

# HIGH COUNTRY LIBRARY CORPORATION

## Procurement Policy

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Policy no.: 15  
Approved by: Board  
Date adopted: 12 October, 2009  
Review date: October, 2011  
Version no.: 1

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### 1. Principles

#### 1.1 Background

Section 186A of the *Local Government Act 1989* requires councils to develop a Procurement Policy and the High Country Library Corporation has resolved to adopt a Procurement Policy in line with member councils.

HCLC also requires that the Corporation's contracting, purchasing and contract management activities:

- support the Corporation's corporate strategies, aims and objectives
- span the whole life cycle of an acquisition from initial concept to the end of the useful life of an asset, including its disposal, or the end of a service contract
- achieve value for money and quality
- 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
- generate and support business in the local community.

## 1.2 Purpose

The purpose of this policy is to:

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

## 1.3 Scope

This policy applies to all contracting and procurement activities at the Corporation and is binding upon Board members, staff, temporary employees, contractors and consultants while engaged by the Corporation.

## 1.4 Treatment of GST

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

## 1.5 Definitions and abbreviations

Term	Definition
Act	<i>Local Government Act 1989.</i>
Commercial in Confidence	Information that, if released, may prejudice the business dealings of a party e.g., prices, discounts, rebates, profits, methodologies and process information, etc.
Contract Management	The process that ensures both parties to a contract that fully meet their respective obligations as efficiently and effectively as possible, in order to deliver the business and operational objectives required from the contract and in particular, to provide value for money.
Corporation Staff	Includes full-time and part-time Corporation officers, and temporary employees, contractors and consultants while engaged by the Corporation.
Probity	The dictionary definition of probity refers to uprightness, honesty, proper and ethical conduct and propriety in dealings. Within government, the word "probity" is often used in a general sense to mean "good process." A procurement process that conforms to the expected standards of probity is one in which clear procedures that are consistent with the Corporation's policies and legislation are established, understood and followed from the outset. These procedures need to consider the legitimate interests of suppliers and ensure that all potential suppliers are treated equitably.

Standing Offer Arrangements (SOA)	A contract that sets out rates for goods and services which are available for the term of the agreement. However, no commitment is made under the agreement to purchase a specified value or quantity of goods or services.
Sustainability	Activities that meet the needs of the present without compromising the ability of future generations to meet their needs.
Procurement	Procurement is the whole process of acquisition of external goods, services and works. This process spans the whole life cycle from initial concept through to the end of the useful life of an asset (including disposal) or the end of a service contract.
Tender Process	The process of inviting parties to submit a quotation by tender using public advertisement, followed by evaluation of submissions and selection of a successful bidder or tenderer.
Value for Money	Value for Money in procurement is about selecting the supply of goods, services and works taking into account both cost and non-cost factors including: <ul style="list-style-type: none"> <li>• contribution to the advancement of the Corporation's priorities;</li> <li>• non-cost factors such as fitness for purpose, quality, service and support; and</li> <li>• cost-related factors including whole-of-life costs and transaction costs associated with acquiring, using, holding, maintaining and disposing of the goods, services or works.</li> </ul>

## **2. Effective legislative and policy compliance and control**

### **2.1 Ethics and probity**

#### **2.1.1 General**

Board members and Corporation staff shall at all times conduct themselves in ways that are, and are seen to be, ethical and of the highest integrity and will:

- treat potential and existing suppliers with equality and fairness
- not seek or receive personal gain
- maintain confidentiality of Commercial in Confidence information such as contract prices and other sensitive information
- present the highest standards of professionalism and probity;
- deal with suppliers in an honest and impartial manner that does not allow conflicts of interest

- provide all suppliers and tenderers with the same information and equal opportunity; and
- be able to account for all decisions and provide feedback on them

Corporation staff who are responsible for managing or supervising contracts are prohibited from performing any works under the contract they are supervising.

### **2.1.2 Tender processes**

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

### **2.1.3 Conflict of interest**

Board members and Corporation staff shall at all times avoid situations in which private interests conflict, or might reasonably be thought to conflict, or have the potential to conflict, with their Corporation duties.

Board members and Corporation staff shall not participate in any action or matter associated with the arrangement of a contract (i.e., evaluation, negotiation, recommendation, or approval) where that person or any member of their immediate family has a significant interest, or holds a position of influence or power in a business undertaking tendering for the work.

The onus is on the Board member and the member of the Corporation's staff involved being alert to and promptly declaring an actual or potential conflict of interest to the Corporation.

