

## **5.1. PROCUREMENT POLICY**

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### **RECOMMENDATION**

**That Council adopts the amended Procurement General Policy for the 2019/20 financial year.**

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### **EXECUTIVE SUMMARY**

This report represents Douglas Shire Council's policy for the acquisition of goods and services and adherence to "sound contracting principles" as stipulated in section 104 of the Local Government Act 2009 and section 198 of the Local Government Regulation 2012. This policy is required to be re-adopted by Council on an annual basis.

### **BACKGROUND**

Council previously adopted the Procurement Policy on 24 July 2018. This policy outlines the responsibilities of officers in regards to procurement and sound contracting principles as determined by legislation. A review of the policy has been undertaken by staff and the policy is presented to Council for re-adoption with two (2) minor changes. Proposed changes to the procurement policy include:

1. Increasing the threshold for 1 verbal quote from 'Less than \$1,500' to 'Less than \$3,000'. Refer to page 3 of the Policy. This change has been recommended by the Senior Procurement Officer to improve the administrative flow of smaller transactions by Council.
2. Update the Delegation levels in line with the current organisational structure. Refer to Appendix 1, Financial and Contractual Delegations on page 6 of the Policy.

### **PROPOSAL**

That Council adopts the amended Procurement General Policy for the 2019/20 financial year.

### **FINANCIAL/RESOURCE IMPLICATIONS**

There is a legislative requirement for Council to have in force a Procurement General Policy and there are no budgetary implications in reviewing the policy on an annual basis.

### **RISK MANAGEMENT IMPLICATIONS**

Complying with legislative requirements ensures Council mitigates any regulatory or reputational risk.

## SUSTAINABILITY IMPLICATIONS

- Economic:** The development of competitive local business and industry is addressed in the policy outlining Council's commitment to this principle.
- Environmental:** Council is committed to promoting environmental protection through its purchasing activities and how this will be achieved is outlined within the policy.
- Social:** Nil.

## CORPORATE/OPERATIONAL PLAN, POLICY REFERENCE

This report has been prepared in accordance with the following:

### Corporate Plan 2014-2019 Initiatives:

#### Theme 5 – Governance

*5.1.1 – Establish and develop long term financial, resource and infrastructure planning to ensure ongoing capacity to fund operations and capital works programs.*

*5.1.2 - Implement a robust enterprise risk management culture to identify and manage potential risks.*

*5.1.3 – Monitor and regularly review procurement practices to ensure legislative compliance and “value for money”.*

## COUNCIL'S ROLE

Council can play a number of different roles in certain circumstances and it is important to be clear about which role is appropriate for a specific purpose or circumstance. The implementation of actions will be a collective effort and Council's involvement will vary from information only through to full responsibility for delivery.

The following areas outline where Council has a clear responsibility to act:

- Fully-Responsible** Council funds the full cost of a program or activity.
- Regulator** Meeting the responsibilities associated with regulating activities through legislation or local law.

## CONSULTATION

- Internal:** Feedback received from staff during the past year has been taken into consideration when reviewing this policy.
- External:** FNQROC Councils Procurement Committee

## COMMUNITY ENGAGEMENT

Due to the detailed legislative requirements, which the *Local Government Act 2009* and *Local Government Regulation 2012* embedded in Council's procurement processes, consulting with the community on this policy would not add any value. Therefore, this proposal will fall within the "inform" category of Council's Community Engagement Framework.

## ATTACHMENTS

1. Procurement General Policy **[5.1.1 - 6 pages]**

## PROCUREMENT GENERAL POLICY

### Intent

This document sets out Douglas Shire Council's policy for the acquisition of goods and services and adherence to the "sound contracting principles" as stipulated in the *Local Government Act 2009*.

### Scope

This policy applies to the procurement of all goods and services, including items procured by third parties (such as contractors) acting as representatives for Council.

### Reference

Legislation: *Local Government Act 2009*  
*Local Government Regulation 2012*

### Provisions

#### Objectives

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

- promoting value for money with probity and accountability;
- advancing Council's economic, social and environmental strategies;
- providing reasonable opportunity for competitive local businesses that comply with relevant legislation to supply to Council; and
- promoting compliance with relevant legislation.

In accordance with relevant legislation, this policy incorporates requirements regarding the procurement of goods and services and the application of sound contracting principles.

#### Responsibility

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.

Council officers are required to;

- adhere to the "sound contracting principles";
- preserve Council's integrity in the procurement process to ensure that Council may be seen to have acted beyond reproach in all dealings;
- abide by Council's Code of Conduct and all applicable policies and instructions; and
- source quotations and raise purchase orders prior to receiving goods and services.

