

Policy P605 Purchasing

Responsible Business Unit/s	Financial Services
Responsible Officer	Director Corporate Services
Affected Business Unit/s	All business units

Policy Objectives

Local government buyers operate in an increasingly dynamic commercial environment. It is essential to have a structured and consistently applied approach to the purchase of goods and services which is both transparent and accountable. The process should deliver both legislative compliance and value for money outcomes through the application of a best practice approach.

Policy Scope

This Policy affects all the business units within the City of South Perth.

Policy Statement

Statement of Purpose

The City is committed to creating and deploying efficient, effective, economical and sustainable procedures for all purchasing activities. The City’s purchasing policies are designed to deliver:

- Compliance with the *Local Government Act 1995*, Local Government (Functions and General) Regulations 1996, as well as any relevant legislation, Codes of Practice, Standards and the City’s Policies and procedures;
- Consistent, efficient and accountable processes and decision-making;
- Fair and equitable competitive processes that engage potential suppliers impartially, honestly and consistently;
- Probity and integrity, including the avoidance of bias and of perceived and actual conflicts of interest;
- Sustainable benefits, such as environmental, social and local economic factors are considered in the overall value for money assessment;
- Risks identified are managed within the City’s Risk Management Strategy; and
- Records created and maintained to evidence purchasing activities in accordance with the State Records Act and the City’s Record Keeping Plan.

Ethics and Integrity

All officers and employees of the City shall observe the highest standards of ethics and integrity in undertaking purchasing activity and act in an honest and professional manner that supports the standing of the City.

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 in which 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 and audit requirements;
- Any actual or perceived conflicts of interest are to be identified, disclosed and appropriately managed; and
- 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 relevant legislation.

Purchasing Assessment Criteria

It is important that purchases of goods or services deliver the best possible outcome for the City. In assessing the procurement of products and services, Officers should responsibly balance Value for Money, Environmental Sustainability & Social Responsibility considerations. A higher priced conforming offer may be recommended should there be clear and demonstrable benefits over and above the lowest priced conforming offer. The establishment of appropriately weighted selection criteria will assist in this regard.

Compliance with a comprehensive and thoughtfully prepared specification is considered to be more important than obtaining the lowest price, particularly taking into account user requirements, quality standards, service benchmarks, social impact, sustainability and life cycle costing.

Value for Money Assessment

Value for money is an over-arching principle governing the City's purchasing. When officers are undertaking a purchasing action, they should consider goods services and processes that maximise value for money.

Considerations that may be taken into account include:

- All relevant whole-of-life costs and benefits whole of life cycle costs (for goods) and whole of contract life costs (for services) 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;
- Financial viability and capacity to supply without risk of default - including the competency of the prospective suppliers in terms of managerial and technical capabilities and compliance history; and
- 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.

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Environmental Sustainability Assessment

Where appropriate, in developing specifications, City officers should consider goods, services and processes that minimise negative environmental impacts or that provide positive environmental impacts. Sustainability considerations that may be taken into account include consideration of:

- Products or services that demonstrate energy efficiency as demonstrated through suitable rating systems and eco labelling;
- Products that demonstrate water efficiency;
- Products that are environmentally sound in their manufacture, use and disposal with a preference for products that use a minimal amount of raw materials from a non-sustainable resource and for those that are free of toxic or polluting materials;
- Products that may be re-used, recycled or reclaimed to minimise waste; and
- Fuel / energy efficiency.

Corporate Social Responsibility Assessment

Where appropriate, in developing specifications, City officers should consider goods, services and processes that minimise negative social impacts or provide positive social impacts. This responsibility may be reflected in the supplier's demonstrated respect for people, communities and environment around the world.

Considerations that may be taken into account include:

- The social impact of the good or service before, during or after its deployment;
- Whether the supplier follows international conventions and labour laws; and
- The suppliers demonstrated commitment to healthy and safe work practices

Legislative Requirements

All purchases must be made in accordance with Section 6.8(1) of the *Local Government Act 1995* and Local Government (Functions & General) Regulations 1996.

Obtaining Quotations for Purchases

The general principles for obtaining quotations from suppliers are:

- Ensure that the requirement /specification is clearly understood by the City employee seeking the quotations; and
- Ensure that the requirement is clearly, accurately and consistently communicated to each of the suppliers being invited to quote.

As the purchasing becomes more complex and / or the purchasing thresholds increase, a more sophisticated written specification is required for the quotation to be sought.

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Purchasing Thresholds

Category A – Up to \$2,000 (GST exclusive)
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One Verbal or Written Quotation Required
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Where the value of goods or services is of a minimal amount, say less than \$2,000 it is permissible to direct purchase based on a single verbal or written quote where the market is known and the purchase is very low risk. This instance should only apply for a single, simple purchase where the cost of seeking competitive quotes would be unreasonable on a cost to benefit analysis basis (e.g.: purchasing library books or minor catering supplies).

