

Shire of Mundaring

POLICY

PURCHASING POLICY

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Policy Ref:	OR-12 Code of Conduct		
Statute Ref:	<i>Local Government Act 1995</i>		
	<i>Local Government (Functions and General) Regulations 1996</i>		
Local Law Ref:	n/a		

PURPOSE

This policy commits Shire of Mundaring to maintaining purchasing practices that:

- Provide the Shire with an effective and consistent way of purchasing goods and services;
- Ensure openness, transparency, fairness and equity throughout the purchasing process;
- Support the Shire's economic development by ensuring goods and services are sourced from local suppliers where possible;
- Achieve a balance between operational efficiency and robust compliance to mitigate fraud and misconduct risks; and
- Ensure compliance with the *Local Government Act 1995* and the *Local Government (Functions and General) Regulations 1996*.

1. PURCHASING PRINCIPLES

1.1 Code of Conduct

All employees of the Shire are bound by the Shire's Code of Conduct when undertaking purchasing activities and will:

- ensure that any actual or perceived conflicts of interest are identified, disclosed and appropriately managed;
- observe the highest standards of ethics and integrity; and
- act in an honest and professional manner at all times.

1.2 Purchasing principles

The following principles, standards and behaviours must be observed and enforced through all stages of the purchasing process to ensure the fair and equitable treatment of all parties:

- **Accountability** - the responsible employee will be accountable for all purchasing decisions and the efficient, effective and proper expenditure of public monies to achieve the best outcome for the Shire and value for money;
- **Regulatory Compliance** - all purchasing practices will comply with relevant legislation, regulations and the Shire's policies, procedures and Code of Conduct;
- **Open Competition** - purchasing is to be undertaken on a competitive basis to ensure that all potential suppliers are treated impartially, honestly and consistently;
- **Integrity** - any actual or perceived conflicts of interest are to be identified, disclosed and appropriately managed;
- **Transparency** - all processes, evaluations and decisions will be transparent, free from bias and fully documented in accordance with applicable policies, audit requirements and relevant legislation;
- **Professionalism** – subject to legislative requirements and only to the extent required, any information provided to the Shire by a supplier will be treated as commercial-in-confidence and will not be released unless authorised by the supplier or relevant legislation;
- **Value for Money** – the responsible employee will ensure procurement decisions achieve the best possible outcome for the amount of money spent; and
- **Support of Local Businesses** – value for money assessment must recognise the role of Council in keeping jobs and profits in the Shire and keeping the local economy prosperous and competitive, thereby providing ongoing benefits to the local community;
- **Sustainability** – energy and water efficiency are key considerations in purchasing decisions, and reusable, recycled content or recyclable products are preferred where available and practical.

1.3 Buy Local Policy

Local supplier/contractor: has had a permanent office and permanent staff in the Shire of Mundaring district for a period of six months prior to quotations being sought.

As much as practicable, employees 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 to local suppliers/contractors or suppliers/contractors who clearly demonstrate a benefit or contribution to the local economy.

1.4 Value for money

Value for money is a key policy objective. It ensures that the Shire achieves the best possible outcome at competitive prices. This does not necessarily mean selecting the bid that offers the lowest initial price.

Purchasing decisions will be assessed on a value for money basis, giving full consideration to:

- The advantages of dealing with local businesses;
- Local content;
- The whole-of-life cost of the purchase or contract;
- Compliance with specifications, guidelines and requirements;
- Supplier capability to fulfil the specified requirements – legal, financial, experience etc;
- Net benefits to the Shire including the benefits of maintaining an ongoing, innovative and competitive local business environment;
- Environmental impacts and ethical standards; and
- Opportunities for local employment growth or retention.

1.5 Sustainable procurement

Sustainable procurement is defined as those practices that bring together the consideration of sustainability outcomes in addition to the commercial value proposition in deciding the most appropriate supply action to select.

