

## 1. Purpose

This Policy sets out Council's principles and mandatory requirements for the acquisition of goods and services, and the conduct of all procurement activities.

## 2. Scope

This Policy applies to all procurement activities, including goods, services, equipment, and contractor engagements, and includes all commercial transactions where the outlay of funds results in the provision of goods, services or other items.

This Policy applies to all Council employees, contractors, volunteers, and any person acting on behalf of Council, and should be read in conjunction with other Council policies and procedures, including but not limited to the Code of Conduct, Procurement Procedure, Purchase Card Policy, Financial Delegations Policy, and Fraud and Corruption Prevention Policy.

## 3. Responsibility

Council is responsible for the approval of this Policy, with the Executive Management Team assisted by the Finance Manager, responsible for its implementation, maintenance and compliance monitoring.

Managers are responsible for ensuring that this policy is understood and complied with by all Council employees, contractors, volunteers, and any person acting on behalf of Council.

The Procurement Coordinator is responsible for monitoring procurement activities and processes, and for reporting on Council's Procurement Policy and Procedure compliance.

All Authorised Delegates of Council must comply with the financial limits contained in the Financial Delegations Policy and Register.

## 4. Definitions

**Act** means the *Local Government Act 2009*.

**Approved Contractor List** has the same meaning as set out at Section 231 of the Local Government Regulation 2012.

**Authorised Delegate of Council** means a Council officer with the appropriate delegation and permission to make the particular decision.

**Large – Sized Contractual Arrangement** has the same meaning as that defined in Section 224 (3) of the Local Government Regulation 2012 and for the purposes of this policy means a contractual arrangement with a supplier that is expected to be worth \$200,000 excl. GST or more in a financial year, or over the proposed term of the contractual arrangement.

**Local Business** means a business:

- Which is owned or operated by persons who are residents within the Hinchinbrook Shire Council area; and
- Has a place of business within the Hinchinbrook Shire; and
- Primarily employs persons who are residents or ratepayers from within the Hinchinbrook Shire.

**Local Business Allowance** means a bonus percentage Allowance applied to the gross price for submissions which meet the definition of a Local Business. Allowance.

**Local Content** means the supply of goods, materials and services provided by or procured from a Local Business or employees living permanently in the Hinchinbrook Shire area but specifically excludes quarry material and pre-mix concrete.

**Local Value Add Component** means the Local Content sourced by a Non-Local Business. The local content value add component must be at least 20% of the submitted price before local content is included in the evaluation of the quote or tender.

**Medium Sized Contractual Arrangement** has the same meaning as that defined in Section 224 (2) of the Local Government Regulation 2012 and for the purposes of this policy means a contractual arrangement with a supplier that is expected to be worth \$15,000 Excl. GST or more but less than \$200,000 Excl. GST in a financial year, or over the proposed term of the contractual arrangement.

**Preferred Supplier Arrangement** has the same meaning as set out in Section 233 of the Local Government Regulation 2012.

**Panel of Providers** means a list of contractors, suppliers and retailers who have registered interest in being automatically sent Request for Quotes in future.

**Procurement** means the purchase, hire, lease, rental, exchange or any other commercial transaction involving the outlay of funds in return for the provision of goods, equipment, related services, construction contracts and service contracts.

**Register of Pre-Qualified Suppliers** has the same meaning as set out at Section 232 of the Local Government Regulation 2012 e.g. Council's Register of Pre-Qualified Plant Hire Arrangements.

**Request for Quotation (RFQ)** a document which clearly details the specification, conditions and terms for the supply and/or delivery of goods and/or services.

**Regulation** means the Local Government Regulation 2012 (Qld).

**Sound Contracting Principles** means those principles set out at Section 104(3) of the *Local Government Act 2009*.

**Valuable Non-Current Asset Contract** has the same meaning as that defined in Sections 224 (5) of the Local Government Regulation 2012 and for the purposes of this Policy is a contract for the disposal of a valuable non-current asset.

## 5. Policy

### 5.1 Compliance

All procurement activity must be carried out in accordance with this policy, associated Policies and Procedures, and relevant laws and regulation, including the *Local Government Act 2009*, the Local Government Regulations 2012, *Public Sector Ethics Act 1994* and any relevant environmental, safety, anti-bribery and corruption legislation.

All procurement activity must meet the requirements of sound contracting principles set out within the *Local Government Act 2009* Section 104(3):

- (a) Value for money;
- (b) Open and effective competition;
- (c) The development of competitive local business and industry;
- (d) Environmental protection; and
- (e) Ethical behaviour and fair dealing.

