



# COUNCIL POLICY 2.8

## Procurement Policy

Version: V0 – 24/12/19

### OVERVIEW

#### PREAMBLE

Torres Shire Council is required to adopt a policy detailing how it conducts its procurement activities and the principles it follows when purchasing. This policy must be adopted annually in accordance with the s198 of the Local Government Regulation 2012.

#### INTENT

All Council procurement of goods and services must be carried out in compliance with the Local Government Act 2009 (the “Act”) and the Local Government Regulation 2012 (the “Regulation”). This document sets out Council’s policy for the procurement of goods and services. This policy applies to the procurement of all goods, equipment and services, construction contracts and service contracts.

#### SCOPE

Procurement means 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 officers and agents unless specifically exempted under the provision of this policy.

### DEFINITIONS

**medium-sized contract** is a contract worth \$15,000 or more but less than \$200,000.

**large-sized contract** is a contract worth \$200,000 or more.

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

**valuable non-current asset is —**

- (a) land; or
- (b) another non-current asset that has an apparent value that is equal to or more than the limit set by the local government

**government body means —**

- (a) the State, a government entity, a corporate entity, or another local government; or
- (b) another Australian government, an entity of another
- (c) Australian government; or
- (d) a local government of another State.

**annual budget**, for a local government, means its annual

budget under chapter 5, part 2, division 3.

**contracting activities**, are activities for the making of a contract for the carrying out of work, the supply of goods or services, or the disposal of non-current assets.

**preferred supplier arrangement**, means a preferred supplier

arrangement under section 233 of the Local Government Regulation 2012.

**pre-qualified supplier**, is a supplier who has been assessed by the local government as having the technical, financial, and managerial capability necessary to perform contracts on time and in accordance with agreed requirements.

**procurement policy**, is a policy prepared by a local government about procurement.

## **POLICY STATEMENT**

### **Procurement Principles**

Council officers must have regard to the following sound contracting principles in all purchasing activities:

#### **(a) Value for money**

Council must use 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) (ii) fitness for purpose, quality, services and support; and
- (iii) (iii) whole-of-life costs including costs of acquiring, using, maintaining and disposal;
- (iv) (iv) internal administration costs;
- (v) (v) technical compliance issues;
- (vi) (vi) risk exposure;
- (vii) the value of any associated environmental benefits; and
- (viii) (viii) advantages of local knowledge, networks and relationships, availability and access to after sales and support

#### **(b) 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 prospective suppliers.

#### **(c) The development of competitive local business and industry**

Council encourages the development of competitive local businesses within its local government area.

In accordance with section 104(3) (c) of the Act, Council wishes to pursue the principle of development of competitive local business and industry as part of the process of making its purchasing decisions.

For this purpose, Council has adopted a Local Preference Procedure that prescribes the circumstances and terms on which Council will provide a preference in the purchase of goods and services to local suppliers.

Consideration must be given to the Local Preference Procedure when applying this principle.

#### **(d) Environmental protection**

Council promotes environmental protection through its purchasing procedures. In undertaking any purchasing activities Council will —

- (i) promote the purchase of environmentally friendly goods and services that satisfy value for money criteria; and
- (ii) foster the development of products and processes of low environmental and climatic impact; and
- (iii) provide an example to business, industry and the community by promoting the use of climatically and environmentally friendly goods and services; and
- (iv) encourage environmentally responsible activities.

#### **(e) Ethical behaviour and fair dealing**

Council officers involved in purchasing must act with impartiality, fairness, independence, openness, integrity, and professionalism in their discussions and negotiations with suppliers and their representatives.

### **ADMINISTRATION**

Purchase orders are to be generated prior to any purchase commitments being made, for all goods and services other than

- (a) petty cash transactions; or
- (b) corporate card transactions; or
- (c) long-term supply contracts (Electricity, Telstra, etc.); or
- (d) direct payments and fees (bank charges etc.); or
- (e) emergency situations, for example, out of hours break downs and repairs required to essential infrastructure assets (purchase order should be completed on the next available business day).

### **GOODS AND SERVICES TAX**

All values quoted in this policy are exclusive of GST unless otherwise stated.

### **OPTIMISATION OF VALUE IN PROCUREMENT**

In order to optimise value in procurement, where applicable, Council will establish annualised or bi-annual purchasing arrangements. This is generally to occur where multiple similar purchases are likely to be required and the total value of goods will exceed \$50,000.

