



Gladstone Regional Council

Council Policy

Title	PROCUREMENT POLICY
Policy Number	P-2017-25
Responsible Directorate	OFFICE OF THE CHIEF FINANCIAL OFFICER
Responsible Officer	CHIEF FINANCIAL OFFICER
Date of Adoption	4 JULY 2017
Resolution Number	
Date Review Due	30 JUNE 2018

1.0 PURPOSE:

The purpose of this Policy is to achieve advantageous procurement outcomes by:

- a) establishing a framework required for the implementation of Council's procurement arrangement;
- b) promoting value for money with probity and accountability;
- c) advancing Council's economic, social and environmental strategies;
- d) providing reasonable opportunity for competitive local businesses that comply with relevant legislation to supply to Council; and
- e) compliance with the requirements of section 198 of the *Local Government Regulation 2012*¹

The Policy also aims to ensure that all procurement activity is undertaken in a professional manner and that Council staff have a clear understanding of their responsibilities and authority.

¹ The Regulation requires Council to prepare and adopt a policy about Procurement, and review this policy annually. Under the Regulation the policy must also include details of the principles, including the Sound Contracting Principles, which Council will apply in the financial year for purchasing goods and services.

2.0 SCOPE:

This policy applies for the financial year ending 30th June 2017.

This policy applies to all Procurements of Council and all disposals of assets (including Non-Current Assets) by Council.

For clarity this policy applies:

1. Regardless of whether the purchase or disposal is by:
 - a) Council by resolution of Council; or
 - b) Councillors by a delegation of Council to:
 - i. the Mayor, or
 - ii. a standing committee or joint standing committee; or
 - iii. the chairperson of a standing committee or joint standing committee; or
 - c) Councillors by a delegation of the Mayor to that Councillor; or
 - d) The Chief Executive Officer under a delegation by Council; or
 - e) A Council Employee, other than the Chief Executive Officer, under a delegation by the Chief Executive Officer to that Council Employee;
2. The use of Council supplied credit cards by Councillors and Council Employees (These constitute Procurement under this policy and this policy applies to such Procurements); and
3. To Procurements made by Councillors or Council Employees with the expectation of reimbursement to the Councillor or Council Employee by Council (These constitute Procurement under this policy and this policy applies to such Procurements).

This policy does not include the prescribed requirements of the Regulation with regard to Default Purchasing Arrangements under the Regulation that apply to Council's Purchasing Activities as this policy cannot modify those prescribed requirements.

Separate documents will be prepared for use by Council's Purchasing Officers setting out the integrated requirements of the Act, the Regulation, this Policy and the Council's Procurement Corporate Standard to assist with compliance.

This policy does not apply to the following transactions as they are not procurements:-

- Refunds of overpayments;
- Return of Trust Fund Monies;
- Payments associated with Statutory Obligations.

3.0 RELATED LEGISLATION:

- Local Government Act 2009
- Local Government Regulation 2012

4.0 RELATED DOCUMENTS:

- Gladstone Regional Council Asset Disposal Policy
- Gladstone Regional Council Local Preference Policy
- Gladstone Regional Council Non - Current Asset Threshold Policy
- Gladstone Regional Council Entertainment and Hospitality Expenditure Policy
- Gladstone Regional Council Learning and Development Policy
- Gladstone Regional Council Elected Members Expenses Reimbursement & Provision of Facilities Policy
- Gladstone Regional Council Code of Conduct Policy
- Gladstone Regional Council Councillor Conduct Code
- Gladstone Regional Council Corporate Property Policy
- Gladstone Regional Council Leasing of Land for Sport & Recreation Purposes Policy
- Gladstone Regional Council Procurement Corporate Standard

5.0 DEFINITIONS:

To assist in interpretation of this policy the following definitions apply:

"Act" - means the *Local Government Act 2009*;

"Approved Contractor List" – means a list of contractors (persons or companies) who Council considers to be appropriately qualified to provide the services - *see section 231(3) of the Regulation*;

"Non-Current Asset" - means a resource, controlled by Council as a result from which future economic benefits are expected to flow to Council (e.g. motor vehicles, plant and equipment, furniture);

"Chief Executive Officer" - means the person appointed to the position of chief executive officer under the Act;

"Council" - means Gladstone Regional Council;

"Councillors" - has the meaning defined under the Act and includes the Mayor;

"Council Employee" - means a Council employee as defined under the Act (*S. 196*);

