



## COUNCIL POLICY

<b>POLICY TITLE:</b>	<b>PROCUREMENT POLICY</b>
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### 1. OBJECTIVE

The objective of this Policy is to establish a fair, transparent and accountable system for the procurement of goods and services by Richmond Shire Council ("Council"), to achieve advantageous and sustainable outcomes in accordance with the sound contracting principles, the local government principles, and Council's budget and formal plans.

### 2. SCOPE

This Policy applies to the procurement of all goods and services, and all contractual arrangements.

This Policy applies to all employees, trainees and apprentices of Richmond Shire Council ("Council"). It does not form part of any employee's contract of employment. This Policy also applies to other persons performing work at the direction of, in connection with, or on behalf of Council (e.g. contractors, subcontractors, agents, consultants).

### 3. BACKGROUND AND PRINCIPLES

#### 3.1 Requirement for a Procurement Policy

In accordance with Section 198 of the *Local Government Regulation 2012*, Council must prepare and adopt a Procurement Policy which includes details of the principles for purchasing goods and services that will be applied by Council.

#### 3.2 Local Government Principles

Council staff are required to apply the local government principles in all of their responsibilities as local government employees, including procurement. These principles are:

- transparent and effective processes, and decision-making in the public interest;
- sustainable development and management of assets and infrastructure, and delivery of effective services;
- democratic representation, social inclusion and meaningful community engagement;

- good governance of, and by, local government; and
- ethical and legal behaviour of councillors and local government employees.

Employees must conduct their procurement activities in accordance with these principles.

### **3.3 Sound Contracting Principles**

Council's procurement activities must also be in accordance with the following 'sound contracting principles' (as per Section 104 (3) of the *Local Government Act 2009*):

- *value for money* – Council employees will respect that, as Council is a public entity, they are dealing with public funds and therefore will strive to achieve optimum value for funds expended. Value for money does not relate to price alone but includes quality of the good/service, fitness for purpose and priorities, associated services and support, availability of supply, workplace health and safety concerns, and whole-of-life implications and costs;
- *open and effective competition* – Council will give fair and equitable consideration to all prospective suppliers, and will have transparent tendering and quotation procedures;
- *the development of competitive local business and industry* – Council encourages the development of the local economy and community and will ensure that local suppliers have the opportunity to participate in quotation and tender processes. Where reasonable and practical, local suppliers will also be given priority over non-local suppliers (refer to Section 5.3);
- *environmental protection* – Council will consider the environmental impacts of a procurement activity by conducting a risk assessment process prior to making a significant purchase;
- *ethical behaviour and fair dealing* – Council employees will undertake procurement activities with impartiality, fairness, transparency and integrity. Council will ensure that the procurement processes, and all finance-related Policies/Procedures, facilitate this.

### **3.4 Application of Principles**

The local government principles and sound contracting principles will be applied to Council's procurement processes through various measures and mechanisms, including the development and implementation of this Policy and other financial Policies and Procedures (e.g. Councillor Expenses Reimbursement Policy, Corporate Credit Card Policy, Entertainment and Hospitality Policy, Debt Policy, Investment Policy), the establishment of financial and contractual delegations, separation of financial powers, internal and external auditing, raising awareness for staff of financial processes and industry/legislative changes (e.g. external training/seminars; internal training/induction), security of finance software systems, development of operational (i.e. 'hand-over') procedures, qualified financial staff, and sound planning (e.g. 5-year Corporate Plan, long-term asset management plan, long-term financial forecast).

## **4. ROLES AND RESPONSIBILITIES**

### **4.1 Employees**

Employees, when performing procurement activities, must:

- consider proposed purchases in accordance with the local government principles and sound contracting principles;
- ensure that all procurement activities are undertaken in accordance with all legal requirements and financial delegations;

- be focussed on achieving the Council's objectives and budget which is established on a basis of job cost codes and general ledger numbers;
- check Council's inventory before arranging a purchase;
- ensure that formal approval of a purchase is obtained prior to confirming an order or accepting a good/service;
- determine the most appropriate procurement method (refer to Sections 7 and 8);
- liaise with their supervisor regarding the intended purchase, even if the supervisor will not be the financial delegate approving the purchase. This is particularly important where the purchase may result in an actual or perceived conflict of interest (see Section 5.3);
- take advantage of 'early-bird' discounts and similar;
- identify and manage risk associated with procurement, and assess the value of the good/service purchased over the whole of the operational life of the good/service;
- ensure that local businesses are invited to supply quotations and bids for tenders, and that Council's website is updated accordingly;
- ensure that purchases of goods/services by Council employees are strictly for business use only. The procurement of a good/service under Council's name and/or using Council funds where the procurement is for personal use, is strictly prohibited. This includes employees trying to access bulk discounts or similar in order to obtain goods/services for their personal use (even if the employee is willing to reimburse Council for the purchase);
- arrange the return of incorrect goods and goods received in poor/unfit condition;
- foster strong relationships with suppliers; and
- establish performance standards/agreements with contractors as appropriate, and monitor their performance over time.

## **4.2 Management**

All supervisors will ensure that their employees are aware of and comply with this Policy, including the procurement processes and the financial delegations.

