



PURCHASING POLICY

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PURPOSE

The Shire of Quairading (the "Shire") 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.

This policy complies with the Local Government (Functions and General) Regulations 1996 (The Regulations).

OBJECTIVE

The Shire's purchasing activities will achieve: -

- The attainment of best value for money;
- Sustainable benefits, such as environmental, social and local economic factors are considered in the overall value for money assessment;
- Consistent, efficient and accountable processes and decision-making;
- Fair and equitable competitive 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, Local Government (Functions and General) Regulations 1996, as well as any relevant legislation, Codes of Practice, Standards and the Shire's Policies and procedures;
- Risks identified and managed within the Shire's Risk Management framework;
- Records created and maintained to evidence purchasing activities in accordance with the State Records Act and the Shire's Record Keeping Plan;
- Confidentiality protocols that protect commercial-in-confidence information and only release information where appropriately approved.

POLICY

1. ETHICS & INTEGRITY

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

2. 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 Shire achieving its strategic and operational objectives.

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

2.1 Assessing Value for Money

Assessment of value for money is to 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 service, ease of communications 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 Policy;
- 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;
- 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 Policy and any other relevant Shire Policy; and
- Providing opportunities for businesses within the Shire's boundaries to quote wherever possible.

3. PURCHASING THRESHOLDS AND PRACTICES

The Shire is to comply with all requirements, including purchasing thresholds and processes, as prescribed within the Regulations, this Policy and associated purchasing procedures in effect at the Shire.

3.1 Policy Purchasing Value Definition

Purchasing value for a specified category of goods, services or works is to be determined upon the following considerations:

- Exclusive of Goods and Services Tax (GST); and
- Where a contract is in place, the actual or expected value of expenditure over the full contract period, including all options to extend specific to a particular category of goods, services or works. OR
- Where there is no existing contract arrangement, the Purchasing Value will be the estimated total expenditure for a category of goods, services or works over a minimum three-year period. This period may be extended to a maximum of 5 years, only where the supply category has a high risk of change i.e. to technology, specification, availability or the Shire's requirements.

The calculated estimated Purchasing Value is to be used to determine the applicable threshold and purchasing practice to be undertaken.

3.2 Purchasing from Existing Contracts

The Shire is to ensure that any goods, services or works required that are within the scope of an existing contract are to be purchased under that contract.

3.3 Table of Purchasing Thresholds and Practices

This table prescribes Purchasing Value Thresholds and the applicable purchasing practices which apply to the Shire's purchasing activities:

Purchase Value Threshold (exc GST)	Purchasing Practice Required
Up to \$5,000 (exc GST)	<p>Purchase directly from a supplier using a Purchase Order issued by the Shire or with approval of the CEO by Corporate Credit Card.</p> <p>Seek at least one (1) verbal or written quotation from a suitable supplier.</p> <p>The rationale for the procurement decision should be documented and recorded in accordance with the Shire Records Management Policy.</p>
From \$5,001 and up to \$25,000 (exc GST)	<p>Seek at least two (2) written quotations from suitable suppliers.</p> <p>For the purchasing of WALGA Services, a minimum of one (1) written quotation is to be sought and appropriately recorded. Confirmed via Purchase Order or Contract/Agreement.</p> <p>The purchasing decision is to be based upon assessment of the supplier's response to:</p> <ul style="list-style-type: none"> • a brief outline of the specified requirement for the goods; services or works required; and • value for money criteria, not necessarily the lowest price. <p>The rationale for the procurement decision should be documented and recorded in accordance with the Shire Records Management Policy.</p>
\$25,001 and up to \$50,000 (exc GST)	<p>Seek at least three (3) written quotations from suitable suppliers.</p> <p>For the purchasing of WALGA Services, a minimum of one (1) written quotation is to be sought and appropriately recorded. Confirmed via Purchase Order or Contract/Agreement.</p> <p>The purchasing decision is to be based upon assessment of the suppliers' response to:</p> <ul style="list-style-type: none"> • a brief outline of the specified requirement for the goods; services or works required; and • value for money criteria, not necessarily the lowest quote. <p>The rationale for the procurement decision should be documented and recorded in accordance with the Shire Records Management Policy.</p>
\$50,001 and up to \$150,000 (exc GST)	<p>Seek at least three (3) written quotations from suppliers by invitation under a formal Request for Quotation.</p> <p>Three (3) written quotations are required to be sought from:</p> <ul style="list-style-type: none"> • a supplier included in the relevant WALGA Preferred Supplier Arrangement; or • other suppliers that are accessible under another tender exempt arrangement; or • the open market. <p>The purchasing decision is to be based upon assessment of the suppliers' response to:</p> <ul style="list-style-type: none"> • a detailed written specification for the goods, services or works required and • pre-determined evaluation criteria that assesses all best and sustainable value considerations. <p>The rationale for the procurement decision should be documented and recorded in accordance with the Shire Records Management Policy.</p>

