



# Procurement Policy

## 1. POLICY STATEMENT

Procurement and Purchasing are essential functions which advance the priorities and outcomes of Council and must be conducted in a manner that achieves value for money together with probity and accountability. Council must also meet its legislative requirements under the Act and the Regulations.

It is the responsibility of all officers to undertake procurement and/or purchasing activities in compliance with statutory requirements, Council Policy and Council Purchasing Guidelines.

## 2. OBJECTIVES

Officers operating in compliance with the relevant legislation and this Policy have the authority of Council. Purchasing Guidelines will provide details directions to staff and are to be adhered to as an extension of this Policy.

### Council objectives

- Promoting value for money
- Reliable and efficient buying practices
- Consistency with other relevant Policies
- Providing reasonable and fair opportunities for local business to supply to Council
- Promoting compliance with legislation
- Meeting audit objectives.

In order to ensure the Council objectives are met, officers are required to:

- Preserve Council's integrity in the procurement and/or purchasing process to ensure that Council acts and remains beyond reproach in all dealings;
- Abide by Council's Code of Conduct and all other applicable policies, instructions and guidelines;
- Adhere to the procedures outlined in the purchasing guidelines; and
- Adhere to the sound Contracting Principles as stipulated under the Regulations.

## 3. DEFINITIONS

### Procurement

Procurement is the framework, the rules and procedures, by which a Council obtains an effective supply of the required goods and services. It seeks to align with the organisational strategy rather than just process orders and "buy things".

To be effective a good procurement function should provide to its organisation the following outcomes:

- Provide protection to the organisation and staff through the use of robust systems and procedures
- Provide efficiencies of cost and process
- Provide quality goods and reliable services;
- Support budget processes by enabling timely delivery of goods and services and reducing oversupply errors;
- Provide a strong contract and supplier management framework;
- Allow improved communication and understanding between the organisation and its supplier base;
- Contribute to financial sustainability;
- Provide some controlled flexibility with regard to the organisation's particular circumstances;
- Reduce the risk of conflicts of interest and unethical or illegal behaviours.



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## Purchasing

The term purchasing refers to the process of ordering and receiving goods and services. It is a subset of the wider procurement function. Generally purchasing refers to the process involved in orders goods and services which is comprised of request, approval, purchase order and receipt of said goods and/or services. It does not generally drive policy decisions or act in a strategic manner.

## Regional Supplier

In this Policy a Regional Supplier is a business which:

- Is beneficially owned by persons who are residents and/or ratepayers of communities in the South West Queensland Local Government Area and/or Goondiwindi Regional Council Area;
- Has its principle place of business within any community located in the SWQLGA and or GRC; and
- Otherwise has a place of business within any community located in the SWQLGA and or GRC that employs persons who are residents and/or ratepayers of the region.

## 4. PRINCIPLES

This document sets out Council's policy for procurement activities in the Balonne Shire Council.

Under Section 198 of the Local Government Regulation 2012 (the Regulations), Council must prepare and adopt a procurement policy each financial year. This policy must include details of the principles, including the sound contracting principles, which Council will apply in the financial year for the purchasing of goods and services.

All purchasing is represented in a contractual arrangement of one form or another and is governed by contract law. All purchasing must have regard to all five sound contracting principles as listed in the Act. These Principles are:

- **Value for Money.**

The concept of value for money cannot be defined by price alone. Value for money takes into consideration the benefit of the purchase against the cost of the purchase. Value for money factors need to be included in any evaluation and can include but not be limited to the following:

- Fitness for purpose: at a minimum this would mean sufficient quality, efficient services and reliable support
- Whole of life costs including cost of delivery, acquisition, installation, use, ongoing maintenance and disposal
- Internal administration costs
- Supplier knowledge, experience and ability
- Timeliness of supply
- Technical compliance
- Contribution to the advancement of Council's priorities by:
  - Direct benefit of supplier commitment to supporting local business and the local economy; and
  - Indirect benefit of a stronger local economy.
- Risk exposure
- Benefit to the community
- Workplace health and safety requirements
- Environmental benefits that provide value to the Council and the community and
- Sustainability.

In effect Council is not always right to select the lowest price.



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- **Open and Effective Competition**

Procurement and subsequent purchasing activities must be open and transparent and result in effective competition for the provision of all goods and services but must also be undertaken with appropriate rigor and documentation to encourage supplier confidence through:

- Transparency of process and decision making; and
- Confidentiality of offers and the security of information

All prospective vendors/suppliers must be treated (and be seen to be treated) fairly in an open and transparent manner with same access to information about the procurement process to enable them to submit prices/quotations/tenders on the same basis.

