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## FP001 – Purchasing and Procurement

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### 1. Intention

To ensure that all Shire purchasing activities:

- Demonstrate that best value for money is attained;
- Demonstrate support to purchasing local at every opportunity within the guidelines of this policy;
- Are compliant with relevant legislations, including the *Local Government Act 1995* and associated regulations;
- Are recorded in compliance with the *State Records Act 2000* and associated records management practices and procedures;
- Mitigate probity risk, by establishing consistent and demonstrated processes that promotes openness, transparency, fairness and equity to all potential suppliers;
- Ensure that the sustainable benefits, such as environmental, social and local economic factors are considered in the overall value for money assessment;
- Are conducted in a consistent and efficient manner; and
- That ethical decision making is demonstrated.

### 2. Scope

This policy applies to Elected Members and employees of the Shire of Waroona.

### 3. Statement

The Shire is committed to delivering best practice in the purchasing of goods, services and works that align with the principles of transparency, probity and good governance and that comply with the *Local Government Act 1995* (the “Act”) and Part 4 of the *Local Government (Functions and General) Regulations 1996*, (the “Regulations”).

Procurement processes and practices to be complied with are defined within this policy.

#### 3.1 Ethics and Integrity

##### 3.1.1 Code of Conduct

All purchasing officers and employees undertaking purchasing activities must have regard for the Shire of Waroona Code of Conduct requirements and shall observe the highest standards of ethics and integrity at all times. All officers and employees must act in an honest and professional manner at all times which supports the community standing of the Shire.

##### 3.1.2 Purchasing Principles

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:

- 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;
- All purchasing practices shall comply with relevant legislation, regulations, and requirements consistent with the Shire of Waroona policies and the Code of Conduct;
- Purchasing is to be undertaken on a competitive basis where all potential suppliers are treated impartially, honestly and consistently;

- All processes, evaluations and decisions shall be transparent, free from bias and fully documented in accordance with applicable policies and procedures, audit requirements and relevant legislation;
- Any actual or perceived conflicts of interest are to be identified, disclosed and appropriately managed; and
- Any information provided by a supplier shall be treated as commercial-in-confidence and should not be released unless authorised by the supplier or relevant legislation.

## 3.2 Value for Money

### 3.2.1 Overview

Value for money is determined when the consideration of price, risk and qualitative factors that are assessed to determine the most advantageous outcome to be achieved. As such, purchasing decisions must be made with greater consideration than obtaining the lowest price, but also to incorporate qualitative and risk factors into the decision making process.

### 3.2.2 Application

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

- All relevant total costs of ownership and benefits 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;
- 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 levels and currency of compliances, value adds offered, warranties, guarantees, repair and replacement policies, ease of inspection, ease of after sales service, ease of communications etc.
- 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);
- 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;
- 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;
- Purchasing of goods and services from suppliers that demonstrate sustainable benefits and good corporate social responsibility; and
- Providing opportunities for businesses within the Shire's boundaries to be given the opportunity to quote for providing goods and services wherever possible.

## 3.3 Purchasing Requirements

### 3.3.1 Legislative / Regulatory Requirements

The requirements that must be complied with, including purchasing thresholds and processes, are prescribed within the Act, Regulations, this policy and associated purchasing procedures in effect.

### 3.3.2 Purchasing Generally

Purchasing that is \$250,000 or below in total value (excluding GST) must be in accordance with the purchasing requirements under the relevant threshold as defined in this policy.

Purchasing that exceeds \$250,000 in total value (excluding GST) must be put to public Tender unless it is determined that a regulatory Tender exemption in the Act or Regulations is provided, or as stated in this policy.

### 3.3.3 Purchasing Value Definition

Determining purchasing value is to be based on the following considerations:

1. Exclusive of Goods and Services Tax (GST);
2. The actual or expected value of a contract over the full contract period, including all options to extend; or the extent to which it could be reasonably expected that the Shire will continue to purchase a particular category of goods, services or works and what total value is or could be reasonably expected to be purchased. A best practice suggestion is that if a purchasing threshold is reached within three years for a particular category of goods, services or works, then the purchasing requirement under the relevant threshold (including the tender threshold) must apply.
3. Must incorporate any variation to the scope of the purchase and be limited to a 10% tolerance of the original purchasing value.

