

# Procurement and Disposal Policy

## Purpose

Yass Valley Council is committed to effective, efficient, economical and sustainable procurement policies and procedures to ensure that goods and services (including consultancies) are of high quality, sufficient and fit for purpose. They also ensure we obtain the best value for money for Council, our residents and ratepayers when procuring goods or disposing of goods and/or services.

## Policy Objective

To document clear guiding principles for the procurement and disposal of goods and services which:

- ensure best value for money and cost effectiveness
- consider sustainability using quadruple bottom line principles
- meet the needs of the community
- promote good management practices
- ensure transparency and probity
- support the local economy, and
- ensure legislative compliance, including WH&S and hazard identification.

## Scope

This policy applies to all procurement and disposal activities including complex contracts and *ad hoc* low value purchases.

## Definitions

Term	Meaning
<b>Procurement</b>	Deals with the identification of needs, sourcing activities, negotiation and the strategic selection of goods and services that are of importance to an organisation. It involves selecting vendors, establishing payment terms, strategic vetting, selection, negotiation of contracts, the actual purchasing of goods and services, and post-contract activities such as contract and supplier management. That is, procurement covers all the activities involved in acquiring the goods and services that are vital to Council.
<b>Purchasing</b>	A subset of procurement. Purchasing refers simply to the transactional processes of buying goods or services, including receiving and payment."
<b>Disposal</b>	The actions taken to effectively dispose of assets, whether in whole or in part, by one or more transactions or arrangements.
<b>Sale</b>	A transaction where the ownership of an asset is exchanged for a price.
<b>Asset</b>	An item owned by Council, regarded as having value. For the purpose of this policy real property is excluded.

## Definitions (*Continued*)

Term	Meaning
Quadruple Bottom Line	A framework to evaluate across four pillars: economic, environmental, social and governance.

## 1. Policy Provisions

### 1.1 Transparency and Fairness

Open and effective competition is to be achieved by ensuring that activities are visible to the Council, community and persons seeking to do business with the Council by ensuring:

- there is no bias or favouritism
- competition is encouraged, and persons seeking to do business with the Council are provided with reasonable opportunity to submit quotations and offers
- Council officers responsible for procurement maintain their independence and act in accordance with Council's Code of Conduct
- that all conflicts of interest, real or perceived, are declared and managed, and
- compliance with Council's Statement of Business Ethics and other relevant Council policies/procedures.

### 1.2 Exclusions

Not all aspects of this policy will apply to the procurement:

- of legal or ongoing consulting services, as determined by the General Manager, in instances where it is necessary for service providers to have an ongoing knowledge of the affairs of Council in order to provide an effective and informed service
- from other Government agencies, including Local Government Procurement, or
- under a NSW State purchasing/contracting arrangement.

### 1.3 Selection Criteria

Technical criteria will be developed to enable the proper consideration of the following:

- Value for money
- Capability, experience and reputation of the organisation
- Work Health and Safety considerations
- Sustainability
- Local content/supplier
- Indigenous supplier
- Quality assurance

Further information about each selection criteria is provided below.

### 1.4 Financial Limits

Procurement of all goods, material, equipment, works and services by staff shall occur with the appropriate financial delegation with the following number of quotations:

Value (including GST)	Minimum No.	Type
< \$1,000	1	Verbal
\$1,000 - \$20,000	2	Written
\$20,000 - \$50,000	2	Written - written specifications required
\$50,000 - \$250,000	3	Written - written specifications required
>\$250,000	Tender	Complete tender suite of documentation

For purchases under \$1,000, the sighting of a price tag or online price is deemed to represent a quotation by the supplier. The officer responsible for the purchase must be able to demonstrate that the amount paid represents value for money.

When undertaking any procurement, staff may source quotations in addition to the requirements of this Policy. The thresholds listed above should be considered the minimum requirements.

Council staff must ensure approval is obtained for the full value of any procurement. Where a cumulative spend is anticipated to exceed \$250,000 (including GST) in any one financial year, a tender process must be undertaken.

