

PALM ISLAND ABORIGINAL SHIRE COUNCIL

PURCHASING AND PROCUREMENT POLICY

1.1 Purpose

- 1.1.1 The purpose of the purchasing policy is to define the responsibilities, limits and processes that Council officers shall adhere to when purchasing goods and service.

1.2 Policy objective

- Comply with all relevant Legislation;
- Achieve value for money;
- Increase Council efficiency;
- Reduce the risk of fraud; and
- Ensure integrity and accountability for outcomes.

1.3 Background

- 1.3.1 This document sets out the Councils' policy for purchasing throughout the organisation and provides information on the roles and responsibilities of key officers and areas involved in the purchasing function within Council to ensure compliance with the Local Government Act 1993.
- 1.3.2 These policies and procedures apply to the procurement of all goods, equipment and related services, construction contracts and service contracts (including maintenance) by Council as defined in the Local Government Act 1993.
- 1.3.3 All purchases of goods and services must be carried out in compliance with the Local Government Act 1993 as amended, and the Local Government Finance Standard 1994 as amended. In particular Part 3 (Contracts and tendering) of Chapter 6 of the *Local Government Act 1993* applies. In addition, where State Government grants are used in Local Government projects, Procurement Policies of the State Purchasing Policy are to be observed.

1.4 Responsibilities

- 1.4.1 Council officers responsible for purchasing goods and services are to comply with these instructions. It is the responsibility of Council employees involved in the procurement process to understand the policies and procedures as well as their meaning and intent. Should any employee have any questions regarding the procurement process, these questions are to be raised with the employee's respective supervisor.

1.5 Review date

- 1.5.1 The Council must review this policy on or before the review date to identify any provision of the policy that serves no useful purpose or is obsolete.
- 1.5.2 "**review date**" means 30 April in the year that is 2 years after the adoption of the policy.

2.1 Principles governing the making of contracts

2.1.1 The *Local Government Act 1993* (the Act) sets out five principles governing the making of contracts.

2.1.2 A local government must have regard to these principles when establishing purchasing arrangements or entering into contracts for the carrying out of work, or the supply of goods or services¹.

Principles:

1. Open And Effective Competition;
2. Value For Money;
3. Enhancement Of The Capabilities Of Local Business And Industry;
4. Environmental Protection;
5. Ethical Behaviour and Fair Dealing.

2.2 Ways of entering into a contract

2.2.1 A local government may make, vary or discharge a contract either under seal; or by a delegate under section 483 of the Act.

2.3 Methods of making a contract

2.3.1 Before making a contract for the carrying out of work, or the supply of goods or services, a local government must have regard to the total aggregate cost of the contract.

2.3.2 A local government may only enter into a contract for the acquisition of goods and services by: -

- (a) inviting tenders²; or
- (b) inviting written quotations³; or
- (c) in accordance with developed policy⁴.

¹ Section 481 (Principles governing the making of contracts) of the Act

² Section 484 (When tenders are required) of the Act

³ Section 485 (When quotations are required) of the Act

⁴ Section 3 (Policies to be developed by each local government) of the Standard

- 2.3.3 The Local Government Finance Standard 1994 (the Standard) requires a local government to develop a policy about contracts for the acquisition of goods and services for less than \$10,000. The policy must include details of the process and procedures to be used in entering into the contracts.
- 2.3.4 The following table sets out the method that the local authority must use when entering into a contract.

Table 1: Method of making a contract

Value of Contract	Method
Contracts for the acquisition of goods and services for less than \$10,000	As per policy
Contracts involving a cost of between \$10,000 and \$100,000	Written Quotation
Contracts involving a cost of more than \$100,000	Tenders

2.4 Purchasing arrangements

- 2.4.1 If a local government proposes to establish a purchasing arrangement, it must invite persons to tender.
- 2.4.2 The invitation must—
 - (a) be in the way provided for inviting tenders in section 484 of the Act; and
 - (b) state the purchasing arrangement for which the person is tendering.
- 2.4.3 The local government must select persons to enter a purchasing arrangement on the basis of the principles governing the making of contracts
- 2.4.4 The local government must ensure there is provision for the evaluation of a purchasing arrangement including, for example, removal of person from an arrangement because of the person's poor performance of contract entered into under the arrangement.
- 2.4.5 A local government may enter a purchasing arrangement for longer than 2 years only if it is satisfied that better value will be achieved by entering into a longer arrangement.
- 2.4.6 “**purchasing arrangement**” means—
 - (a) a standing offer arrangement; or
 - (b) a preferred supplier arrangement; or
 - (c) a register of pre-qualified suppliers.

