

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 Part 4 of the *Local Government (Functions and General) Regulations 1996* (Regulations).

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 principles, standards and behaviours as defined in this policy and prescribed in the City's Purchasing Guidelines must be observed and enforced through all stages of the purchasing process to ensure the fair and equitable treatment of all parties.

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 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;
- 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.

3. PURCHASING REQUIREMENTS

The City is committed to using the most efficient, effective and appropriate purchasing processes for the acquisition of goods or services. The purchasing requirements as defined in this policy and prescribed in the City's Purchasing Guidelines, Promapp processes and Regulations must be followed when purchasing goods or services on behalf of the City.

3.1 Scope of Works

The scope of works for a quotation must be confirmed by an officer with the appropriate purchasing authority prior to the issuance of the request for quotation. The scope of works for a tender must be confirmed by the relevant Director and the CEO prior to inviting tenders.

The scope of works must be relevant and in specific detail to give respondents/tenderers a clear understanding of the nature and extent of works required, including timeframes and deliverables. Pricing by the respondent/tenderer will be based on the scope of works, therefore, the more detail provided in the scope of works, the more accurate the pricing will be with fewer contingencies and over-runs.

3.2 Purchasing from Existing Contracts

When planning to purchase goods or services via quotation or tender, the City's Internal Preferred Supplier Contract Register should be consulted in the first instance. Where the City has an existing contract in place, the required goods or services must be purchased under that existing contract, to the extent that the scope of the contract allows.

3.3 Purchasing Thresholds

In determining which purchasing threshold to observe, the following considerations are to be taken into account:

1. The value is exclusive of Goods and Services Tax (GST).
2. The actual or expected value of the contract over the full contract period, including any potential contract variations and all options to extend.
3. The extent to which it could reasonably be expected that the City will continue to purchase a particular category of goods, services or works and what the estimated total value of that purchase would be.
4. If the expected value of the full contract is expected to reach \$250,000 (ex GST) over a three year period, a tender process should be considered.

The below table identifies the minimum requirements for each purchasing threshold.

Purchasing Thresholds and Requirements
<p><u>Up to \$1,000</u></p> <ul style="list-style-type: none"> • Direct purchase from a supplier, no quotation required.
<p><u>\$1,001 - \$5,000 (excluding GST)</u></p> <ul style="list-style-type: none"> • A minimum of one quotation is required. • The quotation may be requested verbally, but it must be received or be evidenced in writing. • Quotations within this threshold may be obtained from: <ul style="list-style-type: none"> – an existing internal preferred supplier contract or panel of pre-qualified suppliers administered by the City; or – a pre-qualified supplier on the WALGA Preferred Supply Program or State Government Common Use Arrangement (CUA); or – the open market, e.g. Marketplace via eQuotes.
<p><u>\$5,001 - \$50,000 (excluding GST)</u></p> <ul style="list-style-type: none"> • A minimum of three quotations are required. • The quotations must be requested in writing and must be received or be evidenced in writing. • Quotations within this threshold may be obtained from: <ul style="list-style-type: none"> – an existing internal preferred supplier contract or panel of pre-qualified suppliers administered by the City; or – a pre-qualified supplier on the WALGA Preferred Supply Program or State Government Common Use Arrangement (CUA); or – the open market, e.g. Marketplace via eQuotes.
<p><u>\$50,001 - \$250,000 (excluding GST)</u></p> <ul style="list-style-type: none"> • A minimum of three quotations are required. • The quotations must be requested in writing and must be received in writing.

- A quotation number must be obtained, prior to requesting quotations.
- Quotations within this threshold may be obtained from:
 - an existing internal preferred supplier contract or panel of pre-qualified suppliers administered by the City; or
 - a pre-qualified supplier on the WALGA Preferred Supply Program or State Government Common Use Arrangement (CUA); or
 - the open market, e.g. Marketplace via eQuotes.
- A City approved Request for Quotation template must be used when issuing a request for quotation.
- The evaluation decision is to be based on pre-determined selection criteria that assesses all value for money considerations in accordance with section 2.2 of this policy.

Above \$250,000 (excluding GST)

- Conduct a public tender process in accordance with Part 4 of the Regulations, this policy and the City's Purchasing Guidelines and Promapp processes, UNLESS a tender exemption applies as listed under section 3.4 of this policy.
- The decision to invite tenders shall either be determined via Council resolution, or the relevant delegation of authority, as detailed within the Delegations Register and section 3.10 of this policy.

Where there is a discretion to request quotations either verbally or in writing, it is important to consider the nature and complexity of the goods 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.

