

# PURCHASING POLICY

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## 1. OBJECTIVE

To ensure a best practice approach to procurement which promotes transparent, equitable and competitive purchasing practices for the City of Karratha (City) and is compliant with the *Local Government Act 1995* (Act) and Part 4 of the *Local Government (Functions and General) Regulations 1996* (Regulations).

## 2. PRINCIPLES

### 2.1 Ethics and Integrity

The highest standards of ethics and integrity are to be observed in undertaking all purchasing activities. Employees will act in an honest, unbiased, and professional manner that supports the standing of the City and promotes a proud and collaborative community.

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 under relevant legislation.

### 2.2 Value for Money

Value for money is an overarching principle governing purchasing. Whilst it is necessary to ensure purchasing is conducted within budget, the lowest price offer may not always be the most advantageous. Where a higher priced conforming offer is recommended, there should be clear and demonstrable benefits over and above the lowest total priced conforming offer.

A value for money assessment should consider:

- a) **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, running costs, maintenance and disposal;
- b) **the technical merits** of the goods or services being offered in terms of compliance with specifications, user requirements, quality standards, safety, sustainability, service benchmarks, contractual terms and conditions and any relevant methods of assuring quality;
- c) **financial viability and capacity** to supply without risk of default, including competency of prospective suppliers as to managerial and technical capabilities and compliance history;
- d) **a strong element of competition** by obtaining a sufficient number of competitive quotations consistent with this policy, wherever practicable;
- e) **the environmental, economic and social benefits** arising from the required goods or services, including consideration of these benefits in regard to the supplier's operations; and
- f) **local business capability**.

## 3. PURCHASING REQUIREMENTS

The City is committed to using the most efficient, effective and appropriate purchasing processes for the acquisition of goods or services. When purchasing goods or services on behalf of the City, the requirements of the Act, Regulations and the City's purchasing systems must be observed. The City's purchasing systems include this policy, applicable Council or operational policies, purchasing guidelines, delegations of authority, authorisations and Promapp processes.

### 3.1 Scope of Works

The scope of works for a quotation must be confirmed by an officer with the appropriate purchasing authority prior to issuing the request for quotation. The scope of works for a tender must be confirmed by the relevant Director and the CEO prior to inviting tenders.

The scope of works must be relevant and in specific detail to give respondents/tenderers a clear understanding of the nature and extent of works required, including timeframes and deliverables.

### 3.2 Supplier Order of Priority

When planning to purchase goods or services the City will consider and apply, where applicable and appropriate, the following Supplier Order of Priority.

<b>1</b>	<b>Existing Contract or Panel</b> The City's Internal Preferred Supplier Contract Register should be consulted in the first instance for current contracts, which includes any Panel of Prequalified Suppliers. Where the City has an existing contract in place, the required goods or services should be purchased under that existing contract, to the extent that the scope of the contract allows.
<b>2</b>	<b>Local Suppliers</b> The City will ensure that wherever possible quotations are obtained from local suppliers whose business operates from a physical location within the City of Karratha's boundaries.
<b>3</b>	<b>Other Suppliers</b>

### 3.3 Purchasing Thresholds

In determining which purchasing threshold to observe, consider the following:

1. The value is exclusive of Goods and Services Tax (GST).
2. The actual or expected value of the contract over the full contract period, including any potential contract variations and all options to extend.
3. The extent to which it could reasonably be expected that the City will continue to purchase a particular category of goods, services or works and what the estimated total value of that purchase would be.
4. If the expected value of the full contract is expected to reach or exceed the tender threshold over a three year period, a tender process should be considered.
5. A contract must not be split into smaller separate contracts of a similar nature to avoid purchasing threshold requirements.

#### 3.3.1 Purchasing Threshold Requirements

The below table identifies the minimum requirements for each purchasing threshold.

