

PURCHASING POLICY

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1. OBJECTIVE

To ensure a best practice approach to procurement which promotes transparent, equitable and competitive purchasing practices for the City of Karratha (City) and is compliant with the *Local Government Act 1995 (Act)* and the *Local Government (Functions and General) Regulations 1996*.

2. PRINCIPLES

2.1 Ethics and Integrity

The highest standards of ethics and integrity are to be observed in undertaking all purchasing activities. Employees will act in an honest and professional manner that supports the standing of the City and promotes a proud and collaborative community.

The following principles, standards and behaviours must be observed and enforced through all stages of the purchasing process to ensure the fair and equitable treatment of all parties.

1. Full accountability shall be taken for all purchasing decisions and the efficient, effective and proper expenditure of public monies based on achieving value for money.
2. All purchasing practices shall comply with relevant legislation, regulations, and requirements consistent with Council policies, values and Code of Conduct.
3. Purchasing is to be undertaken on a competitive basis in which all potential suppliers are treated impartially, honestly and consistently.
4. All processes, evaluations and decisions shall be transparent, free from bias and fully documented in accordance with applicable policies, record keeping practices and audit requirements.
5. Any actual or perceived conflicts of interest are to be identified, disclosed and appropriately managed.
6. Any information provided to the City by a supplier shall be treated as commercial-in-confidence and should not be released unless authorised by the supplier or under relevant legislation.

2.2 Value for Money

Value for money is an overarching principle governing purchasing, that allows the best possible outcome to be achieved for the City.

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

- a) all relevant whole-of-life costs and benefits, whole of life cycle costs (for goods) and whole of contract life costs (for services) including transaction costs associated with acquisition, delivery, distribution, as well as other costs such as but not limited to holding costs, consumables, deployment, maintenance and disposal;
- b) the technical merits of the goods or services being offered in terms of compliance with specifications, user requirements, quality standards, sustainability, service benchmarks, contractual terms and conditions and any relevant methods of assuring quality;
- c) 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);
- d) a strong element of competition in the allocation of orders or the awarding of contracts. This is achieved by obtaining a sufficient number of competitive quotations wherever practicable, and
- e) local business capability.

Whilst it is necessary to ensure purchasing is conducted within budget, the lowest price offer does not necessarily present the best value for money. As such it is important to ensure all of the above is taken into consideration when determining the most advantageous outcome for the City. Where a higher priced conforming offer is recommended, there should be clear and demonstrable benefits over and above the lowest total priced, conforming offer.

2.3 Effective and Efficient

The City is committed to using the most efficient, effective and appropriate purchasing processes for the acquisition of goods and services that:

- a) ensure all purchasing decisions look for the most efficient and effective solution to every challenge presented;
- b) ensure the City is compliant with all regulatory obligations;
- c) promotes effective governance and definition of the roles and responsibilities within the City;
- d) encourage collaboration where possible, recognising the interdependence of projects, programmes and initiatives;
- e) promotes industry and community confidence in the integrity of the City's purchasing activities.

By actively seeking innovative approaches to projects, this will enable the City to work towards and deliver on multiple outcomes as identified in the City Strategic Community Plan.

2.4 Sustainable Procurement

The City is committed to sustainable procurement and where appropriate shall endeavour to design quotations and tenders to minimise environmental and negative social impacts. Sustainable considerations must be balanced against value for money outcomes in accordance with the City's sustainability objectives.

2.5 Buying Local

The City shall seek to maximise the use of competitive local businesses in goods and/or services purchased or contracted on behalf of Council, by applying a price preference advantage to quotations received by regional respondents. A 'regional respondent' is a supplier that has been operating a business continuously out of premises within the City of Karratha for at least six (6) months immediately prior to the quotation deadline and submits a quotation for the supply of goods and/or services.

This price preference applies to all City quotations between \$5,001 and ~~\$99,999~~\$150,000 (excluding GST), with the exception of quotations obtained from suppliers under an Internal Preferred Supplier Contract, or suppliers who are tender exempt under regulation 11(2) of the Local Government (Functions and General) Regulations 1996. Those tender exempt suppliers are via a WALGA Preferred Suppliers Contract, Internal Preferred Supplier Contract, Pre-Qualified Suppliers appointed by the City to a Panel, suppliers registered on the Aboriginal Business Directory WA, Australian Disability Enterprises, Common Use Arrangement suppliers, the Commonwealth Government, the State Government, Regional Local Government or another Local Government.