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

3.4 Waiving Quotations and Tenders

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

- a) the purchase is for unbudgeted recovery expenditure within 6 months of an emergency situation in accordance with section 6.8(1)(c) of the Act (see section 3.11.3 of this policy);
- b) a genuine sole source of supply exists (see section 3.11.4 of this policy);
- c) the provision of goods or services is provided under warranty or relates to specific manufacturer repairs;
- d) the purchase is from an Internal Preferred Supplier, where the supplier was appointed as the result of a City tender, for the purpose of being an Internal Preferred Supplier;
- e) the purchase is from a pre-qualified supplier under a Panel established by the City, in accordance with Division 3 of Part 4 of the Regulations (see section 3.9 of this policy);
- f) the purchase is from a pre-qualified supplier on the WALGA Preferred Supply Program or CUA;
- g) the purchase is under auction which has been authorised by Council;
- h) the purchase is from a Regional Local Government or another Local Government;
- i) the purchase is from a supplier registered on the Aboriginal Business Directory WA or with Australian Indigenous Minority Supplier Office Limited, where the consideration is \$50,000 (excluding GST) or less and represents value for money;
- j) the purchase is for legal services (**Quotations only**);
- k) the purchase is during a public health emergency¹ or state of emergency², and there are insufficient suppliers whose business operates from a physical location within the City's boundaries from which to obtain the prescribed number of quotations (**Quotations only**); or

¹ As declared under the *Public Health Act 2016* section 167.

² As declared under the *Emergency Management Act 2005* section 56.

- l) the prescribed number of quotations was requested, however one or more of the suppliers did not respond to the request despite the City's best efforts to obtain the quotations (**Quotations only**).

When purchasing under this section, the requirements of the City's Purchasing Guidelines and Promapp processes are to be observed.

3.4.1 Additional Tender Exemptions

In addition to the exemptions identified in section 3.4 of this policy, the calling of public tenders may be waived where:

- a) the purchase is acquired from an Australian Disability Enterprise, as registered on www.buyability.org.au and represents value for money;
- b) the purchase is acquired from a person registered on the Aboriginal Business Directory WA or with Australian Indigenous Minority Supplier Office Limited, where the consideration under contract is worth \$250,000 (excluding GST) or less and represents value for money; or
- c) any of the other exemptions under Regulation 11 of the Regulations apply.

When purchasing under this section, the requirements of the City's Purchasing Guidelines and Promapp processes are to be observed.

3.5 Inviting Tenders under the Tender Threshold

Where it is considered beneficial, public tenders may be called in lieu of seeking quotations for purchases under the \$250,000 threshold (excluding GST). When the decision is made to conduct a public tender, the Request for Tender process as outlined in this policy and prescribed in the City's Purchasing Guidelines and Promapp processes, must be followed in full.

3.6 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.

3.7 Buying Local

Where practical and appropriate, the City will:

- a) consider purchasing practices, procedures and specifications that do not unfairly disadvantage local businesses;
- b) ensure that procurement plans address local business capability and local content; and
- c) ensure that Requests for Quotation and Tenders are designed to incorporate the capabilities of local businesses.

To this extent a price preference may be afforded to local businesses in the evaluation of quotations and tenders where suppliers are located within the boundaries of the City. The requirements of Council's *CG-11 Regional Price Preference Policy* are to be observed when applying a price preference.

3.8 Purchasing Public Art

In order to promote Public Art within the City, Council has adopted *CS-12 Public Art Policy*.

When purchasing public art on behalf of the City, the requirements of *CS-12 Public Art Policy* must be observed in addition to the City's standard purchasing requirements.

3.9 Panels of Pre-Qualified Suppliers

In accordance with Regulation 24AC of the Regulations the City may establish a panel of pre-qualified suppliers (Panel) if there is, or will be, a continuing need for particular goods or services. A Panel should only be established where the purchasing activity is considered to be of a low to medium risk, and where the City has the capability to manage the risks and achieve the benefits expected of the proposed panel.

Should the City determine that a Panel would be beneficial, then the establishment of that Panel must be in accordance with Part 4, Division 3 of the Regulations.

3.9.1 Establishing a Panel

The decision to establish a Panel shall either be determined via Council resolution, or the relevant delegation of authority, as detailed within the Delegations Register.

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

Panels are to be established for a minimum term of one (1) year and up to a maximum term of three (3) years, inclusive of any options to extend or renew the contract.

Where a Panel is to be established, the City will endeavour to appoint at least three (3) suppliers to the Panel or each category within the Panel, on the basis that best value for money is demonstrated. A minimum of two (2) suppliers are required to establish a Panel, or for appointment to a category within the Panel.

