

# **POLICY REVIEW – PURCHASING POLICY**

**Policy with amendments**

**Meeting Date: 20 December 2022**

**Number of Pages: 8**

POLICY NO:F/FM/17

FORMER POLICY NO:

## PURCHASING POLICY

DIVISION	BUSINESS UNIT	RESPONSIBILITY AREA
Corporate Services	Finance	Financial Management

### 1. PURPOSE

The Shire of Plantagenet is committed to delivering the objectives, principles and practices outlined in this Policy, when purchasing goods, services or works to achieve the Shire's strategic and operational objectives.

### ~~2. SCOPE~~

~~This policy applies to the CEO and staff sub-delegated to purchase goods, services or works on behalf of the Shire of Plantagenet.~~

### 3.2. OBJECTIVES

The Shire of Plantagenet's purchasing activities will achieve:

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

### 4.3. ETHICS AND INTEGRITY

- A. The Shire of Plantagenet'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.

- B. When advertising a tender, the Shire of Plantagenet's advertisement details must include the following wording 'Canvassing of Councillors by tenderers will automatically disqualify the tenderer'.

#### **5.4. VALUE FOR MONEY**

- A. Value for money is achieved through the critical assessment of price, risk, timeliness, environmental, social, local economic and qualitative factors to determine the most advantageous supply outcome that contributes to the Shire of Plantagenet achieving its strategic and operational objectives.
- B. The Shire of Plantagenet will apply value for money principles when assessing purchasing decisions and acknowledges that the lowest price may not always be the most advantageous.

#### **45.1 ASSESSING VALUE FOR MONEY**

Assessment of value for money will consider:

- a) All relevant Total Costs of Ownership 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.
- b) 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 service, ease of communications etc.
- c) 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).
- d) A strong element of competition by obtaining a sufficient number of competitive quotations wherever practicable and consistent with this Policy.
- e) 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.
- f) The environmental, local 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 Policy and any other relevant Shire of Plantagenet Policy.
- g) Providing opportunities for businesses within the Shire of Plantagenet's boundaries to quote wherever possible.



## 6.5. PURCHASING THRESHOLDS

- A. Where the value of procurement (excluding GST) for the value of the contract over the full contract period (including options to extend) is, or is expected to be:

Amount of Purchase	Policy
Up to \$1,000.00	No quotation required for minor / incidental expenses.
\$1,001.00 - \$53,000.00	Seek at least one verbal or written quotation.
\$53,001.00 - \$10,000.00	Seek at least two written quotations.
\$10,001.00 - \$50,000.00	Seek at least three written quotations.
\$50,001.00 – Tender threshold as specified by Local Government (Function and General) Regulation 11	Seek at least three written quotations, containing price and specification of goods and services (with procurement decision based on all value for money considerations).
Above tender threshold as specified by Local Government (Function and General) Regulation 11	Conduct a public tender process.
<u>Emergency Purchases</u> <u>(Within Budget)</u> <u>Refer to Clause 6Emergency Purchases</u> <u>(Within Budget)</u>	<p><u>Where goods or services are required for an emergency response and are within scope of an established Panel of Pre-qualified Supplier or existing contract, the emergency supply must be obtained from the Panel or existing contract using relevant unallocated budgeted funds.</u></p> <p><u>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.</u></p> <p><u>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 form money.</u></p> <p><u>.Must be approved by the Shire President or by the Chief Executive Officer under delegation and reported to the next available Council Meeting.</u></p>

<u>Emergency Purchases</u> <i>(No budget allocation available)</i> <u>Refer for Clause 6</u> <u>Emergency</u> <u>Purchases</u> <i>(Not Included in Budget)</i>	<u>Where no relevant budget allocation is available for an emergency purchasing activity then, in accordance with s.6.8 of the Local Government Act 1995, the Shire President must authorise, in writing, the necessary budget adjustment prior to the expense being incurred.</u> <u>The CEO is responsible for ensuring that an authorised emergency expenditure under s.6.8 is reported to the next ordinary Council Meeting.</u> <u>The Purchasing Practices prescribed for Emergency Purchases (within budget) above, then apply. Only applicable where, authorised in advance by the Shire President in accordance with s.6.8 of the Local Government Act 1995 and reported to the next available Council Meeting.</u>
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B. The CEO may override the policy threshold requirements relating to the number of quotations to be sought where circumstances dictate.

B.C. Where it is considered beneficial, tenders may be called in lieu of seeking quotations for purchases under the tender threshold (excluding GST). If a decision to seek public tenders for Contracts of less than the tender threshold, a Request for Tender process that entails all the procedures for tendering outlined in this policy must be followed in full.

