

COR 007: PROCUREMENT

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Objective

1. To ensure compliance with all relevant legislation including the *Local Government Act 1995 (Act)* and the *Local Government (Functions and General) Regulations 1996 (Regulations)*;
2. To ensure all purchasing activities are recorded in compliance with the *State Records Act 2000* and internal record management practices of the Shire of Esperance (**Shire**);
3. To demonstrate that best value for money is attained for the Shire;
4. To mitigate probity risk, by establishing processes that promote openness, transparency, fairness and equity to all potential suppliers;
5. To ensure that sustainable benefits such as environmental, social and local economic factors are considered in the overall value for money assessment; and
6. To ensure all purchasing activities are conducted in a consistent and efficient manner organisational-wide, and that ethical decision making is demonstrated.

Policy

The Shire is committed to delivering best practice in procurement, aligned with the principles of transparency, probity and good governance, and in compliance with all statutory requirements.

All purchasing activities undertaken at the Shire are to be in accordance with this Policy.

1. Ethics and Integrity

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

2. Value for Money

Value for money is an overarching principle governing procurement that allows the best possible outcome to be achieved for the Shire. 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.

An assessment of the best value for money outcome for any purchasing should 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, 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 (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.

Where a higher priced conforming offer is recommended, there should be clear and demonstrable benefits over and above the lowest total priced, conforming offer.

3. Local Purchasing

After having due regard to, but not limited to, the quality of the product, availability of after sales service, supply date, freight costs and degree of urgency, the Shire officers are encouraged to purchase locally.

4. Purchasing from Aboriginal Businesses

After having due regard to, but not limited to, the quality of the product, availability of after sales service, supply date, freight costs and degree of urgency, Shire officers are encouraged to purchase from Aboriginal Businesses.

5. Purchasing Value and Thresholds

Purchasing value is to be based on the following considerations:

- Exclusive of Goods and Services Tax (GST); and
- The actual or expected value of a contract over the full contract period, including all options to extend; or the extent to which it could be reasonably expected that the Shire will continue to purchase a particular category of goods, services or works and what total value is or could be reasonably expected to be purchased. If a purchasing threshold is reached within three years for a particular category of goods, services or works (including low value, repetitive contracts), then the purchasing requirement under the relevant threshold (including the tender threshold) must apply; and
- Must incorporate any variation to the scope of the purchase and be limited to a 10% tolerance of the original purchasing value.

The table below prescribes the procurement practices the Shire must adhere to, based on purchasing value:

Purchasing Value	Procurement Practice
< \$5,000	Direct purchase from suppliers. The Officers' professional discretion is required to ensure best value is maintained.

\$5,000 - \$75,000	<p>Obtain at least two (2) written quotations containing price and a sufficient amount of information relating to the specification of the goods or services being purchased. Procurement decision to be based on all value for money considerations. Record keeping requirements must be maintained in accordance with Shire policies and procedures.</p> <p>Alternative process: A Selective or Public Request for Quote process is undertaken and an evaluation panel is established to assess the submissions.</p>
\$75,000 - \$250,000	<p>Obtain at least three (3) written quotations containing price and a sufficient amount of information relating to the specification of the goods or services being purchased. For this purchasing value range, the procurement decision should not be based on price alone. It is strongly recommended that consideration be given to qualitative factors such as quality, stock availability, accreditation, time for completion or delivery, warranty conditions, technology, maintenance requirements, organisation's capability, previous relevant experience and any other relevant factors.</p> <p>Alternative process: A Selective or Public Request for Quote process is undertaken and an evaluation panel is established to assess the submissions.</p>
> \$250,000	<p>Conduct a public tender process unless exempt by Part 4, Division 2, Section 11 (2) of Local Government (Functions and General) Regulations 1996.</p>

Where it is considered beneficial, tenders may be called for contracts with an anticipated purchasing value < \$250,000. In this is the preferred option, a public tender process shall be undertaken in accordance with Part 4, Division 2 of the Regulations.

Exemptions to Procurement Practice

An exemption to procurement practice may apply in the following instances:

- The purchase is to be obtained from expenditure authorised in an emergency
- The purchase is obtained from a pre-qualified supplier under the WALGA Preferred Supplier Program
- The purchase is supplied from a government of the State or the Commonwealth or any of its agencies, or by a Local Government or a Regional Local Government
- The purchase is from a sole supplier of the good or service
- The purchase is petrol or oil or any other liquid or any gas used for internal combustion engines
- The purchase is from a pre-qualified supplier under a Panel established by the Shire

- The purchase is for road building materials within the Shire

6. Evaluation Panel

An evaluation panel shall be established prior to a Request for Tender or Request for Quote process and include a mix of skills and experience relevant to the nature of the procurement. For contracts with an anticipated purchasing value of:

- \$10,000 - \$150,000 - the panel must contain a minimum of two (2) members; or
- >\$150,000 - the panel must contain a minimum of three (3) members.

