

CCSP 9 Purchasing Policy



November 2018

This policy was adopted by Council to set governing principles in place that align the strategic direction of the organisation with Goal 4: Vibrant and Diverse Economy and Goal 5: Effective Leadership and Governance of the Community Strategic Plan 2036.

1. Policy

The Shire of Augusta Margaret River (the Shire) is committed to setting up effective and sustainable procedures in relation to all purchasing activities, which align with the principles of transparency, probity and good governance.

Procurement processes and practices to be complied with are defined within the *Local Government Act 1995* (the Act) and Part 4 of the *Local Government (Functions and General) Regulations 1996* (the Regulations) as well as this Policy and the Shire's prescribed procurement procedures.

2. Objectives

The objectives of this Policy are to ensure that:

- Best value for money is attained for the Shire in its purchasing activities, by delivering the most advantageous outcome reasonably possible
- Openness, transparency, fairness and equity are apparent throughout the purchasing process, across all suppliers and potential suppliers of the Shire
- Processes and decision-making are consistent, efficient and promote accountability
- Purchasing activities demonstrate probity and integrity, including the avoidance of bias and of perceived and actual conflicts of interest
- Risks associated with purchasing activities are given due consideration in determining the most appropriate method for purchasing goods, services and works
- Sustainable benefits, such as environmental, social and local economic factors are considered in the overall value for money assessment.

Furthermore, this policy has been created to:

- Comply with the Act and Regulations
- Comply with the *State Records Act 2000* and the Shire's Records Management Policy.

3. Ethics and Integrity

All Officers and employees of the Shire shall observe the highest standards of ethics and integrity in undertaking purchasing activities and act in an honest and professional manner that supports the standing of the Shire.

All purchasing practices shall comply with relevant legislation, regulations, and requirements contained within the Shire's policies, procedures, Code of Conduct and Statement of Purchasing Ethics.

Any actual or perceived conflicts of interest are to be identified, disclosed and appropriately managed.

4. Value for Money

Value for money shall be the overarching principle governing purchasing and is determined through consideration of price, risk and qualitative factors to determine the most advantageous outcome to be achieved for the Shire.

As such, purchasing decisions must be made with greater consideration than obtaining lowest price, but also to incorporating qualitative and risk factors into the decision.

An assessment of the best value for money outcome for any purchasing process should consider the following:

- All relevant whole of life cycle costs and benefits (for goods) and whole of contract life costs and benefits (for services) including transaction costs associated with acquisition, delivery and distribution, as well as other costs such as, but not limited to, holding costs, consumables, deployment, maintenance and disposal
- The technical merits of the goods or services being offered in terms of compliance with specifications, contractual terms and conditions and any relevant methods of assuring quality, including but not limited to an assessment of warranties and guarantees
- Financial viability and capacity to supply without risk of default (competency of the prospective suppliers in terms of managerial and technical capabilities and compliance history)
- The possible risks to the Shire of the transaction
- The safety requirements associated with both the product design and specification offered by suppliers and the evaluation of risk when considering purchasing goods and services from suppliers
- Goods and services being purchased from suppliers that demonstrate sustainable benefits
- Providing opportunities for businesses within the Shire's boundaries to quote for providing goods and services
- Alignment with the objectives and initiatives outlined in the Shire's Overarching Sustainability Policy, and with the Shire's commitment to reduce emissions and taking action on climate change.

5. Purchasing Requirements

5.1 Purchasing from Existing Contracts

Where the Shire has an existing contract in place, it must ensure that goods and services are purchased under this contract to the extent that the scope of the contract allows. When planning the purchase, the Shire must consult its contracts in the first instance before seeking to obtain quotes and tenders.

5.2 Managing Risk

The Shire recognises that the effective management of risk in procuring goods, services and works from external contractors and suppliers is integral to achieving the best procurement outcome and to meet the Shire's Corporate Plan objectives. Risk management shall be applied in accordance with the Shire's Risk Management Policy and Framework.

Assessing business risk is subjective. To assist the assessment process, an affirmative response to any of the following, after consideration of risk mitigation strategies to be utilised, means there is a high risk to the purchase:

- Is there any risk to public safety?

- Could any staff be exposed to health or safety risks?
- Could the financial value of the purchase exceed budget?
- Could the Shire receive any negative publicity by purchasing or using this item?

