentation

<table>
<thead>
<tr>
<th>Purchase Value</th>
<th>Existing Policy</th>
<th>Proposed Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; $1,000</td>
<td>1 Verbal Quote</td>
<td>2 Verbal Quotes</td>
</tr>
<tr>
<td>$1,000 to $5,000</td>
<td>1 Verbal Quote</td>
<td>2 Written Quotes</td>
</tr>
<tr>
<td>$5,000 to $25,000</td>
<td>2 Written Quotes</td>
<td>3 Written Quotes</td>
</tr>
<tr>
<td>$25,000 to $50,000</td>
<td>3 Written Quotes</td>
<td>3 Written Quotes</td>
</tr>
<tr>
<td>$50,000 to $150,000</td>
<td>3 Written Quotes</td>
<td>Public Tender</td>
</tr>
<tr>
<td>$150,000 to $200,000 (Construction works only)</td>
<td>3 Written Quotes</td>
<td>Public Tender</td>
</tr>
<tr>
<td>&gt; $150,000 (G&amp;S); or &gt; $200,000 (Construct)</td>
<td>Public Tender</td>
<td>Public Tender</td>
</tr>
</tbody>
</table>

The existing electronic purchasing module utilised by Latrobe City Council would not be adequate to store the additional written and verbal quotes and monitor compliance with the proposed policy. Based on 2012 purchase order information there would have been in the vicinity of 9,200 purchases within the category of below $1,000.

As the existing systems have no way of automatically validating compliance with the purchasing policy, existing purchases above $5,000 are currently required to have written quotes scanned and electronically attached to the purchase order within the existing purchase module of the finance system. Compliance with the existing policy is via a manual process of validating that the correct number of quotes has been electronically attached to the purchase order prior to the purchase order being released.

The proposed policy will result in an increase from 1,000 to 4,200 purchase orders requiring this manual process. Compliance with the requirements of the proposed policy cannot be achieved with the current level of resourcing. Should the proposed policy be adopted there would be a requirement to upgrade the existing purchasing module within the finance system at an estimated cost of $90,000 upfront implementation, plus ongoing annual licencing fees. This would provide electronic validation, collection and workflow capabilities. It is also estimated that there would be a requirement for an additional human resource at a cost of $70,000 per year.

• Increased requirement for Public Tendering of works and Council approval

On average there are approximately 70 public tender processes managed each year. A change to the proposed policy would result in potentially up to 220 tender processes annually.
The tender process draws significantly on existing human resources with the additional requirements for the preparation and distribution of specifications and tender documentation, panel assessment and selection of tenderer, along with the subsequent preparation and signing of contract documents.

Current resourcing arrangements do not allow for an increase of this magnitude in the tendering and contract process. It is estimated that there would be a requirement for an ongoing additional human resource for this process at a cost of $70,000 per year. Furthermore there are also ongoing un-quantified impacts in relation to project management, with significant increases in documentation preparation and extended timeframe requirements relating to the management and completion of construction projects.

- **Significant changes in the contract variation approval process.**

  Delegated Levels

<table>
<thead>
<tr>
<th>Authoriser</th>
<th>Existing Policy</th>
<th>Proposed Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Manager</td>
<td>- Contract amount plus variation $&lt; 200,000, and &lt; $10,000, and combined variations $&lt; 20,000</td>
<td>Nil</td>
</tr>
<tr>
<td></td>
<td>- Original Contract amount $&gt; 200,000, and single variation $&lt; 7.5% of original contract value, and combined variations $&lt; 10% of original contract value</td>
<td></td>
</tr>
<tr>
<td>Chief Executive Officer</td>
<td>All values which exceed the authority of the General Manager</td>
<td>$&lt; 5% of contract value, or $5,000 whichever is the least</td>
</tr>
<tr>
<td>Council</td>
<td>Nil</td>
<td>$&gt;= 5% of contract or $5,000 whichever is the least</td>
</tr>
</tbody>
</table>
On average there are up to 100 contract variations processed annually. Variations can generally be grouped in to three classes:

**Latent Conditions**

These are conditions that were not known by the contractor, the designer or Latrobe City Council prior to contract formation. Examples include the discovery of rock during excavations, the discovery of soft ground that is unsuitable to build on.

**Client Initiated Variations**

These variations are typically where during the construction process a particular element needs to be altered due a Latrobe City Council requirement. Examples include a user group requesting alterations to get a better outcome on a particular project.

**Design Issues**

Architecture and Engineering are not perfect sciences. Errors and omissions are an unavoidable fact in any significant project design. Design issues are the most common reason for variations in construction contracts. They often arise from coordination issues between different disciplines, for example where a structural element is clashing in a ceiling space with a mechanical duct and one of the items needs to be re-engineered, re-manufactured and re-installed to overcome the issue.

A sample of the current variations would suggest that the major portion of variations would require Council approval under the proposed policy.

Assuming 80% of variations require Council approval, this could result in up to 80 additional Council Reports annually to be presented over the 22 available Council Meetings per year.

The proposed policy may also result in significant disruptions and delays in works, and exposure to increased costs from contractors associated with downtime. Examples of additional costs and disruptions include; traffic management, additional transporting of plant and equipment, stand-down of contractor employees, delays in equipment returning to site and inconvenience to the community. It is not unreasonable to expect that these costs may far exceed the value of the variations.

The anticipated increase in the number of Council Reports exceeds the capacity of the existing resources and will require another ongoing additional human resource at a cost of $70,000 per year. There will also be an unquantifiable impact on Council’s ability to attract State and Federal funding given that the majority of variations would need to be considered by Council. This will significantly decrease Council’s ability to deliver programs within funding required timelines, for example stimulus funding.
Benchmarking

The following benchmark figures have been obtained in relation to the procurement levels currently implemented in other Councils.

