

BARCALDINE REGIONAL COUNCIL POLICY

SYSTEM:	Finance
POLICY TITLE:	Procurement Policy
ADOPTED:	20 July 2016
POLICY NUMBER:	F025
PURPOSE:	To obtain the most cost effective benefit for the Council and the community by applying sound principles and procedures to the acquisition of goods and services.

1. Introduction

Procurement is the process of obtaining goods and services required by, but not available from within Council.

The purpose of this policy is to provide Barcaldine Regional Council and its employees with clear guidelines in procurement practices and procedures and to provide greater accountability and consistency.

It also ensures that procurement complies with the Local Government Act and Regulation.

2. Legal Requirements

Local Government Act 2009

Section 104 requires Council to adopt sound contracting principles when entering into a contract for—

- (a) the supply of goods or services; or
- (b) the carrying out of work; or
- (c) the disposal of assets.

The *sound contracting principles* are—

- (a) value for money; and
- (b) open and effective competition; and
- (c) the development of competitive local business and industry; and
- (d) environmental protection; and
- (e) ethical behaviour and fair dealing.

Council is not required to give equal consideration to each of the sound contracting principles.

Local Government Regulation 2012

Section 198 requires a local government to prepare and adopt a policy about procurement (a *procurement policy*).

The procurement policy must include details of the principles, including the sound contracting principles that the local government will apply in the financial year for purchasing goods and services.

The local government must review its procurement policy annually.

Contracts

Section 224 of the Local Government Regulation 2012 explains what a local government must do before it enters into (a) a medium-sized contract; or (b) a large-sized contract.

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A **medium-sized contract** is a contract expected to be worth \$15,000 or more but less than \$200,000 (excluding GST) in a financial year.

A **large-sized contract** is a contract expected to be worth \$200,000 or more (excluding GST) in a financial year.

Medium-sized contract—quotes needed first (Section 225)

- (1) A local government cannot enter into a medium-sized contract unless the local government first invites written quotes for the contract.
- (2) The invitation must be given to at least 3 persons who the local government considers can meet the local government's requirements, at competitive prices.
- (3) The local government may decide not to accept any of the quotes it receives.
- (4) However, if the local government does decide to accept a quote, the local government must accept the quote most advantageous to it having regard to the sound contracting principles.

Large-sized contract—tenders needed first (Section 226)

A local government cannot enter into a large-sized contract unless the local government first invites written tenders for the contract under section 228.

Tender process (Section 228)

- (1) This section is about how a local government must invite written tenders for a large-sized contract.

Exceptions for medium and large-sized contracts

Exception for contractor on approved contractor list (Section 231)

- (2) A local government may enter into the contract without first inviting written quotes or tenders if the contract is made with a person who is on an approved contractor list.
- (3) An **approved contractor list** is a list of persons who the local government considers to be appropriately qualified to provide the services.

Exception for register of pre-qualified suppliers (Section 232)

- (2) A local government may enter into the contract without first inviting written quotes or tenders if the contract is entered into with a supplier from a register of pre-qualified suppliers.
- (3) A local government may establish a register of pre-qualified suppliers of particular goods or services only if—
 - (a) the preparation and evaluation of invitations every time that the goods or services are needed would be costly; or
 - (b) the capability or financial capacity of the supplier of the goods or services is critical; or
 - (c) the supply of the goods or services involves significant security considerations; or
 - (d) a precondition of an offer to contract for the goods or services is compliance with particular standards or conditions set by the local government; or
 - (e) the ability of local business to supply the goods or services needs to be discovered or developed.
- (4) A **pre-qualified supplier** is a supplier who has been assessed by the local government as having the technical, financial and managerial capability necessary to perform contracts on time and in accordance with agreed requirements.

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Exception for a preferred supplier arrangement (Section 233)

- (1) This section applies to a medium-sized contract, or a large-sized contract, for goods or services if a local government—
 - (a) needs the goods or services—
 - (i) in large volumes; or
 - (ii) frequently; and
 - (b) is able to obtain better value for money by accumulating the demand for the goods or services; and
 - (c) is able to describe the goods or services in terms that would be well understood in the relevant industry.
- (2) A local government may enter into a contract for the goods or services without first inviting written quotes or tenders if the contract is entered into with the preferred supplier under a preferred supplier arrangement that is made in compliance with subsections (3) to (8).