"Council Representative" - means a person who is a Council Employee holding a requisite delegation from Council or the Chief Executive Officer, an authorised agent of Council holding a requisite delegation from Council or the Chief Executive Officer; the Mayor or Chairperson of a Standing Committee holding a requisite delegation from Council; or a Councillor with respect to use of a corporate credit card for payments for expenses of that Councillor claimable under the Elected Members Expenses Reimbursement & Provision of Facilities Policy;

"Large-Sized Contractual Arrangement" – means a contractual arrangement with a supplier that is expected to be worth, exclusive of GST, \$200,000 or more in a financial year or over the proposed term of the contractual arrangement per regulation (*S. 224(3)*);

"LGA Arrangement" - means an arrangement entered into by Local Government Association of Queensland Limited (LGAQ) or a company associated with LGAQ Ltd where the LGAQ has

established pre-qualified suppliers or a preferred supplier arrangement in accord with the requirements of the Regulation (*Sections 232, 233, 234*);

"Local Supplier" - means a business or industry that operates predominantly in the Council region OR a business that has a significant presence in the Council region (i.e. a workshop or office and permanent employees resident in the Council region) and the majority of the work to be entered into through a contractual arrangement with Council will be undertaken by employees resident in the Council area and/or other Local Businesses and Industry (as *determined by council in the event of any dispute*);

"Local Supply" - means a supply of goods manufactured or stocked at the business' premises located within the Council region for supply to the general public OR a supply of services by personnel engaged (or to be engaged) for delivery of services have their principle place of residence within the Council region Industry (as *determined by council in the event of any dispute*);

"Medium-Sized Contractual Arrangement" – means a contractual arrangement with a supplier that is expected to be worth, exclusive of GST, \$15,000 or more but less than \$200,000 in a financial year or over the proposed term of the contractual arrangement in accord with the requirements of the Regulation (*Sections 232, 233, 234*)

"Non-Local Supplier" - means a business or industry not deemed a local supplier;

"Non-Local Supply" - means a supply of goods or services not deemed as a local supply;

"Plant and Equipment" - includes plant, machinery, equipment, and motor vehicles.

"Preferred Supplier Arrangement" – means an arrangement set up by Council to allow contracts to be entered into with one or more suppliers (the preferred suppliers) for the supply of goods or services as per Regulation (*S.233(1)*);

"Pre-Qualified Supplier" – means a supplier of goods or services who has been assessed by Council as having the technical, financial and managerial capability necessary to perform contracts on time and in accordance with agreed requirements - *see section 232(7) of the Regulation*;

"Procurement" – 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;

"Procurement Activities"- means activities for the making of a Procurement for the carrying out of work; or the supply of goods and services; or the disposal of non-current assets. It does not include making a contract of employment with a Council Employee - *see section 216(3) of the Regulation*;

"Purchasing Officer" - means a Council Employee delegated the authority to carry out Procurement on behalf of Council.

"Regulation" - means the *Local Government Regulation 2012*;

"Small-Sized Contractual Arrangement" - means a contractual arrangement with a supplier that is expected to be worth, exclusive of GST, less than \$15,000 in a financial year or over the proposed term of the contractual arrangement;

"Sound Contracting Principles" - means the sound contracting principles set out in section 104(3) of the Act;

"Valuable Non-current Asset Contract" – means a contract for the disposal of land or another non-current asset that has an apparent value that is equal to or more than a limit set by Council in accordance with Regulation (S. 224(7));

6.0 POLICY STATEMENT:

6.1 Council to operate under Default Contracting Procedures

As Council has not decided to apply the *Strategic Approach* (as allowed under Part 2, of Chapter 6 of the Regulation) to Council's Procurement Activities.

Council operates under the *Default Contracting Procedures* (as set out in Part 3, Chapter 6 of the Regulation) which sets out prescribed requirements for Medium Sized Contractual Arrangements, Large Sized Contractual Arrangements and Valuable Non-current Asset Contracts.

6.2 Setting of Limits for Valuable Non-Current Asset (excluding Land)

Council has determined limits for Valuable Non- Current Assets per Regulation (s.237(7)(b)) via the following policies:

- Gladstone Regional Council Asset Disposal Policy
- Gladstone Regional Council Non-Current Asset Threshold Policy

6.3 Sound Contracting Principles

In undertaking procurement activities Council is required to comply with the Sound Contracting Principles of:

1. Value for money;
2. Open and Effective Competition;
3. Development of competitive Local Business and Industry;
4. Environmental Protection;
5. Ethical behaviour and fair dealing.

