

## Procurement Policy

Policy Name	Procurement Policy
Version Number	V1.0
Policy Date	January 2011
Date to be Reviewed	January 2013
Policy Owner	Chief Executive Officer
Related Policies / Procedures	<p>GRLC Staff Code of Conduct  GRLC Equal Opportunity Policy  GRLC Risk Strategy *  GRLC Use of Purchasing Card Policy*  GRLC Occupational Health and Safety Policy</p> <p>* = under development / in draft form</p>
References	<p><b>City of Greater Geelong</b>  Procurement Policy and Procedures</p> <p><b>Victorian Legislation</b>  Equal Opportunity Act 1995  Local Government Act 1989  Information Privacy Act 2000  Environmental Protection Act 1974</p> <p><b>Commonwealth Legislation</b>  Human Rights and Equal Opportunity Commission Act 1986  Trade Practices Act 1974  Goods Act 1958</p>

The Geelong Regional Library Corporation (GRLC) acknowledges the assistance of the City of Greater Geelong and MAV through the provision of Model Procurement Policies.

# 1 Principles

## 1.1 Background

In November 2008, amendments to the Local Government Act were passed which included a new section, s186A that requires a library corporation to:

*prepare and approve a procurement policy. A procurement policy must include any prescribed matter and a [library corporation] must have regard to Ministerial Guidelines made under the section when preparing its policy. A [library corporation] must review its procurement policy annually and make it available for public inspection.*

### **Geelong Regional Library Corporation:**

Recognises that:

- Developing a procurement strategy and adopting appropriate best practice contracting and procurement principles, policies, processes and procedures for all goods, services and works by the Corporation, will enhance achievement of GRLC objectives.
- The elements of best practice applicable to library corporation procurement incorporate:
  - broad 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 a range of functions in the procurement process)
  - procurement processes, with appropriate procedures covering minor simple procurement to high value complex procurement
  - a professional approach to all major procurements

Requires that GRLC's contracting and purchasing activities:

- support the library'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
- achieve value for money and quality in the acquisition of goods, services and works by the library
- are conducted, and are seen to be conducted, in an impartial, fair and ethical manner
- seek continual improvement including the embrace of innovative and technological initiatives
- support business in the local community where possible

## 1.2 Scope

This Procurement Policy is made under Section 186A of the *Local Government Act 1989*.

This section of the Act requires GRLC 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 library.

This policy applies to all contracting and procurement activities at GRLC and is binding upon Board Members, Library officers and temporary employees, contractors and consultants while engaged by GRLC.

## 1.3 Purpose

The purpose of this Policy is to:

- provide policy and guidance 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

## 1.4 Treatment of GST

All monetary values related to this policy **exclude GST** except, where specifically stated otherwise.

## 1.5 Definitions and Abbreviations

Term	Definition
Act	<i>Local Government Act 1989</i> .
Commercial in Confidence	Information to be treated confidentially e.g. prices, discounts, rebates, profits, methodologies and process information, etc.
Contract Management <sup>i</sup>	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.
Library Staff (Manager, Corporate and Customer Services)	Includes full time and part-time library officers, and temporary employees, contractors and consultants while engaged by the Library.
Conflict of Interest	Refer to section 77A of the Act.

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 GRLC 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.
Panel Contract Arrangements	A contract that sets out rates for goods and services which are available for the term of the agreement. 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.
Sustainability	Activities that meet the needs of the present without compromising the ability of future generations to meet their needs.
Tender Process	The process of inviting parties to submit a tender by public advertisement, followed by evaluation of submissions and selection of a successful tenderer.
Quotation Process	The process of inviting parties to submit a quotation followed by evaluation of submissions and selection of a successful bidder or tenderer.
Value for Money	Taking into account both cost and non-cost factors including: <ul style="list-style-type: none"> <li>• contribution to the advancement of GRLC priorities</li> <li>• non-cost factors such as fitness for purpose, quality, service and support</li> <li>• cost-related factors including whole-of-life costs and transaction costs associated with acquisition, use, holding, maintenance and disposal</li> </ul>

## **2 Effective Legislative and Policy Compliance and Control**

### **2.1 Ethics and Probity**

#### **2.1.1 Requirement**

The Library's procurement activities shall be performed with integrity and in a manner able to withstand the closest possible scrutiny.

