



Policies, Procedures and Guidelines

PROCUREMENT POLICY

FIN008

BACKGROUND

Lachlan Shire Council (Council) is committed to procurement practices that achieve the best possible value for money, and employ highly transparent, accountable and ethically sound processes. This is achieved by conducting thorough evaluations of the whole-of-life cost of purchases, ensuring that best practice procurement processes are communicated, understood and adhered to by all parties.

This Policy applies to Council's procurement functions including purchasing, tendering, contract management and payments as they relate to the acquisition and use of goods and services. Through observing this Policy, Council will procure goods and services in a financially, environmentally and socially sustainable and acceptable manner.

OBJECTIVE

The objectives of the Procurement Policy are to:

- Ensure the procurement process is open, fair, transparent, consistent and in accordance with Council's Code of Conduct and all other policies and procedures as appropriate;
- Comply with the requirements of the Local Government Act (NSW) 1993 and associated Regulations;
- Encourage competitive procurement of goods, works and services to maximise community benefit;
- Ensure that funds are spent effectively and economically by taking into account price and non-price factors (such as after sales service, warranty, safety, environmental, repair costs, spare parts, etc.) i.e. Value for Money;
- Ensure segregation of duties in the requisitioning, approval and payment functions.

SCOPE

This Policy applies to all members of Council staff, including Councillors and all consultants, contractors, or temporary or casual employees of Council, who are involved in any Council procurement process, not only those staff members with financial delegation limits.

This Policy applies to all procurement and contracting activities undertaken by Council, including, but not limited to, the following methods:

- a) Petty cash;
- b) Charging purchases to an account council has with a supplier;
- c) Fuel cards;
- d) Council credit cards;
- e) Expressions of Interest;
- f) Tendering; and
- g) Goods or services procured by third parties, such as contractors, acting as representatives of Council.

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DEFINITION

Contract:	The written agreement between the Council (as the purchaser) and the Service / Goods Provider.
Procurement:	The acquisition of works, goods and services. Includes the evaluation of suppliers, preparation of purchase orders, receipt of goods / services and approval of payment.
Purchase Order:	The authority to the supplier to supply and invoice items at the prices agreed via the quoting process. The purchase order is a legal and binding contractual agreement on all parties.
Quotation:	Any verbal or written offer for procurement under \$250,000.
Tender:	Written submissions for procurement valued at \$250,000 and over invited and administered in accordance with the Local Government Act and associated Regulations.
Tender Panel:	A panel comprising the Project Manager and a minimum of two (2) other appropriate persons for the purpose of assessing and recommending tenders valued at \$250,000 and over.

POLICY**Delegation of Authority**

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

- Where expenditure has been provided for in Council's Budget; or
- Genuine emergency or hardship

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

Other employees may only incur expenditure on behalf of Council if;

- The employee has been granted a financial delegation by the General Manager AND
- The delegation is recorded in the Register of Delegation of Authority AND
- The Expenditure is provided for in Council's budget
OR
- In the case of genuine emergency or hardship where the power to incur expenditure in these circumstances has also been delegated to any particular employee or employees.

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Responsible financial management

The principle of responsible financial management is to be applied to all procurement activities. Council funds are to be used efficiently and effectively to procure goods, services and works and every attempt must be made to contain the cost of the procurement process without compromising any of the procurement principles set out in this policy.

Value for money

Procurement activities are to be carried out on the basis of obtaining value for money. This means minimising the total cost of ownership over the lifetime of the good or service consistent with acceptable quality, reliability, safety and delivery considerations.

Contracts will be sized and packaged with a view to maximising the economies available through the quotation/tender process and ensuring that the process provides real competition.

Council is committed to ensuring funds are spent effectively and economically by taking into account price and non-price factors.

Non-price factors may include:

- Quality;
- Reliability and reputation of supplier;
- Availability and delivery time;
- After sales service;
- Warranty;
- Safety;
- Trading terms and discounts;
- Whole of life cost of the goods and services; and
- Sustainability principles.

Sustainability

Where appropriate procurement decisions should incorporate principles of environmental sustainability, such as:

- Eliminate inefficiency and unnecessary expenditure;
- Minimise waste;
- Save water and energy;
- Further stimulate the demand for sustainable products; and
- Play a leadership role in advancing long-term social and environmental sustainability.

KEY RESPONSIBILITIES

All council Staff

- To ensure any procurement activities for which the staff member is responsible for are undertaken in accordance with this policy and within legislative requirements;
- Only participate in the tendering process if you have delegated authority to do so;
- Must not spend funds from another officer’s budget without their authority;
- Must not purchase goods or services that exceed your delegated authority;
- Must not expend funds in excess of your total budget.

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Executive and Senior Leadership

- To set an example for staff by complying with this policy in relation to all procurement activities; and
- To communicate and enforce the principles of the policy to staff.

General Manager

- To lead staff in their understanding of and compliance with this policy;
- To set an example for staff by complying with this policy in relation to all procurement activities; and
- To accept reports of any suspected breach of this policy by staff or councillors.

Mayor

- To lead Councillors in their understanding of and compliance with this policy; and
- To accept reports of any suspected breach of this policy by the General Manager or councillors.

All council staff and councillors have a duty to report any suspected breaches of the policy to the Disclosures Coordinator, Disclosures Officer or the General Manager.

- Disclosures Coordinator: Director Corporate & Community Services
- Disclosures Officer: Manager Human Resources

Suppliers

- Conduct business with Council in an ethical manner;
- Comply with all work health and safety requirements;
- Must not lobby Councillors or staff or seek favour or advantage during procurement activities; and
- Meet all requirements of the Statement of Business Ethics Policy.