When the City invites suppliers to apply to join a Panel, the invitation must include:

- a) the evaluation criteria to be used to assess the applications;
- b) the expected number of suppliers that the City intends to put on the Panel;
- c) a description of how work will be distributed amongst the Panel members;
- d) what will happen if a Panel member decides to leave the Panel; and
- e) whether or not the City intends to purchase the goods or services exclusively from the Panel.

When determining what evaluation criteria will be used to assess applications to join a Panel, the requirements of section 3.10 of this policy are to be observed.

Should a Panel member decide to leave a Panel, they may be replaced by the next ranked supplier as determined by the assessment of applications to join the Panel. A Panel member can only be replaced if this consideration is detailed, as per item (d) above, in the invitation to join a Panel.

In the event that a Panel member leaves a Panel and this results in the Panel being reduced to one (1) Panel member and the City is unable to replace the Panel member, then that Panel must be disbanded.

3.9.2 Distributing Works Amongst Panel Members

When establishing a panel of pre-qualified suppliers, the City must pre-determine how work will be distributed amongst the Panel members. The City may utilise a Panel by applying one of the following three methods:

1. Obtain quotations from each pre-qualified supplier on the Panel with respect to all purchases;
2. Purchase goods or services exclusively from any pre-qualified supplier appointed to that Panel, and under what circumstances; or
3. Develop a ranking system for selection to the Panel.

In every instance, a contract must not be entered into with a pre-qualified supplier for an item of work beyond 12 months, which includes options to extend or renew the contract. For any item of work that will exceed 12 months, the requirements of section 3.3 of this policy apply.

Where each Panel member has been invited to bid on an item of work, however **ALL** of the Panel members decline the invitation for whatever reason, the City may invite suppliers that are not pre-qualified under the Panel. Purchasing conducted outside of the Panel arrangement must be in accordance with section 3.3 of this policy

3.9.3 Purchasing from the Panel

Each quotation process, including the invitation to quote, communications with Panel members, quotations received, evaluation of quotes and notification of award communications should be made through eQuotes.

Each quotation process from start to finish, including all communications with Panel members must be captured in the City's record keeping system.

3.10 Evaluation Criteria

In accordance with Part 4 of the Regulations, before the City invites tenders or applications to join a panel of pre-qualified suppliers (panel applications), it must determine in writing the criteria for deciding which tenders/panel applications should be accepted.

As such Council has delegated authority to the CEO to invite tenders and panel applications and determine evaluation criteria in accordance with this policy. This delegation only applies where the consideration involved does not exceed \$1,000,000 (excluding GST) and there is an appropriate provision made in the budget.

3.10.1 Evaluation Criteria Models

Purchasing requirements vary greatly in the nature of the activity, scope of works and pricing, therefore it will be difficult to find a single evaluation model to fit all circumstances. Council has endorsed two evaluation models to be used to guide the CEO when pre-determining evaluation criteria.

When seeking quotations above \$50,000 (excluding GST), it is recommended to use the evaluation criteria models set out below as a guide when pre-determining evaluation criteria.

Model 1 - Product Purchases

The below table identifies the evaluation criteria and minimum weightings to be used when the CEO invites tenders/panel applications for the purchase of goods/products.

MODEL 1 PRODUCT PURCHASES	
Evaluation Criteria	Minimum Weightings
Price (mandatory criterion)	60%
Quality (mandatory criterion)	5%
Capacity to Deliver (mandatory criterion)	5%
<i>Additional criteria may also be included if deemed appropriate</i>	Up to 30%
TOTAL	100%

Model 2 – Service/Construction Purchases

The below table identifies the evaluation criteria and minimum weightings to be used when the CEO invites tenders/panel applications for the purchase of services/construction works.

MODEL 2 SERVICE/ CONSTRUCTION PURCHASES	
Criteria	Minimum Weightings
Price (mandatory criterion)	40%
Relevant Experience (mandatory criterion)	5%
Methodology (mandatory criterion)	5%
Capacity to Deliver (mandatory criterion)	5%
<i>Additional criteria may also be included if deemed appropriate</i>	Up to 45%
TOTAL	100%

As a minimum requirement, the above nominated evaluation criteria are mandatory and must always be used when the CEO invites tenders/panel applications. The CEO does not have authority to substitute alternative evaluation criteria for the mandatory evaluation criteria. However, the CEO can include additional evaluation criteria if deemed appropriate.

The minimum weightings column identifies the minimum weighting to be applied to each mandatory evaluation criterion. In exceptional circumstances the CEO may authorise a price weighting lower than 60% for goods/products or 40% for service/construction purchases.