For the purchase of goods and/or services via tender, the requirements of Council's CG-11 Regional Price Preference Policy and Purchasing Guidelines are to be observed.

2.5.1 Local Preference

A preference will be given to a regional respondent by assessing the quotation submission as if the price bid were reduced by 10% for goods and/or services, or 5% for construction (building) services.

2.5.2 Competitive Purchasing

Whilst price is a competitive consideration in the provision of goods and/or services via quotation, it is only one aspect of the quotation evaluation process. Value for money principles as described in this policy, will be employed by assessing the price component in conjunction with the quotation selection criteria and requirements.

The quotation that is determined to be both cost effective and advantageous to the City will be the most likely to be accepted.

2.6 Purchasing Thresholds

The below table identifies the requirements for each purchasing threshold. When determining which threshold to observe, the value of procurement (ex GST) is to include the full term of the contract, including extension options where applicable.

Amount of Purchase (ex-GST)	Requirements
Up to \$5,000	<u>A minimum of one quotation is required. The quotation may be requested verbally, but it must be received in writing.</u> Direct purchase from suppliers requires one verbal quotation.
\$5,001 - \$50,000	<u>A minimum of three quotations are required. The quotations may be requested verbally, but must be received in writing.</u> Obtain at least three verbal or written quotations.
\$50,001 - \$99,999	<u>A minimum of three quotations are required. The quotations must be requested in writing and must be received in writing.</u> Obtain at least three written quotations
<u>Above \$100,000</u> and above	Conduct a public tender process <u>UNLESS a tender exemption applies.</u>

If a verbal quotation is obtained as per the requirements of the above table, the quotation may be requested verbally, however the supplier must respond by supplying a written quotation.

The principles for obtaining and recording both verbal and written quotations as outlined in this policy and detailed within the City's Purchasing Guidelines, must be observed when seeking quotations.

Where it is considered beneficial, public tenders may be called in lieu of seeking quotations for purchases under the \$400,000 threshold (excluding GST). When the decision is made to conduct a public tender, the Request for Tender process as outlined in this policy and detailed in the City's Purchasing Guidelines, must be followed in full.

2.6.1 Up to \$5,000

Where the value of procurement of goods and/or services does not exceed \$5,000, ~~purchasing is permitted on the basis that~~ a minimum of one ~~verbal~~ quotation is required. The quotation may be requested verbally, but it must be received in writing.~~obtained.~~ It is recommended to use professional discretion and occasionally undertake market testing with a greater number or more formal forms of quotation to ensure best value is maintained.

2.6.2 Between \$5,001 to \$50,000

Where the value of procurement of goods and/or services is between \$5,001 and \$50,000 a minimum of three ~~verbal or written~~ quotations ~~(or a combination of both)~~ are required. The quotations may be requested verbally, but must be received in writing. In determining whether to ~~request quotations~~ obtain verbally or in writing ~~written quotations~~, it is important to consider the nature and complexity of the goods and/or services to be acquired. If the purchase is simple and straight forward a verbal request for quotation may suffice. However where the scope of work is detailed and complex a written request for quotation will ensure suppliers fully understand and deliver on the City's requirements and expectations.

2.6.3 Between \$50,001 to \$99,999 \$150,000

Where the value of procurement of goods and/or services is between \$50,001 and \$99,999 \$150,000 a minimum of three ~~written~~ quotations are required. The quotations must be requested in writing

[and must be received in writing.](#) It is expected that due diligence is demonstrated when seeking quotations within this range and a formal Request for Quotation document is used.

This will ensure a sufficient amount of information is communicated to suppliers relating to, but not limited to the specification, conditions of responding, considerations and any other information that will assist the City in obtaining quality goods and/or services.

