



City of
DAREBIN

Procurement Policy

November 2013

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Procurement Policy

1 Background

Darebin Council's Procurement policy is made under Section 186A of the *Local Government Act 1989*. Section 186A of the Act requires the Council to prepare, approve, review annually and comply with a Procurement policy encompassing the principles, processes and procedures applied to all purchases of goods, services and works by the Council.

2 Application

This policy applies to all procurement and contracting activities undertaken by the Darebin City Council ("Council") and is binding upon the Council and its officers, temporary employees, contractors and consultants while engaged by the Darebin City Council.

3 Policy

The Darebin City Council has adopted elements of best practice applicable to Darebin Council procurement, they incorporate:

- best practice procurement principles, policies, procedures for all goods, services and works by Council, will enhance the achievement of council objectives set out in the Council Plan;
- supporting the Council's corporate strategies, aims and objectives including, but not limited to those related to sustainability, protection of the environment and corporate social responsibility;
- considering economic development to generate and support business in the local and wider community.
- 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 and undertake a range of functions in the procurement process);
- procurement processes, with appropriate procedures covering minor, simple procurement to high value, more complex procurement.

3.1 Policy Compliance and Control

All Darebin City Council officers, temporary employees, contractors and consultants while engaged by the Darebin City Council undertaking Procurement activities will do so in an ethical manner and of the highest integrity.

All procurement processes will be undertaken in a Commercial-in-Confidence manner and be able to withstand the closest possible audit scrutiny.

The Council, where applicable, will integrate the following into all procurement processes:

- Corporate Social Responsibility;
- Local Business Framework;
- Environmental Purchasing Code;
- Disability Access and Inclusion Policy; and
- Local Industry Participation Policy.

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

4 Governance

Council has established a framework of policy and general requirements that are applicable to purchasing decisions regardless of the value of the purchase or the particular method selected to procure goods or services. This ensures accountability over the lifecycle of the procurement process and is flexible enough to purchase in a timely manner the diverse range of goods, services and works required by the Council.

4.1 Methods

The Council's approved standard methods adopted by Council for purchasing goods, services and works shall be by some or all of the following methods:

- 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 tender process;
- using aggregated purchasing arrangements, regardless of value, with other Councils, Victorian Government, or other bodies;
- through the use of Corporate credit cards; or
- other arrangements authorised by the Council or the CEO on a needs basis as required by abnormal circumstances such as emergencies.