The Executive Team will ensure that all areas of Council provide details of all significant procurement activities via the annual and quarterly budget processes to better inform organisational procurement and contracting decision-making.

## **4.3 Financial and Contractual Delegates**

Employees with financial delegations and contractual delegations must ensure that they only approve purchases and undertake contractual activities as outlined in this Policy, and in the current list of delegations approved by the Chief Executive Officer.

## **5. PURCHASING CONSIDERATIONS**

When intending to make a purchase, the following must be considered:

### **5.1 Inventory**

Prior to arranging a purchase, the employee shall first check Council's inventory to determine whether the item (or a suitable alternative) is already available in Council's inventory. The employee should also consider whether other staff may be interested in purchasing the same good/service, and approach them to determine needs, suppliers etc. This may reduce duplication and it may be possible to take advantage of bulk discounts or similar.

Prior to purchase, appropriate consideration must also be given to how the intended purchase will fit with current inventory (e.g. the aesthetics – new office furniture should match current furniture; whether new ancillary items will be needed to support the use of the new item – such as a new storage rack, or Personal Protective Equipment (PPE)).

### **5.2 Job Cost Codes**

All purchasing, no matter how minor (e.g. petty cash) must be assigned to a relevant job cost code or general ledger account number. Persons who purchase reasonably regularly in their job should approach the Director of Corporate Services seeking viewing access to the job costing module of the finance system, to allow them to keep current with job cost codes. Otherwise, they should request regular job cost code updates from the Finance Officer.

Staff need to remember the importance of job cost codes to Council as a whole. Job costing is analysed to determine how money has been spent in the past and where it should be spent in the future. It is also used for cost recovery (e.g. funding and grants), therefore it is imperative for all staff to be accurate with their job costing.

### **5.3 Selection of Suppliers**

Council must remember that as a government entity it has high ethical standards to meet. As outlined in Sections 7 and 8 not all purchases require a quote or tender process, however if an employee has concerns that a preference of supplier may result in the public perception of a conflict of interest, they shall discuss the situation with their supervisor before arranging an order or purchase. The supervisor must be satisfied that there will be no perception of a conflict of interest before approving the purchase to proceed. Any concerns must be raised with the Manager/Director/Chief Executive Officer.

Where it can be demonstrated that a local supplier and a non-local supplier can provide the same good or service to Council and all things (price, delivery, service etc considered over whole-of-life) are within 12% of a non-local supplier's offerings, Council will purchase from the local supplier. This can apply to a quote or tender process as well – even if the quote/tender from one supplier has been assessed as more favourable in terms of one or more of the assessment criteria applied, a second supplier may be selected based on an overall assessment which demonstrates the second supplier's quote/tender is more favourable. This assessment would occur in accordance with the sound contracting principles.

Where goods or services are available locally but are purchased from outside the Shire, the employee will keep records to demonstrate the reason (e.g. cheaper to purchase from outside the Shire even when freight is factored in; ongoing assistance can be provided by non-local supplier).

## **5.4 Funding/Grants**

Where State or Federal government grants, other grants (e.g. Jupiters Casino Community Benefit Fund) or loan funds are used in a Council project or activity, or a Council project involves an agreement with a State or Federal government entity or another entity, any procurement or disposal requirements established in the arrangement or agreement will need to be adhered to.

## **5.5 Enterprise Risk Management**

### **5.5.1 Risk Assessments for Significant Purchases**

Where Council is considering making a purchase which is expected to have a significant cost, have continuing expenses over a prolonged period (e.g. maintenance), continuing contact with the supplier over a prolonged period (e.g. to provide software/system updates), and/or will involve a significant installation or implementation process, the relevant Director/Manager shall conduct a risk assessment of the proposed purchase using Council's Enterprise Risk Assessment Form. The purchase and risk assessment may also need to be recorded by the Director/Manager in Council's Corporate Risk Register or Operational Risk Register.

The risk assessment is an important mechanism in ensuring that all relevant factors are considered and preparations made before an expensive purchase takes place, that the purchase made is the most fitting option, and that the purchase aligns with Council's corporate and operational needs.

Examples of a significant purchase is the purchase of a new major item of machinery (e.g. stabiliser), and the purchase of a new electronic finance system, which would involve significant up-front expenses and ongoing expenses, and have training, interface, network and other requirements which would need to be evaluated prior to purchase.

The risk assessment shall include consideration of factors such as:

- the manner in which the good/service is to be used and the suitability of the item for the purpose;
- hazards and risks presented by the item;
- potential impact on affected personnel (e.g. time taken to learn the new equipment/program; training requirements);
- any associated needs (e.g. ancillary equipment/goods/services needed to support the good/service being purchased, such as PPE);
- transport, maintenance, cleaning and storage requirements, issues and hazards/risks;
- legal requirements such as relevant codes of practice or standards (e.g. Noise Code of Practice when purchasing new machinery);
- specifications (if any) which are required to ensure safe operation or use;
- the need (if any) to change work procedures;
- technical data or information required; and
- opinions of the users of the good/service.

The risk assessment and details provided by the supplier shall be registered in InfoXpert and maintained in a file by the Director/Manager for the life of the equipment, and updated when any modifications etc are carried out.

### **5.5.2 Risk Controls**

The purchaser where possible shall obtain a demonstration or conduct a trial of the item being purchased, so that they know the quality and 'fit' of what they are purchasing meets with Council's requirements.

