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**Policy:**

**Procurement**

**2020**

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## INFORMATION ABOUT THIS DOCUMENT

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### ***Document History***

<b>Doc No.</b>	<b>Date Amended</b>	<b>Details/Comments eg Resolution No.</b>
1	January 2020	Finalised following Exec review
2	March 2020	Amended following review by ARIC

### ***Further Document Information and Relationships***

<b>Related Legislation</b>	<p><i>NSW Local Government Act 1993</i></p> <p><i>Local Government (General) Regulation 2005</i></p>
<b>Related Policies</b>	
<b>Related Procedures/ Protocols, Statements, documents</b>	<p>NSW Government Code of Practice for Procurement January 2005</p> <p>NSW Government Tendering Guidelines (Department of Commerce) November 2005</p> <p>NSW Department of Local Government Tendering Guidelines for Local Government October 2009</p> <p>ICAC, "Practical Guide to Corruption Prevention", ISBN 0 7310 7206 5</p> <p>UNE Procurement Policy December 2016</p> <p>Ashfield Council Purchasing Policy &amp; Procedures July 2011</p> <p>NSW Procurement Policy Framework for NSW Government Agencies July 2015</p> <p>Uralla Shire Council resolution 38.10/18</p>

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## 1. PURPOSE AND SCOPE

The purpose of this policy is to establish a robust procurement framework, policy and guidelines in accordance with the legislation outlined below and within good practice guidelines set out by the State (NSW) and Commonwealth Governments. It should establish the need to follow the principles of probity and fairness, obtaining value for money and that Council be inclusive of small to medium enterprises.

This policy applies to the acquisition and consumption of all goods and services by Council staff from external suppliers either by direct purchase or via lease.

This policy applies to the following core procurement related activities:

- a) Confirming business requirements related to procuring of goods and services;
- b) Purchasing/sourcing of goods and services;
- c) Administering supply contracts and buying activities related to the contracts including managing supplier performance and supplier relationships;
- d) Managing demand related to the acquisition of goods and services from suppliers;
- e) Leveraging supplier innovation for the benefit of Council; and
- f) Procurement planning and category management.

This policy applies to all capital and all operational spend. It applies to all spend no matter the source of funding, for example, spending of grant funding is subject to this policy.

## 2. LEGISLATION, STANDARDS AND GUIDELINES

- NSW Local Government Act 1993
- Local Government (General) Regulation 2005
- Uralla Shire Council Operating Policies and procedures

## 3. DEFINITIONS

**Contractors** referred to in this policy are labour hire employed to fulfil a role similar to an employee even if they have an ABN rather than a construction contractor with a separate ABN hired to deliver an outcome.

**Demand management** is a proven mechanism to take unnecessary costs out of an organisation without further reducing its capacity to execute. With demand management, Council can address the underlying drivers of external spending by aligning purchases to business needs and eliminate unnecessary consumption. In its simplest form it involves determining future costs (e.g. through budgeting) and meeting this demand through proper planning.

**Emergency procurement** procedures are designed for purchasing in emergency situations that require immediate action. In normal circumstances purchasing should be a planned process following standard processes. An emergency situation exists when an incident occurs, requiring immediate action to be taken

in order to preserve life, health or property. Such conditions could occur for example in a natural disaster. A lack of appropriate planning does not constitute an emergency.

**Probity** includes ensuring impartiality, achieving best value for money, ensuring consistency and fairness of process. It also includes ensuring confidential information is secured and protected, and the identification and resolution of real or perceived conflicts of interest. This requires clear accountability and transparency such that ethical behaviour is easy to identify before, during, and after the procurement activity.

**Local suppliers** are those based near Council in regional NSW. This includes but is not limited to suppliers headquartered in Uralla, Inverell, Walcha, Armidale, Tamworth, and other regional towns in reasonable proximity to Uralla. Suppliers with operations based in and providing employment in regional towns near Uralla can also be included as a regional operator for the purposes of procurement.

**Safe design** includes consideration of design that will help reduce the chance of human failure. For example rubbish skips with side opening doors are preferable to skips loaded from the top. Or surfaces which meet the cohesion of friction standard (not mandatory) will prevent slips or falls by people.

**Sustainability** involves development which meets the needs of present without compromising the ability of future generations to meet their own needs. This includes environmentally-friendly products, with reference to re-cycling, energy efficiency, scarce-resource efficiency, low-waste technology and appropriate human rights management.

**Whole-of-life costs** include planning, design, construction and acquisition (including procurement costs), operations, maintenance, transition out, licensing (where applicable), additional features procured after the initial procurement, renewal and rehabilitation, depreciation and cost of finance, and disposal.

#### **4. POLICY STATEMENT**

The following principles are central to the Procurement Policy and underpin the design of the Procurement Procedures. All Council staff who are involved in procurement activities must ensure that they operate in alignment with these principles and comply with the Procurement Delegations Schedule (included in the Procurement Procedures). Those involved in procurement activities must also follow the published Council Procurement Procedures.

