

Procurement Policy

MINUTE NUMBER	236/2021
DATE APPROVED	17 June 2021
EFFECTIVE	17 June 2021
AUTHORITY	General Manager
CONTACT OFFICER	Director Corporate Services

1 PURPOSE

- 1.1 Council is committed to ensuring a fair, transparent and accountable process in the procurement of goods and services.
- 1.2 The purpose of this policy is to provide clear policy statements for the procurement of materials, equipment and services to assist in ensuring best value for money cost effectiveness, good management practices, transparency, probity and environmental performance, whilst meeting the expectations of the community and legislative requirements.

2 SCOPE

- 2.1 This policy applies to all Council Officials including Councillors, Council Officers, Council Committees, appointed contractors, suppliers and agents of Council working on behalf of Council when undertaking activities relating to the procurement of goods and services, excluding:
 - i. Internal Council resources; and
 - ii. Natural and/or significant emergencies.

3 DEFINITIONS

- 3.1 For the purposes of this policy, the following definitions apply:

Term	Definition
Act	<i>Local Government Act 1993 (NSW)</i>
Council Officials	<i>As defined by in Council's Code of Conduct: "includes Councillors, members of staff of Council, administrators, Council Committee members, delegates of Council and, for the purposes of cl. 4.16 (of the Code), Council advisers" as well as volunteers and contractors.</i>
GIPA Act	<i>Government Information (Public Access) Act 2009 (NSW)</i>
Prescribed Entity	An entity identified and prescribed in the Local Government Act 1993 allowing councils to access contracts established by the 'prescribed entity' without having to go to tender in their own right. Local Government Procurement (LGP) and Strategic Purchasing are noted in the Regulations (see clauses 166, 168-169)
Value for Money	Value for money is determined by considering all factors that are relevant to the proposed contract and may include: experience, quality, reliability, timeliness, service, risk profiles and initial and ongoing costs. There are all factors that can make a significant impact on benefits and costs. Value for money does not automatically means the 'lowest price'. (Source: Tendering Guidelines for NSW Local Government – NSW Officer of Local Government)

4 POLICY STATEMENT

- 4.1 Council commits itself to conducting procurement activities in a manner that complies with the following:
- i. Obtaining value for money in the procurement of goods and services through open and effective competition to ensure optimum quality, price, timely delivery and service.
 - ii. Quality, price, delivery/timeliness and capability shall generally be considered the main criteria in assessing Council's procurement of goods and services, together with experience, conformance with specifications (including environmental performance), WHS record and systems and project specific matters.
 - iii. Council expects its contractors and suppliers to comply with ethical business standards and practices and act in accordance with Council's Code of Conduct Policy, Statement of Business Ethics Policy and other relevant policies on matters relating to its procurement activities.
 - iv. Council shall strictly implement its Code of Conduct Policy, Statement of Business Ethics Policy and other relevant policies on matters relating to its procurement activities.
 - v. All Council Officials are required to consistently apply, implement and uphold the requirements of Council's procurement policies and procedures in a manner that is transparent and accountable. Appropriate remedial action and consequential action shall be taken for non-compliance.
 - vi. Provide a commitment to supporting the Forbes Local Government Area economy and enhancing the capabilities of local businesses and industry.
 - vii. Purchasing to the "best advantage" is limited by the purchaser's knowledge of the market, and this should be a consideration in making a decision.
 - viii. Council's methods of procurement are based on financial limits. These financial limits must be adhered to in accordance with this policy and Council's *Delegations Register*.
 - ix. If goods or services are available under a long term supply contract awarded by Council or as part of a joint tender or quotation, or Government Contract the financial limits outlined in this policy do not apply.
 - x. Splitting or de-bundling of purchases to circumvent the financial limit or the multiple purchases of the same items over a period of time is not permitted in any category or whilst undertaking any method of procurement.
 - xi. Continued non-compliance with this policy may subject a Council Official to performance management and/or termination in the case of fraud.

