



Procurement Policy

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Related Policies or Documents:	Procurement Procedure Credit Card Policy Financial Delegations Policy & Schedule Code of Conduct for Council Employees (Gifts and Benefits) Caretaker Policy Code of Conduct for Council Members Fraud and Corruption Prevention Policy Internal Control Policy Records Management Policy Risk Management Policy Risk Management Framework Work Health Safety and Injury Management Policy
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Table of Contents

1. Preamble 3

2. Purpose 3

3. Scope 3

4. Definitions 4

5. Policy Statement 4

Procurement Policy

1. Preamble

- 1.1. Kangaroo Island Council is required under Section 49 of the Local Government Act 1999, to prepare and adopt policies on contracts and tenders; and to develop and maintain policies and practices to ensure Kangaroo Island Council is able to demonstrate achievement of overall key objectives:

- 1.1.1. Obtaining value in the expenditure of public money; and
- 1.1.2. Providing for ethical and fair treatment of participants, and
- 1.1.3. Ensuring probity, accountability and transparency in procurement operations.

- 1.2. In compliance with Section 49 of the Local Government Act 1999 (Act), KIC should refer to this policy (Policy) when acquiring goods and services. It requires KIC to prepare and adopt policies on contracts and tenders including:

- 1.2.1. The contracting out of services; and
- 1.2.2. Competitive tendering and the use of other measures to ensure that services are delivered cost-effectively; and
- 1.2.3. The use of local goods and services.

2. Purpose

- 2.1 This policy provides a framework of broad principles, relating to all expenditure-related Procurement activity, irrespective of value, to achieve the best possible outcome for the KIC.

- 2.2 In addition, strategies are identified to ensure KIC is able to achieve corporate objectives whilst meeting legislative requirements, to deliver sound outcomes for KIC and ratepayers. The policy encompasses the entire Procurement lifecycle, from identification of need through to the end of contract.

- 2.3 This policy is designed to align with KIC's strategic direction, particularly in the areas of key objectives in economic growth; accountable governance and leadership; elements and sustainable service delivery.

- 2.1.1. KIC aims to achieve advantageous outcomes in procurement of goods, services and works and by:

- 2.1.2. Enhancing value for money through fair, competitive, non-discriminatory processes;
- 2.1.3. Promoting the use of resources in an efficient, effective and ethical manner;
- 2.1.4. Making decisions with probity, accountability & transparency;
- 2.1.5. Advancing and/or working within KIC's economic, social and environmental policies;
- 2.1.6. Providing reasonable opportunities for competitive local businesses to supply to KIC;
- 2.1.7. Appropriately managing risk; and
- 2.1.8. Ensuring compliance with all relevant legislation.

3. Scope

- 3.1. The objective of this policy is to provide clear direction and a framework that enables the KIC to achieve best practice in relation to its purchasing functions.
- 3.2 This Policy seeks to:
-) Define the methods by which KIC can acquire goods and services;
 -) Demonstrate accountability and responsibility of KIC to ratepayers;
 -) Be fair and equitable to all parties involved;
 -) Enable all processes to be monitored and recorded; and
 -) Ensure that the best possible outcome is achieved for the KIC.
- 3.3 All Procurement activities undertaken by or on behalf of KIC are required to comply with the policy principles, unless expressly approved within this Policy.
- 3.4 This Policy does not cover expenditure or revenue related to asset disposals with the exception of consideration of trade-in opportunities within a formal procurement process; real property acquisitions or disposal, and other non-procurement expenditure including, but not limited to sponsorships, grants, incentive schemes, funding arrangements, donations, employment contracts and unsolicited proposals.

4. Definitions

- 4.1 **CEO** means the Chief Executive Officer of the Kangaroo Island KIC.
- 4.2 **Council** means the Elected Body.
- 4.3 **Kangaroo Island Council (KIC)** means the administration.
- 4.4 **Approach to market** is a general collective term that can be used to describe an invitation to suppliers to provide quotes, proposals, expressions or registrations of interest to tender.
- 4.5 **Competitive sourcing** is the process of seeking tenders or quotes from the market to identify, assess and compare responses to identify the best value for money.
- 4.6 **Contract** means an agreement in which a purchaser agrees to acquire goods, works or services from a supplier in exchange for consideration. Contracts should specify each party's obligations and be written in nature, although a verbal contract is valid (not recommended). KIC has several formal contract documents including those listed in Procurement Procedure Appendix A.
- 4.7 **Contracting out** means the use of an external provider for specific services.
- 4.8 **Cumulative Spend** means the value of the purchase is identified as the estimated and potential value of the total proposed purchases, including any contract options, extensions and renewals (exclusive of GST), of the goods, services or works supplied over a period of time for a single project.
- 4.9 **Direct negotiation** means entering into direct negotiations with a single selected provider for goods or services, without any prior approach to the market.
- 4.10 **Direct sourcing** is generally for low value, low risk or low complexity purchases where competitive quotes are not invited, instead supply is sourced directly from the supplier using purchase cards or by obtaining at least one quotation.

