



**ATTACHMENT DOCUMENT
FOR
ORDINARY COUNCIL MEETING**

Tuesday 30th July, 2019

Greg Ingham
GENERAL MANAGER

AGENDA

- Procurement & Disposal Policy and Procedure.....3



Procurement and Disposal Policy and Procedure

Approval Date:

Review Date:

Responsible Officer: Chief Financial Officer

Objective

To ensure the system of tendering and quotations encourages integrity and established standards of equity, transparency and value for money.

Statutory Requirements

Local Government Act 1993
Competition Policy Reform (NSW) Act 1995
Independent Commission Against Corruption Act 1988
Local Government (General) Regulation 2005

Application

All Employees

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1. Purpose

The purpose of this Procurement and Disposal Policy is to document Council's principles and set out the standard by which Council will conduct these activities. All activities will be carried out in accordance with the associated legislation, Council Policies, processes and Office of Local Government (OLG) Guidelines and Circulars.

2. Scope

This Policy and procedure applies in full to all employees and details procedures to be used in all purchasing by Council employees. It is intended to ensure that competition exists in all purchasing activities and that they are carried out in an open and transparent manner in accordance with this policy and legislative requirements.

The Procurement and Tendering Policy applies to anyone who undertakes or is involved in procurement and tendering activities. This includes Councillors, staff, contractors and delegates.

3. Policy Statement

Council procurement practices will comply with the Local Government Act 1993, the Local Government (General) Regulation 2005, Competition Policy Reform (NSW) Act 1995, as well as other acts, regulations, codes, policies, practice notes or other documents published by either State or Federal Government Authorities relating to tenders or quotes (e.g. Competition Policy).

Any conflict of interest and pecuniary interests are to be disclosed immediately. Any person with a conflict of interest will not take part in the processes of tender specification preparation or evaluation.

Tenders and quotes will be prepared in an endeavour to maximise:

- Competition;
- Participation by local and other suppliers
- Value for money, quality goods and services to residents and ratepayers
- Accountability and cost efficiency to Council and respondents.

4. Policy Principles

4.1. General

All values quoted in this policy are excluding Goods and Services Tax (GST).

The exact procurement method to be used will depend on value of goods and services to be purchased.

Contracts should be affected only with incorporated companies. Tenders or quotes which are to result in a contract must show the companies ABN, ACN and date of incorporation or make a clear statement of intention to incorporate prior to signing a contract. It is preferred that this rule be applied to all procurement. However, purchase orders, but not contracts, may be placed on unincorporated organisations provided:

- The supplier has an ABN, unless extraordinary circumstances prevail (i.e. hobby);
- The supplier is registered for GST, unless extraordinary circumstances prevail (i.e. hobby);
- The total value is less than \$50,000;
- It is a lump sum purchase or project;
- The service to be provided is not primarily labour hire;
- The particular supplier is used intermittently.

An urgent delivery component is included as part of the selection criteria and weighting table which is utilised as a guide in the tender selection process. This component includes distance to suppliers and service providers.

4.2. Tenders

For works with a value exceeding that specified in Section 55 of the Local Government Act (currently **\$250,000**) an open or selective tendering shall be used in accordance with Local Government (General) Regulation 2005 and including:

- (a) All tenders will be reported to Council for a decision.
- (b) The report to Council will be compiled by the relevant Director utilising the services of an evaluation panel and utilising Table 1 Recommended Selection Criteria and Weighting.
- (c) A financial evaluation report must be obtained from the preferred tender.
- (d) The report to Council will be a confidential item to be considered in closed session.

4.3. Quotations

For the purpose of effective distribution and maximising opportunity, Council will maintain an up to date register of qualified suppliers/contractors for the respective trades and industry types. Council will advertise yearly to invite registration on the Preferred Supplier/Contractor Register (Pro-forma attached).

4.3.1 For works exceeding \$50,000 in value but less than that specified as a Tender (\$150,000) \$250,000, a special quotation process shall be undertaken utilising the procurement and disposal procedure:

- (a) Each quote will be allocated a tender/quote number (RFT/RFQ) by the Information Services Section. The number will be entered into the tender/quote register and is to be quoted on all documentation relating to that quote.
- (b) A minimum of two quotes shall be obtained unless circumstances do not allow (E.g. only one supplier manufactures the product)
- (c) The officer initiating the purchase shall prepare a brief specification detailing quantity, quality and timing of the works/services/goods to be supplied, include copies of relevant insurance certificates (i.e. public liability and workers compensation). This document will not be as complex as a tender specification.
- (d) The specification shall be sent directly to:
 - Any person requesting the information;
 - By email to all relevant Suppliers/Contractors on the Register;
- (e) A pre special quote meeting may be arranged where the intended works, goods or services are difficult to define or it is determined that specific clarification will support an enhanced outcome;