<b>Purchasing Threshold (excluding GST)</b>	<b>Requirement</b>
Up to \$2,000	<ul style="list-style-type: none"> <li>• Direct purchase from a supplier, no quotation required.</li> </ul>
\$2,001 - \$5,000	<ul style="list-style-type: none"> <li>• Obtain a minimum of one quotation.</li> <li>• Quotation may be requested verbally but it must be received or be evidenced in writing.</li> </ul>
\$5,001 - \$50,000	<ul style="list-style-type: none"> <li>• Seek a minimum of two written quotations.</li> <li>• Quotations must be requested in writing or sourced online.</li> <li>• Quotations must be received or be evidenced in writing.</li> </ul>
\$50,001 - \$250,000	<ul style="list-style-type: none"> <li>• Seek a minimum of three formal written quotations.</li> <li>• Quotations must be requested in writing and be received in writing.</li> <li>• A quotation number must be obtained, prior to requesting quotations.</li> <li>• A City approved request for quotation template must be used.</li> <li>• The evaluation decision is to be based on pre-determined selection criteria.</li> </ul>

Purchasing Threshold (excluding GST)	Requirement
Above \$250,000	<b>Public Tender</b> <ul style="list-style-type: none"> <li>• Conduct a public tender process.</li> </ul>
	<b>Tender Exemption under Regulation 11(2) of the Regulations</b> <ul style="list-style-type: none"> <li>• Conducted in accordance with the \$50,001 - \$250,000 purchasing threshold when purchasing under: <ul style="list-style-type: none"> <li>- the WALGA Preferred Supplier Program;</li> <li>- a Common Use Arrangement (CUA); or</li> <li>- Regulation 11(2)(c) (purchase undertaken within 6 months of running an unsuccessful tender or expression of interest process), unless a Council resolution is obtained to negotiate directly with a selected supplier.</li> </ul> </li> <li>• Emergency expenditure (unbudgeted) under section 6.8(1)(c) of the Act to be conducted in accordance with clause 3.4 of this policy.</li> <li>• For all other tender exemptions, where there isn't an existing contract in place, a minimum of one quotation should be requested in writing and be received or be evidenced in writing.</li> </ul>

The above purchasing threshold requirements are considered satisfied where the prescribed number of quotations was requested. However, if one or more of the suppliers does not respond, the written request for quotation must be retained to demonstrate the quotation(s) were sought.

The principles for obtaining and recording both verbal and written quotations as outlined in this policy and prescribed within the City's Purchasing Guidelines and Promapp processes, must be observed when seeking quotations.

### 3.4 Waiving Purchasing Threshold Requirements

The requirement to obtain more than one quotation in accordance with the purchasing threshold requirements may be waived in accordance with this clause 3.4.

A waiver under this clause must be authorised by a Director or CEO as per the relevant purchasing authority, unless otherwise specified in the table below. The requirement to obtain a verbal or written quotation shall be in accordance with the requirement of the applicable purchasing threshold.

When purchasing under this clause, the requirements of the City's purchasing systems must be observed.

Situation (Limits exclude GST)	Requirement
After Hours or Public Holiday Unplanned Works <b>Limit:</b> up to \$5,000	<ul style="list-style-type: none"> <li>• This waiver applies where urgent, unplanned goods or services are required outside of standard operating hours.</li> <li>• A written quotation is not required for the goods or services obtained outside of standard operating hours, however only essential goods or services should be obtained during this time.</li> <li>• Authorised by officer with sufficient purchasing authority.</li> <li>• Purchase Order to be raised during standard operating hours.</li> </ul>
Aboriginal Business Directory WA or Australian Indigenous Minority Supplier Office Limited <b>Limit:</b> up to \$50,000	<ul style="list-style-type: none"> <li>• Obtain a minimum of one quotation from a person/supplier on the chosen panel/list.</li> </ul>

