

<b>Policy Title:</b>	<b>PROCUREMENT POLICY</b>
Policy Subject:	Finance
Policy No:	#837195
Directorate:	Organisational Services
Department:	Financial Services
Section:	
Responsible Officer:	Executive Manager – Financial Services
Authorised by:	Director Organisational Services
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## 1. OBJECTIVE

The objective of this policy is to define the requirements for the acquisition of goods and services throughout the organisation including the carrying out of the principles governing the making of contracts.

## 2. POLICY

### 2.1 Contracting Approach

The *Local Government Act 2009* (LGA) sets out the principles governing the making of contracts. These principles apply to all local government procurement activities. Council, when seeking quotations and inviting tenders for the carrying out of work, the supply of goods and services or the disposal of assets must have regard to the following principles:

- Value for money;
- Open and effective competition;
- The development of competitive local business and industry;
- Environmental protection;
- Ethical behaviour and fair dealing.

Council is required to choose either the Strategic Approach or the Default Contracting Procedures as outlined in the *Local Government (Finance, Plans and Reporting) Regulation 2010* (Regulations).

Council adopts the **Default contracting procedures** as outlined in Chapter 4 Part 3, Division 2 of the Regulations.

### 2.2 Purchases above \$150,000 – Large-sized contract (Tenders Required)

Council must invite written tenders before making a contract for the carrying out of work, or the supply of goods or services involving a cost of more than \$150,000 (GST Excl.), or another amount as set forth in the LGA or regulations.

Exemptions to inviting tenders: Refer Section 4 of this policy.

### **2.3 Advertising of Tenders**

As a minimum, the invitation will be by an advertisement in a newspaper circulating generally in Council's local government area and will allow at least 21 days from the day of the advertisement for the submission of tenders.

Where appropriate, tenders may be advertised in a Brisbane metropolitan newspaper and/or a newspaper circulating in the district where potential tenderers are likely to be carrying on business or to be residing.

In addition, Council may choose to advertise using the LG Tender Box which is the e-Tendering solution designed specifically for Queensland local government.

### **2.3 Tender documentation**

In calling for tenders and processing contracts, Council will have regard to the requirements of the LGA.

Council's terms and conditions of tendering should be consistent with Australian Standards or model documents produced by Local Buy Pty Ltd. The Australian Standards applicable include but are not limited to:

1. General Conditions of Contract (AS2124-1992) or (AS4000)
2. General Conditions of Tendering and Form of Tender (AS2125-1992)
3. Form of Formal Instrument of Agreement (AS2127-1992)
4. General Conditions of Contract for the Supply of Equipment With or Without Installation (AS2987-1987)
5. General Conditions of Contract for the Supply of Equipment (AS3556-1988)

Standard contract and tendering documents, templates and forms are available from Council's records management system.

These documents are produced by Local Buy Pty Ltd, a company owned by the Local Government Association of Queensland, established to provide procurement services and solutions to Queensland Councils.

### **2.4 Insurance**

Tender specifications must make specific mention of the obligation of the tenderer/contractor to carry adequate public liability, professional indemnity, workers compensation insurance and all other forms of insurance that may be required.

### **2.5 Canvassing**

Canvassing of Councillors and Council employees by tenderers or their representatives will automatically disqualify the tender.

**2.6 Purchases between \$15,000 and \$150,000 – Medium-sized contract (three written quotes)**

Council will invite written quotations before making a contract for the carrying out of work or the supply of goods or services involving a cost of between \$15,000 and \$150,000, or other amounts as set forth in the LGA or regulations. The invitation must be given to at least three persons who Council considers can meet its requirements at competitive prices.

Exceptions to seeking quotations: refer Section 4 of this policy.

**3.0 Purchases under \$15,000**

The *Local Government (Finance, Plans and Reporting) Regulation 2010* requires Council to have a policy about purchases less than \$15,000. The following procedures shall apply for all purchases of goods and services with a value less than \$15,000.

**3.1 Purchases less than \$1,000**

Where Council has established a preferred supplier list, goods and services are to be purchased from those suppliers. Where no preferred supplier list exists, officers are to have regard to the "sound contracting principles" set out in s106 LGA.

**3.2 Purchases between \$1,000 to \$4,999 – (two verbal quotes)**

Either -

- Goods and services are to be purchased from Council's preferred supplier list or a pre-approved Local Buy supplier (if available).

Or

- Two (2) verbal quotations from recognised suppliers and details recorded on a 'File Note'.

Exemptions to not inviting two (2) quotes:

- Exemptions listed in s184 of the Regulations (refer Section 4 of this policy).
- Manager or Director may approve after taking into consideration the Contracting Principles in Part 3 of the Regulations and documenting the appropriate reason.

