

Illawarra Shoalhaven Joint Organisation Policy Manual

Procurement Policy



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| Document Name: | Procurement Policy | Author: | Roger Stephan (Update) | Approved by: | Chief Executive Officer |
| Date: | 7 August 2023 | Review Date | Annually by CEO | Doc ID: | |
| Version: | 1 | Amendment notes: | 2020 policy reviewed and updated | | |

1. Purpose

This policy has been developed to provide guidelines and procedures and define ISJO's procurement procedures including purchasing, credit cards, tendering, contract management, payments and asset disposal relating to the acquisition and use of goods and services.

Procurement is a function that is high risk in terms of probity considerations, ethical requirements and legislative/statutory compliance. It is therefore subject to tight rules and processes. Successful procurement provides great opportunities to use the community's money wisely and to deliver much needed goods and services in a financially, environmentally and socially sustainable way.

All staff must comply with this policy and must be able to demonstrate through training or certification that they can address all the principles within the policy and procedures that support it.

2. Objective

The main objectives of this policy are to:

- Provide a procurement framework that manages risk and provides for the safety of staff officers, business partners and the community
- Ensure that acquisition planning and supplier evaluation is clearly linked to ISJO's strategic directions and is supported by efficient and effective contract management and evaluation
- Provide clarity in terms of accountabilities as well as guidance for staff engaged in purchasing, use of credit cards, tendering, contract management, payments and asset disposal relating to the acquisition and use of goods and services.

ISJO's procurement processes are intended to ensure best value for money for the members and provide:

- A safe working environment for all staff, suppliers, contractors, volunteers and visitors
- Ethical business dealings, meeting high standards of probity
- Sustainable work practices and minimal environmental impact
- Open and effective competition
- Management of formal contractual arrangements between Council and suppliers, and
- Compliance with statutory and other guidelines and requirements in regard, for example, to Modern Slavery risk assessment.

3. Policy Statement

This policy aims to comply with all legislative and risk management requirements.

4. Scope

This policy applies to all members of ISJO staff as well as Board members and all consultants, contractors, temporary or casual employees who are involved in any procurement process.

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This policy applies to all procurement and contract activities undertaken by the ISJO, including but not limited to:

- Petty Cash
- Credit Cards
- Purchasing
- Requisitions
- Purchase Orders
- Tendering
- Contract Management
- Payments
- Expression of Interests (EOI)
- Quotations (Formal and Informal)
- Receipting
- Asset Disposals

5. Procedures

5.1. Introduction

This document identifies the procedures governing the roles, responsibilities, authority and processes relating to the procurement of goods and services.

All staff must comply with and apply the principles outlined in this document to ensure that all procurement activities are conducted ethically and consistently and represent best value for money.

The following requirements apply to all methods of procurement of goods and services:

- a) Items available from ISJO's internal supply services must be obtained from these service areas
- b) A transaction must not be "split" to avoid exceeding the Delegated Authority limits or to avoid the implications of Quotation and Tendering provisions
- c) Active suppliers registered should be used whenever possible
- d) Procurement expenditure must be contained within available budget.

5.2. Exemption to Deviate from Procurement Procedures

It is recognised that from time to time there are specific issues that make it onerous or impractical to always comply with the Procurement Policy in full. The following situations may require some flexibility and exemption:

- a) Inability to request or receive the required minimum number of quotations for the value of the acquisition
- b) Required goods or services are only available from one source

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- c) An item is a component of equipment in service and obtainable only from the manufacturer of the original equipment
- d) An item must be compatible with existing equipment for reasons of satisfactory operation, staff training already carried out, prior investment in spares and maintenance facilities or documentation
- e) Only one supplier has the necessary expertise or facilities for supply of the equipment with backup support and warranty
- f) A limited increase in quantity is required to an item already being supplied or manufactured
- g) Time and cost of preparing a specification is impractical
- h) Urgency of the requirement precludes normal purchasing action
- i) Banking, financial or legal services
- j) Short term (up to three months) consulting projects of a nature that do not lend themselves to requesting the required minimum number of quotations due to access to specialised suppliers with skills and knowledge; and
- k) An existing supply contract cannot be used for a specific purchase.