2.5 Standing offer and preferred supplier arrangements

- 2.5.1 A local government may establish a standing offer or preferred supplier arrangement only if—
 - (a) the supply of goods or services is needed in large volumes or frequently; and
 - (b) the local government is able to obtain better value for money by aggregating demand for the goods or services needed; and
 - (c) the goods or services needed can be stated in terms that would be well understood in the industry concerned.
- 2.5.2 “**preferred supplier arrangement**” for a local government means an arrangement by the local government with a supplier for the supply of goods or services under agreed pricing conditions for a stated period.

2.5.3 “**standing offer arrangement**” for a local government means an arrangement to which the local government is a party with a supplier for the supply of goods or services at a fixed price for a stated period.

2.6 Pre-qualified suppliers

2.6.1 A local government may establish a register of pre-qualified suppliers only if—

- (a) the preparation and evaluation of invitations each time the goods or services are needed would be costly; or
- (b) the capability or financial capacity of the supplier is critical; or
- (c) the goods or services supplied involve significant security considerations; or
- (d) a precondition of an offer to contract is compliance with defined standards; or
- (e) the ability of local business to supply the goods or services needed by the local government needs to be ascertained or encouraged.

2.6.2 “**pre-qualified supplier**” means 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.

2.7 Contract made with a person on a panel of suitable providers

2.7.1 A local government may compile a panel of the names of persons suitably qualified to provide a service⁵.

2.7.2 The panel must be compiled by—

- (a) inviting expressions of interest from persons to be included on the panel in the way provided for inviting tenders in section 484 of the Act; and
- (b) selecting persons on the basis of the principles governing the making of contracts.

2.8 Exemptions to requirement to seek tenders or quotations

2.8.1 A local government may enter into a contract without inviting written quotations or tenders if the local government resolves: -

- (a) that it is satisfied that there is only 1 supplier reasonably available to it; or

⁵ Section 487 (Panel of suitable providers) of the Act

- (b) that a genuine emergency exists; or
- (c) to obtain second-hand goods; or
- (d) to purchase goods at an auction; or
- (e) that it is satisfied that the services to be supplied are of such a specialised or confidential nature that it would be impractical or disadvantageous to the local government to invite tenders or quotations.

2.8.2 A contract for the acquisition of goods and services entered into under the provisions of any of the exceptions listed at 2.4.1 above must be made by the local government and cannot be delegated to the Chief Executive Officer or any other officer.

2.8.3 A local government may also enter into a contract without inviting written quotations or tenders if: -

- (a) the contract is made with a person on a panel of suitable providers; or
- (b) the contract is made under an exemption to open competition in the Local Government Finance Standards; or
- (c) the contract is made with, or under an arrangement with or made by—
 - (i) the State, a government entity, the Brisbane City Council or another local government; or
 - (ii) another Australian government, an entity of another Australian government or a local government of another State or a Territory.

2.9 Contract made under exemption to open competition

2.9.1 A contract is made under an exemption to open competition if the contract is entered into—

- (a) under a standing offer or a preferred supplier arrangement; or
- (b) with a supplier from a register of pre-qualified suppliers; or
- (c) under an LGA arrangement.

2.10 LGA arrangement

2.10.1 “**LGA arrangement**” means an arrangement—

- (a) entered into by—
 - (i) the Local Government Association; or

- (ii) a company registered under the Corporations Act if the association is its only shareholder; and
- (b) that would be a purchasing arrangement if entered into by a local government; and
- (c) for which the procedure for establishing purchasing arrangements have been followed by the association or company as if it were a local government.