Sustainable procurement incorporates the quadruple bottom line objectives into its decision making, in considering the following impacts:

1. The **environmental** impact (positive or negative) of the purchase;
2. The **economic** cost of supply over the life of the purchase;
3. The **social and ethical** implications of the purchase; and
4. The application of **good governance and leadership** over its procurement decision making.

In accordance with its sustainability objectives, the Shire is committed to sustainable procurement and where appropriate shall endeavour to design quotations and tenders to provide an advantage to goods, services and/or processes that minimise negative environmental and social impacts.

2. PURCHASING THRESHOLDS

The following table prescribes the purchasing methodology to be selected based on the purchasing value.

Determining the 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. Alternatively 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 could be reasonably expected to be purchased. Best practice obtained from the Department of Local Government is that if a purchasing threshold is reached within **three years**, then the purchasing requirement under the relevant higher threshold must apply, including for tenders;
- Must incorporate any variation to the scope of the purchase and be limited to a 10% tolerance of the original purchasing value.

The responsible employee is expected to demonstrate due diligence in seeking quotations and may determine that the process outlined for higher transaction value may be appropriate to a purchase despite it being of a lower value. Commonly a sufficient number of quotes would be sought according to the type and nature of purchase, not purely its value. The value dictates the minimum requirements for the purchase. In addition it is recommended to use professional discretion and occasionally undertake market testing with a greater number or more formal forms of quotation to ensure best value is maintained.

Purchasing value (exclusive of GST)	Method to be used	Authority to accept the quotation or tender and sign off on the purchase
Up to \$3,000	<p>Obtain at least one verbal quotation.</p> <p>Written notes detailing the verbal quotation must be:</p> <ul style="list-style-type: none"> • recorded in the records system; and • attached to the requisition order. <p>Alternative suppliers are encouraged to be used to ensure best value for money and adequate market share.</p>	<ol style="list-style-type: none"> 1. Responsible employee initiates purchase order (PO) through OLR; 2. Coordinator or Team Leader confirms policy requirements by approving PO. <p>If no Coordinator or Team Leader, Manager signs off.</p>
\$3,001 to \$10,000	<p>Obtain at least two written quotations containing price and specification or technical description of proposed purchase.</p> <p>This applies to all purchases including purchases from a tender exempt or Preferred Supplier contract (WALGA or WA State Government Common Usage Agreement - CUA) See Part 4 of this Policy.</p> <p>Records must be kept of:</p> <ul style="list-style-type: none"> • the invitation to quote sent to each supplier; • the evaluation of each quotation; • the decision to accept a quotation and the reason(s) why. <p>Written quotes must be:</p> <ul style="list-style-type: none"> • Scanned and recorded in the records system; and 	<ol style="list-style-type: none"> 1. Responsible employee evaluates quotations and initiates purchase order (PO) through OLR; 2. Manager confirms policy requirements by approving PO.

	<ul style="list-style-type: none"> attached to the requisition order. 	
\$10,001 to \$75,000	<p>Obtain at least three written quotations containing price and specification or technical description of proposed purchase.</p> <p>This applies to all purchases including purchases from a tender exempt or Preferred Supplier contract (WALGA or WA State Government Common Usage Agreement - CUA) See Part 4 of this Policy.</p> <p>Records must be kept of:</p> <ul style="list-style-type: none"> the invitation to quote sent to each supplier; the evaluation of each quotation; the decision to accept a quotation and the reason(s) why. <p>Written quotes must be:</p> <ul style="list-style-type: none"> Scanned and recorded in the records system; and attached to the requisition order. 	<ol style="list-style-type: none"> Responsible employee evaluates each quotation; Manager reviews and signs evaluation report; Employee initiates PO through OLR; Manager confirms policy requirements by approving PO; Manager signs the contract, if applicable.
\$75,001 to \$149,999	<p>Undertake a formal Request for Quotations (RFQ) seeking a minimum of three RFQ respondents one being a local supplier where available containing price and specification or technical description of proposed purchase.</p> <p>This applies to all purchases including purchases from a tender exempt or Preferred Supplier contract (WALGA or WA State Government Common Usage Agreement - CUA) See Part 4 of this Policy.</p>	<ol style="list-style-type: none"> Evaluation panel to consist of minimum two employees; Manager reviews evaluation report and recommends it to Director; Director approves and signs off; Employee initiates PO through OLR; Director confirms policy requirements by approving PO;

