

## Purchasing & Procurement

---

<b>Policy Owner:</b>	Corporate Services
<b>Distribution:</b>	All Employees
<b>Person Responsible:</b>	Deputy Chief Executive Officer
<b>Date of Approval:</b>	19 August 2009
<b>Amended:</b>	28 October 2015; 26 October 2016; 7 August 2018; 16 June 2021; 20 July 2022; 19 October 2022

---

### OBJECTIVES

- Comply with the ***Local Government Act 1995, Local Government (Functions and General) Regulations 1996, State Records Act 2000***
- Provide consistency and uniformity in the purchase of goods and services within the Shire of Chittering.
- Enable the Shire to obtain the best value for money considering any environmental, local and social economic factors.
- Ensure regular “testing of the market” to gather “value for money” evidence.

### 1. ETHICS & INTEGRITY

- 1.1** All officers and employees of the Shire shall observe the highest standards of ethics and integrity in undertaking all purchasing activities and act in an honest and professional manner that supports the standing of the Shire.
- 1.2** 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 and be consistent with the Shire’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;
  - Any information provided to the Shire by a supplier shall be treated as commercial in confidence and shall not be released unless authorised by the supplier or relevant legislation.

## **2. VALUE FOR MONEY**

- 2.1** Value for money is one of the overarching principles governing purchasing that allows the best possible outcome to be achieved for the Shire of Chittering. It is important to note that compliance with the specification is more important than obtaining the lowest price, particularly taking into account user requirements, quality standards, sustainability, life cycle costing and service benchmarks.
- 2.2** An assessment of the best value for money outcome for any purchasing shall consider;
- All relevant whole-of-life costs 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, training, 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 the risk of default, including the 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.
- 2.3** Where a higher priced conforming quote is recommended, there shall be clear and demonstrable benefits over and above the lowest total priced, conforming quote.

## **3. SUSTAINABLE PROCUREMENT**

- 3.1** “Sustainable Procurement” is defined as the procurement of goods and services that have less environmental and social impacts than competing products and services.
- 3.2** The Shire is committed to implementing sustainable procurement by providing a preference to suppliers that demonstrate sustainable business practices that minimise environmental and negative social impacts, balanced against value for money outcomes.
- 3.3** The Shire shall at all times endeavour to identify and procure products and services that demonstrate environmental best practice in energy and water efficiency and/or consumption which can be demonstrated through suitable rating systems and eco-labelling.

## **4. SUPPORTING LOCAL INDUSTRY – REGIONAL PRICE PREFERENCE**

- 4.1** The Shire encourages, promotes and supports economic development for local suppliers permanently based throughout our district, by way of ensuring that it's buying practices and procedures consider the involvement of local businesses and residents.

- 4.2** The Shire of Chittering recognises that it has a role in the economic development of the local community and in assisting local industry in accessing opportunities to conduct business with the Shire.

In supporting or encouraging local industry, matters relating to:

- Value for money;
- Environmental performance;
- National Competition Policy; and
- Transparency of decision-making must be addressed.

- 4.3** The ***Local Government (Functions and General) Regulations 1996*** provide opportunity for local government to establish Regional Price Preference.

- 4.4** Regional Preference can include any area, but must include the entire district of the local government and cannot include a part of the metropolitan area

- 4.5** The region this policy relates to is the entire Shire of Chittering area.

- 4.6** The following levels of preference will be applied under this policy:

- a) 10% - where the contract is for goods or services, up to a maximum price reduction of \$50,000;
- b) 5% - where the contract is for construction (building) services, up to a maximum price reduction of \$50,000; or
- c) 10% - where the contract is for goods or services (including construction (building) services), up to a maximum price reduction of \$500,000, if the local government is seeking tenders for the provision of those goods and services for the first time, due to those goods or services having been, until then, undertaken by the local government.

- 4.7** Only those goods and services identified in the contract/tender as being supplied locally will be included in the discounted calculation that forms a part of the assessments of a contract/tender.

- 4.8** A regional price preference applies whenever contracts/tenders are called unless the local government resolves otherwise in reference to a particular contract/tender.

- 4.9** It should be noted that price is only one factor or criteria when considering tenders. Value for money principals will be used to achieve the best possible outcome for the contract/tender.

