

NORFOLK ISLAND REGIONAL COUNCIL

POLICY

HEADING: 3.03 – Procurement Policy

MEETING ADOPTED 19 October 2016
RESOLUTION NO.: 92/16

HISTORY OF DOCUMENT
PREVIOUSLY ADOPTED:

1. INTRODUCTION

The purpose of this policy is to outline the minimum standards required for any procurement activity and will ensure a transparent probity driven process that can withstand any scrutiny.

2. POLICY OBJECTIVE

The objective of this policy and associated procedures is to detail standard procurement practices across Council and to highlight the obligations of Council officers with the delegated authority to arrange goods and services of any value or type on behalf of Council. This policy and underlying procedures set the ethical ground rules and requirements outlined in the *Local Government Act 1993* and *Local Government (General) Regulations 2005* for all business dealings between the Norfolk Island Regional Council and our business partners. Furthermore, the procurement policy is based on the underlying principles of Councils' Code of Conduct.

This policy outlines the guiding principles for Council in its procurement function including purchasing, tendering, contract management, payments and asset disposal relating to the acquisition and use of goods and services and to assist in:

- Ensuring best value for money and cost effectiveness;
- Meeting the needs of the community;
- Ensuring integrity, transparency and probity;
- Promoting economic, social and environmental sustainability; and
- Promoting good management practices.

The procurement function is high risk in terms of corruption and therefore it is subject to stringent rules and processes. Successful procurement provides great opportunities to use the community's money wisely in a sustainable way.

3. POLICY SCOPE

- The General Manager has ultimate responsibility for procurement and delegated authority of expenditure of funds across Council;
- The Group Manager Commercial Hub/Chief Finance Officer is responsible for the development of all policies and procedures in relation to procurement across Council;
- Managers of each division are accountable for the implementation, maintenance and the management of any breach of policy within their areas of responsibility in accordance with this policy and related procedures; and
- Each member of staff is responsible for ensuring that they fulfil their obligations in relation to this policy, procedures and Code of Conduct when spending public funds.

4. DEFINITIONS

The Act – *Local Government Act 1993 (NSW)*.

Regulations – *Local Government (General) Regulations 2005 (NSW)*.

Delegation – Approval from the General Manager to Council officers - an appropriate level of authority to incur and approve expenditure of Council funds.

Local Supplier – A local supplier with employees based permanently in a Local Government Area (LGA) i.e. Norfolk Island Regional Council (NIRC).

Probity – Strict adherence to a code of conduct and statement of business ethics.

5. LEGAL AND POLICY FRAMEWORK

Reference is made to Section 55 of the *Local Government Act 1993 (NSW)*, Part 7 of the *Local Government (General) Regulation 2005 (NSW)* and Councils Code of Conduct.

Ethics and Conflicts of Interest – Council Officers and Councillors shall refrain from personal activities that would conflict with proper execution and management of Council Policy. Council's Code of Conduct provides guidance for recognising and disclosing any conflicts of interest.

6. POLICY STATEMENT

This policy is intended for all procurement activity of any value or type in accordance with the Act, Regulations and the specific procedures associated with the procurement.

7. IMPLEMENTATION

7.1 ROLES AND RESPONSIBILITIES

The following Council officers are responsible for the implementation of and the adherence to this Policy:

- General Manager;
- Group Manager Commercial/ Chief Finance Officer;
- Manager Finance;
- Managers.

7.2 COMMUNICATION

The Policy will be communicated to the community and staff utilising the standard public consultation process. Following adoption by Council the Policy will be made available on Council's website.

7.3 DELEGATION OF AUTHORITY

Authority for implementation of this Policy is delegated by Council to the General Manager in accordance with the *Local Government Act 1993*.

8. REVIEW

Review of this Policy will incorporate relevant legislation, documentation released from relevant state agencies and best practice guidelines. The Group Manager Commercial/ Chief Finance Officer is responsible for the review of this Policy.

PROCUREMENT POLICY

1. USE OF PUBLIC FUNDS

Under no circumstances are any goods, services or work of any kind to be arranged for a purpose other than a direct business need on behalf of and for Norfolk Island Regional Council.

2. DELEGATED LEVELS OF AUTHORITY

Appropriate levels of authority to incur and approve expenditure will be strictly adhered to and will be monitored regularly. Any changes to current levels, or an authorisation level for a new position, require approval from the General Manager. As with the current structure of delegated authorities, the limits put in place will be strictly adhered to with the onus being on the individual employee to ensure they do not abuse their authority level.

