

## PROCUREMENT POLICY

### INTENT

The purpose of this policy is to demonstrate Cook Shire Council's approach to the procurement of goods and services.

### SCOPE

This policy applies to all procurement activities conducted by Cook Shire Council workers irrespective of funding source and acquisition process as defined in the *Local Government Act 2009* (the Act) and the *Local Government Regulation 2012*.

### DEFINITIONS

TERM	DEFINITION
<b>Financial Delegation</b>	means a formal delegation allowing an employee to authorise / approve expenditure or reimbursement of money within an approved budget and delegation limit
<b>Goods</b>	means an inherently useful and tangible item (article, commodity, material, merchandise)
<b>Local Supplier</b>	means a business or industry that operates predominantly in the Cook Shire, or a Neighbouring Aboriginal Shire, or Weipa Town Authority OR a business that has a significant presence in the Cook Shire, or a Neighbouring Aboriginal Shire, or Weipa Town Authority (i.e. a workshop or branch office and permanent employees resident in the area) AND the majority of the work to be entered into through a contractual arrangement with Council will be undertaken by employees resident in the Cook Shire, or a Neighbouring Aboriginal Shire, or Weipa Town Authority.

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<b>Neighbouring Aboriginal Shire</b>	means an Aboriginal Shire Council which is a direct neighbour of Cook Shire Council including: <ul style="list-style-type: none"> <li>• Aurukun Aboriginal Shire Council</li> <li>• Hope Vale Aboriginal Shire Council</li> <li>• Lockhart River Aboriginal Shire Council</li> <li>• Mapoon Aboriginal Shire Council</li> <li>• Northern Peninsular Area Regional Council</li> <li>• Kowanyama Aboriginal Shire Council</li> <li>• Napranum Aboriginal Shire Council</li> <li>• Pormpuraaw Aboriginal Shire Council</li> <li>• Wujal Wujal Aboriginal Shire Council</li> </ul>
<b>Procurement</b>	means the entering into of an agreement to purchase, hire, lease, rent or exchange by way of any transaction involving the outlay by Council of funds, goods, equipment or services in return for the provision of goods and services to Council by another person, company or other entity
<b>Services</b>	means intangible products including but not limited to accounting, banking, cleaning, consultancy, education, expertise, medical treatment and transportation
<b>Sound Contracting Principles</b>	means the sound contracting principles set out in section 104(3) of the <i>Local Government Act 2009</i>
<b>Worker</b>	means any person undertaking work on behalf of Cook Shire Council and includes employees, volunteers, contractors (and their employees) and consultants

## ***POLICY STATEMENT***

When carrying out procurement activities, Council will:

- a) act ethically and in full compliance with applicable laws, financial delegations and other related Council policies;
- b) exercise responsible financial management, including by identifying and managing risk associated with procurement;
- c) assess value over the whole of the operational life of the goods or services
- d) be focused on achieving Council's financial, social, local economic and environmental objectives by increasing procurement with genuine, quality social enterprises;
- e) establish a framework and guidelines that ensure fair, open and effective competition that deliver value for money and are efficient to use;
- f) foster relationships with suppliers, consultants and contractors in a manner that is ethical, efficient, effective, fair and transparent;

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- g) support the establishment of a diverse supply chain with particular focus on entities that deliver and/or have the potential to deliver social, economic and environmental benefit to the Cook region;
- h) support locally based manufacturers and local suppliers, consultants and contractors and monitor their performance over time.

## ***SOUND CONTRACTING PRINCIPLES***

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This policy aims to achieve the Sound Contracting Principles outlined in the Local Government Act 2009 by:

- a) adding value to assist Council to achieve its goals and objectives outlined in the corporate plan;
- b) demonstrating that procurement decisions are environmentally, socially and economically responsible;
- c) procuring environmentally preferred products whenever they perform satisfactorily, are of similar quality and are available on a value for money basis;
- d) supporting economic development and local suppliers within the Cook Shire local government area;
- e) ensuring fairness, integrity, transparency and competition;
- f) ensuring the organisation is fulfilling its safety obligations; and
- g) ensuring best value for money.

