1. Policy Statement

The purpose of this Policy is to regulate and guide all Council procurement and contracting activities from external parties.

All Council procurement must comply with the Local Government Act 2009 and the Local Government Regulations 2012, in particular:

- The sound contracting principles as per Section 104 Local Government Act 2009 and
- The default contracting procedures as per Sections 223 to 238 Local Government Regulation 2012

This Procurement Policy sets out how Council will apply the sound contracting principles.

As demonstrated by this Policy, Council is determined to support local businesses and industries wherever practicable so as to encourage the viability of local businesses in all townships within the Hinchinbrook Shire Council area.

2. Scope

This Policy applies when Council officers conduct Procurement activities on behalf of Council.

Separate policies exist for Procurement, Financial Delegations, Purchasing Card, Disposal of Fixed Assets and Complaints. These other policies may need to be referred to when considering procurement related matters.

This Policy is designed to ensure that Council procurement activities take into consideration the following:

- Relevant legislative requirements including, but not restricted to, the Local Government Act 2009 and the Local Government Regulation 2012
- The required level of transparency, accountability, commercial benefit, community considerations, environmental consideration and value for money in its procurement activities
- Maintain public confidence in Council
- Effectively manage risk
- Assist Council in achieving its goals

3. Responsibility

Changes to this Policy need to be approved by Council.

The Executive Team, assisted by the Management Accountant is responsible for the implementation and maintenance of this Policy.

Only the Council officers holding the positions listed in Hinchinbrook Shire Council Delegation of Authority – Financial Procurement are entitled to approve requisitions, and then only in accordance with their respective financial delegation limits.

Council Officers involved in procurement activities on behalf of Council are responsible for ensuring that they conduct these procurement activities in accordance with this Policy and all related legislative requirements and other relevant Council Policies and Procedures.
4. Definitions

In this Procurement Policy, the following terms shall have the corresponding meaning:

**Act** means the *Local Government Act 2009* (QLD).

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

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

**Large – Sized Contractual Arrangement** means a contractual arrangement with a supplier that is expected to be worth exclusive of GST, $200,000 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 its principle place of Business within the Hinchinbrook Shire and primarily employs persons who are residents or ratepayers from within the Hinchinbrook Shire.

**Local Content** means goods and services provided by or procured from local businesses or employees living permanently in the Hinchinbrook Shire area.

**Medium – Sized Contractual Arrangement** means a contractual arrangement with a supplier that is expected to be worth, exclusive of GST, $15,000 or more but less than $200,000 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 Regulation.

**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 Regulation eg. 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 Act.

5. Policy

All Council procurement within the scope of this Policy will be conducted with regard to the five sound contracting principles of the *Local Government Act 2009* (S104).

Council officers do not need to give equal consideration to each sound contracting principle (pursuant to Section 104(8) of the Act) but each sound contracting principle must be considered and applied before Council procures any goods or services.
The five sound contracting principles are as follows:

5.1 Value for money
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:

i. contribution to the advancement of Council’s priorities
ii. fitness for purpose, quality, services and support
iii. whole-of-life costs including costs of acquiring, using, maintaining and disposal
iv. internal administration costs
v. technical compliance issues
vi. risk exposure
vii. the value of any associated environmental benefits and/or any environmental cost

5.2 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.

5.3 The Development of Competitive Local Business and Industry
Council encourages the development of competitive local businesses within the Hinchinbrook region. Council will use its best endeavours to ensure that competitive local businesses (that comply with relevant legislation) are given a full, fair and reasonable opportunity to be engaged to provide goods and services to Council.

To assess quotations and tenders, Council will develop appropriate evaluation criteria for individual procurement transactions.

Mandatory Criteria and Weightings will be as follows:

Price (ex GST) will be a minimum of 50%
Local content will be and minimum of 10%

Other non-price criteria will be applied dependant on specific circumstances to total a 100% score

Local Preference is mandatory to be included in the evaluation process as an additional bonus score for submissions which meet the definition of a “Local Business” as defined in this policy. This bonus will be added on top of the final criteria score as follows:

When evaluating tenders or offers, Council will attribute the undermentioned percentage on top of the overall evaluation score for local preference (100%).

<table>
<thead>
<tr>
<th>Amount</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>$0 - $200,000</td>
<td>-5%</td>
</tr>
<tr>
<td>$200,000 – above</td>
<td>2.5%</td>
</tr>
</tbody>
</table>
For clarity local content is different to local preference. It is Council’s intent to encourage the use of local business primarily (local Preference) and maximise the use of local businesses by all providers local or nonlocal that wish to submit quotations or tenders. Local content will have a mandatory weighting of no less than 10% of the total evaluation criteria.