Any deliberate action to avoid procurement thresholds set out at 1.4 may result in disciplinary action.

## 2. Expressions of Interest

All EOI's are conducted in the same way as tenders, following the principles of Section 55 of the Local Government Act 1993 and the Local Government (General) Regulation 2005.

- Approval from a Director must be obtained to use an EOI process.
- Expressions of Interest are called to:
  - Identify an unknown market
  - Allow the market to suggest possible means of delivery for incorporation into a detailed specification.
  - Shortlist prospective bidders who are most capable of completing the required contract.
  - Minimise time, effort and cost for all parties in preparing complex submissions.
  - Establish a panel of Contractors to be engaged in low value procurements over a period of time

## 3. Tendering

Tenders must be called when the cumulative value of works is expected to be in excess of \$250,000 (including GST). The tender process may also be used in other circumstances for works of a lesser value where it is determined that it would be an effective method of procurement. Council approval must be sought for all tenders in accordance with the Local Government Act and Regulations.

## 4. Variations to Compliance

Where it is not practical or possible to adhere to this policy (e.g. emergency situations, unable to source the required number of quotations), the reasons for such variance will be documented and the approval to proceed with the procurement must be authorised by the General Manager or the relevant Director. Significant variations to the Policy should be reported to Council. Council is not able to vary the requirements for tendering as outlined in the *NSW Local Government Act 1993*.

## 5. Sustainability

Environmentally preferred products shall be favoured whenever they achieve the same function and value for money outcomes.

## **6. Assessment of Submissions**

### **6.1 Value for money**

Value for money is determined over the lifecycle of the goods or services being procured. The lowest price for goods or services does not mean they will represent the best value for money.

Consideration must be given to the actual or estimated cost over the lifecycle of the goods or services.

The providers of the goods or services must have had equal opportunity to clarify what is being sought, so that pricing can be compared fairly.

Documentation provided by a prospective supplier must be clear and concise. If it is not it may be difficult to assess whether the proposal represents good value for money.

Previous performance of prospective suppliers should be investigated. Referee checks from previous suppliers may provide an insight into whether the prospective supplier has a reputation for delivering value for money goods and/or services.

### **6.2 Capability, experience and reputation**

The capability, experience and reputation of a prospective supplier should be assessed.

Consideration should be given to the strength of the market and how easy it is for a potential supplier to enter into the market for the goods or services being provided.

The reputation of the prospective supplier should be considered, and whether the prospective supplier has a reputation to protect.

Consideration should be given to whether the prospective supplier has previously delivered the same or similar goods or services.

In addition to referee checks Australian Business Number (ABN) and Australian Company Number (ACN) checks should be conducted to verify the legitimacy of the business.

Checks of the Directors of the prospective supplier should be conducted to determine whether the key officeholders have been involved in phoenix activities.

### **6.3 Health and Safety**

Documentation provided by a prospective supplier of goods or services should, where appropriate, contain information which indicates willingness to comply with all applicable work health and safety requirements. Enquiries should be made with referees about the prospective suppliers' reputation in terms of health and safety matters.

The documentation should indicate that sufficient staff and other resources will be allocated to do the work safely.

The documentation should demonstrate that the prospective supplier can deliver the goods and/or services in a way that is compliant with WHS requirements for the price quoted.

### **6.4 Sustainability**

Consideration should be given to a number of factors when considering the sustainability of the procurement activity. The factors, also known as the quadruple bottom line, assist in determining the sustainability of the procurement.

Economic factors to be considered are the whole of life economic impact of the procurement.

Environmental factors to consider are the impact of production, manufacture, installation, operation and disposal of the goods and/or services procured.

Social factors include the ethical implications of using a prospective supplier and should extend to whether the goods are manufactured in a socially and ethically responsible way.

Governance factors to be considered will be how Council will apply good governance to procurement and how the prospective supplier will ensure good governance throughout the engagement.