Exception for LGA arrangement (Section 234)

- (1) A local government may enter into a contract for services without first inviting written quotes or tenders if the contract is entered into under an LGA arrangement. (eg Local Buy)

Other exceptions (Section 235)

A local government may enter into a medium-sized contract or large-sized contract without first inviting written quotes or tenders if—

- (a) the local government resolves it is satisfied that there is only 1 supplier who is reasonably available; or
- (b) the local government resolves that, because of the specialised or confidential nature of the services that are sought, it would be impractical or disadvantageous for the local government to invite quotes or tenders; or
- (c) a genuine emergency exists; or
- (d) the contract is for the purchase of goods and is made by auction; or
- (e) the contract is for the purchase of second-hand goods; or
- (f) the contract is made with, or under an arrangement with, a government body.

Publishing details of contracts worth \$200,000 or more (Section 237)

- (1) A local government must, as soon as practicable after entering a contract worth \$200,000 or more (excluding GST)—
 - (a) publish relevant details of the contract on the local government's website; and
 - (b) display relevant details of the contract in a conspicuous place in the local government's public office.
- (2) The relevant details must be published or displayed for a period of at least 12 months.
- (3) In this section— **relevant details**, of a contract, include the following—
 - (a) the person with whom the local government has entered into the contract;
 - (b) the worth of the contract;
 - (c) the purpose of the contract.

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3. Policy Provisions

(i) Practices

All tenders, quotations and general purchasing shall be conducted in accordance with:

- (a) Local Government Act 2009
- (b) Local Government Regulation 2012
- (c) Council's Procurement Policy

An employee or contractor of Barcaldine Regional Council shall only order goods or services by quoting an official purchase order number and after complying with the policies and procedures contained in this document.

(ii) Delegation

Delegation is provided under two processes:

- (a) Financial Delegation: this form of delegation provides officers with authority to approve requisitions to prescribed limits only for expenditure in their area of responsibility within the constraints of the approved budget.
- (b) Purchasing Thresholds: this form of delegation provides officers with delegated authority to sign purchase orders on the Council's behalf to prescribed expenditure limits in their area of responsibility and within the constraints of the approved budget.

The financial delegations are outlined in **Appendix A**.

(iii) Purchase of Goods and Services

Procedures for the purchase of goods and services are outlined in **Appendix B**.

(iv) Tenders

Tender processes are outlined in **Appendix C**.

(v) Acceptance

The Council will accept tenders or quotes which are the most advantageous to it. However Council may decide not to accept any tender or quote. The Council, in deciding the tender or quote most advantageous to it, will have regard to the five *sound contracting principles* as set out in the Local Government Act and this Policy and as outlined in **Appendix D**.

(vi) Gifts or Benefits

The acceptance of gifts or hospitality benefits by employees or contractors must be treated in accordance with Council's Gifts and Benefits Policy.

(vii) Evaluation Criteria

When evaluating offers, Council officers shall have regard to the five sound contracting principles.

At least two officers of the Council shall be involved in the evaluation, awarding and administration of all purchase orders.

Any Councillor or Officer who has any personal interest in the contract shall be excluded from the procurement evaluation process.

Officers must keep appropriate records or files to satisfy audit requirements and to establish that the principles and procedures contained in this policy have been complied with.

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(viii) Support for Local Business and Industry

Council officers involved in procurement practices shall support local business and industry in accordance with the provisions of **Appendix E**.

(ix) Barcaldine Regional Council Workplace Health & Safety

All contractors and suppliers of goods or services shall ensure that the work undertaken or goods supplied complies with the relevant statutes, regulations and standards, which pertain to Workplace Health and Safety.

(x) Quality Assurance and Risk Management and Environmental Management

Wherever possible, goods and services shall be procured from suppliers with an appropriate Quality Management System and Risk Management System and Environmental Management System.

(xi) Emergencies

The Local Government Regulation 2012 makes provision for expenditure in a genuine emergency. An example of genuine emergency or hardship includes potential flood damage, storm damage, etc and where action must be taken to protect public assets by immediate action.

(xii) Weightings

Weightings may be used when evaluating offers, as a means of determining the offer most beneficial to the Council. The weightings, if used, must be advised at the time of inviting tenders/quotations. Whenever weightings are applied in the evaluation process, they must be applied consistently and documented for audit purposes. Weightings for Plant Hire are outlined in **Appendix F**.

(xiii) Purchase Orders

The issue of a purchase order under the terms of contract represents the acceptance of an offer, thereby establishing a contract with the legal implications that this entails.

Council purchase orders must be raised before the supply of goods and services.

Purchase orders must specify where and to whom the goods are to be delivered along with delivery instructions. Purchase orders must contain a quoted price or estimated quoted price apportioned to the relevant budget numbers.

