



**Australian Railway
Historical Society
Victorian Division Inc.
A0033223H**

**Procurement Policy
manual**

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History of Changes

<i>Version</i>	<i>Date</i>	<i>Details</i>
1.00a	18 July 2016	First Draft – reviewed by Secretary & President
1.00b	29 January 2017	Second Draft.
1.00c	24 May 2017	Preliminary approved by Committee meeting.
1.01	26 October 2018	First Version approved by Committee for release
1.02	28 October 2018	Formatting corrections and revised date

Maintenance of Manual

Each change to this manual must result in a new version recorded in the History of Changes and must be submitted to ARHS Committee for ratification.

Purchasing Policy manual

1 PROCUREMENT POLICY

1.1 Policy Statement

The Society is committed to adopting appropriate best practice purchasing and contracting principles, policies, and procedures for the procurement of all goods, services and works.

It is recognised this will enhance achievement of Society objectives such as sustainable and socially responsible procurement, supporting local economies and obtaining value for money that will lead to a better result for the Society and its members.

1.2 Application

This Policy applies to all contracting and procurement activities by the Society.

1.3 Objectives

- To provide policy and guidance to the Society to allow consistency and control over procurement activities;
- To demonstrate accountability to members;
- To provide guidance on ethical behaviour in procurement;
- To demonstrate the application of elements of best practice in procurement;
- To increase the probability of obtaining a best value outcome when procuring goods, services and works.

These objectives will be achieved by requiring that the Society's contracting, purchasing and contract management activities:

- Support the Society's strategies, aims and objectives;
- Span the whole life cycle of an acquisition;
- Achieve demonstrable value for money and quality;
- Are conducted, and are seen to be conducted, in an impartial, fair and ethical manner;
- Seek continual improvement through innovative and technological initiatives;
- Generate and support business in the local community wherever practicable.

2 PRELIMINARIES

2.1 Definitions and Abbreviations

<i>Term</i>	<i>Definition</i>
Commercial in Confidence	Information that, if released, may prejudice the business dealings of a party, e.g. prices, discounts, rebates, profits, methodologies and process information, etc.
Contract Management	The process that ensures all parties to a contract fully meet their respective obligations as efficiently and effectively as possible, in order to deliver the contract objectives and provide value for money.
Committee	The Committee (of management) of the Society
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 Society'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.
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.
Schedule of Rates Contract	A standing offer arrangement based on a Schedule of Rates contract that sets out rates for goods and services which are available for the term of the agreement but without a commitment to purchase a specified value or quantity of goods or services.
Sustainability	Activities that meet the needs of the present without compromising the ability of future generations to meet their needs.
Tender Process	The process of inviting parties from either a select list or via public advertisement to submit a quotation by tender followed by evaluation of submissions and selection of a successful bidder or tenderer in accordance with pre-determined evaluation criteria.

<i>Term</i>	<i>Definition</i>
The Society	Australian Railway Historical Society Victorian Division Inc A0033223H
Value for Money	<p>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:</p> <p>Contribution to the advancement of the Society's priorities;</p> <p>Non-cost factors such as fitness for purpose, quality, service and support;</p> <p>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.</p>

2.2 Treatment of GST

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

3 EFFECTIVE POLICY COMPLIANCE AND CONTROL

3.1 Ethics and Probity

3.2 Requirement

The Society's procurement activities shall be performed in an open and transparent manner with demonstrated integrity, fairness and accountability that meets or exceeds proper ethical expectations and all legal requirements.

3.3 Conduct of Committee Members and Members of the Society

The Committee or a Member or Members of the Society who are responsible for managing or supervising contracts are prohibited from performing any works under the contract they are supervising. The Committee and Members of the Society shall at all times conduct themselves in ways that are, and are seen to be, ethical and of the highest integrity and will:

- Treat potential and existing suppliers with equality and fairness;
- Not seek or receive personal gain;
- Maintain confidentiality of Commercial in Confidence information such as contract prices and other sensitive information;
- Present the highest standards of professionalism and probity;
- Provide all suppliers and tenderers with the same information and equal opportunity;
- Be able to account for all decisions and provide feedback on them.

3.3.1 Tender Processes

All tender processes shall be conducted in accordance with the requirements of this policy, relevant legislation and processes detailed in the Society's approved procurement procedures.