The expected value of a contractual arrangement with a supplier for a financial year is the total expected value of all of Council's contracts, in the financial year, with the supplier for goods and services of a similar type. Accordingly, the purchase of goods or services must not be divided into unreasonable components, or order quantities reduced, to avoid the necessity to comply with the dollar limit requirements under this policy.

All relevant documentation relating to the procurement process is to be recorded in Council's record management system e.g. quotes, emails, letters etc.

### **Sound contracting principles**

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

#### Value for money

Council must harness its purchasing power to achieve the best value for money. The concept of value for money is not restricted to price alone. The value for money assessment must include consideration of:

- contribution to the advancement of Council's priorities;
- fitness for purpose, quality, services and support;
- whole-of-life costs including costs of acquiring, using, maintaining and disposal;
- technical compliance issues;
- risk exposure; and
- the value of any associated environmental benefits.

#### Open and effective competition

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

#### The development of competitive local business and industry

Council wishes to pursue the principle of the development of competitive local business and industry when entering into contracts for the supply of goods or services.

If a tender or quotation is evaluated using selection criteria then a local preference selection criteria with a weighting of no more than 10% (of the selection criteria total) may be utilised in the evaluation process, and where price, performance, quality, suitability and other selection criteria are evaluated as equal, then:

- Council may accept a tender submission or offer from a local supplier in preference to a comparable tender submission or offer from a non-local supplier even if the tender submission or offer from the non-local supplier has been assessed as more favourable in terms of one or more of the assessment criteria applied (including, but not limited to price), as long as the overall differences are not substantial and it is clear that the selected local supplier can meet Council's requirements at an acceptably high standard which is generally comparable to that of other submission or offers.
- Local preference is not simply a 10% price benefit to a local supplier, but also a quantitative measurement that can be utilised in recognition of location of supplier and the associated benefits that this provides to Council, such as;
  - creation of local employment opportunities;
  - more readily available servicing support;
  - more convenient communication for contract management; and
  - economic growth within the local area.

In this policy statement, a "local supplier" is a supplier which:

- is owned by persons who are residents or ratepayers of the local government area; or
- has its principal place of business within the local government area; or
- otherwise has a place of business within the local government area which solely or primarily employs persons who are residents or ratepayers of the local government area.

**Environmental Protection**

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

- promote the purchase of environmentally friendly goods and services that satisfy value for money criteria;
- foster the development of products and processes of low environmental impact;
- provide an example to business, industry and the community by promoting the use of environmentally friendly goods and services; and
- wherever possible encourage environmentally responsible activities

**Ethical behaviour and fair dealing**

Council officers involved in purchasing must behave with impartiality, fairness, independence, openness, integrity and professionalism in their discussions and negotiations with suppliers and their representatives. Appropriate records are to be maintained evidencing decisions and terms of engagement.

It is the responsibility of Council officers to report any potential or perceived conflict of interest to their Manager prior to any business dealings.

**Definition of Procurement**

This policy applies to all procurement activities of Council. "Procurement" shall mean purchase, hire, lease, rental, exchange or any other commercial transaction involving the outlay of funds in return for the provision of goods and services to Council, Council staff and agents unless specifically exempted under the provisions of this policy.

**Purchasing Requirements**

<b>Purchase of goods and services</b>	
Less than \$3,000	1 verbal quote
\$3,000 to less than \$15,000	2 written quotes
\$15,000 to less than \$200,000 (Medium-sized contractual arrangement)	3 written quotes
\$200,000 or more (Large-sized contractual arrangement)	Tender required

***All amounts are GST exclusive***

It must be noted that legislation obligates Council to go to tender or call for expressions of interest if the expected value of goods and services of a similar type procured from the same supplier is \$200,000 or more (exclusive of GST) in a financial year or over the proposed term of the contractual arrangement.

**Exemptions to these requirements not including requirements to go to tender**

Include contracts or purchases made with:

- a contractor on an approved contractor list; or
- a supplier on a register of pre-qualified suppliers; or
- a supplier on a preferred supplier arrangement; or
- a supplier on a LGA (Local Buy) arrangement.

Further statutory exemptions exist if:

- Council resolves it is satisfied that there is only 1 supplier who is reasonably available (sole suppliers); or
- Council resolves that due to the specialised or confidential nature of the services that are sought, it would be impractical or disadvantageous for the local government to invite quotes or tenders; or
- a genuine emergency exists; or
- the contract is for the purchase of goods and is made by auction; or
- the contract is for the purchase of second-hand goods; or
- the contract is made with, or under an arrangement with, a government agency.

When seeking quotations, staff should consider the likelihood of exceeding the \$200,000 legislative threshold relating to the requirement to seek tenders. If there is a risk that this limit will be exceeded then tenders should be called instead of quotations.

### **Budgetary Provisions**

Procurement must be in accordance with the adopted annual budget or a council resolution and sufficient funds must be available to meet the full cost of the proposed procurement.