PROCUREMENT REQUIREMENTS

Where the total cost of a contract conducted over more than one financial year is likely to exceed \$250,000 inclusive of GST a tender is required.

In emergent situations, the General Manager has discretion to vary the process in writing as required (up to \$250,000).

All purchases may be subject to the “Local Preference Purchasing Policy”.

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Table 1- Procurement Requirements – All amounts are inclusive of GST

Invoice or order splitting to avoid quoting or tendering requirements is not permitted under legislation.

All purchasing undertaken by stores staff require a purchase order- even those less than \$500.

Purchase value	Process	Quotation type
\$0 - \$499	<p><u>Non-stores staff:</u> Work Order & staff member’s full name to be provided to supplier and quoted on invoice.</p> <p>All purchasing undertaken by stores staff require a Purchase order.</p>	Not needed
\$500 - \$1,999	Purchase Order	One (1) written or verbal quote. Verbal quote requires a legible diary entry
\$2,000 - \$49,999	Purchase Order	Invite two (2) written quotations
\$50,000 - \$249,999	Purchase Order	Invite three (3) written quotes
\$250,000 and above	Purchase Order	Formal tender process as per Local Government legislation.

Quotations

Quotes are not required if you engage one of the suppliers who are on the Local Government Procurement (LGP) vendor panel BUT you must:

- Issue a correctly authorised Purchase Order
- quote the LGP tender number on the Purchase Order

Quotes are not required when there is genuinely one supplier only but you must

- Issue a correctly authorised Purchase Order
- quote the “sole supplier” on the Purchase Order

The assessment of quotations will be objective, consistent, documented and transparent.

Council will only accept one quotation from each supplier; suppliers will not be given an opportunity to re-quote for the supply of goods and services unless the scope of work changes.

Council will discontinue all dealings with suppliers it reasonably suspects of having engaged in unethical conduct.

Quotes are required to ensure the correct amount is shown on the Purchase Order.

Where appropriate Council will also take further action against these suppliers, including legal action and reporting suspected fraud or corruption to the Police and the Independent Commission against Corruption.

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Tendering

All procurement in excess of \$250,000 must be managed via a tender process unless:

- exempt under the Act; or
- you engage one of the suppliers who are on the Local Government Procurement (LGP) vendor panel.

If you engage a LGP supplier you must:

- issue a correctly authorised Purchase Order; and
- quote the LGP tender number on the Purchase Order

All Tenders will be conducted in accordance with Section 55 of the Local Government Act (NSW) 1993 and the Tendering Guidelines for NSW Local Government – October 2009

Invoice or order splitting to avoid tendering requirements is not permitted under legislation.

Where the total cost of a contract conducted over more than one financial year is likely to exceed \$250,000 a tender is required.

Whilst a formal tendering process is not required for purchases under \$250,000 a formal tendering process can be utilised for any purchase under the threshold. This is advisable in the following situations:

- The purchasing amount is close to \$250,000;
- The goods or services are of significant public interest;
- The purchase may be considered to be controversial or contentious;
- The procurement process is complex; or
- The expected price of procurement is unknown.

Council's tendering process does not permit applicants to canvass, lobby or contact Council officials other than the advertised contact person. Applicants will be disqualified from tendering if they do anything that may be considered as an attempt to influence Council's decision.

Purchase of media / advertising

The purchase of paid media / advertising will be undertaken in accordance with this policy.

Local Government Procurement Contracts

Local Government Procurement undertakes group tenders on behalf of NSW Councils to obtain competitive contracts. Lachlan Shire Council may utilise these supply arrangements to procure goods and services. These arrangements are compliant with the Act and Regulations.

If using one of the suppliers who have a LGP contract, you must quote the LGP tender number on the Purchase order BUT

- You do not need to obtain quotes AND
- You do not need to go to tender for purchasing over \$250,000

PURCHASING METHODS

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Petty Cash

Petty cash may be used to meet the need for the procurement of small incidental goods in urgent situations and is limited to \$100 per transaction.

Credit Cards

The use of corporate credit cards must be in compliance with Council's Credit Card Policy.

Fuel Cards

The use of Council fuel cards will only be used for the purchase of fuel for Council vehicles.

Supplier account

May only be used for the purchase of items for council business. You may not purchase above your delegate authority. If you do not have delegated authority, you must not spend on a supplier account.

Purchase Orders

All purchases over \$500 will require a purchase order to be generated and correctly authorised utilising Council's purchase order system. This will allow Council to adequately reconcile goods ordered with goods received; monitor ordering approvals as well as monitoring Council cash flow and budgets.

Whilst all goods and services should ideally have a Council purchase 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.

On these occasions a copy of the invoice shall be forwarded to the relevant officer for payment authorisation up to the officer's delegated authority. This should be the exception, not a regular occurrence for purchases over \$500.

RIGHT TO VARY

Council retains the right to vary or terminate this policy at any time.

RELATED DOCUMENTS

Local Government Act 1993

Local Government (General) Regulations 2005

Tendering Guidelines for NSW Local Government – October 2009

WHS Act 2011

Local Preference Purchasing Policy

Disposal of Assets Policy

Statement of Business Ethics Policy

Internal Reporting Policy

Fraud and Corruption Policy

Gifts, Benefits and Bribes Policy

Credit Card Policy

Code of Conduct for Staff

Code of Conduct for Councillors

Government Information (Public Access) Act 2009 (GIPA Act)

Greg Tory

GENERAL MANAGER

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