- 4.11 **Evaluation criteria** means the individual factors against which all quotes, tenders or expressions of interest received will be measured. Criteria are based on the specifications issued. The criteria and any criteria weighting is provided to all potential suppliers to enable suppliers to consider when preparing their quotation or tender documentation.
- 4.12 **Employee** and **Employees** of KIC including managers, staff, contractors, agency personnel, volunteers and work experience placements who are performing duties/tasks on behalf of the KIC.
- 4.13 **Expression of interest (EOI)** refers to the documentation submitted by potential suppliers in response to a Request for Expression of Interest (REOI).
- 4.14 **Goods and services** means goods, services, works and/or property.
- 4.15 **Invitation to tender** is where request for tender documents are issued to the known available service providers assessed as the most capable of delivering the work.
- 4.16 **ISO 9001 Quality Standard** is defined as the international standard that specifies requirements for a quality management system. Organizations use the standard to demonstrate the ability to consistently provide products and services that meet customer and regulatory requirements.
- 4.17 **Local Supplier** is a business with trading premises located on Kangaroo Island.
- 4.18 **Open tendering** means undertaking a formal tendering process for a specific service in the open market.
- 4.19 **Panel Contract:** means a formal arrangement under which a group of suppliers agree to supply goods or services. Usually each supplier is under a contract for a set period of time with set prices.
- 4.20 **Prequalified Supplier/Contractor:** means a company that has provided required Workplace Health & Safety and commercial documentation and has been included on KIC's Prequalified Supplier/Contractor Register.
- 4.21 **Preferred supplier** means an arrangement under which the KIC and the supplier agree that goods or services will be supplied under agreed pricing and/or supply conditions for a stated period.
- 4.22 **Preferred supplier panel** means a group of suppliers that have pre-qualified in accordance with KIC's set criteria for the supply of goods and services to KIC.
- 4.23 **Probity** means a risk management approach to ensure that selection and decision-making processes will be found to be honest, fair, transparent and defensible if scrutinised. A process conducted with ethical behaviour and regard to probity will achieve accountability and transparency and provide parties to the procurement process with fair and equitable treatment.
- 4.24 **Procurement** is the entire process by which all classes of resources, material, facilities and services are obtained. A series of activities are undertaken when purchasing goods and services, based on three key phases: planning, purchasing and contract management. Each phase must be completed to ensure success.
- 4.24.1 The process can include the functions of planning, design, standards determination, specification writing, selecting suppliers, financing, contract administration, labour

hire providers, disposals and other related functions. Evaluation of the procurement process improves future procurement.

- 4.25 **Purchase Order:** Is a commercial document and official offer issued to a supplier providing details of goods and services required, including agreed prices. The Purchase Order also references the KIC's standard terms and conditions and is a formal KIC Contract
- 4.26 **Quotation** means a proposal, bid or offer that is submitted either verbally (informal) or in writing (written) in response to a request for Quotation (RFQ).
- 4.27 **Related Party** means an officer (elected member or a staff member) and includes a member of the officer's family, or a family company of the officer; or a trustee of a family trust of the officer. A family is as described on Form 6 – Register of Interests; "family, in relation to an officer, means (a) a spouse or domestic partner of the officer, and (b) a child of an officer who is under the age of 18 years and normally resides with the officer."
- 4.28 **Request documentation** collectively includes request for quotes, request for tender and expression of interest.
- 4.29 **Request for Expression of Interest (REOI)** means the first stage of a two stage process whether public or selected in which suppliers are invited to register interest via provision of basic company and business information to a loosely defined scope or brief for the supply of goods and/or services. Potential suppliers may then be short-listed for a Select Tender process. Used when both the market and the solution is unknown. Generally, a two-stage process resulting in a selected RFT to short listed suppliers.
- 4.30 **Request for proposal (RFP)** means an invitation opportunity whether public or selected for potential suppliers to submit a solution to a scope/outcome rather than a detailed specification.
- 4.31 **Request for quotations (RFQ)** means a process for inviting quotes to achieve a stated outcome. Generally used for low-value low risk purchases per Procurement Policy.
- 4.32 **Request for tender (RFT)** means an invitation opportunity whether public or selected for potential suppliers to submit an offer against a detailed tender/specification.
- 4.33 **Risk:** means the potential of something going wrong that can impact on achieving the expected outcome and may have a negative impact on the community and KIC.
- 4.34 **Select tender** means a process in which selected potential suppliers are invited to submit offers or proposals for goods or services. It can be used as a second stage of a two-staged procurement process.
- 4.35 **Staged tendering** means expressions of interest followed by a select tender process.
- 4.36 **Tender** means a proposal, bid or offer that is submitted in response to a Request for Tender. It is one of several different market-approach strategies.
- 4.37 **Supply Panel or Approved External Panel:** Conducting procurement activities through contract arrangements already established and administered by other organisations e.g. LGA Procurement.

