POLICY NO. CP 4.1.8  PURCHASING

PURPOSE

To comply with the legislative requirement under Regulation 11A of the Local Government (Functions and General) Regulations 1996 to adopt and implement a purchasing policy.

POLICY STATEMENT

1. OBJECTIVES

The City of Gosnells is committed to maintaining purchasing practices that:

(a) Ensure the City is compliant with all regulatory obligations and City policies.

(b) Are efficient and effective.

(c) Ensure that procurement transactions are carried out in an accountable, fair, transparent and equitable manner.

(d) Promote industry and community confidence in the integrity of the City’s procurement activities.

(e) Ensure that the City receives value for money in its purchasing.

(f) Promote effective governance and clear roles and responsibilities.

2. VALUE FOR MONEY

The City’s purchasing decision will be based on value for money. An assessment of value for money should consider the following:

- Price based on total life cycle costs and benefits.

- 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.

- 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.
### 3. PURCHASING-thresholds AND REQUIREMENTS

#### 3.1 Purchasing Thresholds

<table>
<thead>
<tr>
<th>Estimated Purchase Value (all values are GST Exclusive)</th>
<th>Purchasing Requirements</th>
</tr>
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</table>
| Up to $5,000                                           | Direct purchase from suppliers requiring only one verbal quotation, either from:  
  - An existing panel of pre-qualified suppliers established by the City; or  
  - A pre-qualified supplier on the WALGA Preferred Supplier Program or State Government Common Use Arrangement; or  
  - From the open market. |
| $5,001 - $20,000                                        | Obtain a minimum of three verbal or written quotations, either from:  
  - An existing panel of pre-qualified suppliers established by the City; or  
  - A pre-qualified supplier on the WALGA Preferred Supplier Program or State Government Common Use Arrangement; or  
  - From the open market. |
| $20,001 - $75,000                                       | Obtain a minimum of three written quotations, either from:  
  - An existing panel of pre-qualified suppliers established by the City; or  
  - A pre-qualified supplier on the WALGA Preferred Supplier Program or State Government Common Use Arrangement; or  
  - From the open market. |
| $75,001 - $149,999                                      | Undertake a formal Request for Quote (RFQ) seeking a minimum of three detailed written quotations containing price and specification of goods and services from:  
  - An existing panel of pre-qualified suppliers administered by the City; or  
  - A pre-qualified supplier on the WALGA Preferred Supplier Program or State Government Common Use Arrangement; or  
  - From the open market. |
| $150,000 and above                                      | Conduct a public Request for Tender process or purchase from WALGA Preferred Supply Contracts. If any WALGA Preferred Supply contractor or a Common Use Arrangement is used, three quotes must be obtained. |

The Chief Executive Officer may, on the basis of achieving best value, call tenders in lieu of seeking quotations for purchases under the $150,000 threshold (excluding GST). Any Tender process that is initiated must comply with all legislative and procedural requirements for public tenders.
3.2 Sole Source of Supply

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

(a) Purchasing value is estimated to be over $5,000 and less than $150,000;

(b) Purchasing requirement has been documented in a detailed specification;

(c) Specification has been extensively market tested and only one potential supplier has been identified as being capable of meeting the specified purchase requirement; and

(d) Market testing process and outcomes of supplier assessments have been documented, inclusive of a rationale 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 for a period not exceeding three years. For any continuing purchasing requirement, the arrangement must be re-assessed before expiry to evidence that a Sole Source of Supply still genuinely exists.

3.3 Term of Contracts

When determining the term of a contract or agreement the City will consider the potential:

(a) For a change in technology, specification or availability; and

(b) Costs associated with retendering for the supply of the good or service, including implementation costs.

Short to medium term contracts are generally created for goods or services where there is a high or medium potential for change. Long term contracts are designed for goods and services that either have a low risk of change or there are significant costs to establish another contract.

3.4 Selection Criteria

Compliance and qualitative selection criteria shall apply to all formal quotations and tenders relative to the nature and complexity of the project or service.

3.5 Requirement for Written Contracts

Where the City procures goods and services worth more than $20,000, a written agreement that includes the principal terms of the purchase is required and must be signed by an Officer with appropriate expenditure authorisation.

