

## CPF4 - Purchasing Policy

RESPONSIBLE OFFICER

Chief Executive Officer

### OBJECTIVE

The objectives of this policy are to:

- ensure compliance with the *Local Government Act (WA)(CKI) 1995* and the *Local Government Act (Functions and General) Regulations 1996 (WA) (CKI)*;
- deliver a best practice approach and procedures to internal purchasing for the Shire of Cocos (Keeling) Islands (the Shire);
- ensure consistency for all purchasing activities that integrates within all of the Shire's operational areas;
- ensure openness, transparency, fairness and equity through the purchasing process to all potential suppliers;
- undertake procurement processes that ensure value for money for the Shire by delivering the most advantageous outcome possible; and
- ensure compliance with the *State Records Act 2000 (WA) (CKI)*.

### SCOPE

This policy applies to all purchasing activities undertaken by Shire employees in the course of their employment.

### POLICY

#### 1. Purchasing Requirements

##### 1.1 Legislative / Regulatory Requirements

The requirements that must be complied with by the Shire, including purchasing thresholds and processes, are prescribed within the *Local Government Act (Functions and General) Regulations 1996 (WA) (CKI)*, this policy and associated purchasing procedures in effect at the Shire.

##### 1.2 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	Model Policy
Up to \$1000	<i>Direct purchase from a supplier based on a verbal or written quote where possible.</i>

<b>\$1001 - \$20,000</b>	<b><i>Request at least two verbal quotations.</i></b>
<b>\$20,001 - \$50,000</b>	<b><i>Request two written quotations.</i></b>
<b>\$50,001 - \$249,999</b>	<b><i>At least three written quotations are requested in writing seeking formal written responses. Quotations must contain price and specifications of goods / services received. Procurement decisions are to be based on value for money considerations.</i></b>
<b>\$250,000 and above</b>	<b><i>Conduct a public tender where an exemption under section 1.3 of this policy does not apply</i></b>

Where it is considered beneficial, tenders may be called in lieu of seeking quotations for purchases under the \$250,000 threshold (excluding GST). If a decision is made to seek public tenders for contracts of less than \$250,000, a Request for Tender process that entails all the procedures for tendering must be followed in full.

#### **Up to \$1000**

Where the value of the goods or service does not exceed \$1000, direct purchase from a supplier is permitted. A verbal or written quote should be obtained where possible, noting that for some purchases for e.g. from the hardware or supermarkets, a quote cannot be obtained. Where a verbal quote is provided, a formal signed notation by the officer, that records the date and person from who the quote was received, should be attached to the purchase order.

#### **\$1001 to \$20,000**

Where the value of procurement of goods or services does not exceed \$20,000, 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.

The general principles for obtaining verbal quotations are:

- Ensure that the requirement/specification is clearly understood by the Shire employee seeking 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.
- Written notes detailing each verbal quotation must be recorded.

### **\$20,001 to \$50,000**

This category is for the procurement of goods or services where the value of such procurement ranges between \$20,001 and \$50,000.

Direct supply from a WALGA preferred supplier is permitted, based on a written quote prior to a purchase order being issued. 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.

For other suppliers, it is required to formally seek at least two written quotations containing price and a sufficient amount of information relating to the specification of goods or services being purchased are to be sought. Where this is not practical, for e.g. due to limited suppliers, it must be noted through records relating to the process.

For purchases in this range the Shire will provide a scope of work to ensure all quotes are based on a consistent request.

The Shire employee is expected to demonstrate due diligence seeking quotes and to comply with any record keeping and audit requirements.

### **\$50,001 to \$249,999**

For the procurement of goods or services where the value exceeds \$50,001 but is less than \$249,999.

Direct supply from a WALGA preferred supplier is permitted, based on a written quote prior to a purchase order being issued. 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.

For other suppliers, it is required to formally seek at least three written quotations containing price and a sufficient amount of information relating to the specification of goods and services being purchased.

For this procurement range, the selection should not be based on price alone, and it is strongly recommended that consideration be given to qualitative factors such as quality, stock availability, accreditation, time for completion or delivery, warranty conditions, technology, maintenance requirements, organization's capability, previous relevant experience and any other relevant factors as part of the assessment of the quote.

For purchases in this range the Shire will provide a detailed request for quotation document to providers to ensure all quotes are based on a consistent request.

### **\$250,000 and above**

For the procurement of goods or services where the value is or exceeds \$250,000 a public tender is to be conducted in accordance with the *Local Government Act (WA)(CKI) 1995* unless a tender exemption under section 1.3 of this policy exists.