4.38 **Value for Money:** Achieving the desired procurement outcome at the best possible price (not necessarily the lowest), whilst providing the best management of risk and fit for purpose. Achieving – time, quality and cost.

4.39 **Whole of life cost:** the total net cost incurred when acquiring goods or services and is made up of all initial procurement costs, operating and maintenance costs, disposal costs and termination costs, less the residual value and sale proceeds (if relevant).

5. Policy Statement

5.1. Key Procurement Principles

5.1.1. In identifying the strategy and approach to be undertaken for a procurement, consideration must be given to embedding the following key principles across all stages of a procurement process:

5.1.2. Obtaining value in the expenditure of public money

- a. KIC will undertake effective and efficient procurement and associated contract management activities to ensure the delivery of value for money with public money being wisely spent. Achieving value for money involves determination of the extent the solution proposed will deliver the best combination of whole of life cost and quality factors. Value for money can be driven through each stage of a procurement process.
- b. Principles:
 - i. Synergy with KIC's long term financial plan and strategic direction and associated Goals.
 - ii. Identification of relevant direct and indirect benefits to the community and the Kangaroo Island Council.
 - iii. Consideration of both financial and non-financial factors associated with the purchase of goods, works or services in a timely and efficient manner – which is commensurate to the nature of the purchase.
 - iv. Utilisation of various procurement methods to provide an efficient and effective approach, ensuring appropriate planning time is allowed to minimise rushed decisions.
 - v. Assessment of risk under the following categories – overall due diligence including financial risk; operational risk; work, health and safety risk; legal risk; and reputational risk.
- c. KIC will have regard to a range of measures to assist in delivery of a sound outcome:
 - i. Identification of well-defined objectives to assist in the selection of the most appropriate procurement methods. Higher risk acquisitions require a more formal Procurement planning methodology and higher level of management oversight.
 - ii. Understanding of the current market – and consideration of available supply opportunities which may exist with third party contract arrangements.
 - iii. Maintaining and developing a competitive market.
 - iv. Consideration of social inclusion; economic assessment; environmental and/or sustainability initiatives, where beneficial and appropriate.

- v. Detailed specifications ensure shared understanding of requirements. Reduces risk of uncertainty and high variations.
- vi. Establishing appropriate evaluation criteria such as compliance to the specification and KIC's needs, commercial matters, community service obligations, whole-of-life cost (which takes into account all aspects of cost over time including capital, maintenance and support, management, disposal and operating costs) and supplier support.
- vii. Within the evaluation process, negotiating with suppliers to seek clarity with contractual terms and conditions, or delivery/specification ambiguities.
- viii. Ensuring appropriate contract management ongoing to ensure delivery of the specifications for supply meet the quality statements, and be fit for purpose.

5.1.3. Providing for ethical and fair treatment of participants

- a. KIC Officers and Elected Members will ensure impartiality, fairness, independence, openness and integrity in all discussions and negotiations. Includes conflict of interest (actual or perceived) obligations and confidentiality.
- b. Principles:
 - i. Ensuring reasonable access for all suitable and competitive suppliers.
 - ii. Ensuring no tenderer is advantaged, or disadvantaged through access to different information.
 - iii. Undertaking duties in an ethical, impartial and reasonable manner whilst exercising sound judgement;
 - iv. Buying without favouritism or prejudice.

5.1.4. KIC will have regard to a range of measures to assist in delivery of a sound outcome:

- a. Ensuring KIC Officers and Elected Members disclose any conflict of interest or personal interest when undertaking a procurement activity.
- b. Ensuring evaluation criteria and any specific methodology is identified in request documentation, to enable tender of the best solutions to meet the needs of KIC.
- c. Apply the approval evaluation approach in a transparent decision making process.
- d. Maintain an appropriate audit trail of the full process.