Council must adequately test the market in a consistent manner without bias, or perception of bias, so that current/potential suppliers and the public have confidence in outcomes.

- **Development of competitive local business and industry**

Council understands the impact that its operations play in the local community however it must remain mindful of its obligation to achieve all five (5) requirements of the sound contracting principles through its activities. Therefore, Council has defined its recognition of Local, Regional and non-local (broader) suppliers as follows:

In this Policy Local refers to the Balonne Shire and all its communities.

In this Policy a Local Supplier is a business which:

- Is beneficially owned by persons who are residents and/or ratepayers of communities in the Balonne Shire;
- Has its principle place of business within any community located in the Balonne Shire; and
- Otherwise has a place of business within any community located in the Balonne Shire that employs persons who are residents and/or ratepayers of the Shire.

If there is no local supplier then preference will be given to a regional supplier with a (5%) weighting.

In this Policy a Regional Supplier is a business which:

- Is beneficially owned by persons who are residents or ratepayers of communities in the South West Queensland Region;
- Has a principle place of business within the South West Queensland Region; and
- Otherwise has a place of business within the south West Queensland Region that solely or primarily employs persons who are residents of the region

In this Policy a Non-Local supplier is one who does not fall into the two categories above.

Councils' commitment to competitive local business and industry is specifically demonstrated by the following:

1. For purchasing activities that require officers to seek one or two quotations, the one or two quotations must be sought from local suppliers where local suppliers exist. Officers may seek the required number of quotations from regional or non-local suppliers if the officer has undertaken sufficient research to establish that no local or regional supplier can quote on the goods or services to be purchased.
2. For purchasing activities that require officers to seek three quotations, the three quotations should be sought from local suppliers where local suppliers exist. Officers are encouraged to ensure they are testing the market effectively and ensuring Council is achieving true value for money outcomes, so where practical, in addition to the number of local quotations sought, there should always be one from outside the shire. Additionally, officers may seek the



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required number of quotations from regional or non-local suppliers if sufficient research has been undertaken to establish that no local or regional supplier can quote on the goods or services to be purchased.

3. For each relevant purchasing activity undertaken, a criterion will be scored according to the suppliers local classification with a 10% weighting applied.

For procurement activities involving an open tender a three step process will be applied to evaluations:

1. Council officers will confirm any mandatory criteria as stipulated within the tender documents before proceeding to stage 2. Any tenderer who does not comply with the mandatory criteria will not progress further in the evaluation process.
2. Tenders will then be assessed using qualitative evaluation criteria such as the technical, managerial, financial and quality capacity of the supplier in the delivery of the specified goods and/or services before proceeding to stage 3.
3. A weighted score will then be applied based upon their supplier classification as described in the Sound Contracting Principles to describe a local supplier.

Further, at all times Council will endeavour to achieve the following:

- Where possible ensure that purchases and projects are structured to include local suppliers; and
- Ensure cost comparisons include freight costs to the delivery point; and
- Actively seek out potential local suppliers during the pre-tender period and encourage such suppliers to submit a bid where they are qualified and able to meet the necessary requirements.

Council may elect to accept a tender or 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 one or more of the assessment criteria so long as the local offer does not diminish in any way Council's requirements in performance, quality, suitability and other evaluation criteria by considering the following factors:

- Creation of new and/or maintenance of existing local employment opportunities; and
- More responsive and readily available servicing support; and
- Enabling local business to be more sustainable and ongoing; and
- Economic growth within the shire.

Council seeks to engender strong competition at a local level for supply of goods and services and to maintain an active local economy with consequent community benefit by apply a major/minor rule to local suppliers where the bulk of supply will be based on a competitive price, reliability, quality, timeliness of supply and other relevant criteria, and a minority will be based on encouraging suppliers to earn more Council business with more competitive pricing in the future.

This approach to local suppliers needs to be used sparing and deliberately. Council should feel comfortable on each occasion that paying a higher price for supply will help keep local industry in the Balonne Shire, rather than acting to prop up inefficient and uncompetitive business at the ratepayers cost.

- **Environmental protection**

Council promotes environmental protection through its procurement procedures and encourages the recognition of this principle amongst all Elected Members, Officers and Suppliers.

In undertaking any procurement activity, Council will:

- Promote the procurement of environmentally friendly goods and services that satisfy value for money;
- Work to minimise waste;
- Promote the use of recycled products and recycling;
- Encourage the development of products and processes of low environmental impact;



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- Provide an example to business, industry and the community by promoting the use of climactically and environmentally friendly goods and services; and
- Encourage environmentally responsible activities.