When developing and evaluating tenders and quotations it should be recognised that, in some cases, local suppliers may not have access to the physical resources required to fulfil the tender requirements. For example, ‘time’ and ‘quantities’ can restrict local suppliers as they may be equipped for ‘over the counter’ and not wholesale trade.

Further, such local suppliers may not have the resources to provide the specialist after-sales support that is often required for certain goods and services. In such cases, Council may elect to tailor the tender requirements to make it easier for local suppliers to be able to submit a response.

Council will endeavour to help develop local business and industry by encouraging local businesses to be innovative and to compete in surrounding local government areas.

5.4 Environmental Protection

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

i. promote the purchase of environmentally friendly goods and services that satisfy value for money criteria (‘environmental cost’ is a consideration when regarding ‘value for money’)

ii. foster the development of products and processes with low environmental and climate impact

iii. provide an example to business, industry and the community by promoting the use of climatically and environmentally friendly goods and services

iv. encourage environmentally responsible activities.

5.5 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 giving:
  o full disclosure of all relevant information to all responding parties
  o equal response durations and closing times
  o declarations by officers regarding confidentiality and conflicts (where applicable) and
  o 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.
6. **Procurement Thresholds**

6.1 **Purchases for less than $100**

These can be made from Petty Cash, with the Purchasing Card or via the Purchase Requisition/Order system. These purchases can be made without obtaining quotes.

6.2 **Purchases between $101 and $5,000**

Purchases in this category can only be made using section 6.2 when total transactions with a particular supplier for the broad category of supplies that the purchase belongs to are expected to be worth less than $15,000 in a financial year.

Where possible, quotes under Section 6.2 must be sought from local businesses in the first instance. These can be made (subject to Purchasing Card limits) with the Purchasing Card or via the Purchase Requisition/Order system.

6.2 (a) **Purchases between $101 and $2,000**

A minimum of two verbal quotes.

6.2 (b) **Purchases between $2,001 and $5,000**

A minimum of two verbal quotes is required, confirmed in writing where practical.

Where a local business is identified as being able to supply then in the interests of ensuring equality:

If a Council Procurement Register includes a Panel of Providers for the product or service being sought an invitation to quote must be made to all local businesses registered on that panel.

Only if a local business cannot, in the opinion of an Authorised Delegate of Council meet Council requirements in terms of Value for Money can quotes be sought and accepted from suppliers other than local businesses. Value for Money is not restricted to price alone and consideration must be given to items 5.1.i – 5.1.vii of this policy.

Section 6.2 does not prevent purchase by access to a Preferred Supplier Arrangement, Register of Pre-qualified Suppliers or accessing store inventory.

6.3 **Purchases between $5,001 and $15,000**

These can be made (subject to Purchasing Card limits) with the Purchasing Card or via the Purchase Requisition/Order system.

Purchasing under this Section 6.3 should be made in the first instance by:

- Accessing a Preferred Supplier Arrangement (if permitted under the Regulation); or
- Accessing a pre-qualified supplier; or
- Accessing store inventory; or
• Accessing the panel of providers e.g. via TenderLink

• By way of another exception under the Regulation eg. LocalBuy, LGA arrangement, FNQROC (6.5.4.4).

If any of the above options are not available or desirable, Council must invite a minimum of three written quotes as well as advertising on Council’s Website and Facebook.

For clarity all written quotes are to be recorded, registered and administered via Council’s ECM system or a dedicated procurement portal such as Tenderlink.

The advertising timeframe is to be of a reasonable duration at the discretion of the purchasing officer, dependent on the goods and services to be procured eg. for goods and/or services of high value and complexity a minimum of 14 calendar days advertising period is required. Conversely goods and/or services of low value and/or simplicity can be advertised for shorter periods eg, five working days.

Justification for the chosen timeframe must be documented on the approval form.

Section 6.5.4.3 applies where staff considers that a sole supplier situation exists.

Prior to purchasing an Authorisation Officer Approval Form recommending successful quotation must be signed off by the Authorising Officer, Executive Manager and CEO. Executive Manager and CEO sign off of approval form is not required if Preferred Supplier Arrangement, pre-qualified supplier or store inventory is used.

Any quotes received under Section 6.3 of this Procurement Policy must be evaluated in accordance with Council’s evaluation criteria, which will include the application of the sound contracting principles and other procurement principles set out in this Procurement Policy.