Expenditure limits and threshold limits have been set in this policy to ensure proper controls and checks are carried out on all purchases. No officer shall break down a procurement of products or services into its components or reduce quantities or take any other action in order to avoid complying with this policy or obtaining the prescribed approvals.

(xiv) Disclosure

All requests for information regarding tenders or quotations submitted will be dealt with by Council under the provisions of the Right to Information legislation.

All businesses providing a tender/quote will be advised the name of the successful tender/quote.

(xv) Receipt

Immediately upon receipt, goods must be inspected for compliance with the order specifications and quantities and be reconciled with the order. The supplier must be formally notified of any returns or shortfalls or damage to the goods received. Credit requests will be raised and shortages endorsed on

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the delivery documents to ensure that the accounts payable section pays only for the quantities received and authorised for payment.

(xvi) Payment

A signed proof of satisfactory receipt of the goods/services must be sent to the Accounts Payable Section to authorise payment to the supplier. Shortages, incorrect supplies, damaged goods, etc must be noted on the invoice.

Unless otherwise negotiated or specified in the offer or on the account, payment will be made in accordance with Council's trading terms of net thirty (30) days in the month following the date of receipt.

Settlement discounts will be treated with urgency by the Council officers and processed within the nominated discount period.

Orders which may require cancellation must be referred immediately to the issuing procurement officer for appropriate action.

(xvii) Penalties

Council contract documentation must incorporate any mandatory clauses regarding the supplier's guarantee to supply and the penalties, if any, the supplier will incur for any default.

(xviii) Plant Hire

Council will maintain a Prequalified Supplier Register for plant hire. Suppliers will be placed on the Register after conducting a full tender process approved by Council in October each year. The Register will be reviewed in April each year.

Plant hire contracts will be issued per road job wherever possible, with each job to be for a maximum of 3 months.

If a road job is longer than 3 months, quotes will be recalled every 3 months.

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APPENDIX A

Expenditure Limits for Authorised Officers

The following schedule indicates the authorized officers and expenditure limits for orders, requisitions and payments.

Position	Expenditure Limit	Requisitions	Orders Must be different to the person signing the requisition.	Payments All payments must be signed by any two of the following:
Chief Executive Officer	No limit if budgeted or approved by Council or \$10,000 not budgeted	Yes	Yes	Yes
		Yes	Yes	Yes
Executive Manager	\$200,000 budgeted or approved by Council or \$2,000 not budgeted	Yes	Yes	Yes
		Yes	Yes	Yes
Manager of Engineering Services	\$200,000 budgeted or approved by Council	Yes	No	No
Senior Administration Officer	\$100,000 budgeted or approved by Council	Yes	Yes	Yes
Designated Purchasing Officer	\$50,000 budgeted	Yes	No	No
Other Authorised Officer	\$5,000 budgeted	Yes	No	No

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APPENDIX B

Procurement Procedures

**AT ALL TIMES EXPENDITURE MUST BE WITHIN THE DELEGATED AUTHORITY
OF THE EMPLOYEE AND BE WITHIN BUDGET LIMITS**

- (a) **Petty Cash – Up to \$100:** purchases up to \$100 may be made out of Petty Cash.
- (b) **Purchase Orders – Up to \$999:**
A Purchase Order may only be signed and issued after:
- (i) obtaining a minimum of **one verbal or written quote** which complies with the five *sound contracting principles*.
- (a) **Purchase Orders – From \$1,000 Up to \$14,999:**
A Purchase Order may only be signed and issued after:
- (i) obtaining a minimum of **two written quotes** which comply with the five *sound contracting principles* and which are recorded on a Quote Record Form; or
 - (ii) obtaining **one written quote** which complies with the five *sound contracting principles* and which complies with one of the exceptions at (f) below.
- (d) **Purchase Orders - \$15,000 Up To \$199,999:**
A purchase order may only be signed and issued after:
- (i) obtaining a minimum of **three written quotes** which comply with the five *sound contracting principles* and are recorded on a Quote Record Form; or
 - (ii) obtaining a minimum of **one written quote** which complies with the five *sound contracting principles* and which complies with one of the exceptions at (f) below.
- (e) **Purchase Orders - \$200,000 or greater.**
- (i) **Tenders or Expressions of Interest** must be invited for contracts costing more than \$200,000.
 - (ii) Council may enter into a contract without calling tenders by obtaining a minimum of **one written quote** which complies with the five *sound contracting principles* and which complies with one of the exceptions at (f) below.
- (f) **Exceptions:**
A purchase order may be raised after complying with one of the following exceptions:
- (i) accessing a supplier from Council's Register of Approved Contractors; or
 - (ii) accessing a supplier from Council's Register of Pre-qualified Suppliers; or
 - (iii) accessing a supplier through a Preferred Supplier Arrangement; or
 - (iv) accessing a LOCALBUY arrangement; or
 - (v) Council is satisfied that there is only 1 supplier who is reasonably available (purchases over \$15,000 require a Council resolution for approval); or
 - (vi) That because of the specialised or confidential nature of the services that are sought, it would be impractical or disadvantageous for the local government to invite quotes or tenders (purchases over \$15,000 require a Council resolution for approval); or
 - (vii) a genuine emergency exists; or
 - (viii) the contract is for the purchase of goods and is made by auction; or
 - (ix) the contract is for the purchase of second-hand goods; or
 - (x) the contract is made with, or under an arrangement with, a government body.