### **6.5 Aboriginal and Torres Strait Islander procurement**

Council is committed to working with the Aboriginal and Torres Strait Islander community, as to do so increases employment opportunities and economic development.

Consideration must be given to whether the prospective supplier is an Aboriginal or Torres Strait Islander business.

For the purpose of this policy an Aboriginal or Torres Strait Islander business is a business which is 50% or more owned by Aboriginal or Torres Strait Islander people.

### **6.6 Quality Assurance**

Consideration should be given to whether the supplier have a quality assurance certification under Australian and New Zealand Standards/International Standard Organisation 9001:2000.

In some procurement activities it may be appropriate to require certification under AS/NZS ISO 9001:2000.

### **6.7 Local Preference**

Council recognises local content has a positive impact on the local economy.

When a prospective supplier should clearly document whether they are a local business or whether they will use local content. Prospective suppliers should indicate the level of local content that will be used.

Consideration must be given to whether the claim is reasonable.

Consideration should be given to the weighting of the criteria depending on the nature of the procurement activity.

### **6.8 Tender Panels**

A Tender Panel will be formed to evaluate all tenders and related EOI responses and will consist of at least three representatives. At least one panel member should be independent of the area undertaking the procurement. The responsible manager will select the Tender Panel representatives depending on the type of goods and services to be procured.

The responsible manager will assist the Tender Panel by determining the weightings for the assessment criteria listed above.

The Tender Panel will assess each tender against the selection criteria to determine a ranking for each tender.

If the overall assessment results in more than one supplier being ranked equally, the supplier with the highest score for local content will be the preferred submission, quote or supplier.

A Tender Evaluation Report will be prepared by the Tender Panel which will contain a recommendation.

The Tender Evaluation Report will be passed to the appropriate delegate, or submitted to Council, for a final decision.

## **7. Delegations**

The General Manager, Directors and other identified staff have financial delegations to enable them to authorise procurements within the limits of their individual financial delegations.

Staff with delegations will make themselves aware of the limits of their delegation.

Responsible managers will ensure they have the delegated authority to undertake a procurement activity. If they do not they must refer the decision making process to a person with the appropriate delegated authority.

Where a tender has a value of more than \$250,000 the approving authority is Council, and a report must be prepared for consideration.

## **8. Documentation**

### **8.1 Purchase Orders**

A purchase order is to be raised for each relevant procurement. The purchase order commits the approved expenditure in the finance system and assists with budgeting.

The purchase order will be raised for the expected value of the procurement, at the time of procurement.

Council will issue a purchase order document to the supplier to assist Council reconcile invoices received.

## **9. Statutory Reporting Compliance**

### **9.1 Contract Register**

Council is required to maintain a contract register, and make certain information available to members of the public by publishing the register.

Contracts with an estimated value of more than \$150,000 must be included in the register.

Special arrangements apply for high value contracts and contracts spanning multiple years. Advice must be sought from the Governance Business Unit to ensure the reporting requirements are met by Council.

## **10. Contract Management**

All contracts entered into by Council will be monitored and managed by Council staff to ensure, as far as possible, the goods or services are delivered on time and to an acceptable quality.

Council staff will attend Council liaison meetings to provide feedback to contractors in accordance with contract requirements.

## **11. Use of Panel Arrangements**

Council will consider utilising pre-approved supply arrangements coordinated by organisations prescribed under s 55 of the *Local Government Act 1993*.

The use of those arrangements enables Council to access goods or services without having to conduct a tender process in its own right. Accessing suppliers from a panel arrangement such as this may result in financial savings in terms of the cost of conducting a tender process and time savings in as much as Council may be able to engage a prospective supplier in less time than would be possible if a tender process is conducted.

## **12. Asset Registration**

Items obtained through a procurement process are considered assets of Council. All assets must be placed on the appropriate asset register.

## **13. Life Cycle considerations**

Staff engaging in a procurement process will consider the lifecycle of the goods they are procuring. It is relevant for staff to consider the effective life of goods procured. It is also relevant for staff undertaking a procurement process to consider maintenance costs over the effective life of the goods being procured.