3.6 Anti-Avoidance

The City shall not enter into two or more contracts, or create multiple purchase order transactions of a similar nature for the purpose of “splitting” the value of the purchase or contract in order to avoid the requirement to invite tenders, or to avoid a requirement to source quotes in accordance with this policy.
3.7 **Probity**

In order to ensure the tender selection process is fair and objective, the City shall observe the highest standards of integrity. This is achieved by ensuring that:

(a) Processes, procedures and documentation demonstrate fairness, openness and accountability, whilst ensuring that information that has commercial value to tenderers remains confidential. Prices will not be treated as confidential.

(b) Tenders and quotations are undertaken on a competitive basis, in which the City seeks to attract a wide range of Respondents that are treated impartially, honestly and consistently so that no individual Respondent is either advantaged or disadvantaged.

(c) Actual or perceived conflicts of interest are identified, disclosed, recorded and dealt with according to local government obligations.

(d) Recommendations are made and decision-making is undertaken in a manner that is transparent, free from bias and fully documented.

3.8 **Contract Variations and Extension Options**

Contract variations and extension options are to be managed in accordance with the City’s Contract Management Policy.

4. **LOCAL ECONOMIC BENEFIT**

The City will, as much as practicable:

(a) Source quotations from businesses located within the City;

(b) Ensure its buying practices, procedures and specifications do not disadvantage local businesses;

(c) Consider potential flow on benefit for local suppliers (i.e. servicing and support);

(d) Ensure that procurement plans consider local business capability and local content; and

(e) Provide adequate and consistent information to potential suppliers.

5. **PURCHASING FROM DISABILITY ENTERPRISES**

An Australian Disability Enterprise as registered on [www.ade.org.au](http://www.ade.org.au) may be contracted directly without the need to comply with the Purchasing Thresholds and Requirements of this policy. This is contingent on the demonstration of value for money.
6. PANEL OF PRE-QUALIFIED SUPPLIERS

6.1 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) The City determines that a range of similar goods and services are required to be purchased on a continuing and regular basis;

(b) There are numerous potential suppliers in the local and regional market sector(s) that satisfy the test of ‘value for money’;

(c) The purchasing activity under the intended Panel is assessed as being of a low to medium risk;

(d) The Panel will enhance the efficiency of the City’s purchasing and operations; and

(e) The City has the capability to establish, manage the risks and achieve the benefits expected of the proposed Panel.

6.2 Establishing a Panel

6.2.1 A Panel shall be established with not less than two members.

6.2.2 Panels shall not be established for a term exceeding three years.

6.2.3 The invitation to join the Panel will include the standard information as per tender invitations in addition to the following:

(a) The expected number of Panel members; and

(b) How work will be distributed to those appointed to the Panel. When deciding how to distribute work among panel members the City will take the following factors into account:
   (i) Price;
   (ii) Complexity and value of the work; and
   (iii) Whether the panel will undertake work that can be divided into discrete components.

6.2.4 All submissions will be evaluated and ranked in accordance with the terms and conditions of the invitation and based on the information provided in each offer.

6.2.5 The suppliers that best demonstrate their ability to deliver the goods and/or services to the expected standard at a competitive price will be invited to join the Panel.
6.3 Quotations from the Panel

Quotations will be obtained from panel members:

(a) For each purchase; or

(b) To supply goods or services for a fixed term not exceeding 12 months.

The selection decision will be based on pre-determined evaluation criteria forming part of the invitation to quote.

6.4 Communication with the Panel

At the commencement of each Panel a communication plan must be developed. This will set out how all communication between the City and Panel members will take place during the term of the Panel.

7. RECORD MANAGEMENT

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 Information and Record Management Policy and associated procedures. Such documentation includes, but is not limited to:

(a) Tender/Quotation documentation;

(b) Internal documentation, including planning and approvals;

(c) Evaluation documentation;

(d) Correspondence between the City and respondents;

(e) Notification and award documentation; and

(f) Subsequent quotation and purchase documentation.

