



2/007 PURCHASING POLICY

1. Policy

The Town of Port Hedland (ToPH) is committed to delivering best practice in the purchasing of goods, services and works that align with the principles of transparency, probity and good governance and complies with the *Local Government Act 1995* (the “**Act**”) and Part 4 of the *Local Government (Functions and General) Regulations 1996*, (the “**Regulations**”) Procurement processes and practices to be complied with are defined within this Policy and the ToPH’s prescribed procurement procedures.

2. Objectives

The objectives of this Policy are to ensure that all ToPH procurement activities:

- **Value for Money** - demonstrate that best value for money is attained;
- **Regulatory Compliance** - compliant with relevant legislations, including the Act and Regulations;
- **Record Management** - are recorded in compliance with the *State Records Act 2000* and associated ToPH records management practices and procedures;
- **Transparency & Professionalism** - mitigate probity risk, by establishing consistent and demonstrated processes that promotes openness, transparency, fairness and equity to all potential suppliers;
- **Sustainable benefits** - ensure that the sustainable benefits, such as environmental, social and local economic factors are considered in the overall value for money assessment; and
- **Integrity and Ethical** - conducted in a consistent and efficient manner across the organisation and that ethical decision making is demonstrated.

3. Reference Documents

Tender Policy
Regional Price Preference Policy
Code of Conduct
Delegation Register
Statement of Business Ethics

4. Integrity

Purchasing Principles

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:



- **Accountability** - 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;
- **Regulatory Compliance** - all purchasing practices shall comply with relevant legislation, regulations, and requirements consistent with the ToPH's policies and Code of Conduct;
- **Open Competition** - purchasing is to be undertaken on a competitive basis where all potential suppliers are treated impartially, honestly and consistently;
- **Transparency** - all processes, evaluations and decisions shall be transparent, free from bias and fully documented in accordance with applicable policies, audit requirements and relevant legislation. If the Town of Port Hedland is seeking a quote to inform budget processes without a genuine commitment to procure goods and services this must be disclosed to the business providing the quote;
- **Conflict of Interest** - any actual or perceived conflicts of interest are to be identified, disclosed and appropriately managed; and
- **Professionalism** - any information provided to the ToPH's by a supplier shall be treated as commercial-in-confidence and should not be released unless authorised by the supplier or relevant legislation.

5. Purchasing Requirements

5.1 *Legislative / Regulatory Requirements*

The requirements that must be complied with by the ToPH, including purchasing thresholds and processes, are prescribed within the Regulations, this Policy and associated purchasing procedures.

5.2 *Policy*

Purchasing that is **\$150,000* or below in total value** (excluding GST) must be in accordance with the purchasing requirements under the relevant threshold as defined under section 5.4 of this Purchasing Policy.

Purchasing that **exceeds \$150,000* in total value** (excluding GST) must be put to public Tender when it is determined that a regulatory Tender exemption, as stated under 5.4 of this Policy, is not deemed to be suitable.

* - or as per Part 4 Div. 1 11A (1) of Local Government (Function & General) Regulations 1996

5.3 *Purchasing Value Definition*

Determining purchasing value is to be based on the following considerations:

1. Exclusive of Goods and Services Tax (GST);



2. 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 ToPH 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. A best practice suggestion is that if a purchasing threshold is reached within three years for a particular category of goods, services or works, then the purchasing requirement under the relevant threshold (including the tender threshold) must apply.
3. Must incorporate any variation to the scope of the purchase and be limited to a 5% tolerance of the original purchasing value.

Purchasing from Existing Contracts

Where the ToPH has an existing contract in place, it must ensure that goods and services required are purchased under these contracts to the extent that the scope of the contract allows.

Purchasing Thresholds

The table below prescribes the purchasing process that the ToPH must follow, based on the purchase value:

Purchase Value Threshold	Purchasing Requirement
Up to \$5,000	Obtain at least one (1) oral or written quotation from a suitable supplier, either from: an existing panel of pre-qualified suppliers administered by the ToPH; or Standing Offer Arrangement; or a pre-qualified supplier on the WALGA Preferred Supply Program or State Government Common Use Arrangement (CUA); or From the open market.
Over \$5,000 and up to \$15,000	The buyer of goods and/or services shall obtain at least two (2) written quotations from suppliers following a brief outlining the specified requirement, either from: an existing panel of pre-qualified suppliers administered by the ToPH; or Standing Offer Arrangement; or