The supplier should be requested to provide information regarding hazards associated with the items and any recommended controls to manage these hazards. Suppliers of second-hand plant should be asked to inform the purchaser of any reasonably identifiable faults in the plant, and Council may need to arrange an independent evaluation. The Safety Data Sheets must be obtained in advance by the purchaser for any hazardous substances. Any associated emergency control equipment (e.g. correct type of fire-fighting gear, PPE; other risk control measures) is to be considered.

If after the risk assessment, trials and/or the provision of information from the potential supplier, the level of risk associated with the item to be purchased cannot be controlled and is not acceptable, the item is not to be purchased. An alternate item is to be sourced and the risk assessment/information-gathering process shall start again.

### **5.5.3 Environmental Considerations**

In accordance with the sound contracting principles, Council will consider the potential environmental impacts of a purchase prior to the making the purchase, and where there is no significant price difference and all other considerations are about equal, or otherwise as appropriate (e.g. might pay more for a more economic kitchen or cleaning appliance), Council will purchase environmentally-friendly goods/services over their alternatives.

## **6. FINANCIAL AND CONTRACTUAL DELEGATES**

Only certain Council employees are authorised to make purchases on Council's behalf. These 'financial delegates' are the employees who are incumbents (either permanent, temporary or officially performing higher duties) in the positions listed in the financial delegations (Chief Executive Officer to Employee). These employees may approve purchases up to the financial delegation limits specified by the Chief Executive Officer.

Purchases are to be approved in advance by a financial delegate who is a supervisor of the employee requesting the purchase (i.e. the financial delegate is in the employee's chain of management, and has clear operational authority and budget responsibility for the purchase). Exceptions to this may only occur where a purchase needs to be approved urgently and there is no financial delegate in the requesting employee's own department who is available. Non-urgent purchases must generally wait to be approved by an appropriate financial delegate, unless all appropriate financial delegates are away for an extended period (e.g. on leave, attending external training etc).

Similar to the financial delegations, only certain Council employees have been authorised by the Chief Executive Officer to undertake activities related to contracts (e.g. inviting quotes/tenders for medium-sized or large-sized contractual arrangements; deciding which tender to accept etc – refer to Section 8).

The list of financial and contractual delegates is saved in Council's electronic records management system, InfoXpert, and viewable to all staff and members of the public (in accordance with Section 260 of the *Local Government Act 2009*).

If an employee is not sure whether they have financial or contractual delegations, they must investigate before arranging any purchases/contract activities.

No councillor can authorise a Purchase Order.

## 7. PURCHASING ARRANGEMENTS

### 7.1 Summary

The following table demonstrates how a purchase of a certain value can be made.

Amount of Purchase	Purchasing Process
\$0 - \$100 (inclusive of GST)	Petty Cash (finance/administration staff only)
\$0 - \$5,000 (exclusive of GST)	There is no requirement to obtain written quotes, provided that the sound contracting principles and the local government principles are adhered to.
More than \$5,000 and less than \$15,000 (exclusive of GST)	At least two (2) written quotes must be obtained. All of the written quotes, and the employee's notes on these (including why a lower quote has not been accepted, if this is the case) will be forwarded along with the Purchase Order to the financial delegate to approve. The invitation must be made to at least two (2) persons who Council considers can meet Council's requirements at competitive prices. Written quotes can be accepted in writing/typed, by email and by fax.
More than \$15,000 and less than \$200,000 (exclusive of GST)	As outlined in Chapter 6, Part 3 of the <i>Local Government Regulation 2012</i> – in most cases at least three (3) written quotes must be obtained. Details, including some exceptions, exist under the Regulation. The invitation must be made to at least three (3) persons who Council considers can meet Council's requirements at competitive prices. Written quotes can be accepted in writing/typed, by email and by fax. Refer to Section 8.
\$200,000 or more (exclusive of GST)	As outlined in Chapter 6, Parts 3 and 4 of the <i>Local Government Regulation 2012</i> – in most cases a tender process must be undertaken. Details, including some exceptions, exist under the Regulation. Also refer to Section 8.

## **7.2 New Suppliers**

When an employee is intending to make a purchase from a supplier who may be a new supplier to Council, the employee shall check in the finance system (or otherwise check with the Creditors Officer, the Stores Officer or the Finance Officer) whether the supplier already exists in the creditor module of the finance system. If the supplier is not yet established as a creditor in the finance system, the employee shall send the supplier a Creditor Details Form to complete and return. The form shall then be forwarded to the Creditors Officer or Stores Officer to update the finance system.

The supervisor or finance staff may at their discretion recommend alternate suppliers.

## **7.3 Purchase Orders**

### **7.3.1 Requirement for a Purchase Order**

A Purchase Order is an important mechanism to ensuring that only appropriate and properly authorised purchases are made, and that goods/services are received and paid for as ordered.

