

nhulunbuy corporation

PROCUREMENT POLICY
POLICY – FM01

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|----------------------------|---------------------------|
| Title | Procurement Policy |
| Policy number | FM01 |
| Type | Financial Management |
| Owner | Finance Business Partner |
| Responsible Officer | Chief Executive Officer |
| Approval date | July 2019 |
| Review date | July 2021 |

1 POLICY

NC is committed to delivering best practice in the purchasing of goods, services and works that align with the principles of transparency, probity and good governance. Procurement processes and practices to be complied with are defined within this Policy and NC's prescribed procurement procedures.

2 OBJECTIVES

The objectives of this Policy are to ensure that all purchasing activities:

- demonstrate that best value for money is attained for NC;
- are compliant with relevant legislations, including the Act;
- are recorded in compliance with the *State Records and Corporations Act* and associated records management practices and procedures of NC;
- mitigate probity risk, by establishing consistent and demonstrated processes that promotes openness, transparency, fairness and equity to all potential suppliers;
- ensure that the sustainable benefits, such as environmental, social and local economic factors are considered in the overall value for money assessment; and
- are conducted in a consistent and efficient manner across NCL and that ethical decision making is demonstrated.

3 Definitions

NC means the Nhulunbuy Corporation Limited as an entity appointed with the powers and functions of a local government

CEO means Chief Executive Officer

C&DO refers to Compliance and Development Officer

CEF means Community Engagement Facilitator

FBP means Finance Business Partner

MAC means Manager, Aviation and Compliance

MSI means Manager Strategic Infrastructure

SAO refers to Senior Airport Operations Officer

TRADE refers to trade-qualified employees deployed at the Depot

WC means Works Coordinator

4 ETHICS & INTEGRITY

4.1 Code of Conduct

All officers and employees of NC undertaking purchasing activities must have regard for the Code of Conduct requirements and shall observe the highest standards of ethics and integrity. All officers and employees of NC must act in an honest and professional manner at all times which supports the standing of NC.

4.2 Purchasing Principles

The following principles, standards and behaviours must be observed and enforced through all stages of the purchasing process to ensure the fair and equitable treatment of all parties:

- full accountability shall be taken for all purchasing decisions and the efficient, effective and proper expenditure of public monies based on achieving value for money;
- all purchasing practices shall comply with relevant legislation, regulations, and requirements consistent with NC's policies and Code of Conduct;
- purchasing is to be undertaken on a competitive basis where all potential suppliers are treated impartially, honestly and consistently;
- all processes, evaluations and decisions shall be transparent, free from bias and fully documented in accordance with applicable policies, audit requirements and relevant legislation;
- any actual or perceived conflicts of interest are to be identified, disclosed and appropriately managed; and
- any information provided to NC by a supplier shall be treated as commercial-in-confidence and should not be released unless authorised by the supplier or relevant legislation.

5 VALUE FOR MONEY

Policy

Value for money is determined when the consideration of qualitative , risk and price factors are assessed to determine the most advantageous outcome to be achieved for NC.

As such, purchasing decisions must be made with greater consideration than obtaining lowest price, but also to incorporate qualitative and risk factors into the decision.

Application

An assessment of the best value for money outcome for any purchasing process should consider:

- all relevant Total Costs of Ownership (TCO) and benefits including transaction costs associated with acquisition, delivery, distribution, as well as other costs such as but not limited to holding costs, consumables, deployment, maintenance and disposal;
- the technical merits of the goods or services being offered in terms of compliance with specifications, contractual terms and conditions and any relevant methods of assuring quality, including but not limited to an assessment of levels and currency of compliances, value adds offered, warranties, guarantees, repair and replacement policies, ease of inspection, ease of after sales service, ease of communications etc.
- financial viability and capacity to supply without risk of default (competency of the prospective suppliers in terms of managerial and technical capabilities and compliance history);
- a strong element of competition in the allocation of orders or the awarding of contracts. This is achieved by obtaining a sufficient number of competitive quotations wherever practicable;
- the safety requirements associated with both the product design and specification offered by suppliers and the evaluation of risk when considering purchasing goods and services from suppliers;
- purchasing of goods and services from suppliers that demonstrate sustainable benefits and good corporate social responsibility; and
- providing opportunities for businesses within NCL's boundaries to be given the opportunity to quote for providing goods and services wherever possible.