<table>
<thead>
<tr>
<th>Council</th>
<th>Procurement threshold for single verbal quote</th>
<th>CEO Delegated approval levels</th>
<th>CEO Delegated Variations approval levels</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REGIONAL CITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Latrobe (Existing)</td>
<td>$5,000</td>
<td>$150,000 or $200,000</td>
<td>Unlimited</td>
</tr>
<tr>
<td>Latrobe (Councillor Drafted)</td>
<td>$0</td>
<td>$50,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>Geelong</td>
<td>$5,000</td>
<td>$2,000,000</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Bendigo</td>
<td>$5,000</td>
<td>$1,500,000</td>
<td>Not Avail</td>
</tr>
<tr>
<td>Shepparton</td>
<td>$5,000</td>
<td>$750,000</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Ballarat</td>
<td>$5,000</td>
<td>$250,000</td>
<td>Case by Case</td>
</tr>
<tr>
<td>Wodonga</td>
<td>$2,500</td>
<td>$200,000</td>
<td>$200,000</td>
</tr>
<tr>
<td><strong>NEIGHBOURING COUNCILS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wellington</td>
<td>$5,000</td>
<td>$400,000</td>
<td>Unlimited</td>
</tr>
<tr>
<td>Baw Baw</td>
<td>$5,000</td>
<td>$250,000</td>
<td>Unlimited</td>
</tr>
<tr>
<td>South Gippsland</td>
<td>$2,500</td>
<td>$250,000</td>
<td>$100,000</td>
</tr>
<tr>
<td><strong>OTHER COUNCILS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wyndham</td>
<td>$5,000</td>
<td>$2,000,000</td>
<td>Unlimited</td>
</tr>
<tr>
<td>Port Phillip</td>
<td>$5,000</td>
<td>$1,000,000</td>
<td>Not Avail</td>
</tr>
<tr>
<td>Whitehorse</td>
<td>$3,000</td>
<td>$350,000</td>
<td>Not Avail</td>
</tr>
</tbody>
</table>

The proposed delegation levels are significantly lower than comparable Regional Cities and all other benchmarked Councils. They are also in conflict with the existing policy requirements of providing a procurement structure that is flexible enough to purchase in a timely manner the diverse range of material, goods, works and services required by Council.
Additional Considerations

Further consideration should also be given to;

- Latrobe City Council’s current $41M capital works program scheduled to be completed for 2013/14. The resource planning for these works has been based on the current procurement policy/guidelines. Any significant change to the policy will result in the program being unable to be delivered this year without additional project staff being engaged.

- The proposed variation approval process will create a situation where projects will take significantly longer to complete. For example, it is estimated that the flooding and earthquake events that took place during the construction of the Franklin St Bridge project would have resulted in additional delays of at least 3 months to complete should each variation have been required to be presented to Council for approval.

- If works are to stop to allow a Council report to be completed, in some instances contractors will be required to transport plant from the site and then return it back again once the variation is approved. This is an expensive exercise that could result in significant delays, and additional increases in costs to Council far in excess of the variation amount.

- The anticipated increase in the number of records generated by the amended Procurement Policy will have an impact on the required scanning facilities required across Council at a cost of $15K per unit. Subsequently this will also have an impact on the management, retention and disposal of records.

FINANCIAL, RISK AND RESOURCES IMPLICATIONS

The procurement policy has not been reviewed and updated within the 12 month period as required by the Local Government Act 1989.

Financial Risks

There are currently no budget funds allocated within the 2013/14 budget to fund the required resources to implement the proposed policy. The financial impact has also not been considered in terms of the 10 Year Financial Plan.

It is estimated that the operational impact of the proposed changes would total $300,000 plus unquantified oncost expenses associated with setup, accommodation, computer licences, telephones and furniture and equipment in the first year, resulting from the need for an additional three (3) employees ($210,000 annually ongoing) and the required modifications to the existing procurement module ($90,000). Over the term of the 10 Year Financial Plan this would equate to an additional $2.49M plus the loss of potential funding from other levels of government.
Additional resourcing will also be required to manage the increased compliance requirements, the increased number of tenders, tender documentation and contract documents, and increased Council Reports associated with variations. Additionally, the implementation of enhanced modules to the procurement system will result in ongoing annual licencing fees.

In addition to these quantifiable costs there are also significant non-quantifiable costs associated with the additional administrative requirements and review processes. The proposed policy will result in additional resource utilisation throughout all levels of the organisation.

**Reputational and Political Risk**

There is the risk of damage to Councils reputation through unreasonable delays to projects creating negative perceptions and disharmony within Latrobe City and having a potential adverse impact on government funding and project opportunities.

**Implementation Risk**

It is recognised that the proposed Procurement Policy differs significantly from the existing and will require significant implementation and training should it be adopted.

**INTERNAL/EXTERNAL CONSULTATION**

*Engagement Method Used:*

The Procurement policy has been the subject of comprehensive internal consultation throughout the review process, with officers and Councillors. Councillors were provided with information to support the decision making process on 29 April 2013, 13 & 27 May 2013, and 8 July 2013.

**OPTIONS**

The following options are available to Council:

1. That Council notes that the procurement policy as drafted by Councillors Rossiter and Harriman has been presented in accordance with the purpose of the special council meeting
2. That Council adopt the Procurement Policy as drafted by Councillors Rossiter and Harriman.
3. That Council amend and adopt the Procurement Policy as drafted by Councillors Rossiter and Harriman.
4. That the draft Procurement Policy be referred to Latrobe City Council’s Audit Committee for comment.
5. That Council not adopt the Procurement Policy as drafted by Councillors Rossiter and Harriman and that the Chief Executive Officer is requested to provide a draft procurement policy that is consistent with the council plan, best practice procurement guidelines and benchmarking.
CONCLUSION

A revised draft Procurement Policy (13 POL-5) was provided to Councillors on 29 April 2013, in preparation for the annual review process and including notification that the policy was required to be reviewed by the 30 June 2013.

