



## ESC – S006 Procurement Policy & Appendix 1 - 4

### POLICY VERSION AND REVISION

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## 1. BACKGROUND & CONTEXT

This policy document sets out Etheridge Shire Council's policy for the acquisition of goods and services and carrying out of the procurement principles. This policy applies to the procurement of all goods, equipment and related services, construction contracts and service contracts (including maintenance) as well as the disposal of valuable non-current assets.

All of Etheridge Shire Council's purchases must be carried out in compliance with the Local Government Regulation 2012, in particular Chapter 6 – Contracting, Part 3 – Default Contracting Procedures.

## 2. PURPOSE & SCOPE

Acquisition of goods and services and carrying out the procurement principles applies to the procurement of all goods, equipment and related services, construction contracts and services contracts (including maintenance).

## 3. DEFINITIONS

Chief Executive Officer	Person appointed to or acting in the position of Chief Executive Officer.
Director Corporate Services	Person appointed to or acting in the position of Director Corporate Services
Very Small – Sized Contract	Is a contract worth \$1.00 or more but less than \$1,500 (Exclusive of GST)
Small – Sized Contract	Is a contract worth \$1,500 or more but less than \$21,000 (Exclusive of GST)
Medium – Sized Contract	Is a contract worth \$21,000 or more but less than \$280,000 (Exclusive of GST)
Large – Sized Contract	Is a contract worth \$280,000 or more (Exclusive of GST)
Valuable Non – Current Asset Contract	Is a contract for the disposal of: - - Land; or - A valuable non-current asset of a value of \$7,000 (for plant or equipment) or \$14,000 for any other class of non-current asset.

## 4. POLICY PROVISIONS

### DEFAULT CONTRACTING PROCEDURES TO APPLY

Part 3, Chapter 8 of the *Local Government Regulation 2012* relates to the Default Contract Procedures. The default contracting procedures is Council's preferred procurement model and is to be followed by staff unless Council resolves otherwise.

### SOUND CONTRACTING PRINCIPLES

Council officers must have regard to the following procurement principles in all purchasing activities, which is in accordance with Section 104 (3) of the Local Government Act 2009:

**a) *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.

**b) *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; and
- (ii) Fitness for purpose, quality, services and support; and
- (iii) Whole-of-life costs including costs of acquiring, using, maintaining and disposal; and
- (iv) Internal administration costs; and
- (v) Technical compliance issues; and
- (vi) Risk exposure; and,
- (vii) The value of any associated environmental benefits.

**c) *The development of competitive local business and industry***

Council encourages the development of competitive local businesses within the Etheridge Shire Region, and within the North Queensland region.

Where price, performance, quality, suitability and other evaluation criteria are comparable, the following areas may be considered in evaluating offers:

- (i) Creation of local employment opportunities;
- (ii) More readily available servicing support;
- (iii) More convenient communications for contract management;
- (iv) Economic growth within the local area;
- (v) Benefit to Council of associated local commercial transaction.

**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.

Where a tenderer or contractor approaches either a Councillor or staff member and improperly attempts to influence a recommendation or the awarding of work, the tenderer or contractor shall be disqualified from the tender and not be allocated work.

## **TRANSACTIONS WHERE PURCHASE ORDERS ARE NOT REQUIRED**

Purchase Orders are an important requirement of the procurement process. There are some instances where purchase orders are not required when procuring a good or service.

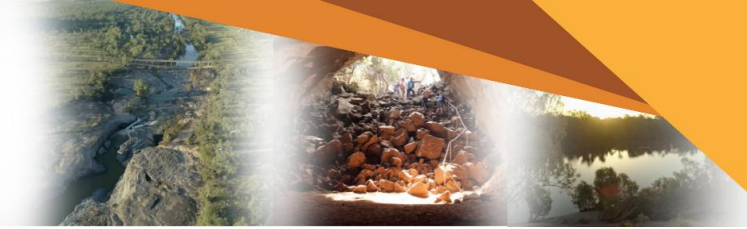
These are as follows:

- (a) Purchases through Petty Cash
- (b) Purchases using Corporate Credit Card
- (c) Employee reimbursements
- (d) Recurring payments through one supplier – E.g. Insurance, Registration, electricity, telephone, finance costs and government charges (See Appendix 1 for more detail)

Where possible, employees must still have regard to the sound contracting principles and obtain the requisite number of quotations for the value of the procurement.