#### **2.1.2 Conduct of Board Members and Library Staff**

##### **2.1.2.1 General**

Board Members and Library Staff shall at all times conduct themselves in ways that are ethical 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 material
- present a high standard 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
- be able to account for all decisions and provide feedback on them

##### **2.1.2.2 Members of Professional Bodies**

Board Members and Library Staff belonging to professional organisations shall, in addition to the obligations detailed in this policy, ensure that they adhere to any code of ethics or professional standards required by that body.

#### **2.1.3 Tender and Quotation Processes**

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

#### **2.1.4 Conflict of Interest**

Board Members and Library Staff shall at all times avoid situations in which private interests conflict, or might reasonably be deemed to have the potential to conflict, with their GRLC duties.

Board Members and Library 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 direct or indirect 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 Library employee involved being alert to and promptly declaring an actual or potential conflict of interest to the Chief Executive Officer or delegated representative.

### **2.1.5 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.

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.

### **2.1.6 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.

Therefore the processes by which all procurement activities are conducted will be in accordance with this Procurement Policy and related GRLC policies and procedures.

Additionally:

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

### **2.1.7 Gifts and Hospitality**

All Board Members and Library staff are to adhere to the respective Codes of Conduct.

### **2.1.8 Disclosure of Information**

Information received by GRLC that is Commercial in Confidence must not be disclosed and is to be stored in a secure location. Board Members and Library 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
- pre-contract information including but not limited to information provided in quotes and tenders or subsequently provided in pre-contract negotiations

Board Members and Library 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 that necessary to resolve doubt or clarify 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.

## **2.2 Governance**

### **2.2.1 Structure**

The Library 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, services and works purchased by the Corporation
- ensure that the procurement structure:
  - is flexible enough to purchase in a timely manner the diverse range of material, goods, works and services required by GRLC
  - ensures that prospective contractors and suppliers are afforded an equal opportunity to tender/quote
  - encourages competition
  - ensures that policies that impinge on the purchasing policies and practices are communicated and implemented

### **2.2.2 Standards**

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

- The Act
- GRLC policies and procedures
- GRLC's Procurement Manual
- GRLC's Code of Conduct
- other relevant legislative requirements such as but not limited to the Trade Practices Act, Goods Act and the Environmental Protection Act

### **2.2.3 Methods**

The Library's standard methods for purchasing goods, services and works shall be by:

- purchasing card
- purchase order following a quotation process
- under contract following a tender, quotation or expression of interest process
- under purchasing schemes including collaborative purchasing arrangements with other local governments and library corporations and commercial schemes such as provided by MAV Strategic Procurement
- unless other arrangements are authorised, by the delegated authority on a needs basis by abnormal circumstances such as emergencies
- The Library may, at its discretion, conduct one stage or multi-stage tenders or run sequential tenders

## **2.2.4 Responsible Financial Management**

The principle of responsible financial management shall be applied to all procurement activities. Where tender sum exceeds budget allocation, the Library will review scope of project or submit a report for expenditure variation to budget.

Library Staff must not authorise the expenditure of funds in excess of their financial delegations.

GRLC 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.

## **2.3 Procurement Thresholds and Competition**

### **2.3.1 Requirement**

The Management Policy will be amended from time to time to alter minimum spend competition thresholds, but at all times clear guidelines will be provided. These will be decided based on the size and complexity of the proposed procurement activities.

### **2.3.2 Minimum Spend Competition Thresholds**

#### **2.3.2.1 Tenders**

Purchase of all goods, services and works for which the estimated expenditure exceeds the compulsory tender thresholds stated within Section 186 of the Act must be undertaken by public tender. However, should the nature of the requirement and the characteristics of the market be such that the public tender process would lead to a better result for the Library, public tenders may be called for purchase of goods, services and works for which the estimated expenditure is less than the compulsory tender thresholds.

#### **2.3.2.2 Quotations**

For purchases of goods, services and works having a total valuation of less than compulsory tender thresholds GRLC will maintain a formalised system of procurement requirements.

