

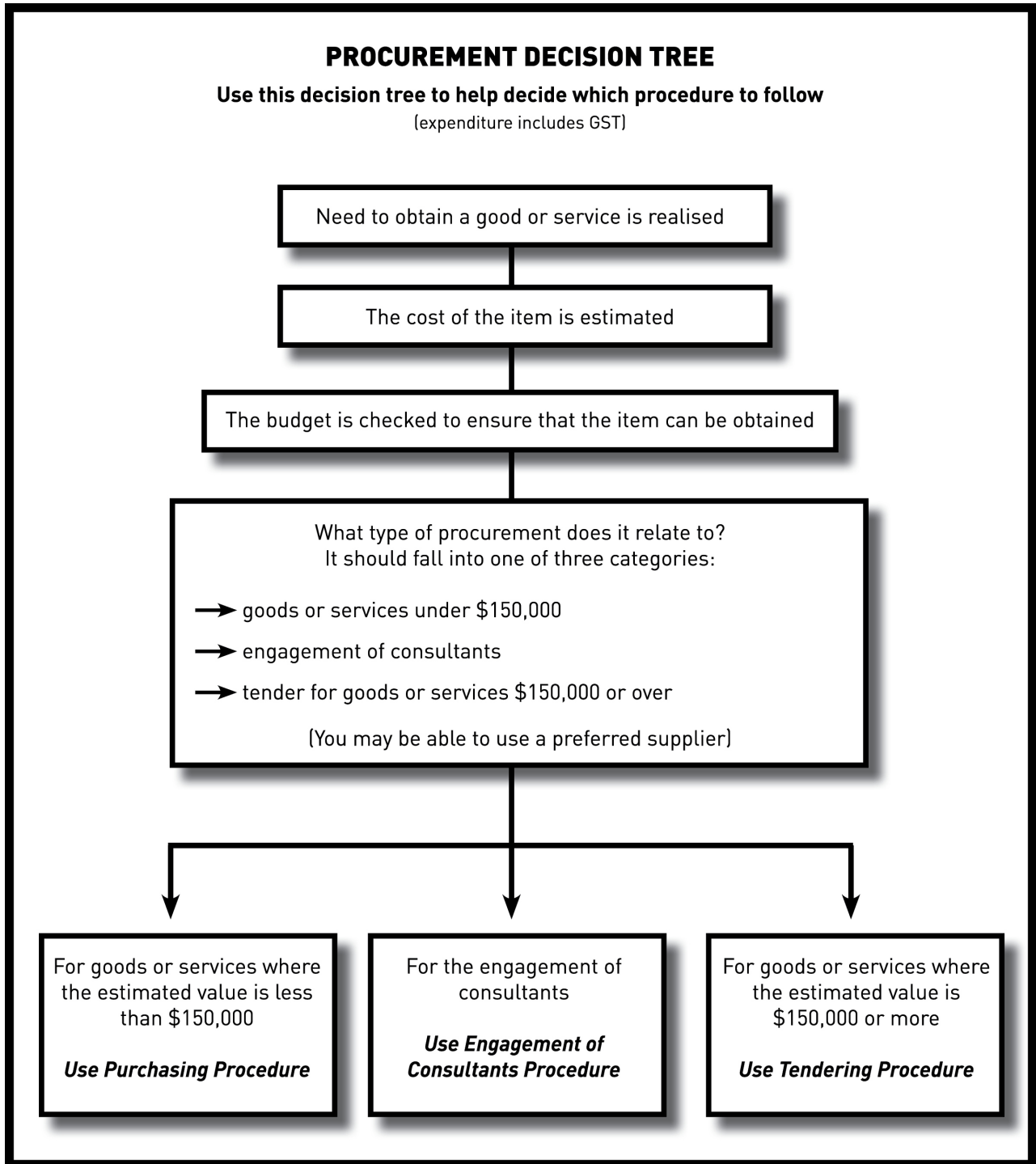


# Ku-ring-gai Council

PROCUREMENT MANAGEMENT

## Procurement Policy

October 2009



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<b>Version</b>	<b>Effective date</b>	<b>Summary of changes</b>			
1.0	December 2004	Original Purchasing Policy and Procedures Manual			
2.0	21/10/09	Major review			

## 1. Purpose

The purpose of this policy is to ensure that the procurement of goods and services by Ku-ring-gai Council is undertaken in compliance with all legislative requirements and Council's procurement principles.

This Policy applies to the purchase of goods and services from external organisations.

