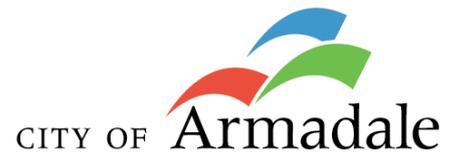


# Policy - Procurement of Goods and Services



### Objective

To:

- (a) deliver efficient, effective, economical and sustainable procurement practices.
- (b) achieve best value for money outcomes in the community's best interests.
- (c) ensure all procurement activities are undertaken in a fair and equitable manner and can withstand probity.
- (d) ensure the City complies with the *Local Government Act 1995*, the *Local Government (Functions and General) Regulations 1996* and *State Records Act 2000*.
- (e) effectively manage risk in procuring goods and services from external contractors and suppliers.
- (f) observe a high standard of ethics and integrity when making procurement decisions.

### Scope

This Policy and associated Purchasing Procedures for the Procurement of Goods and Services applies to all employees including temporary/agency employees, involved in the procurement of any goods and services for the City.

### Policy Definitions

In this Policy unless the contrary intention appears:

**EOI** means expression of interests and refers to the document prepared by the City seeking preliminary information from parties who may be interested in supplying goods or services prior to any formal tender process being implemented.

**Panel** means the panel of pre-qualified suppliers of goods or services established in accordance with Division 3 of the *Local Government (Functions and General) Regulations 1996*.

**Panel Member** means an individual supplier within a panel of pre-qualified suppliers.

**RFT** means a request for tender and refers to the document prepared by the City seeking formal submissions from interested parties for the provision of goods or services as required by the *Local Government (Functions and General) Regulations 1996*.

**RFQ** means a request to provide a quote for specific goods or services and refers to the document prepared by the City seeking formal submissions from interested parties.

**Requests** means Requests for quotation or Requests for tender.

**State of emergency declaration** has the meaning given in s3 of the *Emergency Management Act 2005*.

**Supervisor** means an employee to whom other employees formally report to.

**Tender** means a formal offer for the provision of goods or services.

**WALGA** means the Western Australian Local Government Association.

**Rolling Contract** means a contract that continues until someone decides to end it, rather than one that continues until a particular date.

## **Policy**

All employees shall observe the highest standards of ethics and integrity in all procurement activities. All goods and services are to be acquired utilising the most efficient, effective, economical and sustainable processes delivering best outcomes for the City, the local community and the local business community.

## **Procurement Principles**

The following principles, standards and behaviours must be observed at all stages of the procurement process:

- (a) All procurement practices shall meet the City's core values of Safety, Honesty, Accountability, Respect and Professionalism.
- (b) All procurement practices are carried out in compliance with the applicable legislation including the *Local Government Act 1995*, the *Local Government (Function and General) Regulations 1996* and the *State Records Act 2000*.
- (c) Procurement practices will be in compliance with the City's Procurement Policy, the City's Purchasing Procedures for the Procurement of Goods and Services and the City's Code of Conduct.
- (d) All Procurement decisions will remain free from unfair bias and all suppliers will be treated equitably and fairly.
- (e) All Procurement decisions will consider value for money as outlined in section 8.
- (f) All information provided to the City by a supplier will be treated as commercial-in-confidence and not released to a third party unless authorised by the supplier or required by law.
- (g) All transactions are fully documented, recorded and stored in compliance with applicable legislation and audit requirements.

## **Ethics and Integrity**

The following principles, standards and behaviours must be observed and enforced at all stages of the procurement process to ensure the fair and equitable treatment of all parties:

- (a) all procurement decisions must be fully accountable with expenditure of public money undertaken through a transparent, unbiased, efficient and effective process resulting in best value for money outcomes;

- (b) procurement is to be undertaken on a competitive basis (unless otherwise authorised) in which all potential suppliers are treated impartially, honestly and consistently;
- (c) all procurement practices shall comply with legal, operational and ethical requirements consistent with relevant Government legislation, regulations and Council policies; and
- (d) any actual or perceived conflict of interest are to be identified, disclosed and appropriately managed.

### **Record Keeping**

Comprehensive records of all communications and transactions with potential suppliers and contractors within the processing of Tenders, Panels of Pre-Qualified Suppliers, Quotations, Expressions of Interests and Contracts must be captured within the City's approved electronic corporate record keeping system and in accordance with the City's Record Keeping Policy ADM 15 and the *State Records Act 2000*.

### **Value for Money**

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

The Value for Money principle underlies all procurement activities and shall consider the whole of life cost. Value for Money is to be achieved via the critical assessment of price, risk, timeliness, environmental, social, economic, compliance and qualitative factors to determine the most advantageous outcome for the City.