3.3.2 Conflict of Interest

The Committee, its members and Members of the Society shall at all times avoid situations in which private interests conflict, or might reasonably be thought to conflict, or have the potential to conflict, with their duties to the Society.

3.4 Fair and Honest Dealing

All prospective contractors and suppliers must be afforded an equal opportunity to tender.

Impartiality must be maintained throughout the procurement process so it can withstand public scrutiny.

The commercial interests of existing and potential suppliers must be protected.

Confidentiality of information provided by existing and prospective suppliers must be maintained at all times, particularly commercially sensitive material such as (but not limited to) prices, discounts, rebates, profit, methodology and intellectual property.

3.5 Accountability and Transparency

Accountability in procurement means being able to justify 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 the Society's procurement policies and procedures as set out in this Policy.

Additionally, all procurement activities are to provide for an audit trail for monitoring and reporting purposes.

3.6 Gifts and Benefits

No member of the Committee or the Society staff shall seek or accept any immediate or future reward or benefit in return for the performance of any duty or work for the Society or where it could be reasonably perceived as influencing them or their position.

Any gift or benefit offered to a member of the Committee or the Society will be dealt with in accordance with the requirements of the Committee.

Offers of bribes, commissions or other irregular approaches from organisations or individuals must be promptly brought to the attention of the Committee.

3.7 Disclosure of Information

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

The Society must take all reasonable measures to maintain confidentiality of:

- Information disclosed by organisations in tenders, quotation or during tender negotiations;
- All information that is Commercial in Confidence information;
- Pre-contract information including, but not limited to, information provided in tenders or subsequently provided in post-tender negotiations.

The Committee is to avoid references to current or proposed contracts in discussion with acquaintances or outside interests.

Discussion with tenderers during tender evaluations should not go beyond the extent necessary to resolve doubt on what is being offered by any tenderer.

At no stage should any discussion be entered into which could have potential contractual implications prior to the contract approval process being finalised, other than authorised post-tender negotiations as outlined in the Society's procurement procedures or guidelines.

3.8 Governance

3.8.1 Structure

The Society has delegated a range of powers, duties and functions to the Committee in relation to procurement. The Committee shall:

- Maintain 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 procured by the Society;
- Report to the Society annually on the implementation, review and general compliance with the Procurement Policy;
- Ensure that the Society's procurement structure operates according to processes that:
 - Are flexible enough to purchase in a timely manner the diverse range of goods, works and services required by the Society;
 - Guarantee that prospective contractors and suppliers are afforded an equal opportunity to tender;
 - Encourage competition;
 - Ensure policies that impinge on the purchasing policies and practices are communicated and implemented.

3.9 Standards

The Society's procurement activities shall be carried out to the professional standards in accordance with best practice and in compliance with relevant legislative requirements including the Competition and Consumer Act.

3.10 Methods

The Society's standard methods for purchasing goods, services and works shall be by any of the following:

- Purchase order following a quotation process from suppliers for goods or services that represent best value for money under directed quotation thresholds;
- Under contract following a quotation or tender process

unless other arrangements are authorised by the Committee or under appropriate delegated authority on a needs basis as required by abnormal circumstances such as emergencies.

The Society may, at its discretion and based on the complexity and cost of the project, conduct one stage or multi-stage tenders. Typically, a multi-stage tender process will commence with an expression of interest stage followed by a tender process involving the organisations selected as a consequence of the expression of interest stage.

Additionally, for highly complex projects the Society may run sequential tenders, the first to solicit solutions, the second to compete to provide the solution selected by the Society. Such sequential tenders may or may not be preceded by the expression of interest phase.

3.10.1 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.

Society 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.

3.11 Procurement Thresholds and Competition

3.11.1 Quotation Threshold

For procurements valued below \$5,000:

A minimum of one written quotation shall be obtained (or one verbal quotation if the value is below \$1,000) and a standard purchase order will be issued. All verbal quotes shall be confirmed in writing. A contracted schedule of rates or an advertised catalogue price is considered to be a written quotation. Wherever possible the purchase should be made under a relevant Schedule of Rates Contract.

A tender process shall be initiated if additional risk mitigation is required due to the nature of the works or services or if it is considered that significantly better value can be obtained by doing so.

For procurements valued at \$5,000 or more:

A minimum of three written quotations shall be obtained. A purchase order will be issued which references the applicable contract. If no relevant contract is already in place, a new contract shall be established via a tender process.

