

TENTERFIELD SHIRE COUNCIL

POLICY STATEMENT

Procurement Policy

16 December 2015
409/15

HEADING:

MEETING AMENDED
AND RESOLUTION NO.:

HISTORY OF DOCUMENT PREVIOUSLY ADOPTED:

26 November 2008	630/08
26 September 2007	577/07
19 December 2012	529/12

Policy:

1. Application:

This policy covers all procurement of goods and services by Council.

Council is required under the Local Government Act 1993 to call tenders for the procurement of goods and services when the estimated value of such goods and services is \$150,000.00 or more.

All tenders for the procurement of goods and services will be invited and processed in accordance with the provisions of the Local Government Act 1993, the Local Government (General) Regulation 2005.

This policy does not apply to the procurement of goods and services:-

- (a) from internal Council sources;
- (b) in an emergency; and
- (c) by contractors or subcontractors of Council.

2. Definitions:

2.1 Procurement

The process involving all activities following the decision that a good or service is required. It involves the acquisition and disposal of goods and services.

2.2 Purchasing

The actual buying process, whether placing or transmitting an order orally, in hard copy, electronically via Electronic Commerce or buying across the counter.

2.3 Purchasing Officer

The officer who generates the order.

3. General Principals:

In procuring goods and services, through either contract or direct purchase, Council will:-

- (a) ensure transparency and accountability in purchasing procedures;
- (b) purchase goods and services at the best price;
- (c) comply with statutory obligations; and
- (d) maintain commercial confidentiality.
- (e) prioritise offers from local suppliers where the goods and services are reliably available and price competitive.

Council's Code of Conduct applies to all aspects of procurement and includes Council's Business ethic. The code sets out the framework and principles for:-

- (a) ethical decision making;
- (b) the avoidance of conflict between public duty and private interest;
- (c) the use of Council's resources;
- (d) the use of information gained through employment, and
- (e) standards of conduct when dealing with the public.

4. Purchasing Process:

The typical purchasing process is as follows:-

- (a) Finalise requirements or specification;
- (b) Estimate cost and determine whether funds are available;
- (c) Determine level of authorisation or delegation required/available;
- (d) Determine whether the goods and services are available under existing contracts or arrangements;
- (e) Determine appropriate purchasing method;
- (f) Determine the selection process and criteria;
- (g) Determine whether there is any potential conflict of interest;
- (h) Document the process at an appropriate level;
- (i) Make the selection using the appropriate method;

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- (j) Obtain or prepare any required agreements;
 - (k) Raise a requisition and purchase order;
 - (l) Obtain authorisation as required;
 - (m) Verify the goods or services that are received are as specified;
 - (n) Confirm receipt by completion of a goods received docket; and
 - (o) Record and comment about the performance of the suppliers, where the performance of the supplier has been deficient and/or unsatisfactory.

5. Managing Procurement Risk:

On a regular but usually no less than an annual basis, a random sample testing will be undertaken of all risk areas in Council's procurement operations.

Sampling may include, but not be limited to, examining matters such as:-

- (a) the accuracy and correctness of authorisation of payments, the approval of expenditures by officers with appropriate delegation;
- (b) the number, type and genuineness of quotations obtained for works and services under the value of the tender threshold; and
- (c) the presence of disturbing trends that suggest favouritism, order splitting or collusion such as:-
 - any orders that bypass normal procurement practices;
 - multiple orders to the one supplier over a short period of time where it would otherwise be reasonable to expect there would be a single purchase; and
 - one vendor consistently beating other competitors;
- (d) the frequency, cost, reasons and processes for contract Variations;
- (e) that emergency orders occur in accordance with an established Protocol and in circumstances verifiable as requiring an emergency response;
- (f) that any exceptions to Council's procurement policy are clearly identifiable with reasons given for seeking exemption from the Policy and that appropriate authorisation from a senior officer is sought prior to action being taken;
- (g) the adequacy of the recording of procurement decisions;
- (h) the performance and management of contracts; and
- (i) the extent to which adequate procurement training has been provided.

6. Specifications:

Goods and services must be clearly specified. This may be a simple statement on a purchase order or it may be a detailed written document. The level of specification will be determined by the Department Director but must be sufficient so that the requirements for the goods or service is unambiguous and adequate to enable a supplier to quote.



7. Funds:

The purchasing officer must ensure that funds are or will be available prior to raising the order. This may in some circumstances require the approval by Council of a supplementary vote or re-allocation of funds. Orders will not be approved if insufficient funds are available.