##### **1. Value for Money and Sustainability**

- a) All procurement activities should aim to achieve best value for money. Value for money must include consideration of the total cost, not just the purchase price. It takes into account: whole-of-life costs, fitness-for-purpose, quality, service and support, sustainability, delivery & turnaround timelines, and risk.
- b) All procurement activities are to be carried out in line with approved financial delegations, approved procurement delegations, and with responsible financial management e.g. in line with budget or specific funding source.
- c) Contracts and suppliers should be managed to ensure that all agreements entered into deliver the value expected.

- d) All staff involved in procurement activities should consider the environmental and social impacts of purchases and show preference for suppliers who can demonstrate a commitment to environmental sustainability through strategies such as the minimisation of waste, reduction of energy costs, conserving resources, appropriate human rights and minimisation of greenhouse gas emissions. Issues to consider as part of sustainable procurement include:
  - i. Social impacts
  - ii. Environmental impacts
  - iii. Economic impacts
  - iv. Governance and leadership
- e) All staff and contractors are expected to embrace positive demand management practices.
- f) Depending on the difference in price, Council may prefer to purchase more expensive products, works or services where there is a definable environmental and/or social benefit that on balance outweighs the additional monetary cost to the Council.

## **2. Fair, Honest and Consistent Dealings**

- a) Council should leverage other official arrangements such as those from the NSW Government, JO's in which Council participates, or some other source when they are expected to offer best value.
- b) Staff must not accept hospitality, gifts or benefits from any potential or current suppliers.
- c) Thorough and accurate records of procurement transactions must be kept in an appropriate corporate system.
- d) Council must not invite tenders without a firm intention and the capacity to proceed with a contract, including having funds available.

## **3. Local Content**

Council will support local suppliers where this does not conflict with probity principles and allows for achieving a best value for money outcome. Local suppliers are to be given a full, fair and reasonable opportunity to supply Council.

## **4. Ethical Behaviour**

- a) All procurement activities should be conducted with probity and ethical behaviour.
- b) A Supplier Code of Conduct must be provided to suppliers to Council setting out Council's expectations for dealing ethically and effectively with its staff.
- c) Emergency procurement procedures should only be used in those emergencies where the goods or services are required within a timeframe which will not allow for normal procurement procedures to be undertaken.

## **5. Risk Management**

- a) Separation of duties practices should be complied with when exercising procurement delegations.
- b) Procurement planning must be carried out by departments of Council based on analysis of their purchasing patterns, business plans and future requirements, and supply agreements and markets.

- c) All staff or contractors involved in procurement activities must be appropriately trained in accordance with training guidelines published by Council.
- d) Procurement related risks should be understood and actively managed through risk identification, assessment and the implementation of controls.
- e) The Corporate Services and Finance Directorates will provide regular reporting to the Audit Risk and Improvement Committee to support them in performing their functions.
- f) Persons involved in procurement activities should identify and manage conflicts of interest in accordance with the Conflicts of Interest statements set out in Council's Code of Conduct Policy 2019.
- g) Safe design needs to be a consideration when procuring goods and services as safe design will reduce the chance of human failure. This includes a focus on function not just aesthetics. This should include compliance with relevant Government safety standards.
- h) The procurement processes for purchasing hazardous substances, dangerous goods and other high risk equipment or substances must comply with Council Workplace Health and Safety (WHS) Policy, WHS Acts, Regulations and codes including Australian Dangerous Goods Code.
- i) Suppliers and contractors must comply with all laws, including environmental protection laws, during the supply of goods, works or services to Council.
- j) Suppliers and contractors are expected to be aware of risk management and legislative requirements and consider these when preparing quotations or tenders for Council.
- k) Suppliers and contractors must have all appropriate insurance policies in place at all times during the period of supply of goods, works or services to Council.

## **6. Competitiveness**

- a) Innovation is key to Council continuing as a viable competitive organisation over time. Suppliers are an important source of innovation and procurement activities should support adopting innovation from suppliers.
- b) Council must ensure that all potential contractors or suppliers are afforded an equal opportunity to compete for all goods, works or services purchased or procured by Council.
- c) Council must not engage in practices that are anti-competitive or engage in any form of collusive practice.
- d) Council will use competitive processes to the greatest extent possible in its purchasing and procurement activities, even where competitive processes are not mandated at law.

## **7. Procurement Delegations**

All staff are required to adhere to the Procurement Delegations as set out in the Procurement Procedures.

## **8. Quotation Exemptions**

All staff must adhere to the Quotation Exemptions as set out in the Procurement Procedures.

## **9. Tenders**

The Local Government Act 1993 and the Local Government (General) Regulation 2005 provide the main legislative framework for the Uralla Shire Council to procure goods and services.

The Act clearly differentiates procurement with expenditure less than the tender threshold (which is currently \$250,000 including GST) to procurement with expenditure equal to or greater than the tender threshold.

If in accordance with the Act, council is obliged to invite tenders for a contract with expenditure equal to or in excess of the tender threshold, the accompanying Local Government (General) Regulation 2005 sets out the procedural requirements for the tender, including choice of tendering methods.

## **5. RESPONSIBILITY**

The Corporate Services and Finance Directorates are responsible for the day to day management of governance and financial policy and practice at Uralla Shire Council.