Detailed below is how Council requires these principles to be implemented.

6.3.1 Value for money

Council must harness its purchasing power to achieve the best value for money. The concept of value is not restricted to price alone and may not necessarily favour the lowest price.

Seeking value for money is about obtaining goods and services considering both price and non-price factors such as quality, service, innovation/improvement and price.

Council will obtain value for money by:

- assessing non-cost factors such as fitness for purpose, quality, service and support;
- assessing whole of life costs such as transaction costs associated with acquisition, use, maintenance and disposal, and administration costs;
- considering the contribution to the advancement of Council's priorities;
- limiting the risk exposure via effective risk management practices;
- addressing technical compliance issues; and
- assessing the value of any associated environmental benefits.

6.3.2 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 suppliers.

Open and effective competition will be achieved by:

- ensuring all procurement procedures and processes are visible to suppliers, and the public;
- the provision of mandatory training in this policy and related Procurement procedures and processes for all Council representatives engaged in undertaking Procurement Activities on Council's behalf;
- allowing suppliers to have a real opportunity to do business with Council by facilitating suppliers submissions of offers for Council's Procurement Activities through supplier information sessions and briefings on how to provide offers to Council including, where the Procurement Activity warrants because of its scale, provision of a briefing for potential tenderers;
- encouraging competition among suppliers by inviting suppliers to quote or tender, including offers, to provide "Value for Money" offerings;
- delegates accepting their accountability to the Chief Executive Officer and Council;
- implementing delegations, authorisations and associated thresholds appropriate for the level of judgment expected of individual Council representatives;
- ensuring that all offers received are assessed in a fair and equitable manner in accordance with consistent and transparent criteria.

6.3.3 Development of competitive Local Business and Industry

Council will encourage the development of competitive Local Business and Industry through the application of its Local Preference Policy.

6.3.4 Environmental protection

Council promotes environmental protection through its purchasing procedures, which are consistent with Council's commitment to sustainable development. Council will endeavour to promote purchasing practices that conserve resources, save energy, minimise waste, protect human health and maintain environmental quality and safety.

In undertaking any purchasing activities Council will:

- where appropriate, ensure that specifications require suppliers to conform to necessary standards, codes or legislation for the identification of hazardous materials and that suppliers carry out proper certification and registration procedures;
- ensure legislative compliance with and/or phase-out timetables on the use of products prohibited under Queensland and applicable Commonwealth laws;
- review the market place for environmentally sensitive products and processes; and
- avoid, where possible, the purchase of known hazardous and environmentally damaging products, especially where alternatives are available within reasonable bounds of price, performance and suitability

6.3.5 Ethical Behaviour and Fair Dealing

All council representatives involved in the procurement and tendering processes are to behave in accordance with Council's Code of Conduct (for Councillors - The Councillor Conduct Code) in all discussions and negotiations with suppliers and their representatives.

Council Representatives must ensure that they do not participate in any action, which may be deemed to be:

- canvassing by any party with a material interest in the procurement;
- release of commercial in confidence information; or
- collusion – i.e. collaboration between parties involved in the procurement process.

All methods and procedures for the procurement of goods and services shall be beyond reproach. Council policy and procedures will be adhered to at all times.

6.4 PURCHASING PROCESSES

Council will use neither a centralised nor a decentralised purchasing model - rather a hybrid of the two, thereby pursuing the key advantages of both. This will entail:

- empowering Purchasing Officers to conduct their own procurement subject to the approved framework and budgetary limits;
- employing centrally developed internal controls to ensure greater compliance;
- ensuring that processes are simple and easy to understand;

- ensuring the appropriate management of risk - i.e. that substantial resources are not directed to monitoring low-risk transactions.

All of Council's procurement activities are catered for in the formulation of the budget and will be carried out in accordance with:

- Local Government Act 2009;
- Local Government Regulation 2012;
- Gladstone Regional Council Code of Conduct for Employees;
- Gladstone Regional Council Councillor Conduct Code;
- Gladstone Regional Council Procurement Policy;
- Other policies and corporate documents as adopted or implemented by Council from time to time.

The Chief Executive Officer will set out the requirements for Procurement Activities to be conducted in accord with this Policy in a Procurement Corporate Standard.