When evaluating submissions made by quotation or tender, and where practical, Council will also consider the following:

- The environmental policy and performance of prospective contractors or suppliers;
  - The selection of products that may have a reduced impact on human health and/or the natural environment; and
  - The environmental impact and performance of a requested product, such as energy and/or water efficiency ratings, fuel efficiency, durability, recycled content, toxicity, origin of any components made from a renewable source e.g. paper products and end of life disposal requirements.
- Ethical behaviour and fair dealing.

Council officers involved in procurement or purchasing of goods and services must act with:

- Impartiality
- Fairness
- Independence
- Openness
- Integrity and
- Professionalism,

in their discussions with contractors, suppliers and their representatives.

Council officers must, in these dealings, always seek to achieve value for money outcomes for Council, keeping in mind the requirement fairness and ethics.

It is the responsibility of all Council officers to recognise and report to the Chief Executive Officer any actual, potential or perceived conflict of interest during a procurement or purchasing activity.

## 5. PUBLIC TENDERS

Where Council invites written tenders for large sized contracts this will be conducted in accordance with Section 228 of the Regulation.

Council may choose to undertake a public tender where the value of the goods, services or works does not reach the legislated threshold limit. This may be because there is an increased need for transparency in a particular purchase or to mitigate risk.

Tenders will be advertised in the local newspapers circulating in the Region and may from time to time advertise in a wider print media range. Tenders will be run using Council's on-line tender portal Vendor Panel.

## 6. EXPRESSIONS OF INTEREST

Where Council invites expressions of interest (EOI's) it must do so by resolution. The resolution should include Council's reason for utilising this methodology (e.g. it is unsure or the scope of the service required or is unsure of the overall value of the resulting contract or that it would be in the public interest or that it is seeking to establish a Register of Approved Contractors) and must be minuted at the meeting at which the resolution was made.



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EOI's must be released in the public domain for a minimum period of twenty-one (21) days and once submissions have been received, evaluated and short-listed, a closed tender must be released for a further period of twenty-one (21) days.

## 7. EXCEPTIONS

Legislation obligates Council to utilise a public tender process or an expression of interest before entering into a contract for the carrying out of work or the supply of goods or services involving a cost of \$200,000.00 or more, unless there is a legislative exception.

The most commonly exercised exceptions to these requirements include contracts or purchases made under:

- An approved contractor list
- A register of pre-qualified suppliers
- A preferred supplier arrangement (PSA)
- An LGA arrangement (Local Buy)

In establishing an approved contractor list, Council recognises that such a list:

- Must be defined by the processes required in the Act;
- Will not be considered to be preferable to a register of pre-qualified suppliers or a preferred supplier arrangement but will provide Council with ability to build rigor around small to medium purchasing activities; and
- Will take into account all the sound contracting principles as defined in the Regulations.

In establishing a register of pre-qualified suppliers, Council recognises that:

- It must determine that the preparation and evaluation of submissions would be costly and time consuming if it invited submission every time the goods and/or services were required; or
- It is critical to a successful outcome that the experience and financial viability of a supplier or contractor be assessed according to the requirements of the local government once only; or
- There are specific pre-conditions to the offer to supply goods and/or services; or
- There is a need or a desire to develop the specific capabilities of the businesses within the local region; or
- The supply of goods or services require considerable security considerations; or
- It will still ensure value for money by testing the market through quotations.

In establishing a preferred supplier arrangement, Council recognises that:

- It needs the goods or services in large volumes and frequently;
- It can obtain better value for money by accumulating the demand for said goods or services;
- It can articulate the specific requirements for the goods or service in a manner that can be readily understood by suppliers in the relevant industry

Whilst PSA's are generally for one supplier only (preferred) Council could, if sufficient need exists, have more than one supplier on its PSA. In doing this, Council recognises there may be a loss in driving value for money and may wish to consider establishing a register of pre-qualified suppliers instead.

In utilising an LGA arrangement, Council recognises that:

- The LGA arrangement will be utilised where no local or regional supplier is affected or able to provide the require goods and/or service;



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- The arrangements are entered into as a result of market testing processes which ensure that the price and other relevant terms under these arrangements are always equal to or better than the price and terms which would be available under a separate call for quotes or tenders;
- These arrangements can be accessed immediately so that there is no time delay as occurs where tenders or even quotations are sought;
- There is minimal overhead cost to Council in accessing these arrangements as compared to separately calling for tenders or quotations that involve significant staff resources to assess on report on the offers received.

## 8. EMERGENCIES

In recognition that full compliance with Council's Procurement Policy and Procedures may not support Council's needs during a critical or emergency incident, an alternative procurement process may operate during the incident.

