

Title	Procurement Procedure
Category	Administration Procedure
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Owner	Finance
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Disclaimer

*Please note that this policy may not be current as Snowy Valleys Council (Council) regularly reviews and updates its policies and procedures. The latest controlled version can be found in Council's Records Management System or contact Council's Coordinator Governance and Risk on policy@snowyvalleys.nsw.gov.au for a hard copy of the latest version. **A hard copy of this electronic document is uncontrolled.***

Where there is a delegation identified in this policy, the reader will need to confirm if an alternative delegation exists in the Delegations Register. To the extent that there is any conflict perceived between the delegation/s identified in this policy and of those contained in the Delegations Register, then the delegation/s in the Delegations Register takes precedence. The General Manager will, if necessary, be the sole arbiter in resolving any issues of conflict.

1 PURPOSE

Snowy Valleys Council (Council) is committed to ensuring a fair, transparent and accountable process in its procurement of goods and services that are utilised in the delivery of services to the Snowy Valleys Council Local Government Area (SVC LGA).

The purpose of this procedure is to document clear guiding principles for Council in its procurement of goods and services and should be considered in conjunction with the *Procurement Policy*.

2 SCOPE

This procedure applies to anyone who undertakes or is involved in procurement activities on behalf of the Council, including Council Officials, consultants and Contractors.

3 DEFINITIONS

In addition to the definitions list in the *Procurement Policy*, the following definitions apply.

Authorising Officer – The Council Official who authorises the raising of an official Council purchase order.

Contract – A written agreement between Council and the Supplier/Contractor for the provision of materials, equipment, works and services by the Contractor. All relevant legislation and Council policies are applicable and enforceable in respect of the drafting, awarding, signing and execution of the Contract.

Delegations Register – Is the official list of acknowledged delegations in the Pulse delegations module. This register lists all financial limits delegated to Council Officials.

Emergency – A situation of sudden state of danger or a condition that requires immediate treatment or attention. It also includes situations of unforeseen circumstances whereby the goods or services are required within a timeframe, which would not allow for documented procurement requirements to be undertaken.

Probity – A good and proper process encompassing the principles of integrity, honesty and uprightness.

Preferred Supplier – The term ‘preferred supplier arrangement’ describes a contract under which there is a standing offer to provide a particular good or service to the Council over the period of the contract. These contracts are often used for goods and services that need to be procured regularly and/or at short notice. Preferred supplier arrangements will generally be established for a period of up to 3 years.

Purchase Order – An official Council order issued for the supply of goods and/or service to the Council.

Quotations – A external supplier’s bid or offer to provide goods or services and are utilised to assist in ensuring that Council receives value for money based on fair competition in its procurement processes.

Requisitioner – The Council Official who requests the raising of a Purchase Order.

4 CODE OF CONDUCT

All Council Officials must comply with the Council's *Code of Conduct*. In essence, this requires Council Officials to apply the highest standards of probity and ethical behaviour when conducting procurement activities. Council Officials must avoid or appropriately manager any conflicts of interest. Failure to comply with this policy may result in disciplinary action under the *Code of Conduct*.

5 DELEGATED AUTHORITY FOR EXPENDITURE

Council has delegated responsibility relating to the expenditure of funds for procurement activities. This enables Council to conduct procurement activities in an efficient and timely manner whilst maintaining transparency and integrity.

Requisitioners who do not have the correct delegation must have the Purchase Order counter signed/approved by an Authorising Officer who does have the appropriate level of delegation.

Under no circumstances are orders to be split so that the total value of the order falls under the amount of the individual's delegated authority.

6 DEFINE THE NEED, SPECIFICATION, AND VALUE FOR PURCHASES OVER \$5,000

If a Council Official is undertaking procurement for a purchase over \$5,000 a *Quotation Record Form* must be completed. This form will capture all information required for need, specification and consideration of value for the purchase.

This form is to be uploaded into Tech One as an attachment to the requisition/Purchase Order.

Consideration should be given to the range of purchase options available and the potential sources of supply. Poor identification of needs and suppliers may lead to incorrect products or services being sought or offered, resulting in additional time, effort and cost.

