

## 2.5 Purchasing Policy

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| <b>Policy No</b>                         | 2.5   |                             |
| <b>Policy Name</b>                       | Purchasing Policy   |                             |
| <b>Responsible Directorate</b>           | Finance & Administration  |                             |
| <b>Responsible Officer</b>               | Executive Manager Finance & Administration  |                             |
| <b>Council Adoption</b>                  | <b>Date:</b> 28/03 18   | <b>Resolution No.</b> OC/18 |
| <b>Reviewed/Modified</b>                 | Date:   | Resolution No.              |
| <b>Review Date</b>                       |   |                             |
| <b>Legislation</b>                       | <i>Local Government Act 1995</i><br><i>Local Government (Functions and General) Regulations 1996</i><br><i>State Records Act 2000</i> |                             |
| <b>Related Policies</b>                  |   |                             |
| <b>Related Organisational Directives</b> |   |                             |

### Objectives:

The objectives of this Policy are to ensure that all purchasing activities:

- demonstrate that best value for money is attained for the Shire of Katanning;
- are compliant with relevant legislation, including the Act and Regulations;
- are recorded in compliance with the *State Records Act 2000* and associated records management practices and procedures of the Shire of Katanning;
- mitigate probity risk, by establishing consistent and demonstrated processes that promotes openness, transparency, fairness and equity to all potential suppliers;
- ensure that sustainable benefits, such as environmental, social and local economic factors are considered in the overall value for money assessment; and
- are conducted in a consistent and efficient manner across the Shire of Katanning and that ethical decision making is demonstrated.

### Policy Statement:

The Shire of Katanning 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 complies 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 and the Shire of Katanning's prescribed procurement procedures.

### Ethics & Integrity:

#### Code of Conduct

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

**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 by the authorised purchasing officer 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 Katanning's policies and Code of Conduct;
- purchasing is to be undertaken on a competitive basis where all 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, audit requirements and relevant legislation;
- any actual or perceived conflicts of interest are to be identified, disclosed and appropriately managed; and
- any information provided to the Shire of Katanning by a supplier shall be treated as commercial-in-confidence and should not be released unless authorised by the supplier or relevant legislation.

#### **Value for Money:**

Value for money is determined by the consideration of price, risk and qualitative factors assessing the most advantageous outcome achievable for the Shire of Katanning.

As such, purchasing decisions must consider qualitative and risk factors and not be based purely on the lowest price.

Application:

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

- all relevant Total Costs of Ownership (TCO) 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 to support and stimulate local businesses within the Shire of Katanning and wider Defined Area to be given the opportunity to quote for providing goods and services wherever possible as per the Buy Locally- Regional Price Preference.

### **Purchasing Requirements:**

#### ***Legislative / Regulatory Requirements***

The requirements that must be complied with by the Shire of Katanning, including purchasing thresholds and processes, are prescribed within the Regulations, this Policy and associated purchasing procedures in effect at the Shire of Katanning.

#### **Policy**

Purchasing that is \$150,000 or below in total value (excluding GST) must be in accordance with the purchasing requirements under the relevant threshold as defined in this policy under “Purchasing Thresholds”.

Purchasing that exceeds \$150,000 in total value (excluding GST) must be put to public Tender when it is determined that a regulatory Tender exemption, as stated under “Tender Exemptions” in this Policy is not deemed to be suitable.

#### **Purchasing Value Definition**

Determining Purchasing Value is to be based on the following considerations:

1. Cost 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 of Katanning 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 expected purchasing value.

#### **Purchasing from Existing Contracts**

Where the Shire of Katanning has existing contracts 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 of Katanning must consult its Contracts Register in the first instance before seeking to obtain any further quotes or tenders.

#### **Purchasing Thresholds**

The table below prescribes the purchasing process that the Shire of Katanning must follow, based on the purchase value:

| Purchase Value Threshold        | Purchasing Requirement   |
|---------------------------------|--|
| Up to \$5,000                   | <p>Purchase directly from a supplier using a Purchase Order or Corporate Credit Card issued by the Shire of Katanning, obtaining at least one (1) verbal or written quotation from a suitable supplier, either from:</p> <ul style="list-style-type: none"> <li>• an existing panel of pre-qualified suppliers administered by the Shire of Katanning; 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> |
| Over \$5,000 and up to \$50,000 | <p>Obtain at least three (3) 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 of Katanning ; 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>Over \$50,000 to<br/>\$150 000</p> | <p>Obtain at least three (3) 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 of criterion 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 of Katanning; 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 of Katanning, 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>\$150,000 and above</p>            | <p>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 under section 5.7 of 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 of Katanning tender procedures. The procurement decision is to be based on pre-determined evaluation a criterion that assesses all value for money considerations in accordance with the definition stated within this Policy or</p> <p>Obtain at least three (3) quotations directly from suppliers on a WALGA Preferred Supplier Panel using Vendor Panel eQuotes. If there are more than three (3) preferred suppliers on the supplier panel, quotations must be sought from each preferred supplier, as considered appropriate by the Officer.</p>  |

## Forms and Quotations

### Verbal

Where a verbal quotation is required under this policy then both the request for quotation and submission of quotation, may occur verbally or in writing.

## Written

Where a written quotation is required under this policy then both the request for quotation and the submission of a quotation must occur in writing.