(f) Quotes will be received under tender box conditions and suppliers are to be advised of the following relevant procedures;

- A closing date will be specified, normally 21 days but not less than seven days after the supplier would receive the invitation to quote
- Quotes are to be sealed in an envelope marked with the tender/quote number and placed in the tender box or mailed in time to be placed in the tender box prior to the specified date. Quotes may also be received by fax.
- Where an envelope containing a quote which is not marked as required above, and is therefore opened in the normal process of mail handling, the quote and the envelope are to be sealed into another envelope by the person dealing with the mail, properly endorsed with the tender/quote number, marked 'Opened in Error', signed and dated and placed immediately in the tender box.
- In a case where a quote is submitted by fax or email, it is to be sealed in an envelope by the person dealing with the fax or email, endorse with the tender/quote number, marked 'Received by Fax/email' marked with the time and date of receipt, signed and placed in the tender box.
- Any person likely to open mail or attend to the faxes at any time is to be instructed that the contents of any such opened quotes are to remain absolutely confidential and are not to be divulged to any person whatsoever.
- All quotes received by the closing time shall be opened at or after closing time by the Information Services representative and two (2) witnesses and recorded in the tender/quote register.
- Prices will not be publicly disclosed.
- The custody of the register and the keys to the tender box are to be the responsibility of the Coordinator Information Services and the tender box is located in the public foyer for ready access.

(g) Quotes via internet

For the purposes of this procedure it is acceptable to obtain quotes via the internet. This includes using email provided:

- A copy of each quote is retained in Council's records management system
- Each quote contains at least the following information:
 - Name of Supplier
 - Internet address of supplier
 - Specification of equipment to be supplied
 - Make and model of each item of equipment
 - Price

- (h) A written assessment will be prepared as to which quote is the most advantageous and purchase will be effected by a purchase order. The 'Recommended Selection Guide' and their respective weightings shown below are to be used as a guide.
- (i) All records will be retained and entered into Council's Records Management System (TRIM) and available for scrutiny but will not be available to the public as they will contain confidential information.
- (j) Suppliers shall be required to provide evidence of relevant insurances including a minimum \$20m Public Liability and Workers Compensation/Personal Accident.
- (k) As soon as practicable after selecting a supplier and placing an order the ordering officer shall also advise all unsuccessful quoter's of the decision in writing on Council Letterhead.
- (l) The following information may be disclosed:
- The successful quoter's name,
 - Description of selected goods if applicable
 - Reasons for selection
- (m) Under no circumstances should any commercial in confidence information be disclosed.

4.3.2. Where the value of goods is less than \$50,000 but exceeds \$15,000

- (a) A minimum of two quotes shall be obtained and recorded in Council's Records Management System, unless circumstances do not allow (e.g. only one supplier manufactures the product)
- (b) Where two quotes cannot be obtained, the Department Director shall seek approval of exemption by the General Manager.
- (c) For services provided, quotes shall be obtained firstly from Councils Supplier/Contractor Register
- (d) For goods purchased, Local Government Procurement Schemes shall be utilised where possible.
- (e) The quote deemed to provide best value for money shall be awarded.

4.3.3. Where the value of goods is less than \$15,000 best judgement shall be used by the purchasing officer to ensure best value for money is achieved. A competitive process is not required, although at least one written quote is obtained. The use of "Purchase Cards" by authorised Council staff for minor, low risk purchases may be considered within this limit range.

4.3.4 Petty Cash shall be kept to reimburse incidental purchases up to \$100 and recorded in the petty cash register. All purchases must be provided to the Finance

Officer – Accounts Payable with receipts and an attached petty cash form approved by a supervisor. Records are to be kept in Council's Records Management System

NOTE: In the interest of maintaining efficiency in the purchasing process there are some instances where the procedures outlined in this policy can be bypassed. Exceptions to the required process include:

- telephone accounts
- electricity accounts
- subscriptions
- credit and fuel card purchases
- monthly rentals
- insurance purchases
- legal costs
- payments to contractors
- donations/contributions
- statutory levees, fees and taxes
- payroll deduction remittances

4.3.5 Variations:

- The General Manager has authority to approve variations to contracts during progress of works in accordance within the delegated authority to the General Manager. Any variation exceeding the delegated limit shall be presented to Council for consideration.
- If a variation is made to the works after the order has been placed, an additional order shall be completed and a record of the reasons kept.

4.3.6. In all cases, goods or services purchased under a procurement scheme approved for Local Government in NSW up to \$150,000 shall be deemed to comply with these requirements (i.e. State Government contracts, Regional Procurement Initiative, OROC).

