





**3. PURCHASING THRESHOLDS AND REQUIREMENTS**

**3.1 Purchasing Thresholds**

3.1.1 Purchasing thresholds relate to the value of consideration under a single contract noting that contracts cannot be split for the sole purpose of avoiding a requirement to obtain quotes or invite tenders.

3.1.2 Purchasing thresholds do not apply to the aggregated value of all purchases from a single supplier. Provided contracts have not been separated to avoid purchasing thresholds, the total value of purchases from an individual supplier does not need to be considered when determining which purchasing threshold and therefore quotation requirements apply.

3.1.3 Despite clause 3.1.2, there is nothing to prevent the aggregation of similar works or services into a single contract and inviting quotations or tenders as the case requires. It would be appropriate to aggregate works where doing so is likely to deliver economies of scale or improve the efficiency of delivering works or services.

3.1.4

<b>Estimated Purchase Value (all values are GST Exclusive)</b>	<b>Purchasing Requirements</b>
Up to \$5,000	Obtain a minimum of one verbal-or written-quotation.
\$5,001 - \$20,000	Obtain a minimum of three verbal or written quotations from suitable suppliers.
\$20,001 - \$100,000	Obtain a minimum of three written quotations from suitable suppliers.
\$100,001 - \$249,999	Undertake a formal Request for Quote (RFQ) seeking a minimum of three detailed written quotations containing price and specification of goods and services.
\$250,000 and above	Use the most appropriate market approach to deliver the best value for money outcome: <ul style="list-style-type: none"> <li>• Conduct a public Request for Tender process; or</li> <li>• Undertake a formal RFQ seeking three written quotations from the WALGA Preferred Supplier Program; or</li> <li>• Use a Common Use Arrangement (in accordance with the buying rules); or</li> <li>• Purchase from an Australian Disability Enterprise or other tender exempt suppliers under the Regulations.</li> </ul>

The Chief Executive Officer may, on the basis of achieving best value, call tenders in lieu of seeking quotations for purchases under the \$250,000 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 \$250,000;
- (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 another 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.

For the avoidance of doubt, the following are determined to be sole suppliers:

- (a) Western Power
- (b) ATCO Gas
- (c) Australia Post (for the provision of postal and rates payment only)
- (d) Any State or Commonwealth Government department
- (e) Water Corporation.

### **3.3 Policy Exemption**

Where, due to the nature of goods or services required by the City, there is more than one potential supplier but it would not be in the City's interests to obtain quotes, an exemption to compliance with clause 3.1 of this policy, other than a requirement to invite tenders, may be sought. An exemption may only be granted by the Executive Team following consideration of a written report detailing the reasons for the proposed exemption.

Exemptions may be granted for the following reasons:

- (a) The services required rely on intellectual property accrued by a person or organisation that has undertaken previous work for the City;



- (b) The goods required are of a type that would make it advantageous for the City to use a particular make, model or product. For example, there may be advantages to the City in using a single model of mowers to enable the City to maintain spare parts or for ease of use by operators and servicing by mechanics;
- (c) The purchase involves the acquisition of software and the preferred software has been identified following thorough investigation of available alternatives;
- (d) The purchase involves the renewal of software maintenance and service agreements where software continues to meet the needs of the City and the cost of running a procurement process or commissioning and implementing a new system would make a change uneconomical.

### 3.4 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.

Contract terms for corporate business systems should include multiple options for the City to extend the contract at its discretion for as long as the system continues to meet business needs, provided that no single extension period exceeds five years.

### 3.5 Selection Criteria

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

### 3.6 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.

### 3.7 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.

### **3.8 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.

### **3.9 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 Should a Panel member leave the Panel, they may be replaced by the next ranked Panel member determined in the value for money assessment.
- 6.2.4 The invitation to join the Panel will include the standard information as per tender invitations as well as the following:
  - (a) The expected number of Panel members;
  - (b) How Panel members will be appointed;
  - (c) How work will be distributed to those appointed to the Panel;
  - (d) A statement to the effect that there is no guarantee that the City



will purchase goods or services from suppliers on the Panel;  
and

- (e) How Panel members may be replaced should the requirement arise.

### **6.3 Distributing work amongst Panel Members**

When establishing a Panel, the invitation to join the Panel will prescribe one of the following as to whether the City intends to:

- (i) Obtain quotations from each supplier on the Panel with respect to all discrete purchases; or
- (ii) Purchase goods and services exclusively from any supplier appointed to that Panel, and under what circumstances

In every instance, a contract must not be formed with a supplier on the Panel for an item of work beyond 12 months, which includes options to extend the contract.

### **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/Panel/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**

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

**POLICY ADMINISTRATION**

<b>Directorate</b>		<b>Officer Title</b>		<b>Contact:</b>	
Business Services		Director Business Services		9397 3010	
<b>Risk Rating</b>	Medium	<b>Review Cycle</b>	Biennial	<b>Next Due:</b>	2022
<b>Version</b>	<b>Decision Reference</b>	<b>Synopsis</b>			
1.	FCS 16/05/1995	New Policy proposed			
2.	OCM 83/06/1995	Policy adopted			
3.	OCM 2128/12/1998	Policy amended			
4.	OCM 176/08/05/2007	Original Policy revoked			
5.	OCM 237/12/06/2007	New Policy adopted			
6.	OCM 237/12/06/2007	Amended			
7.	OCM 409/25/08/2009	Amended to incorporate electronic processes			
8.	OCM 580/14/12/2010	Amended to provide better guidance for procurement processes.			
9.	OCM 603/13/12/2011	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.			
10.	OCM 18/14/02/2012	Additional information included in the Selection Criteria Evaluation table in clause 5.2.2 to assist Officers in the tender evaluation process.			
11.	OCM 153/27/04/2012	Minor amendment in order to overcome difficulties experienced on occasions in obtaining the requisite three quotations.			
12.	OCM 415/24/09/2013	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.			
13.	OCM 382/23/09/2014	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.			
14.	OCM 206/26/05/2015	Amended to clarify the appointment of panels and the use of panel contracts.			
15.	OCM 372/22/09/2015	Amended the supply methodology for contracts with a value equal to or exceeding \$100,000.			
16.	OCM 54/23/02/2016	Amended following changes to the Local Government (Functions and General) Regulations 1996 to improve purchasing and tendering practices in local government.			
17.	OCM 317/26/09/2017	Reviewed and amended Clauses 2.1, 5.1.1, 5.1.3, 5.1.4, insertion of 5.3 and removal of Clause 6.			
18.	OCM 333/9/10/2018	Original Policy revoked.			
19.	OCM 334/9/10/2018	New Policy adopted.			
20.	Memo to Councillors 29/10/2018	Removal of clause 6 relating to Aboriginal Business due to change in State government department referred to in the regulations.			
21.	OCM 226/27/08/2019	Amended.			
22.	OCM 96/14/04/2020	Amended to reflect changes to Regulations.			
23.	OCM 251/08/09/2020	Reviewed and amended.			