## Quotations

Both a verbal and written request for quotation must include:

- Details of goods and services required;
- The time when goods and services are required; and
- A date by which the quotation must be submitted.

## **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.
- 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 by the Shire of Katanning; or
- any of the other exclusions under Regulation 11 of the Regulations apply.

## **Inviting Tenders Under the Tender Threshold**

Where considered appropriate and beneficial, the Shire of Katanning may consider publicly advertising Tenders in lieu of undertaking a Request for Quotation for purchases under the tender threshold. This decision should only be made after considering the benefits of this approach in comparison with the costs, risks, and 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 \$150,000 or less in value, the Shire of Katanning's tendering procedures must be followed in full.

## **Sole Source of Supply**

Where the purchasing requirement is over the value of \$5,000 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 of Katanning is satisfied and can evidence that there is only one source of supply for those goods, services or works. The Shire of Katanning 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 Chief Executive Officer, prior to a contract being entered into.

From time to time, the Shire of Katanning may publicly invite an expression of interest to effectively determine that only one sole source of supply still genuinely exists.

### **Anti-Avoidance**

The Shire of Katanning 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.

### **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 *Local Government Act 1995*. In such instances, quotes and tenders are not required to be obtained prior to the purchase being undertaken.

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

### **Records Management:**

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

For the quotation process, this includes:

- Quotation documentation
- File notes for verbal quotes
- Internal documentation
- Purchase orders or requisitions
- Any other relevant correspondence.

For the tendering process, this includes:

- Advertising
- Tender documentation
- Evaluation documentation
- Enquiry and response documentation; and
- Notification and award documentation

Where a verbal quotation is required under this policy then the following information must be noted and stored in the Shire's records management system:

- Details of goods and services required;
- The name of any supplier who was requested to provide a quotation and the date on which it was requested; and
- The name of any supplier who submitted the quotation, the amount of the quotation and the date on which it was received.

Where a written quotation is required under this policy then the written request for quotation, the amount of the quotation and the date on which it was received.

### **Sustainable Procurement and Corporate Social Responsibility:**

The Shire of Katanning is committed to providing a preference to suppliers that demonstrate sustainable business practices and high levels of corporate social responsibility (CSR). Where appropriate, the Shire of Katanning shall endeavour to provide an advantage to suppliers demonstrating that they minimise environmental and negative social impacts and embrace CSR. Sustainable and CSR considerations must be balanced against value for money outcomes.

### **Buy Local Policy:**

A regional price preference may be afforded to locally based businesses for the purposes of assessment. Provisions are detailed within the Shire of Katanning's Regional Price Preference Policy.

### **Purchasing from Disability Enterprises:**

Pursuant to Part 4 of the Local Government (Functions and General) Regulations 1996, the Shire of Katanning 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, Australian Disability Enterprises are to be invited to quote for supplying goods and services under the tender threshold. A qualitative weighting may be afforded in the evaluation of quotes and tenders to provide advantages to Australian Disability Enterprises.

### **Purchasing from Aboriginal Businesses:**

Pursuant to Part 4 of the *Local Government (Functions and General) Regulations 1996*, the Shire of Katanning 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, Aboriginal businesses are to be invited to quote for supplying goods and services under the tender threshold. A qualitative weighting may be afforded in the evaluation of quotes and tenders to provide advantages to Aboriginal owned businesses or businesses that demonstrate a high level of aboriginal employment.

### **Panel of Pre-Qualified Suppliers:**

#### **Policy Objectives**

In accordance with Regulation 24AC of the *Local Government (Functions and General) Regulations 1996*, a Panel of Pre-qualified Suppliers ("Panel") may be created where most of the following factors apply:

- the Shire of Katanning determines 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

- the Shire of Katanning has the capability to establish, manage the risks and achieve the benefits expected of the proposed Panel.

The Shire of Katanning will endeavour to ensure that Panels will not be created unless most of the above factors are firmly and quantifiably established.

### **Establishing a Panel**

Should the Shire of Katanning determine that a Panel is beneficial to be created, it must do so 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 deemed appropriate by the Shire of Katanning.

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, the Shire of Katanning must appoint at least three (3) suppliers to each category, on the basis that best value for money is demonstrated. Where less than three (3) suppliers are appointed to each category within the Panel, the 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), the Shire of Katanning must state the expected number of suppliers it intends 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.

### **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 the Shire intends to:

- i. obtain quotations from each pre-qualified supplier on the Panel with respect to all purchases, in accordance with Clause 11.4; or
- ii. purchase goods and services exclusively from any pre-qualified supplier appointed to that Panel, and under what circumstances; or
- iii. develop a ranking system for selection to the Panel, with work awarded in accordance with Clause 11.3(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. The Shire/Town/City is to invite 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, the Shire of Katanning may then invite suppliers that are not pre-qualified under the Panel, in accordance with the Purchasing Thresholds stated in section 5.5 of 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.

### **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.

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 of Katanning's electronic records system. A separate file is to be maintained for each quotation process made under each Panel that captures all communications between the Shire of Katanning and Panel members.

### **Recordkeeping**

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 process 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 any framework agreements entered into with pre-qualified suppliers.

The Shire of Katanning is also to retain itemised records of all requests for quotation, including quotations received from pre-qualified suppliers and contracts awarded to Panel members. 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 the Contract.