



STATUTORY POLICY  
**MOUNT ISA CITY COUNCIL**  
**2019/20 Financial Year – Procurement Policy**

RESOLUTION NO. **OM22/08/2019** VERSION **9**

**APPLIES TO STATUTORY POLICIES ONLY**

This is an official copy of the **2019/20 Financial Year - Procurement Policy**, made in accordance with the provisions of *Local Government Act and Regulations, Public Records Act, Mount Isa City Council's Local Laws, Subordinate Local Laws* and current Council Policies.

Statutory Policies comply with a legislative requirement; the **2019/20 Financial Year - Procurement Policy** is approved by the Mount Isa City Council for the operations and procedures of Council. Note that Financial Year Policies are reviewed annually.

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 Sharon Ibardolaza  
**Chief Executive Officer**

DOCUMENT VERSION CONTROL				
Governance/Policies/Statutory Doc ID# 672393			POLICY TYPE	Statutory (Council)
VERSION	DATE	RESOLUTION NO.	DETAILS	
V1	06.2011		Dataworks 270216, 10381. 2011-2012	
V2	03.08.2012		2012-2013	
V3			2013-2014	
V4	10.2014	OM53/10/14	2014-2015	
V5	29.04.2015	OM42/04/15	<b>Responsible Officer</b> - Manager Corporate and Financial Services 2015-2016	
V6	15.06.2016	OM09/06/16	<b>Responsible Officer</b> - Manager Corporate and Financial Services 2016-2017	
V7	14.02.2018	OM08/02/18	<b>Responsible Officer</b> - Manager Corporate and Financial Services 2017-2018	
V8	27.07.2018	SM01/07/18	<b>Responsible Officer</b> - Manager Corporate and Financial Services 2018-2019	
V9	28.08.2019	OM22/08/19	<b>Responsible Officer</b> - Manager Corporate and Financial Services 2019-2020	
			<b>REVIEW DUE</b>	06.2020

DISTRIBUTION AND DISSEMINATION			
Internal email to all employees	<b>X</b>	Section meetings / Toolbox talks	<b>X</b>
Internal email to all Councillors		Included in employee inductions	
Staff noticeboards		Uploaded to Council website	<b>X</b>
Internal training to be provided	<b>X</b>	External training to be provided	
Registered in Magiq	<b>X</b>		



### **Policy Statement**

The Mount Isa City Council Procurement Policy will take effect following its adoption at the **Ordinary Meeting on 28<sup>th</sup> August 2019**.

### **Intent**

To satisfy Council's statutory obligations under Section 198 of the *Local Government Regulation 2012* and to establish Council's intent with respect to procurement. This document sets out Council's policy for the procurement of goods and services, construction and services contracts.

### **Policy Objectives**

Council's procurement activities aim to achieve advantageous procurement outcomes by:

- Promoting value for money with probity and accountability; and
- Advancing Council's economic, social and environmental policies; and
- Providing reasonable opportunity for competitive local business that comply with relevant legislation to supply to Council; and
- Promoting compliance with relevant legislation.

In accordance with Section 198 of the *Local Government Regulation 2012*, this policy incorporates relevant requirements regarding the procurement of goods and services and the carrying out of the sound contracting principles.

### **Definitions**

**Medium-sized contract** is a contract worth \$15,000 (GST exclusive) or more but less than \$200,000 (GST exclusive).

**Large-sized contract** is an individual contract worth \$200,000 (GST exclusive) or more which can extend beyond one financial year.

**Valuable non-current asset contract** is a contract for the disposal of a valuable non-current asset.

**Valuable non-current asset** is:

- a. Land; or
- b. Another non-current asset that has an apparent value that is equal to or more than a limit set by the local government. Refer to Table 2 Asset Thresholds.

**Government agency** includes:

- a. The State, a government entity, a corporatised business entity, or another local government; or
- b. The Australian Federal government or an entity of the Australian Government; or
- c. A local government of another State.

