

Illawarra Shoalhaven Joint Organisation Policy Manual

Procurement Policy



1.0 Purpose

The aim of this document is to clearly establish the Joint Organisation's policy and procedure relating to the procurement of goods and services.

2.0 Objectives

The ISJO operates within the framework of sound financial management practices established under the *Local Government Act 1993* and *Regulations*. These principles include responsible and sustainable spending and consideration of social justice principles.

The objectives of the ISJO's Procurement Policy are to:

- ensure that the ISJO's procurement practices comply with relevant legislation, are conducted with probity and transparency and ensure optimal value to the community and our Member Councils in the procurement of goods and services
- enable positive social, environmental and economic impacts through the ISJO's procurement activities in accordance with priorities established in its Operational Plan.

3.0 Scope

This policy applies to anyone who undertakes or is involved in procurement activities involving the Organisation.

The policy applies to all procurement processes and activities undertaken by The ISJO, including purchasing, ordering, quotations, tendering, contracting and disposals. This policy does not apply to the purchase, lease or disposal of land or real property.

4.0 Policy Statement

Throughout the procurement process the ISJO will:

- Comply with the requirements of the *Local Government Act (NSW) 1993* and *Regulations*
- Ensure the process is open, fair, transparent and consistent and in accordance with the ISJO's Code of Conduct and all other relevant policies and procedures
- Encourage competitive procurement of goods, works and services, giving preference to procurement that maximises social, environmental and economic benefits to our region's communities
- Consider sustainability outcomes across the entire lifecycle of the goods or services procured taking into account whole-of-life costs such as future operational costs, water and energy consumption, after sales service, warranty, safety, repair costs, spare parts, future re-sale and disposal
- Consider circular economy principles to minimise environmental impact, increase demand for recycled products and keep products and material in use longer
- Identify and manage risks, acknowledging procurement has inherent risks that need to be managed through comprehensive oversight and process
- Promote a culture of learning and continuous improvement in the ISJO's procurement practices
- Ensure segregation of duties in the requisitioning, approval and payment functions.

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5.0 PRINCIPLES FOR PROCUREMENT

5.1 Ethical Practice

ISJO officials are at all times required to conduct business that is ethical and of the highest integrity. This includes the following standards:

Legislative compliance	All procurement and tendering activities must comply with legal obligations including the requirements of the <i>NSW Local Government Act 1993</i> and <i>Local Government (General) Regulation 2021</i> , as well as the <i>Competition and Consumer Act 2010</i> and <i>Modern Slavery Act 2018</i> .
Honesty and fairness	ISJO officials must conduct all procurement and tendering with honesty, fairness and probity and must not disclose any confidential information.
Accountability and transparency	All procurement and tendering activities are to be undertaken through a process that is open, clear, documented and defensible
Consistency	Consistency is to be maintained throughout all stages of procurement and tendering processes
Declaration of conflicts of interest	Any conflicts of interest (actual or potential) during the procurement process must be declared and managed. For information regarding conflicts of interest refer to the ISJO's Code of Conduct, Fraud and Corruption Prevention Plan, Gifts and Benefits and related Policies
No anti-competitive practices	ISJO officials must not engage in practices that are anti-competitive or engage in any form of collusive practice
No improper advantage	ISJO officials must not engage in practices that aim to give any supplier an advantage over other suppliers
Intention to proceed	The procurement process must be undertaken with an intention to proceed with the purchase, including having funding available for the purchase
Cooperation	ISJO officials must encourage business relationships based on open and effective communication, respect and trust
Probity	All procurement and tendering activities will encourage competition and be open, fair, consistent and transparent in compliance with all applicable legislation and the ISJO's Code of Conduct and in accordance with ICAC Guidelines.
Modern Slavery	The ISJO will take reasonable steps to ensure the goods and services procured are not the product of modern slavery being any conduct occurring in the supply chain that involves the use of any form of slavery, servitude or forced labour to exploit a person

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Work Health and Safety	All procurement and tendering activities will ensure the protection of staff and other persons against harm to their health, safety and welfare through the elimination or minimisation of risks
Circular economy	All procurement and tendering activities will consider circular economy principles including use of recycled content, designing out waste and pollution and keeping products and material in use for longer

5.2 *Responsible financial management*

The principle of responsible financial management is to be applied to all procurement activities.

ISJO funds are to be used efficiently and effectively to procure goods, services and works and every attempt must be made to contain the cost of the procurement process without compromising any of the procurement principles set out in this policy.

5.2.1 *Value for money*

Procurement activities are to be carried out on the basis of value for money. This does not automatically mean the lowest price but rather minimising the total cost of ownership over the lifetime of the good or service consistent with acceptable quality, reliability, safety and delivery considerations.

Value for money factors include experience, reliability and reputation of supplier, after sales service and both upfront and ongoing costs.