At the request of Councillors, on the 13 & 27 May 2013 and 8 July 2013, Officers provided additional information to Councillors in relation to benchmarking information against other Councils, tender evaluation weightings, best practice benefit to regional economy criteria and financial impacts of changes to the procurement thresholds.

On the 20 August 2013 Councillors Rossiter and Harriman provided an amended Procurement Policy to the Chief Executive Officer and three Councillors subsequently requested that this amended policy be presented to Council at a Special Council Meeting to be held on the 16 September 2013.

Councillors Rossiter and Harriman have proposed significant changes to the existing Procurement Policy which will result in a substantial increase in the annual cost to manage the procurement process, require a substantial upfront cost to upgrading the existing computerised procurement system and introduce a significant reduction in efficiency.

The proposed Procurement Policy would result in:

- A decrease in delegated approval levels for expenditure.
- An increase in the requirement for the collection of quotations and documentation.
- An increase in the requirement for Public Tendering of works and Council approval.
- A decrease in the existing delegations in relation to contract variations;

Benchmarking across a wide range of rural, regional and metro Council’s indicates significant inconsistency with the proposed changes to the Procurement Policy prepared by Councillors Rossiter and Harriman. The proposed changes will potentially significantly reduce efficiency in purchasing and result in increased costs and is at odds with the existing policy requirements of providing a procurement structure that is flexible enough to purchase in a timely manner the diverse range of material, goods, works and services required by Council.
Attachments

1. Procurement Policy as put forward by Councillors Rossiter and Harriman

RECOMMENDATION

1. That council notes that the procurement policy as drafted by Councillors Rossiter and Harriman has been presented in accordance with the purpose of the special council meeting.
6.1

CONSIDERATION OF THE PROCUREMENT POLICY AS PUT FORWARD BY COUNCILLOR ROSSITER AND COUNCILLOR HARRIMAN

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6.1 CONSIDERATION OF THE PROCUREMENT POLICY AS PUT FORWARD BY COUNCILLOR ROSSITER AND COUNCILLOR HARRIMAN - Procurement Policy as put forward by Councillors Rossiter and Harriman

PROCUREMENT POLICY

August 2013

WORKING DOCUMENT / DRAFT

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<tr>
<td>4.2.3 $5,000 to $50,000 for Goods, Services and Works – Written Quotations</td>
<td>12</td>
</tr>
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1 Background

1.1 Purpose
The purpose of this Procurement Policy is to -

- provide a framework to assist and ensure the efficient, effective, socially and ecologically responsible procurement of goods, services and works for Latrobe City Council (Council);
- ensure consistency and control over procurement activities;
- demonstrate accountability to ratepayers;
- demonstrate the application of best practice in procurement; and
- increase the probability of obtaining the right procurement outcome.

where procurement is defined as the whole process of acquisition of external goods (either outright or by rental or lease), services and works.

1.2 Best Practice
Council recognises that:

Developing a procurement strategy and adopting appropriate best practice procurement policies, principles, processes and procedures for all goods, services and works will enhance 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;
- a system of delegations;
- procurement processes with appropriate procedures; and
- a professional approach.

Council requires that Council’s contracting, purchasing and contract management activities:

- support the Council’s corporate strategies, aims and objectives;
- consider the whole life cycle of an acquisition from initial concept to the end of the useful life of an asset, including its disposal;
- achieve value for money;
- 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 innovation and technological initiatives;
- generate and support business in the local community;
- consider human rights.

1.3 Scope
The procurement function for Council is decentralised and utilises an electronic purchasing system. Central control of the procurement function is achieved by the Procurement Policy. The Procurement Policy articulates the expectations that exist on Council officers, councillors and temporary employees conducting procurement on behalf of Council. Council officers undertaking procurement are required to develop a comprehensive understanding of the Procurement Policy and procurement procedures to ensure that all requirements are met.
The Procurement Policy applies to all purchases made by Council, regardless of the funding source. Council’s Purchasing, Tendering and Contract Administration Guidelines exemplify the Procurement Policy.
2 Framework Policies and Legislation

2.1 Standards
Council’s procurement activities are carried out to the professional standards required by best practice and in compliance with:
- The Local Government Act 1989;
- Competition and Consumer Act 2010;
- Council’s Code of Conduct;
- Relevant Council policies; and
- Relevant legislation.

Procurement actions and outcomes meet the requirements of the following relevant policies and legislation, including any subsequent amendments:

2.2 Local Government Act
This Procurement Policy is made under Section 186a of the Local Government Act 1989. This section of the Act requires 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 Council. The Local Government Act 1989, as amended, is the core legislation governing local government procurement.

2.3 National Competition Policy
The National Competition Policy (NCP) impacts on Council’s procurement processes. In brief, NCP extends the Australian Consumer Law to Councils and introduces Competitive Neutrality Policy.

2.4 Competition and Consumer Act 2010
The Competition and Consumer Act (CCA) protects businesses and its customers from unfair trading practices. Council’s rights and responsibilities under the CCA are considered in all procurement transactions. The requirements of the CCA are applied to all aspects of Council business to ensure that it is operating fairly and competitively in the marketplace.