2.6.4 Above \$100,000150,000 and above

For the procurement of goods and/or services where the value exceeds ~~\$100,000~~150,000, it is a legislative requirement to conduct a public tender process as per section 3.57 of the *Local Government Act 1995* and Part 4 of the *Local Government (Functions and General) Regulations 1996*. The decision to invite tenders shall either be determined via Council resolution, or the relevant delegation of authority, as detailed within the Delegations and Authorisations Register and CE-13 Tender Evaluation Criteria Policy.

2.7 Authorisation of Expenditure

2.7.1 Awarding Quotations

Acceptance of quotations and the authorisation of expenditure shall comply with the City's Purchasing Guidelines and the relevant delegation of authority as detailed within the Delegations and Authorisations Register.

2.7.2 Awarding Tenders

The award of tenders and the authorisation of expenditure is to either be approved via Council resolution or comply with the relevant delegation of authority as detailed within the Delegations and Authorisations Register and CE-13 Tender Evaluation Criteria Policy. The City's Purchasing Guidelines shall be observed.

2.7.3 Emergency Expenditure

The commitment to purchase goods and or services during an emergency that threatens life, property or equipment must be authorised by the City Mayor or otherwise delegated. The application of emergency expenditure is to be used in limited circumstances for genuine emergency situations only.

Dependent on the nature of the emergency, it may be determined that only a portion of the required goods and or services will be obtained via emergency expenditure. The remainder of expenditure will then need to comply with the requirements of section 2.6 of this policy.

2.7.4 Testing the Market

Prior to entering into a quotation or tender process, the following purchasing methods can be used to formally test the market.

1. A Request for Proposal (RFP) may be used when the goods and/or services to be purchased are not definable and the goal is to receive a solution to a problem and then a quote for the solution.
2. An Expression of Interest (EOI) may be called prior to a Request for Tender (RFT) to ascertain the markets ability to provide the goods and/or services due to the specialised nature of the goods and/or services or the cost of preparing plans, specifications or other information.

If after testing the market, the decision is made to continue with the purchase of goods and/or services, the requirements of the relevant purchasing threshold must be observed.

2.8 Health and Safety

With all purchasing decisions, consideration must be given to the relevant health and safety implications of the goods and/or services being sought. A risk assessment should be completed prior to the purchase of new or unfamiliar [services](#), plant, equipment, products or chemical

substances to ensure the purchase meets relevant statutory requirements and is suitable and safe for the purpose intended.

When a Contractor is engaged to carry out works either in full, or in part on City premises and/or worksites, the minimum requirements as detailed within the City's Contractor OHS Compliance Guidelines shall apply.

2.9 Regulatory Compliance

2.9.1 Waiving Quotations and Public Tenders

The purchasing threshold requirements for requesting quotations or calling of public tenders may be waived where:

- a) the purchase is for an emergency situation as defined under section 6.8(1)(c) of the *Act*. The expenditure must be authorised by the City Mayor and then subsequently reported to Council at the next ordinary Council meeting;
- b) the City has reason to believe that due to the unique nature of the goods and/or services required, there is genuinely only one source of supply. The application of a 'sole source of supply' should only occur in limited cases, where proven market testing has been periodically undertaken in order to find alternative suppliers. For purchases above \$150,000 the application of a 'sole source of supply' must be approved by and with Council approval;
- c) the provision of goods and/or services is provided under warranty or relates to specific manufacturer repairs;
- d) the supply of the goods and/or services is obtained through a supplier who is tender exempt under regulation 11(2) of the Local Government (Functions and General) Regulations 1996 organisation such as a WALGA Preferred Supplier, Contract via WALGA, Pre-Qualified Suppliers appointed by the City to a Panel, suppliers registered on the Aboriginal Business Directory WA, Australian Disability Enterprises, a Common Use Arrangement suppliers, the Commonwealth Government, the State Government, Regional Local Government or another Local Government;
- e) the supply of the goods and/or services is obtained via an Internal Preferred Supplier Contract, where the supplier was appointed as the result of a City tender, for the purpose of being an Internal Preferred Supplier;
- f) the purchase is under auction which has been authorised by Council; and
- g) any of the other exemption/exclusions under Regulation 11 of the Local Government (Functions and General) Regulations 1996 apply.

When purchasing under this section, the requirements of Council's Purchasing Guidelines are to be observed.

