<table>
<thead>
<tr>
<th>Policy Reference No.</th>
<th>POL189</th>
</tr>
</thead>
<tbody>
<tr>
<td>File No.</td>
<td>HCC09/681</td>
</tr>
<tr>
<td>Strategic Objective</td>
<td>5.3 Provide responsible and transparent governance, services and infrastructure which responds to and supports community needs</td>
</tr>
<tr>
<td>Adopted by Council</td>
<td>25 June 2018</td>
</tr>
<tr>
<td>Re-Adopted</td>
<td>24 June 2019</td>
</tr>
<tr>
<td>Date for Review</td>
<td>June 2020</td>
</tr>
<tr>
<td>Responsible Officer</td>
<td>Manager Finance and Property Development</td>
</tr>
<tr>
<td>Department</td>
<td>Finance and Property Development</td>
</tr>
</tbody>
</table>
1 INTRODUCTION

1.1 Council recognises that adopting appropriate best practice procurement and contracting principles, processes and procedures for all goods, services and works by Council, will enhance achieving Council's objectives in:

- sustainable and socially responsible procurement
- bottom-line cost savings
- supporting local economies
- achieving innovation, and
- better services for its community.

1.2 The elements of best practice applicable to local government procurement incorporate:

- principles covering ethics, value for money, responsibilities and accountabilities
- guidelines giving effect to those principles
- a system of delegations (i.e. the authorisation of officers to approve and undertake a range of functions in the procurement process)
- procurement processes, with appropriate procedures covering minor, simple procurement to high value, more complex procurement, and
- a professional approach to all procurements.

1.3 Council requires that its purchasing and contract management activities:

- support Council's corporate strategies, aims and objectives including, but not limited to those related to sustainability, protection of the environment, corporate social responsibilities and local community business
- achieve value for money and quality in the acquisition of goods, services and works by Council
- can demonstrate that public money has been well spent
- are conducted in an impartial, fair and ethical manner
- seek continual improvement including the embracement of innovative and technological initiatives which reduces activity cost, and
- comply with legal and legislative responsibilities.

2 POLICY STATEMENT

2.1 In procuring goods, services or works, Council shall be guided by the elements of best practice principles applicable to local government procurement which incorporates the principles of:

- Ethics and probity
- Governance
- Value for money
- Open and fair competition
• Accountability, and
• Probity and transparency.

2.2 Support Council’s triple-bottom line strategies, aims and objectives as outlined in the Hume Horizons 2040 which include economic, environmentally sustainable and social outcomes.

3 PURPOSE

The purpose of this Policy is to set out the key principles forming the framework for procurement at Hume City Council which aims to ensure that procurement:
• is undertaken in a consistent and robust manner
• is consistent with Council objectives
• is undertaken in a manner that demonstrates accountability to ratepayers
• demonstrates best practice procurement
• achieves the expected standards of probity, and
• provides guidance on ethical behaviour in public sector purchasing.

4 SCOPE

4.1 This 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.

4.2 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.

5 OBJECTIVE

The objective of this Policy is to enable Council to achieve value for money procurement outcomes for its stakeholders whilst adhering to the principles of probity, ethics and good governance.

6 POLICY IMPLEMENTATION

This Policy outlines matters of importance relating to procurement, however may not contain all possible situations that occur with purchasing. Any questions regarding the procurement process should be referred to Council’s Manager Finance and Property Development or Coordinator Procurement.

6.1 Ethics and Probity

6.1.1 General

Council’s procurement activities shall be performed with integrity and in a manner able to withstand the closest possible scrutiny and comply with Council policies which:
• identify any actual or perceived conflict of interest throughout a procurement process
• ensure a secure and confidential environment is maintained, and
• evidence appropriate transparencies and accountabilities throughout the procurement process.

6.1.2 Conduct of Councillors and Council Officers
Councillors and Council staff shall at all times conduct themselves in a manner that is, and is 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.

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

Councillors and Council staff involved in the procurement process, in particular preparing tender documentation, including writing tender specifications, tender opening, and tender evaluation panels, must:
• Avoid conflicts, whether actual, potential or perceived, arising between their official duties and their private interests. Private interests include the financial and other interests of Councillors and Council staff, plus their relatives and close associates
• Declare that there is no conflict of interest. Where future conflicts, or relevant private interests arise Council staff must make their manager, or the chairperson of the relevant tender assessment panel or board aware and allow them to decide whether the officer should continue to be involved in the specific Procurement exercise
• Observe prevailing Council, VGPB and e-hub guidelines on how to prevent or deal with conflict of interest situations; and not take advantage of any tender related information whether or not for personal gain.