The rationale for the procurement decision should be documented and recorded within a 1System Purchase Requestion to comply with the City Records Management Policy.

Category B - \$2,001 up to \$10,000 (GST exclusive)

Two Written Quotations Required

Where the value of goods or services is of a minimal amount, between \$2,001 and \$10,000 it is permissible to direct purchase based on two written quotes where the market is known and the purchase is very low risk. This instance should only apply for a single, simple purchase where the cost of seeking competitive quotes would be unreasonable on a cost to benefit analysis basis.

The rationale for the procurement decision should be documented and recorded within a 1System Purchase Requestion to comply with the City Records Management Policy.

Category C - \$10,001 up to \$50,000 (GST exclusive)
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Three Written Quotations Required

Where the value of procurement of goods or services is between \$10,001 and \$50,000 it is permitted to purchase on the basis of at least three written quotations. However, it is recommended to use professional discretion and to occasionally test the market with a greater number or more formal forms of quotation to ensure best value is maintained.

This purchasing method is suitable where the purchase is in a known market or is relatively small and low risk.

The rationale for the procurement decision should be documented and recorded within a 1System Purchase Requestion to comply with the City Records Management Policy.

Category D - \$50,001 up to \$250,000 (GST exclusive)

Formal Request for Quote with a Written Specification & Predetermined Evaluation Criteria

For the procurement of goods or services where the value exceeds \$50,001 but is less than \$250,000 it is necessary to seek at least three written quotations containing price and sufficient information relating to the specification of goods and services being acquired.

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For procurement of goods and services in this range, the selection should not be based on price alone, and it is required to consider some of the qualitative factors such as quality, stock availability, accreditation, time for completion or delivery, warranty conditions, technology, maintenance requirements, the organisation's capability, previous relevant experience and any other relevant factors as part of the assessment of the quotes.

Formal Requests for Quote are to be undertaken in conjunction with Finance/Procurement.

The rationale for the procurement decision should be documented and recorded in accordance with the City Records Management Policy.

Category E – Purchases in Excess of \$250,001 (GST exclusive)
Tender Process Required

This policy does not apply to the purchase of goods or services where the expected consideration is more than \$250,001 (excluding GST) as such transactions are the subject of the Tender Regulations and are to be progressed in accordance with Policy P607 - Tenders & Expressions of Interest.

Sole Source of Supply

A sole source of supply arrangement may only be approved where the:

- Purchasing value is estimated to be over \$5,000; and
- The purchasing requirement has been documented in a detailed specification; and
- Specification has been extensively market tested and only one potential supplier has been identified as being capable of meeting the specified purchase requirement; and
- Market testing process and outcomes of supplier assessments have been documented, inclusive of a rationale for why the supply is determined as unique and cannot be sourced through more than one supplier.

A sole source of supply arrangement will only be approved by Finance for a period not exceeding one (1) year. For any continuing purchasing requirement, the approval must be re-assessed before expiry to evidence that a Sole Source of Supply still genuinely exists. Sole Source of Supply is to be made in accordance with Local Government (Functions & General) Regulations 1996 11 (2)f.

Purchasing from Disability Enterprises

An Australian Disability Enterprise may be contracted directly without the need to comply with the Threshold and Purchasing Practices requirements of this Policy, only where:

- the contract value is or is worth \$250,000 or less, and
- a value for money assessment demonstrates benefits for the City's achievement of its strategic and operational objectives.

A qualitative weighting may be used in the evaluation of quotes and Tenders to provide advantages to Australian Disability Enterprises, in instances where not directly contracted.

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Purchasing from Aboriginal Businesses

A business registered in the current Aboriginal Business Directory WA (produced by the Small Business Development Corporation) may be contracted directly without the need to comply with the Threshold and Purchasing Practices requirements of this Policy, only where:

- the contract value is or is worth \$250,000 or less, and
- a best and sustainable value assessment demonstrates benefits for the City's achievement of its strategic and operational objectives.

A qualitative weighting will be used in the evaluation of quotes and tenders to provide advantages to businesses registered in the current Aboriginal Business Directory WA, in instances where not directly contracted.

State Government (Department of Treasury & Finance) Common Use Agreements (CUA)

Officers are encouraged to make use of government supply contracts for goods and services where possible - as these items have been the subject of a competitive tendering process to pre-qualify them prior to their inclusion on the relevant government supply contract. As such they are likely to offer the City reliable quality, value for money outcomes and administrative cost savings.

Where a purchase is made from a listed CUA the purchasing instructions of the CUA agreement are to be followed in full. The relevant CUA Reference number should be recorded within a 1System Purchase Requestion to comply with the City Records Management Policy.

WALGA Preferred Supplier Panels

Where a collective bargaining initiative has been established on behalf of local governments by WALGA through the WALGA Preferred Supplier Panels. The City may elect to use these panels for services including, but not limited to, insurance services, telephone and data services and software licencing.

