



Procurement Policy

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1. Objectives

To ensure that all principles in the legislation concerning the acquisition and disposal of goods and services are applied and sound procedures are implemented concerning the expenditure of public funds to ensure the most cost effective benefit is obtained for the community of the Narromine Shire.

To allow the management of Council's affairs to proceed without disruption, and to enhance the overall control and supervision of procurement.

2. Preamble

This policy sets out the procedures applying to the acquisition of goods and services by Council in accordance with the procurement principles applicable under the Local Government Act 1993 (the Act) and the Local Government (General) Regulation 2005 (the Regulation), as well as the disposal of surplus or second hand equipment or materials.

This policy details the procedures required for purchasing up to \$250,000 and how procurement principles are to be applied for such purchases. Purchases of \$250,000 and over (or \$150,000 and over for provision of services where those services are currently being provided by employees of Council) must be made in accordance with the OLG Tendering Guidelines for NSW Local Government.

All tenders, quotations and general purchasing shall be conducted in accordance with this policy and:

- The Local Government Act 1993
- The Local Government (General) Regulation 2005
- Tendering Guidelines for NSW Local Government
- NSW Government Procurement Framework

No officer of the Council shall order goods, works or services without first quoting an official Council order number and complying with the policies and procedures contained in this document except:

- in situations of genuine emergency where an order can be raised as soon as practicable;
or
- where specific exemptions apply; or
- where the purchase is being undertaken utilising an approved Council credit card or fuel card.

3. Definitions

Accountable Supervisor	Person to whom the Council Officer is directly accountable.
Authorised Purchasing Officer	Person with delegated powers by Council or the General Manager to approve the issue of an order
Contract	The act of entering into an agreement for the supply of goods or materials under this policy (over a 12 month period)
Gross Value	The total estimated cost of the purchase excluding any trade in value or goods which forms part of the purchase cost and including any Goods and Services Tax and cartage.
Order	The form approved by the General Manager for the ordering of goods or services for Council works
Local Preference	A preference given to local suppliers eg locally based contractors and suppliers with a permanent office and staff located within Narromine Shire. This Local Preference does not apply to light vehicles in accordance with 'Appendix B'.
Requisition	The form approved by the General Manager for Officers of Council or contractors working on Council's behalf to request the purchase of goods or services for Council works.
Valuable non-current asset contract	A contract for the disposal of a valuable non-current asset

Valuable non-current asset

A valuable non-current asset is -

- (a) land
- (b) another non-current asset that has an apparent value that is equal to or more than the limit set by the local government - the limit set by the local government cannot be more than the following amounts –
 - (i) for land - \$1
 - (ii) for plant and equipment - \$5,000
 - (iii) for another type of non-current asset - \$10,000

4. Procurement Principles and Standards of Behaviour and Ethical Principles

Council should be mindful to act in the interests of residents, ratepayers and the wider community and that, when considering expenditure of public monies, Council:

- is open, transparent and accountable in all dealings.
- ensures that all dealings promote fairness and competition, and
- obtains best value

All Council dealings shall have regard to following standards:

Honesty and fairness

Council must conduct all tendering, procurement and business relationships with honesty, fairness and probity at all levels. Councils must not disclose confidential or proprietary information.

Accountability and transparency

Council must ensure that the process for awarding contracts is open, clear, fully documented and defensible.

Consistency in Tendering

Council must ensure consistency in all stages of the tendering process. For example, conditions of tendering must be the same for each tenderer on any particular tender; all requirements must be clearly specified in the tender documents and criteria for evaluation must be clearly indicated; all potential tenderers should be given the same information; and the evaluation of tenders must be based on the conditions of tendering and selection criteria as defined in the tender documents. In saying this, advice given to potential tenderers clarifying aspects of the tender need not be circulated to all tenderers.

No conflict of interests

A council official with an actual or a potential conflict of interest must address that interest without delay.