	<p>a pre-qualified supplier on the WALGA Preferred Supply Program or State Government Common Use Arrangement (CUA); or From the open market. These two written quotes, and any ancillary supporting documentation shall be electronically attached to an authorised purchase request to the Purchasing office for raising of an official purchase order</p>
<p>Over \$15,000 and up to \$150,000*</p>	<p>The buyer of goods and/or services shall develop a “Request for Quotation” or an “Expression of Interest” (depending upon the procurement strategy) in order to obtain either at least three (3) written quotes or expression of interest submissions. The procurement decision is to be based on pre-determined evaluation criteria that assesses all value for money considerations in accordance with the definition stated within this Policy. Quotations within this threshold may be obtained from: an existing panel of pre-qualified suppliers administered by the ToPH; or Standing Offer Arrangement; or a pre-qualified supplier on the WALGA Preferred Supply Program or State Government CUA; or From the open market. Requests for quotation from a pre-qualified panel of suppliers (whether administered by the ToPH through the WALGA preferred supply program or State Government CUA) are not required to be invited using a Request for Quotation form, however at least three written quotes are still required to be obtained.</p>
<p>Over \$150,000* or as per Part 4 11A of Local Government (Function & General) Regs 1996</p>	<p>Where the purchasing requirement is not suitable to be met through a panel of pre-qualified suppliers, or any other tender-exempt arrangement as listed under section 5.4 of this Policy, conduct a public “Request for Tender” process in accordance with Part 4 of the <i>Local Government (Functions and General) Regulations 1996</i>, this policy, and all other relevant ToPH’s policies and procedures. In the case of tender exemption conditions, at least three (3) written quotations must be received by formal invitation under a “Request for Quotation”.</p>



	The procurement decision is to be based on pre-determined evaluation criteria that assesses all value for money considerations in accordance with the definition stated within this Policy, and as per the Tender Evaluation Policy.
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* - or as per Part 4 Div. 1 11A (1) of Local Government (Function & General) Regulations 1996

5.4 *Tendering Exemptions*

An exemption to publicly invite tenders may apply in the following instances:

- The purchase is obtained from a pre-qualified supplier under the WALGA Preferred Supply Program or State Government Common Use Arrangement.
- the purchase is from a Regional Local Government or another Local Government;
- the purchase is acquired from a person registered on the WA Aboriginal Business Directory, as published by the Small Business Development Corporation, where the consideration under contract is worth \$250,000 or less and represents value for money;
- the purchase is acquired from an Australian Disability Enterprise and represents value for money;
- the purchase is from a pre-qualified supplier under a Panel established by the ToPH; or
- the purchase is to be obtained from expenditure authorised in an emergency as per section 5.8 of this policy
- any other exclusion under regulation 11 of the Local Government (Functions and General) Regulations 1996 apply.

5.5 *Inviting Tenders Under the Tender Threshold*

Where considered appropriate and beneficial, the ToPH may consider publicly advertising Tenders in lieu of undertaking a Request for Quotation for purchases under the tender threshold. This decision should be made after considering the benefits of this approach in comparison with the costs, risks, timeliness and compliance requirements, and whether the purchasing requirement can be met through the WALGA Preferred Supply Program or State Government CUA.

If a decision is made to undertake a public Tender for contracts expected to be \$150,000* or less in value, the Tendering Process procedures must be followed in full, as per the regulations.

* - or as per Part 4 Div. 1 11A (1) of Local Government (Function & General) Regulations 1996

5.6 *Sole Source of Supply*

Where the purchasing requirement is over the value of \$5,000 (excl GST) and of a unique nature that can only be supplied from one supplier, the purchase is permitted without undertaking a tender or quotation process. This is only



permitted in circumstances where the ToPH is satisfied and can evidence that there is only one source of supply for those goods, services or works.

The ToPH must use all best endeavours to determine if the sole source of supply is genuine. Where-ever possible an expression of interest (EOI) process shall be undertaken to ascertain whether there is only one source of supply.

If, in the event, consultants or a group of consultants have been utilised to provide a range of services initially on a **complex** project, it may be deemed that it is not be feasible to restart a project under tender circumstances due to the effort and cost associated with gaining the required background knowledge. In this case, the situation may be deemed as tender exempt under a sole supplier situation. Once determined, the justification must be endorsed by the Chief Executive Officer, prior to a contract being entered into.

A sole source of supply purchase does not relate to purchases not planned for, due to time constraints.

5.7 *Splitting of Purchase orders*

The ToPH 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 to take the value of the consideration of the purchase below a particular purchasing threshold, particularly in relation to Tenders and to avoid the need to call a public Tender.