3.1 Contracts for the acquisition of goods and services less than \$10 000

- 3.1.1 Quotations are to be invited for the acquisition of goods and services with an estimated value in excess of \$5,000 and less than \$10,000.
- 3.1.2 A minimum of two, but preferably three quotes must be obtained.
- 3.1.3 Quotations are to be invited by newspaper advertisement, by telephone or facsimile, verbally or by written invitation, which ever is the most convenient in the circumstances or as directed by the Chief Executive Officer.
- 3.1.4 The Chief Executive Officer may dispense with the necessity to invite quotes for the acquisition of goods and services with an estimated value in excess of \$5,000 and less than \$10,000, where the circumstances dictate that only one supplier is capable of supplying the particular goods or service.
- 3.1.5 Regard shall be had for Councils' policy regarding preferential suppliers when making a contract for the acquisition of goods and services in excess of \$5,000.
- 3.1.6 Acquisition of goods and services less than \$5,000 shall be divided equally as far as possible between local suppliers; and where there is no local supplier, purchases shall be made from outside supplier's at the most advantageous price.

3.2 Preferential suppliers

- 3.2.1 Preference shall be afforded to local suppliers except in circumstances where Council considers it advantageous to obtain quotes from outside suppliers.
- 3.2.2 Where there is only one local supplier of particular goods or services, an invitation to quote shall not be required unless specifically directed by Council or the Chief Executive Officer.
- 3.2.3 Regard shall be had for Councils' policy regarding repeat orders and Councils' policy regarding supply of contract services, when making a contract for the acquisition of private plant hire services.

3.3 Splitting of orders

- 3.3.1 Council officers 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 calls for tenders.

3.4 Repeat orders

- 3.4.1 Council officers must identify and assess the total likely requirements of the Council over a given period. Where repeat orders are required from a single supplier and are estimated to exceed \$10,000 consideration must be given to establishing an appropriate purchasing arrangement.

3.5 Supply of contract services

- 3.5.1 Where there is an expectation that the supply of contract services will be on an ongoing or regular basis, and that the total aggregate cost of the contract will exceed \$5,000, consideration must be given to establishing an appropriate purchasing arrangement.
- 3.5.2 All contracts for the supply of private plant hire must be evaluated on an annual basis and where the total aggregate cost of the contract will exceed \$5,000; a preferred supplier arrangement must be established.

3.6 Purchase orders

- 3.6.1 Purchase orders are to be placed for every purchase of goods and services other than those carried out via petty cash transactions.
- 3.6.2 Exceptions to place a purchase order will be made for various services involving recurrent payments, such as telephone and electricity accounts, where it is impractical to raise orders prior to receipt of the invoice.
- 3.6.3 The placing of verbal purchase orders is to be avoided wherever possible, however when it occurs, a purchase order number must be quoted with confirmation in writing to be forwarded within twenty-four hours.
- 3.6.4 Purchase orders are to be signed for by the authorized officer who has initiated the contract.
- 3.6.5 All purchases of dangerous goods and/or hazardous chemicals are to comply with Council's Workplace Health and Safety Policy.

3.7 After Sales Service

- 3.7.1 After sale service agreements pertaining to travel for repairs and maintenance of equipment purchased are to be negotiated prior to the issuing of an order.

4.1 Delegations

- 4.1.1 Council has delegated the Chief Executive Officer the power to incur financial expenditure on behalf of Council.
- 4.1.2 Other officers may only incur expenditure on behalf of Council if the officer has been delegated authority by the Chief Executive Officer.
- 4.1.3 An officer who has been delegated authority by the Chief Executive Officer may only incur expenditure on behalf of Council in accordance with any constraints or limitations imposed by the instrument delegating the authority.

4.2 Limitations on procurements by delegation

- 4.2.1 Officers are only to make contracts for the acquisition of goods and services where the aggregate total of the contract is considered to be within the officers' delegated procurement limits.
- 4.2.2 Aggregate totals that are considered to be within the procurement limits of each officer are listed at schedule 1 to this document.

4.3 Limitations on procurement by class

- 4.3.1 Officers are only to make contracts for the acquisition of goods and services that are considered to be within their area of responsibility.
- 4.3.2 Classes of goods and services that are considered to be within the area of responsibility of each officer are listed at schedule 2 to this document.

4.4 Ethical behaviour

- 4.4.1 Officers undertaking a purchase responsibility must act ethically and must be seen by all parties involved in a purchasing transaction to be acting ethically.
- 4.4.2 Officers with procurement responsibilities are to behave with impartiality, fairness, independence, openness, and professionalism in their discussions and negotiations with suppliers and their representatives.
- 4.4.3 Officers with procurement responsibilities are to advance the interests of Council in all transactions with suppliers' representatives and act in accordance with the policies and procedures contained herein.