When determining the value of the procurement, consideration should be given to the whole-of-life costs, including the purchase, installation, maintenance and repair, disposal costs, disposal value and any transition costs.

Consideration should be given to other work or projects in all areas of Council that could be combined with the current procurement to provide better value for money outcome.

7 COMPETITIVE LOCAL BUSINESS AND INDUSTRY

To assist local industry and local economic development, Council will encourage a 'buy local' culture within the Council by encouraging local suppliers to participate in Council business.

If quotations are comparable and capabilities meet Council requirements, preference will be given to the local supplier.

Quotations below \$50,000 from local suppliers will have a 10% reduction applied when comparing to external suppliers. Quotations above \$50,000 will have a \$5,000 plus 5% per dollar over \$50,000 reduction applied when comparing to external suppliers, to a maximum of \$10,000.

Reductions apply to the total cost inclusive of GST.

8 METHODS OF PROCUREMENT

It is the responsibility of the Requisitioner/Authorising Officer, with the correct delegations, to select the method of procurement that best suits the particular procurement activity. Consideration must be given to factors such as value for money, the level of risk, and timely supply. .

Purchases less than \$149,999 inclusive of GST, will be authorised by appropriate Council Official with the correct delegation in accordance with the criteria listed in the categories below.

PROCUREMENT THRESHOLDS

The procurement process and documentation for procurement transactions valued at less than \$149,999 is listed in the table below.

Please note the following -

- Under no circumstances will procurements be split to avoid procurement thresholds.
- A Purchase Order is to be raised in Tech One for all purchases up to \$149,999 (inclusive of GST).
- If the minimum number of quotations are not received or it is not possible to seek the required number of quotes the reasons must be documented on the *Quotation Record Form* and attached to the relevant Purchase Order in Tech One.
- It is essential that all transactions are documented for the purpose of providing an audit trail, especially in cases where any approved exceptions or non-compliance to the prescribed procurement processes need to be explained.

Purchase Value (incl. GST)	Minimum Process	Documentation
Less than \$1,000	Direct Procurement	Purchase Order (Tech One)
\$1,001 - \$5,000	Verbal Quotes Minimum of 2	Purchase Order (Tech One) Verbal quote details are to be attached to the Purchase Order
\$5,001 - \$50,000	Written Quotes Minimum of 2	Purchase Order (Tech One) Complete Quotation Record Form Attach Quotation Record Form and proof of quotes to the Purchase Order in Tech One

Purchase Value (incl. GST)	Minimum Process	Documentation
\$50,001 - \$149,999 For purchases above \$100,000, tender options need to be considered.	Formal Written Quotes Minimum of 3	Purchase Order (Tech One) Complete Quotation Record Form Attach Quotation Record Form and proof of quotes to the Purchase Order in Tech One Written or verbal notification to suppliers of outcome
\$150,000 and above	Request for Tender (RFT) Approval by Council or ELT required	Refer to the <i>Tendering Procedure</i> <ul style="list-style-type: none"> • Long term supply contracts • Government Contracts and prescribed organisations

8.1 MINOR PURCHASES

There are procurement situations where small amounts of money are spent across the organisation that does not require a Purchase Order including:

Petty Cash

Petty cash is used to meet the need for the procurement of small incidental goods and urgent situations and is limited to \$50 per individual transaction as per the *Petty Cash Procedure*.

Purchase Cards

Purchase cards are used by senior management and other employees with key procurement responsibilities as per the *Purchase Card Policy*.

Fuel Cards

Every Council vehicle will be allocated a card from Shell (where applicable for use) or Caltex. The card will be approved for fuel and oil only.

8.2 STANDING ORDERS

Standing orders relate to entering into an agreement with a local supplier to deliver a good or service for a specific time period or till 30th June each financial year. This type of order is issued to cover goods and services required by Council on a continual basis throughout the financial year eg. newspaper deliveries, catering.

Standing orders should be issued annually with the budget review and a new order raised at the beginning of the financial year based on an approved budget or short term contract.

Approval for a standing order must be given by a Council Official with the correct delegations.