### **2.1.4 Fair and honest dealing**

All prospective contractors and suppliers must be afforded an equal opportunity to tender or quote. Impartiality must be maintained throughout the procurement process so it can withstand public scrutiny.

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

### **2.1.5 Accountability and transparency**

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

- all Corporation staff must be able to account for all procurement decisions made over the lifecycle of all goods, services and works purchased by the Corporation and provide feedback on them; and
- all procurement activities are to provide for an audit trail for monitoring and reporting purposes.

### **2.1.6 Gifts and hospitality**

No Board member or member of Corporation staff shall, either directly or indirectly solicit or accept gifts or presents from any member of the public involved with any matter that is connected with the duties of the officer, or in which the Corporation is interested.

Board members and Corporation staff must exercise the utmost discretion in accepting hospitality from contractors or their representatives, or from organisations, firms or individuals with whom they have official dealings. Board members and Corporation staff should also avoid the ambiguous situation created by visiting the premises of a contractor, organisation, firm or individual uninvited and/or not on official business.

Offers of bribes, commissions or other irregular approaches from organisations or individuals (no matter how flimsy the evidence available), must be promptly brought to the attention of the CEO.

### **2.1.7 Disclosure of information**

Commercial in-confidence information received by the Corporation must not be disclosed and is to be stored in a secure location.

Board members and Corporation staff are to protect, by refusing to release or discuss the following:

- information disclosed by organisations in tenders, quotation or during tender negotiations;
- all information that is Commercial in Confidence information; and
- pre-contract information including but not limited to information provided in quotes and tenders or subsequently provided in pre-contract negotiations.

Board members and Corporation staff are to avoid references to current or proposed contracts in discussion with acquaintances or outside interests.

Discussion with potential suppliers during tender evaluations should not go beyond the extent necessary to resolve doubt on what is being offered by that supplier.

At no stage should any discussion be entered into which could have potential contractual implications prior to the contract approval process being finalised other than authorized pre-contract negotiations.

## **2.2 Governance**

### **2.2.1 Structure**

The Corporation shall:

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

### **2.2.2 Standards**

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

- The Act,
- other relevant legislative requirements

### **2.2.3 Methods**

The Corporation's standard methods for purchasing goods, services and works shall be by some or all of the following methods:

- purchasing card;
- purchase order following a quotation process from suppliers for goods or services that represent best value for money under directed quotation thresholds;
- under contract following a tender process; or
- using aggregated purchasing arrangements with other corporations, MAV Procurement, Victorian Government, or other bodies;
- unless other arrangements authorised by the Corporation or the CEO on a needs basis as required by abnormal circumstances such as emergencies.

Registrations of Interest (ROI) may be appropriate where:

- the requirement is complex, difficult to define, unknown or unclear;
- the requirement is capable of several technical solutions;
- the Corporation wishes to consider ahead of formal tender processes such issues as whether those tendering possess the necessary technical, managerial and financial resources to successfully complete the project;
- tendering costs are likely to be high and the Corporation seeks to ensure that companies incapable of supplying the requirement don't incur unnecessary expense;
- it is necessary to pre-qualify suppliers and goods to meet defined standards; and
- the requirement is generally known but there is still considerable analysis, evaluation and clarification required (both of the objective and the solution).

#### **2.2.4 Responsible financial management**

The principle of responsible financial management shall be applied to all procurement activities. The availability of existing funds within an approved budget, or source of funds, shall be established prior to the commencement of any procurement action for the supply of goods, services or works.

Corporation staff must not authorise the expenditure of funds in excess of their financial delegations. Corporation funds must be used efficiently and effectively to procure goods and services and every attempt must be made to contain the costs of the procurement process without compromising any of the procurement principles set out in this policy.

### **2.3 Procurement thresholds and competition**

#### **2.3.1 Requirement**

The Corporation will from time to time decide and publish in this policy clear guidelines for minimum spend competition thresholds.

#### **2.3.2 Minimum spend competition thresholds**

##### **2.3.2.1 Tenders**

Purchase of all goods and services for which the estimated expenditure exceeds \$150,000 must be undertaken by public tender as per the threshold contained in the Local Government Act.

However, should the CEO consider that the nature of the requirement and the characteristics of the market are such that the public tender process would lead to a better result for the Corporation, public tenders may be called for purchase of goods, services and works for which the estimated expenditure is below this threshold.