2.5 Competitive Neutrality
All tenders submitted by Latrobe City Council comply with the Competitive Neutral Pricing Principles as outlined in the Victorian State Government’s “Competitive Neutrality Policy Victoria 2000”. Competitive Neutrality pricing principles are applied when tendering against external or private companies. The State Government has introduced competitive neutrality policy to ensure that where government’s business activities involve it in competition with private sector business activities, the net competitive advantages, or disadvantages that accrue to a government business as a result of their public ownership are offset. Competitive Neutrality policy promotes efficient competition between public and private businesses operating in the same market. Competitive Neutrality pricing principles are also applied when evaluating tenders received from other Councils.
2.6 Best Value
The State Government’s “Best Value” legislation is applied to the procurement of all goods, services and works. Services to the community satisfy the following best value principles:
- meet quality and cost standards;
- responsive to the needs of the community;
- accessible to those for whom they are intended; and
- demonstrate continuous improvement in social, economic and environmental value.

2.7 Goods and Services Tax (GST)
When obtaining quotations/tenders, the value of the GST is included in the quoted/tendered price unless the goods or services are GST-exempt under legislation.
All monetary values stated in this policy include GST.

2.8 Occupational Health & Safety
The requirements of the Victorian Occupational Health and Safety Act 2004 and Council’s Health and Safety Policy are applied to the procurement of goods, services and works.
Latrobe City Council is obliged to ensure that its employees and Suppliers/Contractors/Consultants (and their employees) carry out their activities:
- in a safe manner;
- using proper and safe plant and substances; and
- employing systems of work that are safe and in which there has been adequate instruction, training and supervision.

This obligation applies to each and every aspect of the activity to be carried out. Outsourcing work to Contractors/Consultants contributes to the quality of outcomes for an activity but does not remove Whitehorse City Council’s obligation and accountability to ensure that those who actually perform the activity are protected from risks to their health and safety.

2.9 Equal Opportunity
The requirements of the Victorian Equal Opportunity Act 1995, Council’s Equal Opportunity Policy and Commonwealth anti-discrimination legislation are applied to the procurement of goods, services and works.

2.10 Disability Considerations
The legislative requirements of the Disability Discrimination Act 1992 are considered to ensure that procurement processes and decisions do not directly or indirectly discriminate against people with a disability.
2.11 Privacy Compliance

Privacy protocols in accordance with the Information Privacy 2000 (VIC) Act and the Health Records 2001 (VIC) Act are observed in all transactions containing personal and health information held and gathered by Council. Council ensures that personal information held is stored, managed, used, disclosed and transferred in a fair and appropriate way and that people have the right to access and correct information about themselves.

2.12 Sustainability

Council is committed to being sustainable and will ensure that it minimises adverse environmental impacts in the procurement of goods, services and works to the best of its ability. Council constructs, operates and maintains economic, social and environmental infrastructure and leads by example through its own sustainable actions. Council views sustainability in terms of achieving a triple bottom line with actions aimed at improving the environment, the health and well-being of the community, and promoting a sustainable local economy.

2.13 Human Rights

The requirements of the Victorian Charter of Human Rights and Responsibilities Act 2006, ensure that Council gives proper consideration to human rights during the procurement of goods, services and works.
3 Key Purchasing Principles

3.1 Responsible Financial Management

The principle of responsible financial management is applied to all procurement activities by ensuring that:
- The availability of funding within an approved budget, or other source of funding, is established prior to the commencement of any procurement activity.
- Delegated officers do not authorise expenditure of funds in excess of the approval levels detailed in clause 4.6;
- Funds are spent efficiently and effectively;
- Every attempt is made to contain the costs of the procurement process without compromising any of the procurement principles set out in this Policy.

3.2 Value for Money

All procurement activities are carried out on the basis of obtaining value for money. Value for money is achieved by minimising the total cost of ownership over the lifetime of the requirement consistent with acceptable quality, reliability and delivery considerations. Lowest price is not the sole determinant of value for money.

In accordance with Section 186(3) of the Local Government Act, Council gives preference to goods, equipment, material or machinery manufactured in Australia and New Zealand when practical.

3.3 Probity

Procurement processes are visible, defensible and auditable. The integrity of the procurement process is upheld to ensure that stakeholders have utmost confidence that procurement outcomes can be justified and that policy and legislative obligations are being met.

All documentation supporting procurement processes and decisions are stored in Council’s records and information management system. This requirement applies equally to third parties managing procurement processes on behalf of Council.

3.4 Ethics

In accordance with, and further to, the conduct principles outlined in Section 95 of the Local Government Act, procurement is conducted ethically to enable Council to deal with its suppliers on a basis of mutual trust and respect and conduct business fairly, reasonably and with integrity. All Council officers involved in procurement ensure that they:
- Avoid and disclose conflicts of interest;
- Deal with suppliers even-handedly;
- consider seeking appropriate probity advice and/or the appointment of a probity auditor for high value purchases and projects of a lesser value but of a complex nature;
- uphold Council’s standing by not accepting gifts or hospitality;
- are scrupulous in their use of public property;
- comply with all legislative obligations including those required by trade practices, safety and consumer affairs legislation;
- have regard to the cost to suppliers in submitting prices, proposals and tenders;
- invite quotations and tenders only where there is a clear intent to procure the goods/services/works in the near future;
- do not behave in a fraudulent or criminal manner as detailed in Council’s Fraud Policy;
- protect Commercial in Confidence information;
- do not endorse any unauthorised products or services; and
do not use Council's purchasing system for personal use items.

3.5 Conflict of Interest

All Council officers involved in procurement:
- ensure that they avoid whenever possible personal or private interests that intersect or overlap with their official duties;
- disclose all personal or private interests that might compromise their ability to act in the public interest;
- follow the specific procedures defined in the Local Government Act to remove themselves from decision-making processes in the event that a conflict of interest is identified.

3.6 Risk Management

Risk management is applied at all stages of procurement activities which are planned and carried out in a manner that protects and enhances Council's ability to prevent, withstand and recover from interruption to the supply of goods, services and works.

