

Council Policy CP010 Procurement of Goods and Services			
<b>Officer</b>	Manager Corporate Services	<b>Owner</b>	Director Corporate & Commercial Services
<b>Review Frequency</b>	Biennially	<b>Next Review</b>	February 2018
<b>Agenda Item number</b>		<b>Date</b>	
<b>Chief Executive Officer</b>		<b>Mayor</b>	

## OBJECTIVE

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

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

## SCOPE

This policy applies to all procurement activities undertaken by the City.

## DEFINITIONS

**Act** or **LGA** means the *Local Government Act 1995*.

**City** means the City of Greater Geraldton.

**CEO** means the Chief Executive Officer of the City.

**Council** means the Council of the City of Greater Geraldton.

**Councillor** means a person who holds the office of Councillor on the Council.

### **Construction (including works):**

For the purpose of this policy a work (construction) is defined as the carrying out of any improvement on or over any area of land, lake, river or ocean, and any services related to that activity in the prescribed area.

This includes the construction of buildings, housing and other public infrastructure as well as related services such as architectural, surveying, facilities management and general maintenance.

**Goods:** includes tangible, quantifiable material requirements usually capable of being moved or transported that are purchased, rented, leased or hired by the City.

**Mayor** means the Mayor elected by electors of the district of the City of Greater Geraldton.

**Employee** means all people employed by the City of Greater Geraldton whether permanent fixed term or casual contract of service, apprentice, trainee and independent contractors.

**Purchasing or Procurement** is defined as the entire process by which all classes of resources (including but not necessarily restricted to human, material, plant, equipment, facilities and services) are obtained generally for a local government activity, function or specific project by payment.

This can include the functions of planning, design, standards determination, specifications writing, selection of suppliers, financing and other related functions.

Procurement methods can include:

1. Direct Purchase – use existing supply agreements, e.g. Annual contracts, State/Commonwealth Government contracts; WALGA preferred suppliers; from Retail or Wholesale outlets.
2. Oral Quotations.
3. Written Quotations – dated and signed by the Supplier.
4. Direct Negotiation.
5. Lease/Hire Agreements.
6. Public Tender.
7. Petty Cash.

**Regional tenderer** means a supplier of goods or services in accordance with the following;

1. The tenderer has been operating a business continuously out of premises in the prescribed area for at least 6 months before the time after which further tenders cannot be submitted; or
2. some or all of the goods or services are to be supplied from regional sources.

**Prescribed Area:** means within 150 kilometres of the City of Greater Geraldton main office.

**Services or Provision of Services:** means any task, consultancy, work or advice to be performed or provided that is procured by the City. Included are services such as management consultancies, outsourcing, maintenance contract/ agreement, cleaning, waste removal, equipment repairs, external auditors, utilities and services acquired by a private sector provider for the City.

Excluded are payments made directly to employees, superannuation and pension payments, statutory or involuntary payments and grants, subsidies and transfer payments.

## POLICY

### 1. POLICY

The City of Greater Geraldton (the “**City**”) 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, the WALGA Procurement Handbook and City Procurement Procedures.

### 2. ETHICS & INTEGRITY

#### 2.1. Code of Conduct

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

## **2.2. 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 City's policies and 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, 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. VALUE FOR MONEY**

### **3.1. Policy**

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

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

### **3.2. 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 for businesses within the City's boundaries to be given the opportunity to quote for providing goods and services wherever possible.

## 4. PURCHASING REQUIREMENTS

### 4.1. Legislative / Regulatory Requirements

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

### 4.2. Policy

Purchasing that is **\$150,000 or below in total value** (inc GST) must be in accordance with the purchasing requirements under the relevant threshold as defined under section 4.5 of this Purchasing Policy.

Purchasing that **exceeds \$150,000 in total value** (inc GST) must be put to public Tender when it is determined that a regulatory Tender exemption, as stated under section 4.6 of this Policy is not deemed to be suitable.

### 4.3. Purchasing Value Definition

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

- Inclusive of Goods and Services Tax (GST);
- 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 City 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.
- Must incorporate any variation to the scope of the purchase and be limited to a 10% tolerance of the original purchasing value.

### 4.4. Purchasing from Existing Contracts

Where the City 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 City must consult its Contracts Register in the first instance before seeking to obtain quotes and tenders on its own accord.

#### **4.5. Purchasing Thresholds**

Purchasers should first establish whether the goods and/or services to be supplied are able to be sourced via an existing City contract and utilise that contract if possible.