## ***LOCAL PREFERENCE***

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Council will support local suppliers within the Cook Shire local government area through:

- a) providing a minimum local preference weighting to be assessed in the evaluation process of offers consisting of:
  - i. the supplier's head office's geographic location;
    - 1. 10% local preference weighting for suppliers whose business is majority owned by a resident of the Cook Shire, or Neighbouring Aboriginal Shire, or Weipa Town Authority and the head office is located within the Cook Shire, or a Neighbouring Aboriginal Shire, or Weipa Town Authority (excludes the establishment of local operations by businesses whose head office is outside the Cook Shire, or Neighbouring Aboriginal Shire, or Weipa Town Authority boundaries, i.e. company branches, outlets, depots, franchises, etc.);
  - or

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2. 5% local preference weighting for suppliers whose head office is located outside the Cook Shire, however, they have established an office or depot in Cook Shire, or a Neighbouring Aboriginal Shire, or Weipa Town Authority; and
  - ii. the supplier's submitted Local Procurement Plan, demonstrating how they will commit to spending and sub-contracting within the Cook Shire local government area, or a Neighbouring Aboriginal Shire, or Weipa Town Authority;
    - b) the placement of orders, were the local supplier is competitive under Council's evaluation process;
    - c) actively seeking out local suppliers when seeking offers; and,
    - d) encouraging contractors to give local suppliers every opportunity, as partners or subcontractors, to participate in carrying out works.

## ***SUSTAINABLE AND SOCIAL PROCUREMENT***

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**Sustainable procurement** is the purchase of goods or services that have a reduced negative impact on the environment when compared with competing products or services that serve the same purpose.

When compiling any procurement documentation including tenders, contracts, quotes or purchasing arrangements, Council's sustainability (environmental policy) requirements must be clearly identified.

Priority areas should give consideration but not be limited to the following:

- wood and paper products from sustainable sources;
- safe chemical based products, e.g. cleaning products, pesticides or soil enhancers;
- products with a high degree of durability, i.e. avoiding disposable products where possible, and
- energy efficient products.

**Social Procurement** focuses on human aspects and social equity. Social procurement considers diversity, ethics, acceptance, fairness, compassion, inclusiveness and access for people of diverse abilities. It generates positive outcomes for people and contributes towards building stronger and more resilient communities.

Priority areas should give consideration but not be limited to the following:

- products and services that can improve the overall quality of life in the local community; and
- products and services that improve equity of access to services and opportunities.

Any sustainable and social procurement must be conducted in line with consideration to the

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sound contracting principles and legislative requirements.

## **STATE OR FEDERAL GOVERNMENT GRANTS**

Where Council expenditure is funded from State or Federal Government grant monies, the requirement to comply with Section 224 to 235 of the regulation remains unless there are grant conditions which provide alternative arrangements. This may arise where Council's role in the funding arrangement is that of "fund manager" and passes on funds from another level of government or other body.

## **PURCHASING THRESHOLDS**

Purchasing thresholds recognise that different values of procurement carry differing levels of risk. The *Local Government Regulation 2012* details procurement requirements for contracts with a value in excess of \$15,000. The following table includes these thresholds in addition to other thresholds developed to provide opportunities for fair and equitable allocation of work across Cook Shire, while ensuring continuity of business and adherence to the sound contracting principles:

<b>VALUE (EXC. GST)</b>	<b>PROCEDURE</b>
<b>\$3,000 or less</b>	<b>Minimum of one (1)</b> verbal or written quote
<b>\$3,001 to \$5,000</b>	<b>Minimum of two (2)</b> written quotes must be sought
<b>\$5,001 to \$15,000</b>	<b>Minimum of three (3)</b> written quotes must be sought
<b>\$15,001 to \$200,000</b>	<b>Minimum of three (3)</b> written quotes must be sought through a formal Request for Quote (RFQ) process. Quotes over \$50,000 are to be evaluated by a panel including an independent officer.
<b>\$50,000 or more using a Register of Pre-qualified suppliers (ROPS) *</b>	<b>Minimum of three (3)</b> written quotes must be sought from Register of pre-qualified suppliers through a formal Request for Quote (RFQ) process. Quotes over \$50,000 are to be evaluated by a panel including an independent officer.
<b>\$200,001 or more in a financial year or over the proposed terms of the contract</b>	<b>Formal written Request for Tender (RFT) process.</b> Tenders are to be evaluated by a panel including an independent officer.

\*Excludes contracts as approved under Australian Government – State Disaster Recovery Funding Arrangements (DRFA)

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## EXCEPTIONS

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Legislation obligates Council to utilise a public tender process or an expression of interest before entering into a contract for the carrying out of work, or the supply of goods or services, involving a cost of \$200,000 or more, unless there is a legislative exception.

The most commonly exercised exceptions to these requirements include contracts or purchase made with:

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

In regards to establishing an approved contractor list, Council recognises that such a list:

- must be defined by the processes required in the Act;
- Will not be considered to be preferable to a register of pre-qualified suppliers or a preferred supplier arrangement but will provide Council with the ability to build rigor around small to medium purchasing activities; and
- Will take into account all the sound contracting principles as defined in the Regulation.

In regards to establishing a pre-qualified supplier arrangement, Council recognises that:

- It must determine that the preparation and evaluation of submissions would be costly and time consuming if invited every time the goods and/or services were required; or
- It is critical to a successful outcome that the experience and financial viability of a supplier or contractor be assessed according to the requirements of the local government; or
- There are specific pre-conditions to the offer to supply goods and services; or
- There is a need or a desire to develop the specific capabilities of the business within the local region; or
- The supply of goods or services require considerable security considerations; or
- It will still ensure value for money by testing the market through quotations; or
- For specific project/contracts (e.g. wet and dry plant hire) Council may require cost estimates at the time of tender. These are to be used as a guide only when ensuring value for money.

In regards to establishing a preferred supplier arrangement (PSA), Council recognises that:

- It needs the goods or services in large volume and frequently;
- It can obtain better value for money by accumulating the demand for said goods or services;
- It can articulate the specific requirements for the goods or service in a manner that can be readily understood by suppliers in the relevant industry; and
- Whilst PSAs are generally for one (1) supplier only (preferred) Council could, if

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sufficient need exists, have more than one (1) supplier on its PSA. In doing this, Council recognises there may be a loss in driving value for money and may wish to consider establishing a register of pre-qualified suppliers instead.

In regards to LGA arrangements, Council recognises that:

- The LGA arrangement will be utilised where no local or regional supplier is affected;
- The arrangements are entered into as a result of market testing processes which ensure that the price and other relevant terms under these contracts are always equal to or better than the price and terms available which would be available under a separate call for quotes or tenders;
- These contracts can be accessed immediately so that there is no time delay as occurs where tenders or quotations are sought; and
- There are minimal overhead costs to Council in accessing these contracts as compared to separately calling for tenders or quotations that involved significant staff resources to assess and report on the tenders or quotations received.

Other exceptions available are:

- A quote or tender consideration plan (Council resolves, plan is prepared and Council adopts);
- Sole supplier (Council must resolve that it is satisfied that there is only one supplier who is **reasonably** available.);
- Specialised and confidential nature of services sought (Council resolves that it would be impractical or disadvantageous for it to invite quotes or tenders);
- Genuine emergency;
- The contract is for the purchase of goods only and is made by public auction;
- The contract is for the purchase of goods only which are second hand; and
- The contract is made with, or under an arrangement with, a government agency.