3.7 Sustainable Purchasing

3.7.1 Principles

sustainable principles and practices are considered in all procurement decisions. Council supports and encourages the use of quality products that have recycled content and are ecologically responsible, over products made from virgin or inappropriate materials. Council gives preference to:
- companies or organisations that follow ecologically sustainable and Fair Trade work practices; and
- ecologically sustainable goods and services within the context of purchasing on a value for money basis.

3.7.2 Objectives

Council strives to:
- minimise unnecessary purchasing through the conscious and thoughtful purchasing of goods and services;
- minimise waste by using the waste hierarchy to assess purchases (Avoid, Re-use, Recycle, Treatment, Containment & Disposal);
- minimise greenhouse gas emissions by considering the energy efficiency rating of products, including the manufacture & transport energy costs;
- minimise habitat destruction by purchasing goods and services from renewable resources; minimise toxicity by purchasing goods that are free of toxic or polluting materials;
minimise soil degradation by using goods and services that do not degrade or pollute the soil, or result in erosion through their use;
maximise recycled content by giving preference to high quality products containing recycled content; and maximise water efficiency by purchasing goods or services that conserve water.

3.8 Buy Local

Council’s Vision for Latrobe City aims to develop a regionally significant economy and as such encourages the procurement of goods, services and works within Latrobe City. Local providers are given an equal opportunity to quote and tender. Where a local provider can match or better other providers on price, quality and availability, preference is given to the local provider as per weightings.

3.9 Buy Fairtrade

Fairtrade products are given consideration where practical. These are products labelled as Fairtrade or produced under Fairtrade conditions. Fairtrade is an internationally recognised trading system that ensures decent working conditions, local sustainability, gender equity and fair terms of trade for farmers and workers in the developing world. Fairtrade certification ensures that small-scale farmers and plantation workers work under safe conditions and receive a fair price for their crops and labour. Fairtrade actively encourages better environmental practices such as organic production methods.
4. **Procurement Levels and Procedures**

4.1 **Total Value - Definition**

For quotations, the total value is the estimated value or reasonably anticipated value of the goods, services or works to be procured.

The annual cumulative expenditure against all suppliers, contractors and consultants is audited annually by the Procurement Department to determine whether tendering of the goods/services/works is required.

For contracts, the total value is the estimated value or reasonably anticipated value of the goods, services or works to be procured over the term of the contract, including project management costs, contingencies, provisional sums and any contract extension options that may or may not eventuate.

4.2 **General Requirements**

A record of all verbal quotations and written quotations received and all other documentation supporting procurement processes and decisions is stored in Council’s records and information management system.

The following procurement levels and procedures are applied to the procurement of all goods, services and works, including fee-for-service retainer arrangements:

4.2.1 **$0 to $1,000**

For goods, services and works with a total value up to $1,000, including GST, the number of verbal quotations to be obtained is two, however “best value” principles need to be demonstrated and followed at all times.

4.2.2 **$1,001 to $5,000 for Goods, Services and Works – Written Quotations**

For goods and services with a total value from $1,001 to $5,000, including GST, a minimum of 2 written or emailed quotations must be obtained and filed.

Written or emailed quotations can be reused for a maximum period of 12 months provided that the total value of the goods, services or works does not exceed $5,000 in the 12 month period.

Invitations to quote may be publicly advertised or tenders may be called if these processes are likely to lead to a better procurement outcome.

A Schedule of Rates (annual supply) contract should be established in cases where goods and services are ordered from the same supplier/contractor on a regular basis.

4.2.3 **$5,001 to $50,000 for Goods, Services and Works – Written Quotations**

For goods, services and building and construction works with a total value from $5,001 to $50,000, including GST, a minimum of 3 written or emailed quotations must be obtained and filed.

Written or emailed quotations can be reused for a maximum period of 12 months provided that the total value of the works does not exceed $50,000 in the 12 month period.

Invitations to quote may be publicly advertised or tenders may be called if these processes are likely to lead to a better procurement outcome.

A Schedule of Rates (annual supply) contract should be established in cases where works are ordered from the same contractor on a regular basis.
4.2.4 Above $50,000 for Goods, Services and Works – Public Tender

For goods and services with a total value exceeding $50,000, including GST, a formal contract is established. Tenders are publicly advertised for the contract in accordance with Section 186 of the Local Government Act.
Expressions of interest may be invited prior to tendering.
Tenders may be called for goods and services with a total value below $50,000, including GST, if a public tender process is likely to lead to a better procurement outcome.
A public tender for goods and services is also considered when:
  - goods, services and works are a part of Council’s everyday business activities; and
  - value of purchases from one or more vendor supplying the same or similar goods and services over a period of 1 to 3 years exceeds, or is likely to exceed, $50,000, including GST; and
  - the goods and services are required on a daily or periodic basis; or
  - a public tender can be justified and is considered to be beneficial for other reasons.

4.2.5 Schedule of Rates Contracts – Public Tender

For the procurement of goods, services and works based on a Schedule of Rates (annual supply), a formal contract is established. Tenders are publicly advertised for the contract in accordance with Section 186 of the Local Government Act, regardless of the total value of the goods, services and works.
Expressions of interest may be invited prior to tendering.
If a lump sum quotation is invited under a Schedule of Rates contract, the total value of the goods and services must not exceed $50,000, including GST and the total value of the works must not exceed $50,000, including GST.
Contractors engaged under a Schedule of Rates contract are not excluded from tendering for fixed price work in accordance with subclause 4.2.4 and 4.2.5. Fixed price work forms an agreement that is separate and distinct from any contract for Schedule of Rates work.