All Council employees, contractors, volunteers, or any other person acting on behalf of Council, must do so in a professional manner, abiding by the terms of the Code of Conduct, and exemplifying impartiality, fairness, integrity and best practice procurement principles.

## 5.2 Sound Contracting Principles

### *Value for Money*

Council must utilise 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:

- Whole of life costs including costs of acquiring, using, maintaining and disposal;
- Contribution to the advancement of Council's priorities;
- Fitness for purpose, quality, services and support;
- Internal administration costs;
- Technical compliance issues;
- Risk exposure; and
- The value of any associated environmental benefits and/or any environmental cost.

### *Open and Effective Competition*

Council will, as far as is practicable, procure goods and services through a process of open and effective competition. Suppliers wishing to conduct business with Council will be given every reasonable opportunity to do so subject to them satisfying Council's requirements and relevant evaluation criteria.

### *The Development of Competitive Local Business and Industry*

In pursuit of achieving Community, Corporate and Operational Plan objectives, Council observes legislative requirements and 'sound contracting principles'. Council is committed to developing local business and industry, through providing full, fair, and reasonable opportunity for local business and industry to be engaged to provide goods and services to Council.

In delivering on this commitment, Council considers local content and a local business Allowance in all quotations and tenders through the inclusion of assessment weightings that encourage local business and industry participation, principally:

- Local Business Allowance – the below pricing Allowances apply to all submissions that meet the Local Business Allowance eligibility criteria:
  - For values between \$0 and \$200,000, a 5% Allowance is applied to the assessed price; or
  - For values above \$200,000, a 2.5% Allowance is applied to the assessed price.
- Local content - an evaluation weighting of a minimum of 10% is assigned to all quotations and tenders for the purpose of assessing the level of local content in the submission and encouraging all suppliers (local and non-local) to utilise local products and services.

Council Officers must make every effort to ensure that local businesses are given every opportunity to provide quotes under section 5.4 and 5.5 of this Policy.



### *Environmental Protection*

Council will, especially when undertaking large size contracts purchasing activities:

- Fulfill its obligations under the *Environmental Protection Act 1994* and the *Waste and Recycling Reduction Act 2011*, where possible;
- Provide an example to business, industry and the community by promoting the use of climatically and environmentally friendly goods and services; and
- Encourage environmentally responsible activities.

### *Ethical Behaviour and Fair Dealing*

Council staff involved in procurement must:

- Behave with impartiality, fairness, independence, openness, integrity, and professionalism in their discussions and negotiations with suppliers and their representatives;
- Act, and be seen to act, ethically and in accordance with Council's Code of Conduct. Council officers should apply the ethical behaviour and fair dealing principle by providing:
- Full disclosure of all relevant information to all responding parties;
- Equal response durations and closing times;
- Declarations by officers regarding confidentiality and conflicts (where applicable); and
- Probity plans (where applicable).

Procurement must be conducted so that funds are only expended in Council's best interests and that procurement decisions are adequately documented.

## **5.3 Authorised Expenditure and Delegate Requirements**

Procurement activities can only occur where the underlying goods or services to be procured, are permitted under Council Policy, Local Government Legislation or Regulation.

In order for procurement to commence, a budget must exist for the item being procured, or alternatively an appropriate Council resolution.

Only those employees and contractors with an appropriate delegation and area of responsibility applicable to the type of procurement activity, are permitted to authorise the procurement to commence and successful parties to be engaged to provide goods or services

## **5.4 Preferred Supplier Arrangements and Supplier Panels**

Where a preferred supplier arrangement or prequalified supplier panel exists, then goods and services of a similar nature to that defined in the agreement or panel, can be procured in accordance with the below requirements.

### *Preferred Supplier Arrangement (PSA)*

- The supplier contracted under a PSA, must be used for all purchases of the applicable goods or services stipulated under the PSA;
- Expenditure authorisation and delegation limits apply to all PSA purchases; and
- All PSAs are to be monitored for performance and value for money.

### Prequalified Suppliers

- Suppliers contracted under a panel arrangement must be used where their goods and/or services offering represents the best value for money; and
- To demonstrate value for money, the relevant number of quotes must be obtained for the specified value of the procurement activity. See section at 5.5.

## 5.5 Procurement Thresholds

At all times, Council's intent is for the development of competitive business and industry within the Hinchinbrook Shire to be considered when applying these procurement thresholds.

