



DISTRICT COUNCIL OF KAROONDA EAST MURRAY Procurement to Payment Policy

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1. **INTRODUCTION**

- 1.1 In compliance with Section 49 of the Local Government Act 1999 (**Act**), Council should refer to this policy (**Policy**) when acquiring goods and services.
- 1.2 Section 49 of the Act requires Council to prepare and adopt policies on contracts and tenders on:
 - 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.
- 1.3 Furthermore, Section 49 (a1) of the Act requires Council to develop and maintain policies, practices and procedures directed towards:
 - 1.3.1 obtaining value in the expenditure of public money; and
 - 1.3.2 providing for ethical and fair treatment of participants; and
 - 1.3.3 ensuring probity, accountability and transparency in all operations.
- 1.4 This Policy seeks to:
 - 1.4.1 define the methods by which Council can acquire goods and services;
 - 1.4.2 demonstrate accountability and responsibility of Council to ratepayers;
 - 1.4.3 ensure that the best possible outcome is achieved for the Council;
 - 1.4.4 to be fair and equitable to all parties involved and;
 - 1.4.5 enable all processes to be monitored and recorded.
- 1.5 However, this Policy does not cover:
 - 1.5.1 non-procurement expenditure such as sponsorships, grants, funding arrangements, donations and employment contracts; or
 - 1.5.2 the disposal of land and other assets owned by the Council; or
 - 1.5.3 the purchase of land by the Council.

2. **POLICY OBJECTIVE**

Council aims to achieve advantageous procurement outcomes by:

- 2.1 enhancing value for money through fair, competitive, non-discriminatory procurement;
- 2.2 promoting the use of resources in an efficient, effective and ethical manner;

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- 2.3 making decisions with probity, accountability and transparency;
- 2.4 advancing and/or working within Council's economic, social and environmental policies;
- 2.5 providing reasonable opportunity for competitive local businesses to supply to Council;
- 2.6 appropriately managing risk; and
- 2.7 ensuring compliance with all relevant legislation.

3. PROCUREMENT PRINCIPLES

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

- 3.1 Encouragement of open and effective competition
- 3.2 Obtaining Value for Money
 - 3.2.1 This is not restricted to price alone.
 - 3.2.2 An assessment of value for money must include, where possible, consideration of:
 - 3.2.2.1 the contribution to Council's long term plan and strategic direction;
 - 3.2.2.2 any relevant direct and indirect benefits to Council, both tangible and intangible;
 - 3.2.2.3 efficiency and effectiveness of the proposed procurement activity;
 - 3.2.2.4 the performance history, and quality, scope of services and support of each prospective supplier;
 - 3.2.2.5 fitness for purpose of the proposed goods or service;
 - 3.2.2.6 whole of life costs;
 - 3.2.2.7 Council's internal administration costs;
 - 3.2.2.8 technical compliance issues;
 - 3.2.2.9 risk exposure; and
 - 3.2.2.10 the value of any associated environmental benefits.
- 3.3 Probity, Ethical Behaviour and Fair Dealing

Council is to behave with impartiality, fairness, independence, openness and integrity in all discussions and negotiations.
- 3.4 Accountability, Transparency and Reporting
- 3.5 Ensuring compliance with all relevant legislation
- 3.6 Encouragement of the development of competitive local business and industry

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

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

3.7 Environmental Protection

Council will seek to:

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

3.8 Work Health & Safety

The District Council of Karoonda East Murray is committed to engaging quality Contractors who have a sound understanding and commitment to WHS as well as being competent providers of the goods and services they are contracted to provide.

Refer to DCKEM Contractor Management Procedure, in particular the section addressing Contractor "Selection, Induction and Monitoring".

4. PROCUREMENT METHODS

Generally, open and fair competition is best achieved by undertaking a 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 Council – in such instances, other market approaches may be more appropriate.

