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<b>POLICY TITLE:</b>	Procurement Policy
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<b>TRIM REFERENCE:</b>	SF14/411 - R23/1914
<b>RESOLUTION NUMBER:</b>	3580
<b>POLICY TYPE:</b>	Statutory
<b>APPROVING OFFICER:</b>	Council Adoption
<b>DATE OF ADOPTION:</b>	20 June 2023
<b>TIME PERIOD OF REVIEW:</b>	1 Year
<b>DATE OF NEXT REVIEW:</b>	20 June 2024
<b>RESPONSIBLE DEPARTMENT:</b>	Finance & Control
<b>LINK TO CORPORATE PLAN:</b>	A High Performance Council - Financial Sustainability

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## 1. OBJECTIVE

The objective of this Policy is to outline Council's commitment to ensuring value for money, probity and accountability of Council's procurement outcomes. It enables Council to take a strategic approach to procurement and contracting activities by identifying potential opportunities whilst managing adverse risks.

This policy, together with the procurement procedures, sets out Council's framework for its procurement and contracting activities in a manner that complies with applicable legislation, including s104 of the *Local Government Act 2009 (Qld)* and s198 of the *Local Government Regulation 2012 (Qld)*.

## 2. SCOPE

This policy is applicable to all Flinders Shire Council Employees with delegation (contractual or financial) or responsibility for Contracting Activities including:

- The carrying out of work; or
- The supply of goods and services; or
- The disposal of non-current assets.

It is the responsibility of these Employees to understand the meaning and intent of this Policy.

## 3. DEFINITIONS

**Contract Delegated Authority** - means the authority that the Chief Executive Officer (CEO) delegates to a Council Employee, in accordance with the Register of Delegations, for the purposes of signing a contract on Council's behalf.

**Contract Management** - is the process of managing contract creation, execution and analysis to maximize operational and financial performance while reducing financial risk.

**Council** - means Flinders Shire Council

**Council Employee** - means all employees of Council, whether employed on a permanent, temporary, or part-time basis and includes volunteers and employees of businesses and entities contracted to provide services to, or on behalf of Council

**Financial Delegated Authority** - means the financial level that the CEO delegates to a Council employee, in accordance with the Register of Delegations, for the purposes of approving expenditure of Council's monies. For the avoidance of doubt, Financial Delegated Authority does not authorise employees to sign any contract on Council's behalf

**Local Business or Industry** - means a business or industry that is beneficially owned and operated by persons who are residents and ratepayers of Flinders Shire as defined under the Local Government Act 2009 (s8(2)); or is a registered business or individual that has its principal place of business within the Flinders Shire; or otherwise has a place of business within the boundaries of Flinders Shire and where possible, employs persons who are residents or ratepayers of the Flinders Shire.

**Procurement**- means all purchasing, supply and contracting arrangements undertaken between Council and another party for the provision of goods and/or services.

**Purchase Order** - means the official document used by Council to record the purchase of goods and services. It contains Council's Standard Terms and Conditions, is produced by Council's finance system and electronically signed by the CEO.

**Probity** - means evidence of ethical behaviour, and can be defined as complete and confirmed integrity, uprightness, and honesty in procurement activity.

#### 4. APPLICATION

This policy applies to Council's procurement activities.

#### 5. DEFAULT CONTRACTING PROCEDURES

Council has not decided to apply a strategic approach to its procurement activities as outlined in Chapter 6, Part 2 of the *Local Government Regulation 2012* at this time.

Council will operate under the default contracting procedures outlined in Chapter 6, Part 3 of the *Local Government Regulation 2012* which sets out prescribed requirements for medium sized contractual arrangements, large sized contractual arrangements, and valuable non-current asset contracts.