5 FINANCIAL LIMITS

Category	Value of Goods and Services (GST Inc)	Process Requirements
A	Petty Cash	<ul style="list-style-type: none"> Up to \$60 per individual transaction with receipts Petty cash docket approved of Council Official with financial delegation
B	Up to \$9,999	<ul style="list-style-type: none"> Minimum 1 written quote Council Official with financial delegation
C	\$10,000 to \$79,999	<ul style="list-style-type: none"> Minimum 3 written quotes Council Official with financial delegation
D	\$80,000 to \$249,999	<ul style="list-style-type: none"> Minimum 3 written quotes via formal Request for Quote (RFQ) Council Official with financial delegation
E	In excess of \$250,000	<ul style="list-style-type: none"> Formal Request for Tender (RFT) - conditions apply, see clause 5.5.3. Purchases less than \$250K approved by General Manager - conditions apply, see clause 5.5.6 and 5.5.8 Purchases greater than \$250K approved by Council

5.1 Category A - Petty Cash

Requirement

5.1.1 Petty cash is used to meet the need for the procurement of small incidental goods and urgent situations for Council and is limited to \$60 per individual transaction. Splitting of purchases to circumvent the limit or the multiple purchases of the same items over a period of time is not permitted.

Approval

5.1.2 Petty cash claims are to be approved by authorised Council Official and written records of claims and tax invoices maintained.

5.1.3 The General Manager is delegated authority to determine all matters relating to petty cash in order to allow the levels of the floats, and the limits placed on petty cash vouchers, to be amended administratively. In this regard, the petty cash limit may be varied from the \$60 limit in extenuating or emergency circumstances when a cash transaction is required.

5.2 Category B up to \$9,999 (including GST)

Requirement

- 5.2.1 Providing the pricing is competitive, a supplier may be selected and direct procurement may occur where expenditure on a good, service or material will not exceed the Category B limit or where such goods and services may be obtained under long term supply contract or preferred supplier panel.

Approval

- 5.2.2 A single quotation must be obtained in writing for the purchase of goods and services.
- 5.2.3 This does not preclude the obtaining of competitive quotations where they may be readily obtained at little administrative cost or inconvenience.
- 5.2.4 All quotations received are to be given due consideration in accordance with the Procurement Policy.
- 5.2.5 Exclusions from the requirement for a single quote include sundry office and administrative expenses considered low value and capped at the amount of \$250.
- 5.2.6 An officer with a financial delegation as per Council's Delegation Register can approve the purchase up to the limit of their specific delegation on the proviso that there is an existing budget line item for that expense.
- 5.2.7 If there is not a budget line item the quote must be approved by the relevant Director.

5.3 Category C \$10,000 to \$79,999 (including GST)

Requirement

- 5.3.1 A competitive process is required with a minimum of three (3) written quotations obtained. This will ensure that an open, fair and transparent process is carried out, resulting in the facilitation of value for money judgement.
- 5.3.2 The selected offer is to be documented in writing. The quotation process must to be fully documented including registration of procurement instructions and quotes received.
- 5.3.3 The General Manager may determine that it is in the public interest to invite either public quotations or tenders if the nature of the work or service is such that the quotation system does not adequately cover Council's risks.

Approval

- 5.3.4 A Council Officer with a financial delegation as per Council's Delegation Register can approve the quote up to the limit of their specific delegation on the proviso that there is an existing budget line item for that expense.
- 5.3.5 If there is not a budget line item the quote must be approved by the General Manager and reported to Council.
- 5.3.6 Quotes in this category over the limit of an officer's financial delegation must be approved by the relevant Director or General Manager.

5.3.7 When the minimum number of quotations are not be obtained this will be known as a non-conformance with the policy. Upon a satisfactory reason for the non-conformance the responsible Director may approve the purchase from the quotations received. Non-conforming purchases must be reported to Council.

5.4 Category D \$80,000 to \$249,999 (including GST)

Requirement

5.4.1 A competitive process is required with a minimum of three (3) written quotations obtained through a formal Request for Quotation. The instruction to quote must be in the form of a specification as if a tender was to be invited and the response from the supplier must be in writing and include all details requested in the instruction/specification.

5.4.2 The selected offer for goods and services is to be documented in writing and records kept of all instructions, quotes and evaluation data.

