



PROCUREMENT POLICY

August 2017

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1 BACKGROUND

Darebin Council's Procurement policy is made under Section 186A of the *Local Government Act 1989* (the Act). 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

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.

Best Practice Principles

The fundamental best practice principles that should be applied to each procurement, irrespective of the value and complexity of that procurement are:

- value for money
- open and fair competition
- accountability
- risk management
- probity and transparency

Value for Money

Obtaining value for money does not mean Council is obliged to accept the lowest price. Section 186(4) of the Act specifically provides Council does not have to accept the lowest tender.

The concept of 'value for money' involves taking into account both costs and non-cost factors including;

- advancing the Council's priorities
- fitness for purpose
- quality
- service and support
- whole-of-life costs and transaction costs associated with acquiring, using, holding, maintaining and disposing of goods, services or works.

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 a cost efficient tender process including appropriate use of e-solutions;
- Council staff responsible for providing procurement services or assistance within the Council providing competent advice in terms of available products and agreements; and
- 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.

Role of Specifications

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

- ensures impartiality and objectivity as reasonably practicable;
- clearly defines the Council's requirements;
- encourages the use of standard products;
- encourages sustainability; and
- eliminates unnecessarily stringent requirements.

3.1 POLICY COMPLIANCE AND CONTROL

All Council officers, temporary employees, contractors and consultants while engaged by 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.

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.

e-Tendering is integral to the overall development of procurement processes and involves the use of an electronic system/s to acquire goods services and works. The eTendering portal is mandatory for all procurement greater than \$50,000.

By utilising e-tendering the Council aims to:

- reduce transaction costs;
- achieve greater leverage;
- make processes more efficient;
- improve management information and visibility of spend;
- increasing control and consistency of processes; and
- improve spend compliance.

3.2 GIFTS AND HOSPITALITY

Council is committed to being open and transparent in its procurement activities to reduce adverse effect on its public endeavours and to promote trust within the community. Staff responsibilities are:

- At all times be ethical, fair and honest when conducting procurement activities.
- Be accountable and responsible for your actions and ensure methods and processes used to arrive at decisions are beyond reproach and withstand any audit process or proper scrutiny.
- Do not seek, solicit or use your position to obtain gifts or benefits from external organisations or individuals.
- Ensure that a person, company or organisation is not placed in a position to offer gifts or hospitality to secure or retain Council business.
- Report any incidence where a bribe is offered

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.

To ensure transparency, all contracts awarded over \$150,000 incl. GST will be published on Council's webpage.

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.

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.
- Council staff must not authorise the expenditure of funds in excess of their financial delegations.
- Council 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.

4.2 PROCUREMENT PROCESS AND THRESHOLDS

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 closing date and time of Tuesdays at 2pm for Quotations and Thursday at 2pm for Tenders that must be noted on all Expression of Interest, Tender or Quotation documents.

Threshold	Requirements*
0 - \$5,000	Minimum one written quote (or use purchasing card where available)
\$5,001 - \$50,000	Minimum three written quotes**
\$50,001 - \$150,000 (G&S) or \$200,000 (Works)	Minimum three written quotes**
>\$150,001 (G&S) or \$200,001 (Works)	Public Tender**

*Where available, a minimum of one quote is to be sought from a Darebin supplier.

**Unless a compliant panel arrangement is in place

However, should the CEO, or their delegate consider 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 Council, public tenders may be called for purchase of goods, services and works for which the estimated expenditure is below the threshold.

The Procurement team will undertake random audits of processes under \$50,000 to ensure quotes are being sought appropriately. The Procurement team must be involved in all processes over \$50,001.

4.3 POLICY EXEMPTIONS

Council has a process in place to exempt a procurement from the procurement policy requirements up to the legislative requirements under specific circumstances.

Exemptions from the procurement policy requirements will be issued by exception on approval from a Director for procurement under \$150,000 for Goods and Services or \$200,000 for Works under the following circumstances:

- An item or service procured which is issued under copyright laws
- A service or upgrade to an asset owned by a utility provider responsible for the provision of or maintenance of that asset
- Software specific to one provider only
- Software licensing or maintenance costs specific to one provider only
- Payments to other Municipalities
- Payments made by the administrator of a Special Rates Scheme (i.e. Business Associations)
- Arts Programming, as determined by the relevant Director.