The Council may, having regard to its Procurement Principles and any other factors considered relevant by the Council, in its absolute discretion determine to utilise one or more of the following procurement methods:

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- 4.1 Direct Purchasing
 - 4.1.1 This is where Council purchases from a single source, without first obtaining competing bids.
 - 4.1.2 The purchase must be approved FIRST via Purchase Order (PO) signed by the relevant manager, based on the year's approved budget; unless if approved by management as a budget review amendment item. This option excludes purchases via Petty Cash or Credit Card.
 - 4.1.3 This method may be suitable for low value (less than \$10,000 total purchase amount), low risk goods and services, AND where the supplier already has a successful procurement history with the Council.
 - 4.1.4 If the single purchase is less than \$100, then the procuring of service or goods may be done via Petty Cash payment per the Internal Control Policy - Petty Cash. (PO is not necessary)
 - 4.1.5 If the supply involves "Online" once-off purchasing, travel expenses (airfares, accommodation etc) and various approved subscription payments; then the procuring of such service or goods may be via Council Credit Card per the Internal Control Policy – Credit Card. (PO is not necessary).
 - 4.1.6 If the supplier used is a regular supplier of maintenance parts, consumables or office stationery, then management may approve and regularly monitor; the use of a "Blanket" Purchase Order (BPO) to the value or part value of the approved budget.
- 4.2 Quotations (Informal)
 - 4.2.1 This is where Council obtains quotations from prospective suppliers.
 - 4.2.2 Generally, a minimum of three quotations are sought.
 - 4.2.3 Where possible, the Council must insist on written quotes.
 - 4.2.4 If a written quote cannot be obtained, the Council must keep detailed written records of the oral quote obtained, including details of the commercial terms of the quote.
 - 4.2.5 This method may be suitable for low value, low risk goods and services.
- 4.3 Purchase Orders (PO)
 - 4.3.1 Purchase Orders MUST be used for "Direct Purchasing" that is NOT utilising Petty Cash or Credit Card.
 - 4.3.2 PO numbers MUST be quoted on supplier invoices.
 - 4.3.3 Where deemed the best option, Council must utilise POs for purchasing routine, low value and low risk goods and services.
 - 4.3.4 Generally, PO have limited terms and conditions and as such should not be used for non-routine, high value and high risk goods and services.

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- 4.4 Request for Quotations (RFQ)
 - 4.4.1 This is where Council obtains written quotations from prospective suppliers.
 - 4.4.2 Generally, a minimum of three written quotations are sought.
 - 4.4.3 This method may be suitable for simple, largely price-based purchases.
 - 4.4.4 A “Short Form Request for Quotation” can be used for purchases with minimal specifications.
 - 4.4.5 A “Long Form Request for Quotation” can be used for purchases with detailed specifications.
- 4.5 Requests for Expressions of Interest (REOI)
 - 4.5.1 This is where Council issues an open invitation for a proposed goods and/or service.
 - 4.5.2 This method may be used where there is potentially a large market for the proposed goods and/or service, and the Council would like to be able to prepare a short list of suppliers to then invite to participate in a tender process.
- 4.6 Request for Tenders (RFT)
 - 4.6.1 This is where the Council issues a tender for a proposed goods and/or service.
 - 4.6.2 Council may issue a “Select” Request for Tender where it has already issued a REOI, or where it has reasonable grounds for only dealing with a select group of potential suppliers.
 - 4.6.3 Otherwise, Council may issue an “Open” Request for Tender.
- 4.7 Vendor Panel/SA Tenders
 - 4.7.1 Council reserves the right to obtain goods or services from Local Government Vendor Panel or SA Tenders or any other avenue that may result in Council obtaining value for money.
- 4.8 Inter-Council Procuring
 - 4.8.1 The Council may through resolution, approve procuring goods or services through another Council.
 - 4.8.2 Provided there is a relevant approved allocation in Council’s current budget AND offer of due consultation is received for mutual procurement decision-making; then Council reserves the right to NOT permit this procuring method under any circumstance.

5. PROCUREMENT CONSIDERATIONS FOR COUNCIL

The appropriate method of procurement will be determined by reference to a number of factors, including:

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5.1 Value of the Purchase

Value of Purchase (\$)	Possible Method of Procurement
Up to \$100	Use Petty Cash per the Internal Control Policy – <i>Petty Cash</i>
Up to \$3,000	1. <u>Direct Purchasing using a PO</u> 2. <u>Use Credit Card per the Internal Control Policy Credit Card</u> - For online purchasing, travel airfares & accommodation, various subscription payments and other management approved once-off payments.
\$3,001 to \$5,000	Prior to issuing an approved PO, at least 3 verbal quotations must be sought. Where possible, always insist on a written quote.
Over \$5,000 to \$10,000	Prior to issuing an approved PO, at least 3 written Quotations must be sought via Request for Quotation (RFQ) – For simple but largely-priced purchases
Over \$10,000	Request for Expression of Interest (REOI) – As an additional process to obtain a short-list of candidates from a large market, prior to Tendering
Over \$10,000	Request for Tender (RFT) – Either “Select” Request for Tender where Council has already issued a REOI, or where Council has reasonable grounds for only dealing with a select group of potential suppliers. “Open” RFT for all other Tenders. A Council agreement/contract is encouraged for successful tenders; which is recorded and registered accordingly.

