



This is an official copy of the **Procurement Policy** of **Morrington Shire Council**, made in accordance with the provisions of *Local Government Act and Regulations, Public Records Act, Morrington Shire Council's Local Laws, Subordinate Local Laws and current Council Policies*.

Statutory Policies comply with a legislative requirement; the **Procurement Policy** is approved by the Morrington Shire Council for the operations and procedure of Council. Note that Financial Year Policies are reviewed and replaced annually for the new Financial Year.

DOCUMENT VERSION CONTROL

VERSION	DATE	RESOLUTION NO.	DETAILS
V1	29/06/2016	2016/112	Responsible Officer Manager Finance Description Statutory Policy
V2	21/06/2017	2017/110	Responsible Officer Executive Manager Financial Services Description Statutory Policy
V3	21/03/2018	2018/58	Responsible Officer Executive Manager Finance and Human Services Description Statutory Policy
V4	27/06/2018	2018/126	Responsible Officer Executive Manager Finance and Human Services Description Statutory Policy
V5	19/9/2018	2018/209	Responsible Officer Executive Manager Finance and Human Services Description Statutory Policy
V6	16/1/2019	2019/12	Responsible Officer Executive Manager Finance and Human Services Description Statutory Policy
V7	19/06/2019	2019/105	Responsible Officer Executive Manager Finance and Human Services Description Statutory Policy
V8	15/07/2020	2020/116	Responsible Officer Executive Manager Finance and Human Services Description Statutory Policy
			EXPIRY
			30.06.2021



Policy Statement

Commencement

The Mornington Shire Council Procurement Policy will take effect immediately once approved by Council.

Policy Instruction

Purpose

To satisfy Council's statutory obligations under Section 198 of the Local Government Regulation 2012.

Application of the Policy

This policy applies to the procurement of all goods, equipment and services, construction contracts and service contracts.

Council's procurement activities aim to achieve advantageous procurement outcomes by:

- Promoting value for money with probity and accountability;
- Advancing Council's economic, social and environmental policies;
- Providing reasonable opportunity for competitive local businesses that comply with relevant legislation to supply to Council; and
- Promoting compliance with relevant legislation.

In accordance with the Local Government Regulation 2012, this policy incorporates relevant requirements regarding the procurement of goods and services and the carrying out of the sound contracting principles as stated in section 224 of the Regulation.

Scope

Councils Procurement Policy applies to the procurement of all goods, equipment and related services, construction contracts and service contracts (including maintenance).

The policy:

- Refers to purchasing activities across the whole of Mornington Shire Council; and
- Applies to all materials, products and services purchased by Council, including items procured by third parties (such as contractors) acting as representatives for Council.

Responsibilities

It is the responsibility of the Executive Manager Finance and Human Services to monitor the adequacy and effectiveness of this policy and recommend appropriate changes to Council.

All Council employees responsible for purchasing goods and services of any kind must comply with this policy. It is the responsibility of Council employees involved in the procurement process to understand the meaning and intent of the policy.

Employees are responsible for familiarising themselves with Council's policies, guidelines and procedures, as a failure to do so may be accepted as grounds for breach.



Council officers are required to:

- Adhere to the “Sound contracting principles” as stipulated in the Local Government Act 2009;
- Preserve Council’s integrity in the procurement process to ensure that Council may be seen to have acted beyond reproach in all dealings;
- Abide by Council’s Code of Conduct and all applicable policies and instructions; and
- Source quotations and raise purchase orders prior to receiving goods and services.

Definitions

Medium-sized contract arrangement is a contractual arrangement with a supplier that is expected to be worth, exclusive of GST, \$15,000 or more but less than \$200,000.

Large-sized contract arrangement is a contractual arrangement with a supplier that is expected to be worth, exclusive of GST, \$200,000 or more in a financial year.

Valuable non-current asset contract is a contract for the disposal of a valuable non-current asset.

Valuable non-current asset is –

- a) Land; or
- b) Another non-current asset that has an apparent value that is equal to or more than the limit set by the local government.

Government body means –

- a) The State, a government entity, a corporate entity, or another local government; or
- b) Another Australian government, an entity of another Australian government; or
- c) A local government of another State.

Emergency goods means – goods required to be used immediately and which cannot be ordered through normal ordering procedures due to time or operational reasons.

