



PURCHASING POLICY

POLICY NUMBER	DATE POLICY ADOPTED	AMENDMENT DATE & MINUTE NUMBER	POLICY TYPE
02:17:2004	16/03/2004	11/04/2017 11.4.2	Corporate
RESPONSIBLE MANAGER	RELATED POLICIES/ LEGISLTATION	STRATEGIC PLAN REFERENCE	DATE OF NEXT REVIEW
Corporate Services & Finance Manager	Local Government Act 1993 Local Government (General) Regulations 2015	1. Governance and Organisational Development High quality, professional governance and leadership, together with effective administration of Council resources, are essential to the success of the Council.	Consistent with the requirements identified in Section 333B of the Act, Council will formally review its code for tenders and contracts at least every four (4) years. The Code may be modified from time to time by Council to reflect changed operational requirements.

PURPOSE	<p>To establish a framework and control for the purchase of goods and services by Council.</p> <p>Through this policy, Council aims to ensure:</p> <ul style="list-style-type: none"> • open and effective competition; • value for money; • enhancement of the capabilities of local business and industry; • ethical behaviour and fair dealing. • environmentally sustainable goods and services are considered; • recognised accountability standards and risk management considerations are satisfied. • consistency and control over procurement activity; and • compliance with legislative and common law requirements.
SCOPE	This Policy applies to all Council purchases for goods and services and is to be read in conjunction with Council's Code for Tenders and Contracts.
POLICY	<p>1. Purchasing Principles: The following provides a brief definition of each principle and what it means in practice to Council.</p> <p>1.1. Open and effective competition Ensuring that the purchasing process is impartial, open and encourages competitive offers.</p> <p>In practice this means that Council will:</p> <ul style="list-style-type: none"> • Ensure specifications are clear and unbiased; • Provide all potential suppliers with the same information; • Treat all suppliers consistently and equitably; and • Evaluate each submission fairly. <p>1.2. Value for money Achieving the required outcome for the best possible price.</p>



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In practice this means that Council will weigh up the benefits of each purchase against the costs of that purchase. In doing so Council may take the following factors into consideration:

- how well goods or services meet needs;
- price;
- maintenance and running costs over the lifetime of the product;
- the advantages of buying locally, (e.g. shorter delivery times, local backup and servicing and the availability of spare parts);
- disposal value of the goods; and
- the capacity of the supplier (e.g. technical abilities).

1.3. Enhancing the capabilities of local business and industry Ensuring that local businesses that wish to do business with Council are given the opportunity to do so.

In practice this means that Council will, where possible:

- actively seek bids from local business;
- ensure local businesses have the same opportunities as all other suppliers to tender for goods and services;

1.4. Ethical behaviour and fair dealing

Ensuring all purchasing is undertaken in a fair and unbiased way and in the best interests of Council.

In practice this means that Council will:

- ensure that decisions are not influenced by self-interest or personal gain;
- ensure that Council's name or purchasing power is not used for personal gain;
- identify and deal with conflicts of interest;
- ensure compliance with Council's Gifts & Benefits Policy;
- Ensure all 'in confidence' information received is respected and not used for personal gain, or to prejudice fair and open competition;
- ensure that all procurement is undertaken in accordance with Council's policies; and
- ensure Council's customer complaints process has a framework to deal with complaints relating to purchasing.

1.5. Environmental and sustainability considerations

Consideration of the potential environmental impact of the product or services to be purchased and the long-term sustainability impacts of the purchase.

In practice this means that Council may:

- undertake an assessment of the life cycle costs of the purchase with a view to minimising the use of energy, fuel and like inputs; and
- consider the source of the materials incorporated in the



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purchase, (e.g. recycled materials or materials produced using sustainable resources).

1.6. **Accountability and Risk management considerations**

Risks associated with the procurement process and in the actual implementation of the service or use of a product or material are assessed.

In practice this means that Council will:

- be fully accountable for the purchasing practices that it uses and the decisions it makes;

Council contracts will include current, relevant clauses;

- security deposits or retentions will be held where appropriate;
- technical specifications will be referred to relevant specialists;
- use of or reference to relevant Australian Standards;
- use of or reference to workplace health and safety and risk management requirements;
- appropriate dispute management and resolution provisions will be included in contracts; and
- effectively managing the contract including monitoring and enforcing performance.

2. **Purchasing Thresholds and related Quotation Procedures:**

There are four purchasing thresholds that require different levels of involvement in planning and executing for the procurement of goods and services. These thresholds (**GST exclusive**) are as follows:

- Purchases \$10,000 and less
- Purchases between \$10,000 and \$25,000
- Purchases between \$25,000 and \$150,000
- Purchases \$150,000 and above

The following outlines the details of the thresholds and summarises the procurement practice and procedures that will be utilised based on the total dollar value of the purchase (ex GST).