EXCEPTIONS TO SEEK TENDERS/QUOTATIONS *(Part 3, Div.3 of the Regulation)*

Council may enter into a contract without first inviting written quotes or tenders or in the following circumstances:

- Council resolves to prepare a quote or tender consideration plan, and subsequently prepares and adopts the plan (s. 230 of the Regulation);
- By accessing an approved contractor list (s. 231 of the Regulation);
- By accessing a register of pre-qualified suppliers (s. 232 of the Regulation);
- By accessing a preferred supplier arrangement (s. 233 of the Regulation);
- By accessing a LGA arrangement (s.234 of the Regulation)
- Council makes a resolution under s.235 of the Regulation

6.5 CONTRACTING ARRANGEMENTS USED BY COUNCIL

The Regulation allows Council to utilise a number of different contracting arrangements for the obtaining of goods or services. These arrangements provide Council with the ability to purchase goods and services in a cost effective and efficient manner.

Council will utilise the following arrangements as indicated below:

6.5.1 Use of Approved Contractor List - S.231 of the Regulation

Council will establish and maintain an Approved Contractor List.

At the time of preparation of this policy Council has identified no categories of services for which an Approved Contractor List will be established and maintained.

If subsequent categories are identified a list will be prepared and this list will be accessible on Council's intranet to all Purchasing Officers.

The Approved Contractor List will be reviewed annually and re-established for each category of service at least every two years.

6.5.2 Pre-Qualified Suppliers - S.232 of the Regulation

Council will establish and maintain a register of Pre-Qualified Suppliers for the supply of goods or services where Council considers:

- the preparation and evaluation of invitations every time the goods or services are needed would be costly; or
- the capability or financial capacity of the supplier of the goods or services is critical; or
- the supply of the goods or services involves significant security implications; or
- a precondition of an offer of contract for the goods or services is compliant with particular standards or conditions set by Council; or
- the ability of local business to supply the goods or services required by Council needs to be discovered or developed.

Details of Pre-Qualified Suppliers will be available in Council Procurement Corporate Standard.

The register of Pre-Qualified Suppliers will be accessible on Council's intranet to all Purchasing Officers. Quotations must be sought from the above suppliers in accordance with requirements of this Procurement policy.

The register of Pre-Qualified Suppliers will be reviewed annually and re-established at least every two years.

6.5.3 Preferred Supplier Arrangement - S.233 of the Regulation

Council will establish and maintain a register of Preferred Supplier Arrangements for goods and services where Council:

- a) needs the goods or services -
 - (i) in large volumes; or
 - (ii) frequently; and
- b) is able to obtain better value for money by accumulating the demand for the goods or services; and
- c) is able to describe the goods or services in terms that would be well understood in the relevant industry.

Details of Preferred Supplier Arrangements and their use are available in Council's Procurement Corporate Standard.

The register of Preferred Supplier Arrangements will be accessible on Council's intranet to all Purchasing Officers.

Whilst a Preferred Supplier Arrangement may be entered into for a term of more than two (2) years only if better value will be received from doing so the register of Preferred Supplier Arrangements will be reviewed annually and re-established at least every two years.

6.4.4 LGA Arrangement - S.234 of the Regulation

The 'Local Buy' LGA Arrangements are to be utilised only where these arrangements represent best value after taking into consideration the Sound Purchasing Principles.

The Local Government Association of Queensland Ltd, through Local Buy, will maintain its list of suppliers for LGA Arrangements. This list is available on the internet.

6.6 CORPORATE CREDIT CARD

6.5.1 Provision of Corporate Credit Cards to Councillors

Corporate Credit Cards shall be made available to Councillors with the following limits:

Position	Transaction Limit	Monthly Card Limit
Mayor	\$1,000	\$2,500
Councillors	\$500	\$1,500

6.5.2 Use of Corporate Credit Cards by Mayor and Councillors

The Mayor may utilise the Corporate Credit Card issued to the Mayor only for the following purposes only:

- Procurement Activities within the limits applied to expenditure as part of the Elected Members Business Unit budget allocation (this includes the Mayoral Donations allocation);
- Payment for expenses that would be otherwise eligible for reimbursement from Council by the Mayor or Councillors under the Elected Members Expenses Reimbursement & Provision of Facilities Policy.

Councillors may utilise the Corporate Credit Card issued to them for the following purposes only:

- Payment for expenses otherwise claimable from Council by the Councillor under the Elected Members Expenses Reimbursement & Provision of Facilities Policy.

