



LEETON
SHIRE COUNCIL

PROCUREMENT POLICY

JUNE 2020

DOCUMENT AUTHORISATION

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REVIEW OF THIS POLICY

This Policy will be reviewed every four (4) years or as required in the event of legislative changes. The Policy may also be changed as a result of other amendments that are to the advantage of Council and in the spirit of this Policy. Any amendment to the Policy must be by way of a Council Resolution or the approval of the General Manager.

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1. Purpose

Leeton Shire Council is committed to obtaining the best possible value and reliable products and/or services through the implementation and management of transparent and ethical procurement systems and processes.

This Policy and associated Procedure describe the minimum standards required for any procurement activity and should be read in conjunction with the list of associated documents to ensure a transparent and probity-driven process.

2. Scope

This Policy applies to all Council staff with any level of delegated authority for expenditure on behalf of the organisation, and is supported by a Procurement Procedure to support staff implementation of this Policy.

3. Outcomes

1. To ensure at all times that Council complies with the *NSW Local Government Act 1993*, *Local Government (General) Regulation 2005* and other relevant legislation in relation to the procurement of goods and services.
2. To clearly define a procurement framework, responsibilities and procedure for guidance of all Council officers.
3. To ensure that Council's procurement policies, practices and procedure are of best practice standard and meet the highest level of public accountability.

4. Roles and Responsibilities

General Manager

The General Manager has ultimate responsibility for procurement and delegated authority of expending of funds across Leeton Shire Council.

Directors and Managers

Council's Directors and Managers are accountable for ensuring procurement practice within their Departments and teams complies with this Policy and the related Procedures. Directors and Managers must address and manage any breach of the Policy within their areas of responsibility in accordance with Council's policies (including its Code of Conduct).

Staff with Financial Delegation

Each member of staff is responsible for ensuring that they fulfil their obligations in relation to this Policy, its associated Procedure and other Council policies when spending and accounting for public funds.

5. Definitions

The Act – NSW *Local Government Act 1993*

Regulations – NSW *Local Government (General) Regulations 2005*

Delegation – Written approval from the General Manager to Council Officers to undertake specific activities.

Financial Delegation – Authority from the General Manager to incur and approve expenditure of Council funds to a pre-determined level. This does not imply that such expenditure is done without consultation.

Local business/Local supplier – A local supplier with employees based permanently in the Local Government Area of Leeton Shire. In procurement processes where no or limited local suppliers exist, the notion of 'local' will be expanded to incorporate the broader Murrumbidgee Irrigation Area..

Approved Contractors Register – A list of organisations and businesses which have been vetted and approved to provide goods and services to Leeton Shire Council.

Probity – Strict adherence to a code of ethics based on unwavering honesty and transparency, particularly in relation to the expenditure of public funds.

Procurement – The whole process associated with obtaining goods or services, from determination of the requirement to acceptance of, and payment for, the contract deliverables.

Local Government Procurement (LGP) - A business arm of Local Government NSW (LGNSW), the membership association for all councils in NSW. LGP provides fully integrated procurement services. These services include establishing contract panels, consulting, professional development and contract management.

Specification – A list of specific requirements associated with the provision of goods and services including technical elements (functional or performance based), administrative and statutory requirements.

Value for money – A concept which requires careful and objective consideration of all value factors as inputs to the procurement decision, including competitiveness of the market, fitness for purpose and timeliness.

Expressions of Interest (Eoi) – The process of seeking an indication of interest from potential service providers who are capable of undertaking specific work.

Request for Quotation (RFQ) – The process of seeking quotations for specific work from known service providers.

Open Tender – The process of seeking proposals for specific work from the market.

6. Procurement Principles

There are five principles that should be considered when purchasing goods and services on behalf of Council. They are:

1. Open and effective competition.
2. Value for money.
3. Enhancement of the capabilities of local business and industry.
4. Environmental protection.
5. Ethical behaviour and fair dealing.

These five principles should ensure there is no impact of the procurement on Council that will disrupt its day-to-day operations. The principles are defined as follows:

6.1 Open and Effective Competition

The purpose of this principle is to:

1. Instil confidence in the public about the cost-effectiveness of local government procurements.
2. Maximise the prospect of obtaining the most cost-effective outcome from invitations to suppliers.
3. Ensure suppliers are given a reasonable opportunity to do business with local government.

6.2 Value for Money

Goods or services being procured should represent the best return and performance for the money spent from a 'total costs of ownership' or 'whole-of-life costs' perspective.

6.3 Enhancing the Capabilities of Local Business and Industry

The purpose of this principle is to enhance the opportunity for local suppliers of goods and services to be considered for Council business on the basis of merit and value for money. Guidance on the application of this principle can be found in Leeton Shire Council's Local Preference Policy.

6.4 Environmental Protection

Purchasing is to be consistent with Council's commitment to sustainable development, by promoting purchasing practices which conserve resources, save energy, minimise waste, protect human health and maintain environmental quality and safety.

6.5 Ethical Behaviour and Fair Dealing

This principle is to ensure that officers with purchasing responsibilities:

1. Behave with impartiality, fairness, independence, openness, integrity and professionalism in their dealings with suppliers' representatives.
2. Advance the interests of Council in all transactions with suppliers' representatives in accordance with Council policy.
3. Attain a high level of credibility with suppliers' representatives.

7. The Procurement Process

While the Procurement Procedure provides more detailed information, this Policy notes that the procurement process usually consists of the following steps:

1. Define the need and specification.
2. Determine the procurement method.
3. Obtain the appropriate approval (particularly if it is new expenditure or not within agreed budget limits).
4. Identify reputable suppliers or approved contractors relevant to the purchase.
5. Invite quotations or use direct purchasing (according to purchasing thresholds, noting local preference policy if applicable).
6. Evaluate responses and make a recommendation.
7. Obtain approval for the decision or act under delegated authority.
8. Engage the service provider (including by way of an agreed Contract)
9. Monitor the performance of the supplier or provider.
10. Check that what was delivered is what was ordered and is fit for purpose.
11. Ensure timely payment of invoices relating to the service provision, in line with agreed service cost.