5.3 Purchasing Process - Requirements

The following purchasing thresholds apply:

Value Risk	Business Risk	Purchasing Requirements	Purchase Category
Up to \$5,000	Low-Medium	Obtain at least one (1) verbal or written quote, or purchase direct from supplier in accordance with the Petty Cash, Credit Card or Store Card procedures.	Category A
	High	Obtain at least one (1) written quotation from a suitable supplier.	Category B
\$5,001 - \$15,000	Low-Medium	Obtain at least one (1) written quotation from a suitable supplier.	Category B
	High	Seek at least two (2) written quotations from suitable suppliers based on a brief specification of the requirement.	Category C
\$15,001 - \$50,000	Low-Medium	Seek at least two (2) written quotations from suitable suppliers based on a brief specification of the requirement.	Category C
	High	Seek at least three (3) written quotations from suitable suppliers based on a brief specification of the requirement.	Category D
\$50,001 - \$150,000	Low-Medium	Seek at least three (3) written quotations from suitable suppliers based on a brief specification of the requirement.	Category D
	High	Seek at least three (3) written quotations from suitable suppliers following a Formal RFQ process, incorporating a detailed specification of the requirement and pre-determined evaluation criteria.	Category E
Over \$150,000	High	Conduct a public Tender process in accordance with the Act and Regulations, subject to the exceptions in Regulation 11(2).	Public Tender or Category E (tender-exempt)

Table 1 – Purchasing Process Requirements

With regards to the above values, note that:

- (i) All values are exclusive of GST
- (ii) All values relate to the total actual or expected cost value of goods or services *over the life of the contract*, including any options to extend.

5.4 Other Considerations

Shire Officers are expected to demonstrate sound judgement in seeking quotations. The number of quotations obtained and level of evaluation required should be determined by having regard not just to the above monetary purchasing thresholds, but also factors such as the nature of the purchase and associated business risk.

Shire Officers may choose to utilise a higher category of purchase methodology than prescribed in the above table, if they deem it appropriate.

Any determination to utilise a lower category of purchasing methodology than prescribed in the above table must be documented in writing and approved by signature of an officer with the required level of delegated authority.

5.5 Inviting Tenders under the Tender Threshold

Where considered appropriate and beneficial, the Shire may consider calling public Tenders in lieu of undertaking a Request for Quotation for purchases under the \$150,000 tender threshold.

Any such determination should be made after considering the benefits of undertaking a public Tender in comparison to the costs, risks, timeliness, regulatory compliance requirements and also whether the purchasing requirement may be satisfied through a pre-qualified panel of suppliers arranged by WALGA, the State Government's Common Use Arrangements (CUAs) or the Shire's preferred supplier panel arrangements.

Where it is determined beneficial to call public tenders despite not being legislatively obliged to do so, the Shire's tender procedures must be followed in full.

5.6 Purchasing Procedures

All purchasing must be undertaken in accordance with the Shire's prescribed procedures, including, but not limited to:

- Requests for Tenders Procedure
- Request for Quotations Procedure
- Panel of Pre-qualified Suppliers Procedure
- Credit Card Procedure
- Petty Cash Procedure
- Store Card Procedure.

6. Tender Exemption

An exemption to publicly invite tenders may apply when the purchase is:

- Obtained from a panel of pre-qualified suppliers under the WALGA Preferred Supply Arrangement, State Government CUAs, or any other tender exempt arrangement
- From a regional local government or another local government
- From a pre-qualified supplier under a Panel arrangement established by the Shire
- Acquired from an Australian Disability Enterprise and represents value for money, in line with section 12.2 of this Policy
- Covered by any of the other exclusions under Regulation 11(2) of the Regulations.

In cases where a tender exemption is utilised by the Shire, a Category E Formal RFQ process (as shown in Table 1 – Purchasing Process Requirements, Section 5.3) incorporating a detailed specification of the requirement and pre-determined evaluation criteria shall be utilised.

7. Other Purchasing Exemptions

Notwithstanding that the principles of ethics and integrity as outlined in Section 3 apply at all times, in addition to the regulatory Tender exemptions for purchasing as set out in Regulation 11(2) of the Regulations and Section 6 of this Policy, certain circumstances may arise where it is not reasonably practicable to adhere to the purchasing thresholds outlined in Section 5.