A Purchase Order is required for most purchases made by Council. The only instances where a Purchase Order is not required are:

- purchases made using Petty Cash (up to \$100);
- purchases made in accordance with Council's Corporate Credit Card Policy (e.g. one-off purchases where it would be inefficient to create an account, or an account is not an option, such as with online transactions);
- some statutory payments (e.g. payments required under government legislation where a credit card payment might be required by the statutory authority – for example a criminal history check, traffic history check, Blue Card from the Commission for Children and Young People and Child Guardian);
- purchases made using authorised debit card transactions (e.g. fuel card);
- purchases for various services involving recurring payments where it is impractical to raise orders prior to receipt of the invoice (e.g. annual insurance premium payment, vehicle registration, electricity payments, telephone payments, freight payments, bank fees);
- reimbursements to employees for minor necessary incidentals where a Purchase Order is impractical (e.g. reimbursement of meals while travelling on Council business) – the Payment Request Form would be used;
- other purchases that the Chief Executive Officer has authorised be made without a Purchase Order due to extenuating circumstances.

The above-mentioned payments would still require approval by a relevant financial delegate prior to processing.

Except for the above-mentioned instances, if an employee orders or purchases any item on behalf of Council without a Purchase Order having been first produced and approved by the appropriate delegate, Council may refuse payment and the individual can be held personally liable.

All purchase orders must include a completion date so that the contractor is aware of Councils requirements. Staff to state on every EOI/Quote/Tender a completion date. Eg. If Council is requesting building works, it must be stated on the purchase order that the works are required to be finalised within eight (8) weeks. Council can decide to cancel the works if the Contractor does not meet the required deadline and go elsewhere.

### **7.3.2 Approval of Purchase Orders**

The employee arranging a purchase shall check with Finance staff the annual budget before arranging a Purchase Order, to ensure that adequate funds for the purchase exist in the relevant job cost code/general ledger number. Any requisition that will result in a budget for a particular job cost code/general ledger number being exceeded must be brought to the attention of the Manager/Director. It may be that another job cost code/general ledger number is suitable for the purchase, however if a proposed purchase would exceed the budget allocation resolved by Council, the purchase may not be processed (including placement of an order) without Council resolution.

The Purchase Order must bear an exact amount or otherwise an accurate estimate of the cost of each good/service being purchased. The Purchase Order may only be approved by an authorised financial delegate in accordance with Section 6.

A confirmation of an order for a good/service must not be made prior to the approval of the Purchase Order.

### **7.3.3 Distribution of Purchase Orders**

For any suppliers outside the Richmond Shire, the purchasing employee must ensure that the supplier is provided with a signed and approved Purchase Order at the time that the order is confirmed verbally (e.g. fax, email or post the Purchase Order to the supplier).

For suppliers in the Richmond Shire, local suppliers at their discretion may accept an order with only the provision of a Purchase Order number at the time that the order is verbally confirmed. However, if there are any concerns about unauthorised purchases or non-delivery of ordered goods, management will stipulate that a Purchase Order be distributed to confirm any order, whether local or non-local.

It must be noted that the provision of a requisition form to a supplier does **not** serve as an order or intention to purchase; the Purchase Order serves that purpose.

### **7.3.4 Splitting of Purchase Orders**

Multiple Purchase Orders may not be generated to circumvent financial delegation limits. Where multiple items of the same good/service are being purchased, or where the goods/services are integral to other goods/services that also need to be purchased, these are to be purchased with a single Purchase Order per supplier.

### **7.3.5 Alteration or Cancellation of a Purchase Order**

A Purchase Order may be altered at any time by an appropriate employee, prior to the order being completed (e.g. if there is a change to the number of items required). Where the details of the Purchase Order are to be changed substantially, the Purchase Order will be void and a new one generated.

An appropriate Council employee can also request cancellation of a Purchase Order in the finance system, and the employee who arranged the cancellation must ensure that they advise the supplier in writing of the order cancellation.

### **7.3.6 Open-ended Purchase Orders**

Council staff are **not** to use old Purchase Orders, or “open-ended” Purchases Orders, to cover various purchases over a period of time without prior approval from the Chief Executive Officer. A Purchase Order must contain details of the specific project/job/task that the purchase relates to, so that tracking quantities-on-hand, and reconciliation and acquittals can accurately occur. If a Purchase Order does not contain sufficient detail of the particular project/job/task it relates to, or if a single Purchase Order is being used for purchases over a significant period of time

and/or for multiple projects/jobs/tasks, the Finance staff shall raise this with the financial delegate and Director of Corporate Services, so that new Purchase Orders can be raised as appropriate.

#### **7.4 Confirming Goods Delivered as Ordered**

The employee who arranged the purchase or the financial delegate who approved the Purchase Order will need to sign the duplicate copy to indicate that the goods/services ordered have been received in good order and condition, and then forward the document to the Creditors Officer. Delivery dockets, if received, must also be checked and attached to the Purchase Order. Payment cannot occur where the goods/services ordered are either unavailable or incomplete.

#### **7.5 Creditor Payments**

The Creditor Officer must be provided all tax invoices to be paid. The Creditors Officer will reconcile the Purchase Order duplicate to the tax invoice and arrange payment within the terms of the tax invoice. Payment by electronic funds transfer and cheque will occur on a weekly basis. The payment run shall be authorised by two (2) financial delegates, and any cheques will be signed by two (2) financial delegates.

Statements received from suppliers will be reconciled against tax invoices received to monitor outstanding payments, however payments can only be made on a tax invoice.