The dollar value of the purchase may be calculated as follows:

- single one-off purchase – the total amount, or estimated amount, of the purchase (excluding GST), or
- multiple purchases – the gross value, or the estimated gross value, of the purchases (excluding GST), or
- ongoing purchases over a period of time – the annual gross value, or the estimated annual gross value, of the purchases (excluding GST)

These requirements will be applied to the procurement of all goods and services except in certain identified circumstances. The circumstances in which the following requirements need not be followed are described under Section 6, *Exemptions*, and Section 7, *Approved Supplier Arrangements*.

Purchases \$10,000 and less



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No formal quotation requirements apply to purchases below this threshold. Approved financial delegation thresholds must be followed.

Purchases between \$10,000 and \$25,000

At least two written quotations will be obtained, unless it is documented that this is impractical, of which at least one must be sought from a local business providing suitable options exist.

The bid most advantageous to Council shall be selected.

Reasons for acceptance of other than the lowest quote must be documented and authorised by the relevant Manager.

Purchases between \$25,000 and \$150,000

At least three written quotations will be obtained, unless it is documented that this is impractical, of which at least one must be sought from a local business providing suitable options exist.

A Request for Quotation (RFQ) (example in Appendix A) and Quotation Record Form (Appendix B) must be completed.

Sections 3 to 5 relate to purchases over \$25,000.

Purchases \$150,000 and above

Formal public tenders are to be invited in accordance with Council's Code for Tenders and Contracts.

A Probity Declaration must be completed.

3. Inviting Offers:

The Request for Quotation (RFQ) is a document inviting offers from businesses to provide specified goods or services. Council maintains standard RFQ documentation and this should be used when obtaining written quotations for purchases over \$25,000 where practical. If the standard documentation is not used the relevant Manager is to ensure the request sent to potential suppliers includes all necessary information.

Council's quotation documents will include all terms and conditions of quotation, together with a clear description of the goods and services required and the details on any applicable Council policies.

The Project Officer is to seek approval for the specifications included in a RFQ from the relevant Manager/Co-ordinator prior to finalising the documentation and distribution to third parties.

The complexity of the documentation will depend upon the nature and value of the purchase. Generally, the RFQ documentation will consist of:

- conditions of quotation – the conditions set out the terms under which Council will receive and evaluate quotes. The conditions will usually include:
- specification – the specification clearly describes the essential requirements of the goods and services being purchased. The specifications will usually include the functional requirements, performance requirements and technical requirements;



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- closing date, time and place of lodgement;
- Council contact details;
- pricing requirements (e.g. the price should exclude GST);
- relevant Council policies and principles;
- evaluation criteria for open request for quotations;
- entitlement of unsuccessful bidders to be notified; and
- information on Council's complaints process.

Where a large range of suppliers exists (e.g. for building work), a list of the invited parties is to be prepared and provided to the relevant Manager to approve.

4. **Receiving Offers:**

In receiving quotations, Council will hold any written or documented verbal quotation received prior to the closing time in a secure location to maintain confidentiality, to ensure probity and to protect individuals involved from claims of unfair practices.

Where a formal RFQ process is undertaken, quotations that Council receives will be recorded in an appropriate schedule or register within the records management system.

For written quotations, if accepting a late quotation, the Project Officer will ensure that the late bidder is not advantaged over other bidders.

Council employees with a conflict of interest in relation to a potential supplier must declare the interest to the relevant Manager and will be removed from the process if necessary.

5. **Evaluating Offers:**

When evaluating verbal and written quotations, Council will do so with the objective of identifying the offer that best meets requirements and provides the best value for money. When evaluating quotations Council will take into consideration the specified evaluation criteria where relevant and the following aspects of a bid:

- value for money, taking into account estimated life, disposal value and maintenance requirements and costs (whole of life costs). Consideration should include environmental and sustainability considerations;
- compliance with quotation specifications;
- quality, delivery and service;
- the benefits of sourcing the goods and services locally;
- the consequences, including possible risks, of entering into a contract where there is one supplier, or a limited number of suppliers, that can provide and maintain the particular product over its lifetime; and
- any relevant Council policies.

Acceptance of other than the lowest quote is to be authorized by the



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relevant Manager up to their established financial delegations limit and may include consideration of past performance of the suppliers against above criteria:

6. Exemptions:

The *Local Government Act 1993* provides for exemptions to the public tender process and these circumstances are outlined in the *Local Government (General) Regulations, 2015*. These provisions form the basis of exemption categories to be applied to this purchasing policy for procurements under \$150,000 (GST exclusive).