Any exemption above the tendering threshold must be sought from the Minister for Local Government.

4.4 PURCHASING ACCREDITATION COMMITTEE

The Purchasing Accreditation Committee (PAC) provides independent oversight for the procurement processes associated with any purchases equal to or above \$150,000 (incl. GST).

All procurement activities equal to or greater than \$150,000 (incl. GST) must have PAC endorsement of the procurement process 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.

4.5 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).

Only after approval has been given by the appropriate financial delegate is 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. All changes must be in writing.

4.6 PURCHASE ORDERS

Council's requirement is for all purchases to have a purchase order raised unless it falls under one of the following purchase order exemptions:

- Utility charges or reimbursement of gas, water, electricity or telephone usage;
- Newspaper notices through The Age and Leader news publications;
- Postage costs to Australia Post;
- Pre-employment and medical costs relating to workcover;
- Maintenance agreements (copy counts) for photocopiers
- Legal or governance services;
- 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;

4.7 PROBITY

Conflicts of interest were redefined in 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 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.

A probity advisor and/or probity auditor must be engaged for any major project that is valued at \$1 million or greater.

4.8 PROBITY AWARENESS

It is mandatory at the commencement of any major project of \$1 million or greater, and prior to any Request for Tender or Expression of Interest being released to the public, that a probity awareness session is held for all members of the Decision making Process as outlined in clause 7. This session will be extended to the Executive Management Team and all Councillors, if required.

The awareness session must outline the process for lodging any perceived or known conflict of interest in relation to the Request for Tender or Expression of Interest process.

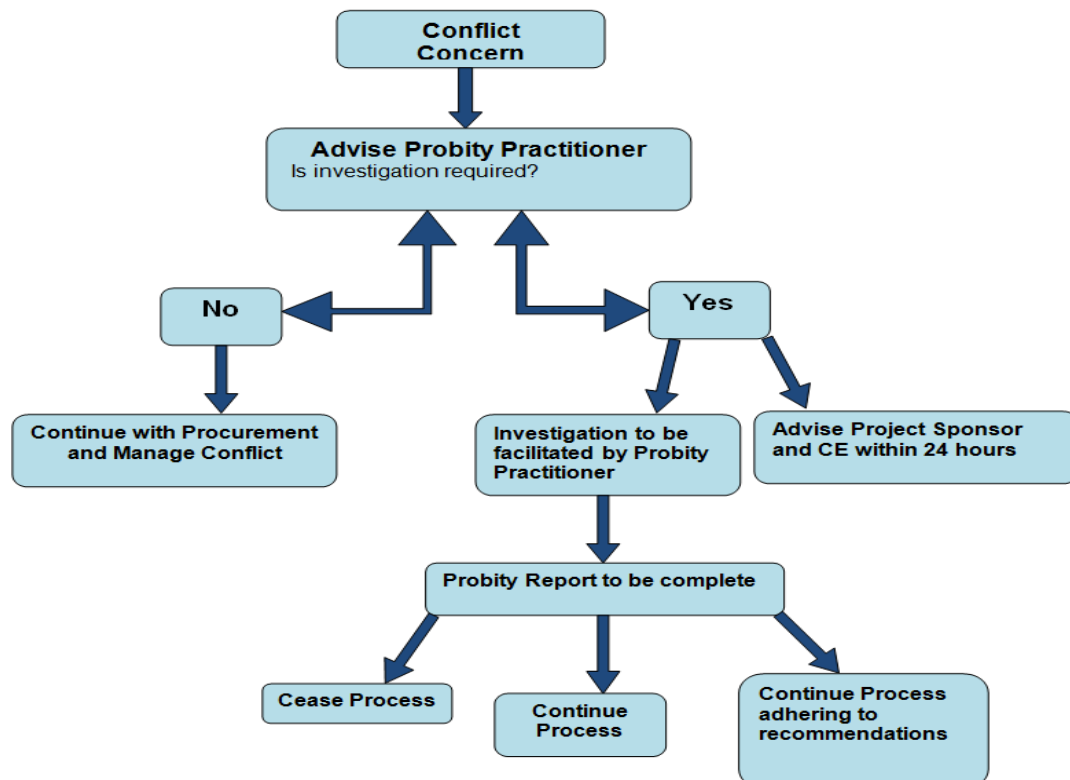
In the first instance any perceived or known conflict of interest must be lodged with the nominated probity practitioner. It is the responsibility of the probity practitioner to determine:

1. Whether a formal investigation is required; if so arrange to undertake
2. Whether the procurement process is put on hold; if so to advise project sponsor and the Chief Executive
3. Whether the procurement process should cease; if so to advise the project manager and the Chief Executive
4. Keep the Project Sponsor informed of any investigation

If a perceived or known conflict of interest is lodged with the Chief Executive or any other member outlined in the Decision Making Process structure, they must within 24 hours arrange to hand over the concern(s) to the probity practitioner for action.