To ensure adequate segregation of duties and thereby reducing the risk of fraud, an officer other than the requisitioning officer shall approve requisitions effectively meaning no single officer can undertake the procurement process.

All requisitions require review and authorisation and will be rejected if the Procurement Policy is not adhered to. A purchase order will be generated on approval.

3. PROCUREMENT OF GOODS AND SERVICES

All procurement must follow the procedures set out in the Purchasing and Tendering procedures and any other associated procedures which outline the quotation requirements and thresholds, guidelines and processes.

4. VALUE FOR MONEY

Value for money is a core principle underpinning all procurement. It is the community's expectations that the most appropriate and cost effective good or service is procured, this however, doesn't necessarily automatically mean the lowest price, as other considerations must be taken into account such as; lifecycle costs, relative risks, fitness for purpose, performance history and reliability. The value for money principle refers to the greatest benefit derived by Council for the relative cost of the good or service.

5. OPEN AND EFFECTIVE COMPETITION

All suppliers are to be given an equal opportunity to compete for the supply of goods and services. The purchasing and tendering procedures will allow for increased accountability, transparency and the elimination of any bias whether real or perceived.

While it is desirable that all suppliers are given an equal opportunity to compete for the supply of goods and services, there may be circumstances in which competition is limited, for example; local monopoly, compatibility with existing equipment, intellectual property, genuine emergency situations and consultancies ('experts' in a particular field). Where conditions such as these limit competition, the purchasing officer shall document the circumstances and the authorising officer will review to ensure that the value for money principle is still being adhered to.

6. TENDER THRESHOLD

Council has a requirement to formally tender for goods and services where the anticipated expenditure for the life of the contract is greater than \$150,000. Any procurement that involves expenditure above this amount must be conducted in accordance with Council's tendering procedure.

Any purchase of goods and services below the tender threshold must be conducted in accordance with Council's purchasing procedure.

All contracts above \$75,000 must be referred to the General Manager before a purchase order is generated.

7. PURCHASE ORDERS

No orders are to be placed with suppliers without an official purchase order being supplied by Council first. The only exception to this clause relates to the purchase of alcohol at the liquor bond due to the nature of the operation and timing of freight. All orders will still need to be authorised by a person with the appropriate delegation and a purchase order will be raised after the fact.

8. GIFTS AND BENEFITS

Under no circumstances should staff solicit gifts or financial benefit of any kind in return for placing orders or arranging work of any kind with a supplier. As a general rule it is better to refuse any gifts or benefits offered to you. Circumstances may arise where refusal may be difficult or inappropriate. If you accept a gift or benefit, it should be of a token nature and must be itemised in Council's Gift and Benefit Register.

9. LOCAL SUPPLIERS

Council is committed to supporting the local economy and enhancing the capabilities of local business and industry. The objective is to create a framework that ensures Council gives due consideration to the actual and potential benefits to the local economy of sourcing goods and services locally where possible, whilst maintaining a value for money approach at all times.

The intention of this policy supports Council's commitment to achieve the best value for money outcome to Council and the Community, while maximising opportunities for local business to compete for Council business.

Council acknowledges that it has an important role to play in the local economy and is committed to assisting local industry engage in business with Council. To assist local industry and local economic development, Council will ensure that buying practices, procedures and specifications do not disadvantage local suppliers and ensure transparency in quotation, tendering and contract management practices.

No preferential consideration of local suppliers will be automatically granted under this clause.

10. PROMOTING ECONOMIC, SOCIAL AND ENVIRONMENTAL SUSTAINABILITY

Sustainability involves maintaining and enhancing our quality of life, for both current and future generations, through a balance of economic viability, environmental conservation and restoration and community wellbeing.

Ensure socially and ethically responsible procurement by investigating the methods in which the goods and services are provided for Council use.

Consider whether suppliers/contractors/consultants engage socially and ethically responsible practices.

Assess proposals to determine commitment to environmental sustainability through whole of life considerations (costs v benefit), minimising pollution, disposal of assets, habitat protection, minimising waste and unnecessary purchasing.

11. BREACH OF POLICY

All procurement activity must be conducted in accordance with this policy and the associated procedures. Failure to comply with this policy or an associated procedure may result in disciplinary or legal action.