6.4 Medium sized contractual arrangements (Purchases between $15,001 and $200,000, excluding GST)

Purchasing under this Section 6.4 should be made in the first instance by:

• Accessing a Preferred Supplier Arrangement (if permitted under the Regulation); or

• Accessing a pre-qualified supplier; or

• Accessing store inventory; or

• Accessing the panel of providers e.g. via TenderLink

• By way of another exception under the Regulation eg. LocalBuy, LGA arrangement (6.5.4.4).

If any of the above options are not available or desirable, Council must invite a minimum of three written quotes* as well as advertising on Council’s Website, Facebook and the Herbert River Express.

For clarity all written quotes are to be recorded, registered and administered via Council’s ECM system or a dedicated procurement portal such as Tenderlink.
The advertising timeframe is to be of a reasonable duration at the discretion of the purchasing officer, dependent on the goods and services to be procured eg. for goods and/or services of high value and complexity a minimum of 14 calendar days advertising period is required. Conversely goods and/or services of low value and/or simplicity can be advertised for shorter periods eg. five working days. Justification for the chosen timeframe must be documented on the approval form.

Section 6.5.4.3 applies where staff considers that a sole supplier situation exists.

Prior to purchasing an Authorisation Officer Approval Form recommending successful quotation must be signed off by the Authorising Officer, Executive Manager and CEO. Executive Manager and CEO sign off of approval form is not required if Preferred Supplier Arrangement, pre-qualified supplier or store inventory is used.

Any quotes received under Section 6.3 of this Procurement Policy must be evaluated in accordance with Council’s evaluation criteria, which will include the application of the sound contracting principles and other procurement principles set out in this Procurement Policy.

*Note - Subject to certain exceptions Section 225 of the Regulation requires that Council invites at least 3 written quotes from persons who Council considers can meet Council’s requirements at competitive prices before entering into a Medium Sized Contractual Arrangement.

6.5 Large sized contractual arrangements (Purchases above $200,001, excluding GST)

Section 226 of the Regulation states that a local government cannot enter into a large-sized contract unless it first invites written tenders in accordance with Section 228.

Section 228(2) of the Regulation requires that Council invite written tenders under Section 228(4) or invite expressions of interest under Section 228(5) before considering whether to invite written tenders.

Please refer to tender guidelines detailed under Appendix 1.

6.5.1 Invitations to Tender

Section 228(4) of the Regulation specifies the invitation must be advertised in a newspaper circulating generally in Council’s local government area and allow at least 21 calendar days after the day of the advertisement for the submission of tenders (for fairness of process, it is legislated that this period includes a minimum of 15 clear working days from the day of the advertisement to the submission).

If Council changes its tender specifications, and the original Invitation to Tender documentation allows Council to later invite all tenderers to change their tenders to take into account changes in tender specifications, Council may invite all tenderers to change their submissions before a decision is made.

Tenders are to be submitted by the Tender box or electronic Tender Box.

Records of tenders received must be kept on file and entered into Council’s electronic database and copies attached to purchase requisition and provided to the authorising officer(s) for evaluation.
Council may decide not to accept any tenders it receives, however if it does decide to accept a tender, it must be the most advantageous to Council having regard to the sound contracting principles in Section 4 of this policy document.

6.5.2 Expressions of Interest Invitations

Section 228(3) (a) and (b) of the Regulation, requires that where 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.

The Expression of Interest invitation must be advertised in a newspaper circulating generally in Council’s local government area and allow at least 21 days after the day of the advertisement for the submission of tenders (for fairness of process, it is legislated that this period includes a minimum of 15 clear working days from the day of the advertisement to the submission).

Section 228(6) of the Regulation states that, if Council invites Expressions of Interest, the local government may prepare a shortlist and invite written tenders from shortlisted parties.

6.5.3 Variations to Tender or Contract

Variation Procedures are as follows:

(a) Each variation can only be approved by the relevant officer up to their authorised financial delegation then by the appropriate Executive Manager or CEO with the appropriate financial delegation.

(b) A signed variation authorisation form is to be attached to the amended purchase order.

Approved Variations:

- Individual Variations which are in excess of 20% of the original purchase order or total project estimate whichever is greater must be signed off by the authorising officer, Executive Manager and CEO.

- Any variations which result in actual and committed expenditure to exceed the budget by more than 10% must be signed off by the authorising officer, Executive Manager and CEO.

6.5.4 Exceptions to requirements to invite written quotations and tenders

The following exceptions apply to medium sized contracts (value between $15,001 and $200,000 excl GST) and large sized contracts (value over $200,001 excl GST).

6.5.4.1 Register of Prequalified Suppliers

Section 232 of the Regulation states that a prequalified 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.
The organisation may enter into an arrangement without first inviting tenders and quotations if it is entered with a supplier from a register of prequalified suppliers where the register of pre-qualified suppliers has been determined by Council resolution.