<b>Situation</b> (Limits exclude GST)	<b>Requirement</b>
Buy Locally <b>Limit:</b> up to \$250,000	<ul style="list-style-type: none"> <li>• Quotations are only required from local suppliers whose business operates from a physical location within the City's boundaries.</li> <li>• If insufficient local suppliers are available to request the prescribed number of quotations, quotations need only be sourced from available local suppliers.</li> </ul>
Legal Services <b>Limit:</b> up to \$250,000	<ul style="list-style-type: none"> <li>• Obtain a minimum of one quotation.</li> <li>• Limit does not apply if purchase is through a tender exemption.</li> </ul>
Emergency Expenditure (unbudgeted) under section 6.8(1)(c) of the Act	<ul style="list-style-type: none"> <li>• The commitment to unbudgeted expenditure in response to an emergency must be authorised by the City Mayor in advance.</li> <li>• The expenditure must be subsequently reported to Council at the next Ordinary Council Meeting.</li> <li>• A minimum of one quotation is required UNLESS due to the urgency of the situation waiting for a quotation would cause unreasonable delay, in which case, obtaining a supplier's schedule of rates is sufficient for works within 5 days of the emergency.</li> <li>• The purchase must occur within 4 months of an emergency situation.</li> <li>• The application of emergency expenditure is to be used in limited circumstances for genuine emergency situations only.</li> </ul>
Sole Source of Supply	<ul style="list-style-type: none"> <li>• A sole source of supply may exist if because of the unique nature of the goods or services required or for any other reason, it is unlikely that there is more than one potential supplier.</li> <li>• The application of a sole source of supply should only occur in limited cases, where the City can evidence why a sole source of supply exists.</li> <li>• Obtain a quotation from the supplier.</li> <li>• Suppliers on the Supplier Exceptions List are considered a sole source of supply.</li> <li>• The CEO to approve suppliers on the Supplier Exceptions List.</li> </ul>
Government Agency	<ul style="list-style-type: none"> <li>• Obtain a minimum of one quotation.</li> </ul>
WALGA Preferred Supplier Program / CUA	<ul style="list-style-type: none"> <li>• If insufficient suppliers are available to request the prescribed number of quotations, quotations need only be sourced from available suppliers on the chosen panel/list.</li> </ul>

### 3.5 Existing Contract or Panel

When purchasing under an existing contract or panel the accepted pricing structures must be observed.

A written quotation must be obtained for purchases above \$2,000 (excluding GST) where an existing contract or panel contains a provision to purchase in accordance with a schedule of rates.

The requirement to obtain a written quotation may be waived by an officer with appropriate purchasing authority where:

- a) the purchase is unplanned/reactive in nature; and
- b) the issue is urgent and requires a contractor to attend within 24 hours of being notified; and
- c) the value does not exceed \$5,000 (excluding GST).

### 3.6 Inviting Tenders under the Tender Threshold

Where it is considered beneficial, public tenders may be called in lieu of seeking quotations for purchases under the tender threshold. When the decision is made to conduct a public tender, the request for tender process must be followed in full.

### **3.7 Testing the Market Prior to Inviting Tenders**

An expression of interest may be called prior to inviting tenders to ascertain the market's ability to provide the goods or services due to the specialised nature of the goods or services or the cost of preparing plans, specifications or other information.

### **3.8 Sustainable Procurement**

The City is committed to sustainable procurement and where appropriate shall endeavour to design quotations and tenders to protect the environment, promote social sustainability and encourage local economic development.

Sustainability will be included as a qualitative criterion in the evaluation of tenders and panel applications.

Sustainable considerations must be balanced against value for money outcomes in accordance with this policy and the City's sustainability objectives.

#### **3.8.1 Environmentally Sustainable Procurement**

Where practical and appropriate, the City will support the purchasing of environmentally sustainable goods or services and will look for solutions and work with suppliers to:

- a) minimise the use of single use plastics;
- b) address waste management; and
- c) maximise energy and water efficiencies.