Obtaining sufficient quotations can sometimes be difficult, *e.g.* if there are few suppliers for the goods, services or works being sought or where the work is highly specialised. In such a case the Committee may waive the requirement for three quotations or tender offers.

3.11.2 Tender Process

Tenders will be conducted in accordance with the Society's approved procurement procedures.

Tenders will be invited from a sufficient number of contractors, service providers or suppliers such that there is a reasonable prospect of obtaining a minimum of three tender offers. The process involves the issue of the Society's standard Request for Tender (RFT) documentation and requires:

- Tenders to be invited, received, evaluated and awarded to the supplier who tendered the best value for money outcome;

- Placement of the order by the issue of a standard letter of acceptance which quotes the related purchase order number;
- Receipt and verification of all required compliance documents (insurances, securities, etc.) before approving commencement of services or works.

All contracts require submission of contract variation reports (if variations to the term or the contract sum are required) and a finalisation report at the end of the contract.

3.11.3 Public Tender Requirements

Public expressions of interest or tenders may be called if it is considered that the nature of the requirement and the characteristics of the market are such that the public tender process would lead to a better result for the Society.

In addition to the applicable tender requirements set out above, a tender evaluation panel comprising of at least 3 persons must be established and a detailed Tender Probity and Evaluation Plan shall be developed, approved and strictly adhered to by that panel. Amongst other things this involves the establishment of more detailed evaluation criteria and the application of a pre-approved and sophisticated weighted scoring system.

The Tender Probity and Evaluation Plan will be completed and approved prior to the tender being advertised.

3.12 Internal Controls

The Committee 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.

3.13 Risk Management

3.13.1 General

Risk Management is to be appropriately planned and carried out at all stages of procurement activities in order to protect and enhance the Society's capability to prevent, withstand and recover from interruption to the supply of goods, services and works and to generally protect Council's interests.

3.13.2 Supply by Contract

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

The Society will minimise its risk exposure by measures such as:

- Using standard contracts that include current, relevant clauses;
- Requiring security deposits where appropriate;
- Referring specifications to relevant experts where appropriate;
- Requiring contractual agreement before allowing the commencement of work;
- Use of or reference to relevant Australian Standards (or equivalent);
- Effectively managing the contract, including monitoring and enforcing performance.

3.13.3 Contract Terms

All contractual relationships must be documented in writing based on the standard terms and conditions approved for use by the Committee.

To protect the best interests of the Society, terms and conditions must be settled in advance of any commitment being made with a supplier.

3.13.4 Dispute Resolution

Where relevant, Society contracts shall incorporate dispute management and alternative dispute resolution provisions to minimise the chance of disputes escalating to legal action.

3.13.5 Contract Management

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

- Establishing a system monitoring and achieving the responsibilities and obligations of all parties under the contract;
- Providing a means for the early recognition of issues and performance problems and the identification of solutions;
- Adhering to the Society's risk management framework and relevant Occupational Health and Safety requirements.

Society contracts are to include contract management requirements commensurate with the complexity of the procurement. Furthermore, contracts are to be proactively managed by the Committee to ensure that the Society receives Value for Money.

3.13.6 Performance Standards

The Committee will ensure that the required performance standards and specifications relating to delivery of works, goods and services are met and will undertake all reasonable actions and exercise all of the Society's rights as are necessary to protect the interests of the Society; including the enforcement of consequences for contractual non-compliance.

4 DEMONSTRATE SUSTAINED VALUE

4.1 Achieving Value for Money

4.2 Requirement

The Society'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 determinant of value for money.

4.3 Approach

This will be facilitated by:

- Achieving continuous improvement in procurement activity;
- Developing, implementing and managing processes that support the co-ordination and streamlining of activities throughout the procurement lifecycle;
- Effective use of competition;
- Using Schedule of Rates Contracts where appropriate;
- Identifying and rectifying inefficiencies in procurement processes;
- Developing cost efficient tender processes;
- 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.

4.4 Role of Specifications

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

- Ensures impartiality and objectivity;
- Wherever practicable, allows for the use of a range of available products;
- Encourages sustainability;
- Eliminates unnecessarily stringent requirements.

4.5 Contract Performance Measure and Continuous Improvement

Appropriate performance measures are to be established and reporting systems will be used to monitor contract performance and compliance.

Drafting of new contract specifications will include consideration of any possible improvements and, wherever practicable, comparison with other similar and recent documents sourced from specialists or others within the relevant industry.