The Library's governance guidelines will address, but not necessary be limited to:

- financial thresholds
- reporting requirements
- the type and number of quotations required
- advertising. Quotations may be advertised at the Staff member's discretion. 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, services or works being sought or the work is highly specialised. In this case, the details of the contacted suppliers must be recorded and an appropriate comment recorded.

## **2.4 Delegation of Authority**

### **2.4.1 Requirement**

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

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

As such, the Board has delegated responsibilities as detailed below 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.

### **2.4.2 Delegations**

#### **2.4.2.1 Library Staff**

GRLC shall maintain a documented scheme of procurement delegations, identifying Library Staff authorised to make such procurement commitments in respect of goods, services and works on behalf of the Corporation, to include but not necessarily be limited to the following:

- power to authorise and issue order forms for goods and services
- power to enter into contracts within approved budget
- contract variations

The requisition and authorisation of purchases cannot be processed by the same officer.

#### **2.4.2.2 Delegations Reserved for the Board**

The following processes and commitments must be approved by the Board:

- Tender recommendations for all expenditure over the Chief Executive Officer delegation levels
- Initial signing and sealing of contract documents

## **2.5 Internal Controls**

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

- more than one person is involved in and responsible for a transaction end to end
- transparency in the procurement process
- a clearly documented audit trail exists for procurement activities
- appropriate authorisations are obtained and documented
- systems are in place for appropriate monitoring and performance measurement

## **2.6 Commercial Information**

Procurement activities will be carried out in a way that supports Library 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 in accordance with the relevant GRLC guidelines.

## **2.7 Risk Management**

### **2.7.1 General**

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 Library's capability to prevent, withstand and recover from interruption to the supply of goods services and works.

Risk management will be carried out in accordance with the stated requirements in the Risk Management Policy and the Guidelines for OH&S Management of Contractors.

### **2.7.2 Supply by Contract**

The provision of goods, services and works by contract potentially exposes the Library to risk.

GRLC will minimise its risk exposure by measures such as:

- standardising contracts to include current, relevant clauses
- requiring security deposits where appropriate
- referring specifications to relevant experts
- requiring contractual agreement before commencement
- use of or reference to relevant Australian Standards (or equivalent)
- effectively managing the contract including monitoring and enforcing performance
- by appointing a probity auditor for tenders in excess of \$5 million or as the Board determines from time to time

## **2.8 Contract Terms**

All contractual relationships must be documented in writing based on standard terms and conditions supplied as appropriate by City of Greater Geelong.

Where this is not possible, approval must be sought from the appropriate member of Library Staff listed in the Delegations section or above. A request for such an approval should be supported with procurement and legal advice as relevant.

To protect the best interests of the Corporation, terms and conditions must be settled in advance of any commitment being made with a supplier. Any exceptions to doing this expose the Corporation to risk and thus must be authorised by the appropriate member of Library Staff.

## **2.9 Endorsement**

Library Staff must not endorse any products or services.

## **2.10 Dispute Resolution**

All GRLC 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.

## **2.11 Contract Management**

The purpose of contract management is to ensure that the Library, and where applicable its clients, receive the goods, services or works provided to the required standards of quality and quantity as intended by the contract by:

- establishing a system reinforcing the performance of both parties' responsibilities and obligations under the contract
- providing a means for the early recognition of issues and performance problems and the identification of solutions

Contracts are to be proactively managed by the member of Library Staff responsible for the delivery of the contracted goods, services or works to ensure the Corporation receives Value for Money.

# **3 Demonstrate Sustained Value**

## **3.1 Integration with Library Strategy**

The Library procurement strategy shall support its corporate strategy, aims and objectives, including but not limited to:

- Stronger Inclusive Communities
- Learning and Literacy for all
- Access to ideas and a love of reading

## **3.2 Achieving Value for Money**

### **3.2.1 Requirement**

The Library's procurement activities will be carried out on the basis of obtaining Value for Money.