**3.3 Purchases between \$5,000 - \$15,000 – (two written quotes)**

Either -

- Goods and services are to be purchased from Council's preferred supplier list or a pre-approved Local Buy supplier (if available).

Or

- Two (2) written quotations from recognised suppliers.

Exemptions to not inviting two (2) quotes:

- Exemptions listed in s184 of the Regulations (refer Section 4 of this policy).
- Director or CEO may approve after taking into consideration the Contracting Principles in Part 3 of the Regulations and documenting the appropriate reason.

It should be noted that the acquisition of goods and services must not be divided into several smaller lots for the purpose of bringing each acquisition below the tender limit or within a quotation category limit.

#### **4.0 Exemptions to seeking tenders or quotations**

- 4.1** In accordance with the provision of Section 184 of the Regulations, Council is exempt from the requirement to seek tenders or quotations if:
- a. Council resolves that it is satisfied that there is only one supplier who is reasonably available; or
  - b. Council resolves that because of the specialised or confidential nature of the services that are sought, it would be impractical or disadvantageous to invite quotes or tenders; or
  - c. A genuine emergency exists; or
  - d. Council purchases goods at an auction; or
  - e. Council purchases second-hand goods; or
  - f. Contract is made with, or under an arrangement with, a government body.
- 4.2** Council employees are not required to seek tenders or quotation should they enter into a contract under a Local Buy arrangement.

When assessing the most effective method of obtaining goods and/or services, Council employees should consider the administrative and price costs to Council of seeking tenders or quotations independently, and the reduction of these costs which can be achieved by use of Local Buy arrangements.

#### **5. Evaluation of Offers & Tenders**

Examples of how to evaluate a tender or quotation are contained in the document "Fundamentals of Local Government Procurement", Section 6.3.10 published by Local Buy Pty Ltd. This should be used as a guide only, as procedures will vary depending on the complexity, nature and value of the planned acquisition.

All quotations will be evaluated using a consistent methodology taking into consideration the principles outlined in Sect. 2.1 & Sect 5-7 of this policy where appropriate. Formal tenders (purchases over \$150,000) are to be evaluated according to the criteria established during the preparation of the tender documents. It is desirable to list the evaluation criteria and weightings in the tender documentation.

The purchasing process in addition to the purchasing decision must be fully documented, including the reason for disqualifying any bids.

Post offer feedback must be provided to unsuccessful suppliers upon request. The extent of the feedback provided will not necessarily be limited to, but should include the following information:

- The name of the successful tenderer; and
- The total price accepted.

Details of post offer counselling sessions to suppliers should be fully documented in the records management system.

## **6. Local Preference Policy**

Council encourages the development of competitive local businesses within the Local Authority boundary first, and second within the Wide Bay region.

Where price, performance, quality, suitability and other evaluation criteria are comparable, the following areas may be considered in evaluation offers:

- (i) creation of local employment opportunities;
- (ii) more readily available servicing support;
- (iii) more convenient communications for contract management;
- (iv) economic growth within the local area;
- (v) a benefit to Council of associated local commercial transactions.

## **7. Quality Assurance**

Quality Assurance must be taken into consideration when evaluating purchases. Where practicable preference should be given to suppliers who are Quality Assured or who are in the process of acquiring Quality Certification.

## **8. Workplace Health and Safety Act**

All aspects of the Workplace Health and Safety Act and Regulations (Qld) and all federal legislation in respect to workplace health and safety and amendments, must be adhered to in relation to Council purchases.

Suppliers, Contractors and employees must comply with the Workplace Health and Safety Act and Regulations (Qld) and all federal legislation regarding the requirements for the management of hazardous substances in the workplace.

## **9. Purchase orders**

Purchase orders are to be placed for all purchases of goods and services other than those carried out by petty cash transactions, authorised corporate credit card or in circumstances where it is not commercially practical to raise a purchase order. In the latter instances the invoice or other supporting documentation shall be authorised by an officer with the appropriate financial delegation prior to processing by the accounts payable section.

## **10. Conflicts of Interest and Acceptance of Gifts**

All Council employees, when purchasing goods and services will act impartially, will advance the interests of the Council and maintain a high level of professionalism, confidentiality and accountability. All Council employees must comply with the Council's Code of Conduct, Conflicts of Interest and Acceptance of Gifts Policy and disclosure of interest provisions when purchasing goods and services.

**11. Probity**

Contracts and acquisitions with a value greater than \$150,000 associated with commercial undertakings are to be referred to the Internal Audit Committee for review prior to referral to Council for acceptance. Depending on the nature of the acquisition, the Internal Audit Committee may include further recommendations to Council prior to acceptance.

