



STATUTORY POLICY

MOUNT ISA CITY COUNCIL

2022/2023 Financial Year – Procurement Policy

RESOLUTION NO. OM14/06/22 VERSION 12

APPLIES TO STATUTORY POLICIES ONLY

This is an official copy of the **2022/2023 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 **2022/2023 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.

David Keenan
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	Responsible Officer - Manager Corporate and Financial Services 2015-2016	
V6	15.06.2016	OM09/06/16	Responsible Officer - Manager Corporate and Financial Services 2016-2017	
V7	14.02.2018	OM08/02/18	Responsible Officer - Manager Corporate and Financial Services 2017-2018	
V8	27.07.2018	SM01/07/18	Responsible Officer - Manager Corporate and Financial Services 2018-2019	
V9	28.08.2019	OM22/08/19	Responsible Officer - Manager Corporate and Financial Services 2019-2020	
V10	25.11.2020	OM29/11/20	Responsible Officer-Manager Corporate and Financial Services 2020-2021	
V11	21.07.2021	OM21/07/21	Responsible Officer-Manager Finance and Information Technology 2021-2022	
V12	15.06.2022	OM14/06/22	Responsible Officer-Manager Finance and Information Technology 2022-2023	
			REVIEW DUE	30.06.2023

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

1. PURPOSE

1.1 To satisfy Mount Isa City Council's ("Council") 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.

1.2 Policy Objectives

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

- a) Promoting value for money with probity and accountability; and
- b) Advancing Council's economic, social, and environmental policies; and
- c) Providing reasonable opportunity for competitive local businesses that comply with relevant legislation to supply to Council; and
- d) 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 sound contracting principles.

2. COMMENCEMENT

The Mount Isa City Council Procurement Policy will take effect following adoption at the Ordinary Meeting on 15 June 2022.

3. APPLICATION

This policy applies to employees, agents and contractors (including temporary contractors) of the Council, collectively referred to in this policy as "employees".

4. PRINCIPLES

4.1 Sound Contracting Principles

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

4.2 Goods and Services Tax

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

4.3 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 for each purchase is high in value of time and effort. This may include entering into arrangements for, **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*.

4.4 Purchasing Arrangements

Where the value of the contractual arrangement with the supplier in a financial year or over the proposed term of the contract (including any initial term and options to extend) is, or is expected to be:

Table 1: Purchasing Thresholds

Amount of Purchase GST Exclusive	POLICY
Under \$500	<ul style="list-style-type: none"> For purchases under the value of \$500 the advertised price or price listed is considered acceptable
\$500 or more but less than \$5,000	<ul style="list-style-type: none"> For purchases equal to or greater than \$500 but less than \$5,000 at least one written quote must be obtained. A copy of the quote must be attached to the invoice.
\$5,000 or more but less than- \$15,000	<ul style="list-style-type: none"> Purchases equal to or greater than \$5,000 but less than \$15,000 two (2) or more written quotes must be obtained. If not possible to obtain a second quote, the record of suppliers approached must be kept and attached to the Council copy of the purchase order as well as any quotes obtained.
\$15,000 or more but less than - \$200,000	<ul style="list-style-type: none"> Council cannot enter into a medium-sized contract unless it first invites written quotes for the contract. <ul style="list-style-type: none"> The invitation must be to at least three suppliers who Council considers can meet its requirements at competitive prices. Council may decide not to accept any quotes it receives. 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. There are limited exceptions to this requirement, and they are listed below in the section titled exceptions.
\$200,000 and above	<ul style="list-style-type: none"> Council cannot enter into a large-sized contract unless Council first invites written tenders for the contract in accordance with the requirements of Section 228 <i>Local Government Regulation 2012</i>. 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. There are limited exceptions to this requirement, and they are listed below in the section titled exceptions.

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.

4.5 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.

4.6 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 the 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.

4.7 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) where a preferred supplier arrangement exists containing a schedule of rates fixed for the term nominated in the arrangement; and
- c) 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

- d) Section 235 Local Government Regulations 2012 entering into a medium-sized contract or a large-sized contract if:

Council resolves that it is satisfied that there is only one supplier who is reasonably available; or

- i. 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
- ii. A genuine emergency exists; or
- iii. The contract is for purchase of goods and is made by auction; or
- iv. The contract is for the purchase of second-hand goods; or
- v. 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 the Council of seeking tenders or quotations independently, and the reduction of these costs which can be achieved by the 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.

