CORPORATE AND COMMERCIAL SERVICES (CS)

CS001	Procurement
Directorate	Corporate and Commercial Services
Adoption Date	10/10/2017
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CS001 Procurement

PURPOSE

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

OBJECTIVES

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

a. Achieve best value for money outcomes for the Shire.
b. Foster economic development by maximising participation of local businesses in the delivery of goods and services.
c. Use consistent, efficient and accountable purchasing processes and decision-making, including competitive quotation processes, assessment of best value for money and sustainable procurement outcomes for all purchasing activity, including tender exempt arrangements.
d. Commit to probity and integrity, including the avoidance of bias and of perceived and actual conflicts of interest.
e. Comply with the *Local Government Act 1995*, *Local Government (Functions and General) Regulations 1996*, other relevant legislation, Codes of Practice, Standards and the Shire's Policies and procedures.

ETHICS & 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 Shire 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.

a. Full accountability shall be taken for all purchasing decision and the efficient, effective and proper expenditure of public monies based on achieving value for money.
b. All purchasing practices shall comply with relevant legislation regulations, and requirements consistent with Council policies, values and Code of Conduct.
c. Purchasing is to be undertaken in a competitive basis in which all potential suppliers are treated impartially, honestly and consistently.
d. 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.
e. Any actual or perceived conflicts of interest are to be identified, disclosed and appropriately managed.

f. Any information provided to the Shire by a supplier shall be treated as commercial-in-confidence and should not be released unless authorised by the supplier or under relevant legislation.

VALUE FOR MONEY

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

Value for money is determined when the consideration of price, risk and quality factors that are assessed to determine the most advantageous outcome to be achieved for the Shire.

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

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

a. All relevant whole-of-life costs and benefits, whole of life cycle costs (goods) and whole of contract life costs (for services) including transaction costs associated with acquisition, delivery, distribution, as well as other costs, 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, value adds offered, warranties, guarantees, repair and replacement policies, ease of inspection, ease of after sales service, and any relevant methods of assuring quality.
c. financial viability and capacity to supply without the risk of default, (competency of the prospective suppliers in terms of managerial and technical capabilities and compliance history);
d. The economic and social benefits arising from the goods, services or works required, including consideration of these benefits in regard to the supplier's operations, in accordance with this Policy and any other relevant Shire Policy including Local Economic Benefit; and
e. 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 consistent with this Policy, where practicable; and
f. Local business capability, capacity, reliability, reputation and previous experience.

REGIONAL PRICE PREFERENCE POLICY

(Refer to Policy CS002): - As much as practicable, the Shire must:

a. Where appropriate, consider buying practices, procedures and specifications that do not unfairly disadvantage local businesses.
b. Consider indirect benefits that have flow on benefits for local suppliers (i.e. servicing and support
c. Ensure that procurement plans address local business capability and local content.
d. 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.
e. Avoid bias in the design and specification for Requests for Quotation and Tenders – all Requests must be structured to encourage local businesses to bid; and
f. Provide adequate and consistent information to potential suppliers.

PURCHASING REQUIREMENTS

6.1 Legislative/Regulatory Requirements

The requirements that must be complied with by the Shire, including purchasing thresholds and processes, are prescribed with the *Local Government (Functions and General) Regulations 1996* and this policy.

6.2 Policy

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 under Section 6.4 of this Procurement Policy.

Purchasing that exceeds $250,000 in total value (excluding GST) must be put to public Tender when it is determined that a regulatory Tender exemption, as stated under Section 6.4.1 of this Procurement Policy is not deemed to be suitable.

6.3 Defining the Purchasing Value

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

Exclusive of GST

The actual or expected value of a contract over the full contract period, including all options to extend; or to 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.

Must incorporate any variation to the Scope of purchase and be limited to a 10% tolerance of the original purchasing value.

6.4 Procurement Thresholds and Requirements

The following procedures will be adhered to when purchasing items and other services and goods as per the adopted budget.