#### 6. SOUND CONTRACTING PRINCIPLES

Council conducts its procurement and contracting activities to advance the strategic priorities and outcomes of Council's Corporate Plan whilst achieving value for money with probity and accountability. In particular Council is committed to ensuring that all procurement activities:

- comply with Council's legal and statutory obligations;
- are carried out in a professional manner promoting accountability and transparency;
- minimise procurement costs while maintaining value;
- drive value through Council's local supplier base;
- encourage industry and supplier innovation, where appropriate;
- promote environmentally and socially responsible procurement practices;
- and maintain public confidence in Council's procurement activities.

Council is committed to applying a principles-based approach to all procurement activities consistent with the Sound Contracting Principles, as described in section 104(3) of the *Local Government Act 2009*, which are:

##### 6.1 Value for Money

Council employees will ensure that all procurement and contract management activities achieve the most advantageous outcomes for Council (which balances meeting Council's objectives and the business requirement with efficiency, quality, risk, environmental impact, and total acquisition cost).

## 6.2 Open and Effective Competition

Procurement 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.

### Purchasing Thresholds

Unless an exception is made in accordance with the Local Government Regulation 2012 Chapter 6, Part 3, Division 3, Council will apply the following threshold levels for the provision of goods and services, including the carrying out of work

Purchases expected to be worth <b>less than \$5,000</b>	
< \$1,000	At least one verbal or written quote (or estimate) is to be obtained and recorded on the field requisition or purchase order where possible.  <i>Note: Purchases to be made from a local supplier where possible.</i>
≥ \$1,000 to < \$5,000	Where possible, a minimum of two (2) written quotes must be obtained and recorded or provide evidence that two or more quotes have been sought. Verbal quotes may be accepted but they must be followed up with emailed or written verification.  <i>Note: At least one (1) quote shall be sought from a local supplier where possible. Where there is more than one (1) local supplier all should be considered.</i>
Purchases expected to be <b>\$5,000 or more but less than \$15,000</b>	
≥ \$5,000 to < \$15,000	Where possible, a minimum of three (3) fully documented written quotes must be sought and recorded.  Verbal quotes may be accepted but they must be followed up with emailed or written verification.  <i>Note: At least one (1) quote shall be sought from a local supplier where possible. Where there is more than one (1) local supplier all should be considered.</i>
Purchases expected to be <b>\$15,000 or more but less than \$200,000</b>	
<b>Medium-sized contractual arrangement.</b> Procurement should be undertaken using the default contracting procedures set out under Sections 224 (2) and 225 of the Local Government Regulation 2012	
≥ \$15,000 to < \$200,000	At least three (3) written quotes are to be sought, where possible, and recorded.  At this level it is mandatory under Section 225 of the <i>Local Government Regulation 2012</i> that a minimum of three written quotations, whenever possible, be sought from suppliers/providers which the Council considers can meet its requirements. Tenders may also be invited for the supply of goods/services, the value of which falls within this category if the Chief Executive Officer or employee so delegated is of the opinion that this course of action would be desirable.  <i>Note: At least one (1) quote shall be sought from a local supplier where possible. Where there is more than one (1) local supplier all should be considered.</i>
Purchases expected to be <b>\$200,000 or more</b>	
<b>Large-sized contractual arrangement.</b> Procurement should be undertaken using the default contracting procedures set out under Sections 224 (3), 226 and 228 of the Local Government Regulation 2012.	
≥ \$200,000	Public tender required.  <i>Note: Subject to Exceptions under Section 229 to 235 of the Local Government Regulation 2012.</i>

*Note: For purchases of \$200,000 or more that do not involve a Preferred Supplier Arrangement (Section 233 of the Local Government Regulation 2012) or LGA arrangement (Section 234 of the Local Government Regulation 2012) tenders must be sought in accordance with Section 228 of the Local Government Regulation 2012.*

All threshold values are exclusive of GST and there may be instances where the responsible employee believes it is prudent to obtain more quotations.

Suppliers wishing to do business with Council will be given every reasonable opportunity to do so, subject to satisfying Council's requirements and all relevant evaluation criteria (which may include but not be limited to demonstrated technical ability, environmental impact, company profile, professional references, quality assurances, insurances and total acquisition cost).