*The Investigation Process, excluding protected or confidential information, must form part of the final Procurement approval documentation/ Council Report.

The Flowchart below outlines the process:



4.9 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.

Record Keeping

Council will ensure that a thorough and sound record keeping/archiving process is undertaken for each contract for a number of reasons, including to:

- Substantiate the practices adopted during the procurement
- Support any post-contract matters or disputes
- Demonstrate OHS compliance and address any subsequent claims.

The structure and extent of records kept will depend on the value and complexity of the procurement. Procurement records, including contract management records will be integrated with Council's recording management system -whether hardcopy or electronic.

Records will be kept in accordance with the Public Records Act 1973 Public Record Standard PROS 09/05 (Retention and Disposal Authority for Records of Local Government Functions).

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.

Council has mandated the requirement to obtain one quote from a local supplier, if available, 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 SOCIAL PROCUREMENT

Social Procurement involves using procurement processes and purchasing power to generate positive social outcomes in addition to the delivery of efficient goods, services and works. Social procurement builds on the initiatives already undertaken by Council in enhancing sustainable and strategic procurement practice, enabling procurement to effectively contribute to building stronger communities and meeting the social objectives of Council.

Council is committed to:

- Delivering a “Youth employment and participation dividend” whereby requiring all contracted business to include 10% of all council related work be provided to young people aged between 15 to 25.
- Ensuring that procurement practices are strategically aligned with Councils wider objectives
- Purchase ethical and fair trade goods to support equitable, local, national and international trade
- Enhance partnerships with community stakeholders, suppliers and other Councils
- Provide opportunities to business who support refugee and asylum seeker community members
- Actively promote, where possible the engagement of indigenous business, organisations and individuals by making available access to the Social Enterprise database from ‘Social Traders’ and ‘Supply Nation’

7 REVIEW PROCESS

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.

8 SUSTAINABLE PROCUREMENT

Council is committed to achieving sustainability and ensuring it monitors and reports on Council activities and programs that have an impact on, or contribute to the environment including but not limited to the following:

- waste management;
- recycling;
- energy management;
- emission management;
- carbon footprint;
- water conservation

Council is committed to adopting a Green Procurement approach by supporting the principles of sustainable Procurement within the context of purchasing on a Value for Money basis. Procurement must follow the guidelines in the Darebin Climate Emergency Plan and minimum requirements in the Darebin ESD Building Policy 2017.

Value for Money purchasing decisions made by the Council are made on the basis of cost and non-cost factors including contribution to the Council's sustainability

objectives.

Council prefers to purchase environmentally preferred products whenever they achieve the same function and value for money outcomes.

Council will therefore consider the following environmental sustainability criteria:

Reduce, Reuse, and Recycle:

The Council is committed to reduce resources, consumption and minimise waste during the procurement life cycle including:

- Eliminating unnecessary purchasing
- Encouraging and preferring Eco-friendly products which are more power efficient;
- Selecting energy, fuel and water efficient products (ideally Energy and Water Star Rating within one star of the best available). Where no energy star rating available, purchase the most energy efficient product;
- Preferring to purchase from a source which is less polluting or uses clean technology;
- Always considering the provision of re-use and recycling as part of the project planning process, including the consideration of whole-life costs and disposal considerations; and
- Re-use of materials locally as per the Waste Hierarchy.