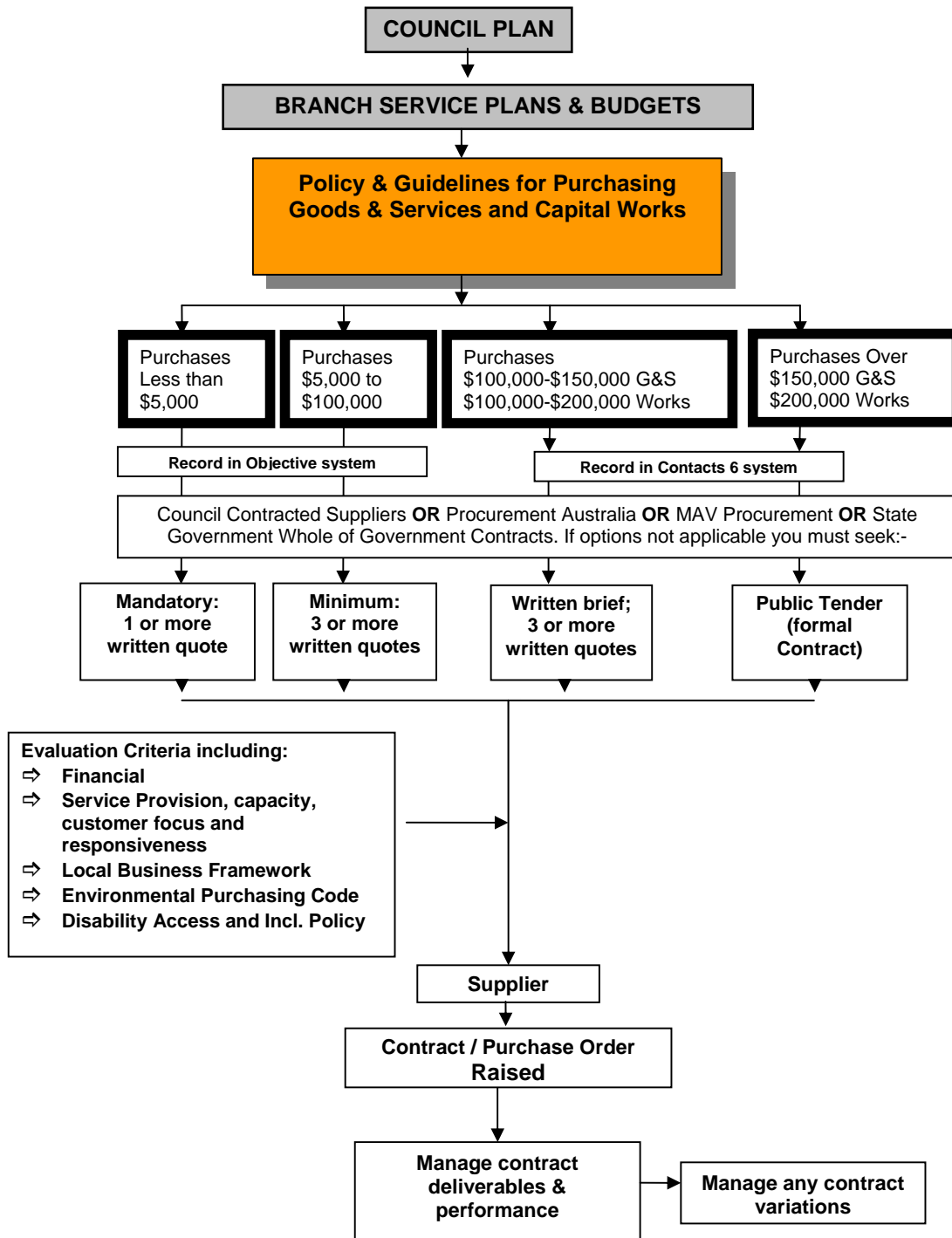
4.2 Procurement Process and Thresholds

Darebin City Council procurement processes are based on the following principles:

- Best Value
- Open and Fair Competition
- Accountability
- Risk Management
- Probity and Transparency

Council has a common Quotation and Tender closing date and time that must be noted on all EOI, Tender or Quotation documents.

The diagram below summarises the approved purchasing methods and processes, based on the value of the purchase, adopted by Council for all staff to adhere to.



4.3 Purchasing Accreditation Committee

Darebin City Council has established the Purchasing Accreditation Committee (PAC) to provide expert oversight for the procurement processes associated with any purchases equal to or above \$100,000 (incl. GST) conducted by council.

All procurement activities equal to or greater than \$100,000 (incl. GST) must have PAC endorsement prior to financial delegation approval and contract execution.

All procurement activities for purchases equal to or greater than \$500,000 (incl. GST) must have PAC endorsement on all strategic procurement plans, probity plans and tender documents prior to the tender being released.

4.4 Contract Variations

Approval of a financial variation is the responsibility of the financial delegate, and or in accordance with procedures adopted by Council.

A variation, in excess of the CEO's delegation will require approval by Council.

It is the value of the variation, either a single amount or cumulative amounts, exclusive of the initial contract value, that will determine the process for variation approval. A case for variation approval is to note all cumulative variations. Financial examples include changes to the price/cost, quantity, nature of the deliverables, and term of the contract (which increases the value).

Approval of any change in scope that is deemed an additional asset above \$5,000 is required to be endorsed by PAC and approved by the Chief Executive prior to the implementation of the contract changes.

Only after approval has been given by the appropriate financial delegate is the Council in a position to implement the contract changes for which approval was sought.