If the goods and/or services are not able to be sourced via existing contracts then the following apply.

Purchasers should use the process that produces the best value for money outcome to the City; this may mean that the process chosen exceeds the minimum requirements.

Where purchasers are unable to meet the minimum requirements or the best value for money outcome will be achieved by not meeting the minimum requirements approval for non compliance with the policy may be granted by the CEO.

Purchasers should take into account the cost of the procurement process in determining best value for money.

Requests for quote must be issued via the City's eQuotes system.

In extenuating circumstances a Director or the CEO may provide written approve for the issuing of a request for quote outside of the City's eQuotes system; however all other requirements of this Policy must be complied with.

An exemption applies in situations where it is necessary to act immediately to protect people or property.

The table below prescribes the minimum requirements that the City must follow, based on the purchase value.

Purchase Value Threshold	Purchasing Requirement
<b>Up to \$1,000</b>	<b>No Quotations required, direct purchase guided by best value for money principle</b>
<b>\$1,000 and up to \$5,000</b>	Obtain at least one written quotation from a suitable supplier, either from: <ul style="list-style-type: none"> <li>an existing panel of pre-qualified suppliers administered by the City; 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 via eQuotes</li> </ul>
Over \$5,000 and up to \$50,000	Obtain at least three (3) 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 City; or</li> <li>a pre-qualified supplier on the WALGA Preferred Supply Program or State Government CUA; or</li> <li>from the open market via eQuotes</li> </ul>
Over \$50,000 and up to \$150,000	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 criteria that assesses all value for money considerations in accordance with the definition stated within this Policy.  Quotations within this threshold may be obtained from: <ul style="list-style-type: none"> <li>an existing panel of pre-qualified suppliers administered by the City; or</li> <li>a pre-qualified supplier on the WALGA Preferred Supply Program or State Government CUA; or</li> <li>from the open market via eQuotes</li> </ul> Requests for quotation from a pre-qualified panel of suppliers (whether administered by the City 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.
Over \$150,000	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 under section 4.6 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 City's tender procedures. 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.

#### 4.6. 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 City; or
- any of the other exclusions under Regulation 11 of the Regulations apply.

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

Where considered appropriate and beneficial, the City 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 \$150,000 or less in value, the City's tendering procedures must be followed in full.

#### **4.8. 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 City is satisfied and can evidence that there is only one source of supply for those goods, services or works. 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. Once determined, the justification must be endorsed in accordance with delegation levels, prior to a contract being entered into.

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

#### **4.9. Anti-Avoidance**

The City 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.

#### **4.10. 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 City in advance and to allow sufficient time to obtain quotes and tenders, whichever may apply.

## **5. RECORDS MANAGEMENT**

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

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.

## **6. SUSTAINABLE PROCUREMENT AND CORPORATE SOCIAL RESPONSIBILITY**

The City is committed to providing a preference to suppliers that demonstrate sustainable business practices and high levels of corporate social responsibility (CSR). Where appropriate, the City 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 in accordance with the City's sustainability objectives.

## **7. BUY LOCAL POLICY**

As much as practicable, the City 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 plans address 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, a qualitative weighting may be afforded in the evaluation of quotes and tenders where suppliers are located within the boundaries of the City, or substantially demonstrate a benefit or contribution to the local economy.

A regional price preference may be afforded to locally based businesses for the purposes of assessment. Provisions are detailed within the Council Policy 016 Regional Price Preference.

## **8. PURCHASING FROM DISABILITY ENTERPRISES**

Pursuant to Part 4 of the *Local Government (Functions and General) Regulations 1996*, the City 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.

## **9. PURCHASING FROM ABORIGINAL BUSINESSES**

Pursuant to Part 4 of the *Local Government (Functions and General) Regulations 1996*, the City 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.

## **ROLES AND RESPONSIBILITIES**

It is the responsibility of all City employees undertaking procurement activities to comply with this policy and it's supporting systems and procedures. All City employees when undertaking

procurement activities are required to observe the highest standards of ethics and integrity and act in an honest and professional manner that supports the standing of the City of Greater Geraldton.

## **WORKPLACE INFORMATION/REFERENCES**

Local Government Act 1995

Local Government (Function and General) Regulations 1996 – Divisions 1 and 2.

Council Policy 016 Regional Price Preference

Council Policy 014 Procurement vi Panels of Prequalified Suppliers

Operational Policy 046 Staff Purchasing

Operational Policy 023 Petty Cash

Procurement Guidelines

WALGA Procurement Handbook

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