Compliance with the specification will be considered more important than obtaining the lowest price, particularly taking into account specification requirements, quality and compliance standards, sustainability life cycle costing and service bench marks.

A Value for Money assessment requires the comparison and evaluation of conforming offers. All offers are evaluated consistently against both compliance and evaluation criteria with offers not being selected on price alone.

### **Contract Management**

Value for Money considerations are not only relevant to the selection of a successful supplier but apply to the ongoing management of the contract for the life of the procurement.

The CEO will ensure that:

- (a) ongoing and effective contract management is undertaken to monitor contract performance against agreed performance measures and indicators. This is to ensure that agreed outcomes are delivered and value for money is achieved across the life of the contract; and
- (b) supply arrangements and supplier performance are periodically reviewed and reported against visible performance measures to ensure that they are continuing to provide best value for money.

## **Sustainable Procurement**

The City is committed to sustainable procurement practices with preference to suppliers who are socially and environmentally responsible and who demonstrate sustainable business practices that result in improved environmental, social and local economic outcomes.

Requests are to include a request for information from suppliers regarding their sustainable practices and/or demonstrate that where appropriate their product or service offers enhanced sustainable benefits.

The City shall endeavour to identify and procure products and services that:

- (a) generate local employment and local business economic opportunities;
- (b) provide employment and training opportunities for marginalised groups;
- (c) demonstrate environmental best practice in energy and manufacturing efficiencies, use sustainable resources, minimise waste and pollutants;
- (d) are ethically sourced from sustainable and fair trade supply chains; and
- (e) demonstrate economic efficiencies in operations, through innovation and technologies.

Sustainable considerations must also consider value for money outcomes.

## **Buy Local**

Under the State Government's Buy Local Policy, Government Agencies and Local Governments, including the City, are encouraged to maximise participation of local and small businesses in the supply of goods, services and works purchased or contracted by government agencies in accordance with the City's local economy objectives as detailed in the City's Strategic Community Plan.

A key goal in this policy is open and fair competition to ensure that Western Australian businesses are provided with every opportunity to bid for work. It is recognised that not every category of goods, services or works that are purchased by the City will lend itself to supply by local businesses.

For the avoidance of doubt, Regional Price Preference in Part 4A of the *Local Government (Function and General) Regulations 1996* does not apply to this Policy.

The City's policy encourages the investment and development of competitive local businesses that operate from permanently staffed local business premises within the City's boundaries first and secondly within the broader region.

As far as practicable the City will:

- (a) where appropriate, consider buying practices, procedures and specifications that do not unfairly disadvantage local businesses;
- (b) consider indirect benefits that have flow on benefits for local suppliers (i.e. servicing and support);
- (c) ensure that procurement plans address local business capability and local content;
- (d) explore the capability of local businesses to meet requirements and design requests that can take advantage of this opportunity;
- (e) avoid bias in Requests that may significantly disadvantage or prevent local business from bidding; and
- (f) provide appropriate, adequate and consistent information to local suppliers.

Where appropriate, a qualitative weighting (not price weighting) is to be included in the evaluation criteria for quotes and tenders where there is potential for local economic benefits that benefit the community as a whole.

### Procurement Thresholds

Procurement of all goods and services shall be in accordance with Table 1.

**Table 1**

<b>Monetary Threshold</b>	<b>Procurement Method Requirement</b>	<b>Procurement Approval Authority</b>
<b>Less than \$2,000</b>	Seek at least one verbal quote with documented evidence of procurement decision. Refer to City of Armadale Procedures for the Procurement of Goods or Services.	Supervisor or above
<b>\$2,000 - \$9,999</b>	Seek at least one written quote with documented evidence of procurement decision. Refer to City of Armadale Procedures for the Procurement of Goods or Services.	Supervisor or above
<b>\$10,000 - \$49,999</b>	Unless otherwise approved by the Executive Director, seek a minimum of two (2) written quotes from suppliers, outlining the specified requirement, either from: <ul style="list-style-type: none"> <li>• An existing panel of prequalified suppliers administered by the City: or</li> <li>• a pre-qualified supplier on the WALGA Preferred Supply Program or State Government CUA; or</li> <li>• from the open market</li> </ul> Refer to City of Armadale Procedures for the Procurement of Goods or Services.	Co-ordinator or above
<b>\$50,000 - \$99,999</b>	Unless otherwise approved by the Executive Director seek a minimum of three (3) written quotes from suppliers, outlining the specified requirement, either from: <ul style="list-style-type: none"> <li>• An existing panel of prequalified suppliers administered by the City: or</li> <li>• a pre-qualified supplier on the WALGA Preferred Supply Program or State Government CUA; or</li> <li>• from the open market.</li> </ul> Refer to City of Armadale Procedures for the Procurement of Goods or Services.	Manager or above

