

Authority: Section 3.57 Local Government Act 1995 (WA) (CI); Section 4 Local Government (Functions and General) Regulations 1996; Local Government (Functions and General) Amendment Regulations 2007

Financial Policy 2 – PURCHASING

Objective

- To provide compliance with the Local Government Act, 1995 and the Local Government Act (Functions and General) Regulations, 1996 (as amended in March 2007).
- To deliver a best practice approach and procedures to internal purchasing for the Shire of Christmas Island.
- To ensure consistency for all purchasing activities that integrates within all the Shire of Christmas Island operational areas.
- To efficiently and effectively purchase goods and services recognising that the remoteness of Christmas Island limits the Shire's capacity to implement competitive purchasing strategies and recognising that the Shire is expending public monies that must accounted for.

Policy

The Shire of Christmas Island is committed to setting up efficient, effective, economical and sustainable procedures in all purchasing activities. This policy:

- Provides the Shire of Christmas Island with a more effective way of purchasing goods and services.
- Ensures that purchasing transactions are carried out in a fair and equitable manner.
- Strengthens integrity and confidence in the purchasing system.
- Ensures that the Shire of Christmas Island receives value for money in its purchasing.
- Ensures that the Shire of Christmas Island considers the environmental impact of the procurement process across the life cycle of goods and services.
- Ensures the Shire of Christmas Island is compliant with all regulatory obligations.
- Promotes effective governance and definition of roles and responsibilities.
- Upholds respect from the public and industry for the Shire of Christmas Island's purchasing practices that withstands probity.

ETHICS & INTEGRITY

All officers and employees of the Shire of Christmas Island shall observe the highest standards of ethics and integrity in undertaking purchasing activity and act in an honest and professional manner that supports the standing of the Shire of Christmas Island.

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 consistent with the Shire of Christmas Island 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; and
- any information provided to the Shire of Christmas Island by a supplier shall be treated as commercial-in-confidence and should not be released unless authorised by the supplier or relevant legislation.

VALUE FOR MONEY

Value for money is an overarching principle governing purchasing that allows the best possible outcome to be achieved for the Shire of Christmas Island. 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 whole of life cycle costs (for goods) and whole of contract life costs (for services) 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);
- 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.

SUSTAINABLE PROCUREMENT

Sustainable Procurement is defined as the procurement of goods and services that have less environmental and social impacts than competing products and services. Shire of Christmas Island is committed to sustainable procurement and where appropriate shall endeavour to design quotations and tenders to provide an advantage to goods, services and/or processes that minimise environmental and negative social impacts. Sustainable considerations must be balanced against value for money outcomes in accordance with the Shire of Christmas Island's sustainability objectives.

Practically, sustainable procurement means the Shire of Christmas Island shall endeavour at all times to identify and procure products and services that:

- Have been determined as necessary;
- Demonstrate environmental best practice in energy efficiency / and or consumption which can be demonstrated through suitable rating systems and eco-labelling.
- Demonstrate environmental best practice in water efficiency.
- Are environmentally sound in manufacture, use, and disposal with a specific preference for products made using the minimum amount of raw materials from a sustainable resource, that are free of toxic or polluting materials and that consume minimal energy during the production stage;
- Products that can be refurbished, reused, recycled or reclaimed shall be given priority, and those that are designed for ease of recycling, re-manufacture or otherwise to minimise waste.
- For motor vehicles – select vehicles featuring the highest fuel efficiency available, based on vehicle type and within the designated price range;
- For new buildings and refurbishments – where available use renewable energy and technologies.

PURCHASING THRESHOLDS

Where the value of procurement (excluding GST) for the value of the contract over the full contract period (including options to extend) is, or is expected to be:-

Amount of Purchase	Policy
Under \$200	Direct purchase from suppliers using petty cash or purchase order
\$201 to \$5,000	Direct purchase from suppliers requiring only two verbal quotations. Notes to be kept on file.
\$5,001 - \$39,999	CEO and Directors to obtain at least three verbal or written quotations. CEO and Directors may direct purchase but will be required to report the purchase at the following Council Meeting. Staff cannot make purchases at this tier.
\$40,000 - \$99,999	CEO and Directors to obtain at least three written quotations. CEO and Directors may direct purchase but will be required to report the purchase at the following Council Meeting. Staff cannot make purchases at this tier.

\$100,000 - \$149,999	CEO and Directors to obtain at least three written quotations containing price and specification of goods and services (with procurement decision based on all value for money considerations). Staff cannot make purchases at this tier.
\$150,000 and above	Conduct a Public Tender process.

Where it is considered beneficial, tenders may be called in lieu of seeking quotations for purchases under the \$150,000 threshold (excluding GST). If a decision is made to seek public tenders for Contracts of less than \$150,000, a Request for Tender process that entails all the procedures for tendering outlined in this policy must be followed in full.

Under \$200

Where the value of procurement of goods or services is under \$200, staff may make purchases via Purchase Order or petty cash.

\$201-\$5,000

Between \$201 to \$5,000, purchase on the basis of at least two verbal quotations is permitted. However it is recommended to use professional discretion and occasionally undertake market testing with a greater number or more formal forms of quotation to ensure best value is maintained.

This purchasing method is suitable where the purchase is relatively small and low risk. Staff are permitted to make purchases up to the value of \$5,000 if they have the job responsibility to procure goods and services in their position description. Staff are not able to engage in any procurements above this threshold and are to refer to the Director in their section for assistance.