**Pre-qualified supplier** is a supplier who has been assessed as capable to perform on time and within agreed requirements.

**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.

**Approved contractor** is a person or company who Council considers to be appropriately qualified to provide the services.



### **Principles**

Officers must have regard to the following sound contracting principles when procuring goods and services on behalf of Council:

#### **(a) 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:

- i. Contribution to the advancement of Council's priorities;
- ii. Fitness for purpose, quality, services and support; and whole-of-life costs including costs of acquiring, using and maintaining and disposal;
- iii. Internal administration costs;
- iv. Technical compliance issues;
- v. Risk exposure;
- vi. The value of any associated environmental benefits; and
- vii. Advantages of local knowledge, networks and relationships, availability and access to after sales and support.

#### **(b) 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 prospective suppliers.

#### **(c) The Development of Competitive Local Business and Industry**

Council encourages the development of competitive local businesses within its local government area.

In accordance with Section 104(3)(c) of the *Local Government Act 2009*, Council wishes to pursue the principle of development of competitive local business and industry as part of the process of making its purchasing decisions.

#### **(d) Environmental Protection**

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

- i. Promote the purchase of environmentally friendly goods and services that satisfy value for money criteria; and
- ii. Foster the development of products and processes of low environmental and climatic impact; and
- iii. Provide an example to business, industry and the community by promoting the use of climatically and environmentally friendly goods and services; and
- iv. Encourage environmentally responsible activities.

#### **(e) Ethical Behaviour and Fair Dealing**

Council officers involved in purchasing are to behave with impartiality, fairness, independence, openness, integrity and professionalism in their discussions and negotiations with suppliers and their representatives.

Officers are to facilitate the ethical procurement of goods and services for Council in the most timely and cost effective manner and ensure that all procurement activities are within Council's legal and statutory obligations.



### **Administration**

The process and procedures to be used for entering into contracts for the acquisition of goods and services are as follows:

- (a) maintaining confidentiality and respect for commercial-in-confidence material;
- (b) maintaining appropriate records available for inspection at any time;
- (c) inviting quotations from suppliers that can meet Council's requirements at competitive prices;
- (d) ensuring selection and appointment of contractors is evidenced by the issuing of a letter of appointment or purchase order;
- (e) purchase orders should be generated for all purchases of goods and services over \$5,500 (inclusive of GST) other than:
  - petty cash and credit card transactions; or
  - long-term supply contracts (Ergon, Telstra, insurance premiums etc.); or
  - regular monthly accounts from small local suppliers (newsagency etc.); or
  - payment of taxes and government charges (state fire levy, vehicle registration etc.); or
  - direct payments and fees (bank charges, council rates and charges etc).

### **Goods and Services Tax**

All values quoted in this policy are exclusive of GST unless stated otherwise

### **Optimisation of Value in Procurement**

In order to optimise value in procurement, where applicable, Council will establish annualised or bi-annual purchasing arrangements. This is generally to occur where multiple similar purchases are likely to be required, the total value of goods for the financial year is expected to exceed \$100,000, and the cost of obtaining quotes each purchase is high in value of time and effort. This may include entering into arrangements for **approved contractors, pre-qualified suppliers or preferred suppliers.**

An **approved contractor list** may be compiled after inviting expressions of interest from suitably qualified persons and assessing those expressions on the basis of sound contracting principles as required under Section 231 of the *Local Government Regulation 2012*.

A **pre-qualified supplier register** may be compiled only after inviting tenders in accordance with Section 232 of the *Local Government Regulation 2012*.

A **preferred supplier arrangement** may be enacted only after inviting tenders in accordance with Section 233 of the *Local Government Regulation 2012*.