It is further recognised that purchases from Original Equipment Manufacturers (OEM) for spare parts for Council owned equipment may be considered a sole supplier where the use of a non OEM spare part could invalidate the warranty or functionality of the equipment.

## ***FINANCIAL AND CONTRACTUAL DELEGATION***

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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; and
- the expenditure is provided for in Council’s budget.

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## VARIATIONS

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For the purposes 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, extensions 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.
- 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, can approve each variation.
- 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 whichever is the lesser, the variation and all further variations must be authorised by a Manager or Director.
- For an original purchase order, involving a cost of \$200,000 or more, all variations must be considered by Council's Executive Leadership Team. If the cumulative value of variations exceeds 20% of the value of the original purchase order (or a lesser value at the Executive Leadership Team's discretion), a consolidated report of all these variations will be presented to Council on a regular basis.

## RECURRING OPERATIONAL EXPENDITURE

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In some cases, it can be considered impractical to issue a requisition or purchase order where such purchasing activities are recurring and operational in nature. Examples of these types of expenditures are utilities, insurances, software licencing, vehicle registration, Local Government Association of Queensland (LGAQ), Queensland Audit Office (QAO), etc. Any queries regarding the definition of a recurring operational expense should be directed to the Procurement Coordinator.

## CARETAKER PERIOD

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Council must not make a major policy decision during the caretaker period for an Election for the Council unless exceptional circumstances apply. This includes entering into any contract; where the value of which is greater than \$200,000 exclusive of GST or 1% of the Council's net rate and utility charges, as stated in the financial statements of its annual report, whichever is the greater. If Council does enter into a Contract that exceeds these amount and does not constitute exceptional circumstances they may be liable for legal proceedings and/or

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compensation to the other party of the contract who has acted in good faith. The Contract would be considered to be an invalid policy decision.

## **REFERENCES, LEGISLATION AND GUIDELINES**

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*Local Government Act 2009*

*Local Government Regulation 2012*

## **RELATED DOCUMENTS**

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Procurement Framework

Procurement Guidelines

## **IMPLEMENTATION/COMMUNICATION**

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This policy will be distributed to staff via email.

A copy of the policy will be available on the Procurement page of the intranet and via the controlled document register

## **APPROVED BY**

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Council Resolution 2022/55

## **REVIEW**

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<b>SPONSOR:</b>	Director Organisational Business Services
<b>OFFICER RESPONSIBLE FOR REVIEW:</b>	Chief Financial Officer
<b>ADOPTION DATE:</b>	22 March 2022
<b>REVIEW DATE:</b>	30 June 2023

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***THIS POLICY IS TO REMAIN IN FORCE UNTIL OTHERWISE DETERMINED BY COUNCIL***

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## AMENDMENT HISTORY

VERSION	AMENDMENT DETAILS	AMENDMENT DATE	APPROVAL
V15	This Amendment	March 2022	
V14	Review	January 2022	
V13	Annual Review	June 2021	
V12	Review	September 2020	
V11	Annual review	June 2020	
V10	Annual review	June 2019	
V9	Annual review	March 2018	
V8	Annual review	May 2014	
V7	Annual review	April 2012	
V6	Annual review	July 2011	
V5	Annual review	April 2010	
V4	Annual review	February 2009	
V3	Annual review	September 2008	
V2	Annual review	October 2007	

VERSION	AMENDMENT DETAILS	AMENDMENT DATE	APPROVAL
V1		November 2006	

## 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.
- The Chief Executive Officer must approve each delegation to an officer the power to

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enter into contracts.

- 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
Chief Executive Officer	Up to \$250,000 *	Up to \$250,000 *	Utilise emergency provisions of the Local Government Act – these require a Council Resolution
Director	Up to \$200,000	Up to \$200,000	Nil
Manager	Up to \$25,000	Up to \$25,000	Nil
Coordinator/ Team Leader	Up to \$15,000	Up to \$15,000	Nil
Appropriate support staff	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 \$250,000

**All delegation amounts are GST exclusive.**

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