# PURCHASING POLICY

## Purpose

To clearly articulate the objectives, principles and practices when purchasing goods, services or works on behalf of the Shire.

## Policy

### 1. Objectives

1.1. The Shire's purchasing activities will achieve the following objectives:

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's Policies and procedures.

g) Risks identified and managed within the Shire Risk Management framework.

h) Records created and maintained to evidence purchasing activities in accordance with the State Records Act and the Shire's Record Keeping Plan.

i) Confidentiality protocols that protect commercial-in-confidence information and only release information where appropriately approved.

### 2. Ethics and Integrity

2.1. The Shire of Plantagenet's Code of Conduct applies when undertaking purchasing activities and decision making. Employees must observe the highest standards of ethics and integrity and act in an honest and professional manner at all times.

2.2. When advertising a tender, the advertisement details should include the following wording 'Canvassing of Councillors by tenderers will automatically disqualify the tenderer'.

## 3. Value for Money

3.1. 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 achieving its strategic and operational objectives.

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

3.3. Assessment of value for money will consider the following:

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.

## 4. Purchasing Thresholds

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

| Threshold Level (ex GST) | Requirements |
|---|---|
| Up to $100 | No formal process |

| | |
|---|---|
| | Small incidental purchases made from local suppliers by a Shire employee do not require quotations or purchase orders e.g. Milk from the Supermarket.<br><br>All care and responsibility must still be taken as is expected when spending public money. |
| $101 to $10,000 | Seek at least one verbal or written quotation from a suitable supplier. |
| $10,001 to $25,000 | Seek at least 2 written quotes (Executive Manager to sign-off where only one quote is obtained or CEO if quote was directly requested by the relevant Executive Manager). |
| $25,001 to $250,000 | Seek at least three (3) written quotes (CEO to sign off where less than three (3) written quotes are obtained). |
| More than $250,000 | Conduct a public tender or other public procurement process or seek at least three (3) quotations from an appropriate exempt arrangement. |
| Emergency Purchases (Within Budget)<br>Refer to Clause 5 | Where goods or services are required for an emergency response and are within scope of an established contract, the emergency supply must be obtained from the Panel or existing contract using relevant unallocated budgeted funds.<br><br>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.<br><br>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 for money. |
| Emergency Purchases (No budget allocation) Refer to Clause 5 | 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.<br><br>The CEO is responsible for ensuring that an authorised emergency expenditure under s.6.8 is reported to the next ordinary Council Meeting.<br>The Purchasing Practices prescribed for Emergency Purchases (within budget) above, then apply. |

4.2. The CEO may override the policy threshold requirements relating to the number of quotations to be sought where circumstances dictate.

4.3. 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.

4.4. To satisfy the thresholds in clause 4.1, 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.

4.5. 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.

## 5. Emergency Purchases

5.1. 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.

5.2. 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.

## 6. Expressions of Interest

6.1. 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) Inability 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.

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.

6.2. All EOI processes will be based upon qualitative and other non-price information only.

## 7. Panels of Pre-Qualified Suppliers

7.1. 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.

7.2. 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.

c) The Shire has the capability to establish a Panel and manage the risks and achieve the benefits expected of the proposed Panel.

7.3. 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).

7.4. 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.

7.5. 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.

7.6. The Shire may engage non-Panel members as required, subject to normal quotation and tendering requirements in accordance with the Regulations.

## 8. Variations

Under regulation 20 of the Regulations, a minor variation to the scope of a tender may be made prior to the Shire and the preferred tenderer formalising the contract. For the avoidance of any doubt, a minor variation has been determined by the Shire to mean a variation which does not materially alter the specification or structure provided for by the initial tender. Any other contract variations must be entered and executed in accordance with part 9 below.

## 9. Contract Management

Contracts are to be proactively managed during their lifecycle by the officer responsible for the delivery of the contracted goods, services or works, to ensure the Shire receives value for money and to enforce performance against the contract. The approach to managing risk for individual contracts will be consistent with the Shire's "Risk Management Policy" and the associated risk assessment and acceptance criteria.
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.

9.1. Contract Variations

In accordance with regulation 21A of the Regulations, a 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.
b. the variation is a renewal of extension of the term of the contract where the extension or renewal options were included within the original contract.

For all contract variations, a formal variation agreement must be completed by the responsible officer. This agreement must be signed by a person with appropriate delegation and authorisation.
All goods and service contracts valued $100,000 (ex GST) and above will be maintained in a comprehensive Contract Register including summarised information on approved contract variations and total value of approved variations to effectively track the cumulative value of variations, evaluate the impact on the scope of the original contract and initiate a separate process where appropriate.

## 10. Exemptions

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

10.2. A Purchase Order and adherence to the purchasing thresholds in 4.1, is unnecessary in the case of the following:

- fees and payment due under any Act of Parliament;
- insurances;
- payments made through payroll;
- fees and payments that are statutory, this includes bank fees;
- other statutory damages, infringements and penalties;
- loan repayments;
- freight and postal charges and fuel cards;
- goods purchased from petty cash;
- payments made under any Awards binding upon the Council;
- licenses and rights of copyright, payment of which is not avoidable at law;
- Awards against the Council by a court of law for damages, penalties and royalties;
- payments for subscriptions and publications;
- credit card payment requests;
- refunds and reimbursements;
- if an emergency situation arises after hours as determined by a Shire officer on call; and
- utilities.

## 11. Sole Source of Supply (Monopoly Suppliers)

11.1. 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. Written confirmation to evidence sole source of supply status must be kept on file for audit purposes.

11.2. The CEO must approve any determination of sole source of supply.

## 12. Contract Renewals, Extensions and Variations

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

12.2. 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.

12.3. 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.

## 13. Anti-Avoidance

13.1. 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.

## 14. Sustainable Procurement

14.1. 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).

## 15. Local Economic Benefit

15.1. The Shire encourages the development of competitive local businesses within its boundary first, and second within its broader region.

15.2. The Shire has adopted a Regional Price Preference Policy, which will be applied when undertaking all purchasing activities over $30,000.00.

| Document Control | | | |
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| **Owner** | Chief Executive Officer | **Business Unit** | Corporate & Community Services |
| **Reviewer** | Executive Manager | **Approval** | Council |
| **Document Compliance** | | | |
| **Legislation** | • *Local Government Act 1995*<br>• Local Government (Functions and General) Regulations 1996 Part 4<br>• Division 1 – Purchasing Policies for Local Government<br>• *Emergency Management Act 2005* | | |
| **Other** | | | |

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