#### **7.6 Petty Cash Purchases**

The employee wishing to make a purchase from petty cash shall see Council's Receptionist or Administration Officer to request money and a petty cash voucher from the locked petty cash box. The employee making the purchase will need to complete the petty cash voucher (including the relevant job cost code), attach the tax receipt to the voucher, and hand this to the Receptionist/Administration to place in the petty cash box, awaiting the reconciliation. The petty cash reconciliation and reimbursement will be performed monthly.

#### **7.7 Reimbursements to Employees**

Reimbursements claimed by an employee will be paid to the employee through the creditors system or payroll, upon submission of a completed Payment Request Form with the relevant receipts attached. The Payment Request Form must contain sufficient information to allow the expense to be matched to the business activity (e.g. if claiming reimbursement of a taxi fare, the employee would provide a brief description of the conference/training/meeting that the expense relates to).

Reimbursement cannot be made based on EFTPOS receipts. A tax receipt must be provided in order for an employee to be reimbursed. Tax receipts are necessary for information and auditing purposes (i.e. EFTPOS receipts do not give all relevant details of a purchase). The tax invoice/receipt must contain:

- the words "Tax Invoice" or "Tax Receipt" displayed prominently;
- the date of issue of the invoice/receipt;
- the name of the supplier;
- the Australian Business Number (ABN) of the supplier;
- a description – including quantity – of the items supplied (note – a general description such as "goods" is inadequate); and
- the price of the goods/services, including Goods and Services Tax (GST) if applicable, and which particular goods/services the GST relates to.

There should be no unexpected reimbursements to employees. Reimbursements should be as outlined within Council's Certified Agreements (e.g. boot reimbursement) or Policies and Procedures. Where the expenses have been incurred as part of a training program (e.g. meal or travel reimbursement), the employee should have included the estimated expenses on the Training Application Form when they applied to conduct the training. Employees should liaise with their supervisor in advance so that they are aware to expect the expenses and their approximate amounts.

It is important that Council's finance staff receive claims for reimbursement promptly, so that financial records can be reconciled promptly and accurately. To facilitate this, claims for reimbursement are to be submitted by an employee within six (6) weeks of the date that the expense was incurred.

## **8. QUOTES, TENDERS AND CONTRACTS**

### **8.1 Employee versus Contractor**

Prior to commencing contractual arrangement activities as outlined in this Policy, management must first determine whether they are seeking to appoint an employee or a contractor. A worker is not necessarily a contractor just because they have an Australian Business Number or specialist skills, or are only needed to work at certain times.

Council's taxation, superannuation and other government obligations will vary depending on whether a worker is an employee or contractor. The supervisor responsible for the employee/contractor will need to keep records to support the decision on whether the worker is an employee or contractor and the facts relied on to make the decision.

Free advice regarding the employee versus contractor relationship is available from the Australian Taxation Office.

### **8.2 Internal Request**

Just as for the hiring of an employee, there needs to be a written request and approval process for the hiring of a contractor, to ensure due process and budgeting. A supervisor may request to commence a contractual arrangement by completing a Recruitment Request Form, a memorandum, or some other written means (e.g. part of an approved project management plan). The supervisor will need to provide and demonstrate the estimated costs (in relation to the available budget), services to be performed, expected length of need for a contractor, and performance standards/key performance indicators/milestones that will need to be met. The sourcing of a contractor cannot commence until the written request has been approved by either the Director of Works or the Chief Executive Officer.

Where possible, the proposed contractor agreement should be drafted at the internal request stage and approved in principle by the delegate (refer to Section 8.4). The contractor agreement can then be made available to interested parties during the quotation/tender process.

### **8.3 Requirement for Quotes and Tenders**

#### **8.3.1 Up to \$15,000 Value**

Where a Council employee is considering making a purchase of a good or service up to and including the value of \$2,500 (exclusive of GST), there is no requirement to obtain written quotes, provided that the sound contracting principles and the local government principles are adhered to.

Where a Council employee is considering making a purchase of a good or service which costs more than \$2,500 and less than \$15,000 (exclusive of GST), at least two (2) written quotes must be obtained. After obtaining the quotes, the employee will complete a Quotation/Tender Outcome Form (including explaining why a lower quote is not the preferred quote, if this is the

case), attach all of the written quotes and forward this along with the Purchase Order to the financial delegate to approve.

### **8.3.2 Above \$15,000 Value**

Council staff are required to comply with the default contracting procedures set out in Chapter 6, Parts 3 and 4 of the *Local Government Regulation 2012*. Part 3 primarily outlines the requirement and process for entering into:

- a medium-sized contractual arrangement (a contractual arrangement with a supplier that is expected to be worth \$15,000 [exclusive of GST] or more but less than \$200,000 in a financial year or over the proposed term of the contractual arrangement); and
- a large-sized contractual arrangement (a contractual arrangement with a supplier that is expected to be worth \$200,000 [exclusive of GST] or more in a financial year or over the proposed term of the contractual arrangement).

A summary of the process is provided in Section 7.1 of this Policy.

For medium and large-sized contractual arrangements, the 'expected value' is the total expected value of all of Council's contracts with the supplier for goods and services of a similar type under the arrangement.