5.1.5. Ensuring probity and integrity

- a. Requires the applications of the highest standards of integrity, probity and professional conduct in procurement. Full compliance with Codes of Conduct, Fraud and Corruption Policy, and ICAC legislation.
- b. Principles:
 - i. Ensure conduct in line with the Codes of Conduct.
 - ii. Ensure compliance with the Fraud and Corruption Policy.
 - iii. Ensure compliance with obligations under the ICAC Act legislation.

- iv. Exercising appropriate levels of delegation and segregation of duties in the decision making process.
- c. KIC will have regard to a range of measures to assist in delivery of a sound outcome:
 - i. Maintaining confidentiality across the entire project and beyond, to ensure confidential information is protected accordingly under the terms and conditions of our contract arrangements.
 - ii. Not accepting gifts or favours from actual or potential suppliers which could be seen to compromise the integrity of the process.
 - iii. Ensuring conflict of interest statements are a standard requirement in procurement. A conflict – whether potential, actual or perceived, must always be divulged, not discovered.
 - iv. Ensuring knowledgeable evaluation personnel are selected to minimise uninformed decisions. Expertise of officers needs to be commensurate with the nature and risk profile of the procurement being undertaken.
 - v. Established procedures to ensure ethical practices and be assured.

5.1.6. Accountability and transparency

- a. KIC will ensure accountability through appropriate delegations and reporting, and adequate management and provision of information for Procurement activities
- b. Principles:
 - i. The CEO is responsible to ensure the overall integrity and accountability of decisions made. The CEO holds authority to issue sub-delegations allocated annually.
 - ii. Delegations will only be exercised within the boundaries of their delegations and KIC policies and procedures and officers are responsible for purchasing decisions.
 - iii. Application of all internal controls and audit processes for all procurement processes.
 - iv. Ensuring that goods and services purchased are delivered, in accordance with the purchase order or contract, and used solely for KIC business or in accordance with KIC policy.
 - v. Ensuring Contract Management is equipped to monitor performance to ensure contractors and suppliers are accountable for delivery of agreed outcomes. Delegations will be provided to position and confirmed annually.
 - vi. Exercise of a delegation is confirmation that the appropriate process has been fully complied with, in accord with policy and procedures, and approved processes.

5.1.5 Encouragement of open and effective competition

- a. Open and effective competition is the central operating principle in pursuit of the best outcome. Openness requires procurement actions that are visible to the KIC, ratepayers and suppliers. The probability of obtaining the best outcome is increased in a competitive environment.

- i. KIC will create competition by maximising the opportunities for commodity and service providers to conduct business with it through the selection of procurement methods suited to market conditions.
- ii. KIC aims to promote efficient competition between public and private businesses through the application of competitive neutrality principles and practices to significant local government activities pursuant to the Competition Policy Reform (South Australia) Act, 1996.

5.2. Procurement Planning

5.2.1. Procurement approaches should be commensurate with the risk and complexity of the requirement, to adopt the best approach to achieve KIC objectives. Within the planning, consideration of secondary principles should also be undertaken to best align strategies with KIC objectives. In developing planned approaches, the strategic plan and associated KIC Goals are to be taken into consideration prior to finalising the strategy.

5.2.2. Risk Management

- a. To identify risks, minimise uncertainty, and improve risk profiles thereby contributing to the achievement of better value for money.
- b. Principles:
 - i. All procurement practices will consider the risks associated with the procurement and the controls and practices will be implemented to minimise KIC's risks to acceptable levels.
 - ii. Development of a risk management strategy, commensurate with the risk profile of the procurement, to ensure risks are identified and mitigated throughout the life-cycle of the project.
- c. KIC will have regard to a range of measures to assist in delivery of a sound outcome:
 - i. Detailed specifications developed to ensure shared understanding of requirements. Reduces risk of uncertainty and high variations.
 - ii. To ensure quality of product, consideration of suppliers and manufacturers who are quality endorsed, and accredited to the ISO 9001 Quality Standard or similar lowers the risk of the procurement.
 - iii. Establishment of ongoing Contract Management to ensure the lowest risk profile to delivery of a contract, particularly capital works.

5.2.3. Simplicity

- a. To ensure procurement processes are clear, straightforward, readily implemented and easily monitored. To simplify the sourcing process, KIC employees must first consider use of Strategic alliance contract arrangements, which have been negotiated on behalf of local governments in South Australia.
- b. KIC will have regard to a range of measures to assist in delivery of a sound outcome:

- i. Purchasing from approved contracts or established standing offers which are supported by current contracts and established under a formal market approach.
- ii. Utilisation of strategic collaborative arrangements which have been established in alignment with the key principles of the Act (such as LGA Procurement; National Procurement Network; State Government) where considered appropriate. Where use of strategic contract arrangement is cost effective and does not disadvantage local suppliers, preference will be given to use of that agreement to minimise administrative burden to both suppliers and KIC.
- iii. Utilising standard terms and conditions; and open and generic specifications
- iv. Streamlining business practices to remove the administrative burden of unnecessary duplication and ad hoc / unplanned procurement.

