



**POLICY
PROCUREMENT**



PROCUREMENT

To provide a transparent, equitable and competitive framework for all procurement.

The City of Kwinana will adopt a value for money approach in the procurement process when purchasing goods and services. The level of effort expended to achieve value for money will be commensurate with the nature of the purchase and the level of associated risk.

Adopted:	27/09/2006 #519
Last reviewed:	11/07/2012 #163 13/05/2015 #452 14/10/2015 #592 14/09/2016 #321
Legal Authority	Local Government Act 1995 Section 2.7 – Role of Council Local Government (Functions and General) Regulations Part 4 Division 1 – Purchasing Policies for Local Governments

Policy:

Value for money requires a systematic approach to ensure that all relevant factors are taken into account before a final purchasing decision is made.

All factors (including costs and benefits) that are relevant to the procurement must be considered and the relative importance of each factor determined on a case-by-case basis.

All procurement decisions, including the contract award recommendation, should be justifiable in terms of achieving best value for money.

The Chief Executive Officer and relevant Officers will ensure compliance with legislative requirements is maintained, that procedures implemented are capable of withstanding scrutiny and provide appropriate transparency of the City's practices toward the procurement of goods and services.

The Chief Executive Officer and relevant Officers will implement competent procedures and ensure that qualified staff, resources and training are provided in support of these procedures.

Value for Money Considerations

Value for money is an overarching principle for purchasing that allows the best possible outcome to be achieved for the City of Kwinana. 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.

Appropriate value for money considerations will be addressed in the evaluation criteria. The most significant of these include:

- 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;

- Whole of life cycle costs (for goods) and whole of contract life costs (for services), including transaction costs associated with acquisition, delivery, distribution, holding, consumables, maintenance and disposal;
- Competency of the prospective suppliers in terms of managerial and technical capabilities and compliance history;
- Financial viability and capacity to supply without risk of default; and
- Other risk factors that may impact on life-cycle costs and value.

Value for Money Assessment

Value for money assessment requires the comparison and evaluation of suitable conforming offers.

- All offers must be evaluated in a consistent manner against evaluation criteria for the procurement.
- All offers must be evaluated in accordance with the documented compliance and qualitative criteria to determine conforming and non-conforming offers.
- Price consideration – Value for Money is not necessarily selecting a bid based on price alone.
- A due diligence investigation of the preferred or short listed bidders must be undertaken for all high value or complex purchases.

Supplier Management and Relationships

Value for money considerations is not only relevant to the selection of a successful supplier but applies to the ongoing management of the contract for the life of the procurement.

The Chief Executive Officer or delegated Officer will ensure that:

- Harmonious and co-operative relationships with suppliers are maintained;
- 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;
- The City will not enter into any agreement that requires the City of Kwinana to provide in writing notification to terminate the current contract within a specific time period before the expiry of the contract. The expiry date of any new contract is the date the City of Kwinana will terminate. The City will not enter into ‘rolling contracts’ that automatically renew; and
- 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.

Open and Effective Competition

The City of Kwinana applies open and effective competition when purchasing goods and services in accordance with the following monetary thresholds for quotations and public tenders:

Monetary Threshold	Purchasing Method Required
Up to \$5,000	One verbal quotation required if rates are reasonable and consistent with similar products/services (refer to the City of Kwinana Purchasing Procedures for the Procurement of Goods and/or Services Procedure 1 – Goods & Services to the value of \$5,000).
\$5,001 - \$19,999	Two verbal or written quotations to be sought (refer to City of Kwinana Purchasing Procedures for the Procurement of Goods and/or Services Procedure 2 – Goods & Services with a value of \$5,001 to \$19,999).
\$20,000 - \$69,999	Three written quotations to be sought (refer to City of Kwinana Purchasing Procedures for the Procurement of Goods and/or Services Procedure 3 – Goods & Services with a value of \$20,000 to \$69,999).
\$70,000 to \$150,000	Formal Request for Quotation Process (refer to City of Kwinana Purchasing Procedures for the Procurement of Goods and/or Services Procedure 4 – Goods & Services with a value of \$70,000 to \$150,000).
\$0 - \$150,000 Engagement of Consultants and Personnel Not on Payroll	Request must be referred to Contract and Procurement Services (refer to the City of Kwinana's Purchasing Procedures for the Procurement of Goods and/or Services Procedure 5 - Engagement of Consultants, Agency/Temporary Personnel, Hosted Staff and Single Event Personnel).
More than \$150,000	Requests for Public Tender to be issued (Complete Formal Request Form for Tenders and Quotations and forward to Contract Management Services (refer to City of Kwinana Purchasing Procedures for the Procurement of Goods and/or Services Procedure 6 – Goods & Services more than \$150,000).
\$0 - \$150,000 Operational Leasing Arrangements (Finance/Plant/Equipment) and Service Level Agreements	Request must be forwarded to Contract and Procurement Services (refer to City of Kwinana Purchasing Procedures for the Procurement of Goods and/or Services Procedure 7 – Operational Leasing Arrangements (Finance/Plant/Equipment) and Service Level Agreements).

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

Note: When considering the monetary threshold Officers must include the total cost of the life of the agreement which may span over multiple years.

Petty Cash

Petty cash transactions be authorised by the appropriate Manager (refer to City of Kwinana Purchasing Procedures for the Procurement of Goods and/or Services).

State Government Common Use Agreements (CUA) and WALGA Preferred Suppliers: Officers purchasing goods and services utilising State Government CUA's or WALGA's preferred supplier arrangements may invite quotations from a single supplier or a number of State Government or WALGA preferred suppliers. Officers are encouraged to source a number of quotes from preferred suppliers on the panel, to ensure value for money is obtained.

In most instances, Contract and Procurement Services will conduct the procurement process for purchases utilising the State Government Common Use Arrangements or WALGA Preferred Supplier Program.

The procurement process for low value, low risk purchases (e.g. media advertising, general hardware, industrial and automotive supplies) obtained under a City of Kwinana purchase order (no formal contract required) may be conducted by the relevant Officer in accordance with the City's monetary thresholds (refer to City of Kwinana Purchasing Procedures for the Procurement of Goods and/or Services [Procedure 8 – State Government Common Use Agreements \(CUA\) and WALGA Preferred Supplier Program Purchases](#)).

Integrity, Ethics and Probity

All officers and employees of the City of Kwinana will observe the highest standards of integrity, ethics and probity in undertaking procurement activity and act in an honest and professional manner that does not compromise the standing of the City.

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

- full accountability must be taken for all procurement decisions and the efficient, effective and proper expenditure of public monies based on achieving value for money;
- all procurement practices must comply with legal, operational and ethical requirements consistent with relevant Government legislation, regulations and Council policies;
- procurement is to be undertaken on a competitive basis (except where otherwise authorised) in which potential suppliers are treated impartially, honestly and consistently regarding all information, advice, preferences and concessions;
- all processes, evaluations and decisions shall be transparent, free from bias and fully documented in accordance with applicable policy and audit requirements;
- any actual or perceived conflicts of interest are to be identified, declared and the officer removed from the respective procurement process; and
- appropriate processes for the receipt and management of supplier information must be maintained in accordance with legal requirements.

Sustainable Procurement and Corporate Social Responsibility

The City is committed to providing a preference to suppliers that demonstrate sustainable business practices and high levels of corporate social responsibility (CSR). Where appropriate, the City shall endeavour to provide an advantage to suppliers demonstrating that they minimise environmental and social negative impacts and embrace CSR. Sustainable and CSR considerations must be balanced against value for money outcomes in accordance with the City's sustainability objectives.

Sustainable Procurement is defined as the procurement of goods and services that have less environmental and social negative impacts than competing products and services.