### **PURCHASING ARRANGEMENTS**

In accordance with the sound contracting principles and the default contracting procedures in the Regulation, the following procurement financial thresholds have been adopted by Council. The below

methods apply where the risks associated with the purchase are low to medium. Where the risk is assessed as high, then the next higher-level process is used, and careful consideration is given to the terms and conditions governing the transaction.

**Table 1: Thresholds and forms of procurement**

Estimated Expenditure (excluding GST)	Form of Procurement			Responsibility
	General Purchasing	Council Trades, Consultancy & Civil Construction RPQS (S232 of the Regulation)	All other Council RPQS, Local Buy, or other Government Arrangements (S232, S234, and S235 of the Regulation)	
\$200,000 or more (large sized contract)	Formal tender (S226 and S228 of the Regulation)	Invite 3 or more written quotes from the RPQS or formal tender (determined by Procurement Team)	Invite 1 or more written quote(s) from the RPQS, Local Buy, or arrangement	Procurement Team
\$15,000 or more but less than \$200,000 (medium sized contract)	Invite 3 or more written quotes (S225 of the Regulation)	\$50,000 or more but less than \$200,000: invite 3 or more written quotes from the RPQS	Invite 1 or more written quote(s) from the RPQS, Local Buy, or arrangement	Procurement Team, CEO, Directors, or Council Officers
		\$15,000 or more but less than \$50,000: invite 1 or more written quote(s) from the RPQS		
\$5,000 or more but less than \$15,000	Invite 2 or more written quotes	Invite 1 or more written quote(s) from the RPQS	Invite 1 or more written quote(s) from the RPQS, Local Buy, or arrangement	Procurement Team, CEO, Directors, or Council Officers
\$0 to \$4,999	Invite 1 verbal quote	Invite 1 verbal quote from the RPQS	Invite 1 verbal quote from the RPQS or arrangement	

**Responsibility will be dependent on the level of risk, overall cost and the terms and conditions required for the procurement. For further assistance in determining the responsibility, refer to the Procurement Team.**

Where it is not mandatory to invite more than one written quote, it is recommended that where possible, officers obtain multiple quotes to ensure value for money in accordance with the sound contracting principles.

When considering the thresholds for medium-sized and large-sized contractual arrangements Council will take into account the proposed term of the contractual arrangement. Section 224 of the Local Government Regulation 2012 clarifies that:

- A contractual arrangement for the supply of a service over a 5 year period that is expected to be worth, exclusive of GST, \$80,000 each year has a total expected value of \$400,000.
- The expected value of a contractual arrangement with a supplier for a financial year, or over the proposed term of the contractual arrangement, is the total expected value of all of the local government's contracts with the supplier of goods and services of a similar type under the arrangement.

For all procurement with the exception of goods and/or services procured with a corporate credit card, an authorised purchase order is to be provided to suppliers at the time of request for the goods and/or services.

## ACCEPTANCE OF QUOTATIONS

There is no requirement to accept the lowest quotation. However, where a staff member chooses a quotation other than the lowest quotation, they must provide a brief written justification which must be kept with the order.

## **TENDER PROCESS**

Section 228 of the Regulation sets out how a local government must invite written tenders for —

- (a) A large-sized contract; or
- (b) a valuable non-current asset contract.

The invitation to tender must be conducted in accordance with the requirements of the Local Government Regulation 2012 and Council's Procurement Policy.

## **EXEPTIONS**

Chapter 6, part 3, division 3 of the Regulation identifies exceptions for medium and large sized contracts. If one of the exceptions applies, Council may enter into —

- (a) a medium-sized contract without first inviting written quotes; or
- (b) a large-sized contract without first inviting written tenders

The exceptions are —

- (a) the preparation of a quote or tender consideration plan in accordance with the requirements of section 230 of the Regulation; or
- (b) entering into a contract if the contract is made with an organisation who is on an approved contractor list established by Council in accordance with the requirements of section 231 of the Regulation; or
- (c) entering into a contract if the contract is entered into with a supplier from a register of pre-qualified suppliers established by Council in accordance with the requirements of section 232 of the Regulation; or
- (d) entering into a contract for goods or services if the contract is entered into with a preferred supplier under a preferred supplier arrangement that is made in accordance with the requirements of section 233 of the Regulation; or
- (e) entering into a contract under an LGA arrangement established in accordance with requirements of section 234 of the Regulation; or
- (f) entering into a medium-sized contract or a large-sized contract if —
  - (i) Council resolves that it is satisfied that there is only one supplier who is reasonably available; or
  - ii) Council resolves that, because of the specialised or confidential nature of the services that are sought, it would be impractical or disadvantageous for Council to invite quotes or tenders; or
  - (iii) a genuine emergency exists; or
- (iv) the contract is for purchase of goods and is made by auction; or
- (v) the contract is for the purchase of second-hand goods; or
- (vi) the contract is made with, or under an arrangement with, a government body