4.8 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 is 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 a 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

Asset Class	Council Limit
Buildings and other Structures	\$20,000
Plant and Equipment	\$10,000
Land	\$1
Furniture and Fittings	\$10,000
All Infrastructure	\$20,000

5. RESPONSIBILITIES

5.1 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 prior to engaging the supplier (inclusive of GST) other than:
 - i. petty cash and credit card transactions; or
 - ii. long-term supply contracts (Ergon, Telstra, insurance premiums, Sunwater, MIWB, DNRME – valuation roll, and others of a similar nature.); or
 - iii. regular monthly accounts from small local suppliers (newsagency etc.); or
 - iv. payment of taxes and government charges (state fire levy, vehicle registration etc.); or
 - v. direct payments and fees (bank charges, council rates and charges etc).
- f) all invoices must be signed by authorised employee under Financial Delegations Register before payment can be processed.

5.2 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.

In the event the Council's Register of Pre-Qualified Suppliers (RoPS) is used the RoPS category number/s must be stated on the order requisition for entering onto Council's Purchase Order.

Example RoPS Cat 12:

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.

5.3 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.

5.4 Training

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

5.5 Review and Auditing

The application of this policy is to be audited annually by the Manager of Finance and Information Technology.

6. VARIATIONS

Council reserves the right to vary, replace or terminate this policy from time to time.

7. BREACH OF POLICY

7.1 Where Council reasonably believes an employee has breached this policy, the matter will be dealt with under the Performance and Misconduct Policy.

8. COMMUNICATION AND DISTRIBUTION

8.1 Council will make available to the public, the Policy Name on our website at www.mountisa.qld.gov.au. (Where appropriate, remove if not needed)

8.2 The responsible officer shall liaise with the People and Culture Team to create and deliver internal OR external appropriate and regular training to the following Council employees;

8.3 Supervisors will ensure the policy is distributed as per the Distribution and Dissemination table on this policy.

9. DEFINITIONS

- a) **Medium-sized contract** is a contract worth \$15,000 (GST exclusive) or more but less than \$200,000 (GST exclusive).
- b) **Large-sized contract** is an individual contract worth \$200,000 (GST exclusive) or more which can extend beyond one financial year.
- c) **Valuable non-current asset contract** is a contract for the disposal of a valuable non-current asset.

- d) **Valuable non-current asset** is:
- Land; or
 - 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.
- e) **Government agency** includes:
- The State, a government entity, a corporatised business entity, or another local government; or
 - The Australian Federal government or an entity of the Australian Government; or
 - A local government of another State.
- f) **Pre-qualified supplier** is a supplier who has been assessed as having the financial, technical, and managerial capability to perform on time and within agreed requirements.
Quotes are still required.
- g) **Preferred supplier arrangement (PSA)** means an arrangement set up by the Council to allow contracts to be entered into with one or more suppliers (the preferred suppliers) for the supply of goods or services. The PSA is a contract for a period, usually 12 months with options for a further two periods of 12 months each. The contract locks in the rates for the goods and services for the first 12 months. The review after 12 months includes the supplier's performance and, if considered suitable for the continuing of the arrangement, an opportunity for the supplier to adjust their rates is offered. This is usually based on the CPI unless the supplier can justify a larger increase.
- h) **Approved contractor** is a person or company who Council considers to be appropriately qualified to provide the services. **Quotes are still required.**
- i) **Procurement Initiation Form (PIF)** - *is required for all procurements equal to or greater than \$15,000 GST exclusive. This is the expenditure level where the Local Government Regulations 2012 apply. Chapter 5; 'Financial Planning and Accountability'.* The PIF identifies the requirement for the RFQ/RFT, budget, funding, justification, evaluation criteria and is approved by the relevant authority responsible for the budget. The PIF with accompanying documents (scope/specification/brief/drawings/pricing schedule, and other supporting information), is forwarded to Procurement Team for actioning by the user department.
- j) **Request for Quotation (RFQ)** - a request for quotation is used for medium-sized contracts and is by invitation unless an exception applies.
- k) **Request for Tender (RFT)** - a request for tender is used for large-sized contracts and is by public tender unless an exception applies.
- l) **Council Resolution** - a Council decision passed by the majority of Councillors at an Ordinary Meeting of Council.

REASONS ONLY ONE OR NO QUOTES REQUIRED

OEM	Original Equipment Manufacturer	Only to be used if parts are purchased that only one Creditor can supply so unable to get other quotes.
SS	Sole Supplier	No other supplier in Mount Isa can provide this service i.e. QH2O, MIWB, Telstra



STATUTORY POLICY

MOUNT ISA CITY COUNCIL

2022/2023 Financial Year – Procurement Policy

RESOLUTION NO. [OM21/07/21](#) VERSION 11

10. ASSOCIATED LEGISLATION AND POLICIES

- *Local Government Act 2009*
- *Local Government Regulation*
- Mount Isa City Council Financial Delegations Register
- Mount Isa City Council Local Preference Purchasing Policy
- Performance and Misconduct Policy
- Code of Conduct for Employees