The General Manager may determine not to use a quotation process outlined in this policy where the goods and services sought relate to:

- an emergency if, in the opinion of the General Manager, there is insufficient time to obtain quotes for the goods or services required in that emergency;
- a contract for goods or services obtained through, or supplied or provided by an agency of a State or of the Commonwealth;
- a contract for goods or services supplied or provided by another council, a single authority, a joint authority or the Local Government Association of Tasmania;
- a contract for goods or services in respect of which a council is exempted under another Act from the requirement to obtain quotes;
- a contract for goods or services that is entered into at public auction;
- a contract arising when a council is directed to acquire goods or services due to a claim made under a contract of insurance;
- a contract for goods or services obtained as a result of a tender process conducted by:
 - (i) another Council; or
 - (ii) a single authority or a joint authority; or
 - (iii) the Local Government Association of Tasmania; or
 - (iv) any other local government association in the State or in another State or Territory; or
 - (v) any organisation, or entity, established by any other local government association in this State or in another State or a Territory;
- a contract of employment with a person as an employee of Council; or
- any other exemption provided for under the Act or other legislation.

The exercise of these exceptions must be clearly stated and where appropriate justified in writing.



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Other exemptions

This Policy does not apply to the procurement of goods and/or services:

- to engage artists/performers
- to engage artists as part of a Council event
- to payments for utilities; or
- to payments in relation to donations, community grants and benefits.

These payments will be approved through the relevant established approval process at the time. The relevant financial delegation thresholds still apply.

The relevant Manager within their financial delegation thresholds may determine not to use a quotation process outlined in this policy under the following circumstances:

- where it can be established that there is only one supplier of a particular product or service and there is no appropriate substitute available, or where alternative options are not suitable or do not provide value for money;
- where the original product or service has been selected through an open tender process and the request for exemption relates to the proposed purchase of an upgrade or addition to the existing system, and there are limited supply options;
- the product is being tested/trialled to assist in the evaluation of its performance prior to a large scale purchase for which open tenders will be called;
- to assist in the development of a new product/process in conjunction with a private sector business;
- where there are established whole-of-Government contracts for the supply of goods or services to agencies and other authorised organisations; or
- where the provision of goods and services are of a specialised nature that requires a high level of familiarity of Council and its operations (e.g. specialists' consultants, legal services, specific training needs, supplier of goods for emergency repairs etc.).

7. Approved Supplier Arrangements:

It is recognised that circumstances may exist where Council is best served by the provision of goods and services by approved suppliers. These circumstances will usually be limited to specialised goods and service provision. The purchase of goods and services may be made without obtaining quotes where there is a contract between Council and the supplier (i.e. there is a formal agreement in place arising from a Council decision to use the supplier in preference to others – e.g. annual supply contracts). Approved Suppliers are to be recorded on Council's Approved Supplier register. The Approved Supplier Register is to be reviewed annually.

8. Use of Local Suppliers

Council recognises that the local business community is an integral part of the overall community and is committed to providing assistance that will



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support and encourage business.

Subject to the Competition Principles Agreement applicable to local government activities and trade practices legislation the Council will, whenever possible, adopt a policy of purchasing locally.

Council's approach to local suppliers will therefore be based on the following:

- When seeking quotations and calling for tenders, staff will be mindful of relevant local suppliers and the impact on the local economy if the goods or services were purchased from outside the Council area;
- Care will be taken not to disadvantage local suppliers in terms of their opportunity to quote and/or tender for work;
- Fostering good relations with local industry bodies and suppliers;
- The National Competition Policy guidelines and associated legislation is observed at all times;
- A tolerance of 10% up to a limit of \$10,000 will be applied when considering the purchase of goods and services locally;
- Local, in this context, means a business or contractor operating from permanent premises situated within the Council's municipal boundaries for not less than six months prior to the date of the contract date.

9. Financial Delegations Thresholds:

Council has provided a delegation to the General Manager to expend funds. The General Manager has in turn provided delegations to specific Council officers with threshold limits.

When authorising expenditure under financial delegations, Authorising Officers are to ensure that such expenditure is within the amounts included in Council's budget.

Authorising Officers are to ensure that any variations to the initial quoted/contracted amount do not cumulatively exceed the threshold of the Authorising Officer's delegation. Where this occurs, the Authorising Officer is to seek further appropriate authorisation for the total amount.

Authorising Officers are to ensure that any variation to the initial quoted/contracted amount do not cumulatively exceed the procurement thresholds outlined in this policy. Where this occurs, the Authorising Officer is to detail the events and circumstances of the variation and seek further authorisation from the relevant Manager for this variation.

If, following the acceptance of a quote, the quote is subsequently altered by the contractor to substantially exceed (i.e. greater than 10% or \$10,000) the initial quoted amount, the Authorising Officer is to ensure that all such variations are documented and justified.