A register of prequalified suppliers of particular goods or services may be established only if:

(a) the preparation and evaluation of invitations each time the goods or services are needed would be costly
(b) the capability or financial capacity of the supplier of the goods or services is critical
(c) the supply of the goods or services involves significant security considerations
(d) a precondition of an offer to contract for the goods or services is in compliance with particular standards or conditions decided by Council
(e) the ability of local business to supply the goods or services needs to be identified or developed.

6.5.4.2 Preferred Supplier Arrangements

1. This section applies to medium-sized contractual arrangement or large sized contractual arrangement 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 a preferred supplier under a preferred supplier arrangement that is made in compliance with subsections (3) to (8).

3. A local government must invite persons to tender for a preferred supplier arrangement.

4. The invitation to tender for a preferred supplier arrangement must—

(a) be made by an advertisement in a newspaper that circulates generally in the local government area; and
(b) allow tenders to be given to the local government for at least 21 days after the advertisement is published; and
(c) describe the terms of the preferred supplier arrangement.

5. When selecting a person to be a preferred supplier under a preferred supplier arrangement, the local government must have regard to the sound contracting principles.

6. The local government must ensure the terms of the preferred supplier arrangement allow the contract to be cancelled for the poor performance of the preferred supplier.
7. A preferred supplier arrangement may be entered into for a term of more than 2 years only if the local government is satisfied the longer term will result in better value for the local government.

8. For subsection (7), the term of a preferred supplier arrangement includes any period provided for under the arrangement by which the term of the arrangement can be extended.

6.5.4.3 Other Exceptions

Section 235 of the Regulation specifies that Council can only enter a medium or large sized contract without first inviting quotes or tenders if:

(a) Council resolves that it is satisfied that there is only one supplier reasonably available to it

(b) Council 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

(c) a genuine emergency exists

(d) the contract to purchase goods is made at an auction

(e) the contract is for the purchase of second-hand goods (Purchases over $10,000 must be authorised by a CEO)

(f) the contract is made with, or under, an arrangement with a government body.

Sole Supplier is defined as a supplier of goods or services that no other suppliers can provide or with the constraints of distance it not being viable for other suppliers to compete for the supply of goods or services.

Procurement provides a report on an annual basis listing all proposed sole supplier arrangements for the following twelve months for adoption by Council.

For other sole supplier purchases up to purchase value of $15,000, employees are to list comments when raising an Authorisation Officer Approval Form and comment on how they achieved the knowledge that a supplier is sole supplier with attached references to communications. Sole supplier procurement arrangements shall be approved via Council resolution subsequent to the supply of goods and/or services.

Emergent works considered as late notice of requirements to purchase but still require the full provisions of the purchasing policy. Emergent works that are urgent due to emergency events such as a disaster require an event to be declared by the state or federal governing bodies; otherwise an Executive Manager or CEO can declare the transactions as emergency and only for a short period after the event. Emergency procurement arrangements shall be approved via Council resolution subsequent to the supply of goods and/or services.

6.5.4.4 Exception for LGA Arrangement

Under this provision Council may enter into an arrangement without first inviting written quotes or tenders if the contract is an LGA arrangement.
An LGA Arrangement is one that has been entered into by LGAQ Ltd or an associate entity which could be a local government or a company where LGAQ Ltd is the only shareholder, such as Procurement via the FNQROC panels, Local Buy which is the Local Government Association of Queensland’s procurement services company.

The term Local Buy does not mean Council’s local business preference described in section 5.1.3 of this policy.

6.5.4.5 Exception for Tender Consideration Plan

Under Section 230 of the Regulation Council may enter into a contract without first inviting written quotes or tenders if Council decides, by resolution, to prepare a quote or tender consideration plan and then formally prepares and adopts the plan.

A quote or tender consideration plan is a document stating:
(a) the objectives of the plan; and
(b) how the objectives 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 obtained.

6.5.4.6 Exception for Contractor on an Approved Contractor List

Under Section 231 of the Regulation an exception to seek written quotations and tenders from Contractors is available if Council has an Approved Contractor list and adheres to the following requirements when making the Contractor list:
(a) inviting expressions of interest from suitably qualified persons, by an advertisement in a newspaper that circulates generally in the local government area; and
(b) allowing expressions of interest to be given to the local government for at least 21 days after the invitation is advertised; and
(c) choosing persons for the approved contractor list on the basis of the sound contracting principles.