This alternative process aims to accommodate urgent Council needs, while ensuring that the process adopted is reasonable and conducted with appropriate consideration of standard procurement principles.

The Act does not define what constitutes an emergency situation, however for the purposes of this Policy the usual meaning of the term should be taken to be a sudden or unexpected occurrence requiring immediate action.

Any emergency procurement must be authorised by the Chief Executive Officer, once a critical or emergency incident has been declared. Such incidents are:

- A state of disaster declared under the Disaster Management Act 2003, or any other emergency declaration made by the State's Premier under an enactment; or
- Any incident declared by the Chief Executive Officer where the safety or security of any person or property associated with the Council is threatened; or
- An external incident to which the Chief Executive Officer has authorised the provision of urgent support.

Once the immediacy of the incident has passed, normal procurement procedures will be resumed.

As soon as practical, upon cessation of the emergency, a report must be presented to Council to authorise the unapproved expenditure, where this expenditure exceeds delegation, and the methodology by which it was incurred. The Council resolution must define the genuine emergency situation (natural disaster), as well as delegated authority.

## 9. PUBLISHING OF CONTRACTS > \$200,000.00 EXCL. GST

Council will display contracts over \$200,000.00 excluding GST in accordance with Section 237 of the Regulations on Council's website. Details of this must include the person (or company or corporation) with whom it entered into the contract, the total contract value and purchase for which with contract was developed. It can also include the method of making the contract i.e. tender, LGA arrangement.

Council or its officer will not release proprietary or confidential information pertaining to any supplier other than that required by law to be published.

## 10. SUSTAINABLE AND SOCIAL PROCUREMENT



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Sustainable procurement is the purchase of goods or services that have a reduced negative impact on the environment when compared with competing products or services that serve the same purpose.

When compiling any procurement documentation including tenders, contracts, quotes or purchasing arrangements, Council's sustainability (environmental policy) requirements must be clearly identified.

Priority areas that Council should give consideration to, but not be limited to, are the following:

- Renewable natural and paper products from sustainable sources;
- Chemical based products such as cleaning products, pesticides or soil enhancers;
- Products with a high degree of durability i.e. avoiding disposable products where possible; and
- Energy efficient products.

Social procurement focuses on human aspects and social equity. Social procurement considers diversity, ethics, acceptance, fairness, compassion, inclusiveness and access for people of diverse abilities. It generates positive outcomes for people and contributes towards building stronger and more resilient communities.

Priority areas that Council should give consideration to, but not be limited to, are the following:

- Products and services that can improve the overall quality of life in the local community; and
- Products and services that can improve equity of access to services and opportunities.

Any sustainable and social procurement must be conducted in line with the sound contracting principles and other legislative requirements.

## 11. CONFLICTS OF INTEREST

There are two steps in identifying a conflict of interest. First, there must be a relevant direct or indirect interest. This could be financial or it could define a special advantage to a family member or a responsibility to another organisation. Secondly, the interest must intersect or overlap with a person's Council duties. This may involve a decision made by a Council officer or one who is advising Council.

In the context of this Policy, any person involved in the evaluation of a tender or quotation submissions must declare the existing conflict. Depending on what the conflict constitutes it may be necessary for that person to withdraw.

It is good practice to make an interest known to other members of an evaluation panel in any situation where there might be a perception of unduly influencing a decision.

## 12. VARIATIONS

From time to time, a contract will require a variation. This must be handled in accordance with procurement processes, procedures and principles and at the very least must be agreed to in writing by both parties to the contract, must have appropriate financial and contractual approvals applied and must include a separate line item added to the original purchase order to reflect the variation.

## 13. FINANCIAL DELEGATIONS





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In accordance with the Act, the Chief Executive Officer delegates to other positions within Council, a financial delegation that authorises the officer holding that position to approve expenditure of budgeted funds up to a defined dollar amount.

The Chief Executive Officer can also delegate to other positions within Council the authority to enter into a contract for expenditure of funds up to a set dollar amount. The two are mutually exclusive and if no contractual delegations have been provided to other positions within Council, the Chief Executive Officer or the Council are the only approved delegates able to enter into a contractual arrangement.

No officer may expend funds or enter into a contractual arrangement on behalf of Council unless:

- The officer has been granted the financial and/or contractual delegation by the Chief Executive Officer and this delegation has been recorded in the register of delegations prior to the activity occurring;
- The expenditure is provided for in Council's budget
- The officer has received training in Council's procurement systems and procedures; or
- There is a genuine emergency as outlined in section 8. above

## 14. NATIONAL COMPETITION POLICY

Council must ensure that when evaluating bids submitted by corporatized government entities, or other significant government businesses that tenders conform to the legislation on competitive neutrality under Section 15 of the Regulations.