4.3 Exemptions to Procurement Levels & Procedures

The Procurement Levels and procedures detailed in subclause 4.2.1, 4.2.2, 4.2.3 are not applied under the following circumstances, subject to written approval by a General Manager for purchases up to the value of $10,000 including GST and by the Chief Executive Officer for purchases over the value of $10,000 including GST.
  - in matters of extreme urgency including public health, security or safety as a consequence of an unforeseen event or occurrence;
where quotes were invited from 3 or more vendors and no quotes were submitted or no quotes were submitted that conform to the essential requirements of the procurement;
where insufficient quotes were submitted and the goods, services or works have been publicly advertised;
an absence of competition for technical reasons;
for additional delivery of goods and services that are intended either as replacement parts, extensions or continuing services for existing equipment, software, services or installations where a change in supplier would necessitate the procurement of goods and services that do not meet the requirements for interoperability or interchangeability;
to the procurement of goods, services and works using approved aggregated purchasing arrangements with other councils and approved contracts entered into by MAPS Group Limited (trading as Procurement Australia), MAV Procurement, the Victorian Government, or other approved bodies;
to the procurement of approved goods and services by officers for the purpose of entering into a salary sacrifice arrangement with Council in accordance with Council’s Salary Sacrifice Policy; and
to the procurement of performing arts defined as forms of creative activity that are performed in front of an audience, such as drama, music and dance.
to non-contestable services and works undertaken by and on behalf of Utility and Service owners.

The Procurement Levels and procedures detailed in subclause 4.2.4 and 4.2.5 are not applied to the procurement of goods, services and works if:
the Council resolves that a contract must be entered into because of an emergency;
a contract is entered into with a Council acting as the agent for a group of Councils and the Council has otherwise complied with the requirements of the Local Government Act;
a contract is entered into in accordance with arrangements approved by the Victorian Minister for Local Government;
the contract is a type of contract that has been exempted by the Local Government (General) Regulations 2004 (e.g. a contract for legal services); or
the contract is entered into following the appointment of a third party to act as Council’s agent for the purpose of conducting a tendering process (provided that the appointment is revocable at any time and the power to make a decision to award any subsequent contract remains with Council).

4.4 Evaluation of Quotations

Quotations are awarded to the supplier providing the best value for money outcome as per weighting system.

4.5 Approval of Quotations & Invoices

Verbal and written quotations and invoices for goods, services and works, are approved in accordance with the Approval Levels detailed in clause 4.6.
The approval of a purchase order or invoice using the electronic purchasing system is deemed to be an approval under delegation.
The conflict of interest requirements detailed in clause 3.5 apply equally to approving officers.

4.6 Approval Levels

The procurement of all goods, services and works and the refund or reimbursement of moneys (including cash refunds, bank guarantees, bonds etc.) is approved by delegated officers in accordance with the following levels:
4.6.1 Up to the Value of $1,000

The procurement of goods, services and works and the refund or reimbursement of moneys up to the value of $1,000, including GST is approved by authorised team leaders, supervisors, co-ordinators and other nominated Council officers.

4.6.2 Up to the Value of $5,000

The procurement of goods, services and works and the refund or reimbursement of moneys up to the value of $5,000, including GST, is approved by third level managers.

4.6.3 Up to the Value of $25,000

The procurement of goods, services and works and the refund or reimbursement of moneys up to the value of $25,000, including GST, is approved by General Managers.

4.6.4 Up to the Value of $50,000

The procurement of goods, services and works including project management costs, contingencies and provisional sums up to the value of $50,000, including GST, is approved by the Chief Executive Officer.

The refund or reimbursement of moneys up to and above $50,000, including GST, is approved by the Chief Executive Officer.

4.6.5 Above $50,000

The procurement of goods, services and works with a total value exceeding $50,000, including GST, is approved by the Council at a Council Meeting or a Special Committee Meeting.

4.6.6 Variations

When total variations reach 5% of contract or $5000, whichever is least, they must then be approved by a meeting of council. Below 5% of contract whichever is least, approval must be given by the Chief Executive Officer.

4.6.7 Transfer of Approval Authority

The authority to approve the procurement of goods, services and works can be transferred to a nominated officer by the Procurement Department if requested by a delegated officer in writing when the delegated officer is on leave or is unavailable due to other reasons.

4.7 Additional Approvals

The following additional approvals are obtained:

Chief Executive Officer approval for the purchase of additional fleet vehicles and interstate conferences or travel;

General Manager and Chief Executive Officer approval for the engagement of temporary staff for a period exceeding 3 months where the placement is additional to the current staff compliment (i.e. an additional EFT);

Department Manager approval for advertising a permanent position that must be filled to meet statutory requirements (such as a child carer, home carer or pool attendant), where there is an existing budget allocation and no variation to the position description;

General Manager and Chief Executive Officer approval for advertising a permanent position where there is no budget variation or no variation to the position description;

General Manager, General Manager Corporate Services and Chief Executive Officer approval for advertising a new permanent position created as a budget initiative;

General Manager, General Manager Corporate Services and Chief Executive Officer approval for advertising a permanent position that requires a variation to the position description or has budget implications.
6.1 CONSIDERATION OF THE PROCUREMENT POLICY AS PUT FORWARD
BY COUNCILLOR ROSSITER AND COUNCILLOR HARRIMAN - Procurement
Policy as put forward by Councillors Rossiter and Harriman

General Manager, General Manager Infrastructure and Chief Executive Officer approval for advertising a permanent position that will be charged against a Capital Works account;
General Manager Corporate Services approval following recommendation by the Manager Finance and Information Services for all new financial leases and agreements (including financial leases and operating leases) for a term exceeding 3 months. The ongoing management of financial leases and agreements is the responsibility of Department Managers;
Manager Property and Rates approval for all new leases and licence agreements for Council owned properties. The ongoing management of leases and licence agreements is the responsibility of Department Managers;
IT Coordinator, Manager Finance & Information Services and General Manager Corporate Services approval for the procurement mobile devices;
Manager Capital Works approval for capital works expenditure;
Coordinator IT approval for the procurement of new hardware and software that will be connected to Council’s computer network;
Fleet Coordinator approval for the lease of plant and the hire, maintenance and repair of vehicles.
General Manager Infrastructure approval for the purchase of replacement fleet vehicles.