The value of the purchase will be calculated as follows:

- single one-off purchase – the total amount, or estimated amount, of the purchase (excluding GST);
- multiple purchases – the gross value, or the estimated gross value, of the purchases (excluding GST); or

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- on-going purchases over a period of time – the annual gross value, or the estimated annual gross value, of the purchases (excluding GST).

- 5.2 cost of an open market approach versus the value of the acquisition and the potential benefits;
- 5.3 the particular circumstances of the procurement activity;
- 5.4 the objectives of the procurement;
- 5.5 the size of the market and the number of competent suppliers;
- 5.6 the Council’s leverage in the marketplace;
- 5.7 time constraints;
- 5.8 a global assessment of the risks associated with the relevant activity and /or project, including the risk profile of the procurement and any risks associated with the preferred procurement method.
- 5.9 Purchase made with due considerations to Council’s Strategic Management Plans (including Long Term Financial Plan, Asset Management Plan), Prudential Management Policy and other related Procedures.

6. DELEGATED AUTHORITY

The following delegated authority of Council for the authorisation of expenditure and approval of payments, will ONLY be on the basis of approved budget:

6.1 Value of the Purchase

Delegated Amounts (excl GST)	Authority	Delegated Authority/Position
Up to \$70,000		Chief Executive Officer Works Manager Corporate Services Manager
From \$70,000 to \$200,000		Chief Executive Officer
>\$200,000 approved Budget		Council
Unapproved Budget		Council

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7. PAYMENT CONSIDERATIONS FOR COUNCIL

The payment of invoices will involve meeting the following checklist:

- 7.1 Acceptable matching of price on invoices to respective agreed price from the relevant procurement method from Paragraph 4, where applicable (eg. Quotation, Contract);
- 7.2 Proof of receipt of goods or services to be provided clearly and signature on dockets, delivery slips etc need to be identifiable to Council staff or acceptable delegate of Council ;
 - 7.2.1 Receipt of goods and services may be in the form of an initial or signature that can be matched to Council's records;
 - 7.2.2 In the case of fuel delivery, a signature of the receiving Council staff **MUST** be obtained. Where no staff is available at time of delivery, the supplier **MUST** indicate on the invoice "No Council receiver available" **AND** the process will involve verification by Council Staff taking a fuel dip for the tank concerned and recording/signing on the relevant invoice, at the earliest opportunity prior to use of fuel;
 - 7.2.3 If applicable, PO numbers **MUST** be quoted on supplier invoices.
- 7.3 Payment to be done as per Council payment terms or Supplier terms agreed to in writing.
- 7.4 Payments in the nature of reimbursement of costs, employee payments, Utilities (power, water etc) payments, levies, rubble royalties, registrations, insurance, annual subscriptions, service agreements, postal services and other similar payments will NOT require a prior issue of Council PO.

8. RECORDS

For Procurements > \$10,000, the Council must record written reasons for utilising a specific procurement method in each activity and where it uses a procurement method other than tendering.

- 8.1 Any procuring of service or goods (including plant & equipment) that require Council Approval for budget alteration or amendment; will need to be recorded in the relevant "Works Program" or "Plant & Equipment" Variation Forms.
- 8.2 An entry will be made accordingly in the Contract Register.

9. EXEMPTIONS FROM THIS POLICY

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

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

Some examples of when it may be appropriate for the Council to waive application of this Policy are:

- (a) emergency situations threatening life and property; or
- (b) the supply market is known; or
- (c) significant timing constraints.

10. PRUDENTIAL REQUIREMENTS

Through its Prudential Management Policy, DCKEM aims to ensure that a Council project is undertaken only after an appropriate level of “due diligence” is applied to the proposed project; and to ensure that each Council project is managed during the project and evaluated after the project, to achieve identified public benefits or needs; and to minimise financial risks.

For more details, refer to DCKEM Prudential Management Policy.

11. FURTHER INFORMATION

- 11.1 This Policy will be kept on the Council’s website for the public to view.
- 11.2 However, Council may revise or review this Policy at any time (but not so as to affect any process that has already commenced).