**The reason for applying an exception must be recorded on the Quote Record Form.
All exceptions are to be authorised by the Chief Executive Officer or Executive Manager.**

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APPENDIX C

Tenders

Tenders must be invited before making a contract for the carrying out of work or for the supply of goods or services involving a cost of more than \$200,000. However tenders may be invited for contracts of less than \$200,000.

The invitation to tender must be an advertisement in a newspaper circulating generally in the Barcaldine Regional Council area and will allow at least twenty-one (21) days from the day of the advertisement for the submissions of tenders.

Tenders may be lodged by facsimile, email or in writing and lodged by a set date and time. Such tenders should be clearly endorsed with the tender reference.

Specifications, where appropriate, must set out the minimum performance requirements, dimensions and purpose for which the goods/services are required.

- (a) *Functional Specifications:* functional specifications will outline the proposed role of the product in achieving the desired result. The specifications will define the task or desired result and may describe the general form of the goods and services required.

The specifications will focus on what is to be achieved and be less prescriptive on how the task or result is to be done. The Council accepts that for functional specifications, specific performance tests are not required to demonstrate compliance.

- (b) *Performance Specifications:* performance specifications will, where appropriate, detail the required performance characteristics which will be subject to testing on delivery to demonstrate compliance with the specifications. Such specifications will, if appropriate, include maximum and minimum performance criteria and methods of measuring performance. The methods used to test performance will not be specified to promote overly innovative proposals.
- (c) *Technical Specifications:* technical specifications must detail the physical description of the product including elements such as size, capacity, rating and materials. The product must have a performance or application which is established and well known so that specific performance tests are not necessary.
- (d) *Material Specifications:* material specifications must state the physical characteristics of material - ie: basic, semi-fabricated or compound. They will be used for describing specific material and may refer to specific commercial or industrial standards.
- (e) *Tender Closing Time and Date.* Council shall provide a strongly constructed tender box in a designated area of Council premises for the purpose of holding all tender documents submitted by potential suppliers.

The tender box shall be securely locked with keys held by the Chief Executive Officer or Delegate.

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All tenders and formal quotation documents received before the advertised tender closure time shall be lodged in the tender box unopened. Tender documents received after the advertised closing date and time shall be deemed invalid unless there is satisfactory evidence to Council that such tender:

- (i) was delivered to Council before the specified closing time, or
- (ii) was despatched to reach Council under normal circumstances before the specified closing time but was still in the course of delivery at that time.

Tenders shall close at the time and date stated in the tender documents.

- (f) *Tender Openings*: the opening of tenders shall be carried out by two (2) nominated Barcaldine Regional Council representatives.
- (g) Changes to tenders apply if:
 - (i) the Council invites tenders for a contract; and
 - (ii) the invitation to tender states that the Council may invite all tenderers to change their tenders;
- (iii) before making a decision on the tenders, the Council may invite all the persons who have submitted a tender to change their tender to take account of a change in the tender specifications.

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APPENDIX D

Sound Contracting Principles

All Council procurement transactions shall have regard to the *five sound contracting principles*:

(a) ***Open and Effective Competition:***

Council will:

- i. ensure all suppliers wishing to conduct business with Council shall have a reasonable opportunity to do so;
- ii. maximise the prospect of obtaining the most cost effective outcomes;
- iii. ensure there is no favouritism to particular suppliers;
- iv. ensure contracts are awarded on the basis of merit; and
- v. ensure Council's procurement procedures are visible to the Council, the public and suppliers.

(b) ***Value for Money:***

Council believes value for money:

- i. represents the best return and performance from the money spent over the extended life of the product or service;
- ii. does not always mean the lowest price;
- iii. can be achieved by the use of open specifications that provide for alternative offers and also enhance the prospect of receiving value for money; and
- iv. will be enhanced through quality assurance systems.