A range of LGA arrangements has been put in place by Local Buy. When assessing the most effective method of obtaining goods and/or services, Council officers should consider the administrative and price costs to Council of seeking tenders or quotations independently, and the reduction of these costs which might be achieved by use of Local Buy arrangements.

## VALUABLE NON-CURRENT ASSET CONTRACTS

Section 227 of the Regulation relevantly provides that Council cannot enter into a valuable non-current asset contract unless it first:-

- (a) invites written tenders for the contract under s228 of the Regulation; or
- (b) offers the non-current asset for sale by auction.

This requirement is subject to the exemptions identified in section 236 of the Regulation.

Notwithstanding the limits set out at Table 2 below, all non-current assets that have been identified as being obsolete or surplus to Council requirements, and with a written down value less than the set limits may be offered for sale by inviting written quotations.

The invitation for written quotations for the sale of non-current assets must—

- (a) be made by an advertisement in a newspaper that circulates generally in the local government area; and
- (b) allow written quotes to be given to the local government for at least 21 days after the advertisement is published.
- (c) Allow written quotes to be received for the sale of any non-current asset subject to Table 2. Sales above these amounts should be reported to Council for approval.

**Table 2: Thresholds for sale of non-current assets**

Asset Class	Limits set by Reg S224(7)	Council Limit
Buildings	\$10,000	\$10,000
Other Structures	\$10,000	\$10,000
Plant and Equipment	\$5,000	\$5,000
Furniture and Fittings	\$5,000	\$5,000
Land	\$10,000	\$10,000

## DELEGATIONS

Only the Council officers listed in table below are entitled to sign requisitions, and then only in accordance with their financial and operational delegation limits. By signing a requisition / purchase order all officers are confirming that they have taken full notice of this policy and will comply with all of the requirements of this policy. Requisitions can be completed to approval stage subject to direction of management.

All staff with requisitioning permissions are only authorised to order goods and services (up to their financial limit) against jobs over which they have clear operational authority and budget responsibility.

**Table 3: Delegation limits**

<b>Classification</b>	<b>Range (GST Inclusive) (note this is NOT a delegated authority)</b>
Chief Executive Officer	Up to and including amounts approved in the annual budget for operational or capital expenditure, and up to \$250,000 for expenditure outside of budget.
Directors	Up to \$120,000
Managers/Senior Officers	Up to \$55,000
Supervisors/Coordinators	Up to \$22,000
Other Officers	Up to \$2,000

Any order that will result in a budget being exceeded must be approved by the relevant manager or member of the executive management team.

The Chief Executive Officer, Executive Management or Finance Manager have special authority to authorise payments to the Australian Taxation Office and Queensland Treasury Corporation, even when those payments exceed \$200,000.

This process is subject to two signatories in a similar manner to usual purchasing processes.

## **RESPONSIBILITIES**

It is the responsibility of the Director Corporate and Community Services to monitor the adequacy and effectiveness of this policy and recommend appropriate changes to Council.

Council officers responsible for the procurement of goods and services must comply with this policy. It is the responsibility of Council officers involved in the procurement process to understand the meaning and intent of this policy. It should be noted that this delegation relates to positions and covers employees in Acting or Relieving roles.

## **REVIEW**

1.1. Section 198 of the Regulation requires Council to prepare and adopt a policy about procurement (a procurement policy) for each financial year.

1.2. This policy must be reviewed annually prior to the budget. However, the policy may be amended at any time.

1.3. This policy is to be reviewed on or before 31/10/2025.

## **RELEVANT LEGISLATION**

- *Local Government Act 2009*
- *Local Government Regulation 2012*

# DOCUMENT CONTROL

Version	Resolution Date	Resolution No.	Policy Author
V0	12 Dec 2024	24/12/19	Director Corporate & Community Services

Review Frequency: Yearly