6.1.4 Fair and Honest Dealing
All prospective contractors and suppliers must be afforded an equal opportunity to tender or quote.
Impartiality must be maintained in selecting contractors and suppliers so that it can withstand public scrutiny.

6.1.5 Gifts and Hospitality

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

The Act specifies that gifts received over the preceding five years that have a combined value of $500 or more require the employee to declare a conflict of interest in any decision that the officer is delegated or authorised to make in relation to the provider of the gifts or persons or organisations associated with the providers of the gifts. This includes writing Council reports.

A Councillor or Council staff who has received a gift from a person or body with a direct interest in a matter will be considered to have a conflict of interest in that matter.

6.1.6 Confidentiality of Information

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.

The duty of confidentiality may arise expressly or by implication.

Councillors and Council staff are to protect confidentiality 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, and
- pre-contract information including but not limited to information provided in quotes and tenders or subsequently provided in pre-contract negotiations.

Where an officer is unsure about their responsibilities, they must discuss the matter with the Manager Governance.

6.2 Governance

6.2.1 Structure

Council has established a procurement responsibility structure and delegations ensuring accountability, traceability and auditability of all procurement decisions of all goods, services and works purchased by Council and aims to ensure that Council’s procurement structure is flexible enough to purchase in a timely manner the diverse range of materials, goods, works and services required by council.
6.2.2 Standards
Council’s procurement activities shall be carried out to the professional standards required by best practice and in compliance with:

- The Act
- Council’s policies, and
- other relevant legislative requirements such as but not limited to the Competition and Consumer Act 2010, Goods Act and the Environment Protection Act.

6.2.3 Methods
Council’s standard methods for purchasing goods, services and works shall be by some or all of the following methods:

a) purchasing card;

b) purchase order following a quotation process from suppliers for goods or services that represent best value for money under directed quotation thresholds;

c) under contract following a tender process; or

d) using collaborative purchasing arrangements with other councils, MAV Procurement, Procurement Australia, Victorian Government, or other bodies;

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

6.2.4 Responsible Financial Management
The principle of responsible financial management shall be applied to all procurement activities.

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

Council staff must not authorise the expenditure of funds in excess of their financial delegations.

Council funds must be used efficiently and effectively to procure goods, services and works and every attempt must be made to contain the costs of the procurement process without compromising any of the procurement principles set out in this Policy.

6.3 Procurement thresholds and competition
6.3.1 Requirement
Council will from time to time decide and publish in this Policy clear guidelines for minimum spend competition thresholds. These will be decided by Council by analysing the historical size and complexity of the procurement activity and of proposed procurement activities.
6.3.2 Minimum Spend Competition Thresholds

a) Tenders

Purchase of all goods and services for which the estimated expenditure exceeds $150,000 Incl. GST or Works with the estimated expenditure exceeds $200,000 Incl. GST must be undertaken by public tender.

b) Quotations

Purchase of goods and services under $150,000 incl. GST may be undertaken using the procurement by quotation method.

Purchase of works under $200,000 incl. GST may be undertaken using the procurement by quotation method.

For written quotations, the quotation offering the best value for money must be confirmed by the supplier on company letterhead/quote form and maintained in Council’s financial system or by the originating officer and available for inspection by members of the Finance and Property Development department. Public advertising is not required. Quotations returned by the nominated closing date must be evaluated and a recommendation made in favour of the supplier offering the best value for money outcome. The following thresholds apply to the GST inclusive value of the procurement:

- Items with a value $1,000 to $10,000 – require up to two (2) or more written or emailed quotes, to be obtained.
- Items with a value up to $30,000 – require minimum of two (2) or more written quotes must to be obtained.
- Items with a value relating to purchases of goods or services between $30,000 up to $150,000 - (Request for Quotation) – A minimum of three (3) written quotations must be obtained.
- Items with a value relating to purchases of works with a value of between $30,000 up to $200,000 - (Request for Quotation) – A minimum of three (3) written quotations must be obtained.