7. Specialty Purchasing

Certain goods and services shall be purchased by officers with experience and expertise in that particular area. The use and type of certain goods and services may be subject to legislation and/or codes of practice or other external influences that have a bearing on the type of goods and services purchased.
There is a benefit to Council and its employees in having those officers responsible for sourcing and purchasing such goods and services.

The Specialty Purchase Register lists the type of goods and services and the associated officers responsible for purchasing the same.

8. Supplier Performance

The Council Officer who has the largest operational involvement with a supplier must prepare an Evaluation of Supplier Performance within 2 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 Executive Manager Corporate Services and other Executive Managers as considered appropriate.

The Executive Manager Corporate Services will maintain a register of the Evaluations and will circulate details throughout the Executive Team.

9. 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.

10. 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 their Executive Manager prior to taking part in the procurement activity. Executive Managers should register any conflict of interest with the CEO and the Mayor; the CEO should register any conflict of interest with the Mayor and with internal audit.

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

The Officer to whom the Conflict of Interest has been reported then has to determine, and document, the most appropriate course of action. Typically, the most appropriate course of action will be one (or more) of these escalating actions:
11. Purchasing From Related Parties

Council has adopted a Related Party Transactions Policy that basically requires Councillors and members of the Executive Team 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 does one of two things, either -

a) Ask their supervisor to approve the purchase order, or

b) Advise 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.

12. 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 Council Code of Conduct.

13. Consultancy

A consultant is an organisation or individual

- Who provides expert knowledge to analyse information, draw conclusions and make recommendations in the form of a written report or an intellectual product for action, which Council will decide upon or take a certain course of action.
- Whose output is not necessarily predictable, but tends to be open ended and is more complex (for example, a range of recommendations which Council must consider)
- Who is engaged for a fixed period of time at an agreed payment rate; and
- Whose work is not directly supervised by the Council.
In addition to the quotation process (per above), approval for the engagement of each consultant is required prior to engaging the consultant. An approval to Engage Consultant form must be completed.

The quotation and approval process required for the engagement of consultants will be as follows:

- Less than $5,000 Executive Manager
- $5,000 to less than $50,000 Executive Manager and CEO
- $50,000 and above Council approval

14. Workplace Health and Safety

The Financial Delegate must ensure that any supplier engaged to conduct Council business is aware of their Workplace Health and Safety responsibilities. These responsibilities include, but are not limited to, ensuring that any plant, substance or structure that they use/provide in relation to their Council related activity is without risks to the health and safety of persons who:

a) use the plant or substance or structure for a purpose for which it was designed or manufactured
b) handle the substance at a workplace
c) store the plant or substance at a workplace
d) construct the structure at a workplace
e) carry out any reasonably foreseeable activity at a workplace in relation to:
   (i) the assembly or use of the plant for a purpose for which it was designed or manufactured or the proper storage, decommissioning, dismantling or disposal of the plant
   (ii) the use of the substance for a purpose for which it was designed or manufactured or the proper handling, storage or disposal of the substance; or the assembly or use of the structure for a purpose for which it was designed or manufactured or the proper demolition or disposal of the structure

Example—inspection, storage, operation, cleaning, maintenance or repair of plant

f) are at or in the vicinity of a workplace and who are exposed to the plant, substance or structure at the workplace or whose health or safety may be affected by a use or activity mentioned in paragraph (a), (b), (c), (d) or (e).

15. Related Procedures

The Chief Executive Officer can approve the Procedures and Registers associated with this Policy.

Other Policies, Procedures and Registers that are associated with this Policy are contained within the Corporate Services Financial Policy and Procedures Manual.

16. Purchase Requisitions/Orders and Authorisations for Payment

Purchase Requisitions provide two key benefits:

1. they enable proper ‘pre approval’ of purchases
2. They enable ‘purchasing commitments’ to be reported in Council’s financial systems.

These two benefits show that there is no real benefit to Council for ever raising a purchase order for a good or service that has already been procured. The requisition and order must be properly raised and approved BEFORE any contract/transaction is entered into.

Certain types of supply are invoiced without a purchase requisition/order being raised (e.g., utility costs and subscriptions). In these circumstances expenditure is approved and coded via a yellow ‘Authorisation for Payment’ slip.

In some cases it is not practical for staff to obtain pre-approval for certain expenditure: for example:

- Staff working at Halifax, need to buy some supplies
- No staff have financial delegation
- Nearest financial delegate is in Ingham
- Supplies are available in Halifax
- Doesn’t make sense to drive to Ingham to obtain written authority.

Solution:

- Each year (or other appropriate time period), create a Blanket Order for each supplier likely to be subject to these circumstances
- Quote order number when buying goods
- ‘match’ the invoice to the order
- Financial delegate signs the invoice.