The following purchases are exempt from the requirement to undertake a competitive purchasing process as outlined in Section 5, where the total value of the purchase is within the Shire's approved annual budget, does not exceed \$50,000 in value, and where the overall business risk has been assessed as low to medium:

- Reactive building maintenance purchases under \$5,000
- Advance/Prior Payment of Services (accommodation, travel services, conferences, seminars, training courses)
- Annual memberships/subscriptions
- Annual service/software maintenance/support fees
- Purchases organised through petty cash
- Purchases of consumables, defined as items which are able to be consumed and liable to be used up or depleted over a short period of time
- Purchases of goods or services supplied by or obtained through the Western Australian State government or the Commonwealth or any of its agencies, or by a local government or a regional local government
- Purchase of legal services where that service is obtained from a pre-qualified supplier under the WALGA Preferred Supplier Arrangement
- Reimbursements (TAFE, training course fees, accommodation/meal costs, telephone and internet)
- Purchase of works of art in accordance with the Shire's Public Art Policy
- Procurement of performing arts, defined as forms of creative activity that are performed in front of an audience, such as drama, music or dance
- Provision of utility services (where only sole provider)
- Purchases from Original Equipment Manufacturer (OEM's), or a sole agent thereof, where warranty provisions may otherwise be void
- Purchases of goods, services or works where there is genuinely only one private sector source of supply (manufacturer, supplier or agency) in line with Section 9 of this Policy
- Emergency purchases in line with Section 10 of this Policy
- Provision of contributions to natural resource management community groups in accordance with agreements to assist with their administrative and operating costs
- Where the appropriate delegated authority has waived the requirement to obtain multiple quotations, in which case the waiver must be in writing and kept on a register of such purchases.

8. Insufficient Suppliers

Where this policy requires a certain number of quotations to be obtained, but it is not possible to obtain that number of quotations, then best endeavours must be used to obtain as many quotes as possible. Once determined, written confirmation must be kept on file for audit purposes.

9. Sole Source of Supply

The procurement of goods, services or works available from only one private sector source of supply (e.g. manufacturer, supplier or agency) is only permitted without undertaking a

competitive process (public Tender or RFQ processes) in circumstances where the Shire is satisfied that there is genuinely only one source of supply for those goods, services or works.

The Shire must use its best endeavours to determine if the supplier is genuinely a sole source supplier by exploring if there are any alternative sources of supply and once determined, written confirmation must be kept on file for audit purposes.

Any determination of sole source of supply must be justified in writing and signed off by the purchasing officer and an officer with the relevant delegated authority.

10. Emergency Purchases

An emergency purchase is defined as an unanticipated purchase which is required in response to an emergency situation that threatens life, property or equipment. In such instances, quotes and tenders are not required to be obtained prior to the purchase being undertaken.

Time constraints are not a justification for an emergency purchase. Every effort must be made to anticipate purchases in advance and to allow sufficient time to obtain quotes and tenders, whichever may apply.

Emergency purchases outside of the Shire's annual budgeted amount must be approved by the Shire President in line with the requirements of the Act and reported to Council at the next Ordinary Council Meeting.

Emergency purchases to be made from existing annual budget allocations must be approved in advance by a Shire officer with appropriate delegated authority.

11. Other Procurement Processes

11.1 Expressions of Interest

The Shire may consider conducting an Expressions of Interest (EOI) process, prior to any public tender process.

All EOI processes are to be conducted as a public process and similar rules to a public tender process apply. However, the EOI shall not seek fixed price information from respondents, seeking instead qualitative and other non-price information against which submissions shall be evaluated.

11.2 Request for Proposal

As an alternative to a public tender process, the Shire may consider conducting a Request for Proposal (RFP) where the requirements are less known, or less prescriptive and detailed. In this situation, the RFP would still be conducted under the same rules as for a public tender process, but would seek responses from the market that are outcomes-based or that outline solutions to meet the requirements of the Shire.

12. Sustainable Procurement

12.1 Local Economic Benefit

The Shire encourages the development of competitive local businesses within the Shire boundaries, and within its broader region. As much as practicable, the Shire will:

- Consider buying practices, procedures and specifications that do not unfairly disadvantage local businesses
- Consider indirect benefits that have flow on benefits for local suppliers (i.e. servicing and support)
- Ensure that procurement plans address local business capability and local content

- Explore the capability of local businesses to meet requirements and ensure that Request for Quotations (RFQs) and Request for Tenders (RFTs) are designed to accommodate the capabilities of local businesses
- In the case of RFTs, advertise these opportunities in a local newspaper as well as statewide
- Provide adequate and consistent information to local suppliers.