8. Standards for Procurement

1. Purchases are within budgets and delegations.
2. Purchase Orders completed in advance and include all required information.
3. Invoices processed for payment in a timely manner in line with Purchase Order.
4. Negotiations are undertaken whenever possible to obtain best price and best value.
5. Ethical Behaviour and Fair Dealing are always displayed when purchasing.

9. Purchasing Thresholds

Council's Purchasing Procedure sets purchasing limits that align with Financial Delegations agreed under the legislation. If a Council officer is charged with procuring a service which exceeds their financial delegation, this will initiate incrementing quotation and authorisation processes as the purchase value increases until reaching the statutory tendering trigger value as established by the *Local Government Act 1993*.

Purchasing limits are described in the table below:

Procurement Values:	Actions Required:
\$1 to \$99	a. Petty Cash Claim OR b. Credit Cards (authorised staff only) OR c. Purchase Order No written quotations required
\$100 to \$4,999	a. Credit Cards (authorised staff only) OR b. Purchase Order No written quotations required; email quotation recommended, or verbal quotation with file note
\$5,000 to \$19,999	Purchase Order required At least one written quotation required
\$20,000 to \$49,999	Purchase Order required Three written quotations required
\$50,000 to \$249,999 *	Formal Quotation, at least three required (using RFQ template); approval granted by Director
\$250,000 > *	Formal tender - Public/Open Tender or Vendor Panel; approval granted by General Manager and Mayor (under delegation), or by Council resolution.

* This value is set by the NSW Local Government Act and is subject to change.

10. Expression of Interest and Tendering

Section 55 of the *Local Government Act 1993*, in conjunction with the *Local Government (General) Regulation 2005*, provides the legislative framework that promotes the consistent use of good practice standards in local government expression of interest (EOI) and tendering in a manner that is clear, consistent and readily accessible to all persons.

The practice of tendering is grounded in the understanding that it provides a mechanism to 'test the market'.

Tendering also provides a level of procedural transparency. Where the proper checks and balances are put into place, the tendering process can act to facilitate the auditing of decisions. The open and public nature of the tendering process instils a high level of accountability onto the decision-makers and promotes a greater degree of procedural fairness in the decision-making process.

Appropriate records of tendering processes will be kept in accordance Council's Procurement Procedure and will be in keeping with the Records Management Policy.

From time to time, Council may enter into joint tendering arrangements with other councils or regional Joint Organisations of councils.

11. Pre-Qualification of Contractors

To assist in improving purchasing efficiencies, Council may establish a list of pre-qualified contractors to be updated annually to reflect the current schedule of rates and provide opportunity for additional business to be pre-qualified for that financial year. Expressions of Interest (EOI) will be publicly advertised in advance of each financial year calling for fixed rates from contractors for work, plant hire and projects (under the threshold as prescribed by the Local Government (General) Regulation) 2005).

Contractors and suppliers may be pre-qualified and included in Council's Approved Contractors and Suppliers Register prior to being engaged for work on a Council worksite. For qualification, contractors must supply Council with copies of all relevant insurances, required licences and other documents as deemed necessary for the nature of the work being contracted.

12. Government Negotiated Contracts and LGP Contracts

Industry bodies such as Local Government Procurement provide procurement efficiencies for member councils. From time to time, other levels of government negotiate competitive contracts that local government may take advantage of.

Council has the ability to access these external supplier lists and contracts to purchase its goods and services at the agreed rates from the contracted suppliers if Council considers such purchases offer the best value for money. Council is not bound to purchase from externally-contracted suppliers if better terms can be negotiated from elsewhere.

The thresholds described in Section 9 of this Policy, above, do not apply to purchases made under this Section 12. However, Council's policy is to continue to obtain at least two quotes for significant purchases made under this provision.

13. WHS Issues

As an employer, Council must adhere to the Work Health and Safety Act and Regulations to ensure its staff are operating in a safe work environment. These provisions apply to contractors who are undertaking work on behalf of Council.

As a matter of course, contracts for work where safety risks have been identified will be referred to Council's Manager WHS, Quality Assurance and Risk for review prior to being finalised.

14. Legislative Framework

The procurement of goods and services by Council must be undertaken and conducted in consideration of the following legislation (as applicable):

1. *Local Government Act 1993*
2. *Local Government (General) Regulation 2005*
3. *Competition and Consumer Act 2010*

4. *Work Health and Safety Act 2011*
5. *Work Health and Safety Regulation 2017*
6. *Government Information (Public Access) Act 2009*
7. *Privacy and Personal Information Protection Act 1998*
8. *State Records Act 1998*
9. *Electronic Transaction Act 2000*
10. *Goods and Services Tax Act 1999*
11. *Public Works and Procurement Act 1912*
12. *Public Works and Procurement Regulation 2014*
13. *Government Sector Finance Act 2018*
14. *Independent Commission Against Corruption Act 1988*

15. Policy Framework

The procurement of goods and services by Council must be undertaken and conducted in consideration of the following Council Policies and Procedures (as applicable):

1. Code of Conduct March 2019
2. Local Preference Policy
3. Internal Reporting Policy
4. Enterprise Risk Management Framework
5. Gifts and Benefits Policy
6. Corporate Credit Card Policy
7. Leeton Shire Council Delegations
8. Secondary Employment Policy
9. Fraud Control Policy

16. Procedures

Leeton Shire Council's Procurement Procedures should be read in conjunction with this Policy.