Tenders (i.e. for large-sized contractual arrangements) will be conducted in accordance with Council's Probity Plan for Tenders. Tenders will be advertised as directed by the Chief Executive Officer or their delegate, and will typically be advertised in The Townsville Bulletin, The Courier Mail, on Council's website, and locally circulated media (e.g. school newsletter, Council's community newsletter).

### **8.3.3 Decision and Documentation Requirements**

In accordance with Chapter 6, Part 3 of the *Local Government Regulation 2012*, Council must accept the quote or tender most advantageous to it, having regard to the sound contracting principles.

If the tender process relates to a large-sized contractual arrangement (refer to Section 8.3.2), at least two (2) appropriate management representatives (typically the Chief Executive Officer, Director of Works and Director of Corporate Services) shall:

- where the tender is of a capital nature – make a recommendation to a Council Meeting of which tender to accept, to be decided by Council resolution; or
- where the tender is of an operational nature – form a panel to select a preferred tender submission.

If management is recommending or deciding to accept a quote or tender that is not the lowest quote/tender, a written explanation for this must be provided on the Quotation/Tender Outcome Form, to be attached with the quotes/tenders and the Purchase Order (if applicable). This must be kept for auditing purposes.

Alternatively, Council may decide not to accept any quote or tender it receives. A reason for this shall be noted and kept with the quotes and other appropriate documentation. Where the employee believes (or reasonably should believe) that the quote does not represent a fair price, they shall investigate the reason for the quoted price (e.g. inclusions, additional charges, ongoing support/maintenance service).

As outlined in Section 8.7, workplace health and safety requirements have to be adequately taken into account for the selection and management of a contractor. Where a contractor is

unable to demonstrate appropriate management of workplace health and safety issues, their tender/quote may be discounted on those grounds.

In extraordinary circumstances (e.g. very particular goods/services are being sought), it may not be practical to invite at least three (3) persons who Council considers can meet Council's requirements at competitive prices, to submit quotes (i.e. for a medium-sized contractual arrangement). In such circumstances, this must be recorded in writing, attached to the Purchase Order/recommendation, and retained for auditing purposes.

Council must also comply with the requirement to publish details of contractual arrangements worth \$200,000 or more (exclusive of GST) as soon as practicable after entering into a contractual arrangement. The relevant details of the contractual arrangement must be published on Council's website and in a conspicuous place in the Council administration office for at least twelve (12) months (refer to Chapter 6, Part 4 of the *Local Government Regulation 2012*). The details to be published are the person with whom Council has entered into a contractual arrangement; the value of the contractual arrangement; and the purpose of the contractual arrangement (e.g. the particular goods or services to be supplied under the contractual arrangement).

### **8.3.4 Exceptions Where Quotes and Tenders are not Needed**

Council may in certain circumstances not be required to obtain written quotes or tenders for a medium or large-sized contractual arrangement, as specified by the *Local Government Regulation 2012*. Examples include:

- after advertising for expressions of interest to create an approved contractor list;
- after advertising for tenders to create a pre-qualified suppliers register;
- by entering into a contract for goods or services if the contract is entered into under an Local Government Arrangement (e.g. LGAQ Ltd);
- if it is resolved at a Council Meeting that the Council is satisfied that there is only one (1) supplier who is reasonable available;
- the contract is for the purchase of second-hand good;
- the contract is made with, or under and arrangement with, a government agency.

### **8.4 Contractual Arrangement Requirements**

After successful completion of the quotation/tender process, the supervisor of the contractor will draft a robust written contract for the delegate's approval (or this may be done prior to the quotation/tender process, as described in Section 8.2). The written contract will include detailed specification of works/services to be performed, cover all quality assurance requirements, workplace health and safety requirements (refer to Section 8.7), insurance and worker's compensation requirements, indemnity, performance standards/key performance indicators/milestones, termination processes, Council Policies/Procedures which will apply to the contractual arrangement, and other relevant details (refer to Section 8.5).

Regardless of the value of a contract, no contractor agreement will exceed a period of three (3) years unless a longer contract period is approved by Council resolution after considering management's recommendation regarding financial and other implications. Approaching the expiry date of a contractor agreement, Council will review its operational needs and may invite quotes, tenders etc in accordance with this Policy to put a new contractor agreement in place. (Note – this section cannot override any legislation which requires a shorter contract period).

The supervisor will ensure the contract is signed and returned within an appropriate timeframe and with appropriate evidence (e.g. copy of workers' compensation insurance certificate; copy of public liability insurance).

The supervisor of the contractor must ensure that they and the contractor comply with Council's Contractor Control Procedure for all contractor arrangements and tender processes.

## **8.5 Contractor Performance Issues**

If a contractor fails to comply with their contractor agreement (which may include a breach of the contractor agreement, failure to adhere to legislative requirements or a Council Policy/Procedure) the relevant supervisor will liaise with their Director/Manager on the matter, and action as outlined in the contractor agreement may be taken. This would typically be a written requirement to cease work and/or rectify a non-compliance within a stipulated period. Where there are workplace health and safety concerns, work can only recommence after the supervisor is satisfied that adequate risk controls are in place to avoid risk of injury. The supervisor will be responsible for follow-up and review, and if the non-compliance continues, the supervisor will liaise with their Director/Manager regarding further appropriate action. A contractor's poor performance, including one-off instances or continuous breaches of contract or associated requirements (e.g. workplace health and safety), may lead to the termination of a contract and failure of not being awarded any further contract work.

