

PURCHASING POLICY – ACQUISITION OF GOODS AND SERVICES

STATUTORY POLICY



1 Scope

This policy applies to Rockhampton Regional Council employees and encompasses all procurement activities throughout all of Council's operations.

2 Purpose

The purpose of this policy is to outline Council's approach to developing and maintaining procurement practices for the acquisition of goods and services which optimise value for money and promote effective supplier relationships.

3 Related Documents

3.1 Primary

Local Government Regulation 2012

3.2 Secondary

Local Government Act 2009

Public Sector Ethics Act 1994

Code of Conduct

Financial Delegations Policy

Fraud and Corruption Control Policy

Information and Communication Technology – Acquisition and Purchase of Equipment, Systems and Services Procedure

Local Preference Policy

Plant Hire Engagement Guideline

Privacy Policy

Selecting the Procurement Method Procedure

4 Definitions

To assist in interpretation, the following definitions apply:

| | |
|-----------|--|
| Council | Rockhampton Regional Council |
| Employees | Local government employee: (a) The chief executive officer; or (b) A person holding an appointment under section 196 of the <i>Local Government Act 2009</i> . |

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| Adopted/Approved: | Adopted, 12 June 2018 | Department: | Corporate Services |
| Version: | 9 | Section: | Corporate and Technology Services |
| Reviewed Date: | | Page No: | Page 1 of 5 |

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| Life Cycle Costing | A costing system which is concerned with the cost of life cycle ownership. It includes costs associated with acquiring, using, caring for and disposing of physical assets. |
| Preferred Supplier Arrangement | A form of standing offer where a supplier has provided a standing quotation for the goods or services. |
| Pre-Qualified Supplier | A supplier 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. |
| Purchase Order | The official document, normally generated by Council's finance system, used to authorise and record the purchase of goods or services by Council. It will often be the prime reference confirming the contractual situation between Council and the supplier. |
| RPQS | Register of Pre-Qualified Suppliers. This is another form of Standing Offer Arrangement. |
| Sound Contracting Principles | As defined in the <i>Local Government Act 2009</i> , the sound contracting principles are: (a) Value for money; and (b) Open and effective competition; and (c) The development of competitive local business and industry; and (d) Environmental protection; and (e) Ethical behaviour and fair dealing. |
| Standing Offer | An agreement subject to specified terms and conditions whereby the purchaser agrees to purchase their requirements of a specified number or range of items, during a specified time period from the supplier at agreed prices or on an agreed price basis. Normally no obligation to purchase a specified quantity exists although estimates for the guidance of the supplier may be given. |
| The Regulation | <i>Local Government Regulation 2012</i> |

5 Policy Statement

Section 198 of the *Regulation* stipulates that Council must adopt a procurement policy including the application of the sound contracting principles.

In undertaking any Council procurement activity, the objective is to obtain goods and services of the most suitable quality at the lowest whole of life cost which is consistent with the fitness for purpose of the requirements being procured and at an acceptable level of risk. This does not necessarily mean selecting the lowest price.

Value for money and promotion of effective supplier relationships in the procurement of goods and services is achieved by the following:

- (a) Open and effective competition. Requirements should be planned well in advance to enable them to be adequately sourced, competitive bids obtained utilising open and effective competition and delivery achieved on time without the need for stocks to be held in inventory.
- (b) Value for money. Demand for goods and/or services which are required on a recurring basis should be forecast and aggregated using pre-qualified supplier and preferred supplier arrangements to improve negotiating leverage for Council as a whole and to enable suppliers to plan production and offer better prices and delivery times.
- (c) Ethical behaviour and fair dealing. Council will conduct contracting activities with impartiality, fairness, independence, openness and accountability for outcomes.

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|---|-----------------------|-------------|-----------------------------------|
| Adopted/Approved: | Adopted, 12 June 2018 | Department: | Corporate Services |
| Version: | 9 | Section: | Corporate and Technology Services |
| Reviewed Date: | | Page No: | Page 2 of 5 |