Note that purchase orders are not required to be raised for the following items:

a. Fuels – bulk fuel purchases require a Purchase Order
b. Credit Card Purchases
c. Utilities
d. Manual Cheque requests for reimbursements
e. Pre-Employment Medicals
f. Debt Collections expenses
g. Landgate valuation services (excluding 4yearly townsite valuations)
h. Insurance premiums purchased through LGIS.
   The suite of LGIS insurances are established in accordance with S.958(6)(b) of the *Local Government Act 1995* and are provided as part of a mutual, where WALGA Member Local Governments are the owners of LGIS. Therefore, obtaining LGIS insurance services is available as a member-base service and is not defined as a purchasing activity subject to this Policy. Should Council resolve to seek quotations from alternative insurance suppliers, compliance with this Policy is required (i.e. a Tender process to be undertaken)

Note that the following will not be subject to sourcing three quotes or undertaking a Formal RFx process:

a. Legal advice
b. Single proprietary IT Software (Microsoft, Windows)
c. Human Resources recruitment services.

All purchase orders are to be completed as set out below:

Purchase Value Threshold *(ex GST)*	**Purchasing Practice Requirements**
Up to $10,000 *(ex GST)*	Purchase directly from a supplier using a Purchase Order or Corporate Credit Card.
From $10,001 and up to $30,000 *(ex GST)*	Seek a minimum of three (3) written quotations. Confirmed via Purchase Order The purchasing decision is to be based upon assessment of the suppliers' responses to: • a brief outline of the specified requirement for the goods; services or works required; and • Value for Money criteria, not necessarily the lowest quote.
From $30,001 and up to $50,000 *(ex GST)*	A minimum of three (3) written quotations must be requested through Altus with a suitable scope of works as an informal Request for Quotation. Whilst the scope and Altus process may be driven by the project manager, the agreement must be confirmed via a Contract/ Agreement in conjunction with the Shire's Procurement Team. The purchasing decision is to be based upon evaluation of the suppliers' responses to: • a brief outline of the specified requirement for the goods; services or works required; and • Value for Money criteria, not necessarily the lowest quote.
From $50,001 and up to $250,000 *(ex GST)*	Seek a minimum of Three (3) written responses from suppliers by invitation under a formal Request for Quotation. Confirmed via Purchase Order and Contract/Agreement. The purchasing decision is to be based upon evaluation of the supplier's response to: • a detailed written specification for the goods, services or works required; and • pre-determined selection criteria that assesses all best and sustainable value considerations.
Over $250,000 *(ex GST)*	**Conduct a Public Tender process** undertaken in accordance with the *Local Government Act 1995* and relevant Shire Policy and procedures.

Purchase Value Threshold *(ex GST)*	**Purchasing Practice Requirements**
	OR Seek a minimum of three (3) written quotations from suitable suppliers if purchasing from a WALGA PSA, CUA. Council approval is required for procurement over $500,000.
Emergency Purchases *(Within Budget)* Refer to Clause 1.4.3	Where goods or services are required for an emergency response and are within scope of an established Panel of Pre-qualified Supplier or existing contract, the emergency supply must be obtained from the Panel or existing contract using relevant unallocated budgeted funds. If there is no existing Panel or contract, then clause 1.4.2(1) Supplier Order of Priority will apply wherever practicable. However, where due to the urgency of the situation; a contracted or tender exempt supplier is unable to provide the emergency supply OR compliance with this Purchasing Policy would cause unreasonable delay, the supply may be obtained from any supplier capable of providing the emergency supply. However, an emergency supply is only to be obtained to the extent necessary to facilitate the urgent emergency response and must be subject to due consideration of best value and sustainable practice. The rationale for policy non-compliance and the purchasing decision must be evidenced in accordance with the Shire's Record Keeping Plan.
Emergency Purchases *(No budget allocation available)* Refer for Clause 1.4.3	Where no relevant budget allocation is available for an emergency purchasing activity then, in accordance with s.6.8 of the *Local Government Act 1995,* the President must authorise, in writing, the necessary budget adjustment prior to the expense being incurred. The CEO is responsible for ensuring that an authorised emergency expenditure under s.6.8 is reported to the next ordinary Council Meeting. The Purchasing Practices prescribed for Emergency Purchases (within budget) above, then apply.