### **Emergencies**

In recognition that full compliance with existing Council procurement procedures may not support the 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 procurement process adopted is reasonable and conducted with appropriate consideration of standard procurement principles.

The alternative process is to be authorised by the Mayor and/or 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;
- An incidents declared by the Chief Executive Officer where the safety or security of any person or property associated with the Council is threatened; and
- An external incident to which the Chief Executive Officer has authorised the provision of urgent support.

Once the immediacy of the incident has passed, purchase orders must be raised to record the expenditure in the same way as they would have been in normal circumstances.

As soon as practical upon cessation of the emergency a report must be presented to Council so that a Council resolution can be adopted to authorise the unapproved expenditure and the methodology by which it was incurred. The Council Resolution must define the genuine emergency situation (such as natural disaster), as well as delegate authority.

In times of a genuine emergency, when access to Council's electronic purchasing system is not available, Council has manual purchase order books which are distributed to operational areas of Council for the emergency period.

### **Financial and contractual delegation**

The Chief Executive Officer implements Council's policies and decisions e.g. spending in accordance with the adopted budget. Refer also to Appendix 1.

Other officers may only incur expenditure on behalf of Council if:

- the officer has been granted the financial and contractual delegation by the Chief Executive Officer and this delegation has been recorded in the Register of Delegations; and
- the expenditure is provided for in Council's budget.

### **Variations**

For the purpose of this policy, variation refers solely to a financial deviation from original contract value. The contract can be a Council purchase order or agreement signed by a delegated Council officer. Other variations such as non-financial scope changes, extension of time etc are to be managed by the delegated Council officers.

Variation procedures are as follows:

- All variations are to be approved in writing.
- Each variation requires an additional line item on the original purchase order stating the scope and cost.
- Each variation can only be approved by an officer, where the total amended costs do not exceed their authorised financial and contractual delegation and the value of the variation is less than the values detailed below.
- For an original purchase order involving a cost of greater than \$15,000 but less than \$200,000. If the cumulative value of variations exceeds 20% of the value of the original purchase order or \$15,000 which ever is the lesser, the variation and all further variations must be authorised by a Manager or General Manager.
- For an original purchase order involving a cost of \$200,000 or more all variations must be considered by Council's Management Team. If the cumulative value of variations exceeds 20% of the value of the original purchase order (or a lesser value at the Management Team's discretion) a consolidated report of all these variations will be presented to Council on a regular basis.

### **Publishing details of contracts**

Council is obliged to publish details of all contracts worth \$200,000 or more (exclusive of GST). These details must be published monthly on Council's website and also on a noticeboard located in the customer service area of the Council's Administration Building in Front Street, Mossman. Information to be documented in these publications includes the following;

- the person/company with whom Council has entered into the contract
- the value of the contract
- the purpose of the contract

For the purpose of this obligation, a contract is defined as an approved Council purchase order.

This policy is to remain in force until otherwise determined by Council.

Manager Responsible for Review:

Chief Financial Officer

ORIGINALLY ADOPTED: 16/12/2014

CURRENT ADOPTION: 25/06/2019

DUE FOR REVISION: 30/06/2021

Appendix 1 -

**Financial and Contractual Delegations**

- Officers may incur expenditure on behalf of Council but only if the expenditure is provided for in Council’s budget and the officer has been delegated the power to enter into contracts up to an amount not less than the amount of the expenditure proposed to be incurred.
- Each delegation to an officer of the power to enter into contracts must be approved by the Chief Executive Officer.
- The delegation is a personal delegation and lapses if the delegate is transferred or promoted to a different position to that which the delegate occupied at the time when the power was delegated to the delegate.
- Any officer incurring expenditure on behalf of Council must do so in accordance with any constraints imposed by Council or the Chief Executive Officer.

Delegation level	Operational expenditure within budget	Capital expenditure within budget	Expenditure outside of budget
<b>Chief Executive Officer</b>	Up to \$200,000*	Up to \$200,000*	Utilise emergency provisions of the Local Government Act. These require a Council Resolution.
<b>Executive Managers/Managers</b>	Up to \$200,000	Up to \$200,000	Nil
<b>Senior Officers</b>	Up to \$100,000	Up to \$100,000	Nil
<b>Co-ordinator / Team Leader</b>	Up to \$50,000	Up to \$50,000	Nil
<b>Appropriate support staff</b>	Up to \$5,000	Up to \$5,000	Nil

\*Council further gives the Chief Executive Officer delegated authority to negotiate, finalise and execute recurring operational expenditure (e.g. insurance, electricity, telephone, vehicle registration, ongoing contracts, etc) regardless of whether the value of the expenditure is more or less than \$200,000.

**Senior officer:** Are those positions which may or may not supervise staff, but may need financial and contractual delegation to meet positional requirements.

***All delegation amounts are GST exclusive***