4.8 Council Contracts

Existing Council contracts are utilised for the procurement of goods, services and works whenever practicable.
Council is committed to developing constructive long-term relationships with suppliers.

4.9 Use of Credit Cards and Purchasing Cards

4.9.1 Corporate Credit Cards and Purchasing Cards

Corporate credit cards and purchasing cards are used in accordance with Council’s Credit Card Usage Policy which states that corporate credit cards are not used for personal use. (Develop Credit Card Usage Policy)

4.9.2 Personal Credit Cards

Personal credit cards are not used for Council business purchases unless prior approval has been obtained from a General Manager or the Chief Executive Officer.
The use of personal credit cards to avoid the Procurement and Approval Levels detailed in this Policy is not permitted.

4.10 Petty Cash

The petty cash system operates to reimburse legitimate, urgent and operational business expenses incurred by Council officers in the conduct of Council activities.
The maximum claim for petty cash reimbursement is $100 (including GST) per receipt.
All petty cash claims exceeding $100 (including GST) are authorised by the responsible Program Manager and the Manager Finance and Information Services.

4.11 New Vendors

New vendor requests are approved by a designated manager or team leader.
The officer requesting a new vendor does not approve their own new vendor request.
An approval by a designated manager or team leader is not required for a new vendor that has been awarded a contract through a public tender process in accordance with subclause 4.2.4, 4.2.5 or 4.2.6.

4.12 Purchase Orders

4.12.1 Raising and Approving Purchase Orders

A purchase order is raised and approved for the procurement of all goods, services and works using Council’s electronic purchasing system.

All officers ensure that purchase orders are raised and approved for all goods, services and works prior to ordering and receiving the goods, services or works.

No officers authorise or raise multiple purchase orders to avoid the Procurement and Approval Levels specified in this Policy.

No officers authorise a purchase or reimbursement from which they will receive a personal benefit (e.g. a training course, travel arrangements).

A blanket order is raised for repetitive purchases from a single vendor. The blanket order has a fixed start and end date, has a maximum lifespan of 3 months and a maximum value of $20,000, including GST, unless otherwise approved by a General Manager. Purchases are made against the order until the amount of the order is depleted or the order expires.

Council’s Purchase Order Terms and Conditions, which can be viewed on Council’s website, apply to all purchases.

4.12.2 Use of Electronic Purchasing System

The electronic purchasing system is never used by any Council officer for personal purchases or for any financial gain by themselves, friends or relatives. Misuse of the Council purchasing system is contrary to Council’s Employee Conduct Policy.

Access to the electronic purchasing system is not granted to any Council officer until an approved training course has been completed.

4.12.3 Purchase Order Tolerances

The amount of the invoice should not exceed the value of the purchase order. Invoices where the invoiced amount exceeds the purchase order amount (including GST) by a value of up to 10% and $300 whichever is least are automatically approved without the need for an additional purchase order.

4.13 Exemptions for Purchase Orders

Purchase orders are not raised for:

- for the procurement of goods, services and works using petty cash (maximum $100.00 per receipt, including GST);
- utilities charges for Council facilities;
- corporate credit card and purchasing card transactions; and
- where payments for approved purchases are made by direct debit transactions.

4.14 Payment Terms

Vendor invoices are paid on a 30 day payment cycle, generally within 30 days from the date of the invoice and after completion/receipt of the goods, services or works, whichever is the latter.
Payment terms are only changed with the approval of the Manager Finance and Information Services. The preferred payment method is by electronic funds transfer, directly to the relevant bank. Bank account details are obtained for all new vendors whenever possible, except for credit card payments.
5 Tendering Requirements and Procedures

5.1 Risk Management

A risk management plan is prepared and a probity auditor is appointed for high value purchases and projects of lesser value but of a complex nature. The risk management plan considers all stages of the procurement cycle.

5.2 Term of Contract

There are no limitations on the duration of a contract. The contract term is selected to provide the best procurement outcome for Council.
Any decision made under delegation to award a contract does not include the awarding of any extension options for the contract.
Any extension of a contract containing an extension option requires a further, separate decision close to, and prior to, the expiry of the initial term.
The extension of a contract containing an extension option is approved by the same delegated officer that approved the original contract. If the original contract was approved by Council, then the contract extension is also approved by Council, unless otherwise approved by Council.

5.3 Rate Adjustments

For all contracts longer than 12 months, provisions are made in the contract for rate adjustments based on the Consumer Price Index (Melbourne All Groups Index Numbers), minimum wage increases as provided by the Australian Fair Pay Commission or other approved methods.
Reasonable requests for rate increases resulting from circumstances that are clearly beyond the control of the supplier/contractor/consultant or that could not have been foreseen at the time of submitting a tender are given due consideration.
If a contract is silent in relation to the rates payable during any contract extension, then because Council has discretion to exercise the option, it may also propose the applicable rates to apply during the extension period.

5.4 Contract Security

Successful tenderers lodge a security deposit in the form of a bank guarantee, cash payment or cheque.
The amount of the security deposit is as follows, unless otherwise approved by the Manager Procurement & Contracts:

5.4.1 Contracts for Goods

A security deposit is not required.

5.4.2 Contracts for Physical Services

The minimum amount of the security deposit is 2.5% of the annual contract sum, including GST.

5.4.3 Contracts for Works

The minimum amount of the security deposit is 5% of the contract sum, including GST or $2,000, whichever is greater.
5.4.4 Contracts for Consultants

A security deposit is not required.

5.4.5 Schedule of Rates and Annual Supply Contracts

The minimum amount of the security deposit is $1,000 including GST.