5.4.3 Requests for Quotes must be administered through Corporate Services, or as delegated by the General Manager.

Approval

5.4.4 Council must publically advertise quotations if the purchase is not via a preferred supplier panel, long term supply contract, Local Government Procurement or other prescribed entities as defined in the Local Government Act 1993.

5.4.5 A Council Officer with a financial delegation as per Council's Delegation Register can approve the quote up to the limit of their specific delegation on the proviso that there is an existing budget line item for that expense.

5.4.6 If there is not a budget line item the quote must be approved by the General Manager and reported to Council.

5.4.7 When the minimum number of quotations are not obtained this will be known as a non-conformance with the policy. Upon a satisfactory reason for the non-conformance the General Manager may approve the purchase from the quotations received. Non-conforming purchases must be reported to Council.

5.5 Category E In excess of \$250,000 (including GST)

Requirement

5.5.1 All requests for tenders must be undertaken in accordance with:

- i. *Section 55 of the Local Government Act 1993* and its supporting regulations; and
- ii. Council's relevant procurement procedures.

5.5.2 Tenders must be undertaken for purchases greater than \$250,000 (including GST) or where the aggregated or cumulative cost of a contract conducted over more than one accounting period is likely to exceed \$250,000 (including GST).

5.5.3 Tenders must be undertaken for purchases greater than \$150,000 (including GST) or where the aggregated or cumulative cost of a contract conducted over more than one accounting period is

likely to exceed \$150,000 (including GST) for a contract involving the provision of services where those services are, at the time of entering the contract, being provided by employees of the council (s. 55(3)(n)(ii)).

5.5.4 Tenders may be undertaken for purchases less than \$250,000 (including GST) when the purchase of good or services may be considered controversial, contentious or political.

5.5.5 Tenders must be administered through Corporate Services.

Approval

5.5.6 The General Manager is delegated to accept a tender and enter into contract for a purchase less than \$250,000 (including GST), where there is a budget allowance for the purchase in Council's adopted budget. Where there is no budget allowance for the purchase, the tender must be reported to Council for consideration and budget variation.

5.5.7 Council must resolved to accept a tender for a purchase greater than \$250,000 (including GST).

5.5.8 Council must resolve to accept a tender for a purchase greater than \$150,000 (including GST) for a contract involving the provision of services where those services are, at the time of entering the contract, being provided by employees of the council (s. 55(3)(n)(ii)).

6 METHODS OF PROCUREMENT

6.1 Purchase Orders

6.1.1 A purchase order is Council's official document used to purchase goods or services from an external supplier which is then committed within Council's financial system to facilitate payment, including progress payments.

6.1.2 A purchase order confirms the contractual arrangement between Council and the supplier and is required for procurement of all goods and services not subject to a contract agreement (excluding petty cash purchases).

6.1.3 A purchase order may be issued by an authorised Council Officer subject to the limit of their financial delegation as per Council's Delegation Register.

6.1.4 A Council Officer authorised to approve the issue of the purchase order must ensure that budgeted and approved funds have been allocated for the purpose of the expenditure.

6.1.5 The invoice for the goods or service must be matched to the order, verified and authorised by the approving Council Officer. Purchase orders must only be issued via the Civica Authority system.

6.2 Quotations

6.2.1 A quotation is an external supplier's bid or offer to provide goods and services. A quotation represents a statement of price, terms of sale and description of goods and services offered by the supplier to Council. Quotations are utilised to ensure Council receives value for money based on fair competition.

6.2.2 All quotations must be in writing and, subject to financial limits, are obtained for all the potential procurement costs of goods and services not available through long term supply contracts, preferred supplier panels, prescribed entities as defined in s. 55 of the Local Government Act 1993 (eg. Local Government Procurement) or Government contracts.

6.2.3 All tenders and quotations for all categories excluding Category B may not be opened or accessed until the closing date and time has passed.

6.3 Tenders

6.4.1 Tenders are utilised by Council to implement a contract in accordance with the requirements outlined within s. 55 of the Local Government Act 1993 and its associated regulations.

6.4 Preferred Supplier Panels

6.4.2 Council may use preferred supplier panels to buy specific types of goods and services. These panels are a list of suppliers for a specific goods or services that have been appointed following a tender process.

6.4.3 Where a preferred supplier panel has been established, Council will first buy from the panel before going to the market place (if panel members are unable to service the request).