5.8 *Emergency Purchases*

An emergency purchase is defined as an unanticipated and unbudgeted purchase, as per Local Government Act 1995 Section 6.8(1) (c), which is required in response to an emergency situation. In such instances, quotes and tenders are not required to be obtained prior to the purchase being undertaken, however, the funds must be approved by the Mayor prior to purchase.

An emergency purchase does not relate to purchases not planned for, due to time constraints.

6. **Records Management**

Records of all purchasing activity must be retained in compliance with the *State Records Act 2000 (WA)*, the ToPH's Records Keeping plan and associated procurement procedures.

For each procurement activity, such documents may include:

- The Procurement initiation document such as a procurement business case which justifies the need for a contract to be created (where applicable);



- Procurement Planning and approval documentation which describes how the procurement is to be undertaken to create and manage the contract;
- Request for Quotation/Tender documentation;
- Copy of public advertisement inviting tenders, or the notice of private invitation (whichever is applicable);
- Copies of quotes/tenders received;
- Evaluation documentation, including individual evaluators note and clarifications sought;
- Negotiation documents such as negotiation plans and negotiation logs;
- Approval of award documentation;
- All correspondence to respondents notifying of the outcome to award a contract;
- Contract Management Plans which describes how the contract will be managed; and
- Copies of contract(s) with supplier(s) formed from the procurement process.

7. Buy Local

As much as practicable, the ToPH must:

- where appropriate, consider buying practices, procedures and specifications that do not unfairly disadvantage local businesses;
- consider indirect benefits that have flow on benefits for local suppliers (i.e. servicing and support);
- ensure that procurement plans address local business capability and local content;
- explore the capability of local businesses to meet requirements and ensure that Requests for Quotation and Tenders are designed to accommodate the capabilities of local businesses;
- Provide adequate and consistent information to potential suppliers.

To this extent, a qualitative weighting may be afforded in the evaluation of quotes and tenders where suppliers are located within the municipal boundary of the Town of Port Hedland or a neighbouring municipality located within a 500km radius of the ToPH Civic centre with a reciprocal Regional Pricing Preference to the benefit of ToPH businesses.

A regional price preference may be afforded to locally based businesses for the purposes of assessment. Provisions are detailed within the ToPH's Regional Price Preference Policy.

8. Purchasing From Disability Enterprises

Pursuant to Part 4 of the *Local Government (Functions and General) Regulations 1996*, the ToPH is not required to publicly invite tenders if the goods or services





are to be supplied from an Australian Disability Enterprise, as registered on www.ade.org.au. This is contingent on the demonstration of value for money.

Where possible, Australian Disability Enterprises are to be invited to quote for supplying goods and services under the tender threshold. A qualitative weighting may be afforded in the evaluation of quotes and tenders to provide advantages to Australian Disability Enterprises, as per the Regional Price Preference

9. Purchasing From Aboriginal Businesses

Pursuant to Part 4 of the *Local Government (Functions and General) Regulations 1996*, the ToPH is not required to publicly invite tenders if the goods or services are to be supplied from a person registered on the Aboriginal Business Directory published by the Small Business Development Corporation on www.abdwa.com.au, where the expected consideration under contract is worth \$250,000 or less. This is contingent on the demonstration of value for money.

Where possible, Aboriginal businesses are to be invited to quote for supplying goods and services under the tender threshold. A qualitative weighting may be afforded in the evaluation of quotes and tenders to provide advantages to Aboriginal owned businesses, or businesses that demonstrate a high level of aboriginal employment, as per the Regional Price Preference Policy.

10. Panels Of Pre-Qualified Suppliers

10.1 Policy 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:

- the ToPH 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 satisfy the test of 'value for money';
- the purchasing activity under the intended Panel is assessed as being of a low to medium risk;
- the Panel will streamline and will improve procurement processes; and
- The ToPH has the capability to establish, manage the risks and achieve the benefits expected of the proposed Panel.

The ToPH will endeavour to ensure that Panels will not be created unless most of the above factors are firmly and quantifiably established.

10.2 Establishing a Panel





Should the ToPH determine that a Panel is beneficial to be created, it must do so in accordance with Part 4, Division 3 the *Local Government (Functions and General) Regulations 1996*.

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

Panels may be established for a maximum term of two (2) years. Evaluation criteria must be determined and communicated in the application process by which applications will be assessed and accepted. The Evaluation criteria will be set out within ToPH procedures.