Approval must be sought in advance of any procurement from the Finance and Administration Coordinator for exemptions. Any approval must be documented by email, copied to the CEO and filed in the relevant folder in Administration / Finance.

5.3. Buy Local Preference

The ISJO's Buy Local Preference Policy has been formulated on the basis that a stronger region benefits local economies and hence preference is given to developing a broad, regional based procurement strategy.

There are a number of benefits from a local preference policy including:

- retaining local government spend (and its expansive multiplier effects) within the local area
- supporting local businesses, employers and employees
- encouraging businesses to relocate/establish in the area
- creating jobs in the local area and helping reduce unemployment
- investing in the local community
- shorter supply chains and greater predictability of delivery times and lower cost, and
- growing a prosperous economy and increasing Gross Regional Product.

The following specific measures are in place to assist local businesses to obtain business from the ISJO:

1. Quotations: The ISJO will give preference to a local supplier if the assessment of all selection criteria is otherwise equal.
2. Tenders: A 5% weighted criteria for strengthening of local economic capacity is to be included in all tenders.

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For all tenders, a local supplier is defined as a business that has a permanent office and permanent staff in the Illawarra Shoalhaven region. The following five criteria must be considered:

1. An existing legitimate business premises in the region
2. Locally sourced materials (grown, manufactured, assembled, made within the region) specific to the contract
3. Locally sourced services as a result of the contract (e.g. maintenance)
4. Locally sourced labour (people domiciled with the region) either sub contractors or employees, and
5. Locally sourced labour and materials from business premises in region.

6. Contracted Goods and Services

6.1 ISJO Supply Contracts

Supply contracts exist for some goods and services commonly purchased by ISJO. The research and selection of these suppliers is undertaken through a quotation or tender processes.

If an ISJO contract has been awarded to a panel of suppliers, quotations should be sought from the panel suppliers for goods or services required.

A completed Exemption to Deviate from Procurement Policy and Procedures must be attached to an order in the Financial Management Information System (FMIS) if applicable. Our FMIS is currently TechOne (OneCouncil).

Wherever goods and services are obtained on a regular basis in reasonable volume supply contracts should be established.

6.2 Purchasing Thresholds

Procurement of goods or services through the decentralised procurement processes must be conducted through a controlled process that reflects the risk profile of the purchase. Procedures have been developed based on purchasing thresholds (dollar limits) that would normally provide appropriate controls, however, if there are other risks assessed in relation to a purchase, higher level controls should be used. As the thresholds are based on price, other risk issues that may be considered would include:

1. WHS requirements
2. WHS Restricted goods and services
3. Dangerous goods and services
4. Environmental Sustainability.

The following purchasing thresholds (dollar limits) apply to the purchase of goods and services unless specifically exempted by other Clauses in the Procurement Policy and Procedures (Note: Purchasing limits are inclusive of GST).

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| Order Value | Requirements |
|---|--|
| For goods and/or services up to \$1,000 (including GST) | No formal quotation required. Buy to best advantage |
| For goods and/or services \$1,001 - \$5,000 (including GST) | Minimum of 1 written quotation |
| For goods and/or services \$5,001 to \$10,000 (including GST) | Minimum of 2 written quotations |
| For goods and/or services \$10,001 to \$50,000 (including GST) | Minimum of 3 written quotations |
| For goods and/or services \$50,001 to \$250,000 (including GST) | Minimum of 3 written quotations. In almost all instances a formal RFQ/RFT/EOI should also be undertaken. Approval to not undertake a formal RFQ/RFT/EOI must be obtained prior to the procurement process from the CEO |
| For goods and/or services over \$250,000 (including GST). | Tenders must be invited in accordance with the legal requirements of the Local Government Act 1993 |

6.3 Financial Delegations

| ISJO Position | Delegation Limit |
|---|------------------|
| All positions other than Coordinator, Manager and CEO | \$1,000 |
| Coordinators and Managers | \$5,000 |
| CEO | \$100,000 |

Note: The financial delegation limits above apply in all instances including when a corporate credit card is used.

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