(c) ***The development of competitive Local Business and Industry: (Appendix E)***

Council will:

- i. enhance the opportunity for local suppliers of goods and services to be considered for Council business; and
- ii. encourage and give local suppliers every opportunity to compete for the Council's business.

(b) ***Environmental Protection:***

Council will encourage environmentally sustainable development by promoting purchasing practices which:

- i. conserve resources;
- ii. save energy;
- iii. minimise waste;
- iv. protect human health;
- v. maintain and improve environmental quality and safety; and
- vi. promote the use of recycled materials.

(e) ***Ethical Behaviour and Fair Dealing:***

Council will implement practices that:

- i. operate with impartiality and openness;
- ii. have a high degree of integrity;
- iii. advance the interests of the Council; and
- iv. avoid suppliers who seek favours and operate outside of competition and the policies encompassed in this document.

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APPENDIX E

Development of Competitive Local Business and Industry

The Council shall support local business and industry by procuring goods and services locally in accordance with this policy. This will be achieved by:

- (a) actively seeking out known local suppliers and supplies;
- (b) ensuring quotes include freight to point of delivery in the total cost;
- (c) ensuring that purchases and projects are not structured to exclude local suppliers;
- (d) avoiding non-standard specifications which local suppliers cannot meet;
- (e) improving the business community's understanding of the Council's purchasing policy and practices;
- (f) inviting quotes for goods and services as follows:
 - Where the estimated value of the goods or services is less than \$200,000 – where there are sufficient local providers able to quote – quotes to be obtained from local businesses only.
 - Where the estimated value of the goods or services is over \$200,000 – an open tender process is to apply
- (g) defining local businesses into two categories - Category 1 and Category 2 – as defined below;
- (h) applying the following weightings to quotes and tenders from local business:

Value of Goods or Services	Category	Weighting
\$0 - \$999,000	Cat 1	10%
\$0 - \$999,000	Cat 2	8%
\$1,000,000 - \$4,999,999	Cat 1	6%
\$1,000,000 - \$4,999,999	Cat 2	4%
\$5,000,000 or greater	Cat 1 and 2	0%

(When assessing price, the local business price is to be reduced by the applicable percentage prior to the allocation of an adjusted price score as per the assessment matrix).

Council should ensure that, where there is more than one local business providing goods or services on similar terms, that it is not unreasonably favouring one business over another business in its procurement practices.

Local Business Categorisation

The approved Prequalified Supplier Register for Plant Hire will be presented to Council each year for categorization of suppliers into Category 1 and Category 2. Any amendments to the categories must be approved by Council.

A list of all other suppliers, categorized into Category 1 and Category 2, will be compiled by the Chief Executive Officer and the Executive Managers and provided to the relevant officers. As new suppliers appear they will be classified by the Chief Executive Officer or Executive Managers

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A **Category 1 Local Business** is a business which complies with all of the following:

1. the business has its business premises/depot located within the Barcaldine Regional Council area; and
2. the business employs or subcontracts people residing in the Barcaldine Regional Council area (*the owners are treated as employees for the purpose of this clause*); and
3. The owners of the business permanently reside in the Barcaldine Regional Council area; and
4. The business and/or its owners are ratepayers of Barcaldine Regional Council.

A **Category 2 Local Business** is a business which complies with all of the following:

1. the business has its business premises/depot located within the Barcaldine Regional Council area; and
2. the business employs or subcontracts people residing in the Barcaldine Regional Council area (*the owners are treated as employees for the purpose of this clause*); and
3. The business and/or its owners are ratepayers of Barcaldine Regional Council.

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APPENDIX F

**WEIGHTINGS TO BE APPLIED TO THE ASSESSMENT OF QUOTES AND TENDERS
PLANT HIRE**

When assessing quotes for plant hire, Council will assess each quote using the following assessment criteria:

<u>Assessment Factor</u>	<u>Score</u>
Conformance	Yes/No
Availability	Yes/No
Adjusted price	15
Machine Size	5
Operator Experience	2
Documented Work History	5

If at the completion of the assessment matrix, scores are equal, an incumbent will be allocated one point.

Conformance = quotation form completed in full and meets all requirements

Availability = contractor able to start when required and available for the full period

Adjusted Price = quoted price adjusted for the local business weighting as per this Policy and machine size (where applicable)

Machine Size = the machine is the comparative to the size requested and is most suitable to perform the job

Operator Experience = assessment of the operator's proven work experience and local knowledge of soils, terrain and conditions

Documented Work History = assessment of the operator and owner's work history including environmental issues, reliability, condition of machines. Evidence must be documented of unsatisfactory work history.

Incumbent = currently working for Council on that job