### **1.3 Policy and Tendering Exemptions**

An exemption to this policy, including the requirement 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 of a unique nature with a sole source of supply.
- The purchase is from another local government agency;
- The supply of the goods or services is to be obtained from expenditure authorised in an emergency. Emergency purchases are defined as the supply of goods or services associated with:
  - a local emergency and the expenditure is required (within existing budget allocations) to respond to an imminent risk to public safety, or to protect or make safe property or infrastructure assets;
  - 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 section.6.8 of the *Local Government Act 1995 (WA) (CKI)* and *Local Government Act (Functions and General) Regulations 1996 (WA) (CKI)* regulation 11(2)(a); or
  - a *State of Emergency* declared under the *Emergency Management Act 2005 (WA) (CKI)* and therefore, *Local Government Act (Functions and General) Regulations 1996 (WA) (CKI)* regulations 11(2)(aa), (ja) and (3) apply to vary the application of this policy.
- Any of the other exclusions under Regulation 11 of the *Local Government Act (Functions and General) Regulations 1996 (WA) (CKI)* apply.

Please note that three written quotations based on detailed scope of works are still encouraged to be obtained even when purchasing under policy and tendering exempt clauses, for e.g. through the *WALGA Preferred Supply Program* or a *State Government Common Use Arrangement*, to ensure best value for money.

### **1.4 LGIS Services**

The suite of LGIS insurances are established in accordance with section 9.58(6)(b) of the *Local Government Act 1995 (WA)(CKI)* and are provided as part of a mutual, where WALGA member local governments are the owners of LGIS. Therefore, obtaining LGIS insurance services is available as a member-based service and is not defined as a purchasing activity subject to this policy.

Should Council resolve to seek quotations from alternative insurance suppliers, compliance with this policy is required.

### 1.5 Approval Limits

The Chief Executive Officer, Deputy Chief Executive Officer, Manager of Works and Services and Governance and Risk Coordinator have authority to sign purchase orders within their relevant area of responsibility within the following limits:

Officer	Limit of Authority for Purchases
Chief Executive Officer	Unlimited
Deputy Chief Executive Officer	\$50,000
Manager of Works and Services	\$50,000
Governance and Risk Coordinator	\$5,000

### 1.6 Inviting Tenders Though not Required to do so

The Shire may determine to invite Public Tenders, despite the estimated purchase value being less than the \$250,000 prescribed tender threshold, but only where an assessment determines that the purchasing requirement cannot be met through a tender exempt arrangement and the use of a public tender process will enhance value for money, efficiency, risk mitigation and sustainable procurement benefits.

In such cases, the tender process must comply with the Shire's tendering procedures and regulation 13 of the *Local Government (Functions and General) Regulations 1996*.

## 2. Ethics and Integrity

All employees of the Shire 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.

The following principles, standards and behaviors 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's 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.
- Any information provided to the Shire by a supplier shall be treated as commercial-in-confidence and should not be released unless authorised by the supplier or relevant legislation.

### 3. Value for Money

It is important to note that compliance with the specification is more important than obtaining the lowest price, particularly taking into account user requirements, suitability for the coastal environment, quality standards, sustainability, whole of 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;
- 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); and
- 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, a clear and demonstrable benefits over and above the lowest total priced, conforming offer must be recorded and presented to the Chief Executive Officer or Council as required.**

### 4. Sustainable Procurement

The Shire is committed to sustainable procurement and where appropriate shall endeavor 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.

Practically, sustainable procurement means the Shire shall endeavor 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 manufacturing, 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;
- 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, feature the highest fuel efficiency available, based on vehicle type and within the designated price range; and for new buildings and refurbishments – where available use renewable energy and technologies.

## DEFINITIONS

Sustainable procurement – the procurement of goods and services that have less environmental and social impacts than competing products and services.

Value for money – an overarching principle governing purchasing that allows the best possible outcome to be achieved for the Shire.

Whole of life cycle costs (for goods) and whole of contract life costs (for services) – includes 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.

## RELEVANT LEGISLATION/LOCAL LAW

*Local Government Act 1995 (WA) (CKI)*

*Local Government Act (Financial Management) Amended Regulations 2015 (WA) (CKI)*

*Local Government (Functions and General) Regulations 1996 (WA) (CKI)*

*Corruption Crime and Misconduct Act 2003 (WA) (CKI)*

*State Records Act 2000 (WA) (CKI)*

## RELATED DOCUMENTS

*Shire of Cocos (Keeling) Islands Code of Conduct for Council Members, Committee Members & Staff*

Office Use Only				
Relevant Delegations	Nil			
Council Adoption	Date	26/09/2018	Resolution #	0918/07
Reviewed/Modified	Date	26/02/2020	Resolution #	10.4.1
Reviewed/Modified	Date	20/08/2020	Resolution #	10.4.5
Reviewed/Modified	Date	28/04/2021	Resolution #	10.4.5