4.3.7. In no case shall procurement of works/goods/services be artificially split into smaller purchases in order to reduce procedure requirements specified above.

4.3.8. In cases of emergency the General Manager may approve purchases which are not in accordance with the above providing records are written up as soon as practicable explaining the circumstances and the action taken.

4.3.9. The lower limits specified should be considered as guidelines and where appropriate more rigorous standards may be applied. For example, if there is potential

benefit in public tendering for works with less than \$150,000 in value, then this document does not preclude that action.

4.3.10. Table 2 summarises the protocol to be followed in all purchasing decisions based on the value of the purchase.

4.3.11 All purchases must to be made by completing a Purchase Order. Every order must contain the following information:

- Name and address of supplier
- Description of goods and services
- Costing job number
- Price quotes
- Signed and dated by Authorising Officer

4.4. Workplace Health & Safety

Workplace Practices

Service providers and their employees must comply with occupational health and safety, workers compensation, compensation insurance, injury management and rehabilitation obligations under legislation, relevant industry codes of practice, safety procedures in applicable industrial awards and approved agreements, and the general law.

Workplace Health & Safety Management and Workplace Injury Management

Walgett Shire Council attaches a high priority to the continuous improvement of occupational health and safety management and workplace injury management in procurement for all construction and other industry participants.

Service providers shall have a demonstrated commitment to, acceptable performance with, and systematic approach to, occupational health and safety management and workplace injury management.

Workplace Health and Safety Compliance

Service providers and their employees must comply with their occupational health and safety obligations under the *NSW Workplace Health and Safety Act (2011)*, the *Workplace Injury Management and Workers Compensation Act (NSW)* and Regulations, workers compensation insurance premium requirements, relevant WHS industry codes of practice, and safety and dispute settlement procedures in applicable industrial awards and approved agreements.

5. Accountability, roles and responsibilities

The General Manager, Directors and Managers are to ensure policy compliance.

5.1. Responsible Officer

- Chief Financial Officer
- Finance Officer Stores

5.1. Responsibility

- All employees

5.2. Breaches of this Policy

- Any occasion where a Council staff member is not complying with this policy, the breach should be immediately reported to the General Manager in writing.
- Where the report relates to the conduct of a Councillor, the General Manager shall immediately report the matter to the Mayor and, if considered necessary, to the next Council meeting.
- Where the report relates to the conduct of Council staff, the General Manager shall deal with the matter according to the terms of employment of the Council staff member and in accordance with the Local Government (State) Award 2014.
- Where a Councillor believes that the General Manager has failed to comply with this policy, the Councillor should immediately report to the Mayor who will then discuss the matter with the General Manager and, if considered necessary, will report the matter to Council.
- Before a report is presented to Council by the General Manager (or the Mayor), the General Manager (or Mayor) should undertake preliminary inquiries to establish the facts. The preliminary investigations may take any form the Mayor or General Manager considers appropriate but must involve discussions with the Council staff member or Councillor involved. Natural justice principles need to be satisfied in dealing with an alleged breach and the evidence must be reviewed objectively.

6. Disposals

6.1 Disposals

- a) All assets, surplus stock and low value scrap to be disposed of by Walgett Shire Council shall be publicly advertised for sale by:
 - A set price
 - Tender
 - Auction
- b) Any disposal of goods with a market value of more than \$150,000 should be made through an agent (e.g. real estate agent) by resolution of Council after inviting tenders, expressions of interest or at public auction.

- c) Council may decide via resolution or delegation to the General Manager to dispose of assets via donation to community organisations where appropriate.
- d) All offers for the purchase of motor vehicles and motorised plant are to be reported to the Plant Superintendent for recommendation to Council.
- e) Any sale of land must be by way of public auction and follow the legislation in *Local Government Act 1993*, sections 55, 713 and 716.

6.1. Delegation

Department Directors shall be responsible for the cost benefit evaluation and disposal of selected items using the following methods:

- Trade-in where supplier offers fair value for item.
- Relocation to another project or job (redistribution of cost required).
- Relocation to another department within the organisation.
- Use as spare parts (where practical).
- Recycling (Commercially or in-house).
- Dumping (where items have no economic value or are environmentally undesirable)
- Invitation of public quotations or public auction (Registering and securing as surplus item)

6.2. Sale Process

- To ensure maximum net return of materials the Director will arrange for the valuation of surplus items, by either independent assessment or estimation by experienced persons.
- To ensure probity a third party shall be used to perform auction sales.

7. Ethical Behaviour and Fair Treatment

7.1. Ethical Behaviour and Fair Treatment

Council officers engaged in procurement and tendering activities will at all times undertake their duties in an ethical and impartial manner.