Please refer to the Guidelines for Calling Tenders and Administering Contracts.

17 This Policy does not extend to:

- The engaging of staff members or making payment for employment related activities (although it does cover the engaging and paying of contractors, consultants and the like)
- The acquisition of Real Property interests (such acquisition requires Council approval and involvement of the officer responsible for insurance)
- Payments made in Support of Events (separate Policy exists), Gifting of Council assets and Donations (including In Kind contribution)
Appendix 1- Tendering Procedure

a. Tendering Documents

Tender documents shall:

- Include clear and precise specifications
- Include a specific request for tenderers to disclose any real or perceived conflicts of interest
- Start and end dates of contract if applicable
- Provide a Procurement Schedule, including when tender responses are due, an expected decision date and the tender validity period
- Include a draft intended contract, or include key desired contract terms as appropriate
- Provide all known information that may affect the risk in the delivery of the contract
- Specify the place (include a map), method and time of lodgement and, if the tender is to be opened publicly, details as to the time and place of the public opening (where electronic tenders are to be accepted, the Council Officer who is managing the tender process should consult with the Executive Manager Corporate Services to determine the best process for receiving and recording the tenders)
- Specify the process for electronic lodgement of tenders (if applicable)
- Provide guidance to tenderers on the evaluation process, including a copy of the tender evaluation criteria together with the relative weightings that apply to each (see Appendix A)
- Include contact details for questions relating to the tender
- Specify details of any briefing sessions for tenderers.

An internal document should be developed that details the weighted Evaluation Criteria to be used in evaluating tender responses. Typically, evaluation criteria will include a combination of:

i. Mandatory criteria (eg ‘have an ABN’; these are either ‘Pass’ or ‘Fail’ type criteria)

ii. Quality related criteria (eg

- Implementation plan
- Company track record
- Technical capability
- Resources
- Environmental considerations
- Customer service
- Industrial relations record
iii. Cost related criteria (whole of life costs)

Once identified, the relative importance of Quality Related criteria and Cost related criteria must be determined and a notional ‘100 points’ apportioned between the two types of criteria accordingly. Example: if Cost related criteria is regarded as twice as important as Quality related criteria then ‘Cost’ is allocated 67 points and Quality is allocated 33 points.

The default Tender criteria price and non-price criteria should be:

- Quality related criteria – 50 points (Maximum) and containing a Minimum of 10% Local Content
- Cost related criteria – 50 points (Minimum)

The points allocated to the Quality criteria then need to be apportioned amongst the individual Quality criteria. The tender document should include a matrix that shows each of these evaluation criteria and their respective weighting.

The compiling of the weighted Evaluation Criteria Matrix can be an involved process and it is strongly recommended that the officer responsible for each tender process obtains significant involvement from the other members of the Evaluation Team when putting together this Matrix.

b. Tender Advertising

The tender needs to be advertised in media sufficient to expect to attract a sufficient volume of competitive tenders, subject to the nature of the tender. Tenderers should be given a minimum of 21 days to lodge their tender documentation.

c. Pre-Tender Briefings

These are aimed at ensuring prospective tenderers are fully aware of the scope of the tender, the tender documentation and the proposed commercial terms and conditions. They should be arranged when the scope of work or service is unusual or complex or where there is a need to highlight certain aspects of a tender process.

Where practical, Briefings should be conducted in the form of a meeting and should be mandatory for all those who potentially wish to submit a tender. All prospective tenderers must be treated fairly and provided with the same information.
Details of the Briefing Session should be included in the tender documents and related advertisements and RFT if applicable.

d. Questions from Tenderers

Generally -
- Questions from tenderers should be in writing
- Questions and answers should be distributed to all tenderers unless there is an apparent breach of intellectual property
- The answers should be provided as if they will be written into the contract
- Responses should be provide in a timely manner
- Questions should not be received within 48 hours of the close of tender

Other than through this process, contact with tenderers during the tender period should be avoided.

e. Tender Lodgement and Tender Box

The lodgement of tenders must be clearly specified in the tender documentation to take place at either:

- Hinchinbrook Shire Council
  PO Box 366
  INGHAM QLD 4850

- Hinchinbrook Shire Council
  Lannercost Street
  INGHAM QLD 4850

Or

Via a procurement Portal such as Tenderlink, Localbuy's Vendorpanel

The Tender Box shall be opened:
- as soon as practically possible after the closing time
- by a minimum of two Council officers
- and recorded in a Tender Register, with a summary of each tender (and the Register is signed by the two Council officers)

Late tenders will not be accepted.

f. Tender Evaluation

All tenders that have been properly received shall undergo a formal evaluation process:
- At least 3 persons shall evaluate each tender. Tenders with an expected Tender value of $5m or more ($25m for tenders for Construction works) should also be evaluated by an internal auditor, external auditor or chairperson of the Audit Committee
• Tenders are to be evaluated in a consistent manner against the evaluation criteria adopted for the tender with the use of a weighted matrix analysis (see Appendix 2).