To this extent, a qualitative weighting shall be included in the evaluation criteria for quotes and tenders where suppliers are known to be located within the Shire boundaries, or where there is an opportunity to substantially demonstrate a benefit or contribution to the local economy.

The Shire has adopted a Regional Price Preference Policy, which will be applied when undertaking a public tender process.

12.2 Purchasing from Australian Disability Enterprises

Where possible and appropriate, Australian Disability Enterprises (ADEs) are to be invited to quote to supply goods, services or works under the tender threshold.

For purchases above the tender threshold, an ADE may be contracted without the need to undertake a public Tender process. The ADE will still need to be issued a request for quotation document, and a value for money assessment of the ADE's offer must be made to demonstrate benefits for the Shire's achievement of its strategic and operational objectives.

12.3 Purchasing from Aboriginal Businesses

Where possible and appropriate, businesses registered on any government-funded register of Aboriginal Businesses in Western Australia are to be invited to quote to supply goods, services or works under the tender threshold.

For purchases above the tender threshold, the Shire may take advantage of an exemption to engage an Aboriginal Business without going through a public tender process, should such exemption be available under the Regulations, and subject to any conditions outlined in the Regulations. The business will still need to be issued with a Formal RFQ document incorporating a detailed specification of the requirement and pre-determined evaluation criteria.

12.4 Purchasing from Environmentally and Socially Sustainable Businesses

The Shire is committed to sustainable procurement, and shall consider minimisation of environmental and negative social impacts as part of the selection process.

The Shire shall endeavour to identify and procure products and services that:

- Demonstrate environmental best practice in energy and water efficiency and/or consumption, which can be demonstrated through suitable rating systems and eco-labelling
- Are obtained from suppliers who demonstrate carbon-efficiency and sustainability initiatives in their operations
- Are environmentally sound in manufacture, use and disposal
- Are made using the minimum amount of raw materials from a non-sustainable resource, that are free of toxic or polluting materials and which consume minimal energy during the production stage
- Can be refurbished, reused, recycled or reclaimed, and have been designed for ease of recycling, re-manufacture or otherwise to minimise waste
- Adapt to the impacts of climate change

Sustainability factors must be considered in the overall value for money assessment of purchases of goods and services, in accordance with the Shire's sustainability objectives.

13. Anti-Avoidance

The Shire will not enter into two or more contracts or multiple purchase order transactions of a similar nature for the purpose of “splitting” the value of the purchase or contract to take the value of the consideration of the purchase below a particular purchasing threshold, particularly in relation to tenders and to avoid the need to call a public tender.

14. Proforma Templates

The Shire has developed a number of proforma procurement and contract management template documents and forms, which are located on the Shire’s intranet and are updated from time to time. Unless otherwise approved by the CEO or a Director, the use of these documents in accordance with this Policy is mandated across the Shire.

15. Panels of Pre-Qualified Suppliers

15.1 Objectives

The Shire will consider creating a Panel of Pre-qualified Suppliers (Panel) when a range of similar goods and services are required to be purchased on a continuing and regular basis.

Part of the consideration of establishing a panel includes:

- Is there, or will there be, a continuing need for the particular goods or services to be supplied, which warrants the establishment of a Panel?
- Will a Panel deliver the best value for money, i.e. would better value for money be obtained by contracting with a single supplier?
- Will the benefits of the Panel e.g. streamlined procurement, reduced pricing, consistency of services, outweigh the administration and work required to establish and manage the Panel?
- Is there a sufficient number of suppliers in the market to make establishing a Panel worthwhile?
- Has the Shire the capability to establish a Panel, and manage the risks and achieve the benefits expected of the proposed Panel through a Panel Management Plan.

15.2 Establishing and Managing a Panel

If the Shire decides that a Panel is to be created, it will establish the Panel in accordance with the Regulations.

Panels will be established for one supply requirement, or a number of similar supply requirements under defined categories within the Panel.

Invitation of applications to join a Panel will be undertaken through a statewide public notice.

Evaluation criteria, by which applications to join a Panel will be assessed and accepted, will be determined prior to issue of an Invitation to join a Panel of Pre-qualified Suppliers (IPQS), and will be communicated within the IPQS.

The Shire will set out in the IPQS how it intends to purchase goods or services through the Panel. This may either be by seeking written quotations from each Panel member for all purchases, or alternatively all purchases above a specified threshold.