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## **PURCHASES UNDER \$1,500.00 (VERY SMALL SIZED CONTRACT)**

Etheridge Shire Council Officers must adhere to the following when entering into a contract for the acquisition of goods or services for less than \$1,500.

- (a) 2 verbal quotes are to be requested where practicable
- (b) The invoice or sales docket must be obtained and attached to the purchase order.
- (c) Details of all offers must be retained for audit purposes.
- (d) Authorisation for the purchase must be signed by the relevant staff member within their authorization / approval level.
- (e) Quality Assurance requirements are to be considered.

## **PURCHASES BETWEEN \$1,500.00 AND LESS THAN \$21,000.00 (SMALL SIZED CONTRACT)**

Etheridge Shire Council Officers must adhere to the following when entering into a contract for the acquisition of goods or services for greater than \$1,500 and less than \$21,000.

- (a) Two written quotes are to be requested for the supply of goods and services in question unless a Standing Offer Arrangement is in place.
- (b) Details of all offers must be retained for audit purposes, with written quotes attached.
- (c) Reasons for not accepting the lowest offer should also be noted with the detail of offers.
- (d) Authorisation for the purchase must be signed by the relevant staff member within their authorization / approval level.
- (e) Quality Assurance requirements are to be considered.
- (f) Detailed specifications of the goods or services are required to be provided if this becomes necessary for complicated orders.
- (g) Where purchase contracts are for professional services and the cost of those services cannot be readily determined before the work is done there is no requirement for a fixed price to be determined prior to entering into the contract subject to the Chief Executive Officer authorizing the contract. If the contract is for specific work done on a time basis or by kilometre completed or some other fixed measurement, the contractor should provide the rate they will charge for each unit.

## **PURCHASES BETWEEN \$21,000.00 AND LESS THAN \$280,000.00 (MEDIUM SIZED CONTRACT)**

The Local Government Regulation 2012, S.225 requires that Council undertake the following requirements:

- a) Council cannot enter into a medium-sized contractual arrangement without first inviting written quotes for the contract.
- b) The invitation must be given to at least 3 persons who the local government considers can meet the local government's requirements at competitive prices.
- c) The local government may decide not to accept any of the quotes it receives, and the reasons for non-acceptance should be noted on the quote.
- d) However, if the local government does decide to accept a quote, the local government must accept the quote most advantageous to it having regard to the sound contracting principles.
- e) Detailed specifications of the goods or services are required to be provided if this becomes necessary for complicated orders.
- f) Where purchase contracts are for professional services and the cost of those services cannot be readily determined before the work is done there is no requirement for a fixed price to be determined prior to entering into the contract subject to the Chief Executive Officer authorizing the contract. If the contract is for specific work done on a time basis or by kilometre completed or some other fixed measurement, the contractor should provide the rate they will charge for each unit.



Records of offers received must be kept on file.

## **PREFERENCE FOR LOCAL SUPPLIERS**

In relation to procuring goods and services for a small to medium sized contracts (\$1 to \$280,000), Council will investigate opportunities from the local area first, the FNQ and the Gulf Region second and then from other regions as appropriate. However, Council officers must have regard to the following sound contracting principles stated above.

## **PURCHASES ABOVE \$280,000.00 (LARGE SIZED CONTRACT)**

Council refers to and complies with the Local Government Regulation 2012, Section 226 which states that a local government can not enter into a large-sized contract unless the local government first invites written tenders for the contract under Section 228 of the Local Government Regulation 2012.

## **ADVERTISING OF TENDERS AND OR EXPRESSIONS OF INTEREST**

All tenders and or expressions of interest will be advertised in the Inform Newsletter distributed locally by Etheridge Shire Council. In addition to the Inform Newsletter all Tenders and or Expressions of Interest will be advertised on Council's website.