The following table defines the requirements for tenders and quotations unless exceptions in accordance with section 5.6 and 5.7 of this policy.

Value of Contract (excl. GST)	Minimum Number of quotes to be invited	Accepted Communication	Engagement Documentation Required
\$0 - \$250	Nil	-	No
\$251 - \$2000	One*	Verbal, Email, Internet, Catalogue	No
\$2,001 - \$5,000	Two*	Verbal, Email, Internet, Catalogue	No
\$5,001 - \$14,999	Two*	Written (Email, Internet, Catalogue, VendorPanel)	No
\$15,000 - \$199,999	Three*	Written (VendorPanel)	Yes (Offer Document/FNQROC Template Required)
\$200,000 and over	Open Tender*	Written (VendorPanel)	Yes (FNQROC Template Required)

\*Unless the best value contractor/s for Preferred or Pre-Qualified Arrangements are used on an hourly rate basis

Note: When seeking quotations, officers should consider the likelihood of exceeding the value thresholds listed above in a financial year (excluding GST), or over the proposed term of any contractual arrangement, with a supplier, including any contract extensions. If there is a risk that these limits will be exceeded, then the appropriate number of quotes or a public tender should be sought. All thresholds are cumulative thresholds. If the anticipated value of goods or services of a similar nature procured from the same supplier exceeds \$200,000 in a financial year, or over the proposed term of the contractual arrangement, then a public tender is required.

All quotations received must be registered and attached via the purchase requisition and/or order system.

### *Disposal of Assets*

The disposal of a valuable non-current asset is to be undertaken in accordance with Section 227 and Section 236 of the Local Government Regulation 2012.

The disposal of a valuable non-current asset by a local government includes the disposal of any part of an interest in the asset. E.g. the grant of a lease over land or a building.

### *Invitation to Tender*

Hinchinbrook Shire Council must invite written tenders or expressions of interest as outlined in s228 of the Local Government Regulations 2012 Invitations to Tender.

For Council to enter into a large sized contractual arrangement or a valuable non-current asset contract, it must first invite written tenders.

The invitation for the tenders must:

- Be published on the local government's website for at least 21 days;
- Be advertised in a newspaper circulating generally in Council's Local Government Area; and
- The Local Government also must take all reasonable steps to publish the invitation for tenders in another way to notify the public about the tender process, such as Tenderlink or Vendorpanel.

Council may decide not to accept any tenders it receives. If Council decides to accept a tender, Council must accept the tender most advantageous to it, having regard to the sound contracting principles.

### *Expressions of Interest Invitations*

Prior to issuing an Expression of Interest (EOI) over \$200,000 (Excl. GST), a Council resolution must be obtained. An EOI may only be utilised to facilitate a closed or selective tender process when Council believes that it would be in the public interest to invite expressions of interest before seeking written tenders, this decision must be formally resolved by Council.

If Council resolves to invite expressions of interest, an officer must prepare a shortlist for the persons who respond to the invitation for expressions of interest. An officer must then invite written tenders from those persons.

EOI's may be called under the \$200,000 threshold without a Council resolution, however the EOI process must still comply with the normal procurement threshold guidelines.

## **5.6 Exceptions for Medium Sized and Large Sized Contractual Arrangements**

In accordance with Local Government Regulations (2012) the primary exceptions to the requirement to obtain quotes or go to tender outlined in section 5.5 of this policy, include circumstances where:

- A Quote or Tender Consideration Plan is prepared;
- An Approved Contractors List exist;
- A Register of Pre-Qualified Suppliers is established;
- A Preferred Supplier Arrangement is established; or
- A LGA Arrangement, such as Local Buy Pre-Qualified Arrangements.



## 5.7 Other Exceptions

Council may enter into a medium sized or large sized contractual arrangement without first inviting written quotes or tenders if:

- The Local Government resolves it is satisfied that there is only one supplier who is reasonably available (Sole Supplier);
- 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;
- A genuine emergency exists (requires CEO Approval);
- The contract is for the purchase of goods and is made by auction;
- The contract is for the purchase of second-hand goods; or
- The contract is made with or under an arrangement with, a government agency.

## 5.8 Evaluating Quote and Tender Submissions

In evaluating quote and tender submissions, Council has regard to the 'sound contracting principles' and any other relevant information, including past performance assessments of the supplier.