#### **3.8.2 Socially Sustainable Procurement**

Where practical and appropriate, the City may consider opportunities to source quotations from:

- a) an Australian Disability Enterprise;
- b) a person registered on the Aboriginal Business Directory WA; or
- c) a person registered with the Australian indigenous Minority Supplier Office Limited (trading as Supply Nation).

#### **3.8.3 Buying Local**

Where practical and appropriate, the City will:

- a) consider purchasing practices, procedures and specifications that encourage the inclusion of local businesses and the employment of local residents;
- b) ensure that procurement plans address local business capability and local content; and
- c) ensure that requests for quotation and tenders are designed to incorporate the capabilities of local businesses.

To this extent a price preference may be afforded to local businesses in the evaluation of quotations and tenders where suppliers are located within the boundaries of the City. The requirements of Council's *CG-11 Regional Price Preference Policy* are to be observed when applying a price preference.

### **3.9 Panels of Pre-Qualified Suppliers**

In accordance with Regulation 24AC of the Regulations the City may establish a panel of pre-qualified suppliers (Panel) if there is, or will be, a continuing need for particular goods or services. A Panel should only be established where the purchasing activity is considered to be of a low to medium risk, and where the City has the capability to manage the risks and achieve the benefits expected of the proposed panel.

Should the City determine that a Panel would be beneficial, then the establishment of that Panel must be in accordance with Part 4, Division 3 of the Regulations.

### **3.9.1 Establishing a Panel**

The decision to establish a Panel shall either be determined via Council resolution, or the relevant delegation of authority.

Panels may be established for one supply requirement, or a few similar supply requirements under defined categories within the Panel.

Panels are to be established for a minimum term of one (1) year and up to a maximum term of three (3) years, inclusive of any options to extend or renew the contract.

Where a Panel is to be established, the City will endeavour to appoint at least three (3) suppliers to the Panel or each category within the Panel, on the basis that best value for money is demonstrated. A minimum of two (2) suppliers are required to establish a Panel, or for appointment to a category within the Panel.

When the City invites suppliers to apply to join a Panel, the invitation must include:

- a) the evaluation criteria to be used to assess the applications;
- b) the expected number of suppliers that the City intends to put on the Panel;
- c) a description of how work will be distributed amongst the Panel members;
- d) what will happen if a Panel member decides to leave the Panel; and
- e) whether or not the City intends to purchase the goods or services exclusively from the Panel.

When determining what evaluation criteria will be used to assess applications to join a Panel, the requirements of clause 3.10 of this policy are to be observed.

Should a Panel member decide to leave a Panel, they may be replaced by the next ranked supplier as determined by the assessment of applications to join the Panel. A Panel member can only be replaced if this consideration is detailed, as per item (d) above, in the invitation to join a Panel.

In the event that a Panel member leaves a Panel and this results in the Panel being reduced to one (1) Panel member and the City is unable to replace the Panel member, then that Panel must be disbanded.

### **3.9.2 Distributing Works Amongst Panel Members**

When establishing a panel of pre-qualified suppliers, the City must pre-determine how work will be distributed amongst the Panel members. The City may utilise a Panel by applying one of the following three methods:

1. Seek quotations from each pre-qualified supplier on the Panel with respect to all purchases;
2. Purchase goods or services exclusively from any pre-qualified supplier appointed to that Panel, and under what circumstances; or
3. Develop a ranking system for selection to the Panel with work offered to the highest ranked pre-qualified supplier in the first instance. Should the offer be declined or the supply cannot be commenced and/or delivered within a specified time, the work will be offered to the next ranked supplier and so on.

In every instance, a contract must not be entered into with a pre-qualified supplier for an item of work beyond 12 months, which includes options to extend or renew the contract. For any item of work that will exceed 12 months, the requirements of clause 3.3 of this policy apply.

Where each Panel member has been invited to bid on an item of work, however **ALL** Panel members decline the invitation for whatever reason, the City may invite suppliers that are not pre-qualified under the Panel. Purchasing conducted outside of the Panel arrangement must be in accordance with clause 3.3 of this policy.