Council will also publicly advertise Tenders and or Expressions of Interest in newspapers circulating within the area(s) from which suppliers are reasonably likely to be sourced from.

Tenders and or Expressions of Interest may also be advertised on electronic platforms, such as Vendor Panel, QTenders and the like.

All advertisements must:

1. Provide the contact details of Council where full and complete information can be obtained;
2. Include the date and time that tenders are required to be received and the address to which they are to be sent;

Council must follow its internal Tender processes for the review of tenders and to decide on which tender to accept.

## **PUBLISHING DETAILS OF CONTRACTS WORTH \$200,000 OR MORE**

The Local Government Regulation 2012, Section 237 states that a local government must, as soon as practicable after entering into a contract worth \$200,000 (exclusive of GST) plus CPI or more must:

- (a) Publish relevant details of the contract on the local government's website; and
- (b) Display relevant details of the contractual arrangement in a conspicuous place in the local governments public office.

Relevant details must be published or displayed for a period of at least 12 months.

Relevant details of a contract means the following –

- (a) The person with whom the local government has entered into the contract;
- (b) The value of the contract;
- (c) The purpose of the contract.

## **OTHER EXCEPTIONS**

Council may enter into medium-sized and large-sized contracts without first inviting written quotes or tenders under sections 230 to 235 of the Local Government Regulations 2012 where:

1. The procurement contract is entered into under a quote or tender consideration plan (S230)
2. Contractor is on an approved contractor list (S231)

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3. Supplier is on a register of pre-qualified suppliers (S232)
4. The supplier is on a preferred supplier arrangement (S233)
5. The contract is entered into under an LGA arrangement (S234)
6. Another exemption exists under S235: -
  - Council resolves that: -
    - It is satisfied there is only 1 supplier reasonably available to it;
    - Because of the specialised or confidential nature of the services sought it would be impractical or disadvantageous to invite quotes.
  - A genuine emergency exists;
  - the purchase of goods at or by way of auction;
  - the supply of second-hand goods
  - the contract is made with, or under an arrangement, with a government entity.

## **DISPOSAL OF VALUABLE NON-CURRENT ASSETS**

Council may, by resolution, decide to dispose of a valuable non-current asset (other than land) by a method other than tender or auction where Council is satisfied the method represents value for money and complies with the sound contracting principles.

## **EVALUATION OF OFFERS**

The evaluation of offers must take into account the technical performance of the product, the service being provided, and the value obtained for money spent and the risks associated with the requirement from the respective tenderers.

Officers involved in the quotation / tender evaluation must treat each offer fairly and equitably on the basis of the criteria established in the specification and there should be no changes to the criteria by revising those elements considered as mandatory requirements or giving special weightings to other factors not declared in the original documents.

For contracts over \$280,000 the selection criteria and the decision process are to be fully documented in the detailed specification of the goods and services required. The Chief Executive Officer shall evaluate the tenders, in conjunction with the relevant Department Director, if necessary, with a recommendation being put to Council for approval.

## **DELEGATIONS**

Purchases, including requisitions, must be authorised by an appropriately authorised staff member (refer to Appendix 2 for list of positions and delegated purchasing limits). The delegated authority limits is issued by the Chief Executive Officer in accordance with the Local Government Act 2009 and Local Government Regulations 2012.

## **PROCUREMENT OF ITEMS WHERE NO BUDGET LINE EXISTS OR EXCEEDS BUDGET VALUE**

Procurements must be in accordance with Corporate and Operational Plan outcomes and within budget allocations. All purchases must be charged against a budget allocation. Where procurements exceed budget allocations (either individually or collectively) guidance must be sought from the responsible Director or the Chief Executive Officer, before proceeding with the supply.

## **VARIATION TO CONTRACTS**

Any contract variation must be documented and approved by the original requisitioner approver or an officer with a higher Delegation of Authority.

## **CONFLICT OF INTEREST**

All employees who have influence over contractor engagement or other procurement activities must observe their statutory duties under S13 of the *Local Government Act 2009* and Council's Code of Conduct. Additionally, all employees involved in the assessment of tenders must complete a Conflict of Interest declaration form attesting that they do not have any conflict of interest in that purchasing decision.