6 PURCHASING REQUIREMENTS

6.1 Policy

Purchasing that is **\$200,000 or below in total project value** (excluding GST) must be in accordance with the purchasing requirements under the relevant threshold as defined under section 6.3 of this Purchasing Policy.

Purchasing that **exceeds \$200,000 in total project value** (excluding GST) or may exceed \$200,000 total project value, must be put to public Tender when it is determined that a regulatory Tender exemption, as stated under 6.4 of this Policy is not deemed to be necessary.

Purchasing Value Definition

Determining purchasing value is to be based on the following considerations:

- i Exclusive of Goods and Services Tax (GST);
- ii The actual or expected value of a contract over the full contract period, including all options to extend; or the extent to which it could be reasonably expected that NC will continue to purchase a particular category of goods, services or works and what total value is or could be reasonably expected to be purchased. A best practice suggestion

is that if a purchasing threshold is reached within three years for a particular category of goods, services or works, then the purchasing requirement under the relevant threshold (including the tender threshold) must apply.

iii Must incorporate any variation to the scope of the purchase and be limited to a 10% tolerance of the original purchasing value.

6.2 Purchasing from Existing Contracts

Where the NCL has an existing contract in place, it must ensure that goods and services required are purchased under these contracts to the extent that the scope of the contract allows. When planning the purchase, NC must consult its Contracts Register in the first instance before seeking to obtain quotes and tenders on its own accord.

6.3 Purchasing Thresholds

The table below prescribes the purchasing process that NC must follow, based on the purchase value:

| Purchase Value Threshold | Purchasing Requirement |
|-----------------------------------|---|
| Up to \$5,000 | Purchase directly from a supplier using a Purchasing Order or Corporate Credit Card issued by NCL, or obtain at least one (1) oral or written quotation from a suitable supplier. |
| Over \$5,000 and up to \$10,000 | Purchase directly from a supplier using a Purchasing Order or Corporate Credit Card issued by NCL and obtain at least one written quotation from a suitable supplier. |
| Over \$10,000 and up to \$50,000 | Seek to obtain at least two (2) written quotations from suppliers following a brief outlining the specified requirement. If two written quotations can't be obtained the reason/s must be recorded on the purchaser order office copy. |
| Over \$50,000 and up to \$200,000 | Seek to obtain at least three (3) written quotations from suppliers by formal invitation under a Request for Quotation, containing price and detailed specification of goods and services required. The procurement decision is to be based on pre-determined evaluation criteria that assesses all value for money considerations in accordance with the definition stated within this Policy. |
| Over \$200,000 | Where the purchasing requirement is not suitable to be met through a panel of pre-qualified suppliers, or any other tender-exempt arrangement as listed under section 6.5 of this Policy, or if a broader range of suppliers is desired, conduct a public Request for Tender process in accordance this Policy and NC's tender procedures. The procurement decision is to be based on pre-determined evaluation criteria which may include the Regional Price Preference Policy and social impact that assesses all value for money considerations in accordance with the definition stated within this Policy. |

6.4 Tendering Exemptions

An exemption to publicly invite tenders may apply in the following instances:

- the purchase is obtained from a pre-qualified supplier under the LGANT Preferred Supply Program or State Government Common Use Arrangement.
- the purchase is from a Regional Local Government or another Local Government;
- the purchase is acquired from a person registered on the Black Business Finder, ATSIIC or Supply Nation, where the consideration under contract is worth \$250,000 or less and represents value for money;
- the purchase is acquired from an Australian Disability Enterprise and represents value for money;
- the purchase is from a pre-qualified supplier under a Panel established by NC.
- The purchase is from an existing supplier who is evidenced of providing value for money and the BOD are willing to authorise the purchase/contract.
- **Note:** *When making a decision about whether to conduct a public tender or utilise a tender exempt arrangement, NC should compare the cost and benefits of both processes.*

The compliance requirements, time constraints, costs and risks associated with a public Tender should be evaluated against the value delivered by such a process. This should then be compared with the costs and benefits of using a Tender exempt arrangement which include direct access to pre-qualified suppliers, full regulatory compliance, risk mitigation, administrative efficiencies and cost savings

6.5 Inviting Tenders Under the Tender Threshold

Where considered appropriate and beneficial, NC may consider publicly advertising Tenders in lieu of undertaking a Request for Quotation for purchases under the tender threshold. This decision should be made after considering the benefits of this approach in comparison with the costs, risks, timeliness and compliance requirements and also whether the purchasing requirement can be met through the LGANT Preferred Supply Program or State Government CUA.