Where the Shire determines to obtain written quotations from each Panel member only above a specified threshold, goods and services may be purchased below that threshold on the basis of the relative ranking of the Panel members.

Where Panel members are ranked, the IPQS will state the frequency at which rankings will be reassessed based on written quotations received from members of the Panel.

The Shire will state the expected number of suppliers it intends to put on the Panel in the IPQS.

If a Panel member leaves the Panel, the Shire will consider replacing that organisation with the next ranked supplier that meets/exceeds the requirements in the value for money assessment, subject to that supplier agreeing.

Where the vacant position on the Panel cannot be filled by an alternate supplier, a new procurement process may be undertaken to fulfil the requirement. Current Panel members shall be invited to take part in this process, if appropriate.

This approach shall be disclosed in the IPQS documentation.

A panel arrangement needs to be managed to ensure that the performance of the panel arrangement and the panel members under the contract are monitored and managed. This will ensure that risks are managed and expected benefits are achieved. A Panel Management Plan should be established that outlines the requirements for the panel arrangement and how it will be managed.

15.3 Distributing Work amongst Panel Members

To satisfy Regulation 24AD(5) of the Regulations, when establishing a Panel, the IPQS will prescribe one of the following as to whether the Shire intends to:

- Obtain quotations from each pre-qualified supplier on the Panel with respect to all discrete purchases; or
- Purchase goods and services exclusively from any pre-qualified supplier appointed to that Panel, and under what circumstances; or
- Develop a ranking system for selection to the Panel, with work awarded in accordance with the Regulations; or
- Utilise a combination of all three methodologies listed above.

In considering the distribution of work amongst Panel members, the IPQS will also prescribe whether:

- Each Panel member will have the opportunity to bid for each item of work under the Panel, with pre-determined evaluation criteria forming part of the invitation to quote, to assess the suitability of the supplier for particular items of work. Contracts under the Panel will be awarded on the basis of value for money in every instance; or
- Work will be awarded on a ranked basis, which is to be stipulated in the IPQS set out under Regulation 24AD(5)(f) when establishing a Panel. The Shire will invite the highest ranking Panel member, who is to give written notice as to whether to accept the offer for the work to be undertaken. Should the offer be declined, an invitation to the next ranked Panel member is to be made and so forth until a Panel member accepts a Contract. Should the list of Panel members invited be exhausted with no Panel member accepting the offer to provide goods/services under the Panel, the Shire may then invite suppliers that are not pre-qualified under the Panel, in accordance with the Purchasing Requirements stated in Section 5 of this Policy.

When a ranking system is established, the Shire is to determine the rankings from time to time on the basis of written quotations obtained from panel members.

In every instance, a contract must not be formed with a pre-qualified supplier for an item of work beyond 12 months, which includes options to extend the contract.

15.4 Purchasing from the Panel

The invitation to apply to be considered to join a Panel must state whether quotations are either to be invited to every panel member (within each category, if applicable) for each purchasing requirements, whether a ranking system is to be established, or otherwise.

Each quotation process, including the invitation to quote, communications with panel members, quotations received, evaluation of quotes and notification of award communications must all be captured on the Shire's electronic records system.

16. Purchasing Policy Non-Compliance

Purchasing activities are subject to financial and performance audits which review compliance with legislative requirements and compliance with the Shire's policies and procedures.

Shire Officers are required to comply with the Shire's Purchasing Policy and any relating procedures.

A failure to comply with the requirements of this policy will be subject to investigation, with findings to be considered in context of the responsible person's training, experience, seniority and reasonable expectations for performance of their role.

17. Records Management

Records of all tenders, quotations, panels and any relevant exemptions must be retained in compliance with the *State Records Act 2000* and the Shire's internal Records Management Policy.

All records and documents associated with the tender, quotation or panel process must be recorded and retained as defined within the *State Records Act 2000* and the Shire's Records Management Policy.

This includes:

- Tender, quotation and panel documentation
- Internal documentation
- Evaluation documentation
- Enquiry and response documentation
- Approval and award documentation
- Order forms and requisitions.

All records and documents associated with Request for Tender or Request for Quotation processes must be reviewed for completeness prior to recording on the Shire's electronic document management system.

18. Application

Responsibility for the implementation of this Policy rests with the Director Corporate and Community Services and the Manager Corporate Services and should be implemented in conjunction with the Regional Price Preference Policy as well as internal procedures relating to purchasing. The Policy is to be reviewed every three (3) years.

Document and version control table

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