5.2.4. Encouragement of the development of competitive local business and industry

- a. Consideration will vary with each procurement, to determine local and/or regional opportunities. KIC will provide preference to support Local – where the demonstration of capability/quality capacity and competitiveness is established.
- b. KIC will have regard to a range of measures to assist in delivery of a sound outcome:
 - i. Note that a procurement planned to be in excess of \$1.1m shall require a formal Industry Participation Policy Plan to be developed, to provide a clear statement of the contractor's commitment to optimise the benefits of the contract to the KIC economy; and to use local industry, where possible.
 - ii. Procurement planning is to consider options in the market awareness to determine possible economic benefit to KIC prior to any market approach.
 - iii. Where assessment of offers (where price and quality and deliverables for a like outcome is offered) by two or more suppliers are identified as comparable – highest preference is to be given to local KIC region suppliers, followed by suppliers located on Fleurieu Peninsula; then South Australia.
 - iv. Consideration should assess possible labour hours; supply input value, and capital benefits - eg the difference between a manufacturing entity providing capital benefits, to a distributor as a supplier, to a service contractor providing labour.
 - v. Planning should consider the ability to create local employment opportunities; enable better contract management through on-site or local communications; assess supply impacts.
 - vi. Whilst a weighting can be applied, procurement processes may well utilise economic benefits in methodology which will clearly preference local (e.g. mobilisation costs; service charges relative to travel time) – without applying a weighting direct on location. KIC may apply a locality weighting up to 15% across the various components of economic assessment.

5.2.5. Purchasing Australian made products

- a. Consideration of the benefits of purchasing goods that are made in Australia form part of any product assessment including:
 - i. Fit for purpose assessment;
 - ii. quality will meet expectations for use and life expectancy;
 - iii. equipment, where appropriate, will be compatible with existing equipment;
 - iv. encouragement of local industry to develop and utilise best practice technologies;
 - v. availability of readily available servicing or spare parts without delaying KIC's ability to meet service expectations to the community.

5.2.6. Environmental aspects

- a. Within procurement planning, KIC will seek to:
 - i. adopt purchasing practices which conserve natural resources;
 - ii. align the KIC's procurement activities with principles of ecological sustainability;
 - iii. purchase recycled and environmentally preferred products where possible;
 - iv. integrate relevant principles of waste minimisation and energy;
 - v. foster the development of products and services which have a low environmental impact;
 - vi. provide leadership to business, industry and the community in promoting the use of environmentally sensitive goods and services.

5.2.7. Work, Health and Safety

- a. To ensure appropriate consideration of WHS elements, prior to making any decision to purchase, lease, hire plant, equipment, substances or anything that may affect the health, safety or welfare of any person in the workplace, consultation must occur with relevant WHS personnel. WHS obligations are non-negotiable and legislated.
 - i. Section 70 of the Work Health and Safety Act 2012 – identifies “General obligations of person conducting a business undertaking”.
 - ii. Section 14 of the Work Health and Safety Act 2012 – “Duties of Manufacturers” who can demonstrate that the plant, equipment or substance is safe and has been tested or examined, complies with prescribed standards and codes and can make available adequate information to ensure safe use, handling, processing, storage, transportation or disposal.
 - iii. Procurement of any plant, equipment and substances must be undertaken from manufacturers, suppliers or distributors who are able to demonstrate full compliance with the WHS Act, and in particular, Section 14.
 - iv. Procurement evaluation must ensure an appropriately skilled person confirms all WHS assessment, through all stages of a procurement project.
 - v. KIC holds a pre-qualification register of contractors who have met WHS requirements. For emergency procurement, utilisation of these contracts can expedite engagement.

5.3. Procurement Methods

5.3.1. Generally, open and fair competition is best achieved by undertaking an appropriate tender process so that all interested parties have an opportunity to bid. However, there may be procurements in which a tender process will not necessarily deliver the most advantageous outcome for the KIC – in such instances, other market approaches may be more appropriate. The CEO may, having regard to its Procurement Principles and any other factors considered relevant by the CEO, in their absolute discretion determine to utilise any one or more of the procurement methods identified, or an alternative option.