If a decision is made to undertake a public Tender for contracts expected to be \$200,000 or less in value, NCL's tendering procedures must be followed in full.

6.6 Sole Source of Supply

Where the purchasing requirement is over the value of \$5,000 and of a unique nature that can only be supplied from one supplier, the purchase is permitted without undertaking a tender or quotation process. This is only permitted in circumstances where NC is satisfied and can evidence that there is only one source of supply for those goods, services or works. NC must use its best endeavours to determine if the sole source of supply is

genuine by exploring if there are any alternative sources of supply. Once determined, the justification must be documented and endorsed by the Chief Executive Officer or responsible Manager, prior to a contract being entered into.

From time to time, NC may publicly invite an expression of interest to effectively determine that one sole source of supply still genuinely exists.

6.7 Anti-Avoidance

NC shall not enter into two or more contracts or create multiple purchase order transactions of a similar nature for the purpose of "splitting" the value of the purchase or contract to take the value of the consideration of the purchase below a particular purchasing threshold, particularly in relation to Tenders and to avoid the need to call a public Tender.

NC shall ensure the length of contracts also considers threshold limits and the risks associated with rolling contracts without testing the market.

6.8 Emergency Purchases

An emergency purchase is defined as an unanticipated and unbudgeted purchase which is required in response to an emergency situation. In such instances, quotes and tenders are not required to be obtained prior to the purchase being undertaken.

An emergency purchase does not relate to purchases not planned for due to time constraints. Every effort must be made to anticipate purchases required by NC in advance and to allow sufficient time to obtain quotes and tenders, whichever may apply.

7 RECORDS MANAGEMENT

Records of all purchasing activity must be retained in compliance with the *State Records and Corporations Act*, NC's Records Management Policy and associated procurement procedures.

For each procurement activity, such documents may include:

- The Procurement initiation document such as a procurement business case which justifies the need for a contract to be created (where applicable);
- Procurement Planning and approval documentation which describes how the procurement is to be undertaken to create and manage the contract;
- Request for Quotation/Tender documentation;
- Copy of public advertisement inviting tenders, or the notice of private invitation (whichever is applicable);
- Copies of quotes/tenders received;
- Evaluation documentation, including individual evaluators note and clarifications sought;
- Negotiation documents such as negotiation plans and negotiation logs;
- Approval of award documentation;

- All correspondence to respondents notifying of the outcome to award a contract;
- Contract Management Plans which describes how the contract will be managed; and
- Copies of contract(s) with supplier(s) formed from the procurement process.

8 SUSTAINABLE PROCUREMENT AND CORPORATE SOCIAL RESPONSIBILITY

NC is committed to providing a preference to suppliers that demonstrate sustainable business practices and high levels of corporate social responsibility (CSR). Where appropriate, NC shall endeavour to provide an advantage to suppliers demonstrating that they minimise environmental and negative social impacts and embrace CSR. Sustainable and CSR considerations must be balanced against value for money outcomes in accordance with NC's sustainability objectives.

9 REGIONAL PRICE PREFERENCE POLICY

As much as practicable, NC must:

- where appropriate, consider buying practices, procedures and specifications that do not unfairly disadvantage local businesses;
- consider indirect benefits that have flow on benefits for local suppliers (i.e. servicing and support);
- ensure that procurement plans address local business capability and local content;
- explore the capability of local businesses to meet requirements and ensure that Requests for Quotation and Tenders are designed to accommodate the capabilities of local businesses;
- avoid bias in the design and specifications for Requests for Quotation and Tenders – all Requests must be structured to encourage local businesses to bid; and
- provide adequate and consistent information to potential suppliers.

To this extent, a qualitative weighting may be afforded in the evaluation of quotes and tenders where suppliers are located within the boundaries of NC, or substantially demonstrate a benefit or contribution to the local economy.

A regional price preference may be afforded to locally based businesses for the purposes of assessment. Provisions are detailed within NC's Regional Price Preference Policy.