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

Council is committed to supporting and developing local business and industry Council has implemented the following list that provides guidance for Council employees when purchasing future goods, services and/or works:

- Encourage local suppliers to do business with Council and actively seek out and encourage them to submit a bid when they are qualified and meet the requirements; and
- Ensuring comparisons include freight costs to the delivery point; and
- Ensuring that purchases and projects are not structured to exclude local suppliers; and
- Avoid non-standard technical requirements that local suppliers are unable to meet; and
- Ensure local suppliers are given equal opportunities to respond and are treated without prejudice; and
- Employees should utilise Council's local preference scoring matrix (as per below)
- Encourage local businesses to register on Council's Electronic Quotations System Vendor Panel [www.vendorpanel.com.au](http://www.vendorpanel.com.au)
- Encourage local businesses to register on 'Local-Buy' <https://www.localbuy.net.au/> to help them streamline the tender process

The preference weighting to be applied as a guide to the quoted price is shown in the table below. These preference weightings can be applied to each procurement contract. These preference weightings can be applied by increasing the non-local supplier's price.

**Local Preference Scoring Matrix**

Contract Value	Local Preference Weighting/\$Amount	Maximum Cost
Up to \$200,000	10%	Capped at \$10,000
>\$200,000	10%	Council Resolution
Exceptional Cases	1.5%	

#### **Quotes or tenders less than \$50,000 (ex GST)**

All quotes or tenders less than \$50,000 (ex GST), will be sought from local businesses only. However, where there is reasonable justification that local businesses cannot supply, or are deemed not capable, or do not provide value for money, then non-local businesses will be invited to quote or tender.

#### **Quotes or tenders greater than \$50,001 (ex GST)**

All quotes or tenders greater than \$50,001 (ex GST) Council will undertake an evaluation. The first stage evaluates non-price and price criteria. The second stage considers Council's preference scoring.

**Quotes or tenders greater than \$200,000 (ex GST) or more in a financial year or over the proposed term of the contractual arrangement.** Procurements of this size are a large-sized contractual arrangement and should be undertaken using the default contracting procedures set out under Chapter 6 Part 3 Section 224 (3), 226 and 228 of the *Local Government Regulation 2012*.

For purchases of \$200,000 or more that do not involve a Preferred Supplier Arrangement (Section 233 of the Regulations) or LGA (Section 234 of the Regulations) tenders must be sought in accordance with the *Local Government Regulation 2012*.

Procurement may be undertaken by considering the sound contracting principles before making any decision and using any of the processes for exceptions for medium sized and large sized contracts as set out in the regulations identified in **SECTION 9 - RELATED LEGISLATION**.

Wherever the lowest price is not selected the delegate must document the basis for the decision to go to a local supplier via the preference route.

In exceptional cases, where the procurement of a particular items results in **several separate annual contracts** the local preference weighting for *Exceptional Cases* is to be applied on each separate purchase.

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

**Example - Competitive Pricing**

Major Rule Supplier A – Highly competitive and is awarded most contracts.

Minor Rule Supplier B – Competitive to Highly competitive and is awarded some contracts.

**Scenario**

Supplier A has received several contracts to the value of \$600,000 during the year

Supplier B has received one contract to the value of \$60,000

A new contract is being awarded

Supplier A submits a price of \$84,600

Supplier B submits a price of \$85,000

All other criteria assessed as being equal

The contract may be awarded to Supplier B to retain competitive local business.

*Note: All assessments will be based on the information provided at the date the tender closes.*

#### 6.4 Environmental Protection

Council will advance the sustainable use of resources and aim to minimise adverse impacts on the environment and human health through its procurement activities.

Council endeavours to favour purchasing decisions that improve markets for environmentally preferred products, enhance environmental quality, are resource responsible and directly contribute to sustainability.