Contracts will be sized and packaged with a view to maximising the economies available through the quotation / tender process and ensuring that the process provides real competition.

5.2.1 *Environmental sustainability and circular economy*

Procurement decisions will incorporate consideration of environmental sustainability impacts such as:

- Eliminating inefficiency and unnecessary resource consumption
- Minimising waste and maximise recycling and reuse
- Minimising pollution
- Avoiding toxic chemicals
- Saving water and energy
- Reducing greenhouse gases
- Further stimulating the demand for sustainable products.

Procurement decisions will also incorporate consideration of circular economy principles such as use of recycled content, designing out waste and pollution and keeping products and material in use for longer.

5.2.3 *Social inclusion*

The ISJO is committed to generating positive social benefits through its procurement practices.

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Procurement decisions should consider preferencing where appropriate and permissible under legislation:

- Suppliers established as disability employment organisations
- Suppliers that are creating opportunities for inclusion of people who have been excluded from work
- Suppliers that can demonstrate workforce diversity and inclusion
- Suppliers that are Aboriginal-owned businesses, as recognised by a suitable organisation such as Supply Nation of NSW Indigenous Chamber of Commerce.

5.2.4 Local preference

The ISJO is committed to fostering increased local economic capacity through its procurement processes, ensuring local small to medium size enterprises are provided with opportunities within the ISJO's procurement processes.

Procurement decisions should seek to include, where appropriate and permissible under legislation:

- Suppliers located within the Illawarra Shoalhaven Region
- Australian-made goods

The ISJO's preference is to source low cost goods or services locally and we will seek to request at least one quotation from a business located in our region when purchasing low cost goods and services.

The ISJO will give preference to local suppliers if assessment against selection criteria is equal / within tolerances and in formal tenders and quotations will ensure, when appropriate and possible, criteria are included for local economic benefit.

6.0 Key Responsibilities

CEO:

- Lead staff in their understanding of, and compliance with, this policy and associated procedures
- Approve resources to develop, implement and review this policy and supporting protocols and procedures
- Resolve tenders in accordance with level of delegated authority.

Management Team (excluding Finance and Administration Manager or equivalent position):

- Set an example for staff by complying with this Policy and associated procedures in relation to all procurement activities
- Communicate and enforce the principles of the Procurement Policy and associated procedures to staff.

Finance and Administration Manager (or equivalent position):

- Lead the management and implementation of this Procurement Policy and its associated procedures
- Maintain systems and processes for purchasing, tendering and contracts

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- Maintain oversight of strategic procurement of goods
- Procure goods as required for effective operations
- Provide probity advice.

ISJO staff:

- Ensure any procurement activities for which the staff member is responsible are undertaken in accordance with this Policy and its associated procedures
- Undertake purchasing and participate in tendering processes in accordance with their level of delegated authority
- Ensure they do not undertake order or job splitting to avoid compliance requirements
- Maintain all required records in the ISJO's corporate records system
- Report any suspected breaches of the policy.

Suppliers:

- Conduct business with the ISJO in an ethical manner as expressed in our Statement of Business Ethics
- Comply with all work health and safety requirements
- Comply with provisions pertaining to modern slavery
- Not lobby the ISJO Board or staff or seek favour or advantage pertaining to procurement activities
- Report any suspected inappropriate conduct of ISJO officials engaged in procurement processes.

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7.0 Procurement Requirements

All ISJO staff are responsible for implementing an appropriate procurement process based on the approximate value of the contract or goods, works or services required.

See Table 1 below.

The CEO has discretion to vary the process in writing as required (up to \$249,999).

Suppliers contracted under ISJO panels, joint regional arrangements and prescribed organisations should be considered prior to undertaking procurement processes.

Table 1 - Procurement Requirements

Purchase Value including GST	Process	Quotation Type
\$0 - \$5,000	Purchase Order / Purchasing Card	Not Applicable
\$5,001 - \$24,999	1 x Formal quotation	Written quotation
\$25,000 - \$99,999	2 x Formal quotations	Written quotation
\$100,000 - \$249,999	3 x Formal quotations with specification (Selected / Open)	<ul style="list-style-type: none"> Selected provider process - written quotation Open provider process - written quotation as specified in "request for quotation" documentation. Formal tender for works / services
\$250,000 and above	Prescribed agency purchase or tender in accordance <i>Local Government Act (NSW) 1993</i> and regulations	Formal Tender Process or approved exemption

7.1 Quotations

The assessment of quotations will be objective, consistent, documented, transparent and undertaken in accordance with the ISJO's Procurement Procedures.

The ISJO will only accept one quotation from each supplier. Suppliers will not be given an opportunity to re-quote for the supply of goods and services unless the scope of work changes.

7.2 Tendering

All Tenders will be conducted in accordance with Section 55 of the *Local Government Act (NSW) 1993* and the NSW Office of Local Government Tendering Guidelines.