4.5 Goods and services tax (GST)

- 4.5.1 PALM ISLAND Aboriginal Shire Council is a business registered for GST and subsequently, for the purposes of determining the total aggregate cost of a contract, the value of the contract is deemed to be exclusive of GST.

4.6 Records to be kept

- 4.6.1 A summary of all quotations or tenders received in relation to a contract must be compiled and the quotations/tenders received are to be attached to the summary, and kept in accordance with the requirements of the Queensland State Archives General Records Disposal Schedule for Local Government Records (*Queensland Public Records Act 2002*)

4.7 Evaluation of Offers

- 4.7.1 The evaluation of offers must take into account the technical performance of the product, the service being provided and the value obtained for money spent and the risks associated with procuring the requirement from the respective tenderer.
- 4.7.2 Each offer must be treated fairly and equitably on the basis of the criteria established in the specification and there should be no changes to the criteria by revising those elements considered as mandatory requirements or giving special weightings to other factors not declared in the original documents.
- 4.7.3 For contracts over \$100,000.00 the selection criteria and the decision process are to be fully documented in the detailed specification of the goods and services required. Further, the evaluation process for this type of contract shall be conducted by the responsible officer in conjunction with the Chief Executive Officer, with a joint recommendation being put to Council for approval.
- 4.7.4 Offers and tenders must be evaluated using the same methodology in every case.
- 4.7.5 The purchasing process, in addition to the purchasing decision, must be documented in a purchasing diary or file. Such documentation must include:
- (a) offers received;
 - (b) the evaluation process details; and
 - (c) reasons for choosing the successful supplier.
- 4.7.6 Post offer feedback must be provided to unsuccessful suppliers upon request. This feedback shall not provide information other than:
- (a) the name of the successful offeror;
 - (b) names of the other tenderers offered; and

(c) minimum details of item offered.

4.7.7 Evaluating officers must document the reasons for disqualifying any bids.

4.7.8 Where an officer is involved in purchasing negotiations or evaluations of offers identifies a conflict of interest the Chief Executive Officer is to be advised in writing as to the conflict and the officer must withdraw from the transaction.

Schedule 1 – Limitations on procurements by delegation

Value of Contract	Chief Executive Officer	Accountant	IT Manager	Works Supervisor	Housing Officer	Other delegations by C.E.O.
< \$500	●	●	●	●	●	●
\$501 - \$5,000	●	●	●	●	●	
\$5,001 - \$10,000	●	●	●	●		
\$10,001 - \$100,000	●	●	●			

Only the Council Officers listed in the aforementioned schedule are entitled to sign requisitions, and then only in accordance with their financial delegation limits. By signing a requisition all officers are confirming that they have taken full notice of the Purchasing Policy and have met with all of the relevant conditions.

Note: That the register of delegations provides for situations where the CEO may be absent, to exercise the powers and functions of the Council in the administration and enforcement of laws and the institution and carriage of legal proceedings. This delegation includes the power and authority to do any act and to sign any document necessary or ancillary to the performing of these functions with the Finance Manager or Corporate Services Manager having automatic delegation to the same level as the CEO in such instances.

Schedule 2 – Limitations on procurements by class

Class of Contract	Chief Executive Officer	Accountant	IT Manager	Works Supervisor	Housing Officer	Other delegations by C.E.O.
Emergency goods and services ⁶	●	●	●	●	●	●
Floating plant and hand tools	●	●	●	●		
Dangerous Goods and Hazardous Chemicals	●	●	●	●		
IT equipment and services	●	●	●			
Materials held in store	●	●	●	●		
Mechanical parts and services	●	●	●	●		
Office furniture	●	●	●	●		
Housing supplies	●	●	●	●	●	
Plant and equipment ⁷	●	●	●	●		
Road construction materials and services	●			●		
Sewerage supply material and services	●			●		
Water supply materials and services	●			●		

⁶ Contracts for emergency goods and services apply to all classes of contract and are limited to \$500 in total aggregate value.

⁷ Officers are only authorised to enter into contracts for the acquisition of plant and equipment where the total aggregate cost of the contract is less than \$100,000 and provision for the purchase has been allowed for the in the budget.