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DIRECTORATE:	All Divisions
BUSINESS UNIT:	Finance & Corporate Services
SERVICE UNIT:	Procurement Services
RESPONSIBLE OFFICER:	Strategic Procurement Manager
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	13 June 2013	

BACKGROUND:

Procurement Policy (SC38) was adopted in May 2007 and further revised in January 2014 to include the concept of strategic procurement. The Policy was further amended in November 2015 to incorporate recommendations made by the Local Government Steering Committee and the Corruption and Crime Commission. This Policy provides compliance with the Local Government Act, 1995 and the Local Government (Functions and General) Regulations, 1996 (as amended in March 2007 and September 2015).

PURPOSE:

To clearly state the City of Cockburn (the City) approach to the procurement of goods and/or services so as to ensure accountable procurement practices, that secure goods or services which meet applicable statutory obligation.

This Policy will apply to all procurement activity as well as the disposal/distribution of City assets undertaken by the City's officers, appointed representatives and where applicable contractors. The Policy is directed towards assigned employees responsible for the City's expenditure, supported by the procurement function of the City.

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POLICY:

The Policy is based on the following principles:

(1) Ethical Behaviour and Fair Dealing

All City employees must conduct all procurement activities and business relationships with honesty, integrity, fairness, diligence and a high degree of care, ensuring processes are appropriate and compliant. The City believes that an ethical and professional workplace reduces the risks associated with misconduct and corruption.

Procurement information, actions and behaviours must reinforce this principle throughout all phases of the procurement process. Process must be transparent and free from bias in favour of the public interest and any canvassing of the City's Elected Members or employees will disqualify suppliers/service providers from doing business with the City.

(2) Value for Money

Value for money allows the City to achieve the best possible outcome in all its dealings. Value is measured but not based on price alone, but includes non-cost factors that mitigate risk while enforcing the City's other principles.

City employees must assess whether (or not) the City has obtained the maximum benefit from the resources available to it. Value for money must incorporate quality, fair market price, fitness for purpose (specification), timeliness, safety, sustainability (social, environment and economic) consideration, whole of life cycle costing and relevant service benchmarks. Where a higher price is recommended – the demonstrable benefits must be recorded over the lower price and be commensurate with the effort of the activity and the level of associated risk.

(3) Openness and Effective Competition

Competition is encouraged through the administration of the procurement thresholds, in accordance with the City's other principles as well as the allowable exemptions granted by the Local Government (Functions General) Regulations 1966. Effective competition provides suppliers and service providers with an equitable access to procurement opportunities while maintaining transparency in all dealings.

The calling of quotations/tenders ensures that the City receives value for money and competitive pricing. In accordance with Clause 11A (3) of the Local Government (Functions and General) Regulations 1996 and the table (see guidance below), outlines the acceptable manner in which information is to be presented to the City. The level of competition will be dependent on the market strategy imposed by the City requirements, in line with the Regulations.

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Unless otherwise approved (in writing) by the CEO or Directors, the City will maintain a principle period of three (3) years for all procurement of goods or services for the City.

Where it is considered beneficial, tenders may be called in lieu of seeking quotations for purchases under the expected threshold. All practices undertaken by the City's employees will be guided by the corresponding procurement procedures.

Where a public notice (tender or similar) is utilised, a single contract or multiple supplier contracts may be executed based on the City's requirements as stipulated in the award, while enforcing the City's other principles.

The City may create and manage a panel of pre-qualified suppliers consistent with the Local Government (Functions and General) Regulations 1996. These suppliers and managed on an annual basis in line with the regulations.

The CEO and Directors, at their discretion, may waive the requirements of this principle, providing that written, justifiable reasons for such waiver are provided.

(4) Sustainability and Procurement

The City will consider sustainability in all dealings to maximise the positive impact on environmental, social and economic outcomes within the community. The City encourages social procurement from organisations such as Aboriginal controlled businesses and social enterprises including Australian Disability Enterprises (ADE), but only in line with the other City Policies and the value for money principle.

The City will utilise selection criteria for sustainability with a weighting up to 15% for quotations and tenders. Application of this weighting will be subject to the procurement process being utilised and variation from the 15% threshold will be based on the level of relevance to the requirements in order to optimise the impact of sustainability in procurement. An independent review must be conducted by Procurement Services where a sole supplier is requested under this principle.

(5) Records and Compliance Management

All procurement activity undertaken by the City must be in compliance with the minimum requirements of the Local Government Act 1995, State Records Act 2010 and the Competition and Consumer Act 2010. Exemptions to all (or part) of this Policy must be approved (in writing) by the CEO.

Public notices tenders or quotations are not required (regardless of the value of expenditure): if the purchase is under a Contract of WALGA, Commonwealth or State Department of Treasury and Finance, or purchased from a Regional Council, another Local Government, under auction which has been authorised by Council or for the purchase of fuel/lubrication or any other

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listed exclusions within the Local Government (Functions and General) Regulations (as amended). All procurement practises shall comply and be consistent with the City's Policies and Procedure.

Records management is the responsibility of the officer who is undertaking the procurement action. All documents created and received during the procurement process shall be registered in the electronic document management system.

(6) Procurement Risk Management

All employees participating in the Procurement function will identify and mitigate risk within the entire contract and purchase process available to the City.

Procurement risk guidelines are to be appropriately applied to all procurement activities. These actions will be properly planned and carried out in a manner that protects the City's capability to prevent, withstand and recover from interruption to the supply of goods/services and works.

The City is committed to continuous improvement and will review the Procurement policy on an regular basis, to ensure it meet its purpose.

Category Management

The City recognises that in order to achieve sustainable value, appropriate relationships must be developed and maintained with existing and new suppliers. The City will identify key suppliers / service providers that best delivers its expectation and strategic/social outcomes to best effect.

Contracting/ Contractor Management

The City Officer responsible for contracts must take into account risk, complexity, consistency, urgency, and resources available to allow commitments and projects to be contracted in a timely and cost conscious manner.

The City must ensure terms and conditions are settled in advance prior to any commitment being made with a supplier/service provider. No prior intention will be communicated to external parties. Contracts are executed in accordance to the guidance below and the Procurement procedures.

Contracts are to be proactively managed by the City Officer responsible for the delivery of the contracted goods/services or works to ensure the City receives Value for Money and enforce performance.

The City undertakes due diligence activities on all suppliers/service providers to ensure compliance to legislative and business requirements. The City requires all third parties to comply with the Business Ethics Statement, risk control measures and all applicable OH&S legislation and Safety procedures.

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Where appropriate, City employees responsible for procurement expenditure should seek advice from Procurement Services prior to entering into a contract arrangement. Where the contractual arrangement is not in writing, written approval must be sought from the CEO. Approval shall be supported with legal advice.

Purchasing

Purchase Orders (PO) must be issued to suppliers prior to the supply of the goods and/or services. PO exemptions shall be in accordance with Procurement procedures and documentation.

While there is no hierarchy between the different contracted providers available to the City, employees are expected to select from these contracted suppliers/service providers unless substantiation is provided to Procurement Services.

Procurement Services will manage and operate procurement education and training program to enable the City's employee's to carry out their tasks in a competent and time efficient manner in supplying the procurement needs for the City.

Requisitions

The formulation of requisitions is based on "thought" and "planning" to assist quality decision making. This requires the development of an adequate specification/scope of works and an estimated cost of the activity. Approval of requisitions and order amendments are based on the delegated financial authority (DFA) as approved.

Deliveries/ Storage

Time is of the essence for actions associated with the delivery and storage of all goods and services required for the City, in accordance with the procedures. The City Officer responsible for Procurement activities are accountable to collect and appropriately store the goods in accordance with the City's Policies and Procedures.

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PROCUREMENT GUIDELINES

December 2016

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1. INTRODUCTION:

The Procurement Policy articulates the approach in which goods and/or services are procured for the City. This guideline applies to all procurement as well as the disposal/distribution activity of the City assets undertaken by the City's elected members, Officers, Contractors (where applicable) or appointed representatives. The Policy and corresponding guidelines are supported by Procurement Services .

1.1 Responsibility

Requisitioner – an employee or authorised person of the City who requests goods and/or service through the City's electronic systems.

Appointed representatives/Contractor – a third party/agent of the City who is authorised via a Contract to act on the City's behalf in respect to an agreed scope, contract conditions and direction provided by an authorised employee.

Responsible Officer (contracts/procurement expenditure) – an employee, authorised person who has been nominated as the representative / Principal of a contract or is accountable for the expenditure within an approved budget. This role may be delegated as required.

Procurement Services – an employee or authorised person within the Procurement Services Team who is accountable for the procurement function and probity of the procurement processes.

Approvers – the CEO, Directors and any position role listed within the Delegated Authorities and the City other Policies, including SES3 – Procurement evaluation and authority limits.

2. PRINCIPLES

The Policy is based on the following principles:

- Ethical behaviour and fair dealing
- Value for money
- Openness and Effective Competition
- Sustainability and Procurement
- Records and Compliance Management
- Procurement Risk Management

2.1 Ethical Behaviour and Fair Dealing

The City believes that an ethical and professional workplace reduces the risks associated with misconduct and corruption. The following actions and behaviours must be observed and enforced through all phases of the procurement process to ensure fairness and equity for all parties:

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- any actual or perceived conflicts of interest are to be identified, disclosed and appropriately managed in favour of the public interest;
- procurement information shall be treated as commercial-in-confidence and shall not be released unless authorised by the supplier or relevant legislation;
- all processes, evaluations and decisions must be transparent, free from bias and fully documented in accordance with applicable policies and audit requirements; and
- any canvassing of the City's Elected Members or employees, contractors or the City representative shall disqualify those seeking to do business with the City.

2.2 Value for Money

City employees must assess whether or not the City has obtained the maximum benefit from the resources available to it. Value for money incorporates a mix of factors considering:

- quality, fair market price, fitness for purpose, timeliness, safety, whole of life cycle costing and relevant service benchmarks;
- the specification / scope of services is more important than obtaining the lowest price, when taking into account the City requirements. Where a higher price is recommended – the demonstrable benefits must be recorded over the lower price;
- the sustainability value (social, environment and economic benefit) received by the City;
- whether the procurement process will generate positive social outcomes (Social Procurement) in addition to the delivery of the goods and/or services.
- the effort to achieve value for money should be commensurate with the nature of the purchase and the level of associated risk; and
- aggregated expenditure will make efficient and effective use of public funds

2.3 Openness and Effective Competition

The calling of quotations/tenders ensures that the City receives value for money and competitive pricing. In accordance with Clause 11A (3) of the Local Government (Functions and General) Regulations 1996, the following table sets out the limits acceptable and the manner in which information is presented to the City. Potential Suppliers are to be treated impartially and consistently to ensure:

- all purchases should be sourced through a competitive process and recorded appropriately, either from the City's own procurement process or from an exempt organisation in line with Local Government (Functions General) Regulations 1996;
- the level of competition will be dependent on the market engagement strategy that best aligns to the City requirements.

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- all goods and services will be procured to an agreed specifications/scope of services as required by the internal end user; and
- total value is extracted for the full period (excluding extension options) where the City will maintain a principal period of three (3) years for all procurement of goods or services for the City;

Expected procurement value (Ex GST) or contract value – over full contract period (excluding options to extend)	Requirement
Up to \$1,000	One(1) verbal quotation (applicable to credit cards)
Up to \$1,999	One(1) verbal quotation (min); - for low risk activities; - commitment via a purchase order.
\$2,000 to \$9,999	One(1) informal written quotation (min) or; One(1) formal eProcurement quotations (min) - for low risk activities; - commitment via a purchase order.
\$10,000 to \$69,999	Two(2) formal quotations (min) (email); Two(2) formal eProcurement quotations (min) (unless otherwise directed by the process); - based on low / medium risk activities, (high risk to be referred to Procurement Services) - commitment via a purchase order or contract.
\$70,000 to \$149,999	Three(3) formal eProcurement quotations (min) (unless otherwise directed by the process); or Three(3) formal (min) (RFQ or similar) as coordinated by Procurement Services; - based on medium / high risk activities, - commitment via a purchase order or contract.
\$150,000 and above	Conduct a public process - Tender or similar as coordinated by Procurement Services, or Formal process (RFT / RFQ or similar) as coordinated by Procurement Services, for tender exempt organisations; - for all risk activities, - commitment via a contract.

The use of the Corporate credit cards is limited to low risk purchases, up to a maximum of \$1000 in accordance with the Corporate Credit Card Policy. The limit does not apply to the Procurement Service Credit Card.

A formal quotation requires the City Officer to set minimum evaluation criteria and to evaluate submissions based on the threshold, risk profile and the system/process used to obtain the quotation.

Where it is considered beneficial, tenders may be called in lieu of seeking quotations for purchases under the \$150,000 threshold. All practices

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undertaken by the City's employees will be guided by the corresponding procurement procedures.

Where a public notice (tender or similar) is utilised, a single or multiple contracts may be executed based on the City requirements as stipulated in the award, while enforcing the City's other principles. This award must indicate the distribution of work based on the agreed specific allocation for the term of the contract. The distribution may be based on equitable, geographical or functional basis.

The City may also create and manage a panel of pre-qualified suppliers consistent with the Local Government (Functions and General) Regulations 1996. These suppliers are contracted on an annual basis in line with the regulations.

The CEO and Directors, at their discretion, may waive the requirements to obtain the number or nature of quotations set out above, providing that written, justifiable reasons for such waiver are provided by the officer responsible, and file noted by Procurement. Examples may include a bona fide sole supplier (as detailed under the Local Act and Local Government (Functions and General) Regulations or a declared emergency situation which threatens life, property or equipment.

2.4 Sustainability and Procurement

The City will utilise selection criteria for sustainability with a weighting up to 15% for quotations and tenders. Application of this weighting will be subject to the procurement process being utilised and variation from the 15% threshold will be based on the level of relevance to the requirements in order to optimise the impact of sustainability in procurement. An independent review must be conducted by Procurement Services where a sole supplier is requested under this principle.

Practically, procurement will identify environment, social and economic concerns in considering:

- goods and services that conserve resources, save energy, minimise waste and/or contain recycled products and/or are environmentally sustainable;
- goods and services that have been determined as necessary;
- designs, technology and where appropriate use renewable energy or resources;
- effective process that considers sustainability through planning and verification of supplier claims regarding sustainability including the procurement process to generate positive social outcomes (Social Procurement); and
- registered organisations such as Aboriginal controlled businesses, Australian Disability Enterprises (ADE) and other social enterprises, in line with the other principles and the Local Government (Functions General) Regulations 1996.

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2.5 Records and Compliance Management

Procurement undertaken by the City must be in compliance with the minimum requirements of all relevant regulatory authorities. The City employee or Officer responsible for a procurement action must ensure:

- the City shall not enter two or more Contracts of a similar nature for the purpose of splitting the value of the Contracts to take the value of consideration below the threshold level specified in the Procurement Policy;
- all procurement practises shall comply with all Regulations and requirements consistent with the City's Policies and Procedures;
- documentation associated with tenders must be issued, completed, signed and forwarded to Procurement Services in accordance with the City Tendering Procedures; and
- that entering records remain the responsibility of the officer who is undertaking the procurement action. All documents created and received during the procurement process must be registered in the City electronic document management system.

Public notices, tenders or quotations are not required (regardless of the value), if the purchase is under a contract of WALGA, Commonwealth or State Department of Treasury and Finance, or purchased from a Regional Council, another Local Government, under auction which has been authorised by Council or for the purchase of fuel/lubrication or any other listed exclusions within the Functions and General Regulations. This includes goods or services that are obtained through a person registered on the Aboriginal Business Directory WA for contracts worth \$250,000 or less, or direct from an Australian Disability Enterprise. Exemptions to all or part of this Policy must be approved by the CEO.

2.6 Procurement Risk Management

Procurement risk guideline are to be appropriately applied to all stages of the procurement activity which will be properly planned and carried out in a manner that will protect the City's capability to prevent, withstand and recover from interruption to the supply of goods/services and works. Under this principle the following guidance are noted for the key procurement functions.

Category Management

- The City recognises that in order to achieve sustainable value, appropriate relationships must be developed and maintained with existing and new suppliers. It is important that the City identifies its key suppliers so that its efforts are focused to best effect. These areas may include; size of spend, criticality of goods/services, availability of substitutes, social outcomes to the community and market share.

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- Categories are managed and linked to pre-arrange Contracts evaluated from project or aggregated procurement expenditure. These contracts enable different parts of the City to purchase goods and/or services more easily from a single supplier (or panel of suppliers) for the provision of specific goods and/or services for commonly used items/services for the City.
- Supplier/category performance should be periodically reviewed against performance measures to ensure that they are continuing to provide best value for money

Contracting / Contractor Management

- The City Officer responsible for contracts must take into account risk, complexity, consistency, urgency, and resources available to allow commitments and projects to be contracted in a timely and cost conscious manner.
- Employees must not give prior indication of the City intentions to external parties. This may compromise the process and increase the City risk unnecessarily.
- The City Officer may seek goods or services from a single City approved commercially assured contracted supplier where all other procurement principles are maintained.
- To protect the best interests of the City, terms and conditions must be settled in advance of any commitment being made with a supplier/service provider.
- Contracts drafted by suppliers/service providers should be avoided. The Officer responsible must ensure the Procurement Team has reviewed the document prior to execution.
- Contracts (template) shall be used with relevant clauses; ensuring security deposits where appropriate and refers specifications to relevant experts or reference to relevant Australian Standards (or equivalent).
- Contracts must have a contract expiry date and a total contract term, inclusive of all contract extension options, shall not exceed five (5) years.
- The City employees responsible for procurement expenditure should seek advice from Procurement Services prior to entering into a contract.
- The City undertakes due diligence activities on all suppliers to ensure compliance to legislative and business requirements. The City requires all third parties to comply with the Business Ethics Statement, risk control measures and all applicable OH&S legislation and Safety procedures.
- Contracts shall be proactively managed by the City Officer responsible for the delivery of the contracted goods, services or works to ensure the City receives Value for Money and enforce performance.
- Where contractual relationships are not in writing, written approval must be sought from the CEO. Approval shall be supported with legal advice as relevant.

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- Procurement arrangements (Contracts) must be evaluated and authorised in accordance with Policy SES3, Procurement evaluation and authorisation limits. City approved standard contract terms can be approved by the relevant Strategic Business unit manager up to their delegated financial authority. Non-standard contract terms must be authorised (in writing) by a Director or the CEO.

Purchasing

- Procurement Services has the authority to manage, operate, train and assist City's employees to enable them to carry out their tasks in a competent and time efficient manner and supply the procurement needs for the City.
- Purchase order data and format must be clear, factual and descriptive to ensure acceptance and payment for the good/service.
- Purchase Orders must be issued to suppliers prior to the supply of the goods and/or services. Exemptions are listed with Procurement Procedures.
- While there is no hierarchy between the different contracted suppliers/service providers available to the City, employees are expected to select from these contracted suppliers/service providers unless substantiation can be provided for the use of an alternate supplier.
- New suppliers/service providers must be evaluated against the City requirements prior to inclusion into the City financial systems. This process is managed by Procurement Services.
- Suppliers within the City's electronic systems shall be inactivated in the event of no activity being recorded after a 18 month period.

Requisitions

- Requisitions are to be based on "thought" and "planning" to assist quality decision making. This requires the development of an adequate specification/scope of works and an estimated cost of the activity.
- Approval of requisitions and order amendments are based on the delegated financial authority (DFA) as set out in SES3 – Procurement evaluation and authority limits. Procurement Services facilitates the changes in this process.

Deliveries

- All deliveries are directed to the nominated delivery point for each site.
- Storage is limited within the City sites. All deliveries shall be collected within four (4) hours of being notified of the receipt from the assigned delivery point.
- Procurement Services arranges receivable goods and the despatch of all Courier/transport services for the City.