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While a formal tendering process is not required for purchases under \$250,000, a formal tendering process can be utilised for any purchase under the threshold. This is advisable in the following situations:

- The purchasing amount is close to \$250,000
- The goods or services are of significant public interest
- The purchase may be considered to be controversial or contentious
- The procurement process is complex
- The expected price of procurement is unknown.

7.2 *Prescribed Agencies*

Section 55 of the *Local Government Act (NSW) 1993* provides the ISJO with an exemption from tendering requirements where such items are available under contract by prescribed authorities.

Prescribed agencies include – but may not be limited to – Local Government Procurement and Procurement Australia Pty Ltd.

Prescribed agencies seek to undertake group tenders on behalf of NSW Councils to obtain competitive contracts from time to time. The ISJO may utilise these supply arrangements where appropriate

7.3 *Exemption to assist in natural disaster response*

Section 170A of the *Local Government (General) Regulation 2021* provides an exemption from tendering requirements for a contract of up to \$500,000 if the contract is primarily for the purpose of response to or recovery from a declared natural disaster and is entered into within 12 months after the date on which the natural disaster is declared.

This provision is unlikely to apply to an ISJO tender process but is available should the Board consider a regional tendering process for such a purpose.

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8.0 PURCHASING METHODS

8.1 *Petty cash/reimbursement of incidental expenses*

Petty cash will be used to meet the need for the procurement of small incidental goods and urgent situations and is limited to \$100 per transaction. Employees can also make claim for such expenses after they have been incurred and will be reimbursed by electronic funds transfer. An appropriate record of payment / tax invoice must be supplied.

8.2 *Credit Cards*

The use of corporate credit cards must be limited to situations where use of a Purchase Order is not possible due to the nature of the supplier or expense.

8.3 *Fuel Cards*

The ISJO fuel cards will only be used for the purchase of fuel for the ISJO vehicles. Corporate credit cards should only be used for fuel purchases when an ISJO fuel supplier outlet is not readily accessible.

8.4 *Purchase Orders*

All purchases (other than exemptions below) require a purchase order to be generated in the ISJO's corporate system prior to the order being made. This will allow the ISJO to adequately reconcile goods ordered with goods received; monitor ordering approvals as well as the ISJO's cash flow.

Exemptions from purchase orders apply only to the following:

- statutory payments
- payments for utilities
- employee reimbursements
- loans and investments
- payments made under grant or other donation policies of the ISJO.

8.5 *Plant and Equipment*

The procurement of plant and equipment is to conform with any and all requirements of this Procurement Policy, delegations of authority in regard to financial expenditure and the ISJO's Asset Management and related policies.

8.6 *Passenger Vehicles*

The procurement of passenger vehicles will be undertaken in accordance with this Procurement Policy.

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9. PROBITY

Under the Code of Conduct, all ISJO Officials have an obligation to disclose potential or actual conflict of interests. Any declared potential or actual conflict of interest in a Contract must be declared and managed in accordance with the code.

Individuals may be removed from involvement in the process where the conflict cannot be otherwise managed.

10. Policy Definitions

Appropriate Person:	In relation to a tender submitted to the ISJO, means a person designated by the CEO to receive or deal with tenders submitted to the ISJO and, if a person is not designated, means the CEO
Business ethics	All procurement is underpinned by the ISJO's statement of business ethics, provides guidance to ISJO officials and staff as to the values, ethical standards and expectations when working with the ISJO
Circular Economy	A circular economy is an economic system aimed at minimising waste and promoting the continual reuse of resources. The circular economy aims to keep products, equipment and infrastructure in use for longer, thus improving the productivity of these resources
Contract:	The written agreement between the ISJO (as the purchaser) and the Service Provider
ISJO Officials:	Board Members, CEO, employees, delegates and volunteers
Modern Slavery	The use of coercion, threats, violence or deception to exploit or deprive a person of their freedom. Examples include human trafficking; slavery; forced labour; deceptive recruiting; debt bondage; forced marriage; and sexual exploitation
Procurement:	The acquisition of works, goods and services. Includes the evaluation of suppliers, preparation of purchase orders, receipt of goods / services, approval of payment
Project Manager:	The requestor of the goods, works or services
Purchase Order:	The authority to the supplier to supply and invoice items called for at the prices shown under the ISJO's purchase conditions imposed. The purchase order is a legal and binding contractual agreement
Quotation:	Any offer including verbal pricing, bids and consultant proposals for projects under \$250,000 and containing any requested information and accompanying documentation
Tender:	Any offer for projects valued \$250,000 and over invited and administered in accordance with the Local Government Act and Regulation for tendering and containing any requested information and accompanying documentation

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Tender Panel:

A panel comprising the Project Officer and a minimum of two (2) other appropriate persons for the purpose of assessing and recommending tenders valued at \$250,000 and over

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