C.D. To satisfy the thresholds in Clause 56A, quotations may be sought from a mix of sources, including:

- a) from a pre-qualified panel of suppliers which may include WALGA Preferred Supplier Contracts. or
- b) via WALGA's eQuotes web based procurement system, or
- c) other suppliers that are accessible under another tender exempt arrangement, or
- d) other suppliers in the open market.

E. The Shire uses a number of suppliers/contractors such as mechanical parts suppliers, plumbers and electricians who have developed a good awareness of the Shire's facilities and infrastructure over a period of years. It is acknowledged that day to day expenditures may be made through such suppliers without invoking the need to obtain quotations.

## 6. EMERGENCY PURCHASES

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



- (a) A local emergency and the expenditure is required (within existing budget allocations) to respond to an imminent risk to public safety, or to protect or make safe property or infrastructure assets; OR
- (b) A local emergency and the expenditure is required (with no relevant available budget allocation) to respond to an imminent risk to public safety, or to protect or make safe property or infrastructure assets in accordance with s.6.8 of the Local Government Act 1995 and Functions and General Regulation 11(2)(a); OR
- (c) 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.
- (d) 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.

## **7. EXPRESSIONS OF INTEREST**

- A. Expressions of Interest (EOI) will be considered as a prerequisite to a tender process where the required supply involves one or more of the following criteria:
  - (a) Unable to sufficiently scope or specify the requirement.
  - (b) There is significant variability for how the requirement may be met.
  - (c) There is potential for suppliers to offer unique solutions and / or multiple options for how the purchasing requirement may be obtained, specified, created or delivered.
  - (d) Subject to a creative element, or
  - (e) Provides a procurement methodology that allows for the assessment of a significant number of potential tenderers leading to a shortlisting process based on non-price assessment.
- B. All EOI processes will be based upon qualitative and other non-price information only.

## **8. PANELS OF PRE-QUALIFIED SUPPLIERS**

- A. The Shire will consider creating a Panel of Pre-qualified Suppliers ('Panel') when a range of similar goods and services are required to be purchased on a continuing and regular basis.
- B. Part of the consideration of establishing a panel includes:

- (a) There are numerous potential suppliers in the local and regional procurement related market sector(s) that satisfy the test of 'value for money'.
- (b) The Panel will streamline and will improve procurement processes, and
- (c) The Shire has the capability to establish a Panel, and manage the risks and achieve the benefits expected of the proposed Panel.
- C. Should the Shire determine that it is beneficial to create a Panel, it must do so in accordance with Part 4, Division 3 of the Local Government (Functions and General) Regulations 1996. This ensures that clear and consistent information is communicated to all suppliers, including selection criteria, conditions of contract, specifications and price schedules (as required).
- D. Pre-Qualified Suppliers will be appointed to the Panel based on value of money principles, their suitability to provide the goods and/or services as per the weighted evaluation criteria. The number of suppliers appointed to a Panel will be dependent on the requirements.
- E. Panel members will be engaged based on various factors such as value for money, suitability, availability, familiarity with a particular project and/or specialist requirements.
- F. The Shire may engage non Panel members as required, subject to normal quotation and tendering requirements in accordance with the Regulations.

## **9. EXEMPTIONS**

Regulation 11(2) of the Local Government (Functions and General) Regulations 1996 outlines the situations which are exempt from the requirement to publically invite tenders.

## **10. SOLE SOURCE OF SUPPLY (MONOPOLY SUPPLIERS)**

The procurement of goods and/or services available from only one private sector source of supply, (i.e. manufacturer, supplier or agency) is permitted without the need to call competitive quotations provided that there must genuinely be only one source of supply. Every endeavour to find alternative sources should be made.

## **11. CONTRACT RENEWALS, EXTENSIONS AND VARIATIONS**

- A. Where a contract has been entered into as the result of a publicly invited tender process, then Functions and General Regulation 21A applies.
- B. 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.
- (c) The CEO will make a determination on how to deal with circumstances where the contract value increases over a policy threshold level, due to a variation or extension.
- C. Upon expiry of the original contract, and after any options for renewal or extension included in the original contract have been exercised, the Shire is required to review the purchasing requirements and commence a new competitive purchasing process in accordance with this Policy.

#### **41.12. ANTI-AVOIDANCE**

The Local Government 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 level of the tender threshold amount thereby avoiding the need to publicly tender.

#### **42.13. SUSTAINABLE PROCUREMENT**

The Shire 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).

#### **43.14. LOCAL ECONOMIC BENEFIT**

- a. The Shire encourages the development of competitive local businesses within its boundary first, and second within its broader region.
- b. The Shire has adopted a Regional Price Preference Policy, which will be applied when undertaking all purchasing activities over \$30,000.00.'

**ADOPTED: 1 DECEMBER 2020**

**LAST REVIEWED: 1 DECEMBER 2020**