<p><b>\$100,000 - \$249,999</b></p>	<p>Unless otherwise approved by the Chief Executive Officer seek a minimum of three (3) written quotes from suppliers, outlining the specified requirement, either from:</p> <ul style="list-style-type: none"> <li>• an existing panel of prequalified suppliers administered by the City; or</li> <li>• a pre-qualified supplier on the WALGA Preferred Supply Program or State Government CUA; or</li> <li>• from the open market; or at the Executive Director's discretion invite public tenders.</li> </ul> <p>Tenders/Quotations must be sought in conjunction with the City's Procurement department. Refer to City of Armadale Procedures for the Procurement of Goods and Services.</p>	<p>Executive Director or Above</p>
<p><b>\$250,000 or greater</b></p>	<p>Conduct a public Tender process in accordance with Part 4 of the <i>Local Government (Functions and General) Regulations 1996</i>; or</p> <p>Seek a minimum of three (3) quotations directly from a Tender exempt body set out in Regulation 11.2 of the <i>Local Government (Functions and General) Regulations 1996</i></p> <p>The above formal process must be conducted in conjunction with the City's Procurement department. Refer to City of Armadale Procedures for the Procurement of Goods and Services.</p>	<p>Tenders – Council or CEO as per delegated authority. Quotes – CEO.</p>

**Note:**

- 1. Values shown are exclusive of GST.**
- 2. For any purchases \$50,000 or more a detailed evaluation report is required in accordance with the City of Armadale Procedures for the procurement of goods and Services**

These procurement thresholds represent the minimum requirements. To ensure value for money, employees must consider the nature and risk of the procurement and determine whether a more rigorous procurement process is required to encourage the appropriate level of competition.

When determining the applicable procurement threshold, employees must take into account the total cost over the life of the agreement, including options to extend.

**SPECIAL NOTE:** In accordance with Department of Local Government circular No.16-2015, repetitive low value contracts for the same service with one or more suppliers that collectively approach or exceed \$250,000 must be tendered (unless exemptions apply – Regulation 11.2 of the *Local Government (Functions and General) Regulations 1996*. No timeframe for the tender threshold has been legislated however best practice is that if the threshold is reached within three (3) years, than a tender should be invited. This process applies to all high value quotations over \$50,000. Repetitive low value contracts for the same service with one or more suppliers

that collectively approach or exceed \$50,000 must be put out to quote in line with the City of Armadale Procedures for the Procurement of Goods and Services.

These requirements refer to the anti-avoidance requirements of regulation 12(1) of the *Local Government (Functions and General) Regulations 1996* to ensure that separate contracts are not entered into to avoid having to comply with the calling of tenders under regulation 11(1).

### **Authorisations**

Authorisation to approve purchase requisitions, orders and invoices has been given to selected organisation positions and is noted on the relevant position descriptions in accordance with the Purchasing and Invoicing Authorisation Matrix.

The CEO may:

- (a) Allocate and vary authority for positions or individual employees to make procurement decisions below and up to the limits set out in Table 1 above;
- (b) Restrict the scope of purchases to areas that relate only to the scope of duties for which the employee is engaged; and
- (c) Place any conditions on procurement by employees including use of credit cards, records to be kept, and auditing of purchases made to ensure compliance with the Act, Regulations and this policy.

The City will not enter into a rolling contract unless the agreement will terminate at the specified expiry date with no termination notification required by the City of Armadale and/or enter into a rolling contract that automatically renews unless otherwise approved by the Manager Governance & Administration.

### **Purchase Orders**

Purchase orders must be raised for all goods and services prior to any invoice being received and goods or services supplied unless:

- (a) authorised in an emergency under section 6.8(1)(c) of the *Local Government Act 1995*; or
- (b) A state of emergency has been declared and purchases are to be for goods or services directly required for the purposes of addressing a need arising from the hazard, or from the impact or consequences of the hazard, to which the state of emergency relates, subject to purchases being approved by the CEO.