Record keeping requirements must be maintained in accordance with record keeping policies.

\$5,001 - \$39,999

This category is for CEO and Directors to procure goods or services where the value of such procurement ranges between \$5,001 - \$39,999. Staff are not permitted to engage for procurements at this or any higher level.

At least three verbal or written quotations (or a combination of both) should be sought. Where this is not practical, e.g. due to limited suppliers, it must be noted through records relating to the process.

The general principles for obtaining verbal quotations are:

- ensure that the requirement / specification is clearly understood by the Shire of Christmas Island employee seeking the verbal quotations;
- ensure that the requirement is clearly, accurately and consistently communicated to each of the suppliers being invited to quote;
- read back the details to the Supplier contact person to confirm their accuracy; and
- written notes detailing each verbal quotation must be recorded.

Record keeping requirements must be maintained in accordance with record keeping policies.

The CEO and Directors may opt to directly purchase from a supplier, but must report so at the closest possible Council meeting following the procurement.

\$40,000 to \$99,999

For the procurement of goods or services where the between \$40,000 to \$99,999, CEO and Directors are required to obtain at least three written quotes.

The CEO and Directors may opt to directly purchase from a supplier, but must report at the closest possible Council meeting the procurement.

The CEO and Directors are expected to 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.

The Shire can still access a WALGA Preferred Supply Contract for these types of purchases.

NOTES: The general principles relating to written quotations are;

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

\$100,000 to \$149,999

For the procurement of goods or services where the value exceeds \$100,000 but is less than \$149,999, Directors and the CEO are required to obtain at least three written quotations containing price and a sufficient amount of information relating to the specification of goods and services being purchased.

Record keeping requirements must be maintained in accordance with record keeping policies.

For this procurement range, the selection should not be based on price alone, and it is strongly recommended to consider some of the 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 as part of the assessment of the quote.

\$150,000 and above

For the procurement of goods or services where the value will be \$150,000 or more, the CEO and Directors need to put the procurement to tender.

TRADES REGISTER

The Shire will maintain a Trades Register for the supply of electrical, plumbing, painting, mechanical, maintenance and construction goods and services provided by local businesses.

The Trades Register will be utilised to procure services valued at \$99,999 or less via the quotation system. Entry onto the Register will be restricted to businesses, persons or groups which meet nominated assessment criteria to ensure that they are suitably qualified and capable of carrying out quality work for the Shire.

Given the small size of the local economy, the administrative team will scan the business environment diligently for new businesses may be entered onto the Register at any time subject to meeting the assessment criteria.

The assessment criteria for entry onto the register shall include as a minimum but shall not be limited to:

- A current ABN or ACN;
- Currency of Public Liability insurance of not less than \$10M;
- Currency of Workers Compensation;
- Qualifications and experience of personnel.

REGULATORY COMPLIANCE

Tender Exemption

In the following instances public tenders or quotation procedures 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 Functions and General Regulations apply.

Sole Source of Supply (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.

Anti-Avoidance

The Shire of Christmas Island 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 \$50,000.

Tender Criteria

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

An evaluation panel shall be established prior to the advertising of a tender and shall include a mix of skills and experience relevant to the nature of the purchase. The panel must contain a minimum of 3 members.

Advertising Tenders

Tenders are to be advertised in a state wide publication e.g. "The West Australian" newspaper, Local Government Tenders section, preferably on a Wednesday or Saturday.

Tenders must remain open for at least 14 full days after the date the tender is advertised.

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;
- particulars identifying a person from who more detailed information as to tendering may be obtained;
- detailed information shall include;
 - such information as the Shire of Christmas Island decides should 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;
 - whether or not the Shire of Christmas Island has decided to submit a tender; and
 - whether or not tenders can be submitted by facsimile or other electronic means, and if so, how tenders may so be submitted.

As a general rule, advertising of tenders by statewide notice as required in the Regulations will be addressed by advertising in The Islander and by public notice. Where the goods or services are not available on Island, notice will be advertised off Island.

Issuing Tender Documentation

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.

This is essential as if clarifications, addendums 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 Christmas Island not to compromise its duty to be fair.

Tender Deadline

A tender that is not received in full in the required format by the advertised Tender Deadline shall be rejected.

Opening of Tenders

No tenders are to be removed from the tender box, or opened (read or evaluated) prior to the Tender Deadline.

Tenders are to be opened in the presence of the Chief Executive Officer's delegated nominee and at least one other Council Officer. The details of all tenders received and opened shall be recorded in the Tenders Register.

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 Shire of Christmas Island. Members of the public are entitled to be present.

The Tenderer's Offer form, Price Schedule and other appropriate pages from each tender shall be date stamped and initialled by at least two Shire of Christmas Island Officers present at the opening of tenders.

No Tenders Received

Where the Shire of Christmas Island 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 & \$99,999 (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.

Tender Evaluation

Tenders that have not been rejected shall be assessed by the Shire of Christmas Island 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.

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 of Christmas Island 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.

Minor Variation

If after the tender has been publicly advertised and a successful tenderer has been chosen but before the Shire of Christmas Island and tenderer have entered into a Contract, a minor variation may be made by the Shire of Christmas Island.

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.

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.

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, and the Shire of Christmas Island's internal records management policy.

Keywords Tender, Goods and Services, Purchases

Related Policies FI1 regional Price Preference Policy

Related Procedures/
Documents Tender/Procurement Procedure
WALGA Purchasing and Tender Guide

Delegation Level Council, CEO

First endorsed by Council 13 March 2007

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