## **5. PURCHASING THRESHOLDS**

<b>Purchase Amount (Ex GST)</b>	<b>Supply Requirement</b>
Up to \$10,000	Direct purchase from suppliers
\$10,001 to \$30,000	Obtain at least two verbal or written quotations
\$30,001 to \$50,000	Obtain at least two written quotations
\$50,001 to \$249,999	Obtain at least three written quotations containing price and specification of goods and services
\$250,000 and above	Conduct a public tender process

- 5.1** The Shire will periodically review recent past purchasing activity across its operations to identify categories of supply for which the Shire will have continuing need and which can be aggregated into single contract arrangements in order to achieve best value for money and efficiency in future purchasing activity.
- 5.2** The assessment of aggregated expenditure for the same category of supply capable of being supplied by a single supplier will determine the Purchasing Value threshold applicable to future purchasing activity.
- 5.3** The responsible officer is expected to provide a sufficient amount of information relating to the specification of goods and services, demonstrate due diligence seeking quotes and to comply with any record keeping and audit requirements. Record keeping requirements must be maintained in accordance with record keeping policies.
- 5.4** Where it is considered beneficial, tenders may be called in lieu of seeking quotations for purchases under the \$250,000 threshold (excluding GST). If a decision is made to seek public tenders for contracts of less than \$250,000, a "Request for Tender" process that entails all the procedures for tendering outlined in this policy must be followed in full.
- 5.5** The general principles for verbal and written quotations shall be followed as noted below.
- 5.6** General principles for obtaining verbal quotations
- Ensure that the requirement / specification is clearly understood by the Shire employee seeking the verbal quotations.
  - Ensure that the requirement is clearly, accurately and consistently communicated to each of the suppliers being invited to quote.
  - Confirm the details with the Supplier contact person to confirm their accuracy.
  - The responsible officer shall demonstrate due diligence when seeking quotes and shall comply with the Shire's record keeping policies and audit requirements.
  - Written notes detailing each verbal quotation must be recorded.
  - Record keeping requirements must be maintained in accordance with record keeping policies
- 5.7** All documents relating to the quotation process must be saved in the Shire's relevant Electronic Management System.
- 5.8** General principles relating to written quotations
- 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
    - Validity period of offer

- 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, against the selection criteria, and then value for money.
- Respondents should be advised in writing as soon as possible after the final determination is made and approved.

## 6. ORDERING & PAYMENT THRESHOLDS

The CEO is authorised to sign purchase orders and approve payments on behalf of Council in line with the Local Government (Functions and General) Regulations 1996. The CEO may authorise additional officers to approve purchase orders and payments to facilitate administrative efficiency and ensure segregation of duties.

## 7. REGULATORY COMPLIANCE

In the following instances purchase orders or public tenders are not required (regardless of the value of expenditure);

- An emergency situation as defined by the ***Local Government Act 1995***.
- The purchase is under a contract of WALGA (Preferred Supplier Arrangements), Department of Treasury and Finance (permitted Common Use Arrangements), Regional Council, or another Local Government.
- The purchase is under auction which has been authorised by Council.
- The 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 ***Local Government (Functions and General) Regulations 1996*** apply.

## 8. CONTRACTORS

**8.1** Under the ***Work Health and Safety Act 2020***, “Contractors” form part of the definition of/as a “worker”. Consequently the PCBU (the Shire of Chittering) has a primary duty of care to ensure the health and safety of their workers while they are at work.

### 8.2 Contractor Engagement Procedures

- 8.2.1 Before engaging the services of Contractors (ie “workers”) the Shire must ensure that they have completed all of the necessary “Worker – Work Health and Safety System Process” – which includes providing all current and necessary insurances, licences, qualifications, task risk assessments and inductions; which will enable them to perform their work safely and effectively.
- 8.2.2 The tender or contractual documentation should contain appropriate indemnity insurance clauses.
- 8.2.3 Contractors must provide current Certificates of Currency for Public Liability, Professional Indemnity, Motor Vehicle and Workers Compensation and copies of

other relevant licence(s) and must ensure that subcontractors also supply Certificate of Currency as required and where applicable.

8.2.4 All documentation and insurances specified above (in point 8.2.3) are to be kept current for the duration of the contract.

8.2.5 Contractors shall observe and comply with all relevant legislation, including the ***Workers Compensation and Injury Management 1981, Work Health and Safety Act 2020, Occupational Safety and Health Regulations 1996*** and the ***State Records Act 2000***. Contractors must also comply with improvement and prohibition notices, Codes of Practice, Guidance Notices, Australian Standards and Council requirements and policy.