Where a Panel is to be established, the ToPH will endeavour to appoint at least three (3) suppliers to each category, on the basis that best value for money is demonstrated.

In each invitation to apply to become a pre-qualified supplier (through a procurement process advertised through a state-wide notice), the ToPH must state the expected number of suppliers it intends to put on the panel.

Should a Panel member leave the Panel, they may be replaced by the next ranked Panel member determined in the value for money assessment should the supplier agree to do so, with this intention to be disclosed in the detailed information set out under Regulation 24AD(5)(d) and (e) when establishing the Panel.

10.3 *Distributing Work Amongst Panel Members*

To satisfy Regulation 24AD(5) of the Regulations, when establishing a Panel of pre-qualified suppliers, the detailed information associated with each invitation to apply to join the Panel must either prescribe whether the ToPH intends to:

- i. Obtain quotations from each pre-qualified supplier on the Panel with respect to all purchases, in accordance with Clause 11.4; or
- ii. Purchase goods and services exclusively from any pre-qualified supplier appointed to that Panel, and under what circumstances; or
- iii. Develop a ranking system for selection to the Panel, with work awarded in accordance with Clause 11.3(b).

In considering the distribution of work among Panel members, the detailed information must also prescribe whether:

- a) Each Panel member will have the opportunity to bid for each item of work under the Panel, with pre-determined evaluation criteria forming part of the invitation to quote to assess the suitability of the supplier for particular items of work. Contracts under the pre-qualified panel will be awarded on the basis of value for money in every instance; or



- b) Work will be awarded on a ranked basis, which is to be stipulated in the detailed information set out under Regulation 24AD (5) (f) when establishing the Panel. The ToPH is to invite the highest ranked Panel member, who is to give written notice as to whether to accept the offer for the work to be undertaken. Should the offer be declined, an invitation to the next ranked Panel member is to be made and so forth until a Panel member accepts a Contract. Should the list of Panel members invited be exhausted with no Panel member accepting the offer to provide goods/services under the Panel, the ToPH may then invite suppliers that are not pre-qualified under the Panel, in accordance with the Purchasing Thresholds stated in section 5.5 of this Policy.

In every instance, a contract must not be formed with a pre-qualified supplier for an item of work beyond 12 months, which is inclusive of options to extend the contract.

10.4 Purchasing from the Panel

The invitation to apply to be considered to join a panel of pre-qualified suppliers must state whether quotations are either to be invited to every member (within each category, if applicable) of the Panel for each purchasing requirement, whether a ranking system is to be established, or otherwise.

Each quotation process, including the invitation to quote, communications with panel members, quotations received, evaluation of quotes and notification of award communications must all be captured on the ToPH's records system. A separate file is to be maintained for each quotation process made under each Panel that captures all communications between the ToPH and Panel members.

10.5 Recordkeeping

Records of all communications with Panel members, with respect to the quotation process and all subsequent purchases made through the Panel, must be kept.

For the creation of a Panel, this includes:

- The Procurement initiation document such as a procurement business case which justifies the need for a Panel to be created;
- Procurement Planning and approval documentation which describes how the procurement is to be undertaken to create and manage the Panel;
- Request for Applications documentation;
- Copy of public advertisement inviting applications;
- Copies of applications received;
- Evaluation documentation, including clarifications sought;
- Negotiation documents such as negotiation plans and negotiation logs;
- Approval of award documentation;



- All correspondence to applicants notifying of the establishment and composition of the Panel such as award letters;
- Contract Management Plans which describes how the contract will be managed; and
- Copies of framework agreements entered into with pre-qualified suppliers.

The ToPH is also to retain itemised records of all requests for quotation, including quotations received from pre-qualified suppliers and contracts awarded to Panel members. A unique reference number shall be applied to all records relating to each quotation process, which is to also be quoted on each purchase order issued under the Contract.

Information with regards to the Panel offerings, including details of suppliers appointed to the Panel, must be kept up to date, consistent and made available for access by all officers and employees of the ToPH.

Council adoption date and resolution no.	OCM 29 January 2014 (201314/222)
Date of adoption of amendment and resolution number do not delete the previous dates	Amended at the 29 January 2014 Council Meeting (201314/222) Amended at the 8 June 2011 Council Meeting Amended at the 27 May 2009 Council Meeting
Relevant legislation	Local Government Act 1995 Local Government (Financial Management) Regulations 1996 Local Government (Functions and General Regulations) 1996
Related Policy	2/011 Tender Evaluation
Delegated authority	Yes
Business unit	N/A
Directorate	Office of the CEO
Review frequency	As Required