8.3 LONG TERM SUPPLY CONTRACTS

Council may choose to enter long term supply contracts to achieve security of supply and value for money. It can also provide advantages in the form of discounts for volume over a period of time

that would otherwise not be available for a shorter term arrangement. A written specification and formal instrument will always be used where Council enters into long term contract arrangements. These documents are to be saved and uploaded into ECM.

Examples of long term supply contracts are power or phone accounts.

Long term supply contracts can only be entered into by Divisional Manager, Directors or the General Manager.

8.4 GOVERNMENT CONTRACTS AND PRESCRIBED ORGANISATIONS TENDERING

Section 55(3) of the *Local Government Act* allows Council to undertake a procurement activity via one of the prescribed organisations mentioned in Section 163 (1A) (i) and (ii) of the *Local Government (General) Regulation 2005*, without the need for Council to formally call for tenders.

Procurement Australia, Local Government Procurement (LGP) and the NSW Procurement Board (ProcurePoint) have in place a variety of contracts for the supply of goods and services.

These contracts offer Council the potential to save significant costs and time associated with analysing the supply market, developing specification and Request for Tender documentation, evaluating offers and negotiating contract terms and conditions.

If Council Officials use these contracts, it has to have approval in writing by a Divisional Manager, Director or the General Manager. This approval is to be attached with the Purchase Order in Tech One or to the tender documents.

8.5 PREFERRED SUPPLIER ARRANGEMENTS

Council has a number of preferred supplier arrangements for which a collective competitive tender has already been undertaken and agreed rates and conditions. Suppliers under these arrangements have been identified and selected in accordance with the Tendering Guidelines for NSW Local Government and Councils *Tendering Procedures*.

8.6 TENDERING

The *Act* and associated *Regulations* place a mandatory obligation on Council to invite tenders for proposed purchases of goods and/or services valued at \$150,000 and over. However, consideration should be given to sourcing such purchases from government contracts or preferred supplier arrangements. If there is any doubt that Council's existing arrangements may not offer the best value, then tenders should be invited as per the *Tendering Procedure*.

To ensure Council obtains best value for money in the procurement of goods and services, tendering should also be considered for goods and services valued at less than the \$150,000.

8.7 PROCUREMENT EXEMPTIONS

An exemption from the Procurement Procedure threshold requirements will only be considered in Emergency situations or exceptional circumstances where highly specialised skills or a specific product is required. The exceptional circumstances must be clearly detailed in the Quotation Record Form and approved by your Supervisor who has appropriate delegation.

9 HOW TO MAKE A PURCHASE FOR GOODS UP TO \$149,999

NOTE: Requisitioner and Authorising Officer cannot be the same person.

The following are the steps for issuing a Purchase Order

- Council Official identifies purchasing requirement by defining the need, specification and value of the purchase.
- Council Official considers if it can be procured or supplied by a local business or preferred supplier.
- Council Official ensures correct process and documentation is followed as per Procurement Threshold.
- Requisitioner creates requisition/Purchase Order within Tech One as per instructions for *Technology One End User Training Manual*.
- For purchases over \$5,000 complete Quotation Record Form and attach to requisition/Purchase Order in Tech One.
- Requisitioner/Authorising Officer to review requisition/Purchase Order to ensure it is for goods and services for use by Council, the appropriate general ledger/project costing/item numbers are used and authorises the purchase in Tech One.
- Purchase Order forwarded to the supplier.
- For purchases between \$50,001 and \$149,999 notify all suppliers (successful and unsuccessful) verbally or in writing of the outcome.
- Requisitioner receives goods and/or service and delivery docket for same, matches quantities and specifications to approved Purchase Order, certifies receipt through Tech One and forwards to Finance. If no matching service/delivery docket, Requisitioner signs the invoice and returns to Finance, or notifies Finance that payment can be processed.
- Invoice is forwarded by supplier to Finance using ap@svc.nsw.gov.au
- Through TechOne, invoice forwarded to Authorising Officer for payment approval.

