*Our Vision*

Nambucca Valley ~ Living at its best

*Our Mission Statement*

'The Nambucca Valley will value and protect its natural environment, maintain its assets and infrastructure and develop opportunities for its people.'

## 1.0    Policy Objective

The purpose of this policy is to outline the principles of inventory management across Nambucca Valley Council and to ensure the appropriate recording, security and regular stocktake of all Council inventories.

## 2.0    References and Council Documents

- Procurement Procedures Manual
- Purchase Card Procedure

## 3.0    Definitions

**Economic Order Quantity**    Whenever the inventory level falls to a predetermined level called a reorder point, a replenishment order of fixed quantity called an economic order quantity is placed.

**Inventories**    Are current assets:
1. in the form of material supplies to be consumed in the production process
2. in the form of materials or supplies to be consumed or distributed in the rendering of services
3. held for resale or distribution in the ordinary course of operations, or
4. in the process of production for sale or distribution

**Obsolete Inventory**    items that have expired, are redundant or damaged

## 4.0    Policy Content

## 4.1    Record Keeping

All Inventory purchases are to follow the principles and procedures outlined in Nambucca Valley Council's Procurement Procedures Manual.

All Inventory is required to be maintained in Council's Enterprise Resource Planning (ERP) System which records the following:

- Additions
- Issues/transfers
- Returns
- Stocktake adjustments

Inventory records are to be maintained by the Purchasing/Stores Officer or an officer appointed by the Assistant General Manager Corporate Services to act on his/her behalf.

Inventory levels must be maintained at a level that minimises excess holdings.

Issues will be monitored by the Purchasing/Stores Officer to ensure the timely ordering of replacement stores and stores levels of specific items are appropriate.

## 4.2    Control

Inventory items will be stored in a secure and restricted area and restricting access only to authorised staff.  Larger items are stored in the rear yard.

No item of inventory is to leave the yard without a stores issue docket being processed by the Purchasing/Stores Officer and no item of inventory is to be returned to the yard without a stores return docket being issued by the Purchasing/Stores Officer. For emergency/after-hours access to the Store authorised swipe card access has been activated for the Depot Co-ordinator and Co-ordinator's in Infrastructure Services and Water & Sewerage departments.  It is a requirement any emergency/after-hours stock movement is recorded in a carbon stores issues book kept outside of the Purchasing/Stores Officer's office.

## 4.3    Stocktake

A physical count or stocktake of all Inventory held is to be undertaken on a bi-annual basis (usually May and November each year). A random stocktake of a selected group of stock items is undertaken on a quarterly basis.

Stocktakes will be carried out by the Purchasing/Stores Officer or an officer appointed by the Assistant General Manager Corporate Services to act on his/her behalf and one member of the Finance Section.  Once the count has been completed stocktake sheets will be signed by both employees performing the physical count and registered in the Council records management system.

A member of the Finance Section will enter the stocktake sheets into the ERP system and report any discrepancies to the Management Accountant. Any significant discrepancies (10% or $1,000 or greater – whichever of the two is the lesser) are to be investigated by the Chief Financial Officer and reported to the Audit, Risk and Improvement Committee.

Any evidence of fraud, misappropriation, theft and/or maladministration will be dealt with under Council's Code of Conduct, Fraud and Corruption Policy and the disciplinary procedures within the Local Government State Award.

Obsolete or damaged inventory will be written off at each stocktake after approval from the respective Manager and the Management Accountant and reported to the next Audit Risk and Improvement Committee meeting.

Inventory items written off with a value of greater than $5,000 will need to be reported to Council.

## 4.4 Stores Management

The Purchasing/Stores Officer will organise the store and yard efficiently by stock code/bin number to facilitate accurate stocktakes and safe/efficient handling of stocked items. Dangerous and perishable goods are to be stored as recommended by Australian Standards and supplier guidelines to minimise risk of damage and personal injury.

### 4.4.1 Items that should be included in stock

In addition to the definition of current assets stock items may include:
- Items purchased with frequent turnover (<12 months)
- Items which are consumed as part of core services provided by council (not one off projects)
- Items which purchased in bulk would increase Council's purchasing power and yield lower prices
- Items which would provide labour efficiencies through stores management; reducing the volume of purchase order and purchase card transactions (staff are to check whether items that they are wanting to procure are in the store before using purchase order/purchase cards) and associated administration.