### 3.3.4 Purchasing from Existing Contracts

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

### 3.3.5 Purchasing Thresholds

The table below prescribes the purchasing process that approved purchasing officers must follow, based on the purchase value:

Purchase Value Threshold	Purchasing Requirement
Up to \$7,500	Purchase directly from a supplier and at least one (1) oral or written quotation must be obtained from a suitable supplier, either from: <ul style="list-style-type: none"> <li>• an existing panel of pre-qualified suppliers administered and maintained by the Shire; or</li> <li>• a pre-qualified supplier on the WALGA Preferred Supply Program or State Government Common Use Arrangement (CUA); or</li> <li>• from the open market.</li> </ul> <p><u>A quotation from a local (Shire) supplier must be obtained where possible.</u></p>
\$7,501 to \$24,999	Obtain at least two oral or written quotations from suppliers following a brief outlining the specified requirement, either from: <ul style="list-style-type: none"> <li>• an existing panel of pre-qualified suppliers administered by the Shire; or</li> <li>• a pre-qualified supplier on the WALGA Preferred Supply Program or State Government CUA; or</li> <li>• from the open market.</li> </ul> <p><u>A quotation from a local (Shire) supplier must be obtained where possible.</u></p>

Purchase Value Threshold	Purchasing Requirement
\$25,000 to \$59,999	<p>Obtain at least two written quotations from suppliers following a brief outlining the specified requirement, either from:</p> <ul style="list-style-type: none"> <li>• an existing panel of pre-qualified suppliers administered by the Shire; or</li> <li>• a pre-qualified supplier on the WALGA Preferred Supply Program or State Government CUA; or</li> <li>• from the open market.</li> </ul> <p><u>A quotation from a local (Shire) supplier must be obtained where possible.</u></p>
\$60,000 to \$149,999	<p>Obtain at least three written quotations from suppliers by formal invitation under a Request for Quotation, containing price and detailed specification of goods and services required. The procurement decision is to be based on pre-determined evaluation criteria that assesses all value for money considerations in accordance with the definition stated within this Policy.</p> <p>Quotations within this threshold may be obtained from:</p> <ul style="list-style-type: none"> <li>• an existing panel of pre-qualified suppliers administered by the Shire; or</li> <li>• a pre-qualified supplier on the WALGA Preferred Supply Program or State Government CUA; or</li> <li>• from the open market.</li> </ul> <p>Requests for quotation from a pre-qualified panel of suppliers (whether administered by the Shire through the WALGA preferred supply program or State Government (CUA) are not required to be invited using a Request for Quotation form, however at least three written quotes are still required to be obtained.</p> <p><u>A quotation from a local (Shire) supplier must be obtained where possible.</u></p>
\$150,000 to \$249,999	<p>Obtain at least four written quotations from suppliers by formal invitation under a Request for Quotation, containing price and detailed specification of goods and services required. The procurement decision is to be based on pre-determined evaluation criteria that assesses all value for money considerations in accordance with the definition stated within this Policy.</p> <p>Quotations within this threshold may be obtained from:</p> <ul style="list-style-type: none"> <li>• an existing panel of pre-qualified suppliers administered by the Shire; or</li> <li>• a pre-qualified supplier on the WALGA Preferred Supply Program or State Government CUA; or</li> <li>• from the open market.</li> </ul> <p>Requests for quotation from a pre-qualified panel of suppliers (whether administered by the Shire through the WALGA preferred supply program or State Government (CUA) are not required to be invited using a Request for Quotation form, however at least three written quotes are still required to be obtained.</p>

Purchase Value Threshold	Purchasing Requirement
	<u>A quotation from a local (Shire) supplier must be obtained where possible.</u>
Over \$250,000	Where the purchasing requirement is not suitable to be met through a panel of pre-qualified suppliers, or any other tender-exempt arrangement as listed in this Policy, conduct a public Request for Tender process in accordance with Part 4 of the <i>Local Government (Functions and General) Regulations 1996</i> , this policy and the Shire's tender procedures. The procurement decision is to be based on pre-determined evaluation criteria (as determined by the Chief Executive Officer under Delegated Authority or by Council where a Delegation does not apply) that assesses all value for money considerations in accordance with the definition stated within this Policy.