Floating plant includes –

- a) Goods which have a limited useful life;
- b) Portable and attractive items; or
- c) Equipment which is below the nominated threshold for Council assets.

IT equipment means – personal computers and peripheral computer equipment.

Store items means – goods which are normally held in stores for distribution to staff/jobs.

Office supplies means – goods which are required for the day to day operations of Council’s administrative services.

General works items means – goods required to carry out day to day work other than emergency goods, floating plant, store items, IT equipment, office supplies or plant and equipment.

Plant and equipment means – plant and equipment which are above the nominated thresholds for Council assets. The nominated thresholds are –

- Buildings - \$10,000
- Other Structures - \$10,000
- Roads Infrastructure- \$10,000
- Water Infrastructure- \$10,000
- Sewerage Infrastructure - \$10,000
- Plant and Equipment - \$5,000
- Land and improvements - \$1



Local supplier is a supplier that:

- Has a permanent base of operations within the Mornington Shire; and
- Has been a permanent resident of the Shire for at least the previous two years.

Permanent base of operations means the registered business address is within the Mornington Shire and the majority of business undertaken (50% or greater) is within the Mornington Shire.

Non-local supplier is a supplier that is not a local supplier.

Policy

Principles – Council officers must have regard to the following sound contracting principles in all purchasing activities:

- a) Value for money - Council must use its purchasing power to achieve the best value for money. The concept of value for money is not restricted to price alone. The value for money assessment must include consideration of —
 - i. Contribution to the advancement of Council's priorities;
 - ii. Fitness for purpose, quality, services and support;
 - iii. Whole-of-life costs including costs of acquiring, using, maintaining and disposal;
 - iv. Internal administration costs;
 - v. Technical compliance issues;
 - vi. Risk exposure;
 - vii. The value of any associated environmental benefits; and
 - viii. Advantages of local knowledge, networks and relationships, availability and access to aftersales and support.
- b) Open and effective competition – Purchasing should be open and result in effective competition in the provision of goods and services. Council must give fair and equitable consideration to all prospective suppliers.
- c) The development of competitive local business and industry – Council encourages the development of competitive local businesses within its local government area. In accordance with section 104(3)(c) of the Act, Council wishes to pursue the principle of developing competitive local business and industry as part of the process of making its purchasing decisions.

Where goods or services are available locally but procured from outside the Shire, adequate documentation is required to demonstrate the local preference has been considered. Council has a scaled local preference policy for the procurement of goods and services other than plant hire as follows:

Up to \$5,000	10.0% up to a maximum of \$200
Greater than \$5,000 up to \$15,000	7.5% up to a maximum of \$1,000
Greater than \$15,000 up to \$50,000	5.0% up to a maximum of \$2,000
Greater than \$50,000 up to \$100,000	2.5% up to a maximum of \$2,000
Greater than \$100,000	None

In addition, Council provides local preference margins for locally based suppliers of plant hire services.

These margins will be set out in the relevant tender documents approved by Council at the time of calling tenders for the supply of such services.



- d) Environmental protection – Council promotes environmental protection through its purchasing procedures. In undertaking any purchasing activities Council will —
 - i. Promote the purchase of environmentally friendly goods and services that satisfy value for money criteria;
 - ii. Foster the development of products and processes of low environmental and climatic impact;
 - iii. Provide an example to business, industry and the community by promoting the use of climatically and environmentally friendly goods and services; and
 - iv. Encourage environmentally responsible activities.

- e) Ethical behaviour and fair dealing - Council officers involved in purchasing must act with impartiality, fairness, independence, openness, integrity, and professionalism in their discussions and negotiations with suppliers and their representatives. All employees must —
 - i. Perform the procurement task honestly and without favour or prejudice;
 - ii. Spend Council funds efficiently and effectively and in accordance with the law and Council policy;
 - iii. Deal fairly, impartially and consistently with supplies and prospective suppliers;
 - iv. Keep confidential all sensitive information obtained as part of the procurement activity;
 - v. Not have an actual conflict of interest in relation to the procurement activity; and
 - vi. Not seek or accept any remuneration, gift or advantage.