Officers may utilise the WALGA E-Quotes process to obtain competitive quotations from a series of pre-qualified suppliers. The E-Quotes service is a secure web-based tool that covers a broad range of goods and services, it stream-lines the quotation process and it meets all statutory reporting requirements in a transparent manner.

Written Quotations

Should officers be seeking written quotations, the general principles relating to written quotations are:

- An appropriately detailed specification should communicate requirement(s) in a clear, concise and logical fashion.
- The request for written quotation should include as a minimum:
 - Written specification
 - Selection criteria to be applied
 - Price schedule
 - Conditions of responding
 - How long the offer is valid for

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- Invitations to quote should be issued simultaneously to ensure that all parties receive an equal opportunity to respond.
- Offer to all prospective suppliers at the same time any new information that is likely to change the requirements.
- Responses should be assessed for compliance, then against the selection criteria, and then value for money and all evaluations documented.
- Respondents should be advised in writing as soon as possible after the final determination is made.

Local Economic Benefit

The City encourages the development of competitive local businesses within its boundary first, and second within its broader region. As much as practicable, the City will:

- where appropriate, consider the capability of local businesses, buying practices, procedures and specifications that do not unfairly disadvantage local businesses; and
- consider indirect benefits that have flow on benefits for local suppliers (i.e. servicing and support).

To this extent, a qualitative weighting is encouraged for inclusion in the evaluation criteria for quotes and Tenders where suppliers may be located within the boundaries of the City, or substantially demonstrate a benefit or contribution to the local economy. This criteria will relate to local economic benefits that result from quote or Tender processes.

The City will also consider adopting KPIs for successful suppliers that encourage the placement of the local workforce.

Exemptions

In the following instances, public tenders or quotation procedures are not required (regardless of the value of expenditure):

- An emergency situation as provided by the *Local Government Act 1995*;
- The purchase is acquired from an Australian Disability Enterprise, a person/organisation registered on the WA Aboriginal Business Directory, WALGA (Preferred Supplier Arrangements), Department of Treasury and Finance (Common Use Arrangements), or from a Regional Council, or another Local Government, or a State Government, or the Federal Government;
- The purchase contract is for petrol, oil, or other liquid or gas used for internal combustion engines;
- Any of the other exclusions under Regulation 11 of the Functions and General Regulations that apply.

Emergency Purchases

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

- A local emergency and the expenditure is required 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 and F&G Reg. 11(2)(a); or
- A State of Emergency declared under the *Emergency Management Act 2005* and therefore, Functions and General Regulations 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. Every effort must be made to research and anticipate purchasing

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requirements in advance and to allow sufficient time for planning and scoping proposed purchases and to then obtain quotes or tenders, as applicable.

Statutory Authorities & Uncontested Markets

Where the City needs to acquire services from an uncontested market where there is only a single provider for a service such as Landgate Valuation Services, WA Electoral Commission, Fines Enforcement Registry or Water Authority; there is no requirement to seek quotations.

Pre-Qualified Supplier Panels

In certain limited circumstances, the City may wish to establish its own panel of prequalified suppliers (for purchases such as legal services, catering or project management). In these cases the City must be satisfied that there is a continuing and ongoing requirement for the goods and services and the purchasing must be low to medium risk.

The establishment of the panel, distribution of work and purchasing from the panel are in accordance with Policy P611 Pre-Qualified Supplier Panels.

Repetitive Purchases

In making regular or repetitive purchases for the same goods or services, officers should be conscious of the potential for the triannual (across a rolling three (3) year period) purchases to accumulate to an amount in excess of the tender threshold (currently more than \$250,000).

Where this repetitive purchasing issue is relevant and such occurrence is subsequently identified, officers should take appropriate actions to ensure that future purchases for these items are progressed in accordance with the requirements of Policy P607 - Tenders & Expressions of Interest.

Purchasing Policy Non-Compliance

Purchasing Activities are subject to financial and performance audits, which review compliance with legislative requirements and also compliance with the City's policies and procedures.

Failure to comply with the requirements of this policy will 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 identified it may be treated as:

- an opportunity for additional training to be provided;
- a disciplinary matter, which may or may not be subject to reporting requirements under the *Public Sector Management Act 1994*;
- misconduct in accordance with the *Corruption, Crime and Misconduct Act 2003*.

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Anti Avoidance

When making purchases City officers are to ensure that actions taken are in accordance with the Anti Avoidance provisions of the Local Government (Functions & General) Regulations 1996 (Part 4) and Section 3.57 of the *Local Government Act 1995*.

Record Keeping

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

Legislation / Local Law Requirements

Local Government Act 1995

Local Government (Functions & General) Regulations 1996

State Records Act 2000

Other Relevant Policies / Key Documents

P607: Tendering & Expressions of Interest

P611: Pre-Qualified Supplier Panels

P674: Management of Corporate Records

P695: Risk Management Policy

City of South Perth Strategic Community Plan 2020-2030

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