### **3.9.3 Purchasing from the Panel**

Each quotation process from start to finish, including all communications with Panel members must be captured in the City's record keeping system.

### 3.10 Evaluation Criteria

Where tenders and panel applications are invited under delegated authority the evaluation criteria models described in clause 3.10.1 must be observed when pre-determining evaluation criteria.

It is recommended to use the below evaluation criteria models as a guide when pre-determining evaluation criteria for quotations above \$50,000 (excluding GST).

#### 3.10.1 Evaluation Criteria Models

Purchasing requirements vary greatly in the nature of the activity, scope of works and pricing, making it difficult to find a single evaluation model to fit all circumstances. Two evaluation models have been endorsed to cover the purchase of goods/products and services/construction works.

##### MODEL 1 GOODS/PRODUCTS PURCHASES

Evaluation Criteria	Minimum Weightings
Price (mandatory criterion)	60%
Quality (mandatory criterion)	5%
Capacity to Deliver (mandatory criterion)	5%
Sustainability	5%
<i>Additional criteria may also be included if deemed appropriate</i>	Up to 25%
<b>TOTAL</b>	<b>100%</b>

##### MODEL 2 SERVICES/ CONSTRUCTION PURCHASES

Criteria	Minimum Weightings
Price (mandatory criterion)	40%
Relevant Experience (mandatory criterion)	5%
Methodology (mandatory criterion)	5%
Capacity to Deliver (mandatory criterion)	5%
Sustainability	5%
<i>Additional criteria may also be included if deemed appropriate</i>	Up to 40%
<b>TOTAL</b>	<b>100%</b>

As a minimum requirement, the above nominated evaluation criteria are mandatory and must be used when the CEO invites tenders/panel applications, unless the purchase is for public art or fleet and plant. The CEO does not have authority to substitute alternative evaluation criteria for the mandatory evaluation criteria. However, the CEO can include additional evaluation criteria if deemed appropriate.

The minimum weightings column identifies the minimum weighting to be applied to each mandatory evaluation criterion. In exceptional circumstances the CEO may authorise a lower weighting for the price criterion only.

When determining the evaluation criteria and weightings, the total sum of the weightings must equal 100%.

#### 3.10.2 Alternative Evaluation Criteria Models

The evaluation criteria models in clause 3.10.1 of this policy may be varied in the following ways:

- a) If the criteria is not suitable for a particular tender/panel application, Council authorisation of the proposed evaluation criteria and weightings will be required irrespective of the value; or
- b) Council's policy *CS-12 Public Art* provides alternative evaluation criteria for the purchase of public art; or
- c) Council's policy *TE-07 Fleet & Plant* provides alternative criteria for the purchase of fleet and plant.

### 3.11 Authorisation of Expenditure

#### 3.11.1 Determine Quotations/Tenders

Acceptance of quotations and tenders and the authorisation of expenditure shall comply with the relevant delegation of authority or authorisation.

On each occasion a tender is determined under delegated authority, an Information Only Agenda Report must be provided at the next ordinary Council meeting to inform Council of the outcome. The report must detail the information set out below.

<b>Tender No:</b>		<b>Project Budget:</b>	\$
<b>Tender Title:</b>			
<b>Advertising Commenced:</b>		<b>Closing Date/Time:</b>	
<b>Scope of Works:</b>			
<b>Selection Criteria:</b>	[Insert criteria]		[Insert Weighting] %
<b>Submissions Received:</b>	[Insert Suppliers]		
<b>Tender Awarded:</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No	<b>Date of Decision:</b>	[Date delegation exercised]
<b>Tender Awarded to:</b>	[Complete if awarded, otherwise delete award information from this table]		
<b>Reason Not Awarded:</b>	[Complete if all tenders are rejected, otherwise delete from this table]		
<b>Contract Value:</b>			
<b>Contract Term:</b>		<b>Contract Options:</b>	

#### 3.11.2 Payment Methods

Where the City holds an account with a supplier a Purchase Order should be issued in the first instance.