## **RATIONALE FOR GUIDELINES:**

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

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- (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.

## 5. AUTHORITIES AND ACCOUNTABILITIES

Council officers responsible for purchasing goods and services must comply with this policy. It is the responsibility of Council officers involved in the procurement process to understand the meaning and intent of this policy, and if in doubt, seeking guidance from their supervisor / Director.

Only the Council officers who have received a delegation from the Chief Executive Officer are entitled to sign requisitions, and then only in accordance with their financial delegation limits. By signing a requisition/ purchase order all officers are confirming that they have taken full notice of this policy and will comply with all of the requirements of this policy.

It is the responsibility of the Chief Executive Officer and the appointed Director of Corporate Services and Director of Engineering Services for communicating, implementing, and enforcing the Policy, with any breaches dealing with this policy will be the responsibility of the Chief Executive Officer.

## 6. RELATED DOCUMENTS

Local Government Regulation 2012 – Chapter 6 Contracting, Part 3 Default Contracting Procedures.

**Appendix 1** – Non-Purchase Orders List

**Appendix 2** – Delegation of Authority List

**Appendix 3** – Exception for contractor on approved contractor list

**Appendix 4** – Tender Process



## 6.1. APPENDIX 1

### TRANSACTIONS WHERE PURCHASE ORDERS ARE NOT REQUIRED

- Petty cash
- Fuel (Executive Vehicles only – as per Motor Vehicle Policy)
- Reimbursing employee purchases (travel expenses, work wears, ...)
- Printer postage and meter read
- Venies Fruit & Vegies (Office/ Depot Milk)
- Australia Post
- Telstra
- Ergon
- Traineeship / Apprenticeship costs relating to and auspiced under the Training Contract between Council, the Registered Training Organisation, State Government and Traineeship / Apprenticeship Broker.
- Hostel Expenses (Food and Supplies)
- Terrestrial Commissions
- Vehicle Registrations
- Subscriptions
- Statutory charges
- Bounty Fees
- Shire Networks
- Practical Plus
- Asset Edge
- GIS
- LGM Liability
- LGM Assets
- LGW Workcare
- Magiq (Infoxpert)
- Nextgen Wireless Pty Ltd (monthly internet access for 4 x Satellite Trailers)



## 6.2. APPENDIX 2

**SUBJECT: FINANCIAL AND PROCUREMENT DELEGATIONS**

**POWER DELEGATED:**

Financial delegation to incur expenditure on behalf of the Council.

**PROVISION OF A LOCAL GOVERNMENT ACT PERMITTING OR REQUIRING THE EXERCISE OF THE POWERS:**

Section 259 of the Local Government Act 2009.

**POSITIONS DELEGATED WITH AUTHORITY:**

**OFFICE OF CHIEF EXECUTIVE OFFICER**

Chief Executive Officer \$200,000 or as per Council resolution

Executive Assistant to the Chief Executive Officer \$ 5,000.00

Workplace Health & Safety Advisor \$10,000.00

**CORPORATE SERVICES**

Director Corporate Services \$100,000.00

Finance Manager \$50,000.00

Senior Finance Officer \$20,000.00

Purchasing / Stores Officer \$20,000.00

IT Officer \$15,000.00

Manager Terrestrial Centre \$5,000.00

Director of Childcare \$5,000.00

Administration / Finance Officers (limited to Office consumables & catering) \$100.00

**ENGINEERING SERVICES**

Director Engineering Services \$100,000.00

Works Manager \$50,000.00

Water & Town Supervisor \$30,000.00

Asset and Plant Manager \$30,000.00

Construction / Works Supervisor \$15,000.00

Maintenance / Works Supervisor \$15,000.00

RMPC Ganger / Supervisor \$15,000.00



## SUMMARY OF CONDITIONS RELATING TO THE DELEGATION:

1. Expenditure is provided for in Council's approved budget;
2. Expenditure may only be incurred on items within the area of responsibility of the person to whom the financial delegation is granted.
3. The manner in which authorised persons may incur expenditure for purchase cards will be in line with the approved operating procedures for purchase cards.
4. Payment may only be authorised following certification that the goods/services have been received and are for the use of the Etheridge Shire Council.