## 2. Objectives

The objectives of this policy are:

- to ensure that Council complies with the requirements of the *Local Government Act 1993*, the *Local Government (General) Regulation 2005* and all related legislation in the procurement of goods and services
- to ensure that Council has procurement practices that meet the highest levels of public accountability
- to define a consistent procurement framework that is understood by staff and suppliers and assists in achieving the most advantageous procurement and pricing conditions
- to overcome duplication of effort and research throughout the organisation.

## 3. Policy statement

Ku-ring-gai Council will follow the principles of economy, equity, efficiency and environmental sustainability when procuring goods and services.

## 4. Procurement principles

There are four principles that apply to the procurement of goods and services by Council. They are:

1. **the Economy principle** - the need to obtain the best possible value for public money
2. **the Equity principle** - the need for fairness and impartiality in all stages of the procurement process

3. **the Efficiency principle** - the need to have a superior procurement system that eliminates waste and rework
4. **the Environmental Sustainability principle** - the need to have a procurement system that will result in high quality environmental outcomes.

**Under the Economy principle** getting best value for money means considering all factors relevant to a particular purchase. Although price is particularly important, consideration must also be given to whole of life costs and non-price factors such as quality, reliability, product safety, delivery time, ongoing service and support. When procuring services, other factors such as experience, qualifications of personnel, knowledge of Council's needs and previous work performance are also important. Value for money does not necessarily mean lowest price. However the lowest price might offer the best value if it meets other essentials such as quality and reliability.

Value for money will be pursued through fair and effective competition. Other things being equal, the extent of competition sought by Council will be consistent with the financial value of the procurement, with higher value cases normally subject to open invitations to quote, bid or tender.

**Under the Equity principle** impartiality means endeavouring to be objective and even handed in making assessments against predetermined criteria. The skill, knowledge and responsibility of the staff involved in the procurement process will be appropriate to the nature, complexity and magnitude of the procurement.

Council will act fairly. The process of inviting and assessing quotations, bids and tenders will safeguard against favouritism, improper practices and opportunities for corruption. Private interests will not be allowed to influence decisions about procurement. Staff will be aware of their responsibilities and will be accountable for their actions and decisions. Written records will be kept including the reasons for selecting or rejecting quotations, bids and tenders.

**Under the Efficiency principle** Council will have in place documented procurement procedures to ensure that there are consistent processes aimed at the efficient procurement of goods and services. Where procurement procedures are complex, as occurs with some tendering, mentors will be assigned to assist and guide staff through all stages of the process.

**Under the Environmental Sustainability principle** Council will give appropriate consideration in the circumstances to:

- protection of natural resources such as soil, vegetation, water, air quality
- rare or threatened flora or fauna/biodiversity
- efficient energy usage
- efficient use of renewable resources
- effective waste management, minimisation and recycling
- restoration of damaged areas of the natural environment
- contributions to the reduction in greenhouse gases
- restoration of damaged areas of the built environment.

As a consequence Council supports the following standards of behaviour and ethics which are based on those developed for procurement and tendering activities by all NSW State Government agencies. Council requires its suppliers, contractors and tenderers to behave in accordance with these standards at all times.

**Honesty and fairness** – Council conducts all procurement and business relationships with honesty, fairness and probity at all levels. Council will not disclose confidential or proprietary information.

**Accountability and transparency** – Council shall ensure that the process for awarding contracts is open, clear, fully documented and defensible.

**Consistency** – Council shall ensure consistency in all stages of a procurement process. For example, conditions of tendering shall be the same for each tenderer on any particular tender; all requirements shall be clearly specified in the tender documents and criteria for evaluation shall be clearly indicated; all potential tenderers shall be given the same information; and the evaluation of tenders shall be based on the conditions of tendering and selection criteria as defined in the tender documents.

**No conflict of interests** – A council official with a potential conflict of interests shall address that conflict without delay.

**Rule of law** – Council shall comply with all legal obligations. These include the provisions of the *Local Government Act 1993* and the *Local Government (General) Regulation 2005*.

**No anti-competitive practices** – Council shall not engage in practices that are anti-competitive nor engage in any form of collusive practice.

**No improper advantage** – Council shall not engage in any practices that aim to give a potential tenderer an advantage over others.

**Intention to proceed** – Council shall not invite quotations, bids or tenders without a firm intention and capacity to proceed with a contract, including having funds available.

**Co-operation** – Council shall encourage business relationships based on open and effective communication, respect and trust and adopt a non adversarial approach to dispute resolution.

**Commitment to safety and risk management** – Council shall ensure the safety and welfare of others through a commitment to occupational health and safety and general public safety with appropriate management of risks.

