

POLICY TITLE PROCUREMENT POLICY

VERSION III: Adopted 17 May 2016

Last reviewed: 29 April 2016

OBJECTIVE

To provide guidelines to ensure Council's procurement of goods, works and services is legal, ethical and to Council's best advantage. The outcomes of this policy are:

- Open and effective competition
- Value for money
- Ethical behaviour and fair dealing

This policy reinforces the principle that the maintenance of comprehensive and well documented records is crucial to ensuring value for money has been obtained and that the procurement process has been conducted with probity and transparency.

POLICY STATEMENT

Throughout the procurement process, Council will:

- Ensure the process is open, fair, transparent and consistent and in accordance with Council's Code of Conduct and all other policies and procedures as appropriate.
- Comply with the requirements of the Local Government Act (NSW) 1993 and Regulations.
- Encourage competitive procurement of goods, works and services and maximise community value.
- Ensure that funds are spent effectively and economically by taking into account price and non-price factors (such as after sales service, warranty, safety, environmental, repair costs, spare parts, etc.), i.e. Value for Money
- Ensure segregation of duties in the requisitioning, approval and payment functions.

Every effort should be made to ensure businesses operating within the Dungog Shire Council area are given an opportunity to quote.

The general objectives of this policy apply to all procurement activities regardless of whether payment is made via traditional Accounts Payable processes, petty cash or corporate purchase cards.

Those persons/organisations providing goods, works and services to Council shall be considered to be agents of Council and shall be required to comply with Council's relevant policies.

APPLICATION OF THE POLICY

This policy applies to anyone who undertakes or is involved in procurement activities; this includes Councillors, staff and delegates. It applies to all procurement processes and activities undertaken by Council, including purchasing, ordering, quotations, tendering, contracting and disposals.

VALUE FOR MONEY

Value for money is an overarching principle governing this policy which allows the best possible outcome to be achieved for Dungog Shire Council. It is important to note that compliance with the purchasing specification is more important than obtaining the lowest price, particularly taking into account user requirements, quality standards, sustainability, life cycle costing and service benchmarks.

An assessment of the best value for money outcome for any purchasing process should consider:

- all relevant Total Costs of Ownership (TCO) and benefits including transaction costs associated with acquisition, delivery, distribution, as well as other costs such as but not limited to holding costs, consumables, deployment, maintenance and disposal;
- the technical merits of the goods, works or services being offered in terms of compliance with specifications, contractual terms and conditions and any relevant methods of assuring quality, including but not limited to an assessment of levels and currency of compliances, value adds offered, warranties, guarantees, repair and replacement policies, ease of inspection, ease of after sales service, ease of communications etc.
- financial viability and capacity to supply without risk of default (competency of the prospective suppliers in terms of managerial and technical capabilities and compliance history); and
- a strong element of competition in the allocation of orders or the awarding of contracts. This is achieved by obtaining a sufficient number of competitive quotations wherever practicable.

PROCUREMENT REQUIREMENTS

Delegations of Authority

Financial delegations define the financial limitations within which specified staff may approve a purchase, quotation and contractual processes. This allows Council to conduct business activities in an efficient and timely manner whilst maintaining transparency and integrity. All procurement must be undertaken within these delegations.

Allocation of Funds

Apart from delegated authority to purchase, it is essential that funds are made available for a purchase prior to any commitment being entered into. This means that a budget allocation must have been made by Council in the Operational Plan or subsequent reviews for the purpose to which the proposed expenditure applies.

For special projects, contribution works, and grant works not specifically detailed in the Operational Plan, approval to purchase is dependant upon the funds being available. These funds must either be received or committed in writing by the funding body and accepted by Council.

For any job which exceeds the preliminary estimate by more than an immaterial amount, initial approval for works to commence must be given by the General Manager and reported to Council via the Quarterly Budget Review process.

Budget allocations are provided for a purpose. Expenditure contrary to this purpose, (such as using a budget in one area to cover another, or using a recurrent budget to fund a capital purchase and vice versa), must be approved initially by the General Manager and then reported to Council via the Quarterly Budget Review process.

Splitting of Orders

Council Officers are prohibited from splitting orders for the purposes of acquiring goods or services above their delegated financial and procurement levels, or to avoid the necessity to obtain quotes or call for tenders.

When party to a trade-in on goods, the delegated level of authority will be used for the purchase price of the goods not the purchase value less the trade in price.

Promotions & Incentives

The offering or acceptance of promotional goods, rewards, benefits or any other form of incentive in relation to the purchase of goods, works and services is strictly prohibited. Refer to Council's Gifts and Benefits Policy C1:7.