6.4.1 Procurement Exemptions

The Shire is exempt from publicly inviting tenders when procurement meets any of the requirements outlined under regulation 11(2) of the *Local Government (Functions and General) Regulations* 1996 (WA).

6.4.2 Minor Purchases

Petty Cash
Petty cash is used to meet the need for the procurement of small incidental goods and urgent situations and is limited to $50 per individual transaction.

6.4.3 Standing Orders

Standing orders relate to entering into an agreement with a local supplier to deliver a good or service for a specific time period or till 30 June each financial year. This type of order is issued to cover goods and services required by Council on a continual basis throughout the financial year.

Standing orders should be issued annually and a new order raised at the beginning of the financial year based on an approved budged or short-term contract.

6.4.4 Purchasing Practice and Purchasing Value Thresholds

The Purchasing Value, assessed in accordance with clause 6.4, determines the Purchasing Practice to be applied to the Shire's purchasing activities.

All staff that have purchase order authorisation must successfully complete the WALGA E-Learning Procurement Package or alternative procurement package as stipulated by the Procurement Section. Until such time as this has been completed successfully staff will not have access to authorise purchase orders.

Staff that are in positions that have authority to raise Purchase Orders of $5,000 or over will be required to complete the six modules, the Foundation Knowledge and Practical Knowledge Quiz. Staff that are in positions to raise Purchase Orders of up to $5,000 are required to undertake the first three modules and Foundation Quiz only.

Purchase orders must not be raised retrospectively.

Purchasing Thresholds
The Chief Executive Officer is authorised to approve purchase orders for the purchasing of goods and services and may, at his or her discretion, authorise officers to approve purchase orders for goods and services, together with set expenditure limits and other conditions as deemed necessary for each officer.

A purchase order can only be authorised by the following designated a*uthorised officers* for each Department:

Position	Threshold
Chief Executive Officer	May authorise a purchase order in accordance with the Procurement Thresholds and Requirements set out in 6.4 of this Policy, to the maximum value of $500,000.
Chief Officers	May authorise a purchase order in accordance with the Procurement Thresholds and Requirements set out in 6.4 of this Procurement Policy to the maximum value of $50,000. ***Only the Chief Executive Officer and Executive Managers are authorised to sign Capital Expenditure Purchase Orders.***
Executive Manager and Managers	May authorise a purchase order in accordance with the Procurement Thresholds and Requirements set out in 6.4 of this Procurement Policy to the maximum value of $25,000.

Other Authorised Officers	May raise a purchase order in accordance with the Procurement Thresholds and Requirements set out in 6.4 of this Procurement Policy to the maximum value of $5,000.

6.4.5 Capital Purchases

Capital purchases are defined within the annual budget as endorsed by Council. Capital purchases can only be authorised by the relevant Chief Officer or Chief Executive Officer within their respective financial delegation.

6.4.6 Emergency Purchases

Emergency purchases are defined as the supply of goods or services associated with:

a. A local emergency and the expenditure is required (within existing budget allocations) to respond to an imminent risk to public safety, or to protect or make safe property or infrastructure assets; OR

b. A local emergency and the expenditure is required (with no relevant available budget allocation) to respond to an imminent risk to public safety, or to protect or make safe property or infrastructure assets in accordance with s.6.8 of the *Local Government Act 1995* and *Local Government (Functions and General) Regulation 1996* 11(2)(a); OR

c. A State of Emergency declared under the *Emergency Management Act 2005* and therefore, *Local Government (Functions and General) Regulation 1996* 11(2)(aa), (ja) and (3) apply to vary the application of this policy.