Rule of law

Council must comply with all legal obligations. These include the provisions of the *Local Government Act* and the *Regulation*.

No anti-competitive practices

Council must not engage in practices that are anti-competitive or engage in any form of collusive practice.

No improper advantage

Council must not engage in practices that aim to give a potential tenderer/supplier/contractor an advantage over others, unless such advantage stems from an adopted Council procurement policy such as a local preference policy.

Intention to proceed

Council must not invite or submit tenders/quotations without a firm intention and capacity to proceed with a contract, including having funds available.

Co-operation

Council must encourage business relationships based on open and effective communication, respect and trust, and adopt a nonadversarial approach to dispute resolution.

5. Conflict of Interests

The NSW Government established the Independent Commission Against Corruption (ICAC) to protect the public interest, prevent breaches of public trust and guide the conduct of public officials. ICAC investigations have identified a number of examples that highlight the need for all public agencies, including councils, to ensure that they adhere to high standards of probity in tendering.

Conflict of interests may occur when an individual could be influenced, or a reasonable and informed person would perceive that an individual could be influenced, by a personal interest when carrying out public duties. There is a requirement that where such a conflict occurs, it will be declared, assessed and resolved in favour of the public interest.

Council officials have an obligation to disclose potential or actual conflict of interests between their public duties and their personal or private interests. The benefit or loss may be financial or non-financial. The objective of disclosing interests that are or could be in conflict with official duties is to ensure prompt consideration, comprehensive assessment and, where necessary, the implementation of alternative working arrangements or other action by the council concerned.

A conflict of interests can be of two types:

- Pecuniary – an interest that a person has in a matter because of a reasonable likelihood or expectation of appreciable financial gain or loss to the person (s442 of the Act). A person's pecuniary interest may arise because their spouse, de facto partner, relative, partner or employer, or company or other body of which the person

or a nominee, partner or employer is a member has a pecuniary interest in a matter (s443 of the Act).

- Non-pecuniary – a private or personal interest the council official has that does not amount to a pecuniary interest as defined by the Act. For example a non-pecuniary interest could be a friendship, membership of an association, society or trade union or involvement or interest in an activity and may include an interest of a financial nature.

The *Model Code of Conduct for Local Councils in NSW* and *Procedures for Administration of the Model Code of Conduct* provides further information regarding conflict of interests and the requirements of the Act in relation to conflict of interests.

6. Delegation

Council has delegated its powers to enter into contracts to the General Manager as set out in Appendix A of this policy.

The General Manager has further delegated the powers delegated to the General Manager by Council to Officers of Council as set out in the Delegations Register.

The General Manager's delegation provides the nominated Council Officers with delegated authority to requisition, order and/or approve the payment of accounts on the Council's behalf to prescribed expenditure limits in their area of responsibility and within the constraints of the approved and/or amended Budget.

7. Purchase of Goods and Services – Principles to apply to different thresholds

In determining the relevant threshold applicable to a particular purchase the gross value of the purchase must be used.

The procedures applicable to purchases with the following gross value will apply:

(a) Purchases up to \$50

Purchases up to \$50 may be made out of Petty Cash.

Local Preference Policy = 10%

(b) Purchases up to \$2,000

A Purchase Order will be raised except:

- in situations of genuine emergency where an order can be raised as soon as practicable; or

- where specific exemptions apply; or
- Where the purchase is being undertaken utilising an approved Council credit card or fuel card.

Local Preference Policy = 8%

(c) Purchases from \$2,001 up to \$20,000

A Purchase Order will be raised after:

- Accessing a Preferred Supplier Arrangement (including Registers of Pre-qualified Suppliers and Panels of Suitable Providers) within delegated authority and budget constraints; or
- Accessing a Local buy arrangement; or
- A minimum of two (2) written quotations are sought, provided that the principles of purchasing are adhered to and expenditure is within delegated authority and budget constraints. Council may decide not to accept any of the quotes it receives. However, if Council does decide to accept a quote, it must accept the quote most advantageous to it having regard to the sound contracting principles. The Authorised Purchasing Officer shall ensure that a record of the firms contacted for a quote is kept on the Accounts Payable copy of the order and may obtain additional competitive quotes. Details of all quotations received including a copy of the quote accepted must be attached to the accounts payable copy of the order issued to allow for retrieval for audit purposes.