Such activities require the completion of a procurement activity plan as outlined in S179 (2) of the Regulations. The plan must state –

- a) Its objectives; and
- b) How they are to be achieved; and
- c) How the achievement of the objectives will be measured; and
- d) Any alternative ways of achieving the objectives, and why the alternative ways were not adopted; and
- e) The proposed terms of the contract for the goods or services; and
- f) A risk analysis of the market from which the goods or services are to be procured.

**12. Delegations**

The Regulations outline the requirements of entering into a contract under delegation (s187). This section states –

1. A local government may, by resolution (the delegation resolution), delegate power to make, amend or discharge a contract for the local government.
2. The delegate may make, amend or discharge a contract (the contractual action) for the local government if –
  - (a) the local government's expenditure because of the contractual action has been provided for in the approved annual budget for –
    - a. the financial year when the contractual action is taken; or
    - b. the financial year in which the delegation resolution is made, if the expenditure is within the limits stated in the resolution; or
  - (b) the contractual action has been taken because of genuine emergency or hardship.
3. The delegate may take the contractual action in the same way as an individual.

Only Council employees listed in the approved Council Delegations Register or related Purchasing Delegations Register are entitled to authorise requisitions for the purchase of goods and services and then only in accordance with their financial delegation limits. By authorising a requisition, employees acknowledge understanding of, and full compliance with, all of the requirements of this policy.

### 13. Definitions

	Definition
Purchasing Limits	All purchasing limits exclude GST
LGA	Local Government Act 2009
Local Buy	A company owned by the Local Government Association of Queensland, established to provide procurement services and solutions to Queensland Councils.
LG Tender Box	An electronic (web based) tendering facility set up by Local Buy.
Open and effective competition	Purchasing should be open and result in effective competition in the provision of goods and services. Council must give fair and equitable consideration to all prospective suppliers.
Value for money	<p>Council must harness its purchasing power to achieve the best value for money. The concept of value for money is not restricted to price alone. The value for money assessment must include consideration of:</p> <ul style="list-style-type: none"> <li>(i) contribution to the advancement of Council's priorities; and</li> <li>(ii) fitness for purpose, quality, services and support; and</li> <li>(iii) whole-of-life- costs including costs of acquiring, using, maintaining and disposing; and</li> <li>(iv) internal administration costs; and</li> <li>(v) technical compliance issues; and</li> <li>(vi) risk exposure; and</li> <li>(vii) the value of any associated environmental benefits.</li> </ul>
Encouragement of the development of competitive local business and industry	<p>Council encourages the development of competitive local businesses within the Shire first and secondly within the Wide Bay region.</p> <p>Where price, performance, quality, suitability and other evaluation criteria are comparable, the following areas may be considered in evaluation offers:</p> <ul style="list-style-type: none"> <li>(i) creation of local employment opportunities;</li> <li>(ii) more readily available servicing support;</li> <li>(iii) more convenient communications for contract management;</li> <li>(iv) economic growth within the local area;</li> <li>(v) benefit to Council of associated local commercial transactions</li> </ul>

	Definition
Environmental protection	<p>Council promotes environmental protection through its purchasing procedures. In undertaking any purchasing activities Council will:</p> <ul style="list-style-type: none"> <li>(i) promote the purchase of environmentally friendly goods and services that satisfy value for money criteria; and</li> <li>(ii) foster the development of products and processes of low environmental and climatic impact; and</li> <li>(iii) provide an example to business, industry and the community by promoting the use of climatically and environmentally friendly goods and services; and</li> <li>(iv) encourage environmentally responsibly activities.</li> </ul>
Ethical behaviour and fair dealing	<p>Council employees involved in purchasing are to behave with impartiality, fairness, independence, openness, integrity, and professionalism in their discussions and negotiations with suppliers and their representatives.</p>
Quality Assurance	<p>Quality Assurance is a method whereby a purchaser is assured that the item purchased will be of consistent quality over time. To achieve this, suppliers are required to have in place a quality system which complies with all relevant standards that apply to the particular goods or services to be supplied.</p> <p>Quality assured suppliers are issued with a certificate and are audited regularly by Queensland Government departments. This certificate shall be readily available for inspection and/or displayed in a prominent position in the suppliers business premises.</p>

#### 14. Related Documents

- a. Local Government Act 2009
- b. Local Government (Finance, Plans and Reporting) Regulation 2010
- c. Council policy – Conflict of Interest and Acceptance of Gifts
- d. Workplace Health and Safety Act & Regulations (Qld)
- e. Corporate Delegations Register and related Purchasing Delegations Register
- f. Tender Register
- g. Docs 1905747 Publication – “The Fundamentals of Local Government Procurement”  
Published by Local Buy Pty Ltd.