



Gladstone Regional Council

Policy

Topic	CONTRACTING & PROCUREMENT POLICY
Policy Number	P-3.09.01
Department	FINANCIAL SERVICES
Statutory Authority	Local Government Act 2009 Local Government (Finance, Plans and Reporting) Regulation 2010
Date of Adoption	16 November 2010
Resolution No.	To be inserted
Amendments	Original Policy Adopted: 11/11/2008 - Resolution No. 08/725 Amendment 1

POLICY DETAIL:

Preamble

This document sets out Council's policy for the acquisition of goods and services and carrying out of the sound contracting principles. This policy applies to the procurement of all goods, equipment and related services, consultancies, construction contracts and service contracts (including maintenance).

All Council purchases must be carried out in compliance with the *Local Government Act 2009* (the "Act") and the *Local Government (Finance, Plans and Reporting) Regulation 2010* (the "Regulation").

Council operates under the Default Contracting Procedures as defined in Chapter 4, Part 3 of the Regulation.

Objectives

Council's purchasing activities aim to achieve advantageous procurement outcomes by:

- a) establishing a framework required for the implementation of Council's procurement arrangement;
- b) promoting value for money with probity and accountability;
- c) advancing Council's economic, social and environmental policies;
- d) providing reasonable opportunity for competitive local businesses that comply with relevant legislation to supply to Council; and
- e) promoting compliance with relevant legislation.

To ensure all procurement activities are carried out in a professional manner and all Council staff have a clear understanding of their responsibilities and authority.

Definitions

Authorised Officer - A Council officer delegated with the responsibility to carry out procurement activities on behalf of Gladstone Regional Council.

Approved Contract List – a list of persons who Council considers to be appropriately qualified to provide services (section 180(3) of the Regulation)

Large sized contract – a contract worth \$150,000 or more

Medium sized contract - a contract worth \$15,000 or more but less than \$150,000

Preferred Supplier Arrangement (PSA) – a contract entered into by Council with one or more suppliers for goods or services when the goods or services are required in large volumes, or frequently, and Council is able to obtain better value by accumulating the demand and is able to describe the goods or services that would be well understood in the relevant industry (s182 of the Regulation)

Pre-Qualified Supplier (PQS) – 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 (s181 of the Regulation)

Procurement – the purchase, hire, lease, rental, exchange or any other commercial transaction involving the outlay of funds in return for the provision of goods, equipment and related services, construction contracts and service contracts to Council, Council staff and agents unless specifically exempted under the provisions of this policy.

Contracting (procurement) Activities - The *contracting (procurement) activities* of a local government are its activities for the making of a contract for the carrying out of work; or the supply of goods and services; or the disposal of non-current assets. This does not apply to making a contract of employment with a local government employee (Section 165(2) of the Regulation)

Valuable non-current asset contract – is a contract for the disposal of a valuable non-current asset.

Policy

Council staff responsible for purchasing goods and services are to comply with this policy. It is the responsibility of each employee involved in the procurement process to understand the policy as well as its meaning and intent.

This policy is in four sections:

- Section A – Sound Contracting Principles
- Section B – Invitation Threshold and Purchasing Arrangements

- Section C – Purchasing Guidelines
- Section D – Financial Delegation and Authority

SECTION A – SOUND CONTRACTING PRINCIPLES

When entering into contracting activities, staff must have regard to the following principles as set down under Section 106 of the *Local Government Act 2009*.

PRINCIPLE 1 - Value for Money

Council must harness its purchasing power to achieve the best value for money. The concept of value is not restricted to price alone and may not necessarily favour the lowest price. Seeking Value for Money is about obtaining goods and services considering both price and non-price factors such as quality, service, innovation/improvement and price.

Council will obtain value for money by:

- assessing non-cost factors such as fitness for purpose, quality, service and support;
- assessing whole of life costs such as transaction costs associated with acquisition, use, maintenance and disposal, and administration costs;
- considering the contribution to the advancement of Council's priorities;
- limiting the risk exposure via effective risk management practices; and
- addressing technical compliance issues; and
- assessing the value of any associated environmental benefits.

PRINCIPLE 2 - Open and Effective Competition

Purchasing should be open and result in effective competition in the provision of goods and services. Council must give fair and equitable consideration to all suppliers.