10 PURCHASING FROM DISABILITY ENTERPRISES

NC is not required to publicly invite tenders if the goods or services are to be supplied from an Australian Disability Enterprise, as registered on www.ade.org.au. This is contingent on the demonstration of value for money.

Where possible, Australian Disability Enterprises are to be invited to quote for supplying goods and services under the tender threshold. A qualitative weighting may be afforded in the evaluation of quotes and tenders to provide advantages to Australian Disability Enterprises.

11 PURCHASING FROM ABORIGINAL BUSINESSES

Defining Indigenous business

- **Indigenous Business** is a business which is 50% or more of which is owned by Indigenous Australians
 - In line with the Australian Bureau of Statistics definition, an Indigenous person is identified as a person who identifies as a member of the Aboriginal race of Australia or Torres strait Islands and is supported in this claim via self- determination
- **Traditional Owner Aboriginal Business** Is a business, 50% or more of which is owned by a Local Yolŋu person
 - Traditional Owner means an Aboriginal person who in accordance has common spiritual affiliations to a site on the land and is entitled by Aboriginal tradition to claim custody over that land. (To claim TO status a person must be accepted as a member of a Traditional Group on the Community Regional Footprint).

NCL is not required to publicly invite tenders if the goods or services are to be supplied from a person or business registered on the Black Business Finder, ATSIIC or Supply Nation, where the expected consideration under contract is worth \$250,000 or less. This is contingent on the demonstration of value for money.

Where possible, Aboriginal businesses are to be invited to quote for supplying goods and services under the tender threshold. A qualitative weighting may be afforded in the evaluation of quotes and tenders to provide advantages to Aboriginal owned businesses, or businesses that demonstrate a high level of aboriginal employment.

12 Purchasing Authority Levels

| Position | Maximum \$ Value Excluding GST |
|----------------|--------------------------------|
| CEO | 500,000 |
| FBP, MAC & MSI | 50,000 |
| CEF & WC | 15,000 |
| SAO and C&DO | 5,000 |
| Trade | 500 |

13 Delegation of Authority While Acting

A New/Relieving Signing Authority is used to provide authority to employees on commencement and for relieving officers acting in higher duties during leave absences, purchasing authority approval within the guidelines of the Purchasing Policy. It ensures the employees that are entitled to purchasing authority have signed off that they understand and will comply with this Purchasing Procedure.

The New/Relieving Signing Authority form is kept on file in the Administration Office so that the Administration team can ensure compliance with the Purchasing Policy authority levels when processing Creditors invoices.



The value of purchasing delegation for Approval Authorities is set out above. With regards to relieving employee given purchasing authority the value is to be set by the CEO in consultation with the Section Manager.

The New/Relieving Signing Authority form is to be prepared by the Section Managers and signed off by the CEO for all new and relieving employees. The CEO's New/Relieving Signing Authority must be signed off by the Board of Directors. Only the section applicable within the form needs to be completed. A copy of the Purchasing Policy and Procedure must be given to the employee at time of signing the form.

Appendix A is the form to be used for the New/Relieving Signing Authority approval.

14 Review process

This policy will be reviewed on an annual basis from the date of approval or as changes to legislation occur.

| | | |
|--|---|--|
| Date 12/7/19 | Director (Name) SOPHIA SZULKOWSKI | Signature  |
| Chief Executive Officer (Name) Allison Mills | | Signature  |

APPENDIX A

Distribution List: Personnel File
 Creditors Sign Authority File
 Employee copy

NEW / RELIEVING SIGNING AUTHORITY APPROVAL

Add New Employee **Relieving** Please type X in appropriate box.

Section 1 (To be completed by Section Manager or CEO)

New Only

Name: _____
 Position: _____
 Authority Value: _____
 Start Date: _____

Relieving Only

Names: _____
 Relieving Position: _____
 Date Range : _____ to _____
 Authority Value : _____
 Comment:

Section 2 (To be completed by the Section Manager and CEO/Director)

Requested By: _____

Authorised By: _____

Chief Executive Officer/Director

Section 3 (To be completed by nominated employee)

I _____ hereby declared that I have read and understand the Purchasing Policy and procedures and will comply with.

 Employee Signature

 Employee Initials