Items that should be included in stock at a minimum include:
- Emergency items for water, sewer, roads, bridges, stormwater drainage, parks and recreation operations.
- Items for Personal Protective Equipment purposes including but not limited to:
  - Sunscreen
  - Hats – hard hats & wide brim
  - Safety vests
  - Protective clothing and boots
  - Hearing protection
  - Gloves
  - Safety Glasses
  - Signs
  - Barrier mesh
- Infrastructure works materials e.g. concrete bags, mesh, star posts and geotextiles
- Items required for maintenance of heavy plant, light fleet and small plant that will ensure these items are always compliant with safety standards and fulfilling the required maintenance regimes so that the plant/fleet comply with warranty requirements

### 4.4.2 Non-stock Items

Items not to be recorded as stock will be decided in agreement between the Purchasing/Stores Officer, Management Accountant, Chief Financial Officer and the relevant Manager (Infrastructure Services/ Water & Sewerage). If non-perishable, such items can be stored in distinct bays in the stores yard. These items will be reviewed by the Purchasing/Stores Officer monthly to ensure they are kept at a minimal level or for inclusion in stock. There will be no non-stock items kept in the stores shed.

Non-stock items will be recognised as an expense in the financial statements on purchase. If the non-stock item is not consumed within the financial year the cost of service delivery will be inflated for that year. There is also an increased risk of damage and obsolescence if the non-stock items and not managed in a secure and controlled environment.

### 4.4.3 Disposal of obsolete or surplus stock

The disposal of obsolete or surplus stock must comply with Section 12 of the Procurement Procedures Manual which states:

*12.1 Council staff and their immediate family, residing at the employee's place of residence, are prohibited from purchasing any surplus council goods or materials.*

*12.2 Goods or materials that are found to be obsolete or surplus to Council's requirements may be disposed of in the following manner:*

*• Goods with an expected value of less than $1000 may be disposed of in the most appropriate manner with the written authorisation of the General Manager. Goods may be disposed of by means of quotation, or auction.*

*• Goods with an expected value greater than $1000 may, with the written authorisation of the General Manager be disposed of by either a trade-in, public auction or by tenders advertised in a newspaper circulating in the local area with a minimum of twenty-one (21) days from the advertisement to the closing of tenders.*

### 4.4.4 Review of stores for availability of materials before consideration of other procurement methods.

To ensure that Council stores are operated effectively and efficiently, per the Procurement Procedures Manual in relation to purchase orders:

*10.5.1. Authorising officers must make every effort to use goods kept as inventory before committing expenditure to outside sources for similar or identical goods.*

*10.5.2 To identify what is kept as inventory, please contact the Purchasing/Stores Officer who can advise on quantities and pricing information.*

Also as per the Purchase Card Procedure:

*5.3 Purchase Cards are not to be used for uniforms or protective clothing/equipment which is available through Council Store.*

Additionally Purchase Cards are not to be used to purchase **any inventory** item as the Purchase Card system in Civica Authority (current ERP system) does not handle reconciliations to a stock number.

### 4.4.5 Onsite Gravel Stockpiles

Onsite gravel stockpiles are to be treated as non-stock items and instead will be costed directly to jobs due to the costs that would be incurred in managing them as a stock item i.e. security, travel times as stockpiles are in rural areas etc.

### 4.5 Key Performance Indicators for Stores Operations

### Average Inventory

This KPI is used to estimate the amount of inventory the Council has on hand during a particular time frame. The goal is to avoid spikes or unanticipated drops in inventory, and to keep a relatively constant flow of inventory in and out, based on the needs of Council.

To calculate Average Inventory for a single month, the formula is:

(Beginning Inventory + Ending Inventory) ÷ 2.

### *Inventory Turnover Rate*

A ratio that shows how many times inventory was issued and replaced during a specific time period. When the turnover rate is low, it indicates Council has excess inventory.

The formula for this ratio is:                    Issues ÷ Average Inventory.

The above KPI's along with reports on issues by employee, min/max levels, and slow moving stock items will be provided to the Management Accountant on a monthly basis by the Purchasing/Stores Officer, for the Management Accountant to review and action where necessary.

## 5.0    History

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|---|---|---|---|
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| **Contact Officer** | CFO | | |
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