10 SELECTION CRITERIA

A selection criteria needs to be considered to enable an evaluation to ensure that Council receives the best 'value for money'. This includes considering factors such as:

- Whole of life costs including initial, ongoing, transportation, and disposal costs;
- Ability to meet policy, procedure and guideline requirements;
- Innovation offered;
- Quality offered;
- Delivery and supply timeframes offered;
- Previous performance of supplier;
- Capability of the supplier, including technical, management, human resource, organisational and financial capability and capacity as well as adequacy and currency of insurances;
- Supplier's Work Health and Safety management practices and performance;
- Experience of supplier and personnel proposed;
- Suppliers workplace and industrial relations management practices and performance;
- Suppliers environmental management practices and performance;
- Value adding components such as economic, social and environmental development initiatives, if appropriate and relevant to the procurement;
- Assessment of high risk factors and action plans for the elimination or reduction of risks to an acceptable level; and
- Conformity of proposal with Council requirements.

11 SUPPLIERS TO BE EXCLUDED

Council will not knowingly enter into contracts for the supply of goods and services from suppliers or suppliers who engage subcontractors who:

- Are subject to exclusion from procurement activity as a result of a breach of Council's policies, procedures or guidelines;
- Are bankrupt;
- Are subject to a winding up order;

- Are corporate entities with persons involved directly or indirectly in the management of the entity who are disqualified under corporations law;
- Have had a judicial decision made against them (not including decisions under appeal) relating to employee entitlements that have not been paid; and
- Have a record of poor past performance.

12 COSTING

The expenditure for goods and services procured must be accurately costed to the correct Project Ledger Costing Account or Work Order. This is the responsibility of the Authorising Officer who is accountable for ensuring invoices are costed correctly.

13 DELIVERY ACCEPTANCE

All incoming goods must be identified against the order, examined and certified as being correct and undamaged. The delivery docket must be attached to the Purchase Order in Tech One.

14 GOODS REJECTED/RETURNED

It is the responsibility of the Authorising Officer to quarantine the goods, ready for collection, and to liaise with the supplier of the goods.

15 AUDIT

Council may conduct spot audits to ensure compliance with the *Procurement Policy* and Procedures.

Council's External and Internal Auditor will also conduct audits as part of their audit process.

All staff will provide their cooperation during these audit processes.

16 BREACHES

If you are concerned that a Council Official has breached Council's *Procurement Policy* you should report the details to your supervisor or the General Manager.

Council Officials who suspect misconduct or corrupt conduct should refer to Councils Disclosure Coordinator as per Councils *Internal Reporting Policy*.

17 TRAINING

All Council Officials with procurement responsibilities will receive ongoing training and support to ensure the best procurement methods are being followed.

18 RESPONSIBILITIES /ACCOUNTABILITIES

Council Officials – Responsible for complying with this procedure and ensuring procurement transactions are transparent and best value for money.

Supervisors – Responsible for ensuring compliance with this procedure and monitoring of procurement activities.

Directors – Responsible for ensuring Council Officials that have procurement responsibilities are trained in accordance with this procedure.

General Manager – Responsible for approval of this procedure and consideration of resources towards its implementation.

19 RELEVANT LEGISLATION

Local Government Act 1993 (NSW)
Local Government (General Regulation) 2005
Work Health & Safety Act 2011
Tendering Guidelines for NSW Local Government – October 2009
Government Information (Public Access) Act 2009
ICAC Publications and Guidelines

20 RELATED POLICIES/DOCUMENTS

Code of Conduct SVC-RP-STY-001
Internal Reporting Policy SVC-EXE-PO-039
Petty Cash Procedure
Procurement Policy SVC0-RM-PO-049
Purchase Card Policy SVC-FIN-PO-036
Statement of Business Ethics SVC-EXE-Stm -021
Technology One End User Training Manual

21 RELATED FORMS

Quotation Record Form

22 SUPERSEDING POLICY / PROCEDURE NUMBER AND TITLE

Tendering Policy Gov.08 (former Tumut policy)
Procurement Policy TSC-RM-PO-055-07 (former Tumbarumba policy)
Local Preference Policy GOV.21 (former Tumut policy)
Purchasing Policy Gov.12 (former Tumut policy)

23 REVISION HISTORY

Date	Version Number	Activity log	Resolution Number	Resolution date
05.07.2018	0	New		
March 2019	1	Endorsed by ELT	n/a	March 2019
31.05.2019	1	Approved by General Manager	n/a	31/05/2019

24 CONTACT OFFICER

Position: Finance and IT

Section: Finance and IT