6.4 Long term supply contracts

6.4.1 Council may choose to pursue long term contracts for goods and services to allow Council to take advantage of the buying power opportunities, quality of product, financial efficiencies, reduced inventory, probity and delivery on demand.

6.4.2 Such contracts may also be awarded in conjunction with other councils or regional organisation of Councils.

6.4.3 Goods and services are supplied in accordance with the terms and conditions and nominated price stipulated in the contract.

6.4.4 Options may include:

- i. Contracts for the provision of common use goods and services that have been specifically arranged for Councils by Local Government Procurement (LGP);
- ii. Central NSW Joint Organisation (CNSWJO) agreements;
- iii. NSW Procurement; and
- iv. Individual Council procurement agreements.

7 LOCAL PREFERENCE

7.1 Council will include, where applicable and appropriate, a criteria for local preference in the evaluation of requests for quotations and tenders. This criteria will hold the following weight:

Local Preference Evaluation Weighting			Definition
\$1 to \$249,999	\$250,000 to \$1m	\$1m and greater	
10%	5%	0%	Businesses with premises located within the Forbes Local Government Area.
5%	2.5%	0%	Businesses with premises located within the Centroc or Orana Local Government regional areas.

7.2 Council reserves the right to amend the weighting in individual quotations and tenders.

8 QUALITY ASSURANCE AND REPORTING

8.1 Procurement reports will to be included in the monthly business paper to Council which outline non-conformances with this policy.

8.2 Random internal audit checks will be conducted by the Council's Finance Unit to ensure compliance with the requirements of this policy.

9 EXCLUSIONS

9.1 The following supplies are exempt from the requirement for an order on each purchase:

- i. The supply of goods and services where a credit card is the usual or only payment method eg. computer software.
- ii. Regular supplies of electricity but not provision of new or changed services.
- iii. Regular supplies of telephone services but not the provision of new or changed services.
- iv. Regular supply of gas services but not the provision of new or changed services.
- v. Payments in line with a contract allowing for payment at a set rate for a service over a period of time where the payment is in accordance with the contract.
- vi. Reimbursement of employee expenses.
- vii. Postage
- viii. Online land information transactions with NSW Land Registry Service
- ix. Online vehicle registration transactions with NSW Transport.

9.2 For the procurement of vehicles please refer to Council's *Vehicle Procurement Policy*.

10 VARIATION

10.1 Council reserves the right to vary the terms and conditions of this policy subject to a report Council.

Revision History

Version	Adoption Date	Authorised by	Approved by	Revision Date
V1	20/11/2008	General Manager	General Manager	18/12/2010
V2	19/02/2009	Director Corporate Services	General Manager	19/02/2011
V3	15/04/2010	Director Corporate Services	General Manager	15/04/2012
V4	09/08/2012	Director Corporate Services	Council	09/08/2014
V5	20/09/2012	General Manager	Council	20/09/2012
V6	16/11/2017	General Manager	Council	16/11/2019
V7	17/06/2021	Director Corporate Services	Council	17/06/2023

Change History

Version	Change Details
V1	Initial Policy
V2	Authorisation for Mayor & General Manager or delegates to approve reimbursements outside the petty cash thresholds.
V3	(Min: 259/2010)
V4	(Min: 801/2012)
V5	Thresholds increased. Internal Audit recommendations added (Min: ##/2012)
V6	Review of Policy in line with Procurement Framework Review: amendment to Financial Limits (A) and (B)
V7	Review of Policy in line with Procurement Framework Review: amendment to Financial Categories and Limits (A), (B), (C), (D), (E). Increased General Manager's tender acceptance limit to \$249,999, Inclusion of petty cash as category (A).

Related Documents

Title

Model Code of Conduct

Motor Vehicle Lease Policy

Corporate Credit Card Use Policy

Procurement Guideline

Delegations Register

Local Government Act 1993

Local Government (General) Regulation 2005

Version Draft Consultation History

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Version 7			
Date	Consultation Point	Commentary/Proposed Amendments	Summary/Outcome
5/5/2021	Manex		
6/5/2021	Managers & Manex		

NOTE the page numbers must be adjusted to exclude this page.