5.5 Insurances

Successful tenderers take out and maintain insurance cover for the term of the contract and provide evidence of cover prior to providing goods and services and prior to commencing works under the contract.

The insurance policies do not contain policy exclusions that are relevant to the contract.

The type and minimum amount of insurance cover required varies depending on the type of contract, as follows:

5.5.1 Contracts for Goods

WorkCover Insurance; and
Public Liability Insurance for a minimum of $10M.
Products Liability Insurance for a minimum of $10M.

5.5.2 Contracts for Physical Services

WorkCover Insurance;
Public Liability Insurance for a minimum of $10M; and
Plant and Equipment Insurance.

5.5.3 Contracts for Works

WorkCover Insurance;
Public Liability Insurance for a minimum of $10M;
Plant and Equipment Insurance; and
Insurance of the Works for building projects (including an allowance for demolition and consultants’ fees).

5.5.4 Contracts for Consultants

WorkCover Insurance;
Public Liability Insurance for a minimum of $10M; and
Professional Indemnity Insurance for a minimum of $5M.
Council’s Safety & Insurance Coordinator can approve different types and levels of insurance cover to those specified in clause 5.5.

5.6 Advertising Tenders

All tenders for the procurement of goods and services and works with a value exceeding $50,000, including GST for goods and services and $50,000 including GST for works, are publicly advertised.

All tender advertisements are approved by the Chief Executive Officer prior to being publicly advertised.

Letters authorising a third party to act as a tendering agent on behalf of Council are signed by the CEO prior to the tender being publicly advertised. The third party must disclose in the tender advertisement that it is tendering on behalf of Latrobe City Council.
5.7 Tender Period
The tender period is 21 days unless otherwise approved by the Manager Procurement & Contracts.

5.8 Charges for Tender Documents
Tender documents are issued to tenderers free of charge.

5.9 Receipt of Tenders
Tenders are received exclusively in either the tender box or in the electronic tender box by the specified closing time.

5.9.1 Receipt of Tenders in the Tender Box
When closing tenders in the tender box, tenders received electronically or by facsimile are not accepted.
No responsibility is accepted for tenders sent by post or by courier.

5.9.2 Receipt of Tenders in the Electronic Tender Box
The use of the electronic tender box is approved by the Manager Procurement & Contracts prior to inviting tenders.
When closing tenders in the electronic tender box, tender submissions, other than those received in the electronic tender box are not accepted.
Late tenders due to delays in electronic transmission are not accepted.

5.10 Opening of the Tender Box
The tender box or the electronic tender box is opened in the presence of two officers, one of whom is an officer from the Procurement Department. The second officer is the Contract Manager or a nominated representative.

5.11 Opening of Tenders
Tenders are opened in the presence of two officers, one of whom is an officer from the Procurement Department. The second officer is the Contract Manager or a nominated representative. Tenders are recorded and signed by the officers present at the tender opening.
Only the names of the tenderers are disclosed to the public at the time of opening of tenders.

5.12 Late Tenders
Tenders submitted after the advertised closing date and time are not accepted under any circumstances and are considered to have never been received. The date and time of receipt is recorded. The late tender is returned to the tenderer with an explanation that it arrived too late to be eligible for consideration.
6 Evaluation of Tenders

6.1 Terms of Reference

Tenders are evaluated in accordance with the terms of reference detailed in Council’s Purchasing, Tendering and Contract Administration Guidelines.

6.2 Weighted Attribute Method

Tenders are evaluated using the weighted attribute method.

6.3 Weightings

Tenders will be evaluated against the established criteria and standard weightings will apply, with any deviation from this to be approved by Council.

The following criteria and weightings are mandatory and will be stated in the respective tender documents:

Criteria Weightings

- Price 30%
- Capacity 13%
- Track Record 13%
- Time Performance 13%
- Occupational Health and Safety 13%
- Benefit to the Regional Economy 13%
- Employment of Trainees/Apprentices 5%

6.4 Tender Assessment Panel

The tender assessment panel consists of a minimum of 3 persons including:

- Contract Manager or delegate;
- appropriately qualified Council officer; and
- an independent representative (internal or external) with expertise relevant to the subject matter of the tender.

If the contract is considered to be politically sensitive or contentious, the tender assessment panel also includes an independent external representative (probity officer) and a representative from the Finance Department.
6.5 Declarations

Members of the Tender Assessment Panel sign and submit a statement declaring that they do not have a perceived or actual conflict of interest in the tenders being evaluated. Members of the Tender Assessment Panel acknowledge that information concerning the tenders being evaluated is confidential and sign and submit a statement declaring that they will not divulge any information in recognition of the importance of protecting and preserving the confidential nature of the information.

6.6 Business Viability Assessment

A business viability assessment is considered for complex, high value and relatively important purchases and projects. However, procurement value is not used as the sole indicator of risk. In assessing whether a business viability assessment is required, consideration is given to the likelihood and consequence of a financial viability issue in the purchase or project and subsequent contract, as well as any other factors that have the potential to impact on the overall level of risk.

7 Approval

7.1 Signing of Tender Evaluation Form

The completed weighted attribute tender evaluation form is signed off by every member of the Tender Assessment Panel.

7.2 Signing of Letters of Acceptance

Letters of acceptance for tenders are signed by the Chief Executive Officer.

7.3 Signing of Contracts & Agreements

All contracts are signed by the Chief Executive Officer. All agreements and leases are signed by a delegated officer in accordance with the Approval Levels detailed in clause 4.6.

8 Review

8.1 Responsible Manager

The General Manager Corporate Services is responsible for this policy.

8.2 Review Date

This policy is reviewed annually.

8.3 Human Rights Charter Compliance

This policy has been reviewed for Human Rights Charter compliance.