### Purchasing Arrangements

Where the value of the purchase or the value of the contract over the full contract period (including options to extend) is, or is expected to be:

**Table 1: Purchasing Thresholds**

Amount of Purchase	Policy
Under \$1,000	<ul style="list-style-type: none"><li>For purchases under the value of \$1,000 at least one verbal quote must be obtained.</li></ul>
\$1,000 - \$5,000	<ul style="list-style-type: none"><li>For purchases between the value of \$1,000 and \$5,000 at least one written quote must be obtained. A copy of the quote must be attached to the invoice.</li></ul>
\$5,000 - \$15,000	<ul style="list-style-type: none"><li>Purchases between \$5,000 and \$15,000 two (2) or more written quotes must be obtained. If not possible to obtain a second quote, record of suppliers approached must be kept and attached to the Council copy of the purchase order as well as any quotes obtained.</li></ul>
\$15,000 - \$200,000	<ul style="list-style-type: none"><li>Council cannot enter into a <b>medium sized contract</b> unless it first invites written quotes for the contract.<ul style="list-style-type: none"><li>The invitation must be to at least three suppliers who Council considers can meet its requirements at competitive prices.</li><li>Council may decide not to accept any quotes it receives.</li><li>If Council decides to accept a quote, Council must accept the quote most advantageous to it having regard to the principles outlined in this policy.</li><li>There are limited exceptions to this requirement and they are listed below in the section titled <b>exceptions</b>.</li><li><b>Note:</b> exceptions only remove the requirement to obtain quotes. Council must still issue a correctly authorised letter of acceptance or a purchase order signed by a member of staff with a purchasing limit sufficient to cover the cost.</li></ul></li></ul>
\$200,000 and above	<ul style="list-style-type: none"><li>Council cannot enter into a <b>large-sized contract</b> unless Council first invites written tenders for the contract in accordance with the requirements of Section 228 <i>Local Government Regulation 2012</i>.</li><li>Under Section 228 <i>Local Government Regulation 2012</i> Council must either invite written tenders, or invite expressions of interest before considering whether to invite written tenders.</li><li>There are limited exceptions to this requirement and they are listed below in the section titled <b>exceptions</b>.</li><li><b>Note:</b> exceptions only remove the requirement to obtain quotes. Council must still issue a correctly authorised letter of acceptance or a purchase order signed by a member of staff with a purchasing limit sufficient to cover the cost.</li></ul>



When a staff member believes, or reasonably should believe, a quote does not represent fair value, at least one additional quote must be obtained.

Before a purchase is authorised an authoriser must ensure there are sufficient funds available in an approved budget, or be satisfied the purchase is for a genuine emergency.

### **Acceptance of Quotations**

There is no requirement to accept the lowest quotation, however where a staff member chooses a quotation other than the lowest quotation, they must provide a brief written justification which must be kept with the order.

### **Tender Process**

Section 228 of the *Local Government Regulation 2012* sets out how Council must invite written tenders or invite expressions of interest for:

- (a) A large-sized contract; or
- (b) Disposal of a valuable non-current asset contract

An invitation for written tenders/expressions of interest must:

- (a) be made by an advertisement in a newspaper that circulates generally in the local government area; and
- (b) allow written tenders / expressions of interest to be submitted to Council for at least 21 days after the advertisement is published.

Records of tenders / expressions of interest and the evaluation process must be kept on file.

### **Exceptions**

***None of the exceptions below remove the need to issue a purchase order or a letter of acceptance authorised by an officer with a sufficiently high purchasing limit to cover the cost of the purchase.***

*Chapter 6 Part 3 Division 3 of the Local Government Regulation 2012* identifies exceptions for medium and large-sized contracts. If one of the exceptions applies, Council may enter into:

- (a) a medium-sized contractual arrangement without first inviting multiple written quotes; or
- (b) a large-sized contractual arrangement without first inviting written tenders.