In setting and assessing quote and tender criteria, Council applies the below weightings:

- Price (Excl. GST) - will be set at a minimum of 50% in most evaluations however, for more complex tenders and quotations, where non-price criteria play an integral role in meeting the requirements of the procured good or service, then the price weighting may be set at a minimum of 30% with relevant Director's approval.

Further, when tendering is conducted for the purpose of forming a Panel of pre-qualified suppliers, the criteria of price is not to be considered, as this will be applied on a tender and quote basis when goods and services are procured from the Panel;

- Local content - will be set at a minimum of 10%. When tendering is conducted for the purpose of forming a Panel of pre-qualified suppliers, the criteria of local content is not to be considered, as this will be applied on a tender and quote basis when goods and services are procured from the Panel; and
- Qualitative or other non-price criteria - will be applied with the remaining weighting bringing the total possible score value to 100%.

## 5.9 Decision making for Quotes and Tenders

For clarity, the ability to determine the outcome of a tender or a quotation process is in accordance with the Financial Delegations Policy, except in the following circumstances:

*Tenders undertaken for values greater than \$200,000*

The acceptance of a tender where the value exceeds \$200,000 (excluding GST) must be via a resolution of Council.

## 5.10 Supplier Performance

To ensure adequate, reliable and safe delivery of goods and services, supplier performance is to be monitored and reported for all procured activities. The responsibility of managing and evaluating supplier performance rests with the engaging Contract Manager or Supervisor.

The Contract Manager must prepare an Evaluation of Supplier Performance within two weeks of the end of an engagement in the following circumstances:

- Every contractual arrangement of \$200,000 or more; and
- Every occasion where supplier performance is poor.

The Evaluation of Supplier Performance should be sent to the Finance Manager, who will distribute to the Executive Management Team as considered appropriate.

The Finance Manager will maintain a register of the Evaluations.

### **5.11 Splitting Orders**

It is the responsibility of Financial Delegates to make sure that orders and/or transactions they approve have not been 'split' into a number of smaller orders to avoid the need for written quotes/tenders or to circumvent delegation limit.

### **5.12 Conflict of Interest**

All Council Officers involved with a procurement activity should register any Conflict of Interest (whether the Conflict be 'actual', 'perceived' or 'potential') with the Procurement Coordinator and the supervising Director prior to taking part in the procurement activity. A Director is to register any conflict of interest with the Procurement Coordinator and the CEO. The CEO should register any conflict of interest with the Procurement Coordinator and the Mayor.

The Statement of Interests should be in writing and should clearly explain the Officer's interests in the transaction.

Complaints in relation to Conflict of Interest are to be made to the Public Interest Disclosure (PID) Coordinator in all instances.

### **5.13 Purchasing from Related Parties**

Council's Related Party Transactions Policy requires Councillors, Key Management Personnel, and others deemed necessary by the Chief Executive Officer to formally report activity between Council and themselves and/or their close family members.

From time to time, other Officers who are involved in buying goods/services on behalf of Council will deal with family members and/or other related parties who provide these goods/services. In such cases, even though the purchase may be totally appropriate, there is a perceived conflict of interest. In these situations, it is recommended that the purchasing officer either:

- Asks their supervisor to approve the purchase order; or
- Advises their supervisor, in writing, that they intend to purchase from a family member/related party.

The supervisor then needs to document whether they consider that the purchase complies with the underlying principles of the Procurement Policy.

### **5.14 Financial Delegations**

All purchasing requirements will be in accordance with the Financial Delegations Policy; including, but not limited to:

- Purchase Card use;
- Raising of purchase order;



- Approval of quotation;
- Variances to quotation or tender;
- Payment of invoice;
- Procurement authorisation level; and
- Financial limit.

### 5.15 Gifts and Benefits

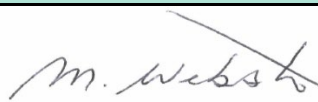
Periodically suppliers may consider it appropriate to provide gifts and benefits to Council Officers. Gifts and benefits can only be accepted in accordance with the Code of Conduct.

## 6. Legal Parameters

- *Local Government Act 2009*;
- *Local Government Regulation 2012*; and
- *Public Interest Disclosure Act 2010*.

## 7. Associated Documents

- Administrative Action Complaints Policy;
- Code of Conduct;
- Financial Delegations Policy;
- Fraud and Corruption Prevention Policy;
- Procurement Procedure;
- Public Interest Disclosure Policy;
- Purchase Card Policy; and
- Purchase Card Procedure.

DOCUMENT HISTORY AND STATUS					
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Approved by Council	Michelle Webster		A/CEO		30/05/2023
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