Administration – Purchase orders are to be generated for all purchases of goods and services other than:

- Petty cash;
- Corporate card transactions where such transactions take place away from the office;
- Long-term supply contracts (Ergon, Telstra, etc.);
- Direct payments and fees (bank charges etc.); or
- Other purchases where a Executive Manager or the CEO has determined in extenuating circumstances that an order is not required.

Goods and Services Tax – All values quoted in this policy are exclusive of GST.

Optimisation of Value in Procurement – In order to optimise value in procurement, where applicable, Council will establish annualised or bi-annual purchasing arrangements. This is generally to occur where multiple similar purchases are likely to be required and the total value of goods will exceed \$50,000.

Purchasing Arrangements – Where the value of the purchase or the value of the contract over the full contract period (including options to extend) is, or is expected to be, the following table must be followed:

Amount of Purchase	Policy
Mechanical Breakdown (affecting service delivery of plant or equipment) or Emergency	<ul style="list-style-type: none"> • Quotations must be obtained from known suppliers allowing a minimum of one working day for a response. • Such quotations (where not obtained within the requirements set out below because of urgency) shall be referred to the Chief Executive Officer for approval.



Amount of Purchase	Policy
Under \$1,000	<ul style="list-style-type: none"> For purchases under the value of \$1,000 at least one verbal quote must be obtained. A written record must be kept in your diary.
\$1,001 - \$4,999	<ul style="list-style-type: none"> For purchases between the value of \$1,001 and \$4,999 at least one written quote must be obtained. A copy of the quote must be attached to the Council's copy of the Purchase Order.
\$5,000 - \$14,999	<ul style="list-style-type: none"> Purchases between \$5,000 and \$14,999 require two (or more) quotes in written, fax or email form to be obtained. Copies of the quotes must be attached to the Council's copy of the Purchase Order.
\$15,000 - \$199,999	<ul style="list-style-type: none"> Council cannot enter into a medium-sized contract unless it first invites written quotes for the contract. The invitation must be to at least three (3) persons who Council considers meets its requirements, at competitive prices. Council may decide not to accept any quotes it receives. If Council does decide to accept a quote, Council must accept the quote most advantageous to it having regard to the principles outlined in this policy. There are limited exceptions to this requirement and they are listed below in the section titled exceptions. Note: exceptions only remove the requirement to obtain quotes. Council must still issue a correctly authorised letter of acceptance or a purchase order signed by a member of staff with a purchasing limit sufficient to cover the cost.
\$200,000 and above	<ul style="list-style-type: none"> Council cannot enter into a large-sized contract unless Council first invites written tenders for the contract in accordance with the requirements of section 228 Local Government Regulation 2012. Under section 228 Local Government Regulation 2012, Council must either invite written tenders or invite expressions of interest before considering whether to invite written tenders. There are limited exceptions to this requirement and they are listed below in the section titled exceptions. Note: exceptions only remove the requirement to obtain quotes. Council must still issue a correctly authorised letter of acceptance or a purchase order signed by a member of staff with a purchasing limit sufficient to cover the cost.

Acceptance of Quotations – There is no requirement to accept the lowest quotation. However, where a staff member chooses a quotation other than the lowest quotation, they must provide a brief written justification which must be kept with the order.

Tender Process – Section 228 of the Local Government Regulation sets out how a local government must invite written tenders for —

- a) A large-sized contract; or
- b) A valuable non-current asset contract.

The invitation for tenders must —

- a) Be made by an advertisement in a newspaper that circulates generally in the local government area; and
- b) Allow written tenders to be given to the local government for at least 21 days after the advertisement is published.

Records of tender must be kept on file.

Exceptions – Chapter 6, part 3, division 3 of the Local Government Regulation identifies exceptions for medium and large-sized contracts. If one of the exceptions applies, Council may enter into —

- a) A medium-sized contractual arrangement without first inviting written quotes; or
- b) A large-sized contractual arrangement without first inviting written tenders.