5.3.2. Planning must consider a number of factors, prior to determining an appropriate approach to deliver KIC's objectives; commensurate with the risk and complexity of a requirement. When identifying the appropriate market approach to apply, KIC will consider a number of factors, including:

- a. cost of an open market approach versus the value of the acquisition and the potential benefits of open vs selective;
- b. the total estimated value of the purchase across the life of the engagement– and whether a “new” approach is significant enough to be attractive to induce competition;
- c. the objectives of the procurement;
- d. KIC's strategic direction may prioritise economic, environmental or social inclusion elements for specific projects;
- e. the size of the market and the number of competent suppliers, particularly in the local region;
- f. KIC's leverage in the marketplace;
- g. time constraints and urgency of supply (not including lack of planning);
- h. the risk profile and associated risks may dictate a specific contractor engagement (particularly where there is a requirement for further supply of a previous product/service)
- i. Delegation limits taking into consideration accountability, responsibility, operational efficiency.
- j. Previous experience with suppliers / contractors and the ability of the contracted preferred supplier to deliver goods or services to KIC's expectations.
- k. Compliance with statutory obligations (eg, limited number of contractors with specific trade certification for work).

5.3.3. For the purpose of this description, a market approach can take the form of a Direct Negotiation or Sourcing; Expression of Interest (EOI) staged approach; a Request (RFx) – being a Request for Tender; Quote; Proposal – with the definition differentiated by the specification style.

5.3.4. Following thorough planning consideration, procurement may undertake one of more of the following.

- a. Supply contracts currently in place, which have been established for ongoing access by local government within KIC.
- b. Sourcing from established third party agreements such as LGA Procurement, State Government, Procurement Australia, where a formal procurement process has already been undertaken and contract

arrangements exist, where a secondary process to seek firm pricing is required.

- c. Market approach – identified to deliver KIC’s objectives, in consideration of a number of factors (which may include collaborate approaches with other KICs or like entities)
 - i. Sole source purchase/direct engagement - where there is a single / monopoly supplier or the particular circumstances warrant the involvement of only one potential supplier.
 - ii. Quotation - seeking quotations from two or more suppliers
 - iii. Expression of Interest – generally the first stage of a multistage approach which has been undertaken to either shortlist companies; or where the market is unknown.
 - iv. Selected tender - seeking competitive tenders from a limited number of suppliers on the basis of (e.g.) location, previous performance, the result of an expression of interest process.
 - v. Open tender - seeking tenders from the market at large through an open invitation process advertisement.
 - vi. Joint tender - seeking tenders jointly with another KIC or similar entity, ensuring that appropriate procurement processes of all entities are addressed.

5.4. **Emergency Procurement**

5.4.1. The CEO may authorise procurement activities during an emergency, taking into account KIC’s procurement objectives, as an exemption to a full procurement process under the following circumstances:

- a. In the interest of public safety
- b. To avoid major expenses from an unplanned event
- c. To provide security of KIC’s assets (e.g.) invoking the Emergency Response Plan or Business Continuity Plan.

5.4.2. When responding to an Emergency, Procurement activities should be undertaken in the most expedient manner possible, complying with normal policies and guidelines wherever possible.

5.4.3. In the case of an emergency, requirements relating to procurement will be waived in the early initial response phase of an emergency. For expediency, suppliers with current formal contractual arrangements will be given first consideration. Where a purchase is made under this clause, the expenditure will be limited to that required to alleviate the emergency situation only.

5.5. **Procurement Process**

5.5.1. **Purchase Orders**

- a. Purchase orders must be issued for the purpose of procuring all goods, services and works associated with all procurement methods, and must be authorised by an officer with the appropriate procurement value and delegation, with the purchase order to be dated and issued at the time of procurement. Any other means of procurement ordering (telephone, email, etc.) is not acceptable with the exception of the following circumstances where it is determined that the issuing of a purchase order is impractical and/or inefficient:

- i. Purchasing of utility supply services e.g. electricity, water, gas, etc. where the service is provided under a utility supply contract;
 - ii. Memberships and subscriptions associated with organisations for which KIC is a member or associated with under a formal subsidiary, or recognised within a constitution, or other similar organisational structure, including but not limited to the Local Government Association, Southern & Hills Local Government Association;
 - iii. Payments made pursuant to a legally binding funding agreement for an identified organisation where KIC has resolved to be a formal funding partner, including but not limited to Penneshaw Community Business Centre;
 - iv. Engagement of legal and other consulting services for the purpose of obtaining advice on a particular issue, specialised advice associated with development applications and/or other operational matters of the KIC requiring urgent advice provided that an email seeking the services is issued by an officer with the appropriate procurement value and authorisation. Engagement of legal and/or other consulting services associated with a project or legal proceedings where the service is required for either a determined or non-determined period of time requires the issuing of a purchase order to be signed by the CEO;
 - v. Purchasing of training, conferences, travel, meals, accommodation, etc. either online or at the point of sale where it is required that payment be made by credit card; and
 - vi. Online purchases for goods and services where it is deemed that online purchasing via credit card is the most effective, efficient or the only means of purchase, e.g. police checks.
- b. Payments made by credit card must be made in accordance with the Credit Card Policy and Procedure.