## 6.3. APPENDIX 3

Local Government Regulation 2012 – Section 231-235

### 230 Exception for contractor on approved contractor list

- (1) This section applies to a medium-sized contractual arrangement or large-sized contractual arrangement for services.
- (2) A local government may enter into the contract without first inviting written quotes or tenders if the contract is made with a person who is on an approved contractor list.
- (3) An **approved contractor list** is a list of persons who the local government considers to be appropriately qualified to provide the services.
- (4) The local government must put together the approved contractor list by—

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- (a) Inviting expressions of interest from suitably qualified persons, by an advertisement in a newspaper that circulates generally in the local government area; and
- (b) Allowing expressions of interest to be given to the local government for at least 21 days after the invitation is advertised; and
- (c) Choosing persons for the approved contractor list on the basis of the sound contracting principles.

### 231 Exception for register of pre-qualified suppliers

- (1) This section applies to a medium-sized contractual arrangement or large-sized contractual arrangement for the supply of goods or services.
- (2) A local government may enter into the contract without first inviting written quotes or tenders if the contract is entered into with a supplier from a register of pre-qualified suppliers that is made in compliance with subsections (3) to (6).
- (3) A local government may establish a register of pre-qualified suppliers of particular goods or services only if—
  - (a) The preparation and evaluation of invitations every time the goods or services are needed would be costly; or
  - (b) The capability or financial capacity of the supplier of the goods or services is critical; or
  - (c) The supply of the goods or services involves significant security considerations; or
  - (d) A precondition of an offer to contract for the goods or services is compliance with particular standards or conditions set by the local government; or
  - (e) The ability of local business to supply the goods or services needs to be discovered or developed.
- (4) A local government must invite suppliers to tender to be on a register of pre-qualified suppliers.
- (5) The invitation must—

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- (a) Be made by an advertisement published in a newspaper that circulates generally in the local government area; and



- (b) Allow tenders to be given to the local government for at least 21 days after the advertisement is published in the newspaper.
- (6) When selecting a supplier to be a pre-qualified supplier for the register, the local government must have regard to the sound contracting principles.
- (7) A **pre-qualified supplier** is a supplier who has been assessed by the local government as having the technical, financial and managerial capability necessary to perform contracts on time and in accordance with agreed requirements.

## 233 Exception for a preferred supplier arrangement

- (1) This section applies to a medium-sized contractual arrangement or large-sized contractual arrangement for goods or services if a local government—
  - (a) Needs the goods or services—
    - (i) in large volumes; or
    - (ii) frequently; and
  - (b) Is able to obtain better value for money by accumulating the demand for the goods or services; and
  - (c) Is able to describe the goods or services in terms that would be well understood in the relevant industry.
- (2) A local government may enter into a contract for the goods or services without first inviting written quotes or tenders if the contract is entered into with a preferred supplier under a preferred supplier arrangement that is made in compliance with subsections (3) to (8).
- (3) A local government must invite persons to tender for a preferred supplier arrangement.[s 234]
- (4) The invitation to tender for a preferred supplier arrangement must—
  - (a) Be made by an advertisement in a newspaper that circulates generally in the local government area; and
  - (b) Allow tenders to be given to the local government for at least 21 days after the advertisement is published; and
  - (c) Describe the terms of the preferred supplier arrangement.
- (5) When selecting a person to be a preferred supplier under a preferred supplier arrangement, the local government must have regard to the sound contracting principles.
- (6) The local government must ensure the terms of the preferred supplier arrangement allow the contract to be cancelled for the poor performance of the preferred supplier.
- (7) A preferred supplier arrangement may be entered into for a term of more than 2 years only if the local government is satisfied the longer term will result in better value for the local government.
- (8) For subsection (7), the term of a preferred supplier arrangement includes any period provided for under the arrangement by which the term of the arrangement can be extended.