### 3.3.6 *Determination of Approved Purchasing Officers / Processes and Procedures*

The Chief Executive Officer is responsible for determining the employees permitted to procure goods and services under this policy and for determining associated expenditure approval levels and the associated processes and procedures.

### 3.3.7 *Tendering Exemptions*

An exemption to publicly invite tenders may apply in the following instances:

- The purchase is obtained from a pre-qualified supplier under the WALGA Preferred Supply Program or State Government Common Use Arrangement (CUA);
- The purchase is from a Regional Local Government or another Local Government;
- The purchase is acquired from a person registered on the WA Aboriginal Business Directory, as published by the Small Business Development Corporation, where the consideration under contract is worth \$250,000 or less and represents value for money;
- The purchase is acquired from an Australian Disability Enterprise and represents value for money;
- The purchase is from a pre-qualified supplier under a Panel established; in accordance with the Act and Regulations; and,
- Any of the other exclusions under Regulation 11 of the Regulations apply.

### 3.3.8 *Inviting Tenders under the Tender Threshold (\$250,000 or Less)*

Where considered appropriate and beneficial, the Chief Executive Officer may consider publicly advertising Tenders in lieu of undertaking a Request for Quotation for purchases under the tender threshold. This decision should be made after considering the benefits of this approach in comparison with the costs, risks, timeliness and compliance requirements and also whether the purchasing requirement can be met through the WALGA Preferred Supply Program or State Government CUA.

If a decision is made to undertake a public Tender for contracts expected to be \$250,000 or less in value, the Shire's tendering procedures must be followed in full.

### 3.3.9 *Sole Source of Supply*

Where the purchasing requirement is over the value of \$7,500 and of a unique nature that can only be supplied from one supplier, the purchase is permitted without undertaking a tender or quotation process. This is only permitted in circumstances where the Shire is satisfied and can evidence that there is only one source of supply for those goods, services or works. The Shire must use its best endeavours to determine if the sole source of supply is genuine by exploring if there are any

alternative sources of supply. Once determined, the justification must be endorsed by the relevant Director, prior to a contract being entered into.

From time to time, expression of interest may be publicly invited to effectively determine that one sole source of supply still genuinely exists.

### 3.3.10 Anti-Avoidance

The Shire shall not enter into two or more contracts or create 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.

### 3.3.11 Emergency Purchases

An emergency purchase is defined as an unanticipated and unbudgeted purchase which is required in response to an emergency situation as provided for in the Act.

In such instances, quotes and tenders are not required to be obtained prior to the purchase being undertaken and purchases in these circumstances are to be facilitated by the Chief Executive Officer or the appointed Local Recovery Coordinator.

An emergency purchase does not relate to purchases not planned for due to time constraints. Every effort must be made to anticipate purchases in advance and to allow sufficient time to obtain quotes and tenders, whichever may apply.

## 4. Records Management

Records of all purchasing activity must be retained in compliance with the *State Records Act 2000 (WA)*, the Shire of Waroona Records Management Policy and associated procedures and procurement practices.

For each procurement activity, such documents may include:

- The procurement initiation document such as a procurement business case which justifies the need for a contract to be created (where applicable);
- Procurement Planning and approval documentation which describes how the procurement is to be undertaken to create and manage the contract;
- Request for Quotation/Tender documentation;
- Copy of public advertisement inviting tenders, or the notice of private invitation (whichever is applicable);
- Copies of quotes/tenders received;
- Evaluation documentation, including individual evaluators note and clarifications sought;
- Negotiation documents such as negotiation plans and negotiation logs;
- Approval of award documentation;
- All correspondence to respondents notifying of the outcome to award a contract;
- Contract Management Plans which describes how the contract will be managed; and
- Copies of contract(s) with supplier(s) formed from the procurement process.

## 5. Sustainable Procurement and Corporate Social Responsibility

The Shire is committed to providing a preference to suppliers that demonstrate sustainable business practices and high levels of corporate social responsibility (CSR). Where appropriate practicable purchasing officer shall endeavour to provide an advantage to suppliers demonstrating that they minimise environmental and negative social impacts and embrace CSR. CSR considerations must be balanced against value for money outcomes in accordance with the Shire's sustainability objectives.