Buy Recycled:

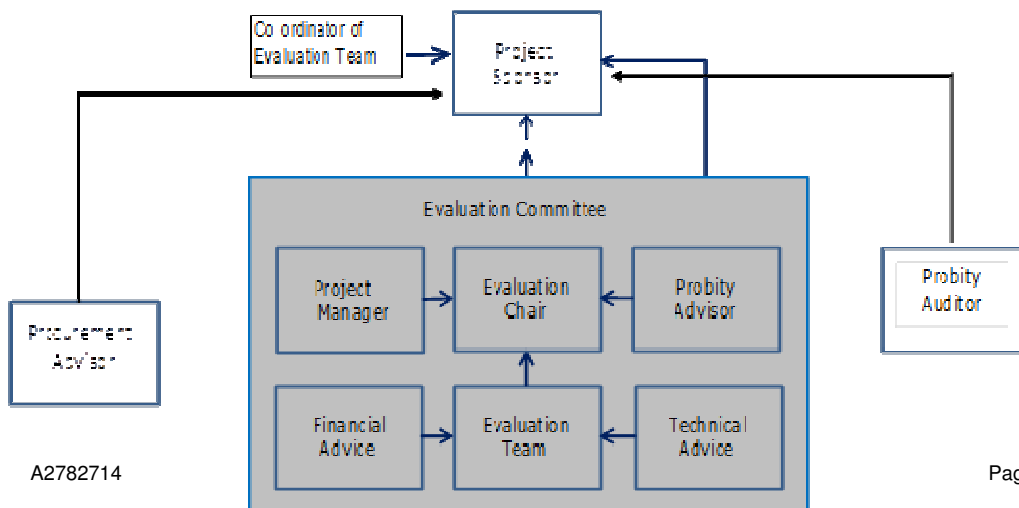
Council is committed to buy recycled/part recycled products to optimise consumption and stimulate demand for recycled products, promoting the collection and reprocessing of waste and working towards zero discharge to the landfill.

Green the Supply Chain:

Council shall encourage suppliers to adopt good environmental practices and will promote green procurement throughout its supply chain and ensure selection which has minimum environmental impact.

9 DECISION MAKING PROCESS

The organisational structure for the project is outlined in the following chart:



Responsibilities

Chair:

The Chairperson is responsible for:

- chairing meetings of the Evaluation Team, signing all documents issued on behalf of the team
- advising successful tenderer(s) of their success in winning the tender
- advising unsuccessful tenderers of their lack of success and debriefing them on the reasons when requested
- ensuring there is financial approval for the contracts

Some of the above roles can be delegated to other team members with the team's consent.

Procurement Advisor:

The Procurement Advisor is responsible for:

- ensuring records are kept of all meetings, significant decisions and events
- ensuring the security of all EOI/RFT documents
- maintaining files for all documents arising out of the Evaluation Team's activities
- acting as the single channel of communication between the team and other parties
- ensuring all Evaluation Team members have signed conflict of interest statements and confidentiality agreements where appropriate

All team members:

All team members are responsible for:

- Establishing a probity plan for the tender process
- Preparing a tender process plan identifying key tasks and deadlines for the team
- Establishing a checklist, spreadsheets and other tools to evaluate responses including the evaluation criteria and method of evaluation in the RFT
- Endorsing all RFT documents before referring to the Procurement Accreditation Committee for final endorsement and before inviting offers
- Ensuring that there is a process for the proper receipt and recording of offers, and dealing with late tenders
- Ensuring that the process and procedures will withstand public scrutiny and all decisions and activities resulting from the evaluation and selection are auditable and defensible
- maintaining confidentiality and high ethical standards at all times
- Observing all policies and procedures applying to tendering and contracting
- Advising of any potential conflict of interest during the evaluation process as soon as it arises

- Checking compliance of tenders with the RFT
- Selecting a short list of tenderers to be interviewed where necessary
- Evaluating and scoring responses to the tender, including analysis of cost
- Where a probity auditor is appointed, ensure that the auditor
 - Endorses the probity plan
 - Sets out his or her expectations in detail; and
 - Sets out what he or she regards as potential problems
- Participating in interviews and contract negotiations with short listed tenderers.
- Identifying important problems or issues arising throughout the tender process and document how and by whom they are to be dealt with
- Arranging for conducting referee checks of tenderers where appropriate
- Maintaining file notes for any significant communications with people outside the team

Project Manager:

The Project Manager as a team member is responsible for the additional duties detailed below:

- Ensuring contract administration procedures or manuals are prepared for users
- Undertaking the post award tasks such as arranging the execution of a contract, issuing contract management guidelines, obtaining certificates of insurance and financial securities
- Using Council endorsed systems to monitor and manage the life of the contract