### **8.3 Contractor Termination**

Tender and contractual documentation is to contain the clauses that are set out below:

- i) The Shire may terminate its agreement with the contractor immediately upon written notice to the contractor if the contractor fails to work with due diligence or expedition or make default in the performance of or observance of any covenant, condition or stipulation contained in these guidelines and the agreement made with the contractor or refuses or neglects to carry out any instruction which the Shire is empowered to give or make under these guidelines.
- ii) The Shire may terminate its agreement with the contractor immediately upon written notice to the contractor if the contractor enters bankruptcy or enters into liquidation, a deed of assignment, deed or arrangement or similar style proves with creditors or commences to carry on business under a receiver for the benefit of its creditors or any other party.

## **9. SOLE SOURCE (MONOPOLY) SUPPLIERS**

The procurement of goods and/or services available from only one private sector source of supply, (i.e. manufacturer, supplier or agency) is permitted without the need to call competitive quotations provided that there must genuinely be only one source of supply. Every endeavour to find alternative sources must be made. Written confirmation of this must be kept on file for later audit.

### **Note:**

The application of provision "sole source of supply" should only occur in limited cases and procurement experience indicates that generally more than one supplier is able to provide the requirements.

## **10. ANTI-AVOIDANCE**

The Shire shall not enter two or more contracts of a similar nature for the purpose of splitting the value of the contracts to take the value of consideration below the level of \$250,000; thereby avoiding the need to publicly tender.

## **11. VARIATIONS TO PURCHASE ORDERS**

**11.1** Where a purchase order has been issued for the procurement of goods or services and it is identified that a variation to the original quoted price is required, the original purchase order plus the value of the variation, cumulatively needs to be appropriately authorised.

For example, a purchase order has been issued for \$40,000 for agreed works. The purchase order has been authorised by the Coordinator/Manager (in accordance with their authorisation limit), a variation of \$11,000 is required. The project now totals \$51,000 and therefore the original Coordinator/Manager (in accordance with their authorisation limit), no longer has the capacity to authorise the amendment. As the amendment has made the total costing of the works increase to an amount above the original authorising officers' approval, the amendment must now be approved by a relevant officer in accordance with their authorisation limit. The total of cost of works including any amendments must be appropriately authorised.

**11.2** Where a purchase order has been issued for the procurement of goods or services and it is identified that a correction to the original general ledger or job code is required, prior to the processing of the supplier invoice, the Procurement Officer has authorisation to make the necessary coding corrections. Any corrections are to be noted in the purchase order for audit purposes.

## **12. TENDER CRITERIA**

The Shire shall, before tenders are publicly invited, determine in writing the criteria for deciding which tender should be accepted.

The evaluation panel shall be established prior to the advertising of a tender and include a mix of skills and experience relevant to the nature of the purchase.

For requests with a total estimated (excluding GST) price of;

- Between \$40,000 and \$249,999, the panel must contain a minimum of two employees.
- \$250,000 and above, the panel must contain a minimum of three employees.

## **13. ADVERTISING TENDERS**

**13.1** Tenders are to be advertised in a state-wide publication, e.g. *The West Australian* under the "Local Government Tenders" section, with preference on a Wednesday or Saturday.

**13.2** The advertisement shall be placed on the public notice boards located at the Shire of Chittering Administration and Library building.

**13.3** Tenders are also to be advertised on the Shire's website or social media administered by the Shire.

**13.4** The tender must remain open for a minimum of fourteen (14) working days after the date the tender is advertised. Care must be taken to ensure that fourteen full working days are provided as a minimum.

**13.5** The notice must include;

- a brief description of the goods or services required
- information as to where and how tenders may be submitted

- the date and time after which tenders cannot be submitted (tender deadline or close date)
- particulars identifying a person from who more detailed information as to tendering may be obtained
- detailed information shall include;
  - such information that the Shire decides shall be disclosed to those interested in submitting a tender
  - detailed specifications of the goods or services required
  - the criteria for deciding which tender should be accepted
  - how tenders can be submitted. E.g. Electronically, in person etc.
  - whether or not the Shire has decided to submit a tender

Part 4, Division 2 of the Local Government (Function and General) Regulations 1996 applies.

#### **14. ISSUING TENDER DOCUMENTATION**

**14.1** Tenders will not be made available (counter, mail, internet, referral, or other means) without a robust process to ensure the recording of details of all parties who acquire the documentation.

**14.2** This is essential as if clarifications, addenda or further communication is required prior to the close of tenders, all potential tenderers must have equal access to this information in order for the Shire of Chittering not to compromise its duty to be fair.

#### **15. TENDER DEADLINE**

Tenders must be received in full, in the required format, by the advertised tender deadline (close date), any tenders not meeting this criteria shall be rejected. Refer Regulation 18 of the Local Government (Functions and General) Regulations 1996.