## 6. Buy Local Policy (Excluding Tenders)

As much as practicable, the Shire must:

- Where appropriate, 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 planning addresses local business capability and local content;
- Explore the capability of local businesses to meet requirements and ensure that Requests for Quotation and Tenders are designed to accommodate the capabilities of local businesses;
- Avoid bias in the design and specifications for Requests for Quotation and Tenders – all Requests must be structured to encourage local businesses to bid; and
- Provide adequate and consistent information to potential suppliers.

To this extent and for the purposes of supporting buying local, as a demonstrated benefit or contribution to the local economy, suppliers based within the boundaries of the Shire of Waroona, for at least six (6) months prior to a Request for Quotation being sought are afforded the following a buy local price preference, for the purposes of assessment –

- **10% for purchases up to \$100,000 (ex GST)**
- **A flat \$10,000 for all purchases between \$100,000 and \$150,000 (ex GST)**

A regional price preference is afforded for procurement by way of Tender.

## 7. Purchasing from Disability Enterprises

Pursuant to Part 4 of the *Local Government (Functions and General) Regulations 1996*, the Shire is not required to publicly invite tenders if the goods or services are to be supplied from an Australian Disability Enterprise, as registered on [www.ade.org.au](http://www.ade.org.au). This is contingent on the demonstration of value for money.

Where possible and practicable, Australian Disability Enterprises are to be invited to quote for supplying goods and services under the tender threshold. A qualitative weighting for assessment purposes, as outlined in section 8 is to be afforded for the purposes of quotes and tenders to provide advantages to Australian Disability Enterprises.

## 8. Purchasing from Aboriginal Businesses

Pursuant to Part 4 of the *Local Government (Functions and General) Regulations 1996*, the Shire is not required to publicly invite tenders if the goods or services are to be supplied from a person registered on the Aboriginal Business Directory published by the Small Business Development Corporation on [www.abdwa.com.au](http://www.abdwa.com.au), where the expected consideration under contract is worth \$250,000 or less. This is contingent on the demonstration of value for money.

Where possible and practicable, Aboriginal businesses are to be invited to quote for supplying goods and services under the tender threshold. A qualitative weighting for assessment purposes, as outlined in section 8 is to be afforded for the purposes of quotes and tenders to provide advantages to Aboriginal owned businesses, or businesses that demonstrate a high level of aboriginal employment.

## 9. Pre-qualified Suppliers

To further support effective procurement in accordance with this Policy, Council or the Chief Executive Officer may under Delegated Authority approve the creation of a Panel of Pre-qualified Suppliers (Panel) under Regulation 24AC of the *Local Government (Functions and General) Regulations 1996*.

The following factors are to apply if a Panel is to be created:

- A determination is to be made that a range of similar goods and services are required to be purchased on a continuing and regular basis;
- There are numerous potential suppliers in the local and regional procurement-related market sector(s) that satisfy the test of 'value for money';
- The purchasing activity under the intended Panel is assessed as being of a low to medium risk;
- The Panel will streamline and will improve procurement processes; and
- A capability and capacity exists to establish, manage the risks and achieve the benefits expected of the proposed Panel.

### 9.1 Establishing a Panel

Should it be determined that a Panel would be beneficial to be created, it must be created in accordance with Part 4, Division 3 the *Local Government (Functions and General) Regulations 1996*.

- Panels may be established for one supply requirement, or a number of similar supply requirements under defined categories within the Panel.
- Panels may be established for a minimum of two (2) years and for a maximum length of time formally determined.
- Evaluation criteria must be determined and communicated in the application process by which applications will be assessed and accepted.
- Where a Panel is to be established at least three (3) suppliers to each category will endeavour to be appointed, on the basis that best value for money is demonstrated. Where less than three (3) suppliers are appointed to each category within the Panel, a category is not to be established.
- In each invitation to apply to become a pre-qualified supplier (through a procurement process advertised through a state-wide notice), a clear statement is to be provided to indicate the expected number of suppliers to put on the panel.
- Should a Panel member leave the Panel, they may be replaced by the next ranked Panel member determined in the value for money assessment should the supplier agree to do so, with this intention to be disclosed in the detailed information set out under Regulation 24AD(5)(d) and (e) when establishing the Panel.

