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| Policy No: | 69/96/441/148 |
| Policy Title: | Procurement Policy |
| Section Responsible: | Corporate & Community Services |
| Minute No: | 4296/4780/3011 |
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1. OVERVIEW OF THE POLICY

1.1 Introduction

Greater Hume Shire Council Procurement Policy and related procedures ensure expenditure of public funds results in the most advantageous outcomes for the community. These outcomes will be achieved when procurement is conducted by staff that appreciate and understand Council's Procurement Policy framework and confidently apply Council's Procurement Procedures.

Council cannot conduct procurement 'how it sees fit' because legislation and regulations dictate our procurement behaviour. Council's procurement function operates within this legislative and regulatory framework. This Procurement Policy aims to demonstrate Council understands the framework and that advice is issued to Council staff to assist them in understanding and adopting the framework.

The Procurement Policy outlines approved parameters within which all goods and services required by Council must be obtained. When staff undertake procurement in accordance within these parameters, Council will obtain the most advantageous outcomes for the community.

All purchases of goods and services must be carried out in compliance with the Local Government Act 1993 and Local Government Regulation 2005 as amended from time to time.

1.2 Principles

The Greater Hume Shire Council Procurement Policy reflects five fundamental principles in the Local Government Act 1993 governing the making of contracts, namely:

- open and effective competition
- value for money
- enhancement of the capabilities of local business and industry
- environmental protection, and
- ethical behaviour and fair dealing.

2. POLICY OBJECTIVES

2.1 Open and Effective Competition

Open and Effective Competition occurs when multiple suppliers are given an opportunity to compete (Open) and, when they do compete, their quotations or tenders are treated equally (Effective). Effective competition cannot occur unless it is Open. Open competition cannot occur where there are restrictions on suppliers being given an equal opportunity to compete.

Council's procurement methods, practices and procedures for obtaining all goods and services will be prudent and applied in a manner that is beyond reproach. Council will use public funds to obtain the most advantageous outcomes for the community. The most advantageous outcomes will be achieved when procurement decisions are based upon choosing vendors offering best value for money.

Council will give fair and equitable consideration to all prospective vendors.

Prospective suppliers wishing to transact business with Council will be given a reasonable opportunity to do so.

2.2 Value for Money

Council will use public funds to obtain the best return and performance from those funds.

Value for money is determined on a whole-of-life basis, and takes into consideration factors such as:

- the market maturity for the property or service sought;
- the performance history of each prospective supplier;
- the relative risk of each proposal;
- the flexibility to adapt to possible change over the property or service lifecycle;
- financial considerations including all relevant direct and indirect benefits and costs over the whole procurement cycle;
- the anticipated price that could be obtained, or cost that may be incurred, at the point of disposal; and

- the evaluation of contract options (for example, contract extension options).

Additional factors include Council staff making decisions in an accountable and transparent manner.

2.3 Enhancement of the capabilities of Local Business and Industry

Council recognises the need to support local business and industry.

To encourage local industry to tender/quote for the provision of Council's goods and services, Council will, while recognising National Competition Policy:-

- Actively seek quotations from local suppliers and
- advertise requests for tenders in local newspapers and on Council's website and actively seek tenders from local suppliers.

Council will assist local industry to become more competitive and enhance their capabilities by offering feedback and advice to unsuccessful suppliers when requested.

Where supplier's price, performance, quality, suitability and other evaluation criteria are comparable, the supplier who is offering the best tender in support of local industry will be preferred.

2.4 Environmental Protection

Council is sensitive to environmental protection issues. The purchase of goods and services will support Council's environmental protection objectives.

Where appropriate, Council will evaluate quotations or tenders against environmental protection evaluation criteria. Where supplier's price, performance, quality, suitability and other evaluation criteria are comparable, the supplier who is assessed as having the best environmental protection capability will be preferred.

Where appropriate, evaluation criteria for quotations/tenders will include recycled materials and efficient energy consumption.

2.5 Ethical Behaviour and Fair Dealing

Ethical behaviour means procurement is conducted with due regard to Council's reputation such that an external observer would readily conclude Council's procurement behaviour complies with rules and standards for correct procurement practice. Fair dealing means treating all suppliers equally, providing them with equal opportunity and information, and assessing them without bias against evaluation criteria.

When procuring goods and services all Council officers will comply with the legislative and regulatory framework, attain a high level of professionalism and credibility with suppliers, act ethically and with integrity and fairness.

Please refer to Council's Statement of Business Ethics.

2.6 Conflict of interest

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Council staff shall at all times avoid situations in which private interests conflict, or might reasonably be thought to conflict, or have the potential to conflict with their Council duties.