Time constraints, administrative omissions and errors do not qualify for definition as an emergency purchase. Instead, every effort must be made to research and anticipate purchasing requirements in advance and to allow sufficient time for planning and scoping proposed purchases and to then obtain quotes or tenders, as applicable.

6.4.7 Expressions of Interest

Expressions of Interest (EOI) will be considered as a prerequisite to a tender process *[F&G Reg.21]* where the required supply evidences one or more of the following criteria:

a. Unable to sufficiently scope or specify the requirement;
b. There is significant variability for how the requirement may be met;
c. There is potential for suppliers to offer unique solutions and / or multiple options for how the purchasing requirement may be obtained, specified, created or delivered;
d. Subject to a creative element; or
e. Provides a procurement methodology that allows for the assessment of a significant number of potential tenderers leading to a shortlisting process based on non-price assessment.

All EOI processes will be based upon qualitative and other non-price information only.

6.4.7 Unique Nature of Supply (Sole Supplier)

An arrangement with a supplier based on the unique nature of the goods or services required or for any other reason, where it is unlikely that there is more than one potential supplier may only be approved where the:

a. purchasing value is estimated to be over $10,000 and limited to $250,000; and
b. purchasing requirement has been documented in a detailed specification; and
c. specification has been extensively market tested and only one potential supplier has been identified as being capable of meeting the specified purchase requirement; and
d. market testing process and outcomes of supplier assessments have been evidenced in records, inclusive of a rationale for why the supply is determined as unique and why quotations / tenders cannot be sourced through more than one potential supplier.

An arrangement of this nature will only be approved for a period not exceeding one (1) year. For any continuing purchasing requirement, the approval must be re-assessed before expiry, to evidence that only one potential supplier still genuinely exists.

6.4.8 Anti-Avoidance

The Shire will not conduct multiple purchasing activities with the intent (inadvertent or otherwise) of "splitting" the purchase value or the contract value, so that the effect is to avoid a particular purchasing threshold or the need to call a Public Tender. This includes the creation of two or more contracts or creating multiple purchase order transactions of a similar nature.

Anti-avoidance activities are in breach of the Shire's Code of Conduct and Regulations and reportable to the Public Service Commission.

6.4.9 Contract Renewals, Extensions and Variations

Where a contract has been entered into as the result of a publicly invited tender process, then Functions and General Regulation 21A applies.

For any other contract, the contract must not be varied unless

a. The variation is necessary in order for the goods or services to be supplied and does not change the scope of the contract; or
b. The variation is a renewal or extension of the term of the contract where the extension or renewal options were included in the original contract.

Upon expiry of the original contract, and after any options for renewal or extension included in the original contract have been exercised, the Shire is required to review the purchasing requirements and commence a new competitive purchasing process in accordance with this Policy.

7 SUSTAINABLE PROCUREMENT

The Shire is committed to implementing sustainable procurement by providing a preference to suppliers that demonstrate sustainable business practices.

The Shire will apply Sustainable Procurement criteria as part of the value for money assessment to ensure that wherever possible our suppliers demonstrate outcomes which contribute to improved social and local economic outcomes.

Sustainable Procurement can be demonstrated as being internally or externally focussed.

7.1 Local Economic Benefit

The Shire promotes economic development through the encouragement of competitive participation in the delivery of goods and services by local suppliers permanently located within its District first, and secondly, those permanently located within its broader region. As much as practicable, the Shire will:

a. consider buying practices, procedures and specifications that encourage the inclusion of local businesses and the employment of local residents;
b. consider indirect benefits that have flow on benefits for local suppliers (i.e. servicing and support);
c. ensure that procurement plans, and analysis is undertaken prior to develop Requests to understand local business capability and local content availability where components of goods or services may be sourced from within the District for inclusion in selection criteria;
d. 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;
e. avoid bias in the design and specifications for Requests for Quotation and Tenders – all Requests must be structured to encourage local businesses to bid;
f. consider the adoption of Key Performance Indicators (KPIs) within contractual documentation that require successful Contractors to increase the number of employees from the District first; and
g. provide adequate and consistent information to local suppliers.