8. Authorisation:

Purchasing officers must operate within approved purchasing limits and cost centres. To ensure that purchases are made appropriately, conflicts of interest are avoided and the chance of any dishonest practices minimised, the procurement policy requires that purchases be separately authorised in the following circumstances:-

- (a) when expenditure exceeds the delegated limit;
- (b) when the supplier is associated with the purchaser;
- (c) where disclosure to a more senior employee avoids the potential for adverse perceptions;
- (d) where there are a number of similar transactions involving one supplier; and
- (e) where the purchaser does not have the authority to charge the purchase to the appropriate cost centre.

9. Existing Contracts:

9.1 Government Contract

Goods/services may be sourced on NSW Procurement (www.procurepoint.nsw.gov.au) prices through suppliers recommended by NSW Procurement (NSW Department of Finance and Services). Advice should be obtained from Council's Store Person regarding NSW Procurement Contracts.

9.2 Local Government Procurement

Goods/services may be sourced from Local Government Procurement Pty Ltd contracts in the same way councils are able to buy off NSW Procurement Contracts without any further need to go to tender.

9.3 Local Buy

Goods/services may be sourced from Local Buy (Local Government Association of Queensland's procurement company) contracts in the same

Way councils are able to buy off NSW Procurement without the further need to go to tender for purchases under \$150,000.00.

9.4 Other Existing Contracts

Where contracts already exist for the goods or services these contracts should be used unless there are sound reasons not to. In this case, an appropriate notation should be recorded by the purchasing officer.

10. Purchasing Methods:

10.1 Goods/Services under \$100

- (a) These may be through the use of Petty Cash (limit \$100.00), credit/procurement card or official purchase order.

10.2 Goods/Services between \$101 and \$1,000

- (a) No quotes are required; and
- (b) Purchase may be made by credit/procurement card or official purchase order.

10.3 Goods/Services between \$1,001 and \$5,000

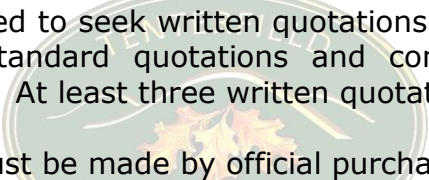
- (a) Two documented telephone quotes are required. These must be detailed on the record of decision form and signed by the person who obtained the quotations and the person who has the delegated authority to approve the purchase, where they are not the same.
- (b) Purchase may be made by credit/procurement card or official purchase order.

10.4 Goods/Services between \$5,001 and \$50,000

- (a) Three written quotations are required. Justification should be provided by the person who has the delegated authority to approve the purchase for any decision made in this category as per Clause 10; and
- (b) Purchase must be made by official purchase order.

10.5 Goods/Services between \$50,001 and \$149,999

- (a) A decision should first be made whether to call for tenders or to seek written quotations. This decision should be made by the relevant Departmental Director or the General Manager based upon the level of competition in the market place and the evaluation criteria to be used in making the purchasing decision;
- (b) If it is decided to call tenders, then the process should conform to the provisions of the tendering guidelines for NSW Local Government available online from Division of Local Government with the exception that tenders need not be advertised in a Sydney metropolitan daily newspaper;

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- (c) If it is decided to seek written quotations, then written specifications or drawings, standard quotations and conditions will be prepared as appropriate. At least three written quotations are required; and
- (d) Purchase must be made by official purchase order.

10.6 Purchase and Disposal of Light Motor Vehicles

The purchase and disposal of Light Motor Vehicles is to be considered in conjunction with Policy No. 4.123 Light Motor Vehicle Fleet Policy.

10.7 Procurement of Roadmaking Plant and Equipment

Where provision for the procurement of roadmaking plant and equipment is included in the Operational Plan the purchasing methods will be in accordance with Section 10 of this Policy.

Generally, the procurement of roadmaking plant and equipment will involve the trade in of an existing item of plant and purchase of a new item of plant and the purchase of a new item of plant from the same supplier. However it may be appropriate for the existing item of plant to be disposed of separately.

Tenders for the procurement of major plant and equipment must include the following:

- Documented WHS Risk Assessment on the operation of the plant or equipment;
- Provision of Operating and Service Manuals;
- Provision of documented on-site induction of Council operators and plant mechanics by the supplier;
- Provision of documented on-site delivery inspection by supplier for compliance with statutory regulations; and
- Provision of a minimum of 3 year warranty including on-site servicing and repair.

10.8 Exemptions from Quotation Requirements

- (a) If an employee is prevented from obtaining the number of quotations required (e.g. sole supplier), then they must document the facts to support the deviation from the procedures set out in this Policy on an *Exemption Form*; and
- (b) All exemptions must be recommended by the relevant Director and authorised by the General Manager or designate.