Where it is not possible to obtain two (2) written quotations the requisition must be approved by the relevant Accountable Supervisor who must note the reason for not being able to obtain two (2) written quotations.

- If there are more than 2 local suppliers of a product or service being obtained all such suppliers shall be asked to give a quote for the works or services (unless a preferred supplier arrangement is utilised).
- When purchasing parts for plant & machinery or specialised servicing/repair services in this category and original parts are required or an accredited dealer must be used to retain the required warranties and only one local accredited supplier exists only one written quote will be required from that supplier.

Local Preference Policy = 5%

(d) Purchases \$20,001 or more but less than \$150,000

(1) Council cannot enter into a contract unless it first invites written quotes for the contract

(2) The invitation must be given to at least 3 persons/businesses who council considers can meet its requirements, at competitive prices.

(3) Council may decide not to accept any of the quotes it receives.

(4) However, if Council does decide to accept a quote, it must accept the quote most advantageous to it having regard to the sound contracting principles.

Local Preference Policy up to \$75,000 = 3.5%.

Local Preference Policy over \$75,000 but less than \$150,000 = 3%

(e) Purchases \$150,000 or more but less than \$250,000

(1) Council cannot enter into a written contract unless it first invites written quotes for the contract.

(2) The invitation must be given to a least 3 persons/business who Council considers can meet its requirements, at competitive prices.

(3) Council may decide not to accept any of the quotes it receives.

(4) However if Council does decide to accept a quote, it must accept the quote most advantageous to it having regard to the sound contracting principles.

Local Preference Policy \$150,000 but less than \$250,000 – 1.5% (does not apply if the tendering method is used)

(f) Purchases more than \$250,000

As per Tendering Guidelines for NSW Local Government -

Councils must use the tendering method set out in the Regulation before entering into any of the types of contracts specified in section 55(1) of the Act. In addition to the types of contracts outlined in this section, councils are encouraged to use the tendering process in the following circumstances:

- Where estimated expenditure or receipt of an amount (including on-costs such as GST) is close to the tendering threshold specified in the Regulations (currently \$250,000) or \$150,000 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. The calculation of estimated expenditure should be a critical element of planning and contract scoping.

- Councils should not invoice or order split to avoid tendering requirements as such activities would be contrary to the requirements of council's charter under the *Act*.
- Where the aggregated or cumulative cost of a contract conducted over more than one accounting period is likely to exceed the tendering threshold specified in the Regulation.
- Where the sale or purchase of goods or services may be considered controversial, contentious or political.
- Where the sale or purchase of land may be considered controversial, contentious or political. Acknowledging that the sale or purchase of land is specifically exempt under 55(3) of the *Act*, Council should still consider using the tender process in such circumstances.
- Where there is a risk that 'would be' tenderers could claim that Council has 'preferential' arrangements with a single supplier.
- Where there is a risk that 'would be' tenderers could claim that they would have tendered for the work if a public tendering process had been undertaken.

By using the tendering process in circumstances other than those prescribed by section 55 of the *Act*, councils will be able to provide assurance of openness and accountability, build anti-corruption capacity and achieve the best value for money.

Section 55(3) of the *Act* outlines the types of contracts that are exempt from the tendering process. Extenuating circumstances and cases of emergency are not defined by the *Act* and should be used as an exemption to the tendering requirements only after careful consideration with the reasons clearly documented.