### 2.3.2.2 Quotations

Purchase of goods, services having a total value less than \$150,000 may be undertaken using the procurement by quotation method as described below:

- **Items with a value up to \$5,000 – Request for Quotation**  
A minimum of one verbal quotation must be obtained and the details recorded before placing an order (similar details must be recorded where more than one supplier has quoted) and documented in the Corporation's record system.
- **Items with a value \$5,001 to \$25,000 – Request for Quotation**  
Corporation will request a minimum of two written quotations. The quotation offering the best value for money must be confirmed by the supplier on company letterhead and the order placed with that firm. Details of the suppliers contacted and their quotations must be recorded in the Corporation's records system.
- **Items with a value \$25,001 to \$150,000 – Request for Quotation**  
Corporation will pursue three written quotations. Public advertising is not required. Quotations returned by the nominated closing date must be evaluated and a recommendation made to the Board for approval in favour of the supplier offering the best value for money outcome. The original supplier's quotations must be maintained in the Corporation's record system.
- **Public Advertising.**  
Quotations may be advertised at the Corporation staff member's discretion in addition to the methods above. This may occur when a field of potential tenderers hasn't been established, or an innovative approach is required, or the project has broad appeal that may attract keen prices, etc.
- **Insufficient quotations.**  
The situation may arise where insufficient quotations are received to satisfy the above requirements. This may occasionally occur where there are few suppliers for the goods and services being sought or the work is highly specialised. In this case, the details of the contacted suppliers and an appropriate comment must be recorded.

## 2.4 Delegation of Authority

### 2.4.1 Requirement

Delegations allow specified Corporation staff to approve certain purchases, quotation, tender and contractual processes without prior referral to the Corporation. This enables the Corporation to conduct procurement activities in an efficient and timely manner whilst maintaining transparency and integrity.

## **2.4.2 Delegations**

### **2.4.2.1 Corporation Staff**

The Corporation shall maintain a documented scheme of procurement delegations, identifying the Corporation staff authorised to make such procurement commitments in respect of goods and services on behalf of the Corporation;

- Acceptance of quotes
- Contract term extensions (within authorised budget)
- Contract amendment (non-financial)
- Contract amendment (financial)
- Appointment to register of pre-qualified suppliers
- Credit Card purchases
- Procedural exceptions

### **2.4.2.2 Delegations reserved for the Corporation**

Commitments and processes which exceed the CEO's delegation and which must be approved by the Board are:

- Initial signing and sealing of contract documents.
- Approval for all expenditure over \$50,000 for goods and services in value.
- Contract term extensions (requiring additional budget).

## **2.5 Internal controls**

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

- transparency in the procurement process;
- a clearly documented audit trail exists for procurement activities;
- appropriate authorisations are obtained and documented; and

## **2.6 Commercial information**

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

## **2.7 Risk management**

Risk Management is to be appropriately applied at all stages of procurement activities which will be properly planned and carried out in a manner that will protect and enhance the Corporation's ability to prevent, withstand and recover from interruption to the supply of goods and services.

## **2.8 Contract terms**

All contractual relationships must be documented in writing based on standard terms and conditions. To protect the best interests of the Corporation, terms and conditions must be settled in advance of any commitment being made with a supplier.

## **2.9 Dispute resolution**

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

## **2.10 Contract management**

The purpose of contract management is to ensure that the Corporation receives the goods and services provided to the required standards of quality and quantity as intended by the contract by:

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

## **3. Demonstrate sustained value**

### **3.1 Achieving value for money**

Procurement activities will be carried out on the basis of obtaining value for money. This means minimising the total cost of ownership over the lifetime of the requirement consistent with acceptable quality, reliability and delivery considerations. Lowest price is not the sole determinate of value for money.

### **3.2 Support of local business**

HCLC is committed to buying from local business where such purchases may be justified on value for money grounds.

## **4. Apply a consistent and standard approach**

The Corporation will provide effective commercial arrangements covering standard products and provision of standard services across the Corporation to enable employees to source requirements in an efficient manner.

## **5. Build and maintain supply relationships**

The Corporation will consider supply arrangements that deliver the best value outcomes in terms of time, expertise, cost, value and outcome. This may involve going to market on its own, participating in regional or sector aggregated projects or panels, accessing State Government panel agreements or some other means.

### **5.1 Supply market development**

A wide range of suppliers should be encouraged to compete for Corporation work. The focus for new work need not always be with the larger more familiar businesses.

### **5.2 Relationship management**

The Corporation is committed to developing constructive long-term relationships with suppliers.

## **Responsibilities**

The Chief Executive Officer is responsible for the implementation of this policy.

This policy applies to all Board members, the CEO, employees of the High Country Library Corporation, contractors and consultants.