



## PROCUREMENT POLICY

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<i>Relevant Document Reference</i>	Guidance prepared by Local Government Corporate Services for Councils - The Procurement Guide
<i>Applicable Legislation</i>	Section 49 of the Local Government Act 1999

### 1. Purpose

The Procurement Policy (the “Policy”) provides information and guidance to staff and officers in their procurement of goods, works or services.

The Policy demonstrates Eastern Health Authority’s (EHA) commitment to procuring goods and services in an open, fair, transparent and effective manner that ensures the maintenance of appropriate standards of probity and ethics throughout procurement processes.

### 2. Scope

Procurement encompasses the whole process of acquiring property, goods or services.

Procurement begins when EHA has identified a need and has decided on its procurement requirement. Procurement continues through the processes of risk assessment, seeking and evaluating alternative solutions, contract award, delivery of and payment for the property, goods or services and, when relevant, the ongoing management of a contract and the consideration of options related to the contract, and also extends to the ultimate disposal of property. An essential part of the procurement cycle is the ongoing monitoring and assessment of the procurement, including the property, goods or services procured.

### 3. Policy Objective

EHA aims to achieve advantageous procurement outcomes by:

- enhancing value for money through fair, competitive, non-discriminatory procurement
- promoting the use of resources in an efficient, effective and ethical manner
- making decisions with probity, accountability and transparency
- advancing and/or working within EHA's economic, social and environmental policies
- providing reasonable opportunity for competitive local businesses to supply to EHA appropriately managing risk; and
- ensuring compliance with all relevant legislation.

### 4. Procurement Principles

EHA must have regard to the following principles in its acquisition of goods and services:

4.1 *Encouragement of open and effective competition*

4.2 *Obtaining Value for Money*

4.2.1 This is not restricted to price alone

4.2.2 An assessment of value for money must include, where possible, consideration of:

- the contribution to EHA's long term financial plan and strategic direction
- any relevant direct and indirect benefits to EHA, both tangible and intangible
- efficiency and effectiveness of the proposed procurement activity
- the performance history, and quality, scope of services and support of each prospective supplier
- fitness for purpose of the proposed goods or service
- whole of life costs
- EHA's internal administration costs
- technical compliance issues

- risk exposure; and
- the value of any associated environmental benefits.

#### 4.3 *Probity, Ethical Behaviour and Fair Dealing*

EHA is to behave with impartiality, fairness, independence, openness and integrity in all discussions and negotiations.

#### 4.4 *Risk Management*

Ensure that appropriate risk management practices are in place for procurement activities including risk identification, assessment, and implementation of controls.

#### 4.5 *Accountability, Transparency and Reporting*

#### 4.6 *Ensuring compliance with all relevant legislation*

#### 4.7 *Encouragement of the development of competitive local business and industry*

Where the evaluation criteria are comparable, EHA may consider the following:

- *the creation of local employment opportunities*
- *increased availability of local servicing support*
- *increased convenience with communications with the supplier for contract management*
- *economic growth within the local area*
- *benefit to EHA of associated local commercial transaction; and/or*
- *the short and long term impact of the procurement on local business.*

#### 4.8 *Environmental protection*

EHA will seek to:

- adopt purchasing practices which conserve natural resources
- align the EHA's procurement activities with principles of ecological sustainability
- purchase recycled and environmentally preferred products where possible
- integrate relevant principles of waste minimisation and energy
- foster the development of products and services which have a low environmental impact
- provide leadership to business, industry and the community in promoting the use of environmentally sensitive goods and services.

#### 4.9 *Financial Responsibility*

Ensure that EHA employees procure Goods, Works, or Services where there is an approved and allocated budget for that purchase, and where an EHA employee with the appropriately delegated financial authority approves the purchase.

## 5 **Selection of an Appropriate Procurement Process**

### 5.1 *EHA will generally select from one of the following procurement processes:*

- Open tendering
- Select tendering
- Direct negotiation with a preferred supplier, group of suppliers or supplier panel
- Request for quotes
- The use of existing third party contracts
- Joint procurement arrangements with constituent councils
- Direct sourcing
- Panel arrangements (eg Local Government Association Procurement, Strategic Purchasing) or arrangements with prequalified suppliers.

The appropriate procurement method will be determined on a case by case basis.

Participation in the procurement process imposes costs on EHA and potential suppliers. These costs will be considered when determining a process commensurate with the sale, scope and relative risk of the proposed procurement and where relevant.