• Tenders offering an alternative solution to meet the objectives of the Tender should be considered on merit. A favourable ‘alternative’ Tender does not require other tenderers to be asked to resubmit using the methodology adopted by the ‘alternative’ tender.

• Tenderers must submit a ‘conforming Tender’ if they wish to submit an ‘alternative Tender’

• Post tender negotiations must only be undertaken with short listed tenderers and the same general questions/opportunities to amend submission must be provided to all short listed tenderers

• Presentations by short listed tenderers should be undertaken consistently and fairly

• An evaluation report shall be prepared for authorisation in accordance with the Delegations Register

In accordance with its Corporate Plan and Section 104(3) (c) of the Local Government Act 2009, Council supports the development of competitive local business and industry as part of the process of making its purchasing decisions. For this purpose:

(i) Council may add a “local preference” assessment loading worth not more than:

- 5% on top of the total evaluation criteria for tenders or offers received from local suppliers which is valued between $5,000 and $200,000
- 2.5% on top of the total evaluation criteria for tenders or offers received from local suppliers which is valued to be greater than $200,000

(ii) Council may accept a tender or an offer from a local supplier in preference to a comparable tender or offer from a non-local supplier even if the tender or offer from the non-local supplier has been assessed as more favourable in terms of one or more of the assessment criteria applied (including but not limited to price), so long as the overall differences are not substantial, and so long as it is clear that the selected local supplier can meet Council’s requirements at an acceptably high standard which is generally comparable to that of other offers.

For this purpose, a ‘local supplier’ is one which: Is owned or operated by persons who are residents within the Hinchinbrook Shire Council area, and has its principle place of Business within the Hinchinbrook Shire and primarily employs persons who are residents or ratepayers from within the Hinchinbrook Shire.

When developing and evaluating tenders and quotations it should be recognized that, in some cases, local suppliers may not have access to the physical resources required to fulfil the tender requirements. For example, ‘time’ and ‘quantities’ can restrict local suppliers as they may be equipped for ‘over the counter’ and not wholesale trade. Further, such local suppliers may not have the resources to provide the specialist after-sales support that is often required for certain goods and services.

Council will endeavour to help develop local business and industry by encouraging local businesses to be innovative and to compete in surrounding local government areas.

g. Tender Evaluation Reports

A Tender Evaluation Report is required for each tender and needs to include:
• A summary of the tender process undertaken
• Risk management issues
• Environmental considerations
• The list of tenders received
• Basis of the final recommendation
• Capability and financial of the recommended supplier
• Actions to be taken to ensure the delivery of the specified outputs or outcomes
• Any other relevant observation that supports the recommendation

The Council Officer managing the Tender Process is responsible for coordinating the advice to the successful tenderer and the unsuccessful tenderers.

h. Unsuccessful Tenders

Periodically, unsuccessful tenderers may request feedback and/or they challenge the tender decision. In either case, the Executive Manager Corporate Services should be advised and consulted. Any subsequent meeting between Council and the tenderer should:

• be preceded by a meeting of Council staff to determine what can and cannot be discussed
• require the tenderer to confirm in writing that no conflict of interest exists
• be properly documented and the meeting document properly filed.
Appendix 2- Template Evaluation Matrix

Notes:

- The tender documentation should include a matrix similar to this
- each member of the Evaluation Panel should independently complete one of these for each tender received
- The chair of the Evaluation Panel is responsible for adequately preparing a Tender Summary that clearly refers to these matrices and clearly identifies the reasons for whatever Decision is made
- All documentation must be securely filed/stored

<table>
<thead>
<tr>
<th>Note 1</th>
<th>Note 2</th>
<th>Note 3</th>
<th>Note 4</th>
<th>Note 5</th>
<th>Note 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
<td>Weighting</td>
<td>Assessment</td>
<td>Score</td>
<td>Comments</td>
<td></td>
</tr>
<tr>
<td>Mandatory Requirements</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MR1 *</td>
<td>NA</td>
<td>Pass or Fail</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MR2</td>
<td>NA</td>
<td>Pass or Fail</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality Requirements</td>
<td></td>
<td></td>
<td></td>
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<td>QR1</td>
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<td></td>
</tr>
<tr>
<td>Lifetime Costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost</td>
<td>60</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note 1: These should be clearly identified in the Tender document, together with their respective weighting
Note 2: Summary of each Requirement
Note 3: Weighting, as per Tender document
Note 4: Panel member’s assessment of each tender – see below
Note 5: Mandatory: either Pass or Fail (for ‘Fail’ no further evaluation is required)
Quality: Weighting * Assessment
Cost: lowest cost ‘scores’ the weighting; pro rata other tenders accordingly (see below)
Note 6: Comments to support assessment
Assessment of Quality Criteria