To this extent, a weighted qualitative criterion will be included in the selection criteria for Requests for Quotation and Tenders where suppliers are located within the boundaries of the Shire, or substantially demonstrate a benefit or contribution to the local economy.

7.2 Socially Sustainable Procurement

The Shire will support the purchasing of requirements from socially sustainable suppliers such as Australian Disability Enterprises and Aboriginal businesses wherever a value for money assessment demonstrates benefit towards achieving the Shire's strategic and operational objectives.
A qualitative weighting will be used in the evaluation of Requests for Quotes and Tenders to provide advantages to socially sustainable suppliers in instances where the below tender exemptions are not exercised.

a. Aboriginal Businesses

Functions and General Regulation 11(2)(h) provides a tender exemption if the goods or services are supplied by a person on the Aboriginal Business Directory WA published by the Chamber of Commerce and Industry of Western Australian Limited, ABN 96 929 977 985, or a person registered with the Australian Indigenous Minority Supplier Office Limited (trading as Supply Nation), ABN 50 134 720 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.

b. Australian Disability Enterprises

Functions and General Regulation 11(2)(i) provides a tender exemption if the goods or services are supplied by an Australian Disability Enterprise, as registered on 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.

8 RECORD KEEPING

All Local Government purchasing activity, communications and transactions must be evidenced and retained as local government records in accordance with the *State Records Act 2000* and the Shire's Record Keeping Plan.

9 PURCHASING POLICY NON-COMPLIANCE

The Purchasing Policy is mandated under the *Local Government Act 1995* and Regulation 11A of the *Local Government (Functions and General) Regulations 1996* and therefore the policy forms part of the legislative framework in which the Local Government is required to conduct business.
Where legislative or policy compliance is not reasonably able to be achieved, records must evidence the rationale and decision-making processes that substantiate the non-compliance.

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

If non-compliance with; legislation, this Purchasing Policy or the Code of Conduct, is identified it must be reported to the Chief Executive officer or the Chief Financial Officer.

A failure to comply with legislation or policy requirements, including compliance with the Code of Conduct when undertaking purchasing activities, may be subject to investigation, with findings to be considered in context of the responsible person's training, experience, seniority and reasonable expectations for performance of their role.

Where a breach is substantiated, it may be treated as:

(a) an opportunity for additional training to be provided;
(b) a disciplinary matter, which may or may not be subject to reporting requirements under the *Public Sector Management Act 1994*; or
(c) where the beach is also identified as potentially serious misconduct, the matter will be reported in accordance with the *Corruption, Crime and Misconduct Act 2003*.

10 PAYMENT OF GOODS & SERVICES

To process efficiently and effect timely payments for goods and services purchased, purchase orders and invoices will be returned to staff and suppliers until satisfying policy and ATO requirements. This includes clearly stating the correct Shire purchase order number on an invoice submitted for payment.

Responsible Officer	Chief Financial Officer
Relevant Legislation	s3.57 of LGA, Regulation 11A of Functions & General Regulations Local Government (Functions and General) Regulations 1996 Regulation 11 and Regulation 18(4) *Local Government Act 1995* ("the Act") and the Local Government Act (Functions and General) Regulations 1996 ("the Regulations"). *State Records Act 2000* (WA) and associated records management practices and procedures of the Shire of Exmouth.

	Relevant legislation, regulations, and requirements consistent with the Shire of Exmouth's policies and Codes of Conduct
Relevant Delegation	N/A
Review History	

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22/11/2018	04-1118
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