7. Panels of Pre-Qualified Suppliers

In accordance with regulation 24AC of the Regulations, a local government may select to establish a panel of pre-qualified suppliers (**Panel**) when:

- it has a written policy that makes provision in respect of the matters set out in sub-regulation 24AC (2) of the Regulations (this **Policy**); and
- the local government is satisfied that there is, or will be, a continuing need for the particular goods or services to be supplied by pre-qualified suppliers.

a) *Objective*

- The Shire will consider establishing a Panel for purchasing activity when most of the following factors apply:
- it determines that 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 offer 'value for money';
- the purchasing activity under the intended Panel is considered to be of a low to medium risk;
- the Panel will streamline and improve procurement processes; and
- it has the capability to establish, manage the risks and achieve the benefits expected of the proposed Panel.

b) *Panel Establishment*

Should the Shire determine it is advantageous to establish a Panel, it must do so in accordance with Part 4, Division 3 of the Regulations and its internal procurement procedures.

A Panel may be established for one supply requirement, or a number of similar supply requirements under defined categories within the Panel.

Where a Panel is to be established, the Shire will endeavour to appoint at least three (3) suppliers to the Panel, or to each category within the Panel, on the basis of best 'value for money'.

c) *Panel Purpose*

The Shire will generally establish a Panel to deliver its agreed level of service to the community, as the Shire often requires additional labour and/or plant to support the

efficient operation of its permanent workforce. The establishment of a Panel allows the Shire to sub-contract its additional operational requirements on an as-needed basis, at an hourly rated fixed for the term of the Panel.

d) *Purchasing from a Panel*

Purchasing from a Panel	
Direct Purchase	The Shire may award any quantity of work to any Supplier on the basis of the principals set out in Distributing Work Amongst a Panel . All purchases will be undertaken via a purchase order or the provision of Recipient Created Tax Invoice (RCTI) as per the accepted schedule of rates by the Shire as part of their appointment to the Panel.
Quotation Process	Selected Suppliers will be invited to quote for each item of work available under the Panel and afforded a minimum response period of seven (7) calendar days. In every instance, all responses received will be assessed against pre-determined evaluation criteria to determine the best value for money response.

e) *Distributing Work Amongst a Panel*

In considering the distribution of work amongst a Panel, the Shire will take into account the Supplier's:

- Accepted Schedule;
- Performance during the term of the Panel;
- Equipment, plant, or capability relative to the particular item of work;
- Response time and/or availability; and
- Vicinity to the work location.

f) *Panel Communication Agreement*

To ensure clear, consistent, and regular communication between all parties to a Panel, the Shire agrees to:

- Utilise its eProcurement portal for all Panel initiation processes; and
- Allocate each Panel a dedicated contact person for the term of the Panel.

8. Authorising Officer

An Authorising Officer is a Shire employee who is authorised to incur expenditure and claims for payment, within a set monetary limit.

9. Purchase Orders

The Shire requires purchase orders to be raised and issued prior to the goods or services being supplied. The Authorising Officer will ensure expenditure incurred is within their set monetary limit.

Exemptions to raising a purchase order

- Utility accounts
- Telephone accounts
- Fuel accounts
- Lease accounts
- Rent accounts
- Any other purchase at the discretion of Manager Financial Services or Director Corporate Resources

10. Fleet Fuel Cards

All appropriate fleet vehicles will be issued with a fleet fuel card for fuel purchases only. If a fleet vehicle is allocated to a Shire officer, that officer is responsible for the security and appropriate use of the fleet fuel card. The fleet fuel card is only to be used for the fleet vehicle to which it is issued.

11. Corporate Credit Cards

Selected Shire officers have use of a corporate credit card, provided from the Shire's current banking provider. Use of this corporate credit card is strictly for authorised duties associated with the Shire and may not be used for personal expenses in any circumstances.

Limits placed on the Corporate Credit Cards will be as follows:

Position	Monthly Limit
Chief Executive Officer	\$ 10,000.00
Director Corporate Resources	\$ 7,000.00
Community Emergency Services Coordinator	\$ 2,000.00
Director External Services	\$ 5,000.00
Director Asset Management	\$ 5,000.00
Home Care Operations Manager	\$ 3,000.00
Executive Assistant	\$ 12,000.00
Manager Community Support	\$ 2,000.00
Manager Strategic Planning and Land Projects	\$ 4,000.00
Manager Community and Economic Development	\$ 4,000.00

Each corporate credit card holder is responsible at all times for:

- the security of the card; and
- providing documentary evidence of all purchases (tax invoices) and attaching these to the monthly statement along with appropriate account cost coding.

At the end of each month, each credit card statement is authorised by:

- In the case of the Chief Executive Officer, the Shire President;

- In the case of Directors, the CEO;
- In the case of other officers, the supervising Director.

All purchases using a corporate credit card shall be included in the monthly list of accounts paid by delegated authority that is presented to Council.

12. Records Management

All activities associated with procurement at the Shire must be recorded and retained. For a Request for Tender, Request for Quote, or Panels of Pre-Qualified Suppliers process this includes:

- tender documentation;
- internal documentation;
- evaluation documentation;
- enquiry and response documentation; and
- notification and award documentation.

For a direct purchasing process this includes:

- quotation documentation;
- internal documentation; and
- 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 records management policy.

13. Breach of Procurement Policy

Officers found to have breached this Policy may, at the discretion of the Chief Executive Officer:

- have their purchasing rights revoked;
- be subject to disciplinary action, including possible termination without notice; and
- be required to reimburse the Shire for the amount of the unauthorised expenditure.

..... Policy Ends