	<p>Records must be kept of:</p> <ul style="list-style-type: none"> • the invitation to quote sent to each supplier; • the evaluation of each quotation; • the decision to accept a quotation and the reason(s) why. <p>Written quotes must be:</p> <ul style="list-style-type: none"> • Scanned and recorded in the records system; and • attached to the requisition order. 	<p>6. Director signs the contract, if applicable.</p>
<p>\$150,000 to \$249,999</p>	<p>Undertake a formal Request for Quotations (RFQ) seeking a minimum of three RFQ respondents one being a local supplier where available containing price and specification or technical description of proposed purchase.</p> <p>This applies to all purchases including purchases from a tender exempt or Preferred Supplier contract (WALGA or WA State Government Common Usage Agreement - CUA) See Part 4 of this Policy.</p> <p>Records must be kept of:</p> <ul style="list-style-type: none"> • the invitation to quote sent to each supplier; • the evaluation of each quotation; • the decision to accept a quotation and the reason(s) why. <p>Written quotes must be:</p> <ul style="list-style-type: none"> • Scanned and recorded in the records system; and 	<ol style="list-style-type: none"> 1. Evaluation panel to consist of minimum three employees including one Manager; 2. Director reviews evaluation report and recommends it to CEO; 3. CEO approves and signs off; 4. Employee initiates PO through OLR; 5. CEO confirms policy requirements by approving PO; 6. CEO signs the contract, if applicable.

	<ul style="list-style-type: none"> attached to the requisition order. 	
\$250,000 and above	<p>Conduct a public Request for Tender (RFT) process in accordance with the provisions of the <i>Local Government Act 1995</i> (the Act), the <i>Local Government (Functions and General) Regulations 1996</i> (the Regulations) and the Code of Conduct;</p> <p>Refer to the Shire of Mundaring Tender Guidelines for detailed guidelines.</p> <p>State-wide advertising must include the local newspapers;</p> <p>or</p> <p>purchase from a tender exempt or Preferred Supplier contract (WALGA or WA State Government Common Usage Agreement - CUA). See Part 4 of this Policy, there is still a requirement to undertake a formal Request for Quotations (RFQ) seeking a minimum of three RFQ respondents containing price and specification or technical description of proposed purchase.</p>	<p>Delegation CE-151:</p> <ul style="list-style-type: none"> CEO can accept tender where the consideration under the resulting contract is \$250,000 (excluding GST) or less and the item is identified in the adopted budget CEO can accept regular supply tenders and tenders for plant and vehicles for items identified in the adopted budget Director Infrastructure Services (DIS) – as for CEO, but tender must be relevant to DIS area of responsibility. <p>All other tenders must be accepted by Council, who can authorise the CEO as part of their decision to sign the contract.</p> <p>In line with the above delegation contracts resulting from a tender process and valued at \$250,000 (ex GST) or less over the term of the contract, can be signed off by the CEO.</p>

EXEMPTIONS FROM PURCHASING THRESHOLDS AND QUOTATION REQUIREMENTS

Only where the total value of the purchase does not exceed \$250,000 exclusive of GST, the following purchasing decisions are exempt from the purchasing thresholds and quotation requirements of this policy:

1. Purchases:

- From specialised suppliers, such as state-wide advertising, postal services, memberships and subscriptions, taxis/ride share services, industry based training etc.;
- For utilities (power, water, gas);
- For emergency repairs;
- For proprietary software support (InfoHub, InfoCouncil);
- From original equipment manufacturers, where warranty provisions may be voided, such as spare parts and service of plant and equipment; and
- For specialist legal services, specialist consultancy services or specialised equipment manufacturers, as determined by a Director or the CEO, provided their approval is in writing, prior to the purchase.