8. Disposals – Valuable Non-current assets

Goods and materials in surplus of Council's requirements will be disposed of in the following manner:

- All goods (other than land) with an apparent value of less than \$1,000 may be disposed of with the authorisation of the General Manager.
- Valuable non-current assets
 - (a) Invites written tenders for the contract
 - (b) Offers the non-current asset for sale by auction.

Council's policy on the disposal is as follows -

- a) Where goods are not suitable for sale by separate public tender then those goods are to be stored in a secure area and kept until sold by public auction at a time when there are sufficient goods to warrant the holding of such an auction;
- b) The timing and location of such public auctions shall be at the discretion of the General Manager having regard to the timing and location being such as will attract the most interest and accessibility to the auction to achieve the best sale price of the auction items;
- c) The General Manager may utilise any available method of public auction as is compliant with the requirements of the Act and Regulation.

9. Workplace Health & Safety

The risks associated with procurement of goods and services must be managed in accordance with Narromine Shire Council risk management procedure. A risk assessment must be undertaken for all new or changed items with regards to its potential use at the workplace. In undertaking the risk assessment the following factors are to be considered but not limited to: use, hazards introduced, impact on personnel, legal requirements, training requirements, changes to work procedures and impact on environment.

If the level of risk associated with the item to be purchased cannot be controlled and is not acceptable, the item is not to be purchased. An alternate item is to be sourced and the process started again.

All contractors and suppliers of goods and services shall ensure that the work undertaken or goods supplied comply with relevant statutes, regulations and standards that pertain to the 2011 NSW Work Health and Safety Act and Council's Contractor Management Policy.

In respect of the purchase of plant and equipment, including furniture, the supplier will be requested to provide information regarding the hazards associated with the items and recommended controls to manage these hazards.

Safety Data Sheets (SDS) and instructions for use for all hazardous substances must be obtained before the purchase of hazardous substances. All substances must also meet labelling and usage requirements of the 2011 NSW Work Health and Safety Regulations.

10. Requisition Forms

Any officer may complete a requisition form. The completion of requisition forms by officers is required to allow orders for the relevant goods and services to be obtained by the preparation of a Council order form under the authority of an authorised officer and a Purchasing Officer. **A requisition form is not a purchase order.**

The requisition form, once completed and authorised by an officer with the relevant authority under this policy to purchase the goods or services being sought, must be presented to a Purchasing Officer for the determination of the person/firm from whom the goods/services are to be obtained and the preparation of a purchase order or the issue of the relevant goods from the Council store. If a requisition is not authorised by an officer with the appropriate authority under this policy, then no goods or services may be ordered nor may any such goods or services be issued from the Council store.

The Store Purchasing Officer or other Purchasing Officer preparing the order form will utilise this purchasing policy to determine the appropriate supplier for such goods or services.

11. Purchase Order Forms

The issue of a purchase order under the terms of contract represents the acceptance of an offer, thereby establishing a contract with the legal implications that this entails. It is important to note that Council orders must be raised before the supply of goods and services wherever practicable.

Purchase orders must specify where and to whom the goods are to be delivered along with delivery instructions. Purchase orders must contain a quoted price or estimated quoted price apportioned to the relevant budget numbers.

Expenditure limits and threshold limits have been set in this policy to ensure proper controls and checks are carried out on all purchases. No officer shall break down a procurement of products or services into its components or reduce quantities or take any other action in order to avoid complying with this policy or obtaining the prescribed approvals.

Narromine Shire Council operates a centralised purchasing system where possible, with purchase orders prepared at the Council Stores, Finance and Customer Services Office and the Main Council Office.

The preparation of a Council order at these locations will only be undertaken where a duly authorised requisition form has been presented, or a direction has been issued by an appropriately authorised officer for the preparation of the order form after the appropriate supplier has been determined by the relevant purchasing officer having regard to the requirements set out in section 5 of this policy.

All orders must have a realistic order value included on the order. This should be supported by the written quotes received if applicable.