### **Emergency Purchases**

Emergency purchases are defined as the supply of goods or services associated with:

- (a) A local emergency and the expenditure is required (within existing budget allocations and below the tender threshold) to respond to an imminent risk to public safety, protect or make safe property or infrastructure assets. This means that quotations need not be sought as required by this policy; or
- (b) A local emergency and the expenditure is required (with no relevant available budget allocation) to respond to an imminent risk to public safety, or to protect or make safe property or infrastructure assets in accordance with s.6.8 of the *Local Government Act 1995* and *Local Government (Functions and General Regulation) Regulations 1996* r11(2)(a). For clarity tenders do not have to be called if the value exceeds the tender threshold of \$250,000 and quotations need not be obtained for

any amount under \$250,000 provided the expenditure has been authorised in advance by the Mayor or by Council resolution; or

- (c) A State of Emergency declared under the *Emergency Management Act 2005* and therefore, *Local Government (Functions and General) Regulations 1996* r11(2)(aa), (ja) and (3) apply to vary the application of this policy.

Time constraints, administrative omissions and errors do not qualify for definition as an emergency purchase. Instead, every effort must be made to research and anticipate purchasing requirements in advance and to allow sufficient time for planning and scoping proposed purchases and to then obtain quotes or tenders, as applicable.

### **Sole Source of Supply (Monopoly Suppliers)**

The procurement of goods, services or works available from only one private sector source of supply is only permitted without undertaking a competitive process (public Tender, RFQ or Tender exempt processes) in circumstances where the CEO is satisfied that there is genuinely only one source of supply for those goods, services or works and falls within the CEO's delegated authority limit. The CEO must use their best endeavours to determine if the supplier is genuinely a sole source supplier by exploring if there are any alternative sources of supply and once determined, written confirmation must be captured within the City's approved electronic corporate record keeping system for audit purposes.

Refer to City of Armadale Procedures for the Procurement of Goods and Services for further details.

**SPECIAL NOTE:** The application of provision "sole source of supply" should only occur in limited cases as procurement experience indicates that generally more than one supplier is able to provide the requirements.

### **Electronic Lodgement of Submissions**

Electronic lodgement of submissions for EOI/Panel of Pre-Qualified Suppliers/Quotations is encouraged and is to be implemented where practicable.

All tenders are to be submitted via Vendor panel.

### **Contract Renewals, Extensions and Variations**

Where a contract has been entered into as the result of a publicly invited tender process, then the *Local Government (Functions and General) Regulations*, r 21A applies.

For any other contract, the contract must not be varied unless;

- (a) The variation does not change the scope of the original contract or increase the contract value beyond 10%; or
- (b) The variation is a renewal or extension of the term of the contract where the extension or renewal options were included in the original contract.

Upon expiry of the original contract, and after any options for renewal or extension included in the original contract have been exercised, the City of Armadale is required to review the purchasing requirements and commence a new competitive purchasing process in accordance with this Policy.

## **Declarations of Interest**

All officers evaluating submissions must complete a Declaration of Confidentiality and Interest Form **prior** to the evaluation and are to comply with the Record Keeping requirements under section 6.

Any officer making a declaration shall be excluded from the procurement and evaluation process.

## **Panels of Pre-Qualified Suppliers**

### **Objectives**

A Panel of Pre-qualified Suppliers (“Panel”) may be created where all the following factors apply.

- (a) it is determined that a range of similar goods and services are required to be purchased on a continuing and regular basis;
- (b) the Panel will streamline and will improve procurement processes; and
- (c) the City has the capability to establish a Panel, and manage the risks and achieve the benefits expected of the proposed Panel through a Contract Management Plan.

### **Establishing and Maintaining a Panel**

When establishing a panel the following is to be considered and documented accordingly for each Panel:

- (a) panels may be established for one supply requirement, or a number of similar supply requirements under defined categories.
- (b) where it is agreed that a panel shall be created it may be established for a maximum period of three (3) years. The length of period of each panel shall be determined by either the CEO or the relevant Executive Director, Executive Manager or Manager.
- (c) at the commencement of each Panel of pre-qualified suppliers a communications 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.
- (d) unless otherwise varied by an Executive Director or the CEO there shall be a minimum of two (2) suppliers appointed to a panel and a minimum of one supplier for each category when more than one category is set out in the Panel.
- (e) each invitation to apply to become a pre-qualified supplier must state the expected number of suppliers it intends to put on the panel under each category.
- (f) should a Panel member leave the Panel within 12 months of contract commencement, they may be replaced by the next ranked supplier determined in the value for money assessment should they accept the offer. Should this supplier decline, the City may decide to invite the next ranked supplier and so forth until a supplier accepts a contract. Should the City deem that all suitable suppliers be exhausted, the City may continue to operate the Panel ensuring that the minimum of two (2) Panel Members remain and if this is not the case, the City must re-establish a new Panel via the relevant procurement process as set out in this policy.
- (g) should a Panel Member leave the Panel after the initial 12 month contract period the City may continue to operate the Panel ensuring that the minimum of 2 Panel Members remain and if this is not the case, the City must re-establish a new Panel.