The exceptions are:

- (a) the preparations of a quote or tender consideration plan in accordance with the requirements of Section 230 of the *Local Government Regulation 2012*; and
- (b) entering into a contract if the contract is made with a person who is on an **approved contractor** list established by Council in accordance to with the requirements of Section 231 of the *Local Government Regulation 2012*; and
- (c) entering into a contract if the contract is entered into with a supplier from a register of **pre-qualified suppliers** established by Council in accordance with the requirements of Section 232 of the *Local Government Regulation 2012*; and
- (d) entering into a contract for goods or services if the contract is entered into with a **preferred supplier** under a preferred supplier arrangement that is made in accordance with the requirements of Section 233 of the *Local Government Regulation 2012*; and
- (e) entering into a contract under a **Local Government Arrangement (LGA)** established in accordance with the requirements of Section 234 of the *Regulation 2012* e.g. LocalBuy; and
- (f) entering into a medium-sized contract or a large-sized contract if:
  - (i) Council resolves that it is satisfied that there is only one supplier who is reasonably available; or



- (ii) Council resolves that, because of the specialised or confidential nature of the services that are sought, it would be impractical or disadvantageous to invite quotes or tenders; or
- (iii) A genuine emergency exists; or
- (iv) The contract is for purchase of goods and is made by auction; or
- (v) The contract is for the purchase of second-hand goods; or
- (vi) The contract is made with, or under an arrangement with, a government agency.

A range of Local Government Arrangements have been put in place by LocalBuy. When assessing the most effective method of obtaining goods and/or services, Council officers should consider the administrative costs to Council of seeking tenders or quotations independently, and the reduction of these costs which can be achieved by use of Local Buy arrangements.

In the event that a Local Government Arrangement is used, the Local Buy contract number must be stated on the order requisition for entering onto Council's Purchase Order.

#### **Valuable Non-Current Asset Contracts**

Section 227 of the *Local Government Regulation 2012* provides that Council cannot enter into a contract for the sale of a valuable non-current asset unless it first:

- (a) invites written tenders for the contract under Section 228 of the *Local Government Regulation 2012*; or
- (b) offers the non-current asset for sale by auction.

There are a range of exceptions to this set out in Section 236 *Local Government Regulation 2012*.

In addition, all non-current assets that have been identified as being obsolete or surplus to Council requirements, and with a written down value less than the Asset Thresholds in Table 2 are to be offered for sale by inviting written quotations or via public auction.

The invitation for written quotation for the sale of non-current assets must:

- (a) be made by an advertisement in the newspaper that circulates generally in the local government area; and
- (b) allow written quotes to be given to Council for at least 21 days after the advertisement is published.

**Table 2: Asset Thresholds**

<b>Asset Class</b>	<b>Council Limit</b>
Road Infrastructure	\$10,000
Water Infrastructure	\$10,000
Sewerage Infrastructure	\$10,000
Buildings	\$10,000
Other Structures	\$10,000
Plant and Equipment	\$ 5,000
Land	\$1



### **Delegations**

Council officers listed in Appendix A are entitled to sign orders up to their stated purchasing limit. Council Officers are responsible for ensuring all required paperwork (including if applicable, the required number of written quotes) as per this policy is provided to them by the requisitioning officer prior to signing the order.

In the event that a Local Government Arrangement is used, the LocalBuy contract number must be stated on the order requisition for entering onto Council's Purchase Order.

It is a requirement that as an officer with a purchasing limit that you are aware of, and apply, Council's Procurement Policy. Failure to do so may lead to disciplinary action.

All staff with an approved purchasing limit are authorised to order / approve orders for goods and services (up to their purchasing limit) against jobs over which they have clear operational authority and budget responsibility.

### **Separation of Goods Receipts**

Council officers must ensure there is a separation of duties between the authorised officer who orders goods and materials and the officer who certifies receipt of those goods or materials.

An exemption to this requirement applies to the Chief Executive Officer and Directors when dealing with emergency situations.

### **Training**

All officers that have a purchasing authority must undertake training with the Finance Department in using the Practical Plus Orders Module.

### **Review and Auditing**

The application of this policy is to be audited annually by the Manager Corporate and Financial Services.

### **Attachments**

1. Mount Isa City Council Financial Delegations Register v1
2. Mount Isa City Council Local Preference Policy v1