Procurement Thresholds for Minimum Levels of Competition

The minimum levels of procurement thresholds and competition are shown below. This indicates the minimum and at the lower levels further quotations will be needed if there is difficulty in ensuring value for money is achieved.

For Purchase of Goods and Services up to \$5,000 in value

One formal (written) quotation for goods, works and services will be required for value above \$1,000 (inclusive of GST). For value of goods and services below \$1,000 (inclusive of GST) a verbal quotation can be accepted. If only one quotation is obtained the responsible officer must ensure the rate being considered is reasonable and consistent with normal market rates for items of a like nature.

Goods and services over \$5,000 and up to \$30,000 in value

At least two written quotations are required when the goods, works and services being procured exceed \$5,000 (inclusive of GST) and up to the value of \$30,000 (inclusive of GST), subject to the rates being considered reasonable and consistent with normal market rates for items of a like nature.

Goods and services over \$30,000 and up to \$150,000 in value

At least three written quotes are required for goods, works and services being procured when the value exceeds \$30,000 (inclusive of GST), but does not exceed \$150,000 (including GST), subject to value for money being demonstrated.

Goods and services over \$150,000 in value

A formal tender process in accordance with the Local Government Act and Local Government (General) Regulation is required for goods, works and services where the value is \$150,000 or greater (inclusive of GST). A full tender documentation and assessment process must be followed.

Note: Exceptions for Goods, Works and Services over \$5,000 but less than \$150,000

There may be exceptions where there is (a) a genuine urgent circumstance, (b) where there is only one firm or person capable or available to undertake the task, or (c) where it is a continuance of a previous specialised task. In such circumstances, the arrangement is to be commercially negotiated to achieve the best value for money. This exception can only be followed after written agreement by the General Manager is produced in accordance with established delegations of authority.

Tendering

All Tenders will be conducted in accordance with Section 55 of the Local Government Act (NSW) 1993 and the NSW Office of Local Government Tendering Guidelines.

Whilst a formal tendering process is not required for purchases under \$150,000, a formal tendering process can be utilised for any purchase under the threshold. This is advisable in the following situations:

- The purchasing amount is close to \$150,000
- The goods or services are of significant public interest.
- The purchase may be considered to be controversial or contentious
- The procurement process is complex
- The expected price of procurement is unknown

Local Government Procurement Contracts

Council is a member of the procurement initiative Regional Procurement. Council can access current tenders listed with Regional Procurement for Hunter Councils by following the accessing procedure. Council is not limited to utilising tender arrangements as sought by Regional Procurement and is encouraged to utilise the most effective method of Tendering for Council's purchasing objectives.

Council can also access tenders through Local Government Procurement (LGP) and NSW Government Procurement as an alternative to going to tender. There may be efficiency gains by utilising pre-existing government tenders and improved pricing options due to economies of scale, Dungog Shire Council may utilise these supply arrangements to procure goods and services.

PROCUREMENT PROTOCOL

Ethics and Probity

The Council's procurement activities are to be performed with integrity and in a manner able to withstand the closest possible scrutiny.

Conduct of Council Staff - Council staff at all times are to conduct business that is ethical and of the highest integrity and are required to:

- treat potential and existing suppliers with equality and fairness
- not seek or receive personal gain
- maintain confidentiality of Commercial in Confidence information
- present the highest standards of professionalism and probity
- deal with suppliers in an honest and impartial manner that does not allow conflicts of interest
- provide all suppliers and tenderers with the same information and equal opportunity
- be able to account for all decisions and provide feedback on them
- not be involved in any activity such as performing work with suppliers, consultants or contractors

Governance

Responsible Financial Management - The principle of responsible financial management is to be applied to all procurement activities.

Council funds are to 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.

Record Keeping – All substantive communications with potential suppliers in respect of tender evaluations should be in writing or in formal minuted meetings.

Records for all Procurement activities must be kept and recorded in the Council record management system.

Management of Risk through Procurement

Risk Management is to be appropriately applied at all stages of the procurement process which must be properly planned and carried out in a manner that will protect and enhance the Council's capacity.

Management of Work Health and Safety through Procurement

Work Health & Safety standards are to be applied at all stages of the procurement process to ensure the health and safety of Council staff, contractor staff and members of the public.

Environment

Where appropriate procurement decisions should incorporate principles of environmental sustainability, such as:

- Eliminate inefficiency and unnecessary expenditure
- Minimise waste
- Save water and energy
- Further stimulate the demand for sustainable products
- Play a leadership role in advancing long term social and environmental sustainability.

Date Policy Adopted	Minute No	Authority
15 April 2003	31438	Council resolution
19 August 2003	31593	Council resolution
17 May 2016	37107	Council resolution