A review of the performance of the contractor and the work undertaken will typically be conducted at milestones, prior to the completion of the work, and as part of an annual review.

## **8.6 Induction Requirements**

Just as for the commencement of an employee, Council staff may need to prepare for the commencement of a contractor by performing a general induction, workplace health and safety induction and site induction; creating a new email address and access to software systems; communicating the contractor's commencement to staff and stakeholders etc.

## **8.7 Workplace Health and Safety Requirements**

### **8.7.1 Council Requirements**

Under the *Workplace Health and Safety Act 2011* and *Workplace Health and Safety Regulation 2011*, both Council and the contractor are defined as the 'person in control of a business or undertaking' for the contract services and therefore both Council and the contractor have a duty to eliminate or minimise, as far as reasonably practical, the risks to health and safety in the workplace. Council therefore needs to ensure appropriate selection, management and monitoring of contractors engaged by Council, to ensure that its contractors carry out their work safely. Accordingly, the Council employee involved in the appointment and management of a contractor shall ensure that they adhere to Council's Contractor Control Procedure and associated template forms. These documents outline supervisors' responsibilities to select and manage contractors with appropriate consideration of workplace health and safety requirements and issues. The supervisor responsible for the contractor shall ensure that workplace health and safety issues are identified, assessed and managed during all phases of the contract delivery (from concept to completion).

Contractors will only be selected where they demonstrate appropriate workplace health and safety management capability – for instance:

- the contractor provides evidence of workplace health and safety procedures covering the contractor's planned work activities and operations in accordance with the legislation, including risks assessment and management;
- the contractor provides evidence that they will be able to comply with Council's workplace health and safety Policies and Procedures;

- the contractor provides Safe Work Method Statements as appropriate;
- the contractor provides evidence that they hold appropriate insurance coverage (e.g. provide certificates of currency demonstrating that the contractor holds no less than \$15 million coverage for workers' compensation and public liability);
- the contractor meets other appropriate workplace health and safety requirements as outlined in Council's Contractor Control Procedure.

The supervisor shall:

- identify and incorporate into the written contractor agreement the foreseeable workplace health and safety issues relevant to the contract;
- identify the specific workplace health and safety requirements related to the contract, and consult and communicate with the contractor regarding these requirements;
- conduct a pre-contract assessment and approval of the contractor's risk assessment and proposed management of workplace health and safety;
- ensure that the contractor completes risk assessments and provides Safe Work Method Statements (as appropriate);
- ensure that the contractors have been inducted in Council's workplace health and safety Policies and Procedures, and behavioural expectations (including Council's Drug and Alcohol Policy and Procedure);
- ensure that all contractors have appropriate tickets, licences and qualifications (including that they must present their White Card as appropriate – construction industry induction certification);
- complete and maintain the Induction Checklist;
- familiarise the contractor with the work site, and inform contractors of site specific hazards that they may potentially be exposed to, and ensure the contractor's proposed work methods do not place them, their workers, the Council's workers, or others at risk;
- provide all information required under the *Work Health and Safety Act 2011* and *Work Health and Safety Regulation 2011* that is required to be provided to a principal contractor for a construction project (as applicable);
- ensure that stakeholders will be advised in advance of work being performed in their area (if applicable);
- check, monitor and audit the contractor's performance and documentation;
- ensure that any equipment used by the contractor is in safe working order by requesting their plant register, maintenance records etc;
- ensure that the contractor has obtained or issued permits and/or licences required by legislation for the work to be undertaken (e.g. confined space entry permit; high risk construction licences);
- ensure that personal protective equipment (PPE) is provided if required; and
- act on identified non-compliance of contractors.

## 8.7.2 Contractor Requirements

All contractors must:

- comply with the legislation, associated regulations, codes of practice and Australian Standards relevant to any work, including construction work, undertaken by them;
- comply with Council's workplace health and safety Policies and Procedures and any other relevant workplace Policies/Procedures;
- ensure that they and their staff/sub-contractors have the necessary qualifications, training, experience and certificates of competency required for the work;
- provide a risk assessment and proposed management of workplace health and safety in the workplace;
- ensure Job Safety Analysis or Safe Work Method Statements have been completed as appropriate;
- provide relevant workplace health and safety information to Council when requested;
- develop site-specific procedures relevant to site hazards and work activities at the workplace;
- ensure they and their staff/sub-contractors successfully complete Council's induction process;
- ensure that the general construction induction has been provided to workers as required and that general construction induction training cards ('White Cards') are held;
- maintain the Council's workplace in a safe manner and not place themselves or others at risk of injury;
- obtain or issue permits and/or licences required for the work to be undertaken (e.g. a confined space entry permit; any licences required for high risk construction);
- supervise sub-contractors;
- ensure that PPE is provided and worn if required;
- report any incidents, injuries, near misses, or workplace health and safety non-compliances or contractor agreement non-compliances to the Council;
- communicate with the Council supervisor regularly;
- raise with the Council supervisor any issue that is, or may become, a hazard;
- consult, coordinate and cooperate with the Council on workplace health and safety issues;
- participate in a review of contract performance if requested.