Councillors will abide by the requirements of this policy with regard to Procurements made using the Corporate Credit Card and limit their use of the Corporate Credit Card in

accordance with the requirements set out by the Chief Executive Officer in the Procurement Corporate Standard.

6.5.3 Provision of Corporate Credit Cards to Council Employees

A Corporate Credit Card shall be provided to the Chief Executive Officer with the following limits:

Position	Transaction Limit	Monthly Card Limit
Chief Executive Officer	\$5,000	\$20,000

The Chief Executive Officer will set out in the Procurement Corporate Standard how other Corporate Credit Cards are to be allocated to Council Employees and their applicable limits, which shall not exceed the limits applying to the Corporate Credit Card issued to the Chief Executive Officer.

The Chief Executive Officer shall also include in the Corporate Standard the procedures for acquittal of use of the Corporate Credit Cards by Councillors and Council Employees.

6.7 COUNCIL'S REQUIREMENTS FOR DISPOSAL OF NON-CURRENT ASSETS

6.7.1 Disposal of Non-Current Assets

All Council Non-Current Assets are to be disposed in accordance with Council's *Asset Disposal Policy*.

6.7.2 Disposal of land or an interest in land by a Lease to a Community Organisation or a Commercial Lease or rentals arrangement

Disposal of land, or an interest in land, is taken to be a disposal of a Valuable Non-Current Asset.

Disposal of land includes outright sale or lease of, part or all of, a parcel of land that Council holds either in freehold, as trustee, or by lease.

Disposal of land does not include:

- short term licencing (maximum term of 12 months)
- rental of land or buildings where the rental arrangement is for a maximum of 12 months and may be ended by Council with 30 days' notice.

All Council Valuable Non-Current Assets are to be disposed in accordance with the Council's *Asset Disposal Policy*.

The leasing, licencing and rental of Council land and buildings are to be in accord with Council's *Asset Disposal Policy* and the following policies:

- *Corporate Property Policy*
- *Leasing of Land for Sport & Recreation Purposes*.

When renewing leases and rentals of land the principles of the above policies will apply with the following provisions:

- Renewals of leases to a community organisation may occur without reference to Council where the renewal is to the existing tenant and is in accordance with existing standard agreements utilised by Council for such leases;
- Renewals of commercial leases and rentals arrangements may occur without reference to Council if:
 - a) the grant of the lease or rental has previously been offered by tender or auction and no lease has been entered into;
 - b) Council has subsequently placed the leasing or renting of the land in the hands of a registered real estate agent (or agents) for leasing or rental;
 - c) the consideration (lease fee or rental) is equal to, or more than, the market value of the land or the interest in the land, including the market value of any improvements on the land, which has been substantiated by valuation by a registered valuer under the *Valuers Registration Act 1992*⁸.

6.7.3 All Other Disposals of Valuable Non-Current Assets

Except for the disposal of Plant and Equipment and the leasing and rental of land as set out above, where other Valuable Non-Current Assets are to be disposed of, whether to a government agency, community organisation or other than under any other exemption from tender or auction allowed for under the Regulation² or in any other manner, a report setting out the Valuable Non-Current Asset, the proposed disposal method and, where applicable, the exemption relied upon, must be provided for Council's consideration and decision.

6.8 REQUIREMENTS FOR PROCUREMENT ACTIVITIES

Other administrative requirements for Procurement Activities will be set out in a separate Corporate Standard approved by the Chief Executive Officer.

7.0 ATTACHMENTS:

Nil.

8.0 REVIEW TRIGGER:

This policy will be reviewed when any of the following occur:

1. The related legislation/documents are amended or replaced.
2. Other circumstances as determined from time to time by a resolution of Council
3. Periodic Review - every 12 months from date of adoption.

² See S.236 of the Regulation

TABLE OF AMENDMENTS		
Originally Adopted	11/11/2008	Resolution No. 08/725
Amendment 1	16/11/2010	Resolution No. 10/367
Amendment 2	05/03/2013	Resolution No. G/13/1451
Amendment 3	17/03/2015	Resolution No. G/15/2346
Amendment 4	21/06/2016	Resolution No. G/16/2814 (FCGC/16/0021 - 13/6/2016)
Amendment 5	04/07/2017	G/17/3102

.....
CALE DENDLE
ACTING CHIEF EXECUTIVE OFFICER