If the purchase is a one-off purchase or the supplier does not accept Purchase Orders the following payment methods may be used in limited circumstances:

1. Corporate Credit Card (the requirements of Council's *CF-07 Corporate Credit Card Policy* apply); or
2. Petty Cash up to the value of \$100 (excluding GST); or
3. Reimbursements.

The commitment of expenditure using any of the above payment methods must comply with the relevant delegation of authority or authorisation.

### 3.12 Contracts

City contracts must be appropriately managed by responsible officers to ensure value for money is maintained throughout the life of the contract.

#### 3.12.1 Renewals, Extensions and Variations

A contract may only be varied if the variation does not materially change the scope of the contract. A contract may only be renewed or extended if the renewal or extension option was included in the original contract.

#### 3.12.2 Contract Execution

Documents provided to external parties associated with the making, varying, or discharging of a contract must be signed by an appropriately authorised officer in accordance with Council's *CG-10 Execution of Documents Policy* and Execution of Documents Operational Guidelines.

### 3.13 Health and Safety

With all purchasing decisions, consideration must be given to the relevant health and safety implications of the goods or services being sought. It is expected contractors will monitor and respond to changes to health and safety legislation to ensure their systems and methods of working

are compliant with any statutory requirements, the City's health and safety expectations and industry best practice.

When a Contractor is engaged to carry out works either in full, or in part on City premises or worksites, the minimum requirements as detailed within the City's General Occupational Health & Safety Rules for Contractors shall apply.

### **3.14 Records Management**

All records associated with procurement must be recorded and retained as per Council's *CI-2 Record Keeping Policy*, *State Records Act 2000* and the City's purchasing systems.

### **3.15 Complaints**

Where the City receives a request to review a procurement process, the request is to be directed to Governance for assessment.

## **4. CONSEQUENCES**

This policy represents the formal policy and expected standards of the City of Karratha. Appropriate approvals need to be obtained prior to any deviation from the policy. Elected Members and Employees are reminded of their obligations under the Council's Code of Conduct to give full effect to the lawful policies, decisions and practices of the City.

## **5. ROLES AND RESPONSIBILITIES**

It is the responsibility of ALL STAFF to ensure that they adhere to the requirements of this policy in conjunction with the related City purchasing systems and legislation to ensure effective and transparent procurement practices are observed.

## **6. REFERENCES TO RELATED DOCUMENTS**

- *Local Government Act 1995*
- *Local Government (Functions and General) Regulations 1996*, Part 4 – Tenders for Providing Goods or Services
- *State Records Act 2000*
- *CF-07 Corporate Credit Card Policy*
- *CG-10 Execution of Documents Policy*
- *CG-11 Regional Price Preference Policy*
- *CI-02 Record Keeping Policy*
- *CS-12 Public Art Policy*
- *TE-07 Fleet & Plant Policy*
- City of Karratha Code of Conduct
- City of Karratha Purchasing Guidelines
- City of Karratha Delegations Register
- City of Karratha Strategic Community Plan
- City of Karratha General Occupational Health & Safety Rules for Contractors
- City of Karratha Execution of Documents Operational Guidelines
- Promapp procedures

Policy Number:	CG12
Previous Policy Number:	EXE-35, CF-06
Resolution Numbers:	13414-Jul 2004; 13497-Oct 2004; 14075-Apr 2007; 14223-Oct 2007; 14842-Oct 2009; 152708-Dec 2013; 153109-Apr 2015; 153275-Oct 2015; 153620-Nov 2016; 154208-Nov 2018, 154353-May 2019; 154559-Apr 2020; 154825-Jun 2021v3; 154989-Apr 2022
Last Review:	April 2022
Next Review:	April 2024 [Every 2 years]
Responsible Officer:	Manager Governance and Organisational Strategy

*This policy takes effect from the date of adoption by Council and shall remain valid until it is amended or deleted.*