10.9 IT and Computer Purchasing

While seemingly a component of simple purchasing, the procurement of IT and computer equipment requires a consistent approach to ensure compatibility with existing and/or proposed equipment. All requests for the procurement of IT and computer equipment are to be referred to the

Director of Corporate Services who will be responsible for arranging appropriate procurement action.

10.10 Existing Supply Agreements or Contracts

- (a) Any good/service that is under an Agreement or Contract, regardless of the value, does not require competitive prices. Orders placed under contract must clearly indicate the Contract reference and the appropriate authorisation obtained; and
- (b) If goods/services are available on a supply contract, their procurement must be made, where practical, using this option. Deviation from this requirement will only be approved in cases of emergency whereby goods/services are required quickly due to unforeseen circumstances.

10.11 Purchases Under Lease Agreement

- (a) Any purchases under lease agreement are to be treated according to the requirements for the gross purchase value, not the monthly (etc.) repayment value;
- (b) The preferred mode of lease arrangement is an operating lease, whereby repayments are expensed upon payment; and
- (c) All purchases under lease should be co-ordinated with the Finance Manager and authorised by the General Manager (or designate). A copy of the lease must be included in Council's Legal Documents and be provided to the Finance Manager.

10.12 Order Splitting

- (a) Splitting orders to overcome limitations due to an assigned delegation, or to avoid the requirement for obtaining competitive prices, is not permitted.

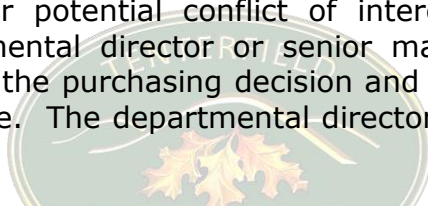
11. Selection Process and Criteria

11.1 Evaluating Quotes

- (a) The purchasing officer must obtain approval of the department Director on the level of documentation required for the purchases they are authorised to make;
- (b) Reasons for accepting quotes must be recorded;
- (c) Should the reason be based upon other criteria than price, then a more extensive record is required; and
- (d) the method used to evaluate quotations should be tailored to suit the transaction.

11.2 Conflict of Interest

Any perceived or potential conflict of interest must be reported to the relevant departmental director or senior manager who will then assume responsibility for the purchasing decision and the processing or reallocate to another employee. The departmental director must record their approval of the process.



12. Purchase Orders:

A purchase order must be prepared in all circumstances Documentation must include the following details:-

- (a) Supplier - name and address;
- (b) Order number;
- (c) Order date;
- (d) Supplier reference;
- (e) Delivery instructions;
- (f) Quantity and unit of supply - number of tonnes, metres etc.;
- (g) Description - details sufficient to describe the goods or services;
- (h) Estimated cost - GST exclusive;
- (i) Allocation Number, Job Number, Project Number etc.;
- (j) Name of officer purchasing;
- (k) Name of authorising officer; and
- (l) Copy of quotations or *Record of Decision* form or Resolution of Council.

13. Receival and Payment Approval:

- (a) A Goods Received advice should be completed upon receipt of goods or services at the store or workshop, unless the purchasing officer does not believe that payment should be approved. In this situation the matter should be taken up with the supplier, if a satisfactory result is not negotiated the matter should be referred to the Departmental Director for action; and
- (b) The processing of a Goods Received advice authorises payment of the invoice subject to it being consistent with the order and receival information.

14. Suppliers:

14.1 Government Contract

Goods/services may be sourced on NSW Procurement from suppliers recommended by State Procurement.

14.2 Local Government Procurement

Goods/services may be sourced through Local Government Procurement contracts in the same way council is able to purchase through NSW Government Contract without any further need to go to tender.

14.3 Approved Suppliers

- (a) The use of Approved Supplier lists will be subject to ongoing review;
- (b) The use of Approved Supplier lists may be appropriate where there has been a selection process that establishes the qualification or competence of the supplier and where the volume of work warrants;
- (c) It is expected that Approved Supplier status and recording would only occur after a formal evaluation process has occurred in line with the *Tendering Guidelines for NSW*; and
- (d) Knowledge of Council operations and the legislative framework in which local government operates are important criteria in the selection of suppliers for some services.

14.4 Casual Suppliers

On occasions goods or services will need to be purchased from suppliers not on an Approved Supplier List.

14.5 Rotation of Suppliers

This policy does not require the arbitrary rotation of purchasing between suppliers. However, where the same or interchangeable goods or services are available from more than one supplier in the local community, purchasing officers are encouraged to take opportunities to deal with a range of suppliers over a period.

14.6 Review of Suppliers

- (a) A formal review of every supplier to Council is not required.
- (b) However, the performance of suppliers with whom Council has an ongoing arrangement for items of significant value should be reviewed objectively to ensure that best value is achieved. The Director of Corporate Services is responsible to manage this process.
- (c) Where a decision has been made not to deal with a particular supplier then this should also be documented in such a way as to assist others in Council who may have reason to deal with this supplier.

14.7 Co-ordination of purchasing

The Store Person is responsible to co-ordinate the supply of goods and services that are used in a number of areas of Council, wherever possible. All staff are to be guided by advice from the Director of Corporate Services

15. Special Arrangements and Exemptions:

15.1 Specialist Services

There are certain goods and services for which the General Manager may determine that a particular supplier should be used, such as:-

- (a) in the provision of specialist services where a relationship has been developed and the quality of the services has been consistently high; or
- (b) where there is an ongoing need to share confidential information such as legal advice.

In these cases, the procedure will be:-

- (a) The General Manager will authorise specialist service arrangements and record this authorisation with an appropriate file note including the basis for any review;
- (b) A quote will be obtained from the supplier prior to the work commencing. Alternative quotes are not required.

15.2 Insurance and Financial Transactions or Other Specified Services

Insurance policies are arranged through the Council's broker. The broker is responsible for obtaining quotes based on the insurance policies that Council requires. The policies are quoted on rather than tendered in accordance with established industry practice.

Loans are allocated from quotes. Although the annual interest cost will often exceed \$50,000 (\$1m @ 5%) there is insufficient product differentiation for a decision to be made on other than interest rates.

16. Noncompliance with this Policy:

16.1 Breach of Procedure

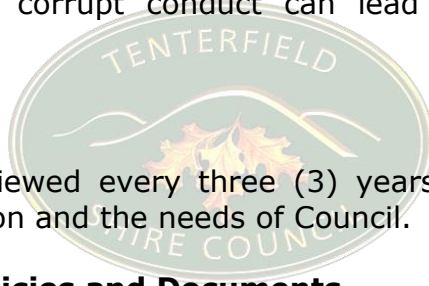
Failure to comply with the policy will result in one or all of the following:-

- (a) an explanation of the policy and a retraining by the relevant manager;
- (b) a warning to the employee from the relevant manager; and
- (c) a reduction in or loss of authorisation to purchase goods and services on behalf of Council.

Breaches of policy will be reported to the responsible Departmental Director for action. The matter will be referred to the General Manager where necessary.

16.2 Serious Breaches

Any instance of corrupt conduct can lead to dismissal and/or criminal prosecution.



17. Review:

This policy shall be reviewed every three (3) years to ensure that it meets the requirements of legislation and the needs of Council.

18. Associated Council Policies and Documents

Code of Conduct

Competitive Neutrality

NSW Guidelines for Procurement

Light Motor Vehicle Fleet Policy No. 4.123

APPENDIX A:



Project Details:

Description of work/materials:

Total Estimated Cost: \$

Allocation No. / Project Code:

Reasons for Seeking Exemption:

Proposed Supplier/Tenderer:

Certificate of Exemption

I certify that for the work/material detailed above it is impractical / inexpedient to:

Obtaining three (3) quotations
Calling public tenders
Other (specify)

Period for which Certificate of Exemption is value to

Recommended

_____	_____
Signature	Position
Approved	
_____	_____
Signature	Position

APPENDIX B:

RECORD OF QUOTATION/PURCHASE DECISION



.....
 Purchase Requisition No.

Total Order Cost: \$.....

Attach copies of quotations to this form

Supplier

Phone:

Contact Name:

Amount of Quotation \$.....

Contact Email:

Written quotation required/obtained

Yes

No

Supplier

Phone:

Contact Name:

Amount of Quotation \$.....

Contact Email:

Written quotation required/obtained

Yes

No

Supplier

Phone:

Contact Name:

Amount of Quotation \$.....

Contact Email:

Written quotation required/obtained

Yes

No

Value of purchase greater than \$50,000

Decision to call Tenders

Yes

No

Reason for decision:

.....

Authorised by: <hr/> Signature	Date \$1,001 - \$5,000 \$5,001 - \$50,000 \$50,001 - \$149,999 over \$150,00-	<ul style="list-style-type: none"> • 2 documented phone quotes • 3 written quotes • 3 written quotes, tender may be required • tender is required
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