### 9.2 Distributing Work Amongst Panel Members

To satisfy Regulation 24AD(5) of the Regulations, when establishing a Panel of pre-qualified suppliers, the detailed information associated with each invitation to apply to join the Panel must either prescribe whether it is intended to:

- Obtain quotations from each pre-qualified supplier on the Panel with respect to all purchases, in accordance with Clause 11.3; 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 Clause 11.2(b).

In considering the distribution of work among Panel members, the detailed information must also prescribe whether:

- (a) 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 pre-qualified panel will be awarded on the basis of value for money in every instance; or
- (b) Work will be awarded on a ranked basis, which is to be stipulated in the detailed information set out under Regulation 24AD(5)(f) when establishing the Panel.



An invitation is to be sent to the highest ranked 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, an invitation to suppliers that are not pre-qualified under the Panel, in accordance with the Purchasing Thresholds stated in this Policy.

When a ranking system is established, the Panel must not operate for a period exceeding 12 months.

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.

### 9.3 Purchasing from the Panel

The invitation to apply to be considered to join a panel of pre-qualified suppliers must state whether quotations are either to be invited to every member (within each category, if applicable) of the Panel for each purchasing requirement, 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 made through eQuotes, or any other electronic quotation facility.

### 9.4 Record Keeping

Records of all communications with Panel members, with respect to the quotation process and all subsequent purchases made through the Panel, must be kept.

For the creation of a Panel, this includes:

- The Procurement initiation document such as a procurement business case which justifies the need for a Panel to be created;
- Procurement Planning and approval documentation which describes how the procurement is to be undertaken to create and manage the Panel;
- Request for Applications documentation;
- Copy of public advertisement inviting applications;
- Copies of applications received;
- Evaluation documentation, including clarifications sought;
- Negotiation documents such as negotiation plans and negotiation logs;
- Approval of award documentation;
- All correspondence to applicants notifying of the establishment and composition of the Panel such as award letters;
- Contract Management Plans which describes how the contract will be managed; and
- Copies of framework agreements entered into with pre-qualified suppliers.

Itemised records of all requests for quotation, including quotations received from pre-qualified suppliers and contracts awarded to Panel members must be kept. A unique reference number shall be applied to all records relating to each quotation process, which is to also be quoted on each purchase order issued under any subsequent contract.

Information with regards to the Panel offerings, including details of suppliers appointed to the Panel, must be kept up to date, consistent and made available for access by all officers and employees.

## 10. State of Emergency

During a State of Emergency, the buy local price preference afforded to suppliers under section 6 – Buy Local Policy (Excluding Tenders) shall be as follows:

- 15% for purchases up to \$100,000 (ex GST).
- A flat \$15,000 for all purchases between \$100,001 and \$150,000 (ex GST).
- A flat \$20,000 for all purchases between \$150,001 and \$250,000.

## 11. Legislative and Strategic Context

The *Local Government Act 1995* and the associated subsidiary legislation provide the broad framework within which this policy operates.

## 12. Review

This policy is to be reviewed as required.

## 13. Associated Documents

Nil.

<b>Division</b>	Finance				
<b>Policy Number</b>	FP001				
<b>Contact Officer</b>	Director Corporate Services				
<b>Related Legislation</b>	Local Government Act 1995 Local Government (Financial Management) Regulations 1996 Local Government (Functions & General) Regulations 1996				
<b>Related Shire Documents</b>	Nil				
<b>Risk Rating</b>	High	<b>Review Frequency</b>	As required	<b>Next Review</b>	When required
<b>Date Adopted</b>	22/05/2007			OCM07/078	

Amendments		
Date	Details of Amendment	Reference
22/11/2011	Updated as part of major review.	OCM11/11/143
24/11/2015	Updated as part of major review.	OCM15/11/138
26/09/2017	Updated as part of major review.	OCM17/09/091
18/12/2018	Updated as part of major review.	OCM18/12/126
26/11/2019	Updated as part of major review.	OCM19/11/139
14/04/2020	Amended to include State of Emergency clause.	SCM20/04/047
26/05/2020	Amended to include new purchase value threshold.	OCM20/12/242
22/06/2021	Updated as part of major review and reformatted.	OCM21/06/071
Previous Policies		
FIN009 – Purchasing and Procurement 3.3 – Purchasing and Procurement Policy		