The principle underlying competitive neutrality is that government businesses should not enjoy any net competitive advantage simply by virtue of their public sector ownership.

## 15. STATE OR FEDERAL GOVERNMENT GRANTS

When Council expenditure is funded from a State or Federal Government grant, the requirement to comply with Section 224 to 229 of the Regulations remains unless there are grant conditions which provide alternative arrangements. This may arise where Council's role in the funding arrangement is that of "fund manager" and passes on funds from one level of government to another body.

## 16. RECURRING OPERATIONAL EXPENDITURE

In some cases, it can be considered impractical to issue a requisition or purchase order where such purchasing activities are recurring and operational in nature. Examples of this type of expenditure are Utilities, Insurances, IT Licences, Vehicle Registration. Please see appendix for a full list of Council expenditure in this area

## 17. CARETAKER PERIOD

Council must not make a major policy decision during the caretaker period prior to an election unless exceptional circumstances exist. This includes entering into any contract, the value of which is greater than \$200,000.00 exclusive of GST or 1% of the Council's net rate and utility charges as stated in the financial statements of its annual report, whichever is the greater.

If Council does enter into a Contract that exceeds these amounts and the transaction does not constitute exceptional circumstances they may be liable for legal proceedings and/or compensation to the other party of the contract who has acted in good faith. The Contract would be considered to be an invalid policy decision.

Exceptional circumstances would in general be considered to fall into the emergency provisions as listed previously.



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## 18. SCOPE

This Policy applies to all Council operations for the procurement of all goods, equipment and related services, construction contracts, service contracts (including maintenance) and consultancy services by council as defined in the Local Government Act 2009 and the Regulations 2012.

As an associated document, Council will maintain the Purchasing Guidelines which will be reviewed annually. As a minimum, the Purchasing Guidelines will provide information on the following:

- Overview of Council's procurement function
- Overview of Council's purchasing function
- Responsibility, accountability and function
- Procedures for purchasing goods and services

Compliance with Balonne Shire Council's Procurement Policy is mandatory. Any instances of non-compliance shall be brought to the attention of the appropriate Director for remedial actions.

Personal and corporate penalties may attach to any situation involving non-adherence with this Policy, whether deliberately or through negligence. The Chief Executive Officer has a legislative obligation to advise the Crime and Corruption Commission if there is a reasonable suspicion of corrupt conduct.

Internal controls are an important governance aspect to ensure compliance with the Policy. Sufficient internal controls must be established for assurance purposes, including reviews and audits of processes with a report to the Audit Committee on any breaches identified.

## 19. POLICY

Council's Code of Conduct for Employees

## 20. LEGAL PARAMETERS

Local Government Act 2009 (as amended)

Local Government Regulations 2012 (as amended)

Relevant Sections relating to this policy:

Section 198	Procurement Policy
Section 225	Medium-sized contract – quotes needed first (up to \$200,000.00)
Section 226	Large-sized contract – tenders needed first (\$200,000.00 or more)
Section 228	Tender process
Section 231	Exception for contractors on an approved contractors list
Section 232	Exception for register of pre-qualified suppliers
Section 233	Exception for a preferred supplier arrangement
Section 234	Exception for an LGA arrangement
Section 235	Other exceptions
Section 237	Publishing details of contracts worth \$200,000.00 or more

## 21. ASSOCIATED DOCUMENTS



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## Purchasing Guidelines

### 22. REVIEW TRIGGER

This policy must be reviewed annually or when any changes to the relevant legislation requires it to be amended. Council must adopt the Policy annually even if no amendments have been made.

## Appendix 1 – Examples of recurring operational expenditure

Provider	Expenditure Description
Ergon Energy	Electricity
Telstra	Telephones/Internet
Jardine Lloyd Thompson	Insurance
Qld Local Government Workcare	Workers Compensation
Queensland Local Government Mutual	Public Liability
Civica	Authority Annual Licence Renewal`
Microsoft Products	Microsoft Annual Licence Renewal
ITC	Various Hardware and Software Licences
Department of Natural Resources and Mines	Property Valuations/Licence Renewals
Local Government Association Queensland	Memberships/Subscriptions
Department of Transport and Main Roads	Vehicle Registration
Electoral Commission of Queensland	Election cost
Queensland Audit Office	State Government Auditing
SAI Global	On-Line Select Additions Australian Standards
Institute of Public works Engineering Australasia	Subscription