Council staff shall not participate in any action of matter associated with the arrangement of a contract (i.e. evaluation, negotiation, recommendation, or approval) where that person or any member of their immediate family has a significant interest, or holds a position of influence or power in a business where quotations or tenders are being sought.

The onus is on the member of Council staff being alert to and promptly declaring an actual or potential conflict of interest to the Council.

Council staff must declare to their Manager any potential or actual conflict of interest, including any situation where a supplier has an association or relationship with the Council officer. Where an officer has a potential or actual conflict of interest, they are required to complete a declaration statement.

3. POLICY SCOPE

The Procurement Policy encompasses all facets of Council operations, including Community Committees established under section 355 of the Local Government Act, 1993. The policy and attendant methods, procedures and practices apply to all Council Departments and their officers.

Council will ensure staff and Committee volunteers receive training adequate for them to understand the Procurement Policy and to correctly apply procurement procedures.

This policy does not apply to goods and services purchased:

- From internal Council sources
- In an emergency
- By contractors or sub contractors of Council.

4. PROCURING GOODS AND SERVICES

All purchase of goods and services must be carried out in strict compliance with the *Local Government Act 1993*, *Local Government Regulations 2005* and internal procurement procedures:

4.1 Methods of Payment (in order of Preference)

- Direct Credit into Suppliers Account (preferred method but bank details are required).
- Cheque (ordered via Cheque Request)
- Credit Card (Ordered via credit card request –to be used only in one-off situations or emergency situations)
- Petty Cash (for transactions where cash payment is required. Maximum amount \$100 – contact Payroll Officer).

4.2 Preferred Suppliers

Greater Hume Shire Council may utilise a Preferred Supplier for the purchase of certain goods and services. The purpose of this practice is to gain price advantage through bulk buying power and to reduce the need for quotations / tenders by authorised purchasing officers.

Council's preferred suppliers are identified on the "Greater Hume Shire Council Preferred Suppliers List." The performance of Council's Preferred Suppliers must be re-evaluated at least every twelve months in order to ensure that the preferred suppliers are providing the optimum level of quality, service and value for money to Greater Hume Shire Council.

The decision to add a supplier to the list is made through consultation between the relevant Director and the Manager / Coordinator of the function requiring the goods or services to be supplied. The need to add a supplier to the list arises when particular goods or services are being purchased regularly (i.e. more than twice in three months). When making a decision to add a supplier to the Preferred Suppliers List, at least three possible suppliers must be investigated and the following factors taken into consideration.

- ❖ Price of the goods or services to be provided
- ❖ Quality of goods or services to be provided
- ❖ Warranties offered by supplier
- ❖ Reliability of supplier
- ❖ Delivery schedules
- ❖ Payment terms
- ❖ Capability of the organisation, including experience and track record
- ❖ Development and promotion of local business and industry
- ❖ Environmental accreditation / risks
- ❖ Compliance with relevant OHS requirements.

4.3 Exclusions and Suitable Suppliers

The requirements relating to quotations and tendering for the provision of goods and services specified in this Policy do not apply where such procurement is being undertaken in accordance with an approved period contract with the NSW State Contracts Control Board or through bulk supply contracts organised and approved by Local Government Procurement or Procurement Australia.

4.4 Hourly rates based procurement

Plant and Equipment

Expressions of interest must be publicly advertised at least on an annual basis, calling for fixed rates from Contractors (including tradespeople), plant hire and projects (under the \$150,000 tender threshold) on an 'as required basis'.

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The outcome of the Expression of Interest process will be conveyed to relevant staff and monitored by the appropriate Director.

Consulting Professionals

Expressions of interest must be sought at least on an annual basis calling for fixed hourly rates on an 'as required basis'. Services sought under this arrangement may include legal, town planning, survey and design, consulting engineering etc.

In relation to Plant and Equipment Hire and Consulting Professionals purchasing where possible fixed priced quotations should be sought, however in instances where this is not appropriate the performance of the contractors should be closely monitored by staff to ensure that Council is obtaining 'Best Value'.