6.3.3 Procurement Decision Process

The following diagram summaries and sets out the process for purchasing decisions, adopted by Council and based on the anticipated value of the procurement.
6.3.4 Public Advertising

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

6.3.5 Insufficient quotations.

This 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, services or works being sought or the work is highly specialised.

In this case, the details of all contacted suppliers including detailing the circumstances and justification of why they were not able to provide quotations, must be recorded in Council’s financial system (PO module) or by the originating officer presenting a Specialised or Exempt Procurement Recommendation Report, requesting an exemption and approval from this policy by the relevant Divisional Director.

6.4 Delegation of Authority

6.4.1 Requirement

Delegations define the limitations within which Council staff are permitted to work. Delegation of procurement authority allows specified Council staff to approve certain purchases, quotations, tender and contractual
processes without prior referral to Council. This enables Council to conduct procurement activities in an efficient and timely manner whilst maintaining transparency and integrity.

Procurement delegations ensure accountability and provide confidence to Council and the public that purchasing activities are dealt with at the appropriate level.

6.4.2 Delegations

Council Staff – Council has delegated responsibilities for approved positions relating to the expenditure of funds for the purchase of goods, services and works, the acceptance of quotes and tenders and for contract management activities.

6.4.3 Internal Controls

Council has developed and has in place a framework of internal controls over procurement processes that will ensure:

- segregation of duties where more than one person is involved in and responsible for the authorisation of a transaction from end to end;
- transparency in the procurement process;
- a clearly documented audit trail exists for procurement activities;
- appropriate authorisations are obtained and documented; and
- appropriate reporting and monitoring programs.

6.5 Demonstrated Sustained Value

6.5.1 Achieving Value for Money

a) Requirement

Council’s procurement activities will be carried out on the basis of obtaining value for money.

This means minimising the total cost of ownership over the lifetime of the requirement consistent with acceptable quality, reliability and delivery considerations. Lowest price is not the sole determinate of value for money.

Value for money purchasing decisions made by Council are made on the basis of whole-of-life cost and non-price factors including contribution to Council’s objectives as set out in the Hume City Plan 2030 which includes the triple-bottom line principles around economic, environmental and social outcomes.

b) Approach

This will be facilitated by adhering to the requirements to obtain quotations and/or instigate tender processes where applicable in accordance with Council’s Procurement Guidelines whilst giving consideration to Council’s objectives.
6.5.2 Environmentally Sustainable Procurement

General
Council is committed to achieving sustainability and programs that have an impact on or contribute to the environment including but not limited to the following:

- waste management;
- recycling;
- energy management;
- emissions management;
- water conservation;
- green building design; and
- procurement.

6.5.3 Environmentally Sustainable Procurement

Council recognises that in some cases the selection of environmentally preferable products and materials may be less competitive in terms of upfront price but may represent the best value for money when environmental impacts and/or the long term operational costs of a purchase are taken into consideration.

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

a) Council shall encourage and prefer Eco-friendly products which are more power efficient.

b) Selecting energy, fuel and water efficient products (ideally Energy and Water Star Ratings of 4 Star and above, and the highest Green Vehicle Guide star rating)

c) Council shall prefer to purchase from a source which is less polluting or uses clean technology.

d) Council’s procurement projects should automatically consider the provision of re-useable products and recycling as part of the project planning process, including the consideration of whole-life costs and disposal considerations.

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

6.5.4 Social Procurement

Social procurement involves using procurement processes and purchasing power to generate positive social outcomes in addition to the delivery of efficient goods, services and works. Social procurement can assist Council to:
a) address complex local challenges.

b) ensure procurement practices are sustainable and strategically aligned with Council objectives and achieve greater value for money.

c) build and maintain strong communities by generating local employment (particularly among disadvantaged residents), promoting social inclusion and strengthening the local economy.

d) strengthen partnerships with a diverse range of community and government stakeholders.

6.5.5 Approach

Council’s procurement processes will support the generation of positive social outcomes where it can be justified on a value for money basis including but not limited to:

a) Buying from local businesses.

b) Giving preference to businesses that employ local or socially disadvantaged residents of the City of Hume.

6.6 Authorising Contract Payments

6.6.1 An invoice or a progress payment can be authorised by the contract manager, after a tender has been conducted and a contract awarded by Council (including those signed under the CEO’s delegation).

6.6.2 If for example a contract has been awarded and approved for $600,000 and an invoice is received for $250,000, then the contract manager can authorise the invoices as they come in, irrespective of their financial delegation up to the value of the contract.