5.5.2. Standing Purchase Orders

- a. Standing purchase orders are only to be used for the procurement of goods and services in the event that a valid procurement supply contract and specification for goods and/or services exists that is established as part of an authorised procurement method under this Policy.
- b. All standing orders must be authorised by the CEO or authorised delegate and maybe approved for specified timeframes, with the timeframe not exceeding 12 months.

5.5.3. Reimbursements

- a. Reimbursements of expenses is deemed to be high risk form of procurement and therefore is not an authorised procurement process under this Policy. The Petty Cash system or other approved payment method is to be used in lieu of reimbursements. If reimbursement of expenses is deemed to be the only method available then authorisation must be obtained before the purchase to be reimbursed is made and the appropriate assessment is undertaken.

- b. An exemption is provided under Clause 5.4 Emergency Procurement of this Policy, to allow for purchases to be made by a means whereby an officer is to be reimbursed.

5.6. Approvals / Delegations

5.6.1. Procurement value

- a. The following applies for the purpose of determining value:
 - i. single one-off purchase – the total amount, or estimated amount, of the purchase (excluding GST);
 - ii. multiple purchases with the same supplier – the gross value, or the estimated gross value, of the purchases (excluding GST);
 - iii. on-going purchases over a period of time – the annual gross value, or the estimated annual gross value, of the purchases (excluding GST); or
 - iv. multi-year contract – the potential value of a contract across the full term of the contract is to be utilised. A perpetual contract is to be valued across a 4 year period. Figures quoted are GST exclusive.
- b. Cumulative spend: when determining the value of a supply the actual and potential cumulative spend must be considered. The value of the purchase is identified as the estimated and potential value of the total proposed purchases, including any contract options, extensions and renewals (exclusive of GST), of the goods, services or works supplied over a period of time for a single project.
- c. It is an offence under the financial delegations for an officer to break down a purchase for the purpose of avoiding a specific delegation threshold. Cumulative spend which has, or is likely to exceed the threshold, for ongoing supply of like materials, goods, services or works is subject to the need for a formal market approach to establish the arrangements ongoing prior to standing orders being established.

5.6.2. Procurement Thresholds

- | | | |
|----|-----------------------|--|
| a. | \$0 - \$2,000 | verbal quotation |
| b. | \$2,001 - \$5,000 | one written quotation |
| c. | \$5,001 - \$20,000 | two written quotations |
| d. | \$20,001 - \$100,00 | three written quotations or LGAP panel contract |
| e. | \$100,001 - \$200,000 | three written quotations and formal short form contract or LGAP panel contract |
| f. | | |
| g. | \$200,001 and above | public tender or LGAP panel contract |

5.6.3. Procurement approval

- a. The CEO will determine appropriate procurement thresholds for inclusion in delegation instruments, which will be reviewed on an annual basis or as required. Approval to undertake a procurement with a whole of life potential value exceeding the value threshold of \$100,000 (GST exclusive) must

present an Acquisition Plan for authorisation by their Business Manager; or where considered a higher risk procurement, a Business Manager may endorse the approach for the CEO's consideration and approval prior to release.

- b. Note that no approach can be undertaken without the required approval, and supporting documentation being endorsed.
- c. All procurement considered to be high risk, irrespective of the value, requires an Acquisition Plan and Risk Assessment and Risk Management Plan to be developed. Risk of procurements is determined by using the guidance and definitions included in KIC's Procurement Procedures.
- d. All plant and equipment acquisitions must ensure all WHS obligations are satisfied prior to a market approach.
- e. The Acquisition Plan will address the process to be undertaken from identification of the need through to the selection of market approach, evaluation methodology and recommendation to establish a contract, including any specific delegation for recommendation and/or contract establishment approval.