Approval of an administrative variation, which does not change the financial details of a contract, is the responsibility of the project/contract manager, or in accordance with procedures adopted by Council. Examples include changes to the billing address, personnel assigned to the contract, sequencing of work, delivery schedule, and arrangements permitted by specific contract provisions.

4.5 Purchase Orders

The Council's requirement is for any purchase greater than \$50.00 (incl. GST) to have a purchase order raised unless it falls under one of the following exemptions:

- Utility chargers or reimbursement of gas, water, electricity or telephone usage;
- Subscription renewals;
- Newspaper notices through The Age and Leader news publications;
- Postage costs to Australia Post;
- Single engagement of Performers for Council projects/activity;
- Public Liability payments to 3rd parties, but for Council assets a Purchase Order is to be raised;
- Pre-employment and medical costs relating to workcover;

- Maintenance agreements (copy counts) for photocopiers and facsimile machines, but leasing arrangements still require Purchase Order;
- Legal or governance services;
- Civic Amenities Department and Darebin Arts Centre catering purchases, all other departments require a Purchase Order;
- Darebin Libraries, purchase of literature books;
- Payments for work placement (eg work experience students);
- Purchases made using a corporate credit card;
- In the event of an emergency;
- Travel and related travel expenses;
- Urgent purchases under \$1,000, and without a purchase order, are required to be approval by the appropriate Director/General Manager;
- Urgent purchases greater than \$1,000, and without a purchase order are required to be approved by the Chief Executive;
- Discretionary purchases under \$1,000 are required to have prior approval from the appropriate Director/General Manager; and
- Discretionary purchases greater than \$1,000 are required to have prior approval, outlining the justification for seeking such approval, from the Chief Executive.

Standard payment conditions for Purchase Orders are 28 Days and matching tolerances have a variance of 10% +/- for Purchase Orders for both quantity and price. If the variance is outside of this tolerance the responsible contact will be notified and a new PO will be raised.

4.6 Probity

Conflicts of interest were redefined in the Local Government Act 1989 ('the Act') in December 2008 and the new legislative provisions impose statutory obligations on Councillors, members of special (and audit) committees, members of Council staff and contractors engaged to provide advice or services to the Council.

Under the Act, a conflict of interest arises if a 'relevant person' has a 'direct interest' (as defined in the Act) or an 'indirect interest' (as defined in the Act) in a matter.

One of the key requirements of Probity is to identify and address potential conflicts of interest of any person who will be involved in the Tender process.

It is mandatory for all Council staff involved in a procurement process, including evaluation panel members, to sign a conflict of interest declaration form at the commencement of each quotation or tender process.

4.7 Delegation of Authority

In the exercise of power conferred by Section 98 of the *Local Government Act 2004* the process is defined for a Council delegating its powers, duties and functions to a member of its staff.

Commitments and processes which exceed the CEO's delegation and which must be approved by the Council are:

- initial signing and sealing of contract documents;
- tender recommendations and contract approval for all expenditure that exceed the CEO's delegation for goods and services and works; and

- financial variations to existing contracts that exceed CEO's delegation or where Council has approved the original engagement and optional extension period(s) are required to be exercised.

5 Local Business Framework

Council recognises it has a role in the economic development of the community and is committed to assisting local industry to do business with Council. Local business in this context means suppliers based within Darebin and the immediate neighboring municipalities (the "Darebin Plus" area) which includes the adjoining Councils of Banyule, Hume, Moreland, Nillumbik, Whittlesea and Yarra.

Council have mandated the requirement to obtain one quote from a local supplier, if available, for any purchase less than \$5,000 and at least one quote from a local supplier, where available, for purchases over \$5,000 but less than the tender threshold.

In addition, a minimum tender evaluation weighting of 10% will be assigned for local business where a weighting evaluation criteria is used.

6 Review Process

The Council endeavours to continually improve its procurement performance such that all relevant policies, guidance and training are continually reviewed and updated to ensure there is continuity in meeting Council's wider strategic objectives.