All tenders shall be closed at the nominated date and time as stipulated in the tender documents.

#### **16. OPENING OF TENDERS**

**16.1** No tenders are to be removed from the tender box, or opened (read or evaluated) prior to the tender deadline or close date.

**16.2** Tenders are to be opened in the presence of the panel. The details of all tenders received and opened shall be recorded in the 'Tenders Register'.

**16.3** Tenders are to be opened in accordance with the advertised time and place. There is no obligation to disclose or record tendered prices at the tender opening, and price information should be regarded as "commercial-in-confidence" to the local government. Members of the public are entitled to be present.

**16.4** The tenderer's offer form, price schedule and other appropriate pages from each tender shall be date stamped and initialled by at least two members of the evaluation panel, present at the opening of tenders.

#### **17. NO TENDERS RECEIVED**



In accordance with Section 11.2(c) of the ***Local Government (Functions and General) Regulations 1996***, where the Shire has invited tenders, however no compliant submissions have been received, direct purchases can be arranged on the basis of the following;

- a sufficient number of quotations are obtained
- the process follows the guidelines for seeking quotations between \$40,000 and \$249,999 (listed above)
- the specification for goods and/or services remains unchanged
- purchasing is arranged within 6 months of the closing date of the lapsed tender.

## **18. TENDER EVALUATION**

Tenders that have not been rejected shall be assessed by the Shire by means of a written evaluation against the pre-determined criteria. The tender evaluation panel shall assess each tender that has not been rejected to determine which tender is most advantageous.

## **19. TENDER ACCEPTANCE**

That the Chief Executive Officer be authorised to accept tenders/purchases up to \$99,999.99; and that all tenders/purchases above \$100,000 are to be referred to Council (including all WALGA preferred suppliers).

## **20. ADDENDUM TO TENDER**

If, after the tender has been publicly advertised, any changes, variations or adjustments to the tender document and/or the conditions of tender are required, the Shire may vary the initial information by taking reasonable steps to give each person who has sought copies of the tender documents notice of the variation.

## **21. MINOR VARIATION**

**21.1** If after the tender has been publicly advertised and a successful tenderer has been chosen but before the Shire and tenderer have entered into a contract, a minor variation may be made by the Shire.

**21.2** A minor variation will not alter the nature of the goods and/or services procured, nor will it materially alter the specification or structure provided for by the initial tender, or be less than 10% of the original contract price.

## **22. VARIATION AFTER CONTRACT COMMENCEMENT**

If a local government has entered into a contract for the supply of goods or services with a successful tenderer, the contract must not be varied unless:

- the variation is necessary in order for the goods or services to be supplied and does not change the scope of the contract; or
- the variation is a renewal or extension of the term of the contract as described in regulation 11(2)(j) of the ***Local Government (Functions and General) Regulations 1996***.

Regulation 21A of the Local Government (Functions and General) Regulations 1996 applies.

## **23. NOTIFICATION OF OUTCOME**

Each tenderer shall be notified of the outcome of the tender following Council resolution. Notification shall include;

- The name of the successful tenderer
- The total value of consideration of the winning offer

The details and total value of consideration for the winning offer must also be entered into the Tenders Register at the conclusion of the tender process.

## **24. RECORDS MANAGEMENT**

All records associated with the tender process or a direct purchase process must be recorded and retained. For a tender process this includes;

- Tender documentation
- Internal documentation
- Evaluation documentation
- Enquiry and response documentation
- Notification and award documentation.

For a direct purchasing process this includes;

- Quotation documentation
- Internal documentation
- Order forms and requisitions.

Record retention shall be in accordance with the minimum requirements of the ***State Records Act 2000***, and the Shire's internal Record Keeping policy.

## **25. PURCHASING FROM WA DISABILITY ENTERPRISES**

**25.1** Pursuant to State Government policy, Local Governments are encouraged to consider the option of purchasing goods and services from registered WA Disability Enterprises. This is contingent on the provision of fair value and quality.

**25.2** Local Governments are encouraged to invite relevant WA Disability Enterprises to respond to a Request for Quotation or Tender for goods or services. Determining the purchasing process to be followed is based on the actual or expected value of each purchase by the Local Government as outlined above in Section 5 (Purchasing Thresholds and Processes) of this Policy. There are seven Disability Enterprises registered in Western Australia.

A complete list of approved organisations is available from the following website: [www.wade.org.au](http://www.wade.org.au).