- (d) Environmental protection. Consideration and support to promote sustainable development through ensuring the necessary balance between environmental, economic and social aspects of development and to maintain a high quality environment.
- (e) The development of competitive local business and industry. Enhancement of the capabilities of local business and industry. As per the Local Preference Policy, the benefits of encouraging and dealing with local suppliers should be taken into account and should form part of the evaluation process for all purchases.
- (f) Provision of a purchase order to suppliers prior to the receipt of goods and/or services. An authorised purchase order must be provided to suppliers at the time of the request for the goods and/or services. The purchase order should clearly specify the requirements and record an accurately estimated or actual price. Suppliers must reference the purchase order number on the respective tax invoice to ensure timely payment.
- (g) Requirements should not be over-specified. Specifications should be as explicit as possible, non-discriminatory and focus on performance, function, and/or technical and physical characteristics (as opposed to brand and manufacturer).
- (h) The terms and conditions governing the acquisition should allocate the risks to the party best able to manage them.
- (i) The market place should be continually researched to identify new suppliers/products and enable effective use of competition in seeking offers.
- (j) Life cycle costing should be an integral part of the procurement decision for major assets.
- (k) Decision analysis and risk assessment techniques should be employed where appropriate.
- (l) Negotiations should be conducted with suppliers to reduce cost and improve performance.
- (m) Good supplier relations (and where appropriate, partnering arrangements and long term relationships) should be established where considered beneficial.
- (n) Disputes with suppliers should be resolved expeditiously and in the best overall interests of Council.
- (o) Supplier performance should be a particular focus (using techniques such as value analysis and development of key performance indicators) and the supplier's compliance with their obligations should be regularly monitored and enforced.

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| Adopted/Approved: | Adopted, 12 June 2018 | Department: | Corporate Services |
| Version: | 9 | Section: | Corporate and Technology Services |
| Reviewed Date: | | Page No: | Page 3 of 5 |

5.1 Procurement Financial Thresholds

In accordance with the sound contracting principles and the *Regulation*, the following procurement financial thresholds have been adopted by Council.

| Estimated Expenditure (excluding GST) | Form Of Procurement | | | Responsibility |
|---|--|---|--|--|
| | General Purchasing | Council Trades, Consultancy and Civil Construction RPQS (s232 of the Regulation) | All other Council RPQS, Local Buy or other Government Arrangements (s232, s234 and s235 of the Regulation) | |
| Greater than \$150,000 (large sized contract) | Formal tender (s226 of the Regulation) | Invite 3 or more written quotes from the RPQS or formal tender (determined by Contracts and Tenders Unit) | Invite 1 or more written quote(s) from the RPQS or arrangement | Contracts and Tenders Unit or Procurement and Logistics Officers |
| Greater than \$15,000 but less than \$150,000 (medium sized contract) | Invite 3 or more written quotes (s225 of the Regulation) | Invite 3 or more written Quotes from the RPQS | | |
| Greater than \$3,000 but less than \$15,000 | Invite 2 or more written quotes | Invite 1 or more written quote(s) from the RPQS | Invite 1 or more written quote(s) from the RPQS or arrangement | Council Officer or Procurement and Logistics Officer |
| \$0 to \$3,000 | Invite 1 verbal quote | Invite 1 verbal quote from the RPQS | Invite 1 verbal quote from the RPQS or arrangement | |

5.2 Ethical Behaviour Relating to Procurement

All employees involved in procurement must behave with impartiality, openness, integrity and professionalism whilst maintaining confidentiality in their dealings with suppliers. In the context of Council procurement activity, behaving ethically is achieved by observing the Code of Conduct and by:

- (a) Performing duties with impartiality and integrity in dealings with suppliers;
- (b) Treating information relating to suppliers as “commercial in confidence” and only disclosing such information to other employees or parties on a strict “need to know” basis;
- (c) Ensuring all written bids and other information submitted by suppliers is kept in a secure location when not in use;
- (d) Utilising open and accountable procurement methods;
- (e) Promoting professional procurement practices;
- (f) Maintaining systems and procedures which ensure a consistent approach to procurement;
- (g) Providing advice to suppliers on how to do business with Council;
- (h) Not engaging in any misleading or deceptive conduct towards suppliers;
- (i) Not making improper use of information relating to suppliers or to Council;

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| Adopted/Approved: | Adopted, 12 June 2018 | Department: | Corporate Services |
| Version: | 9 | Section: | Corporate and Technology Services |
| Reviewed Date: | | Page No: | Page 4 of 5 |

- (j) Not taking personal advantage of an opportunity that properly belongs to Council or a supplier;
- (k) Not accepting or seeking gifts or other favours from suppliers;
- (l) Not entertaining approaches from suppliers that might be interpreted as attempts to influence the procurement process; and
- (m) Not participating in any transaction between Council and any supplier in which they have an undisclosed interest.

6 Review Timelines:

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

- (a) As required by legislation – June 2019;
- (b) The related information is amended or replaced;
- (c) Audit reports relating to Council purchasing and the acquisition of goods and services being undertaken by Council indicate that a review from a legislative compliance or governance perspective is required; or
- (d) Other circumstances as determined from time to time by the Council.

7 Document Management

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| Sponsor | Chief Executive Officer |
| Business Owner | Deputy Chief Executive Officer |
| Policy Owner | Manager Corporate Services and Technology |
| Policy Quality Control | Corporate Improvement and Strategy |



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