## Distributing Work amongst Panel Members

When establishing a Panel of Pre-Qualified Suppliers and satisfy r24AD(5) of the *Local Government (Functions and General) Regulations 1996*, the detailed information associated with each invitation to apply to join the Panel will prescribe one of the following as to whether the City intends to:

- (a) obtain quotations from each pre-qualified supplier on the Panel with respect to all purchases; or
- (b) purchase goods and services exclusively from any pre-qualified supplier appointed to that Panel, and under what circumstances; or
- (c) develop a ranking system for selection to the Panel, with work awarded in accordance with *Local Government (Functions and General) Regulations 1996*.

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

- (a) each Panel member will have the opportunity to bid for each item of work under the Panel or work will be allocated to the panel member who submitted the most favourable price for the requirements requested. This invitation may include pre-determined criteria to help assess the suitability of the panel members. If the panel member is unable to complete the work when it is required, then the work will be allocated to the panel member that submitted the next most favourable price. Contracts under the pre-qualified panel will be awarded on the basis of value for money in every instance; or
- (b) work will be allocated to each panel member on a rotational basis regardless of the value of work required in each instance. This is more appropriate where there is little variation in the prices submitted by each panel member and there is consistency in the value of work required; or
- (c) work will be allocated to each panel member based on suitability, taking into account skills, knowledge and expertise for the given type of work on each occasion. Work is to be shared amongst panel members appropriately; or
- (d) if during procurement planning it is identified that none of the above options are suitable a written request can be submitted to Procurement for an alternative option.

Should all Panel members not be able to provide the goods/services within the requested timeframes or other parameters set, suppliers outside of the panel can be invited to supply in accordance with the Purchasing Thresholds stated in Table 1. Documented evidence that all panel members are unable to provide the goods/services is to be captured within the City's approved electronic corporate record keeping system.

**SPECIAL NOTE:** In accordance with Regulation 24AJ of the *Local Government (Functions and General) Regulations 1996*, a contract (within the panel contract) must not be formed with a pre-qualified supplier for goods/services for a period exceeding 12 months, which includes options to extend the contract.

## Procurement Non-Compliance

Procurement activities are subject to financial and performance audits which review compliance with legislative requirements and also compliance with the City's policies and procedures.

A failure to comply with the requirements of this policy will be subject to investigation, with findings to be considered in context of the responsible person's training, experience, seniority and reasonable expectations for performance of their role.

Where a breach is substantiated it may be treated as:

- (a) an opportunity for additional training to be provided;
- (b) a disciplinary matter, which may or may not be subject to reporting requirements under the *Public Sector Management Act 1994*;
- (c) misconduct which is subject to reporting requirements in accordance with the *Corruption, Crime and Misconduct Act 2003*; and

may result in employee termination and/or criminal prosecution for serious matters.

### **Applicable Legislation**

Act	<i>Local Government Act 1995</i>
Regulation	<i>Local Government (Functions and General) Regulations 1996</i>

### **Delegation of Power**

Yes

### **Linked to influencing strategies or plans**

This policy is related to the Corporate Business Plan

- Strategy 1.3.2 – Deliver services
- Strategy 2.3.1 – Apply best practice design and construction methodologies for the provision of infrastructure
- Strategy 2.3.2 – Ensure maintenance activities address required levels of service
- Strategy 3.3.1 – Engage with local businesses
- Strategy 3.3.2 – Support local business development programs
- Strategy 4.1.2 – Make decisions that are sound, transparent and strategic
- Strategy 4.2.2 – Implement business plans and practices that improve service delivery
- Strategy 4.3.3 – Seek efficiencies that will reduce service delivery costs

### **Linked to procedure**

Yes

### **Other Implications**

#### *Financial/Budget Implications*

This Policy impacts significantly on the budget.

#### *Asset Management Implications*

This Policy impacts on all assets purchased by the City

#### *Environmental Implications*

This Policy may have environmental implications depending on the purchase.

#### *Occupational Safety and Health Implications*

This Policy may have OS&H implications depending on the purchase.

**Administrative information**

Adopted on	23 March 2009 (CA2/3/09)
Reviewed or amended	28 May 2012 (CS40/5/12) 21 December 2015 (CS101/12/15) 28 May 2018 (CS43/5/18) 24 August 2020 (CS39/8/20)
Responsible department	Governance and Administration