### 5.2 *Justification of Choice of Procurement Method*

Employees will select a method of approaching the market which is suited to the procurement. Determining the best method in the circumstances will generally be based on the consideration of the following types of issues:

- The nature of the procurement
- The value of the procurement
- The risk associated with the procurement
- Whether the market for the procurement is known
- What is the most efficient process to achieve EHA's objectives in a timely and cost efficient manner

5.3 The following table provides direction regarding approach to market selection and the decision making responsibility for procurements:

Procurement Category	Estimated Value Range (ex GST)	Acceptable Approaches to Market	Decision Making Responsibility
1	Up to \$3K	<ul style="list-style-type: none"> <li>• Direct sourcing/negotiation</li> <li>• Use of existing third party contracts</li> <li>• Panel arrangements/arrangements with prequalified suppliers</li> </ul>	Employees – within the limit of their delegated purchasing authority (see below) and the approved budget
2	\$3,001 - \$5,000	<ul style="list-style-type: none"> <li>• Use of existing third party contracts</li> <li>• Panel arrangements/arrangements with prequalified suppliers</li> <li>• Joint procurement arrangements with other Constituent Councils</li> <li>• Verbal quotes from at least two (2) suppliers</li> <li>• Direct negotiation with supplier(s) where market is known to be limited</li> </ul>	Employees – within the limit of their delegated purchasing authority (see below) and the approved budget
3	\$5,001 - \$50,000	<ul style="list-style-type: none"> <li>• Use of existing third party contracts</li> <li>• Panel arrangements/arrangements with prequalified suppliers</li> <li>• Joint procurement arrangements with other Constituent Councils</li> <li>• Written quotes from at least three (3) suppliers</li> <li>• Direct negotiation with preferred supplier(s) where</li> </ul>	Chief Executive Officer – within the limit of their delegated purchasing authority (see below) and the approved budget

Procurement Category (cont.)	Estimated Value Range (ex GST)	Acceptable Approaches to Market (cont.)	Decision Making Responsibility (cont.)
		market is known to be limited <ul style="list-style-type: none"> <li>Request for Quotation</li> </ul>	
4	\$50,001 and over	<ul style="list-style-type: none"> <li>Use of existing third party contracts</li> <li>Panel arrangements/arrangements with prequalified suppliers</li> <li>Joint procurement arrangements with other Constituent Councils</li> <li>Request for Quotation</li> <li>Open/Select Tender</li> </ul>	Chief Executive Officer – within the approved budget – based on recommendations by Employees provided in a report

## 6 Records

EHA must record written reasons for utilising a specific procurement method in each activity and where it uses a procurement method other than tendering.

## 7 Exemptions from this policy

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

### 7.1 Policy Waiver

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

### 7.2 Emergency Procurement

- 7.1.1 CEO will undertake procurement activities during an emergency taking into account EHA’s procurement objectives. Preferred suppliers must be given consideration in the first instance. An emergency is deemed a serious situation or occurrence that happens unexpectedly and demands immediate action. Emergency purchase may be made outside this policy and without Board approval if not practicable if one of the following situations exist:

- There is a genuine concern for public safety
- To avoid major expenses from an unplanned event
- To provide security of EHA's assets eg invoking an Emergency Response Plan or Business Continuity Plan
- Any other incident or circumstance determined by the CEO.

7.1.2 Where a purchase is made under this clause, the following will apply:

- The expenditure will be limited to that required to alleviate the emergency situation only
- This policy will be abided by as soon as the emergency situation is alleviated
- A report will be made to the Board in relation to the emergency expenditure.

## 8 Delegations

Expenditure must be within the employees delegated financial authority, as follows:

POSITION	\$1- \$500	\$501 - \$3,000	\$3,001 - \$10,000	\$10,001- \$50,000	\$50,001 +
Chief Executive Officer	X	X	X	X	X
Team Leader - Environmental Health	X				
Team Leader – Administration & Immunisation	X	X *	X *		
	All contracts for the acquisition of goods and services in excess of \$50,000 are to be authorised by CEO/EHA.				

\*For vaccine purchases only

## 9 Review and Evaluation

This policy will be reviewed at least once every two years. However, EHA may revise or review this Policy at any time (but not so as to affect any process that has already commenced).

## 10. Statement of Adoption

This Policy was adopted by the Board of the Eastern Health Authority on 19 February 2014.