Council has a *Statement of Business Ethics* made available to all potential and existing suppliers, contractors and tenderers. The Statement is also on Council's website.

In summary Council strives to:

- buy goods and services at the required standard and at the best possible prices
- give all suppliers a real opportunity to do business with Council
- be highly efficient in the procurement of goods and services
- buy goods and services that minimise the impact on the environment.

Council will make use of Commonwealth Government, State Government, Local Government Procurement (LGP), Northern Sydney Regional Organisation of Councils (NSROC) and other preferred supplier contracts to which it has access. Such contracts remove obligations to invite quotations, bids and tenders in certain circumstances.

## **5. Legislative framework**

The procurement of goods and services is governed mainly by the following:

- *Local Government Act 1993* – particularly section 55 dealing with the calling of tenders; section 422(5) deals with appointment of Auditors by tender
- *Local Government (General) Regulation 2005* – particularly clauses 163 to 179 dealing with the calling of tenders and clauses 209 and 211 dealing with financial management and authorisation of expenditure.

Of relevance also is:

- *Freedom of Information Act 1989* – in relation to the protection given to commercially sensitive material
- *Privacy and Personal Information Protection Act 1998* – in relation to the protection given to personal information
- *Health Records and Information Privacy Act 2002* – in relation to the protection given to health information.

## 6. Companion procedures

Council has procedures that guide staff in procurement processes. These procedures must be used and complied with by staff.

The particular procedure to be followed will be governed by the type of good or service to be obtained and the estimated cost of the procurement.

As a consequence there are, in addition to this policy, three companion procedures that make up the suite of Council's procurement documents. They are:

- **Purchasing Procedure.** This is applicable to the purchase of goods or services where the estimated value of purchase is less than \$150,000, including GST.
- **Engagement of Consultants Procedure.** This is applicable to the engagement of consultants.
- **Tendering Procedure.** This is applicable where the estimated value of purchase is \$150,000 or more, including GST (although can also be used where the estimated value is less than this).

A Procurement Decision Tree is included in this policy and in each of the procedures to assist staff in determining the appropriate procedure to be followed.

Order splitting, or the otherwise breaking down of a procurement process intentionally so as to avoid compliance with the policy and procedures, is not permitted and may be a breach of the *Code of Conduct*.

## 7. Related codes and policies

The following documents are of relevance to procurement and must be considered when dealing with procurement issues:

**Code of Conduct.** This code sets the minimum requirements of conduct for council officials in the carrying out of their functions.

**Conflict of Interests Policy.** This policy explains pecuniary and non-pecuniary conflict of interests and how they should be managed in the public interest.

**Gifts and Benefits Policy.** This policy explains gifts and benefits and how council officials need to deal with them to avoid being compromised or appearing to be compromised.

**Statement of Business Ethics.** This statement provides ethical guidance to individuals, organisations and companies that are in, or proposing to be in, a business relationship with Council. It sets out the standards of ethical behaviour that will be followed by staff and what is expected from others in all Council business dealings.

**Councillor Access to Information and Interaction with Staff Policy.** This policy deals with the different roles undertaken by Councillors and staff in all aspects of Council's operations including procurement.

**Sponsorship Policy.** This policy outlines the principles applying to sponsorship negotiation and implementation and outlines the mechanisms used to obtain and grant sponsorships.

**Privacy Management Plan.** This plan explains how Council handles personal and health information and the obligations of contractors who have access to such information.

**Human Resources policies.** All relevant human resource policies such as those dealing with anti-discrimination, equal employment opportunity and occupational health and safety must be complied with by contractors, in particular the *Contractor OHS and Environmental Risk Management Procedures*.

**Internal Reporting Policy - Protected Disclosures.** This policy encourages the reporting of serious breaches of policies and procedures that may amount to corrupt conduct, maladministration or a serious and substantial waste of public money and provides protection from reprisal action.

## **8. Support for staff**

Within the Finance Section of the Corporate Department there is a Procurement Team available to coordinate procurement processes and give assistance and support to all staff involved in these processes.

Staff will be given training in procurement as required.



## **9. Associated external references**

*Department of Commerce, NSW Procurement website, [www.nswprocurement.com.au](http://www.nswprocurement.com.au)*

*Independent Commission Against Corruption, Managing Risk: Reducing corruption risks in local government, checklist and related documents, September 2001*

*Local Government and Shires Associations of NSW, Local Government Procurement website, [www.lgp.org.au](http://www.lgp.org.au)*

*Local Government Managers Australia, New South Wales, Local Government Good Practice Toolkit website, Procurement Module, [www.lgtoolkit.com.au](http://www.lgtoolkit.com.au)*