Open and effective competition is achieved by:

- ensuring all procurement procedures and processes are visible to Council suppliers, and the public (i.e. rate payers and the local community);
- delegates accepting their accountability to the Chief Executive Officer and Council;
- allowing suppliers to have a real opportunity to do business with Council;
- encouraging competition among suppliers by inviting suppliers to quote or tender, including offers, to provide "Value for Money" offerings;
- implementing delegations, authorisations and associated thresholds appropriate for the level of judgment expected of individual officers;
- provision of equitable information to all potential tenderers; and
- ensuring fair and equitable assessment of all tenders.

PRINCIPLE 3 - Development of Competitive Local Business and Industry

Council encourages the development of competitive local businesses within the Region first, and second within the adjoining local governments' borders. Council will enhance the capabilities of local business and industries through:

- the placement of orders where that local business is competitive under Council's evaluation process with regard to price, delivery, service required etc;
- actively seeking out potential local supplies and suppliers;
- encouraging prime contractors to give local suppliers every opportunity, as partners or subcontractors, to participate in major projects;

- ensuring that the principles of open and effective competition are applied and equal treatment is given to local offers, when being compared with other offers, on the basis of fair and equitable behaviour;
- giving preference to locally-sourced goods and services, where price, performance, quality, suitability and other evaluation criteria are comparable;
- ensuring that payments are prompt and in accordance with the agreed terms of contract;
- giving due consideration of the advantages of buying locally sourced goods and services, and to dealing with local suppliers, including:
 - more readily available spare parts and servicing support;
 - more reliable compliance with warranty provisions;
 - shorter supply lines; and
 - more convenient communications for contract administration.

In this policy, a "local supplier" or "local business" is a supplier/business which:

- is beneficially owned by persons who are residents or ratepayers in Gladstone Regional Council; or
- has its principle place of business within Gladstone Regional Council; or
- otherwise has a place of business within Gladstone Regional Council which solely or primarily employs persons who are residents or ratepayers of the Region.

PRINCIPLE 4 – Environmental Protection

Council promotes environmental protection through its purchasing procedures, which are consistent with Council's commitment to sustainable development. Council will endeavour to promote purchasing practices that conserve resources, save energy, minimise waste, protect human health and maintain environmental quality and safety.

In undertaking any purchasing activities Council will:

- give points-weighting to environmentally sensitive goods where all other evaluation factors are adequately weighted (such as value for money);
- where appropriate, ensuring that specifications require suppliers to conform to necessary standards, codes or legislation for the identification of hazardous materials and that suppliers carry out proper certification and registration procedures.
- enforcing legislative compliance with and/or phase-out timetables on the use of products prohibited under Queensland and applicable Commonwealth laws.
- review the market place for environmentally sensitive products and processes;
- avoiding, where possible, the purchase of known hazardous and environmentally damaging products, especially where alternatives are available within reasonable bounds of price, performance and suitability.

PRINCIPLE 5 - Ethical Behaviour and Fair Dealing

Staff involved in purchasing are to behave with impartiality, fairness, independence, openness, integrity and professionalism in their discussions and negotiations with suppliers and representatives.

Councillors and staff must ensure that they do not participate in any action, which may be deemed to be:

- canvassing by any party with a material interest in the procurement;
- release of commercial in confidence information; or
- collusion – i.e. collaboration between parties involved in the procurement process.

Ethical Behaviour and Fair Dealing are achieved by;

- performing their duty impartially, un-influenced by the receipt or prospects of threats, reprimands or rewards;
- not accepting or seeking gifts or other favours;
- not entertaining approaches from suppliers that might be interpreted as attempts to influence the evaluation process;
- ensuring that their private interests do not conflict with their public duties;
- maintaining high standards of accountability;
- developing systems and procedures that ensure a consistent approach to procurement;
- promoting professional procurement practices.

All methods and procedures for the procurement of goods and services shall be beyond reproach. Council policy and procedures will be adhered to at all times.

Purchasing Processes

Council will adopt neither a centralised nor a decentralised purchasing model - rather a hybrid of the two, thereby pursuing the key advantages of both. This will entail:

- empowering authorised officers to conduct their own procurement subject to the approved framework and budgetary limits;
- employ centrally developed internal controls to ensure greater compliance;
- ensuring that processes are simple and easy to understand;
- ensuring the appropriate management of risk - i.e. that substantial resources are not directed to monitoring low-risk transactions.