The exceptions are —

- a) The preparation of a quote or tender consideration plan in accordance with the requirements of section 230 of the Regulation;
- b) Entering into a contract if the contract is made with a person who is on an approved contractor list established by Council in accordance with the requirements of section 231 of the Regulation;
- c) Entering into a contract if the contract is entered into with a supplier from a register of pre-qualified suppliers established by Council in accordance with the requirements of section 232 of the Regulation;
- d) Entering into a contract for goods or services if the contract is entered into with a preferred supplier under a preferred supplier arrangement that is made in accordance with the requirements of section 233 of the Regulation;
- e) Entering into a contract under an LGA arrangement established in accordance with the requirements of section 234 of the Regulation; or
- f) Entering into a medium-sized contract or a large-sized contract if —
 - i. Council resolves that it is satisfied that there is only one supplier who is reasonably available;
 - ii. Council resolves that, because of the specialised or confidential nature of the services that are sought, it would be impractical or disadvantageous for Council to invite quotes or tenders;
 - iii. A genuine emergency exists;
 - iv. The contract is for purchase of goods and is made by auction;
 - v. The contract is for the purchase of second-hand goods; or
 - vi. The contract is made with, or under an arrangement with, a government agency (see section 235 of the Regulation).

Arrangements – A range of LGA arrangements has been put in place by Local Buy. When assessing the most effective method of obtaining goods and/or services, Council officers should consider the administrative and price costs to Council of seeking tenders or quotations independently, and the reduction of these costs which may be achieved by use of Local Buy arrangements.

Valuable Non-Current Asset Contracts – Section 227 of the Regulation relevantly provides that Council cannot enter into a valuable non-current asset contract unless it first:

- a) Invites written tenders for the contract under s228 of the Regulation; or
- b) Offers the non-current asset for sale by auction.

This requirement is subject to the exemptions identified in paragraph “Exceptions”.

Notwithstanding the limits set out in the Asset Class table below, all non-current assets that have been identified as being obsolete or surplus to Council requirements, and with a written down value less than the set limits are to be offered for sale by inviting written quotations.

The invitation for written quotations for the sale of non-current assets must —

- a) Be made by an advertisement in a newspaper that circulates generally in the local government area; and
- b) Allow written quotes to be given to the local government for at least 21 days after the advertisement is published.

Asset Class	Limits	Council Limit
Road Infrastructure	\$10,000	\$10,000
Water Infrastructure	\$10,000	\$10,000
Sewerage Infrastructure	\$10,000	\$10,000
Buildings	\$10,000	\$10,000
Other Structures	\$10,000	\$10,000
Plant and Equipment	\$5,000	\$5,000
Land	\$1	\$1



Delegations

The Chief Executive Officer has the delegated authority to allocate financial delegation to positions within Council. Any new positions or changes/variations must be approved by the Chief Executive Officer in accordance with the relevant legislation.

Council Officers are responsible for ensuring all required paperwork (including if applicable, the required number of written quotes) as per this policy is provided to them by the requisitioning officer prior to signing the order.

In the event that an LG Arrangement is used, the Local Buy contract number must be stated on the order requisition for entering onto Council's Purchase Order.

It is a requirement that officers with a purchasing limit that are aware of, and apply Council's Procurement Policy. Failure to do so may lead to disciplinary action.

All staff with an approved purchasing limit are authorised to order/approve orders for goods and services (up to their purchasing limit) against jobs over which they have clear operational authority and budget responsibility. It is the responsibility of authorised delegates to ensure the correct cost coding is provided and that funding / budget is approved before any procurement is undertaken.

You may not use another Manager's job cost without their written approval which must be attached to the order requisition.

Any order that will result in a budget being exceeded will need to be approved by the relevant manager or a member of the executive team.

Position	Amount
Chief Executive Officer	\$200,000
Executive Manager Technical Services	\$50,000
Executive Manager Infrastructure	\$50,000
Executive Manager Finance & Human Services	\$50,000
Executive Manager Corporate Governance and Communications	\$50,000
Special Projects Manager	\$30,000
Housing Manager	\$30,000
Warehouse Manager	\$30,000
Infrastructure Coordinator	\$14,999
Warehouse Assistant Manager	\$14,999
Housing Procurement / Warehouse Logistics Coordinator	\$14,999
Facilities Manager	\$14,999
Chief Financial Officer	\$14,999
Sports, Recreation & Events Manager	\$14,999
Human Resources Manager	\$14,999
Information Technology Manager	\$4,999
Works Manager	\$4,999
Infrastructure Coordinator	\$4,999
Workshop Manager	\$4,999
Water & Sewerage Team Leader	\$4,999
Bakery Manager	\$4,999
Lelka Murrin Manager	\$4,999
Housing Supervisors	\$4,999