5.6.4. Financial approval

- a. Financial approval can only be authorised by an officer holding financial delegation to the position, under section 137 of the Act.
- b. Approval to undertake a procurement requires confirmation that budget funds are available and uncommitted within the appropriate budget line. Expenditure outside of the adopted budget requires the formal approval of the Council. (Note: Section 44 of the Local Government Act 1999, does not allow the Council to delegate the power to approve expenditure of money on works, services or operations of KIC not contained in a budget adopted by the Council).
- c. Creation of a purchase order exceeding delegated authority requires authorisation from an officer holding appropriate delegation authority across the budget line, prior to any purchase being made.
- d. Segregation of duties across the procurement process, to ensure that multiple levels of approval are undertaken, confirming the appropriate process has been followed, principles delivered and the outcome is of sound value to KIC.

5.6.5. Contract approval

- a. Delegated authority for execution of Contracts under section 36 of the Act is a formal instrument of delegation of the CEO, which may also be sub-delegated to Managers under section 37(b) of the Act. Delegations are to be established with restrictions to the appropriate cost centres, to be defined within the delegations.
- b. Only officers holding Contract approval delegation are able to commit KIC to expenditure.

5.6.6. Contract Variations

- a. A contract variation which is more than 10% in excess of the original value, or which pushes the value into the higher threshold – must be authorised by the CEO prior to acceptance.

5.7. Related Party Transactions

5.7.1. To avoid a perception of bias in awarding contracts to related parties, at least two quotes and approval from Council should be obtained if KIC administration is seeking to contract with a related party for an amount over \$20,000 (cumulative in any financial year) unless the contract is awarded after a public tender is called. Where a contract or purchase order is issued for an amount over \$2,000 but less than \$20,000 the purchase shall be reported to Council.

5.8. Policy Restrictions / Limitations

5.8.1. The Local Government Act 1999 (SA) is particularly relevant to the procurement process, however various other acts and regulations apply to KIC's diverse range of procurement activities. This policy is intended to supplement these instruments. Any inconsistency that may arise between this policy and a relevant act or regulation shall be resolved in favour of the act or regulations.

5.9. Exemptions from this Policy

5.9.1. This Policy contains general guidelines to be followed by the KIC in its procurement activities. There may be emergencies, or procurements in which a tender process will not necessarily deliver best outcome for the KIC, and other market approaches may be more appropriate.

5.9.2. In certain circumstances, the KIC may, after approval from its elected members, waive application of this Policy and pursue a method which will bring the best outcome for the KIC. The KIC must record its reasons in writing for waiving application of this Policy.

5.9.3. The application of this Policy may be waived by the CEO, without approval from elected members, where the conditions noted above are met and the expenditure is less than \$200,000 (GST exclusive). KIC must record its reasons in writing for waiving application of this Policy.

5.9.4. Some examples of when it may be appropriate for KIC to waive application of this Policy are:

- a. Emergency situations threatening life and/or property;
- b. The supply market is known;
- c. Timing constraints.

5.10. Prudential Requirements

5.10.1. KIC's Accounting Policy, Procurement Policy, Asset Accounting Policy and Finance Delegation Policy provide a highly robust foundation and framework with

which to undertake a prudential management and fit fully within the requirements of the Local Government Act (1999) s48 (aa1).

6. Availability and Grievances

This Policy will be available for inspection at the KIC's Offices 43 Dauncey Street, Kingscote during ordinary business hours and via the KIC's website:

www.kangarooisland.sa.gov.au

Copies will also be provided to the public upon request, and upon payment of a fee in accordance with the KIC's Schedule of Fees and Charges.

Any grievances in relation to this policy or its application should be forwarded in writing addressed to the Chief Executive Officer, Kangaroo Island Council, PO Box 121, Kingscote SA 5223

SIGNED:



Chief Executive Officer

Date 14 June 2022

History:		
Date Reviewed:	Version:	Reason for Amendment:
10 September 2010	Version 1	Date Adopted by Council
13 June 2012	Version 2	Remove Disposal of Assets into new policy
12 July 2012	Version 3	Inclusion of clause under 4.6 Delegated Purchasing Authority
12 June 2013	Version 4	Annual Policy Review by Council 2013-14
11 June 2014	Version 5	Annual Policy Review by Council 2014-15
9 June 2015	Version 6	Annual Policy Review by Council 2015-16
21 June 2016	Version 7	Annual Policy Review by Council 2016-17
13 June 2017	Version 8	Annual Policy Review 2017-18 Ref# C189:2017
12 June 2018	Version 9	Annual Policy Review 2018-19 Ref# C176:2018
12 June 2019	Version 10	Annual Policy Review 2019-20 Ref# C214:2019
12 May 2020	Version 11	Council Policy Review Ref: C232:2020
14 June 2022	Version 12	Full Policy Review