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	<p>Financial Delegation Thresholds and Review</p> <p>It is noted that the General Manager may:</p> <ul style="list-style-type: none"> • review the Financial Delegations Thresholds based on organisational change to best reflect the nature of the assigned responsibilities of staff; and • revise, modify and/or withdraw the financial delegations held by staff at any time by notice in writing. <p>Assignment and Instruction of Council’s Annual Plan and Budget Responsibility</p> <p>Responsibility for each Program under Council’s Annual Plan and Budget is held by the relevant Manager.</p> <p>A Manager may assign (with or without specific instructions) Budget “line item” responsibility for the authorisation of budget expenditure in programs and projects under their responsibility. Such assignment of responsibility:</p> <ul style="list-style-type: none"> • Is subject to the limitations outlined in the Financial Delegations Thresholds; • Is to be made to a person working under the direction of the relevant Manager who has budget responsibility for the Program.
<p>DEFINITIONS</p>	<p>“Authorising Officer” refers to a Council officer who is authorised under this Policy to expend monies on behalf of Council.</p> <p>“Financial Delegations Thresholds” detail the extent to which Council officers are permitted to authorise the procurement of goods and services for Council.</p> <p>“Invitation for Quotation” refers to an invitation by Council for the submission of quotations for works and services.</p> <p>“Project Officer” means an officer of Council assigned responsibility for the project management of a key project initiative which requires the procurement of goods and services based on an approved budget allocation.</p> <p>"Purchases" includes the procurement of both goods and services by Council.</p>
<p>LEGISLATION</p>	<p>Local Government Act 1993 Local Government (General) Regulations 2015</p>
<p>RELATED POLICY</p>	<p>Financial Delegated Authorities Gifts and Benefits Policy Code for Tenders and Contracts</p>
<p>ATTACHMENTS</p>	<p>Request for Quotation (Appendix A) Quotation Record Form (Appendix B)</p>

Appendix A: Request for Quotation

Appendix A: Request for Quotation

From

Subject

Date

Closing Date

Item	Description	Unit	Quantity	Amount \$
1	Description of Goods/Services			
Sub total				
GST				
TOTAL				

State the earliest possible start date and practical completion date for the work

Earliest possible start date:

Practical completion date:
(xx/xx/xxxx Preferred)

(Contractor to nominate if not achievable)

State the number of working days required to complete the work

Number of working days:

Supervisory & Other Key Personnel

Position	Name	Site Involvement		Present Position No. of yrs experience	Previous Position No. of yrs experience
		Hours/Week	Visits/Week		
Project Manager					
Contract Manager Officer					
Site Foreman					
Any Other (please list)					

Appendix A: Request for Quotation

Plant & Equipment

Item of Plant/Equipment	Model	Age	Capacity / Size	Site Involvement	
				Hours/Week	Visits/Week

Subcontractors & Materials

Subcontractor	Description of Works	Address/Telephone
1		
2		
3		
Supplier	Material Description / TYPE	Source
1		
2		
3		

Methodology

Provide details of the construction plan for the critical tasks of the project and describe how they will be completed.

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Non-Compliance

List and describe all matters in which the submission varies from the requirements of the documents specification and drawings.

Any item not listed in the scheduled shall be considered to conform fully with the specification and drawings.

If this scheduled is left blank the tenderer will be considered to conform with the specification and drawings.

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Appendix A: Request for Quotation

Extent of works:

This quote shall cover the construction and maintenance of all works/delivery of goods/service. The Works generally includes the following:

Provide outline of all required works/supply of goods/service

Safety requirements required prior to starting work on site

- Outline all relevant safety requirements.

Hold point description
<i>Outline any relevant hold points</i>

Quotations to be directed to (Council Officer) at the Latrobe Council on or before xxp.m xx/xx/xx Quotations can be emailed.

If you have any queries, please call.

Regards

Authorising Officer.

Appendix B: Quotation Record Form

Subject

Date

Closing Date

Detailed Description of Goods and/or Services:

Organisations invited to submit quotations:

Supplier	Contact	Quoted Price Excluding	Local Supplier Preference	Total

Have three (3) quotations been called? YES NO (please circle) Reasons for not getting 3 quotations

.....

Is quotation accepted the lowest price? YES NO (please circle) Reasons for accepting quotation which is not the lowest price:

.....

I declare that I have no direct or indirect interest with the individual or organisation that is being approved to provide the goods and services.

I have not received any money, loans, credits, purchasing incentives, services or prejudiced discounts in relation to this contract.

Any gift, hospitality or entertainment provided to me by the above supplier has been entered in Council's Gift and Benefits Register.

Order number issued:

Authorising Officer signature: