

## CEOD-CS5.1 Purchasing

<b>Relevant Delegation</b>
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<b>Director Corporate Services</b>
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### Part 1 (Policy)

#### Purpose

The City of Kalamunda (the City) is committed to delivering the objectives and principles outlined in this Instruction, when purchasing goods, services or works to achieve the City's strategic and operational objectives.

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Objectives: Progressive

Outcome: A robust, efficient and effective organisation

Strategy: Provide efficient, effective, innovative, professional management of City operations to deliver the best outcome for the community within allocated resources.

#### Objectives: The City's purchasing activities will achieve:

- The attainment of best value for money;
- Sustainable benefits such as environmental, social and local economic factors insuring consideration in the overall value for money assessment;
- Consistent, efficient and accountable processes and decision-making;
- Fair and equitable competitive and efficient processes that engage potential suppliers impartially, honestly and consistently;
- Probity and integrity, including the avoidance of bias and of perceived and actual conflicts of interest;
- Compliance with the *Local Government Act 1995* (the Act), *Local Government (Functions and General) Regulations 1996* (the Regulations), as well as any relevant legislation, Codes of Practice, Standards and the City Policies, Instructions and procedures;
- Compliance with the City's Risk Management framework;
- Records created and maintained to evidence purchasing activities in accordance with the *State Records Act 2000* and the City's Record Keeping Plan; and
- Confidentiality protocols that protect commercial-in-confidence information and only release information where appropriately approved.

#### LEGISLATIVE REQUIREMENTS

This CEO Instruction is to be read in conjunction with Section 3.57 of the Act and Regulations 11A - 24AJ of the Regulations. These statutory requirements cover the following items:

Section 3.57 of the Act requires the City to tender for goods or services and incorporates the Regulations for purchasing;

Regulation 11A sets out the requirement for local governments to have a purchasing policy, the number and type of quotations to be obtained for all purchases up to \$250,000 ex gst and the retention of written information relating to the quotations;

Regulations 11 to 21A outline the method of and requirements for calling public tenders. Areas covered includes when tenders have to be publicly invited, any exemptions for the requirement to tender, how long tenders need to be advertised for, how and when tenders are to be opened and how a local government is to assess and respond to tenders;

Regulations 21 to 24 outline the procedure for limiting who may provide a tender. The regulations discuss Expressions of Interest (EOI) responding to EOI, shortlisting of respondents to EOI and informing respondents of the outcome of EOI; and

Regulations 24AA to 24AJ outline the methods and procedures for a local government to initiate and operate panels of pre-qualified suppliers of goods and services.

## **LEGISLATIVE AND CITY FRAMEWORK**

The legislative framework used by local governments for the calling of quotations for purchase of goods and services includes:

- *Local Government Act 1995 (the Act)*
- *Local Government (Financial Management) Regulations 1996*
- *Local Government (Functions and General) Regulations 1996*
- *City of Kalamunda Delegations Register*
- *State Records Act 2000*

The CEO Purchasing Instruction (CEOI7) and these Management Procedures support the legislative requirements and supported by the following City documents:

- City of Kalamunda Code of Conduct
- City of Kalamunda Purchasing Procedures
- City of Kalamunda Tender Guidelines

## **STATUTORY EXEMPTIONS FROM TENDER REQUIREMENTS**

Regulation 11(2) specifies the criteria when public tenders do not have to be invited. The following list outlines the circumstances where the City is exempted from publicly calling tenders:

- When the purchase is made from expenditure authorised in an emergency (Chief Executive Officer, (CEO) approval required); or
- When the purchase is made through a WALGA Preferred Supplier Program; or
- When the City has (in the last 6 months) publicly invited submissions to tender or canvassed for expressions of interest and no suitable supplier was identified through the process; or
- When the contract is to be entered by auction after being expressly authorised by a resolution of Council; or
- When the goods or services are to be supplied by the Commonwealth Government (or its agencies) or the State Government (or its agencies) or from a Local or Regional Government; or
- When the goods or services are believed to be unique in nature and it is unlikely there is another supplier (sole source – Chief Executive Officer or Council approval required)
- The goods to be supplied are petrol or oil or any liquid or gas used in internal combustion engines; or
- The purchase is acquired from an Australian Disability Enterprise, Aboriginal Owned Businesses and represents value for money; or
- The Contract is a renewal or extension of the term of the original contract, where the original contract contained an option to extend; and
- A contract renewal or extension of no more than 12 months can be enacted upon on all contracts when the original contract is to expire within three months regardless of option to extend clause in contract.

**Note: These exemptions to tender (other than Sole Source) do not exempt the purchaser from gaining the required number of quotations and from following the requirements of this CEO instruction.**

## PRIMARY RESPONSIBILITIES AND ACCOUNTABILITIES

### Chief Executive Officer

The CEO will review and endorse the overarching principles that support this CEO Instruction including establishing the Purchasing Thresholds and approval of this CEO

Instruction.

### **Directors**

The Director of Corporate Services will review and endorse management procedures relating to procurement activities as developed and recommended by the Coordinator Procurement in consultation with Manager Financial Services

Each Director shall direct and provide instruction to their respective Directorates that all procurement activities must be undertaken in accordance with this CEO Instruction.

Each Director shall approve the use of WALGA Panel for procurement above \$250,000.00 ex gst.

### **City Officers, Contractors and Consultants**

All City Officers, contractors and consultants involved in purchasing activities on behalf of the City will incorporate and comply with all requirements of the Act, Regulations, this CEO Instruction, Statement of Business Ethics and associated management procedures whilst upholding principles of good governance and ethical conduct.

### **MANAGING RISK**

The City will effectively manage risk in procuring goods, services and works from external contractors and suppliers to achieve the best procurement outcome and to meet the City's Corporate Business Plan objectives. Risk management shall be applied in accordance with the City's Occupational Safety Frameworks.

All procurement activity over \$250,000.00 ex gst or those with high or extreme reputational risks shall require a **Procurement Risk Assessment** to be completed and approved by the Director prior to engagement to procurement to market.

All procurement activity over \$250,000.00 ex gst or those with high or extreme reputational risks shall require a **Financial Risk Assessment** to be completed during evaluation stage and approved by the Director prior to engagement of the preferred bidder to enter into Contract.

### **SAFETY PERFORMANCE REQUIREMENTS**

As appropriate, purchasing and procurement processes undertaken by the City shall meet the following requirements:

- suppliers and contractors are evaluated for the provision of goods, services and works using criteria that include an assessment of capabilities and competencies to perform work in a safe, environmentally sound manner and in accordance with all legislative requirements;
- hazard identification and safety risks associated with the particular purchase together with supplier/contractor activities are identified, effectively managed and communicated. A safety risk assessment shall be undertaken for all purchases of

- goods, services and works in accordance with the City's Occupational Health & Safety CEO Instruction & Guidelines for Contractors Management Risk Framework; and
- purchased goods and services are verified to ensure they meet applicable Australian (or other specified) Standards, safety legislative requirements and the City's OS&H standards and requirements.

## **ETHICS AND INTEGRITY**

The **City's Code of Conduct** applies when undertaking purchasing activities and decision-making. Elected Members and employees must observe the highest standards of ethics and integrity and act in an honest and professional manner at all times.

## **VALUE FOR MONEY**

Value for money is achieved through the critical assessment of price, risk timeliness, environmental, social, economic and qualitative factors to determine the most advantageous supply outcome that contributes to the City achieving its strategic and operational objectives.

The City will apply value for money principles when assessing purchasing decisions and acknowledges that the lowest price may not always be the most advantageous.

## **ASSESSING VALUE FOR MONEY**

Assessment of value for money will consider:

- All relevant Total Costs of Ownership (TCO) and benefits including transaction costs associated with acquisition, delivery, distribution, as well as other costs such as but not limited to holding costs, consumables, deployment, training, 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. This includes but is not limited to an assessment of compliances, tenderers resources available, capacity and capability, value-adds offered, warranties, guarantees, repair and replacement policies, ease of inspection, ease of after sales services, ease of communication etc.
- Financial viability and capacity to supply without the risk of default (competency of the prospective suppliers in terms of managerial and technical capabilities and compliance history);
- A strong element of competition by obtaining a sufficient number of competitive quotations wherever practicable and consistent with this CEO Instruction;
- The safety requirements and standards associated with both the product design and the specification offered by suppliers and the evaluation of risk arising from the supply, operation and maintenance; and
- The environmental, economic and social benefits arising from the goods, services or works required, including consideration of these benefits in regard to the supplier's operations, in accordance with this CEO Instruction and any other

relevant City Policy.

## **UNDERLYING PRINCIPLES**

- All purchases must be made in accordance with the Act and relevant Regulations made under that, or any other Act, and relevant Delegations determined by the Council and/or CEO.
- All employees of the City shall observe the highest standards of ethics and integrity in undertaking purchasing activity and act in an honest and professional manner.
- 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 processes, evaluations and decisions shall be transparent, free from bias and appropriately documented to ensure processes and decisions are able to be assessed and audited as required to ensure compliance with this CEO Instruction.
- Any employee who has an actual or perceived conflict of interest must disclose the interest, in writing, and may not exercise any discretion allowed by this CEO Instruction without the prior approval of the Chief Executive Officer. Approval to exercise a discretion when an actual or perceived conflict of interest may exist, is to be sought via a memorandum to the CEO prior to raising a purchase order and the supplier being appointed to carry out works. The memo, if approved, is to be uploaded and attached to the requisition within the purchasing program.

## PURCHASING PRINCIPLES

The City must comply with all requirements, including purchasing thresholds and processes, as prescribed within the Regulations, this CEO Instruction and associated purchasing procedures in effect at the City.

### **PURCHASING CRITERIA**

The following **factors** are to be considered in the decision-making process:

- Value for money;
- Knowledge of general cost of item/service;
- General City principles, i.e. environmentally friendly, recycled product, and
- Compatibility of supplier with City's administrative processes
- Where possible seek quotations from:
  - a WA Disability Enterprise; and / or
  - an Aboriginal Owned Business

Purchasing that is \$249,999 or below in total value (excluding GST) must be in accordance with the purchasing requirements under the relevant thresholds as defined under the relevant section of this Purchasing Instruction.

Purchasing that exceeds \$250,000 in total value (excluding GST) must be put to public tender when it is determined that a regulatory Tender exemption, as stated under this Instruction is not deemed to be suitable.

### **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 City 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 3 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 anticipated variation to the scope of the purchase

### **PURCHASING FROM EXISTING CONTRACTS**

Where the City 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. When planning the purchase, the City must consult its Contracts Register in the first instance before seeking to obtain quotes and tenders on its own accord.

## **PURCHASING ORDER PROCESS AND REQUIREMENTS**

Guidance and instructions for the raising of requisitions for purchase order creation and requirements have been provided in a separate document and must be read in conjunction with this Instruction.

### **SOLE SOURCE**

A sole source of supply arrangement requires approval where the:

- Purchasing value is estimated to be over \$5,000; ex gst and
- Market testing process and outcomes of supplier assessments have been documented, inclusive of a rationale for why the supply is determined as unique and cannot be sourced through more than one supplier.

## **STATE GOVERNMENT COMMON USE AGREEMENTS AND WALGA PREFERRED SUPPLIER PROGRAM**

Approved employees may make use of state government supply contracts (Common Use Agreements) and WALGA's Preferred Supplier Program for goods and services - these items have been the subject of a competitive tendering process prior to their inclusion on the relevant government supply contract. As such they may offer administrative cost savings. Purchases made through the Common Use Agreements and Preferred Supplier Program are exempt from the tendering process as per the Regulations – Part 4 however the purchasing threshold process and procedures apply.

## **SUSTAINABLE PROCUREMENT**

The City is committed to implementing sustainable procurement by providing a preference to suppliers that *demonstrate* sustainable business practices (social advancement, environmental protection and local economic benefits).

The City will embrace Sustainable Procurement by applying the value for money assessment to ensure that whenever possible our suppliers demonstrate outcomes that contribute to improved environmental, social and local economic outcomes. Sustainable Procurement can be demonstrated as being internally focussed (i.e. operational environmental efficiencies or employment opportunities and benefits relating to special needs), or externally focussed (ie. initiatives such as corporate philanthropy).

Requests for Quotation and Tenders will include a request for information from Suppliers regarding their sustainable practices and/or demonstrate that their product or service offers enhanced sustainable benefits which will form part of the Quantitative Criteria.

The City will review the advantages and disadvantages of the proposal, provided against



the tendered costs, deliverables, future costs and long-term delivery of the proposal and provide a recommendation to award based on the overall outcome and to the City's best interest.

## **LOCAL ECONOMIC BENEFIT**

The City promotes economic development through the encouragement of competitive participation in the delivery of goods and services by local suppliers permanently located within its District first, and secondly, those permanently located within its broader region. As much as practicable, City will:

- (a) consider buying practices, procedures and specifications that encourage the inclusion of local businesses and the employment of local residents;
- (b) consider indirect benefits that have flow on benefits for local suppliers (i.e., servicing and support);
- (c) ensure that procurement plans, and analysis is undertaken prior to developing requests to understand local business capability and local content availability where components of goods or services may be sourced from within the District for inclusion in selection criteria;
- (d) 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;
- (e) avoid bias in the design and specifications for Requests for Quotation and Tenders – all Requests must be structured to encourage local businesses to bid;
- (f) consider the adoption of Key Performance Indicators (KPIs) within contractual documentation that require successful Contractors to increase the number of employees from the District first; and
- (g) provide adequate and consistent information to local suppliers.

To this extent, a weighted qualitative criterion may be included in the selection criteria for Requests for Quotation and Tenders where suppliers are located within the boundaries of the City, or substantially demonstrate a benefit or contribution to the local economy.

## **SOCIALLY SUSTAINABLE PROCUREMENT**

The City will support the purchasing of requirements from socially sustainable suppliers such as Australian Disability Enterprises and Aboriginal businesses wherever a value for money assessment demonstrates benefit towards achieving the City's

strategic and operational objectives.

A qualitative weighting will be used in the evaluation of Requests for Quotes and Tenders to provide advantages to socially sustainable suppliers in instances where the below tender exemptions are not exercised.

### **Aboriginal Businesses**

Functions and General Regulation 11(2)(h) provides a tender exemption if the goods or services are supplied by a person on the Aboriginal Business Directory WA published by the Chamber of Commerce and Industry of Western Australia, or Australian Indigenous Minority Supplier Office Limited (trading as Supply Nation), where the consideration under contract is \$250,000 or less, or worth \$250,000 or less.

The City will first consider undertaking a quotation process with other suppliers (which may include other registered Aboriginal Businesses as noted in F&G Reg.11(2)(h)) to determine overall value for money for the City.

Where the City makes a determination to contract directly with an Aboriginal Business for any amount up to and including \$250,000 (ex GST), it must be satisfied through alternative means that the offer truly represents value for money.

If the contract value exceeds \$50,000 (ex GST), a formal Request for Quotation will be issued to the relevant Aboriginal business. The rationale for making the purchasing decision must be recorded in accordance with the City's Record Keeping Plan.

### **Australian Disability Enterprises**

Functions and General Regulation 11(2)(i) provides a tender exemption if the goods or services are supplied by an Australian Disability Enterprise.

The City will first consider undertaking a quotation process with other suppliers (which may include other Australian Disability Enterprises) to determine overall value for money for the City.

Where the City makes a determination to contract directly with an Australian Disability Enterprise for any amount, including an amount over the Tender threshold of \$250,000 (ex GST), it must be satisfied through alternative means that the offer truly represents value for money.

If the contract value exceeds \$50,000 (ex GST), a formal Request for Quotation will be issued to the relevant Australian Disability Enterprise. The rationale for making the purchasing decision must be recorded in accordance with the City's Record Keeping Plan.

## **ENVIRONMENTALLY SUSTAINABLE PROCUREMENT**

The City will support the purchasing of recycled and environmentally sustainable

products whenever a value for money assessment demonstrates benefit toward achieving the City's strategic and operational objectives.

Qualitative weighted selection criteria will be used in the evaluation of Requests for Quote and Tenders to provide advantages to suppliers which:

- (a) demonstrate policies and practices that have been implemented by the business as part of its operations;
- (b) generate less waste material by reviewing how supplies, materials and equipment are manufactured, purchased, packaged, delivered, used, and disposed; and
- (c) encourage waste prevention, recycling, market development and use of recycled/recyclable materials.

## REPETITIVE PURCHASES

In making regular or repetitive purchases for the same goods or services, officers should be conscious of the potential for the annual (Financial Year) purchases of the same, or a similar kind, to accumulate to an amount in excess of the tender threshold (currently above \$250,000 ex gst). Where this repetitive purchasing issue is relevant and such occurrence is subsequently identified, officers should take appropriate actions to ensure that future purchases for these items are progressed in accordance with the requirements to obtain tenders as per the Regulations except where exemption has been documented and referred to within the CEO Instruction.

## ANTI AVOIDANCE (TRANSACTION SPLITTING)

The anti-avoidance provision of Regulation 12 states that intentionally creating multiple contracts or purchase orders in order to avoid having to tender the supply or meeting the purchasing thresholds for quotations is a breach of the regulation provisions and is not permitted, for either **similar works, projects per supplier**.

Officers are to ensure that consideration must be given to the total value of the purchase. Where that total value is equal to, or in excess of the value at which tenders must be invited, a tender process shall be commenced.

## EXEMPTIONS

The regulations make provision for certain circumstances where tendering is not required. Refer to Regulation 11(2) of the Regulations.

## AUTHORISING PURCHASE ORDERS

Purchase orders are to be raised and approved **prior** to any commitment to purchase on behalf of the City for **all** purchases of goods and services except where the City has determined that exemptions apply, and approval has been sourced. Purchase orders must include details of the goods or services to be purchased, delivery information, estimated, contracted or quoted prices, references to contracts or successful quotations, and any other information relevant to that purchasing activity.

An annual review of City Officers spend authority will be undertaken and a process to be developed and maintained by Procurement.

Where the Council has approved a Project Budget Spend on a Project to be awarded and the Contract Order is below this spend, a Purchase Order for Contingency can be raised to allocate project variations to the Project up to the limit of the Approved Project Budget or 10% of the Contract Value. Refer to Purchasing Procedure for details.

## RECORDS MANAGEMENT

All records associated with direct purchasing must be recorded and retained. This includes:

- Tender/Quotation documentation;
- Internal documentation;
- Evaluation documentation;
- Enquiry and response documentation;
- Notification, award and Contract documentation;
- Order forms and requisitions.

Record retention shall be in accordance with the minimum requirements of the *State Records Act 2000* and the City's Record Keeping Requirements.

## PURCHASING THRESHOLDS

Monetary Threshold (ex GST)	Supply Methodology
<p><b>\$0 - \$2,000 ex gst</b></p>	<p><b>Direct purchase</b></p> <p>Obtain at least <b>one (1)</b> verbal or written quotation from a suitable supplier.</p> <ul style="list-style-type: none"> <li>• A pre-qualified supplier on the WALGA Preferred Supplier Program or State Government Common Use Arrangement;</li> </ul> <p>or</p> <ul style="list-style-type: none"> <li>• From the open market</li> </ul> <p>Quotation to be recorded on the Verbal Quote Form and attached to the requisition.</p> <p>Provide written quotes where possible.</p>

<b>Monetary Threshold (ex GST)</b>	<b>Supply Methodology</b>
<p><b>\$2,001 - \$5,000 ex gst</b></p>	<p><b>1 x Written Quote</b></p> <p>Obtain at least <b>one (1)</b> written quotation from a suitable supplier.</p> <p>Direct purchase from suppliers either from:</p> <ul style="list-style-type: none"> <li>• A pre-qualified supplier on the WALGA Preferred Supplier Program or State Government Common Use Arrangement;</li> </ul> <p>or</p> <ul style="list-style-type: none"> <li>• From the open market</li> </ul> <p>The above “purchasing factors” are to be considered in the decision-making process.</p> <p>All quotes to include as a minimum, price and details of the supply including basic specifications and any warranty offerings.</p> <p>Written quotations to be scanned and attached to the requisition.</p> <p>The City’s Terms and Conditions of Purchase must be supplied to the supplier on quotation and returned signed and acknowledged with quote.</p>
<p><b>\$5,001 - \$25,000 ex gst</b></p>	<p><b>2 x Written Quotes</b></p> <p>Obtain a minimum of <b>two (2)</b> written quotations, either from:</p> <ul style="list-style-type: none"> <li>• A pre-qualified supplier on the WALGA Preferred Supplier Program or State Government Common Use Arrangement;</li> </ul> <p>or</p> <ul style="list-style-type: none"> <li>• Other suppliers that are accessible under another tender exempt arrangement</li> </ul> <p>or</p> <ul style="list-style-type: none"> <li>• From the open market.</li> </ul> <p>The above “purchasing factors” are to be considered in the decision-making process.</p> <p>Written quotations to be scanned and attached to the requisition.</p> <p>The City’s Terms and Conditions of Purchase must be supplied to the supplier on quotation and returned signed and acknowledged with quote.</p> <p>Furthermore, where the above is not suitable, the Contractor or Supplier Agreements or Terms and Conditions must be reviewed and approved by</p>

<b>Monetary Threshold (ex GST)</b>	<b>Supply Methodology</b>
	<p>Procurement in the first instance and Legal prior to entering into any contract or purchase.</p>
<p><b>\$25,001 - \$100,000 ex gst</b></p>	<p><b>3 x Written Quotes</b>            Seek/obtain a minimum of <b>three (3)</b> written quotations from suitable suppliers either from:</p> <ul style="list-style-type: none"> <li>• A pre-qualified supplier on the WALGA Preferred Supplier Program or State Government Common Use Arrangement;</li> </ul> <p>or</p> <ul style="list-style-type: none"> <li>• Other suppliers that are accessible under another tender exempt arrangement</li> </ul> <p>or</p> <ul style="list-style-type: none"> <li>• From the open market.</li> </ul> <p>The above “purchasing factors” are to be considered in the decision-making process.</p> <p>Written quotations to be scanned and attached to the requisition.</p> <p>For higher risk and/or cost quotes a formal Request for Quote to be developed with detailed technical requirements, weighted assessment criteria etc.</p> <p>The procurement decision is to be represented using a Brief Evaluation Report;</p> <p>Where (3) three quotes are not supplied, detailed evidence must be provided and approved by relevant Director.</p> <p>For quotes under \$50,000 and/or low risk the City’s Terms and Conditions of Purchase must be supplied to the supplier on quotation and returned signed and acknowledged with quote.</p> <p>For quotes over \$50,000 and/or high risk, where applicable any Contractor or Supplier Agreements, Terms and Conditions must be reviewed and approved by Procurement in the first instance and Legal prior to entering into any contract or purchase.</p>
<p><b>\$100,001 - \$249,999 ex gst</b></p>	<p><b>Formal Request for Quotation</b></p> <p>The following options are to be exercised:</p> <ul style="list-style-type: none"> <li>• Obtain a minimum of <b>(3) three</b> written quotations from suppliers in the market – A formal request to be developed with detailed technical requirements, weighted assessment criteria etc.</li> </ul> <p>or</p>

Monetary Threshold (ex GST)	Supply Methodology
	<ul style="list-style-type: none"> <li>• Obtain a minimum of three written quotations from a pre-qualified supplier on the WALGA Preferred Supplier - a formal request to be developed with detailed technical requirements, weighted assessment criteria etc.</li> </ul> <p>or</p> <ul style="list-style-type: none"> <li>• Obtain a minimum of three written quotations directly from suppliers on the State Government CUA Panel as per the CUA buying rules - a formal request to be developed with detailed technical requirements, weighted assessment criteria etc.</li> </ul> <p>The above “purchasing factors” are to be considered in the decision-making process</p> <p><b>Where the City’s Terms and Conditions are not applied</b>, all Contractor or Supplier Agreements, Terms and Conditions must be reviewed and approved by Procurement in the first instance and Legal prior to entering any contract or purchase.</p> <p>Where (3) three written quotes are unable to be obtained, a detailed memo with evidence is to be provided to the relevant Director for approval.</p> <p>Business Unit Managers/ Project managers can take ownership of this RFQ to prepare, publish and obtain quotations subject to approval from Procurement.</p>
<p><b>\$250,000 ex gst and over</b></p>	<p><b>Tenders/Expressions of Interest</b></p> <p>Procurement to complete Formal Request for Tender/EOI: (RFT/EOI Templates to be used).</p> <ul style="list-style-type: none"> <li>• Public Tenders to be called for goods and services in accordance with Tender Guidelines where the value of a supply is expected to exceed \$250,000 over a financial year (01 July – 30 June).</li> </ul> <p>Or</p> <ul style="list-style-type: none"> <li>• Obtain a minimum of three written quotations directly from suppliers on the State Government CUA Panel as per the CUA buying rules a formal request to be developed with detailed technical requirements, weighted assessment criteria etc.</li> </ul> <p>Under CEO or Director Approval:</p> <ul style="list-style-type: none"> <li>• Obtain a minimum of three written quotations from a pre-qualified supplier on the WALGA Preferred Supplier - a formal request to be developed with detailed technical requirements, weighted assessment</li> </ul>

<b>Monetary Threshold (ex GST)</b>	<b>Supply Methodology</b>
	<p>criteria etc.</p> <p>All Contractor or Supplier Agreements, Terms and Conditions must be reviewed and approved by Procurement in the first instance and Legal prior to entering into any contract or purchase.</p> <p><b>Where the City's Terms and Conditions are not applied</b>, all Contractor or Supplier Agreements, Terms and Conditions must be reviewed and approved by Procurement in the first instance and Legal prior to entering into any contract or purchase.</p>
<b>Emergency Purchases (Within Budget)</b> <b>Refer below definition</b>	<p>Where goods or services are required for an emergency response and are within scope of an established Panel of existing contract, the emergency supply must be obtained from the existing contract using relevant unallocated budgeted funds.</p> <p>However, where due to the urgency of the situation; a contracted or tender exempt supplier is unable to provide the emergency supply OR compliance with this Purchasing Policy would cause unreasonable delay, the supply may be obtained from any supplier capable of providing the emergency supply. However, an emergency supply is only to be obtained to the extent necessary to facilitate the urgent emergency response and must be subject to due consideration of best value and sustainable practice.</p> <p>The rationale for policy non-compliance and the purchasing decision must be evidenced in accordance with the City's Record Keeping Plan.</p>
<b>Emergency Purchases (No budget allocation available)</b> <b>Refer below definition</b>	<p>Where no relevant budget allocation is available for an emergency purchasing activity then, in accordance with s.6.8 of the <i>Local Government Act 1995</i>, the Mayor must authorise, in writing, the necessary budget adjustment prior to the expense being incurred.</p> <p>The CEO is responsible for ensuring that an authorised emergency expenditure under s.6.8 is reported to the next ordinary Council Meeting.</p> <p>The Purchasing Practices prescribed for Emergency Purchases (within budget) above, then apply.</p>

## Emergency Purchases

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

1. 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; OR



2. 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 Functions and General Regulation 11(2)(a); OR
3. A State of Emergency declared under the Emergency Management Act 2005 and therefore, Functions and General Regulations 11(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.

## INSUFFICIENT SUPPLIERS

Where this CEO Instruction requires a certain number of quotations to be obtained, but it is not possible to obtain that number of quotations, then best endeavours must be shown to be used to obtain as many quotes as possible.

If it is not possible to obtain the required number of quotations, then:

1. the requirement to obtain that number of quotations **may** be waived by
  - the Coordinator Procurement for Category \$0-\$25,000 ex gst quotations, and
  - the relevant Director for over \$25,001 - \$100,000 ex gst quotations
    - The CEO \$100,001 - \$249,999

with justification in writing being provided by an officer with the appropriate authority to incur the liability; **and note**

2. all other requirements of this CEO Instruction applicable to that type or value of purchase still apply.

## Information, Communications and Technology related purchases

*The City has an information, communications, and technology (ICT) governance framework which requires all new information and technology initiatives to be reviewed using the ICT Governance Process. In line with this framework, any purchases that relate to ICT services, information and or technology must be approved by the Manager ICT Services or the ICT Governance Board.*

## EXEMPTIONS FROM PURCHASING CEO INSTRUCTION THRESHOLDS

Notwithstanding that the Purchasing Principles apply at all times, in addition to the regulatory Tender exemptions for purchasing as set out in Regulation 11.2 Part 4 page

11 of the Regulations and this CEO Instruction, the following are further **\*discretionary** exemptions where the City may not require to undertake a competitive purchasing process; i.e. request for quotation and only where the total value of the purchase does not exceed \$250,000 (exclusive of GST);

- Advance/Prior Payment of Services (for example: accommodation, travel services, entertainment, conferences, seminars, training courses);
- Advertising – Newspaper (for example: Tenders in The West Australian, Sunday Times);
- Advertising – State Government Gazette (for example: Local Laws, Planning Notices);
- Annual Memberships/Subscriptions;
- Annual Service / Software Maintenance / Support Fees; (Procurement Approval)
- Cab charge tickets;
- Legal services (for Legal Service providers only) (CEO/Director Approval)
- Purchases less than \$100 (exclusive of GST) organised through petty cash;
- Reimbursements (TAFE, training course fees, accommodation / meal costs, telephone and internet);
- Provision of utility services (where only sole provider);
- Purchases from Original Equipment Manufacturer (OEMs') and where warranty provisions may be void; and
- Artists for festivals and events where it can be demonstrated that the act has appropriate artistic merit and the decision is consistent with the purpose and intent of the event and have no conflicts of interest, up to a value of \$9,999 ex gst. The decision is to be approved by the relevant Director; for the purposes of this CEO Instruction Artists are defined as entertainers and performers who work in performing arts (e.g. actor, musician, public performer) or practices fine arts (e.g. painter, sculptor), writers, film-makers or providers of aboriginal welcome to country performances.
- Long Term Contracts - Where the City enters into a long-term Contract, such as for the supply of Information Technology Software, a market test/analysis is to be carried out every five years to ensure value for money in the provided service.
- Temporary labour hire services for the provision of temporary and/or casual personnel through third party contractors (Recruitment & Temporary Labour Firms)
- 

**\*The above list of discretionary exemptions can only be approved by the CEO and relevant Director prior to entering into any services.**

\*

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

Where a contract has been entered into as the result of a publicly invited tender process, then Functions and General Regulation 21A applies.

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

- a) The variation is necessary in order for the goods or services to be supplied and does not change the scope of the contract; 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 is required to review the purchasing requirements and commence a new competitive purchasing process in accordance with this Policy.

## **VARIATIONS TO PURCHASE ORDER EXPENDITURE**

Where a purchase order has been issued for the procurement of goods or services and it is identified that a variation to the original quoted price is required, a second purchase order for the variation should be issued. In such cases, the original purchase order plus the value of the variation, cumulatively needs to be appropriately authorised.

For example, a purchase order has been issued for \$80,000 ex gst for agreed works. The purchase order has been authorised and authorized by the Manager (in accordance with their authorization limit), a variation of \$30,000 is required. The project now totals \$110,000 ex gst and therefore the Director (in accordance with their authorisation limit) is required to authorise the purchase order for the variation of \$30,000 ex gst.

Variations below \$50,000 may be approved by Directors. All other variations are to be approved by the Chief Executive Officer.

## **VARIATIONS TO PROJECT EXPENDITURE**

Variations can only be approved by the CEO where it is not possible to obtain prior Council approval and where:

- Public Safety will be threatened
- The public will be unreasonably inconvenienced; or
- The Variation is estimated to be less than any loss that may occur as a result of the delay.

Any exercise of this delegation of \$10,000 or more must be approved by the CEO prior to commencement of activity and reported to the next Kalamunda Leadership Committee Meeting.

CEO Authority to approve accumulative spend on variations of expenditure on projects as follows:

- \$1 to \$66,666 ex gst (up to \$10,000 variation)
- \$66,667 up to \$2 million (up to 15% variation)
- Over \$4 million (a maximum of \$300,000 variation)

Note: This does not include where prior approval for budget contingency spend has been previously sought through Council for the project.

**LOCAL GOVERNMENT (FUNCTIONS AND GENERAL) REGULATIONS 1996 – REG 21A**

**21A.** *Varying a contract for the supply of goods or services*

*If a local government has entered into a contract for the supply of goods or services with a successful tenderer, the contract must not be varied unless —*

- (a) the variation is necessary in order for the goods or services to be supplied and does not change the scope of the contract; or*
- (b) the variation is a renewal or extension of the term of the contract as described in regulation 11(2)(j).*

**STANDING ORDERS**

- a. ‘Standing’ orders are used to facilitate recurring expenditure from the same vendor over a financial year. It allows the requesting officer to order goods and services on multiple occasions directly from a supplier without having to generate separate purchase orders regularly.
- b. The following rules have been introduced in relation to raising standing orders for suppliers to ensure adherence to the purchasing threshold requirements and anti-avoidance provisions: -
- c. Raising standing orders for one supplier for the purchase of goods and services is only **permitted up the value of \$2,000 on a direct purchase basis.**
- d. Raising subsequent standing orders for the same supplier will be subject to the cumulative expenditure test i.e. if the cumulative expenditure with the supplier exceeds \$2,000, relevant supporting documentation will need to be provided in accordance to the purchasing threshold requirements.

Example – Expenditure analysis for Supplier Y

Standing Order No.	Standing order value	Cumulative Expenditure	Supporting documentation

1	\$2,000	\$2,000	Direct Purchase
2	\$2,000	\$4,000	One written quote to suffice up to \$5,000
3	\$5,000	\$9,000	2 Written Quotes to suffice up to \$25,000
4	\$10,000	\$19,000	Same quotes as above can be utilised or different quotes can be sought
5	\$20,000	\$39,000	3 Written quotes to suffice up to \$100,000

As the cumulative expenditure surpasses the \$250,000 threshold level, a formal Request for Quote or Request for Tender request will be required to suffice the purchasing threshold requirements.

Using multiple suppliers for the same service will also be deemed as splitting the service resulting in the breach of the anti-avoidance provision. It is recommended that relevant market testing is undertaken once it is known that the service is required regularly during the financial year to save the City time and costs.

As a rule of thumb, if the expenditure of a service or project is expected to surpass the Tender threshold of \$250,000 it is recommended to call a public Tender for that service. The Procurements and Projects team will closely monitor the cumulative expenditure of all suppliers during the financial year.

## **CONTRACT REVIEWS**

All Contracts established by the City shall contain a requirement to review the performance of the Contractor/Supplier/Consultant at least annually and prior to the extension, if any, of the Contract term as per the Contract Management Framework Plan.

## **EVALUATION PANELS**

The City must establish evaluation panel members prior to the approval and release of the Request for Tenders or Formal RFQs. Not less than three persons on the panel who demonstrate the appropriate set of skills, knowledge and experience relevant to the nature of the tender. The Coordinator Procurement will facilitate the process to ensure accountability, probity and transparency.

## **PURCHASING CARDS AND CORPORATE CREDIT CARDS**

### **Corporate Credit Cards**

The CEO has authority to authorise the issuing of corporate credit cards to staff.

The Manager Financial Services will be responsible for obtaining approval of the CEO for the issue of a card and this will be recorded on an "Approval for **Corporate Credit Card**

**and Acknowledgement of Conditions of Use Form**". Each cardholder will be required to sign this form on receipt of the corporate credit card and acknowledge these policies and procedures.

**Monthly Limit and Authorisations**

Each corporate credit card will have a monthly limit on expenditure and the expenditure is to be authorised by the person as indicated in the following table.

Monthly Limit Expenditure Authorisation.

	<b>Limit</b>	<b>Authorised</b>
Chief Executive Officer	\$ 3,000	Director Corporate Services
People Services	\$15,000	Chief Executive Officer
Coordinator Procurement	\$10,000	Manager Financial Services
Directors	\$ 5,000	Chief Executive Officer
Other Council officer	\$1,000 - \$3,000*	Responsible Manager or Director
Functions	\$ 3,000	Chief Executive Officer

\* - Director to determine appropriate limit.

**TENDER/ QUOTE DELEGATED FINANCIAL APPROVAL THRESHOLDS**


POSITION	OVER \$1,000,000*	UNDER \$1,000,000 *(conditions apply)	SOLE SOURCE SUPPLY UNDER \$250,000	UNDER \$250,000	UNDER \$100,000	UNDER \$25,000	UNDER \$5,000
Full Council							
Chief Executive Officer							
All Directors							
All Managers							

All Coordinators and Project Managers							
All Supervisors							

\*Approved threshold is a Delegation from Council for the acceptance of Tenders to this value.

**\*\* AMENDMENT 2 - TENDER/QUOTE DELEGATED FINANCIAL APPROVAL THRESHOLDS**

**23 June 2021 OCM 114/2021**

1. CEO Approval for Tenders Threshold increased from \$500,000 to \$1,000,000 under below conditions:  
The following conditions would be attached to the delegation:
  - (a) A tender is not to be accepted without Council approval where the tendered amount will result in exceeding the approved budget allocated for the goods or service or the capital works Budget for the relevant project;
  - (b) The goods or services to be procured are included in the adopted Budget;
  - (c) Tender Assessment Reports are to be provided as Confidential Documents to Council for comment for three clear business days prior to the Chief Executive Officer exercising the delegation; and
  - (d) Any tenders awarded under this delegation are to be reported to the next meeting Council.

**MONITORING AND REVIEW**

The City shall:

- implement processes to facilitate ongoing monitoring and assess compliance with this CEO Instruction and associated management procedures, and will report departures, non-compliance and/or exceptions to the relevant authority within the City and to external authorities where applicable, and any occurrence of the CEO exercising his/her discretion to undertake any CEO Instruction exempt procurement; and
- review, and if appropriate, seek to revise this CEO Instruction and associated management procedures to ensure ongoing relevance at least every two (2) years.

The City shall also ensure that a compliance audit of this CEO Instruction and associated management procedures is undertaken and report audit findings to the City's Audit Committee.

## RESPONSIBILITY FOR IMPLEMENTATION

Coordinator Procurement


### References

Related Local Law	As below		
Related Policies	Purchasing		
Related Budget Schedule	N/A		
Legislation	<p><i>Acts/Regulations</i>  <i>Local Government Act 1995, S207 – Role of Council, S3.57</i>  <i>Local Government (Functions and General) Regulations 1996 Part 4 Division 1 – Purchasing Policies for Local Governments</i>  <i>LOCAL GOVERNMENT (FUNCTIONS AND GENERAL) REGULATIONS 1996 - REG 21A</i></p> <p><i>Policies/References</i>  <i>WALGA Purchasing and Tendering Guidelines</i></p> <p><i>Business Operating Policy (BOP) 3.1.0 – Employees Record Keeping Requirements</i>  <i>Business Operating Policy (BOP) 3.3.6 - Authorisation to Issue Purchase Orders Threshold</i></p>		
Conditions			
Authority	Chief Executive Officer		
Adopted	09 March 2020	Next Review Date	09 March 2022
Adopted Amendment 1	08 May 2020		08 May 2022
Adopted Amendment 2	22 June 2021		22 June 2023

### Abbreviations



CEO	Chief Executive Officer
The City	City of Kalamunda
RFQ	Request for Quote
EOI	Expressions of Interest
WALGA	Western Australian Local Government Association
TCO	Total Costs of Ownership
The Act	Local Government Act 1995
The Regulation	Local Government (Functions and General) Regulations 1996

Related Local Law	
Related CEO Instruction	
Related Budget Schedule	N/A
Legislation	
Amendment 1 Approved by CEO	<p style="text-align: center;">                       Rhonda Hardy                      Chief Executive Officer                 </p> <p>Date:</p>
Next Review Date	22 June 2023

## Amendment 02 to CEOI7 Purchasing Instruction

Dated: 06 October 2021

Effective Date: 22 June 2021

Reference of change:

Part 2. CEO Instruction CEOI7 Amendment 1 dated 08 May 2020

(a) Instruction Page 22

APPROVAL THRESHOLDS

POSITION	OVER \$500,000*	UNDER \$500,000	SOLE SOURCE SUPPLY UNDER \$250,000	UNDER \$250,000	UNDER \$100,000	UNDER \$25,000	UNDER \$5,000
Full Council							
Chief Executive Officer							
All Directors							
All Managers							
All Coordinators and Project Managers							
All Supervisors							

**(b) Instruction Amended Page 22**

Approval thresholds delete "\$500,000" each occurrence and insert: \$1,000,000

POSITION	OVER \$1,000,000*	UNDER \$1,000,000* (conditions apply)	SOLE SOURCE SUPPLY UNDER \$250,000	UNDER \$250,000	UNDER \$100,000	UNDER \$25,000	UNDER \$5,000
Full Council							
Chief Executive Officer							
All Directors							
All Managers							
All Coordinators and Project Managers							
All Supervisors							

Change to the CEO Approval for Tenders Threshold to be increased from \$500,000 to \$1,000,000 under below conditions:

The following conditions would be attached to the delegation:

- (a) A tender is not to be accepted without Council approval where the tendered amount will result in exceeding the approved budget allocated for the goods or service or the capital works Budget for the relevant project;
- (b) The goods or services to be procured are included in the adopted Budget;

- (c) Tender Assessment Reports are to be provided as Confidential Documents to Council for comment for three clear business days prior to the Chief Executive Officer exercising the delegation; and
- (d) Any tenders awarded under this delegation are to be reported to the next meeting Council.

#### Process and Procedure of Amendment:

Changes made:

Change to the CEO Approval for Tenders Threshold to be increased from \$500,000 to \$1,000,000 under below conditions:

**1.**

- (a) Tender award >\$1m (ex GST) **OR**
- (b) Tender is above allocated budget **OR**
- (c) Tender has not been allocated a direct line in the budget for goods or services

CEO endorses Tender evaluation Report, Council report to award tender as per current practice.

**2.**

- (a) Tender award <= \$1m (ex GST) **AND**
- (b) Tender sum is within allocated budget **AND**
- (c) has been included in the adopted Annual Budget

- Tender Assessment Report completed to Director level
- Directors emails Councillors with Tender Recommendation (and Tender evaluation Report for their information
- If at expiry of three business days, if no adverse comment received from Councillors, CEO awards Tender under delegation LGA2
- A Council report is provided at next opportunity noting any Tenders awarded under this delegation. No need to attach TAR simply state Tender no, Successful Contractor and Value
  
- OTHERWISE, if adverse comments received from any Councillor then the Tender becomes a Council Report to award as per current process.




## Part 2 (Procedure/Instruction)

### Glossary and Definitions

#### Detail

## Part 3 (Process Map)

(Include here a reference to any Promapp done or a copy)

Status	Active		
Related Local Law			
Related CEO Direction			
Related Budget Schedule			
Legislation	<p><b>Acts/Regulations</b>  <i>Local Government Act 1995, S207 – Role of Council, S3.57</i>  <i>Local Government (Functions and General) Regulations 1996 Part 4 Division 1 – Purchasing Policies for Local Governments</i>  <i>LOCAL GOVERNMENT (FUNCTIONS AND GENERAL) REGULATIONS 1996 - REG 21A</i></p> <p><b>Policies/References</b>  <i>WALGA Purchasing and Tendering Guidelines</i></p> <p><i>Business Operating Policy (BOP) 3.1.0 – Employees Record Keeping Requirements</i>  <i>Business Operating Policy (BOP) 3.3.6 - Authorisation to Issue Purchase Orders Threshold</i></p>		
Approved by CEO	 A/CEO		
Approved/Reviewed Next Review	KLT 19 December 2023	2023	2025