## 234 Exception for LGA arrangement

- (1) A local government may enter into a contract for goods and services without first inviting written quotes or tenders if the contract is entered into under an LGA arrangement.
- (2) An **LGA arrangement** is an arrangement that—
  - (a) Has been entered into by—
    - (i) LGAQ Ltd.; or  
*Note—*  
See section 287 of the Act.
    - (ii) A company (the **associated company**) registered under the Corporations Act, if LGAQ Ltd. is its only shareholder; and
  - (b) If LGAQ Ltd. or the associated company were a local government, would be either—
    - (i) A contract with an independent supplier entered into under section 232 by LGAQ Ltd. or the associated company; or
    - (ii) A contract with an independent supplier entered into under a preferred supplier arrangement under section 233.
- (3) An **independent supplier** is an entity other than a subsidiary (a **relevant subsidiary**) of LGAQ Ltd. or the associated company under the Corporations Act.
- (4) Despite subsection (2)(b), an **LGA arrangement** may include a contract with a relevant subsidiary from a register of pre-qualified suppliers or a preferred supplier arrangement with a relevant subsidiary if the arrangement is approved by the Minister.
- (5) For deciding whether to approve an LGA arrangement under subsection (4), the Minister—
  - (a) Must have regard to the sound contracting principles; and
  - (b) May ask LGAQ Ltd. or the associated company to give the Minister Information or documents relevant to the arrangement.  
*Examples of relevant information or documents—*
    - information or documents relating to assessment of the relevant subsidiary's suitability to be on the register of pre-qualified suppliers or the tender process for the preferred supplier arrangement
    - information or documents relating to the potential impact of the arrangement on local government employees

[s 235]

## 235 Other exceptions

A local government may enter into a medium-sized contractual arrangement or large-sized contractual arrangement without first inviting written quotes or tenders if—

- (a) The local government resolves it is satisfied that there is only 1 supplier who is reasonably available; or
- (b) The local government resolves that, because of the specialised or confidential nature of the services that are sought, it would be impractical or disadvantageous for the local government to invite quotes or tenders; or
- (c) A genuine emergency exists; or
- (d) The contract is for the purchase of goods and is made by auction; or
- (e) The contract is for the purchase of second-hand goods; or
- (f) The contract is made with, or under an arrangement with, a government agency.



## 6.4. APPENDIX 4

Local Government Regulation 2012 – Sect 228

### Tender process

- (1) This section is about how a local government must invite written tenders for—
  - (a) A large-sized contractual arrangement; or
  - (b) A valuable non-current asset contract.
- (2) The local government must either—
  - (a) Invite written tenders under subsection (4); or
  - (b) Invite expressions of interest under subsection (5) before considering whether to invite written tenders under subsection (6)(b).
- (3) However, the local government may invite expressions of interest under subsection (5) only if the local government—
  - (a) Decides, by resolution, that it would be in the public interest to invite expressions of interest before inviting written tenders; and
  - (b) Records its reasons for making the resolution in the minutes of the meeting at which the resolution was made.
- (4) The invitation for tenders must—
  - (a) Be made by an advertisement in a newspaper that circulates generally in the local government area; and
  - (b) Allow written tenders to be given to the local government for at least 21 days after the advertisement is published.
- (5) The invitation for 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 expressions of interest to be given to the local government for at least 21 days after the advertisement is published.
- (6) If the local government invites expressions of interest under subsection (5), the local government may—

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  - (a) Prepare a short list from the persons who respond to the invitation for expressions of interest; and
  - (b) Invite written tenders from those persons.
- (7) If—
  - (a) An invitation to tender under subsection (4) or (6)(b) states that the local government might later invite all tenderers to change their tenders to take account of a change in the tender specifications; and
  - (b) The local government does change the tender Specifications;

The local government may invite all the persons who submitted a tender to change their tender to take account of the change, before making a decision on the tenders.



- (8) A local government may decide not to accept any tenders it receives.
- (9) However, if the local government does decide to accept a tender, the local government must accept the tender most advantageous to it, having regard to the sound contracting principles.