2. Purchases made from panels of pre-qualified suppliers (see below).

3. Engagement of specific artists for events, for a value of less than \$5,000. "Artist" includes writer, actor, musician, public performer, painter, sculptor, writer, film maker, welcome to country performer. This purchase has to be approved by a Director.

3. TENDERS

For the procurement of goods or services where the value exceeds \$250,000, the shire is required under s. 3.57 of the Act and Regulation 11(1) of the Regulations to publicly invite tenders or purchase from a tender exempt contract.

Please refer to the Shire of Mundaring **Tender Guidelines** for guidance with tender processes.

4. PURCHASING FROM WALGA PREFERRED SUPPLIERS OR STATE GOVERNMENT COMMON USE ARRANGEMENT (CUA)

A tender exemption may apply if a purchase is obtained through the WALGA Preferred Supplier Program or the State Government CUA. Both programs can also be accessed for purchases requiring quotations.

The intent of the exemption is not to bypass the purchasing or tender requirements, but to save time, money and effort in advertising purchasing intentions and evaluating quotations when this task has already been completed by WALGA or CUA.

In order to ensure accountability, regulatory compliance, open competition, integrity, transparency and value for money these requirements must be strictly observed for all purchases from WALGA Panels or CUA:

1. All quotations from WALGA preferred suppliers must be obtained through the WALGA e-quotes facility;
2. Contracts resulting from quotations through WALGA preferred suppliers or CUA suppliers are limited to a maximum term of 12 months.
3. All purchasing from WALGA preferred suppliers or CUA is subject to the same thresholds and approval authorities as above. Contracts valued at more than \$325,000 (excluding GST) over three years must be presented for approval to Council.
4. Conflict of interest and confidentiality declarations, as well as evaluation of submissions must be completed and recorded as per the Tender Guidelines.

5. PANELS OF PRE-QUALIFIED SUPPLIERS

5.1 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:

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

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

5.2 Establishing a Panel

Should it be determined 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.
- 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 will endeavour to 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 statewide notice), the Shire 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 reg. 24AD(5)(d) and (e) when establishing the Panel.

5.3 Distributing Work Amongst Panel Members

To satisfy reg. 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:

- Obtain quotations from each pre-qualified supplier on the Panel with respect to all purchases, in accordance with Clause 5.3 a); or
- Purchase goods and services exclusively from any pre-qualified supplier appointed to that Panel, and under what circumstances; or
- Develop a ranking system for selection to the Panel, with work awarded in accordance with Clause 5.3 b).

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

- 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
- 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 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 invited Panel members be exhausted with no Panel member accepting the offer to provide goods/services under the Panel, the Shire may then invite suppliers that are not pre-qualified under the Panel, in accordance with the Purchasing Thresholds stated in Part 2 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.

5.4 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 captured on the Shire'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 and Panel members.

5.5 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 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 Plan which describes how the contract will be managed; and
- Copies of framework agreements entered into with pre-qualified suppliers.

The Shire 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.

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

6. AUTHORITY TO EXECUTE CONTRACTS

Execution (or signing) of contracts must be in accordance with approved individual purchasing limits.

	Maximum value of contract over its term (excluding GST)
Managers	Up to \$75,000
Directors	Up to \$150,000
Director Infrastructure Services	Up to \$250,000 in accordance with Delegated Authority
CEO	Up to \$250,000 in accordance with Delegated Authority

7. CORPORATE CREDIT CARDS

The corporate credit card is to be used only for business related expenditure. The card must not be used for personal, non-work related expenditure or to obtain cash advances.

The CEO can authorise the issue of cards to employees as required. The CEO is to establish procedures for the use of cards to ensure adequate control is exercised over their use and that expenditure incurred on cards is included in the monthly schedule of accounts to be reviewed by Council. The CEO will also maintain a register of all credit cards.

All cardholders are designated employees under the *Local Government Act 1995* s. 5.74 and have therefore a statutory obligation to complete Primary and/or Annual Returns.