When determining the evaluation criteria and weightings, the total sum of the weightings must equal 100%.

3.10.2 Variations to Evaluation Criteria Models

Council must authorise the decision to invite tenders/panel applications, the evaluation criteria and the scope of works when the value is expected to exceed \$1,000,000 (excluding GST). The evaluation criteria models set out in section 3.10.1 of this policy are to be used as a guide when seeking Council authorisation of evaluation criteria.

If the criteria within the evaluation criteria models provided for in section 3.10.1 of this policy are not suitable for a particular tender/panel application, then Council authorisation of the alternative evaluation criteria and weightings will be required irrespective of the value.

The evaluation criteria models only apply to tenders for the purchase of goods and services and do not apply to tenders for the disposal of Council property.

3.11 Authorisation of Expenditure

3.11.1 Awarding Quotations/Tenders

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

On each occasion a tender is awarded under delegated authority, an Information Only Agenda Report must be provided at the next ordinary Council meeting in order to inform Council of the tender award. The report must detail the information as set out below:

Tender No:		Project Budget:	\$
Tender Title:			
State-wide Advertising Commenced:		Tender Closing Date/ Time:	
Scope of Works:	[Insert summary description]		
Selection Criteria:	[Insert Criteria]	[Insert Weighting] %	
	[Insert Criteria]	[Insert Weighting] %	
	[Insert Criteria]	[Insert Weighting] %	
	[Insert Criteria]	[Insert Weighting] %	
Submissions Received:	[Insert Suppliers]		
Tender Awarded to:			
Contract Value:		Date of Award:	<i>This is the date delegated authority is exercised.</i>
Contract Term:		Contract Options:	

3.11.2 Payment Methods

Where the City holds an account with a supplier a Purchase Order should be issued in the first instance.

If the purchase is a one off purchase or the supplier does not accept Purchase Orders the following payment methods may be used in limited circumstances:

1. Corporate Credit Card (the requirements of Council's *GF-07 Corporate Credit Card Policy* apply); or
2. Petty Cash up to the value of \$100 (excluding GST); or
3. Reimbursements.

The commitment of expenditure using any of the above payment methods must comply with the relevant delegation of authority as detailed within the Delegations Register.

3.11.3 Emergency Expenditure

The commitment to unbudgeted expenditure in response to an emergency must be authorised by the City Mayor in advance. The expenditure must then be subsequently reported to Council at the next Ordinary Council Meeting.

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 or services will be obtained via emergency expenditure. The remainder of expenditure will then need to comply with the requirements of section 3.3 of this policy.

3.11.4 Sole Source of Supply

A 'sole source of supply' may exist if the required goods or services are of a unique nature, and it is unlikely that there is more than one potential supplier of the specific good/service. The application of a sole source of supply should only occur in limited cases, where the City can evidence that there is only one source of supply. The City 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.

Suppliers on the Supplier Exceptions List are considered a sole source of supply.

For purchases above \$250,000 (excluding GST) the application of a sole source of supply must be approved by the CEO. For purchases of this nature below \$250,000 (excluding GST) one quotation must be obtained and approved by the Director, prior to a contract being entered into.

3.11.5 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 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; or
2. An Expression of Interest (EOI) may be called *prior to* a Request for Tender (RFT) to ascertain the market's ability to provide the goods or services due to the specialised nature of the goods 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 or services, the requirements of the relevant purchasing threshold must be observed.

3.12 Health and Safety

With all purchasing decisions, consideration must be given to the relevant health and safety implications of the goods 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 or worksites, the minimum requirements as detailed within the City's Contractor OHS Induction shall apply.

3.13 Regulatory Compliance – Tenders

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

3.13.2 No Compliant 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 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 \$250,000 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.

3.14 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, Promapp processes and the *State Records Act 2000*.

3.15 Complaints

Where the City receives a request to review a procurement process, the request is to be directed to Governance for assessment.

4. 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.

5. 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.

6. REFERENCES TO RELATED DOCUMENTS

- *Local Government Act 1995*
- *Local Government (Functions and General) Regulations 1996*, Part 4 – Tenders for Providing Goods or Services
- *State Records Act 2000*
- City of Karratha Code of Conduct
- City of Karratha Purchasing Guidelines
- City of Karratha Delegations Register
- City of Karratha Strategic Community Plan
- City of Karratha Contractor OHS Compliance Guidelines
- *CG-11 Regional Price Preference Policy*
- *CF-07 Corporate Credit Card Policy*
- *CI-02 Record Keeping Policy*
- *CS-12 Public Art Policy*
- Promapp

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Responsible Officer:	Manager Governance and Organisational Strategy

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