6.6.3 This is because Council has already approved the value of the works/services and the contract manager is only confirming the works/services have been delivered to a satisfactory level.

6.6.4 The above principle is also applicable to annual supply contracts/schedule of rates.

6.7 Payment Terms

6.7.1 Council’s payment terms are thirty (30) day from invoice date. The invoice date should represent the date that the goods, services or works were provided or completed by the supplier.

6.7.2 Where a supplier requires payment prior to the 30 day terms, this may be approved by the Manager Finance & Property Development or the Coordinator Finance under special circumstances if for example the goods, services or works have already been provided to Council.

6.7.3 If a supplier requires payment, including a deposit or part payment, before the goods, services or works have been provided, the relevant Director must approve this via a memo or email. Exceptions to this rule include conferences, training and similar events where payment is required up front in order to secure a place.
6.8 Breach of the Tender Threshold

6.8.1 Measures which intentionally seek to avoid the requirement for public tendering, for example, contract splitting, placing multiple orders, seeking multiple quotations with a single supplier or engaging in effect a single supplier under different guises, are considered to breach the requirement to call public tenders where threshold values would otherwise be reached.

6.8.2 Consequences – The Act

If Council does not undertake a competitive process when required to by the Act then it has no power to contract, unless one of the exemptions applies (see section Exemptions to requirement for public tendering).

If doubt exists then a public tender process should be undertaken so as to prevent the situation of a contract being declared void. The ordinary effect of a void contract is that the courts would likely conclude that it is not enforceable by either party and further it is unlikely that the void contract would be allowed to continue. The consequences of a void contract are:

- any works completed under a void contract are likely to have to be paid for at a fair and reasonable rate
- a party to the void contract can recover any monies paid for goods and services which have not yet been delivered or received
- a party ‘contracted’ with a council under a void contract may also be able to recover costs incurred in reliance on the void contract on the basis that Council engaged in misleading or deceptive conduct in breach of the Competition and Consumer Act 2010 (Cth) or of the Fair Trading Act 1999 (Vic) or that Council was negligent in failing to comply with statutory obligations and leading the contractor to believe it had the power to enter into the contract.

This may have significant financial and public image consequences for Council.

6.8.3 Consequences – Internal

Where the tender threshold limit with a supplier or for a service has been breached or the requirement to obtain quotations has not been complied with, the Manager Finance & Property Development as well as the relevant Manager and Director will be notified. A directive will be given to the relevant manager to cease utilising the services of the supplier (where practical) and to initiate the tender process immediately.

6.9 Reporting of Threshold Breaches

Reporting of non-compliance

6.9.1 Reporting - External

Council must make available for public inspection a list of contracts with a value equal to or greater than the threshold that were entered into during the financial year without first engaging in a competitive process and which were not exempt under the Act – i.e. contracts that had been entered into in breach of section 186 of the Act.
A contract should appear on this list in the financial year in which it is entered into in breach of the Act.

Council is also required to disclose in its Annual Report and publish on its website certain prescribed documents including; the list of these non-complying contracts together with the location where these documents can be inspected or where copies can be obtained.

6.9.2 Reporting – Internal

Where the tender threshold limit with a supplier or for a service has been breached or the requirement to obtain quotations has not been complied with, this will be reported to the Manager Finance & Property Development as well as the relevant Manager and Director. Such findings will also be reported to the Audit Committee and Risk and Governance Committee.

7 HIGH-RISK HIGH-VALUE FRAMEWORK

A high-value procurement is defined as contracts valued in-excess of $5 million, and a high-risk procurement may be of lesser value but determined through a risk assessment, as complex in nature.

For highly valued procurements, a Probity Advisor will be assigned to support the project owner through to delivery of the procurement. This role will generally be assigned to the Internal Probity Advisor, however where the procurement is considered highly specialised then an External Probity Advisor will be appointed.

Supportive plans will be used by the Probity Advisor to manage complex procurements which advises and maintains process continuity throughout all stages. Those plans consisting of:

7.1 Strategic Procurement Plan

A strategic procurement plan addresses probity stages and important aspects which occur during the complex or large scale valued procurement. As a guiding document, it is extremely beneficial when there are several parties involved in the procurement, as it sets out the roles, responsibilities and milestones.