All of Council's procurement activities are catered for in the formulation of the budget and will be carried out in accordance with;

- Local Government Act 2009;
- Local Government (Finance, Plans and Reporting) Regulation 2010;
- Gladstone Regional Council Code of Conduct for Employees (P-3.04.06)
- Gladstone Regional Council Procurement Policy (P-3.09.01);
- Gladstone Regional Council Employees Attending Conferences, Meetings or Training Policy P-3.01.02
- Other policies and corporate documents as adopted or implemented by Council.

SECTION B – INVITATION THRESHOLD AND CONTRACTING ARRANGEMENTS

All contracting arrangements up to \$150,000 may be made without quotation by accessing:

- an Approved Contractor; or by
- a Register of Pre-Qualified Suppliers; or by
- a Preferred Supplier Arrangement (PSA); or by
- an LGA arrangement.

Written offers may be in letter form, fax reply or email and are to be maintained as per Gladstone Regional Council's procedures and referred to on the purchase order or invoice. Supporting document is required to be produced for compliance and audit purposes as and when required.

Specific exemptions for purchases up to \$15,000 (including GST)

Gladstone Regional Council acknowledges that there will be situations where obtaining a quote for the supply of a particular service may prove to be unrealistic. This would generally occur for the provision of services where there is no "competition" and only one obvious supplier, for example;

- Conference, training or meeting attendance & registration (as per P-3.04.07)
- Accommodation

In these instances, where there is only one obvious supplier, the order would require approval from the Manager or Director **prior** to attendance or receipt of services. The attendance at these events would also need to comply with other policies as adopted by Council.

Please refer to Section 13 - Exemptions to Seek Tenders/Quotations for further guidance.

CONTRACTS UNDER \$15,000 (including GST)

1.0 Purchases up to \$3,00 (including GST)- without quotation¹

1.1 Petty Cash – up to \$50 may be spent out of petty cash, except as defined otherwise by the Chief Executive Officer in accordance with Petty Cash procedures.

1.2 Purchases up to \$3,000 must be made by placing a written purchase order.

2.0 Purchases from \$3,001 to \$8,000 (including GST)

2.1 Purchases must be made by placing a written purchase order and undertaken by obtaining a minimum of two (2) written quotations (sole supplier situations excepted) documented on approved form or supplier quotation

3.0 Purchases from \$8,001 to \$15,000 (including GST)

3.1 Purchases must be made by placing a written purchase order.

¹ Whilst a quotation or other indication of costs is not required it is highly preferred and recommended

- 3.2 Purchases must be undertaken by obtaining a minimum of three (3) written quotation quotations (sole supplier situations excepted) documented on approved form or supplier quotation; or
- 3.3 Where more complex specifications are involved Officers should ensure that all specifications and conditions are clearly defined to all prospective suppliers.
- 3.4 Quality Assurance requirements need to be established and addressed as part of the specifications.
- 3.5 If the lowest offer is not accepted, reasons for the selection must be documented.

MEDIUM SIZED CONTRACTS ABOVE \$15,000 (including GST)

4.0 Purchases above \$15,000 but less than \$150,000 (Section 174 *Local Government (Finance, Plans and Reporting) Regulation 2010*)

- 4.1 Purchases must be made by placing a written purchase order.
- 4.2 Purchases must be undertaken by inviting a minimum of three written offers or quotations
- 4.3 Quality assurance requirements need to be established and addressed as part of the specifications.
- 4.4 At least three offers in writing are to be sought from genuine competitors known to be capable of supplying the requirements at competitive prices. Less than three offers may be acceptable provided every effort has been made to obtain at least three and relevant documentation is available.

LARGE SIZED CONTRACTS ABOVE \$150,000 (including GST)

5.0 Purchases above \$150,000 (including GST) (Section 175 *Local Government (Finance, Plans and Reporting) Regulation 2010*)

- 5.1 Purchases above \$150,000 require calling for public tenders.
- 5.2 Detailed specifications and quality assurance requirements need to be provided for the tender.
- 5.3 The invitation to tender must be advertised in a newspaper circulating in the Gladstone Regional Council area, or alternatively in a Queensland wide daily newspaper.
- 5.4 At least 21 days must be allowed from the date of advertisement for the submission of tenders.
- 5.5 All tenders/quotations are to be recorded in the Records Management System, numbered sequentially with reference to the current financial year (e.g. 01/11).
- 5.6 Expressions of Interest may be called prior to calling public tenders.

PURCHASE MADE BY CORPORATE CREDIT CARD (including GST)

6.0 Credit Card purchases

- 6.1 Corporate credit cards are issued to officers in order to expedite the supply of goods and services.