## 14. Disposal of assets (minor/valuable)

### 14.1 Considerations

Minor assets owned by Council may be disposed of under certain circumstances. A decision to dispose of an asset must be based on one or more of the following circumstances:

- Reached the end of effective life
- Surplus to requirements
- Under-utilised
- Not fit for purpose
- Unserviceable
- Does not meet legislative requirements

Prior to disposing of an asset the following factors should be considered:

- Other uses (a reasonable effort should be made to determine whether another Business Unit has a need for the asset)
- Hazardous material (are there any special requirements that need to be met to dispose of the asset)
- Conflict of Interest (the Council staff involved in disposing of the asset do not have a conflict of interest)
- Identifying marks (can all Council identifying marks, including logos, be removed?)
- Associated material (can confidential material be removed, can licenced software be removed?)
- The method that is most likely to provide Council with a fair financial return considering the condition of the asset.

### 14.2 Methods of Disposal

As a general principle, disposal of assets is to be undertaken to obtain a reasonable return for Council using a fair and transparent process.

Authorised disposal methods are:

- Public Tender (conducted in accordance with the same principles as Council's tendering Policy);
- Public Auction (maximises opportunity for public participation);
- Expressions of Interest/Quotations (conducted in accordance with the same principles as Council's Purchasing Policy);
- Trade In (must be based on a clear analysis of the benefits of the trade in as opposed to separate sale of surplus goods);
- Writing off the Value of the Goods (where the goods are deemed to have no value; are beyond economical repair or the disposal cost is higher than the likely return.)

### 14.3 Assets with value under \$1,000

The method of disposal for items with a value of under \$1,000 shall be at the discretion of the appropriate Director.

Council staff are to ensure that they determine the most appropriate method of disposing of these assets, considering the potential risks of corruption, and that the process is documented.

### 14.4 Assets used by Councillors

Should a Councillor wish to keep assets allocated by Council the process described in *Councillor Expenses and Facilities Policy* is to be followed.

## 15. Responsibilities & Review

### Employees:

- Must not commit Council to any expenditure in contradiction of this policy.
- Must not commit Council to any expenditure that is beyond the financial delegation that applies to their role.
- Must seek Director approval for use of an EOI.

### Unit Managers and Coordinators:

- Are responsible for compliance with this policy within the area of their responsibility.

### Directors:

- May approve the use of an EOI for procurement.

The Chief Financial Officer:

Provide all necessary administrative support for the operation of this policy

- Develop and document any procedures for the effective implementation of this policy
- Keep sufficient records to enable monitoring of compliance with this policy and provide information required for Integrated Planning and Reporting purposes and internal organisational performance measurement.
- Review this policy during each term of Council. The next review date is 2024.

## References

This policy is to be read in conjunction with the following:

<b>Legislation</b>	<i>Local Government Act 1993</i>
	<i>Local Government (General) Regulations 2005 – Sect 7 Tendering</i>
	Council Code of Conduct
	Delegations Register
	OLG – Tendering Guidelines for NSW Local Government – October 2009
	GOV-POL-5 Statement of Business Ethics
	<i>Public Sector Management (Goods and Services) Regulation 2000</i>
<b>Policies and procedures</b>	FM-OP-52 Purchasing Guidelines

## Approval History

Stage	Date	Comment	MagiQ Reference
Original	25 August 2010	Adopted at Council Meeting	Min 334
Reviewed	25 July 2012	Adopted at Council Meeting	Min 336
Reviewed	25 March 2015	Adopted at Council Meeting	Min 376
Reviewed	26 September 2018	Adopted at Council Meeting	Min 207
Reviewed	26 August 2019	Adopted at Council Meeting	Min 188 Magiq 337862
Reviewed	1 December 2021	Adopted at Council Meeting	Min 272 MagiQ 479116

## Ownership and Approval

Responsibility	Role
Author	Financial Accountant
Owner	Chief Financial Officer
Endorser	EMT
Approver	Council