The Officer nominated on the order form as the authorising officer should be the officer who has authorised the requisition or directed that the order be prepared. This officer must also be the officer who signs the order unless their accountable supervisor signs the order in lieu.

Once an order form is printed a copy shall be provided to the supplier, a copy to the nominated receiving officer for the goods and services (to be signed as received and returned to accounts payable on receipt of the goods and services), and the last copy to go to the accounts payable Officer.

12. Receipt of Goods and Services

Nominated receivable point

All Goods ordered shall have a nominated receivable point and officer on the order unless the goods are directly picked up by the officer nominated on the order.

The nominated receivable points are to be one of the following:-

- Council Offices - Dandaloo Street, Narromine
- Council Depot – Store – Manildra Street, Narromine
- Council Depot - Temoin Street, Trangie
- Council Depot – Workshop – Manildra Street, Narromine

The area where the goods are to be received shall be a secure area and goods shall not leave that area until such time as they are checked against the order, found to match the goods ordered, and the order copy is signed by the receiving officer as showing the goods being received by completing the certificate on the reverse of the receiving copy of the order. This copy is then sent to accounts payable.

Where applicable goods shall, before leaving the secure area of the nominated receivable point, be Security Marked, have any serial numbers noted and have details recorded for inclusion on the 'Small Tools Register'.

The officer signing the order copy as the goods having been received may only be the officer having the relevant delegation for the value of the goods being received.

The attachment of the signature of the officer to the order copy as being satisfactorily received is the authority for the Accounts Payable Officer to process any subsequent invoice received for these goods and services for payment provided all other relevant authorities are in place.

Any variations of the invoice to the order shall be referred by the accounts payable officer to the relevant purchasing officer for clarification and appropriate authorisation of any variations prior to any payment being processed.

13. Authorising of the payment of invoices without an order

Whilst all goods and services should ideally have a Council order issued before an invoice is received there will be times when Council receives invoices for goods and services for which no order has been issued.

At those times a copy of the relevant invoice shall be forwarded to the relevant officer for authorisation for payment. The same authority levels as are applicable for ordering shall apply to the authorities for payment of such invoices.

14. Credit Cards

Narromine Shire Council has corporate credit cards held by the following -

- Mayor
- General Manager
- Director Finance and Corporate Strategy
- Director Community and Economic Development
- Director Infrastructure and Engineering Services
- Manager of Community Facilities
- Workshop Supervisor
- Executive Manager Human Resources
- Manager Information Technology
- Manager Utilities

No private expenditure is allowable on such credit cards. No personal "flybuy points" or other such similar incentives are to be garnered from the use of this card. Monthly summaries of the use of such cards shall be provided to the Director Finance and Corporate Strategy along with copies of the supporting tax invoice/receipts for any purchases and sufficient detail to allow such purchases to be appropriately allocated. All credit card purchases must be approved by the General Manager and be within the limits delegated in this policy. The General Manager's credit card purchases must be approved by the Mayor.

15. Fuel Cards

Narromine Shire Council provides fuel cards for use with various Council vehicles. Such fuel cards shall only be utilised for the purchase of fuel for the nominated vehicles and any purchase receipts provided to the Council Office with the officers next time sheet.

16. Coles Customer Account Cards

Narromine Shire Council has customer account cards with Coles which are held by the following -

- Payroll / HR Officer
- Customer Service Officer
- Governance Support Officer
- Infrastructure and Engineering Services Assistant
- Executive Assistant – Health Building & Environmental Services
- Senior Records Officer
- Executive Manager Human Resources
- Records Officer
- Procurement Depot Officer
- Director Community & Economic Development
- Program Co-ordinator
- Economic Development and Communications Officer

No private expenditure is allowable on such cards. Invoices for any purchases must be provided to the Director Finance & Corporate Strategy immediately after use with sufficient detail to allow such purchases to be appropriately allocated. No personal "flybuy points" or other such similar incentives are to be garnered from the use of this card.

APPENDIX 'A'

Delegated Expenditure Limits for Authorised Officers

The following schedule indicates the authorised officers and expenditure limits for orders, requisitions and cheques other than for quotations and tenders approved by the General Manager.

Council delegates to the General Manager the authority to incur financial expenditure on behalf of Council under the following provisions:

- (a) where expenditure has been provided for in Council's budget; or
- (b) in the opinion of the General Manager such expenditure is required because of genuine emergency or hardship (Section 184 of the Regulation).

Other officers may only incur expenditure on behalf of Council if:

- (a) the officer has been granted financial delegation by the General Manager and such delegation is recorded in the Register of Delegations; and
- (b) the expenditure is provided for in Council's budget; or
- (c) in the case of genuine emergency or hardship and the power to incur expenditure in these circumstances has also been delegated.

Any officer incurring expenditure may only do so in accordance with any constraints imposed by Council or by the General Manager in respect to a financial delegation.

The General Manager is authorised to enter into contracts on behalf of Council within the expenditure delegation provided for.

**FINANCIAL/PURCHASING DELEGATIONS
NARROMINE SHIRE COUNCIL**

Delegations by Narromine Shire Council

Purchasing Delegations

The delegations set out in TABLE 1 below are made by Council to the Mayor and the General Manager subject to the condition that all requisitions and purchases made under this delegation shall be made in accordance with the requirements of the Local Government Act 1993 and the current adopted Narromine Shire Council Procurement Policy.

These delegations apply to the position indicated including persons temporarily relieving in those positions.

TABLE 1

POSITION	DELEGATED EXPENDITURE LIMIT	Conditions
Mayor	\$10,000	Urgent works - in consultation with the General Manager and in between Council Meetings, authorise urgent works for which there is no budget provision up to an amount of \$10 000.
General Manager	Unlimited but in accordance with budget	To accept all tenders except tenders to provide services currently provided by Council staff in accordance with Section 377 (1)(i) of the Act.

**FINANCIAL/PURCHASING DELEGATIONS
NARROMINE SHIRE COUNCIL**

Delegations by the General Manager

The delegations set out in Delegations Register are made by the General Manager to Officers of Council subject to the following conditions:-

- All requisitions and purchases made under this delegation shall be made in accordance with the requirements of the Local Government Act 1993 and the current adopted Narromine Shire Council Procurement Policy.
- Goods and services ordered, requisitioned or approved for payment may only be done by officers with the responsibility to manage the relevant budget item to which such goods or services are to be charged.
- Goods and services may only be ordered if the estimate of the value of the goods or services being sought falls within the approved budget for the relevant budget item to which such goods or services are to be charged.
- An officer delegated purchasing powers under this delegation will remove themselves from exercising the delegated powers in any instance where the Officer has a Material Interest as defined under the Local Government Act 1993 in the matter. Where the Officer has a Conflict of Interest in the matter they shall refer the purchase to their Accountable Supervisor for direction as to whether they may exercise their purchasing authority.

These delegations apply to the position indicated including persons temporarily relieving in those positions.

APPENDIX 'B'

LIGHT VEHICLE CHANGEOVER

Changeover of light vehicles shall be undertaken in accordance with conditions contained herein:

- The General Manager determines the suitable make and model of motor vehicle, appropriate to the purpose;
- Prices are sought for this type of vehicle using the NSW Government Prequalification Scheme: Supply of Motor Vehicles to NSW Government (SCM0653).
- The Local Preference discount is not applied due to a discount having already being applied in the above Contract;
- Vehicles can be traded directly to auction houses or offered as trade to dealers depending on best value. This will ensure that the transaction of light motor vehicle changeover remains transparent.
- Should the NSW Government Prequalification Scheme cease, purchase of light vehicles will be in accordance with the requirements of this Policy.