6.2 Purchases on these cards may be issued/approved by the Chief Executive Officer and/or Directors to persons in accordance with Table 1 below.

Table 1 - Credit Card Authority Limits (GST Inclusive)

Position	Transaction Limit	Monthly Card Limit
Mayor	\$1,000	\$5,000
Councillors	\$1,000	\$2,500
Chief Executive Officer	\$2,500	\$20,000
Directors	\$1,500	\$15,000
Managers	\$1,000	\$5,000
Purchasing Officers	\$500	\$5,000
Executive Secretary. Personal Assistants	\$1,500	\$15,000
Specialist Officer - Level 1	\$500	\$2,000
Specialist Officer - Level 2	\$250	\$1,000
Specialist Officer - Level 3	\$100	\$1,000

6.3 The Chief Executive Officer may authorise the issue of additional cards in accordance with the above limits.

6.4 All supplies made under this sub-section should form part of an approved budget.

6.5 The transactions made by the cardholder are still subject to purchasing arrangements and thresholds, e.g. quotations.

6.6 The cardholder is responsible for all purchases made on the card issued to them. It is the responsibility of the cardholder to forward all receipts and documentary evidence pertaining to purchases to the Finance Unit.

SECTION C – PURCHASING GUIDELINES

7.0 Goods and Services Tax (GST)

Although GST is recoverable as an input tax credit it is considered as part of the value to contracting activities of Council. All thresholds and values contained in this policy are therefore GST inclusive, including the limits as identified for the corporate credit cards.

8.0 Approved Contractor List (Section 180 Local Government (Finance, Plans and Reporting) Regulation 2010)

8.1 Where applicable Council may arrange for professional and other services to be provided from persons listed on an approved contractor list.

8.2 An approved contractors list must be compiled by:

- inviting expressions of interest from persons to be included on the panel in the way provided for inviting tenders under section 177 of the *Local Government (Finance, Plans and Reporting) Regulation 2010* as amended; and

- selecting persons on the basis of the sound contracting principles listed under section 106 of the Queensland *Local Government Act 2009* as amended.

9.0 Register of Pre-Qualified Suppliers (PQS) (Section 181 *Local Government (Finance, Plans and Reporting) Regulation 2010*)

- 9.1 Council may establish and use a register of pre-qualified suppliers of particular goods and services only if:
- it would be costly to prepare and evaluate invitations each time the goods or services were needed; or
 - the capability or financial capacity of the supplier is critical; or
 - there are significant security considerations; or
 - compliance with defined standards is a pre-condition of offer to contract; or
 - the ability of local business to supply the goods or services required by Council needs to be identified and/or encouraged.

10.0 Preferred Supplier Arrangement (Section 182 *Local Government (Finance, Plans and Reporting) Regulation 2010*)

- 10.1 Where applicable Council may enter into a contract for the goods or services without first inviting written quotes or tenders if the contract is entered into with the preferred supplier under a preferred supplier arrangement that is made in compliance with the Regulation.
- 10.2 A preferred supplier arrangement must be made by inviting persons to tender for the arrangement
- 10.3 The invitation to tender must be made in the way provided for inviting tenders under section 177 of the *Local Government (Finance, Plans and Reporting) Regulation 2010* as amended
- 10.4 When selecting a person to be the preferred supplier Council must have regard to the sound contracting principles listed under section 106 of the Queensland *Local Government Act 2009* as amended.
- 10.5 The terms of the arrangement must allow the contract to be cancelled for the poor performance of the preferred supplier
- 10.6 An arrangement with a preferred supplier may be entered into for a term of more than two (2) years only if better value will be received from doing so.

11.0 Exceptions to seek Tenders/Quotations (Chapter 4 Contracting – Part 3, Division 3, *Local Government (Finance, Plans and Reporting Regulation 2010)*)

Council may enter into a contract without first inviting written quotes or tenders or in the following circumstances:

- 11.1 Council resolves to prepare a quote or tender consideration plan, and subsequently prepares and adopts the plan (section 179); or
- 11.2 By accessing an Approved Contractor List (section 180) ; or
- 11.3 accessing a register of pre-qualified suppliers (section 181); or
- 11.4 accessing a preferred supplier arrangement (section 182); or
- 11.5 under a LGA Arrangement (section 183); or
- 11.6 Council makes a resolution under section 184 of the Regulation.

12.0 Local Buy

Staff are encouraged to utilise the services of Local Buy where the facility represents best value after taking into consideration all purchasing principles in Section A of this policy.