GOVERNANCE REFERENCES

<table>
<thead>
<tr>
<th>Statutory Compliance</th>
<th>Local Government Act 1995, Section 3.57</th>
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<tr>
<td></td>
<td>Local Government (Functions and General) Regulations 1996 – Part 4</td>
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<tr>
<td>Industry Compliance</td>
<td>WALGA Procurement Toolkit</td>
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<td></td>
<td>WALGA Preferred Supplier Arrangements</td>
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<tr>
<td>Organisational Compliance</td>
<td>Procedure F.012 Purchasing, Order Generation and Distribution</td>
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<td></td>
<td>Policy 4.2.2 - Information and Record Management</td>
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<tr>
<td>Process Links</td>
<td>Corporate procedure F.003 – Calling of Tenders</td>
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## POLICY ADMINISTRATION

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<tr>
<th>Directorate</th>
<th>Officer Title</th>
<th>Contact:</th>
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<tr>
<td>Business Services</td>
<td>Director Business Services</td>
<td>9397 3010</td>
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### Risk Rating
- Medium

### Review Cycle
- Biennial

### Next Due
- 2020

### Version | Decision Reference | Synopsis |
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<tr>
<td>1.</td>
<td>FCS 16/05/1995</td>
<td>New Policy proposed</td>
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<tr>
<td>2.</td>
<td>OCM 83/06/1995</td>
<td>Policy adopted</td>
</tr>
<tr>
<td>3.</td>
<td>OCM 2128/12/1998</td>
<td>Policy amended</td>
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<td>4.</td>
<td>OCM 176/08/05/2007</td>
<td>Original Policy revoked</td>
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<td>5.</td>
<td>OCM 237/12/06/2007</td>
<td>New Policy adopted</td>
</tr>
<tr>
<td>6.</td>
<td>OCM 237/12/06/2007</td>
<td>Amended</td>
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<tr>
<td>7.</td>
<td>OCM 409/25/08/2009</td>
<td>Amended to incorporate electronic processes</td>
</tr>
<tr>
<td>8.</td>
<td>OCM 580/14/12/2010</td>
<td>Amended to provide better guidance for procurement processes.</td>
</tr>
<tr>
<td>9.</td>
<td>OCM 603/13/12/2011</td>
<td>Amended following financial management review by CEO for purchasing thresholds, involvement of officers with an interest in tendering process and clarification on weightings and scores given by the evaluation panel during assessment of tenders.</td>
</tr>
<tr>
<td>10.</td>
<td>OCM 18/14/02/2012</td>
<td>Additional information included in the Selection Criteria Evaluation table in clause 5.2.2 to assist Officers in the tender evaluation process.</td>
</tr>
<tr>
<td>11.</td>
<td>OCM 153/27/04/2012</td>
<td>Minor amendment in order to overcome difficulties experienced on occasions in obtaining the requisite three quotations.</td>
</tr>
<tr>
<td>12.</td>
<td>OCM 415/24/09/2013</td>
<td>Reviewed and amended with a change in quotation requirements to reflect when quotes can be waived when procuring goods and services under WALGA or Purchasing Agreements.</td>
</tr>
<tr>
<td>13.</td>
<td>OCM 382/23/09/2014</td>
<td>Reviewed and amended to add clause c) to 2.3 to promote purchasing from WA Disability Enterprises being contingent on the provision of fair value and quality.</td>
</tr>
<tr>
<td>14.</td>
<td>OCM 206/26/05/2015</td>
<td>Amended to clarify the appointment of panels and the use of panel contracts.</td>
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<td>15.</td>
<td>OCM 372/22/09/2015</td>
<td>Amended the supply methodology for contracts with a value equal to or exceeding $100,000.</td>
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<tr>
<td>16.</td>
<td>OCM 54/23/02/2016</td>
<td>Amended following changes to the Local Government (Functions and General) Regulations 1996 to improve purchasing and tendering practices in local government.</td>
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<tr>
<td>18.</td>
<td>OCM 333/9/10/2018</td>
<td>Original Policy revoked.</td>
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<tr>
<td>20.</td>
<td>Memo to Councillors</td>
<td>Removal of clause 6 relating to Aboriginal Business due to change in State government department referred to in the regulations.</td>
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