### Principal contractor

For any construction project, the Council will appoint a principle contractor, or will act as principle contractor itself.

The principal contractor is responsible for the construction project at all times until it is completed.

The principal contractor will:

- comply with the legislation, associated regulations, codes of practice and Australian Standards in relation to the construction project, including but not limited to:
  - arranging completion, collection, assessment, monitoring and review of Safe Work Method Statements;
  - installing signage which is clearly visible from outside the workplace and states the principal contractor's name and contact details and location of the site office (if any);
  - preparing a workplace health and safety management plan before work commences in relation to the construction project, and review the plan if appropriate;
  - inform all persons who will carry out construction work in relation to the construction project of the content of the workplace health and safety management plan;
  - the management of risks associated with the storage, movement and disposal of waste and construction material; storing plant that is not in use; essential services;
- comply, and ensure compliance, with the Council's workplace health and safety Policies and Procedures and any other relevant workplace Policies/Procedures;
- obtain or issue permits and/or licences required for the work to be undertaken (e.g. a confined space entry permit; any licences required for high risk construction);
- maintain the Council's workplace in a safe manner and not placing themselves or others at risk of injury;
- supervise contractors and sub-contractors;
- ensure that PPE is provided and worn if required;
- ensure they and their staff/sub-contractors successfully complete Council's induction process;
- report any incidents, injuries, near misses, or workplace health and safety non-compliances or contractor agreement non-compliances to the Council;
- raise with the Council supervisor any issue that is, or may become, a hazard;
- consult, coordinate and cooperate with the Council on workplace health and safety issues;
- participate in a review of contract performance if requested.

Where an external contractor is appointed as a principal contractor by the Council, it should be clearly stated in the contract specification. Where the Council is acting as the principal contractor, it should be documented within the project file or other supporting documentation.

## **9. DOCUMENTATION AND REPORTING**

Documentation relating to procurement activities must be registered in Council's electronic records management system, InfoXpert, as appropriate. This includes contractor agreements and delegations. The delegations information must also be freely available for public inspection.

Council employees involved in procurement activities must obtain and retain written quotes, and notes justifying why a procurement decision was made, as outlined in this Policy.

Financial delegates and finance staff who have concerns that this Policy is not being adhered to shall raise the issue with the relevant employee and/or their supervisor as appropriate.

## 10. POLICY/LEGISLATION BREACHES

A breach of this Policy or the relevant legislation by an employee may result in removal of their financial/contractual delegations, and may also result in disciplinary action being taken against the employee in accordance with Council's Discipline Procedure. Where an employee has made a purchase without proper Council authorisation as outlined in this Policy, the employee may also be liable for the cost of the purchase.

Where an employee is suspected of fraud, embezzlement or theft, this may be reported to an external agency (e.g. Queensland Police Service; Crime and Corruption Commission).

## 11. DEFINITIONS

**Conflict of Interest** – a situation in which a public official's decisions are influenced by their personal interests (e.g. to bring benefit to themselves, or to intentionally choose to bring benefit or detriment to another person for their own gratification).

**Contractual Arrangement** – where an agreement is in place for an individual/entity to provide a service, provide materials or otherwise deliver outcomes to Council in return for remuneration, where the relationship between the individual/entity and Council is not an employment relationship.

**Employee** – for the purposes of this Policy, "employee" will refer to those persons covered by the Scope of this Policy.

**Local Supplier** – a supplier which:

- is known to be beneficially owned by persons who are residents or ratepayers in the Richmond Shire; or
- is known to have its principal place of business within the Richmond Shire; or
- otherwise is known to have a place of business within the Richmond Shire which solely or primarily employs persons who are residents or ratepayers of the Shire.

**Management** – for the purpose of this Policy, "management" refers to all supervisory staff.

**Non-Local Supplier** – a supplier which does not meet the definition of a local supplier.

**Personal Expenses** – any expenditure which is not directly related to the Council's business operations and activities.

**Procurement** – the purchase, hire, lease, rental, exchange or any other commercial transaction involving the outlay of funds in return for the provision of goods and/or services.

**Supervisor** – a person in control of a workplace and staff.

## 12. REFERENCES

*Local Government Act 2009.*

*Local Government Regulation 2012.*

## 13. ASSOCIATED POLICIES/FORMS

Corporate Credit Card Policy.

Probity Plan for Tenders.

Contractor Control Procedure.

Procurement Policy

Payment Request Form.

Creditor Details Form.

Quotation/Tender Outcome Form.

#### **14. IMPLEMENTATION**

This Policy will commence from the Approval Date (see Section 15). This Policy replaces all other Purchasing or Procurement Policies or Procedures of Richmond Shire Council (whether written or not).

This Policy will be made available to all corporate staff on Council's intranet site/network, and to all outdoor staff at the Depot and via their supervisor/coordinator. Council reserves the right to vary, replace or terminate this Policy from time to time. This Policy will be reviewed annually in accordance with Section 198 of the *Local Government Regulation 2012*. This Policy will otherwise be reviewed if Policy changes have been identified as appropriate (e.g. following an audit), if related Policies/Procedures or references change, or when legislative requirements change.

#### **15. APPROVAL**

Review and adopted at the Budget Council Meeting held on 26<sup>th</sup> July 2021.