13.0 Splitting of Orders

Staff are prohibited from splitting orders for the purposes of acquiring goods or services above their delegated financial and procurement levels, or to avoid the necessity to obtain quotes or call for tenders.

14.0 Workplace Health & Safety

Gladstone Regional Council implements safe operating procedures throughout the organization by involving its employees and contractors in its safety management system, Safe Plan 2. All staff, contractors and suppliers are expected to adhere to the following key outcomes in relation to procurement activities;

- Establishing and maintaining a corporate system to ensure compliance of contractors and suppliers with the Gladstone Regional Council Workplace Health and Safety requirements, standards and procedures.
- Ensuring all contractors and/or suppliers provide documentary evidence, that they or the product they supply complies with legislative standards (e.g. Australian Standards or Code of Practice).
- Ensuring where purchases involving plant and equipment, the supplier must provide relevant information and a copy of the user/operator manual for each item supplied
- Ensuring that no chemical is purchased or used without first carrying out a risk assessment and gaining approval from the authorised person.
- Ensuring that only safety equipment endorsed by the Workplace Health and Safety section is purchased or used.

15.0 Disposal of Valuable non-current assets

Section 176 of the Regulation provides that entering into a valuable non-current asset contract an apparent value equal to or above the amount set by Council must be disposed of after auction or by inviting tenders in the way mentioned in section 177 of the Regulation.

For more detailed information on disposal of assets please refer to Council's Asset Disposal Manual.

SECTION D – FINANCIAL DELEGATION AND AUTHORITY

16.0 Delegation Authority

- 16.1 Council will delegate to the Chief Executive Officer under section 187 of the Regulation, the power to enter into contracts on behalf of Council in accordance with the requirements of this policy where;
- 16.1.1 expenditure has been provided for in Council's budget; or
- 16.1.2 in the opinion of the Chief Executive Officer such expenditure is required because of genuine emergency or hardship (Section 483 of the Local Government Act refers).
- 16.2 Other staff may only incur expenditure on behalf of the Council if the officer has been granted a financial delegation by the Chief Executive

Officer and such delegation is recorded in the Purchasing and Stock Request Authority listing.

- 16.3 By authorising a requisition/purchase order all staff are confirming that they have taken full notice of this policy and will comply with all the requirements of this policy.

17.0 Financial Delegation Limits

No staff, except the Chief Executive Officer and Directors, may have procurement delegation exceeding \$150,000 (excluding GST). Any staff incurring expenditure on behalf of Council must do so in accordance with any constraints imposed by Council or by the Chief Executive Officer in respect of financial delegations.

Only the Council staff listed in Table 2 are entitled to authorise requisitions and orders, in accordance with financial delegation authority and limits.

Review

It is the responsibility of the Director of Finance to monitor the adequacy of this policy and recommend appropriate changes. Council will formally review this policy annually.

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GRAEME KANOFSKI
CHIEF EXECUTIVE OFFICER

Table 2 - Schedule of Financial Authority Limit Delegations

Financial Authority Delegation Limits* (Max limit)	CEO & Directors	Managers	Coordinator Operational Purchasing & Stores	Coordinators / Plant Fleet Supervisor / Senior Purchasing Officer / Housing Officer CAS / Overseer Works & Depot Services / Executive Staff/ WHOSO	Supervisors & Specialist / Other Nominated Officers	Leading Hands / Tradesmen / Equivalent & Nominated Officers	Nominated Officers (Store Only)	Requesting Officers	General Procurement Practice
	Level 7	Level 6	Level 5	Level 4	Level 3	Level 2	Level 1	Level 0	
\$500	✓	✓	✓	✓	✓	✓	Stores Issues Only	Requisitioning Authority Only	- (Can use Petty Cash up to \$50) No quote required
\$1,500	✓	✓	✓	✓	✓	No quotation required			
\$5,000	✓	✓	✓	✓	✓	2 Quotations required			
\$15,000	✓	✓	✓	✓		3 Quotations required			
\$30,000	✓	✓	✓			3 Quotations required **			
\$75,000	✓	✓				3 Quotations required **			
\$150,000	✓					3 Quotations required **			
>\$150,000	✓					Tender***			

*Financial Delegation Authority limit amounts are considered to be GST exclusive.
 **Compulsory - required by legislation
 ***All contracts for the acquisition of goods and services in excess of \$150,000 require a resolution of Council.

Requesting Officer - Council officer who does not have authority to approve a purchase but can submit a requisition for approval to appropriate officer.