### **3.2.2 Approach**

This will be facilitated by:

- developing, implementing and managing procurement strategies that support the co-ordination and streamlining of activities throughout
- effective use of competition
- using aggregated contracts and panel contract arrangements where appropriate
- identifying and rectifying inefficiencies in procurement processes
- developing cost efficient tender processes including use of e-solutions
- Library Staff responsible for procurement services or assistance, providing competent advice in terms of available products and agreements
- working with suppliers to create relationships that are professional and productive, and are appropriate to the value and importance of the goods, services and works being acquired

### **3.2.3 Role of Specifications**

Specifications used in quotations, tenders and contracts are to support and contribute to the Library's Value for Money objectives by being written in a way that:

- ensures impartiality and objectivity as reasonably practicable
- encourages the use of standard products
- encourages sustainability
- eliminates unnecessarily stringent requirements
- wherever possible specifies technical standards and requirements that are within the capabilities of local suppliers

### **3.3 Performance Measure and Continuous Improvement**

GRLC will monitor performance against targets and compliance with procurement policies, procedures and controls with the responsible Manager required to report regularly as a regular Executive Management Team meeting agenda item.

Procurement procedures, practices and costs will be benchmarked externally as part of the outsourcing process provided by City of Greater Geelong procurement services.

### **3.4 Sustainability**

#### **3.4.1 General**

The Corporation is committed to achieving sustainability and ensuring activities and programs have a positive impact on or contribute to the environment.

#### **3.4.2 Sustainable Procurement**

GRLC, in accordance with its adopted Environmental Strategies, will use the following principles when purchasing products, materials and services:

- minimise unnecessary purchasing
- minimise waste
- minimise greenhouse gas emissions
- minimise habitat destruction
- minimise toxicity
- minimise soil degradation
- maximise water efficiency
- maximise energy efficiency

Value for Money purchasing decisions made by the Corporation are made on the basis of cost and non cost factors including contribution to sustainability objectives. GRLC shall encourage suppliers to adopt good environmental practices and will actively promote green procurement throughout its supply chain and will consider selection which has minimum environmental impact.

### **3.5 Support of Local Business**

GRLC is committed to buying from local businesses where such purchases may be justified on Value for Money grounds.

Wherever practicable GRLC will fully examine the benefits available through purchasing works, goods or services from suppliers/contractors within the Geelong Region. GRLC will also seek from perspective suppliers/contractors, where applicable, what economic contribution they will make to the Geelong region.

## **4 Apply a Consistent and Standard Approach**

### **4.1 Standard Processes**

The Library will provide effective commercial arrangements covering standard products and standard service provisions across the Corporation to enable employees to source requirements in an efficient manner.

This will be achieved via a combination of the following areas:

- access to and use of City of Greater Geelong's Preferred Supplier System
- pricing where relevant
- processes, procedures and techniques
- tools and business systems e.g. e-tendering
- reporting requirements
- application of standard contract terms and conditions

### **4.2 Performance Indicators and Management Information**

A list of indicators will be developed to measure procurement performance. They may include criteria such as:

- the proportion of spend against corporate contracts
- delivery against selection criteria as stated in the tender evaluation process
- user and supplier satisfaction levels measuring the success of procurement initiatives

Wherever possible, the Library will use external sources of management information to assist with the procurement decision making process.

## **5 Build and Maintain Supply Relationships**

The Library recognises that in order to achieve sustainable value, appropriate relationships must be developed and maintained with suppliers.

### **5.1 Developing and Managing Suppliers**

The Library recognises the importance of effective and open working relationships with its suppliers, and is committed to the following:

- managing existing suppliers, to ensure the benefits are delivered
- maintaining approved preferred supplier lists and compliance with GRLC requirements for insurances, OH&S etc.
- developing new suppliers and improving the capability of existing suppliers where appropriate

### **5.2 Supply Market Development**

A wide range of suppliers will be encouraged to compete for Library work:

### **5.3 Relationship Management**

GRLC is committed to developing constructive long-term relationships with suppliers. It is important that the Library identifies its key suppliers so that its efforts are focused to best effect. Such areas may include:

- size of spend across the Corporation
- criticality of goods / services supplier, to the delivery of the library's services
- availability of substitutes
- market share and strategic share of suppliers

### **5.4 Communication**

External communication is very important in ensuring a healthy interest from potential suppliers and partners to GRLC. The external website will include:

- a statement that the City of Greater Geelong has been engaged to undertake selective tenders on behalf of GRLC and the relevant link
  - the GRLC procurement policy
  - links to other relevant sites
-