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4.5 Levels of purchasing

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| <p>Goods/services between \$0 and \$1,999</p> | <p>May be authorised by those staff who have been provided with the appropriate delegation by the General Manager subject to the following:</p> <ul style="list-style-type: none"> • Written quotes not required – At least one verbal quote required and a Record of Verbal Quotations form <i>must be completed for all purchases over \$500.00</i> |
| <p>Goods/services between \$2,000 and \$4,999</p> | <p>May be authorised by those staff who have been provided with the appropriate delegation by the General Manager subject to the following:</p> <ul style="list-style-type: none"> • one written quote required and must be attached to the purchase order. Staff must consider the reasonableness of the quotations received. <p>Where it is not practical to obtain the required number of quotations a 'Quotations Approvals' form must be completed and approved by the relevant Director and in the case of a Director the General Manager.</p> |
| <p>Goods/services between \$5,000 and \$19,999</p> | <p>May be authorised by those staff who have been provided with the appropriate delegation by the General Manager subject to the following:</p> <ul style="list-style-type: none"> • two written quotes required and must be attached to the purchase order. Staff must consider the reasonableness of the quotations received. <p>Where it is not practical to obtain the required number of quotations a 'Quotations Approvals' form must be completed and approved by the relevant Director and in the case of a Director the General Manager.</p> |
| <p>Goods/services between \$19,999 and \$99,999</p> | <p>May be authorised by those staff who have been provided with the appropriate delegation by the General Manager subject to the following:</p> <ul style="list-style-type: none"> • three written quotes required and must be attached to the purchase order. Staff must consider the reasonableness of the quotations received. <p>Where it is not practical to obtain the required number of quotations a 'Quotations Approvals' form must be completed and approved by the relevant Director and in the case of a Director the General Manager.</p> |

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| Goods/services between \$99,999 and \$149,999 | <p>May be authorised by those staff who have been provided with the appropriate delegation by the General Manager subject to the following:</p> <ul style="list-style-type: none"> • Public quotations being sought through advertisement in a newspaper circulating throughout the Shire (eg: Border Mail) <p>In exceptional circumstances sourcing of quotations directly can be authorised by the General Manager.</p> |
| Goods/services greater than \$150,000 (inc. GST) | <p>Public tenders shall be invited in accordance with the Local Government Act, 1993 and the Local Government Tendering Regulation.</p> |

5. TENDERING

5.1 When To Tender

The requirements for calling tenders are specified in Section 55(1) of the Local Government Act, 1993 as follows:-

“55(1) Council must invite tenders before entering into any of the following contracts:

A contract to carry out any work directed or authorised by or under any Act to be carried out by Council.

A contract to perform a service or to provide facilities directed or authorised by or under any Act to be performed or provided by Council.

A contract for providing goods or materials to Council.

A contract for disposal of property of Council.

A contract requiring the payment of instalments by or to Council over a period of two (2) or more years”.

The requirement to call tenders does not apply to the contracts specified in Section 55(3) of the Local Government Act, 1993 as follows:-

A contract entered into by Council with the Crown (whether I right of the commonwealth, New South Wales or any other State or a Territory), a Minister of the Crown or a statutory body representing the Crown

- A contract entered into by Council with another Council
- A contract for the purchase or sale by Council of land
- A contract for the leasing of land by Council
- A contract for purchase or sale by Council at public auction
- A contract for the purchase of goods, materials or services specified by the State Contracts Control Board or the Department of Administrative Services of the Commonwealth, made with a person so specified, during a period so specified and at a rate not exceeding the rate so specified

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- A contract for the employment of a person as an employee of Council
- A contract where, because of extenuating circumstances, remoteness of locality or the unavailability of competitive or reliable tenderers, Council decides by resolution (which states the reasons for the decision) that a satisfactory result would not be achieved by inviting tenders)
- A contract for which, because of provisions made by or under another Act, Council is exempt from the requirement to invite a tender
- A contract made in the case of emergency
- A contract involving an estimated expenditure or receipt of an amount of less than \$150,000 or such other amount as may be prescribed by the regulations.

~~In certain circumstances the requirement to tender is not required if Council is availing itself of a contract from a prescribed person under section 55 of the Local Government Act (eg: Local Government Procurement of Procurement Australia). Staff utilising Local Government Procurement or Procurement Australia should still ensure that Council is still receiving best value.~~

4.2 Prescribed organisations

In certain circumstances the requirement to tender is not required if Council is availing itself of a contract from a prescribed person under section 55 of the Local Government Act (eg: Local Government Procurement of Procurement Australia). Staff utilising Local Government Procurement or Procurement Australia should still ensure that Council is receiving best value.

Please note: When using prescribed organisations for purchases greater than \$150,000 an information report outlining the successful bid and the evaluation of the quotations must be present to the next meeting of Council.

4.3 Procedures to tender

It is Council's preference that all tenders are called electronically through Tenderlink. On occasions it may be appropriate to receive tenders in hard copy form at the Tender Box, located at the Customer Service Centre, 39 Young Street (PO Box 99), Holbrook NSW 2644.

POLICY DOCUMENT CONTROL

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| Procurement Policy | First Adopted | 19 Dec 2007 Min 1296 |
| Procurement Policy | Readopted | 18 Feb 2009 Min 1780 |
| Procurement Policy | Revised | 14 Sep 2011 Min 2834 |
| Procurement Policy | Revised | 21 Mar 2012 Min 3011 |