Council officers must ensure that policy principles are reflected throughout the procurement and tendering process including activities such as buying without prejudice, effective communication and provision of information to all suppliers, declaring any conflicts of interest and adhering to the Code of Conduct.

Canvassing of Councillors and staff during a formal tendering quotation process will automatically disqualify that supplier.

Table 1 – Recommended Selection Criteria and Weighting

| CRITERIA | PLANT EQUIPMENT VEHICLES | SUPPLY OF OTHER- MATERIALS CONSUMABLES | PLANT EQUIPMENT HIRE AND OTHER SERVICES | CONSULT- ANCIES | INFRASTRUCTURE CONSTRUCTION | SALE OF SURPLUS MATERIAL ETC |
|--|-----------------------------|--|---|--------------------|--------------------------------|---|
| Capability (technical and financial) | 15 | 20 | 15 | 15 | 15 | 0 |
| Relevant experience | 10 | 5 | 10 | 10 | 10 | 0 |
| Quality, safety and environmental management systems | 10 | 5 | 10 | 10 | 10 | 0 |
| Urgent service delivery | 5 | 10 | 5 | 5 | 5 | 0 |
| Price | 60 | 60 | 60 | 60 | 60 | 0 |
| Total | 100 | 100 | 100 | 100 | 100 | 0 |

Note: Scores for Price shall be calculated as (Lowest Price/Quoted Price x 60)

Table 2 – Summary of Purchasing Protocol

| ESTIMATED COST OF ITEM/PROJECT | <u>MINIMUM</u> PROCESS | AUTHORITY | COMMENTS |
|--------------------------------|---|--|--|
| Over \$250,000 | Tender | Decision by Council | Public advertising for quotations is essential. The relevant Director is responsible for the following; Advertising: Tenders must be advertised through TENDERLINK, Tuesdays Sydney Morning Herald, Walgett Spectator, Daily Liberal, Council's Webpage, Council's Facebook page with links to Facebook pages in Lightning Ridge, Carinda, Collarenebri and Grawin, and radio station 2WEB See Information Services for Tender Registration Number |
| \$100,000-\$250,000 | Two Quotes | Decision by Director/ if within budget | Public advertising for quotations is essential. The relevant Director is responsible for the following advertising: Walgett Spectator Council's Webpage, Council's Facebook page with links to Facebook pages in Lightning Ridge, Carinda Collarenebri and Grawin, and Emailed to all relevant Suppliers/Contractors on Council's register See Information Services for Registration Number |
| \$15,000 - \$100,000 | Two Quotes | Decision by Purchasing Officer with delegated authority if within budget | Quotes sought from Supplier/Contractor Register |
| Under \$15,000 | Value for money. A competitive process is not required, although at least one verbal or written quote is obtained. The use of "Purchase Cards" by authorised Council staff for minor, low risk purchases may be considered within this limit range. | | Ensure value for money |

Table 3 Summary of Disposal Protocol

After the above procedures in section 6 for disposal of items have been used, please follow the minimum guideline set out in the following table.

| ESTIMATED COST OF ITEM | <u>MINIMUM</u> PROCESS | AUTHORITY |
|------------------------|------------------------|--|
| Over \$150,000 | Tender/Auction | Decision by Council or delegated authority to GM |
| \$50,000-\$150,000 | One Offer | Decision by GM |
| Up to \$50,000 | One Offer | Decision GM or Director |

NOTE: Public advertising for quotations is essential. The responsible Director will assess the coverage of such public advertising.

8. Definitions

Tenders – works exceeding the specified amount in Section 55 of the Local Government Act (currently \$250,000).

Quotations – work exceeding \$15,000 in value but less than that specified as a tender

Request for Quote Documents – invitation to tender and guidelines, specification, recommendation selection criteria, any other relevant information.

GST – Goods and Services Tax.

Council – Walgett Shire Council.

RFT – Request for Tender.

RFQ – Request for Quotation.

9. Acknowledgements

The following acknowledgements are made recognising organisations or documents that have provided a basis, instructive comment or templates that have been used to develop Council's Policy:

- (a) Procurement and Tendering Policy – Gunnedah Shire Council
- (b) Procurement of Goods and Services Policy – Liverpool Plains Shire Council
- (c) Procurement and Disposal Policy – Lachlan Shire Council
- (d) Tendering Guidelines for NSW Local Government, NSW Department of Premier and Cabinet Division of Local Government, October 2009

10. Version control and change history

| Date | Version | Approved by & resolution No | Amendment |
|-------------|----------------|--|---|
| 2017 | 1 | Council meeting Minutes No. | Council meeting for consideration and adoption |
| 2017 | 2 | Council meeting Minute No. | Council meeting for review and adoption |