7.2 Tender Evaluation Plan

This plan acts as a checklist, assists in the monitoring process, and outlines processes and typically covers from establishment of a procurement, assessing risk, probity planning through to awarding.

8 DEFINITIONS AND ABBREVIATIONS

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Act</td>
<td><em>Local Government Act 1989.</em></td>
</tr>
<tr>
<td>Commercial in Confidence</td>
<td>Maintaining supplier information in a secure manner (e.g. prices, discounts, rebates, profits, methodologies and process information) and not made available for viewing or discussion by other staff or other competitors or information re-used in the development of specifications.</td>
</tr>
</tbody>
</table>
### Term | Definition
--- | ---
**Contract Management** | The process that ensures both parties to a contract fully meet their respective obligations as efficiently and effectively as possible, in order to deliver the business and operational objectives required from the contract and in particular, to provide value for money.

**Council Staff** | Includes full-time and part-time Council officers, and temporary employees, contractors and consultants while engaged by Council.

**Environmental Sustainability** | Hume City Council plans and makes decisions with a focus on both immediate needs and the long term environmental and financial cost and benefit implications of its decisions. www.energyrating.gov.au  www.waterrating.gov.au

**Probity** | The dictionary definition of probity refers to uprightness, honesty, proper and ethical conduct and propriety in dealings. Within Government, the word ‘probity’ is often used in a general sense to mean ‘good process.’ A procurement process that conforms to the expected standards of probity is one in which clear procedures that are consistent with the Council's policies and legislation are established, understood and followed from the outset. These procedures need to consider the legitimate interests of suppliers and ensure that all potential suppliers are treated equitably.

**Probity Advisor** | An individual who is engaged to observe, review and report on the bidding and selection process and to provide advice on probity issues that may arise, to ensure that the process is equitable and that it is conducted with integrity. Additionally, this individual will have extensive experience and skills in procurement who can develop probity plans and other key documents and provide advice and training to staff on probity principles and guidelines.

**Internal Probity Advisor** | This role is assigned to Hume City Council's, Coordinator Procurement.

**External Probity Advisor** | A specialist consultant with extensive probity expertise.

**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.

**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.
**PROCUREMENT POLICY**

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive Social Outcome</td>
<td>A positive social outcome relates to the achievement of triple-bottom line objectives of economic, sustainable and social outcomes and aims to combat community wide challenges, such as:</td>
</tr>
</tbody>
</table>
|                               | - economically disadvantaged and socially excluded constituents  
|                               | - Indigenous disadvantage  
|                               | - municipalities with limited employment opportunities  
|                               | - a weak, stressed or declining local economy                                                                                                                                 |
| Tender                        | Public request for organisations to submit a bid for the supply of goods or services, including pricing and other relevant information which demonstrates their ability to meet the specification and address the relevant selection criteria. |
| Triple-Bottom Line            | Captures an expanded spectrum of values and criteria for measuring organisational (and societal) success: economic, environmental and social. |
| 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: | |
|                               | - contribution to the advancement of Council’s priorities;  
|                               | - non-cost factors such as fitness for purpose, quality, service and support; and  
|                               | - cost-related factors including whole-of-life costs and transaction costs associated with acquiring, using, holding, maintaining and disposing of the goods, services or works. |

9 **RELATED DOCUMENTS**

- Best Practices Procurement Guidelines 2013 (VLG)
- Code of Conduct for Councillors
- Contract Management Manual
- Contract Variation Policy
- Corporate Credit Card - Program Guidelines
- Specialised or Exempt Procurement Recommendation Report
- Strategic Procurement Plan
- Tender Evaluation Plan
- Fleet Policy
- Fraud Control Policy
- Greenhouse Action Plan
- Hume Horizons 2040
- Instrument of Sub-Delegation by the CEO to members of Council staff
- Pathways to Sustainability Framework
• Petty Cash Authorisation
• Related Parties Transaction Procedure
• Risk Management Policy
• Social Justice Charter and Bill of Rights
• Staff Conflict of Interest Policy
• Staff Code of Conduct Policy
• WHS Policy and Procedures

<table>
<thead>
<tr>
<th>Date Adopted</th>
<th>25 June 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date Re-Adopted</td>
<td>24 June 2019</td>
</tr>
<tr>
<td>Review Date</td>
<td>June 2020</td>
</tr>
</tbody>
</table>