Council will purchase environmentally preferred products whenever their performance, quality and total acquisition cost is equal to or better than comparable products.

#### 6.5 Ethical Behaviour and Fair Dealing

Council employees must ensure that all procurement activities are carried out in a professional manner and comply with the Code of Conduct and in accordance with Council's Procurement policy and procedures, always ensuring the procurement processes are transparent so that suppliers are seen to be treated equally.

Only employees with the appropriate financial delegated authority can approve purchase orders, and only those with the appropriate contract delegated authority can make, vary or discharge contracts on behalf of Council. Council employees involved in the procurement process must avoid and/or declare, to their supervisor, any conflicts of interest or material personal interest, consistent with the Code of Conduct and the *Local Government Act 2009*.

Council's expectations in relation to our suppliers align to the Ethical Standards Mandate under the Queensland Procurement Policy.

## 7. USE OF A PUBLIC NOTICE FOR PROCUREMENTS BELOW THE THRESHOLD

Council may undertake a public tender where the value of goods, services or works **does not** reach the threshold sums. In these situations, it is important to manage the associated risks and ensure greater levels of transparency sections 226 and 228 of the *Local Government Regulation 2012* do not preclude Council from conducting tenders under the threshold amounts.

## 8. SOLE SUPPLIER

There may be situations where there is a single supplier of goods or services who can carry out the work or supply materials or products. It is acknowledged that council has limited access in some instances to a competitive market, this will vary especially in the context of Council's physical location.

To remain transparent Council could consider advertising via a public notice for the goods or services which may result in the one supplier responding. In this situation Council is free to enter into a contract with that supplier (*ever mindful of its obligation to obtain value for money*).

## 9. EMERGENCIES

In the event of an emergency Council may enter into a contract, the value of which reaches the threshold amounts, for provision of goods, services or works without first putting the contract to public tender if the council resolves that the contract must be entered into due to the emergency. The CEO has this delegated power for reasons of avoiding delays in responding to any emergency/s.

The *Local Government Act 2009* does not define what constitutes an emergency, so for the purposes of this policy the Oxford Dictionary definition is applied 'a sudden serious and dangerous event or situation which needs immediate action to deal with it'.

## 10. RELATED LEGISLATION

- *Local Government Act 2009*
- *Local Government Regulation 2012*
- *Public Sector Ethics Act 1994*
- *Crime and Corruption Act 2001*
- *Criminal Code Act 1899*

### By Section

- *Quote or tender consideration plan (Section 230 of the Regulations)*
- *Approved Contractor List (Section 231 of the Regulations)*
- *Pre-Qualified Suppliers (Section 232 of the Regulations)*
- *Preferred Supplier Arrangements (Section 233 of the Regulations)*
- *LGA Arrangement (Section 234 of the Regulations)*
- *Other Exceptions (Section 229 to 235 of the Regulations)*

- *Procurement policy Section 198*
- *Tender process Sections 226 and 228 of the Regulations*
- *Competitive local business Section 104(3)(c) L.G. Act*

*Associated Internal Documentation*

- *Procurement Procedure*
- *Employee Code of Conduct*
- *Disciplinary Policy*
- *Fraud and Corruption Prevention Policy*
- *Corporate Plan*
- *Operational Plan*
- *Gifts and Benefits Policy*
- *Delegation Register*

## **11. REVIEW TRIGGER**

This policy will be reviewed for its effectiveness and consistency in-line with relevant legislation, by the Director of Corporate & Financial Services and through Council resolution. Reviews of this policy will occur as required and by necessity, or annually in accordance with s198 of the *Local Government Regulation 2012*.

## **12. RESPONSIBILITY**

This policy is to be:

- (1) implemented by Director of Corporate & Finance Services (DCFS); and
- (2) reviewed and amended in accordance with the "Review Triggers" by the Governance Manager in consultation with the DCFS.

## **13. APPROVAL**

Adopted at the June 2023 Council Meeting - Resolution Number 3747.