2.9.2 Anti-Avoidance

The City shall not avoid the requirement to conduct a public tender by entering into two (2) or more contracts of a similar nature in order to split the value of the contract.

Regulation 12 of the Local Government (Functions and General) Regulations 1996 provides that if the City intends to enter into two (2) or more contracts and the desire to avoid conducting a tender is a significant reason for not dealing with the matter in a single contract, then tenders must be conducted before the City enters into any of the contracts regardless of the consideration.

A public tender should be considered in the circumstances whereby a quotation is obtained for the purchase of good or services, however it is likely that variations to the scope may occur, which would result in the contract value exceeding the tender threshold.

2.9.3 No Tenders Received

Where the City has invited tenders, however no compliant submissions have been received, direct purchases can be arranged on the basis that:

- a) the specification for goods and/or services remains the same;
- b) a minimum of three written quotations are obtained, as per the requirements for seeking quotations between the \$50,001 and ~~\$99,999~~\$150,000 threshold; and
- c) the purchasing is arranged within six (6) months of the closing date of the lapsed tender.

Alternatively a Council Resolution may be obtained to negotiate directly with a selected supplier.

2.9.4 Minor Tender Contract Variations

a) Pre-Contract Variations

Pre-contract variations are permitted pursuant to Regulation 20 of the *Local Government (Functions and General) Regulations 1996*.

If after ~~the~~ tender has been publicly advertised and a successful tenderer has been chosen, ~~but before the City and tenderer have entered into a contract~~, a minor variation may be made by the City. A minor variation will not alter the nature of the goods and/or services, nor will it materially alter the specification provided for by the initial tender.

In the event the chosen tenderer is unable or unwilling to enter into a contract that contains a minor variation or if the tenderer and the City are unable to agree on any other variation to be included in the contract as a result of the ~~an alternate~~ minor variation, then that tenderer ceases to be the chosen tenderer. The City may then choose the tenderer who submitted the next most advantageous tender, instead of again inviting tenders.

b) Post-Contract Variations

Post-contract variations are permitted under Regulations 11(2)(j) and 21A of the *Local Government (Functions and General) Regulations 1996*.

- Under Regulation 21A, if the City has entered into a contract for the supply of goods or services with a successful tenderer, the contract must not be varied unless the variation is necessary in order for the goods or services to be supplied and the variation does not change the scope of the contract.
- Under Regulation 11(2)(j) the City may renew or extend the term of an existing tender contract without having to again invite tenders if:
 - i. the contract was entered into after a public tender process was conducted; and
 - ii. the request for tender contained provision for the renewal or extension of the contract; and
 - iii. the contract contains an option to renew or extend the term; and
 - iv. the supplier's tender included a requirement for such an option and specified the consideration payable or the method by which the consideration was to be calculated if the option was exercised.

2.9.5 Records Management

All records associated with procurement must be recorded and retained as per the Council's CI-2 Record Keeping Policy, procedures, Purchasing Guidelines and the *State Records Act 2000*.

3. CONSEQUENCES

This policy represents the formal policy and expected standards of the City of Karratha. Appropriate approvals need to be obtained prior to any deviation from the policy. Elected Members and Employees are reminded of their obligations under the Council's Code of Conduct to give full effect to the lawful policies, decisions and practices of the City.

4. ROLES AND RESPONSIBILITIES

It is the responsibility of ALL STAFF to ensure that they adhere to the requirements of this policy in conjunction with the related policies, guidelines and legislation to ensure effective and transparent procurement practices are observed.

5. REFERENCES TO RELATED DOCUMENTS

- *Local Government Act 1995*
- *Local Government (Functions and General) Regulations 1996*, Part 4 – Tenders for Providing Goods and Services
- *State Records Act 2000*
- City of Karratha Code of Conduct
- City of Karratha Purchasing Guidelines
- City of Karratha Delegations and Authorisations Register
- City of Karratha Strategic Community Plan
- City of Karratha Contractor OHS Compliance Guidelines
- CE-13 Tender Evaluation and Criteria Policy
- CG-11 Regional Price Preference Policy
- CI-02 Record Keeping Policy

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This Policy takes effect from the date of adoption by Council and shall remain valid until it is amended or deleted.