Sole Source of Supply (Monopoly Suppliers)

The purchasing method (that is, the number and method of quotes required depending on monetary thresholds) is not required when an officer has good reason to believe that, because of the unique nature of the goods or services required or for any other reason, it is unlikely that there is more than one potential supplier. Every endeavour to find alternative sources must be made. Written confirmation of this must be retained on file for later audit.

Note: The application of provision "sole source of supply" must only occur in limited circumstances and procurement experience indicates that generally more than one supplier is able to provide the requirements.

Local Content

Wherever practicable and in compliance with relevant legislation the City of Kwinana will invite local suppliers from within the Kwinana Local Government area to provide applicable goods and services.

A local supplier is defined by Council as an organisation that operates from permanently staffed premises within the boundaries of Kwinana’s Local Government area.

Authorisation of Requisitions and Orders

Authorisation to approve purchase requisitions and orders has been delegated to selected organisational positions and is noted on the relevant position description in accordance with the following indicative levels:

Level	Indicative Nominated Organisational Position	Authorisation Limit*	Rationale
1	Chief Executive Officer	As delegated	As per delegated authority and in accordance with Council awarded tender amounts.
2	Director	\$150,000	Below tender threshold.
3	Manager	\$40,000	Accommodates most day to day operational requirements.
4	Co-ordinator/ Supervisor/ Executive Assistant/ Building Maintenance Officer	\$10,000	Accommodates most day to day operational requirements.
5	Administration Support Officer	\$5,000	Aligns with \$5,000 threshold and accommodates low risk purchases.
6	Mechanic	\$1,000	Accommodates most day to day operational requirements.

Note: The above dollar limits exclude GST.

* An Officer must take into account the total cost over the life of the agreement when considering whether the purchase is within their authorisation limit. For example, a Manager purchases a three year subscription for the City for \$20,000 per annum. The Manager must take into account the total cost of the purchase which is \$60,000 over the three years and because this is outside of their authorisation limit they must request their Director to approve the purchase.

Agreements within Authorisation Limits

An Officer may sign an agreement of behalf of the City of Kwinana relating to the purchase if they are acting in accordance with:

1. Authorisation limit of this Council Policy, as amended from time to time;
2. Approved budget;
3. No rolling contract and that the agreement will terminate at the expiry date with no termination notification required by the City of Kwinana; and
4. Being satisfied the contractual terms do not put the City at risk (if in doubt seek advice from Contracts and Procurement Services).

Organisational Financial Delegation Positions

Any officer who has an actual or perceived conflict of interest must disclose the interest and can not exercise any discretion allowed by this policy without the prior approval of the Chief Executive Officer. Approval is to be sought via a memorandum to the Chief Executive Officer prior to raising a requisition and/or purchase order for the creditor to be appointed to carry out works. The approved memo is then to be attached to the signed and authorised requisition, purchase order, and invoice and forwarded to Finance for processing.

For each requisition and purchase order the approving officer must sign the declaration on it which states:

“I declare that I have no knowledge of other staff or myself having an interest and / or are related in any way to the supplier. I have satisfied the procurement policy requirements.”

Note: Organisational positions descriptions that do not contain purchasing authorisation limits do not have delegation to approve purchase requisitions and orders.

The Chief Executive Officer may, at his or her discretion, approve a variation to the standard level approval limit for nominated organisational positions. Variations to the standard level approval limit will be noted on the relevant position description with justification.

Training, endorsement and qualifications

It is a requirement that consideration of training, endorsements and/or qualifications form part of the procurement process, prior to the creation of a purchase order. This is to ensure that employees undertake the necessary training, qualifications and/or provided with information in respect to the operations of any plant, machinery, equipment, services delivery, technology or any other purchase that will be required in order to use the good/service effectively, efficiently and safely.

If such a requirement is identified, then the HR Development Coordinator is to be notified to ensure that the necessary training (initial and/or ongoing) is to be factored into the overall cost of the purchase and that the employees have obtained the required training, endorsement or qualifications.