- Assign each Requirement an Assessment using the following assessment guide:

<table>
<thead>
<tr>
<th>Description</th>
<th>Criteria</th>
<th>Weighting</th>
<th>Price</th>
<th>Demonstrated Capability, Resources &amp; Systems</th>
<th>Experience</th>
<th>Local Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent</td>
<td>The response meets the requirement in all material respects and is extremely likely to deliver the required outcome</td>
<td>70</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>(81%-100%)</td>
</tr>
<tr>
<td>Very Good</td>
<td>The response meets the requirement in most material respects but is lacking in one or two minor respects</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>(61%-80%)</td>
</tr>
<tr>
<td>Good</td>
<td>The response meets the requirement in certain material respects and provides certain information which is relevant, but which also is lacking or inconsistent in some minor respects</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>(41%-60%)</td>
</tr>
<tr>
<td>Acceptable</td>
<td>The response falls short of achieving the expected standard in a number of identifiable respects</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>(21%-40%)</td>
</tr>
<tr>
<td>Marginal</td>
<td>The response significantly fails to meet the standards required, contains significant shortcomings and is inconsistent with other proposals</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>(1%-20%)</td>
</tr>
<tr>
<td>Unacceptable</td>
<td>No response is provided or the response is not relevant</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

Assessment of Cost Criteria

- Lowest cost ‘scores’ the weighting
- Other tenders score a proportion of the weighting in direct proportion to how much more expensive they are to the lowest cost

Example (Cost has a weighting of 70):

<table>
<thead>
<tr>
<th>Description</th>
<th>Score</th>
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</thead>
<tbody>
<tr>
<td>A</td>
<td>63.0</td>
</tr>
<tr>
<td>B</td>
<td>52.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost as per tender</th>
<th>Calculation</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100,000</td>
<td>90/100*70</td>
<td>63.0</td>
</tr>
<tr>
<td>$120,000</td>
<td>90/120*70</td>
<td>52.5</td>
</tr>
</tbody>
</table>
Local Content is scored differently to Price whereby

Total Value of Goods and/or Services (ex GST) / The component of the value which is nominated to be spent via a “Local Business” = Percentage of Local Content.

For Example – Contractor A Submits a Price for $320,000 ex GST which includes $300,000 ($320,000/$300,000 = 94%)

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 90,000</td>
<td>= weighting</td>
<td>70.0</td>
</tr>
<tr>
<td>C</td>
<td>$125,000</td>
<td>90/125*70</td>
<td>50.4</td>
</tr>
<tr>
<td>D</td>
<td>$140,000</td>
<td>90/140*70</td>
<td>45</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Score</th>
<th>% of Local Content in Total Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>(81%-100%)</td>
</tr>
<tr>
<td>8</td>
<td>(61%-80%)</td>
</tr>
<tr>
<td>6</td>
<td>(41%-60%)</td>
</tr>
<tr>
<td>4</td>
<td>(21%-40%)</td>
</tr>
<tr>
<td>2</td>
<td>(1%-20%)</td>
</tr>
<tr>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
Appendix 3 - Template Evaluation Summary

- each purchase over $5,000, where more than one written quote is required, needs to have an Evaluation Summary similar to this completed and attached to the purchasing documentation. Current versions of these forms can be downloaded from Council’s Intranet.
<table>
<thead>
<tr>
<th>Action</th>
<th>Name</th>
<th>Position</th>
<th>Signed</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approved by Council</td>
<td>Rodney Ferguson</td>
<td>Acting CEO</td>
<td></td>
<td>26/06/2018</td>
</tr>
<tr>
<td>Policy Version</td>
<td>3</td>
<td>Initial Version Adopted</td>
<td>01/07/2017</td>
<td>Current Version Adopted</td>
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<tr>
<td>Maintained by</td>
<td>Chief Executive Officer</td>
<td>Next Review Date:</td>
<td></td>
<td>30/06/2019</td>
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File Location: J:\Policies and Procedures\Policies\Other Policies\Procurement Policy - adopted 26 June 2018.doc