Purchase Value Threshold (exc GST)	Purchasing Practice Required
Over \$150,000 (exc GST)	<ul style="list-style-type: none"> Conduct a Public Request for Tender process in accordance with the Local Government Act 1995 and relevant Shire/Town/City Policy requirements or. Seek at least three (3) written quotations from suppliers included in the relevant WALGA Preferred Supplier Arrangement and / or another tender exempt arrangement; <p>The purchasing decision is to be based upon the supplier's response to:</p> <ul style="list-style-type: none"> a specification of the goods, services or works (for a tender exempt process including the WALGA Preferred Supplier Arrangement); or a detailed specification for the open tender process; and pre-determined evaluation criteria that assesses all best and sustainable value considerations. <p>The rationale for the procurement decision and Report to Council is to be documented and recorded in accordance with the Shire Records Management Policy.</p>
Emergency Purchases (Within Budget)	Are to be approved by the Shire President and reported to the next available Council Meeting.
Emergency Purchases (Not Included in Budget)	<p>Only applicable where, authorised in advance by the Shire President in accordance with s.6.8 of the <i>Local Government Act 1995</i> and reported to the next available Council Meeting.</p> <p>The supply may be obtained from any supplier capable of providing the emergency purchasing requirement, and to the extent that it is reasonable in context of the emergency requirements, with due consideration of best and sustainable consideration.</p>
WALGA Services (excluding Preferred Supplier Program)	For the purchasing of WALGA Services, a minimum of one (1) written quotation is to be sought and appropriately recorded. Recording is to be in accordance with the threshold levels outlined above. Confirmed via Purchase Order or Contract/Agreement.
LGIS Services	For the purchasing of LGIS Services, a minimum of one (1) written quotation is to be sought and appropriately recorded. Confirmed via Purchase Order or Contract/Agreement.

3.4 Exemptions

An exemption from the requirement to publically invite tenders may apply when the purchase is:

- obtained from a pre-qualified supplier under the WALGA Preferred Supplier Arrangement or other suppliers that are accessible under another tender exempt arrangement.
- from a Regional Local Government or another Local Government;
- acquired from a person/organisation registered on the WA Aboriginal Business Directory, as published by the Small Business Development Corporation, where the consideration under contract is worth \$250,000 or less (exc GST) and represents value for money;
- acquired from an Australian Disability Enterprise and represents value for money;
- the purchase is authorised under action by Council under delegated authority;
- within 6 months of no tender being accepted;
- where the contract is for petrol, oil, or other liquid or gas used for internal combustion engines; or
- the purchase is covered by any of the other exclusions under Regulation 11 of the Regulations.

3.5 Inviting Tenders Under the Tender Threshold

The Shire may determine to invite Public Tenders, despite the estimated Purchase Value being less than the \$150,000 threshold.

This decision is to be made after considering:

- Whether the purchasing requirement can be met through the WALGA Preferred Supplier Program or any other tender exemption arrangement; and
- Any value for money benefits, timeliness, risks; and
- Compliance requirements.

A decision to invite Tenders, though not required to do so, may occur where an assessment has been undertaken and it is considered that there is benefit from conducting a publicly accountable and more rigorous process. In such cases, Council's Tendering procedures is to be followed in full.

3.6 Other Procurement Processes

3.6.1. Expressions of Interest

Expressions of Interest (EOI) are typically considered in situations where the project is of a significant value, or contains significant complexity of project delivery that may solicit responses from a considerable range of industry providers.

In these cases, the Shire may consider conducting an EOI process, preliminary to any Request for Tender process, where the purchasing requirement is:

- Unable to be sufficiently scoped or specified;
- Open to multiple options for how the purchasing requirement may be obtained, specified, created or delivered;
- Subject to a creative element; or
- To establish a procurement methodology that allows for an assessment of a significant number of tenderers leading to a shortlisting process based on non-price assessment.

All EOI processes are conducted as a public process and similar rules to a Request for Tender apply. However, the EOI should not seek price information from respondents, seeking qualitative and other non-price information only. All EOI processes should be subsequently followed by a Request for Tender through an invited process of those shortlisted under the EOI.

3.6.2. Request for Proposal

As an alternative to a Request for Tender, the Shire may consider conducting a Request for Proposal where the requirements are less known, or less prescriptive and detailed. In this situation, the Request for Proposal would still be conducted under the same rules as for a Request for Tender but would seek responses from the market that are outcomes based or that outline solutions to meet the requirements of the Shire.

3.7 Emergency Purchases

An emergency purchase is defined as an unanticipated purchase which is required in response to an emergency situation as provided for in the Act. In such instances, quotes and tenders are not required to be obtained prior to the purchase being undertaken.

Time constraints are not a justification for an emergency purchase. Every effort is to be made to anticipate purchases in advance and to allow sufficient time to obtain quotes and tenders, whichever may apply.

3.8 Anti-Avoidance

The Shire is not to conduct multiple purchasing activities with the intent (inadvertent or otherwise) of "splitting" the purchase value or the contract value, avoiding a particular purchasing threshold or the need to call a Public Tender. This includes the creation of two or more contracts or creating multiple purchase order transactions of a similar nature.

Utilising rolling contract extensions at the end of a contract term without properly testing the market or using a Tender exempt arrangement, will not be adopted as this would place this Local Government in breach of the Regulations (Regulation 12).

The Shire is to conduct regular periodic analysis of purchasing activities within supply categories and aggregating expenditure values in order to identify purchasing activities which can be more appropriately undertaken within the Purchasing Threshold practices detailed in clause 3.3 above.

4. 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).

The Shire will embrace Sustainable Procurement by applying the value for money assessment to ensure that wherever possible our suppliers demonstrate outcomes which 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 (i.e. initiatives such as corporate philanthropy).

Formal Requests for Quotation and Tenders are to include a request for information from Suppliers regarding their sustainable practices and/or demonstrate that their product or service offers enhanced sustainable benefits.

4.1 Local Economic Benefit

The Shire encourages the development of competitive local businesses within its boundary firstly, and secondly within its broader region. As much as practicable, the Shire is to:

- where appropriate, consider buying practices, procedures and specifications that do not unfairly disadvantage local businesses;
- consider indirect benefits that have flow on benefits for local suppliers (i.e. servicing and support);
- ensure that procurement plans address local business capability and local content;
- 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;
- avoid bias in the design and specifications for Requests for Quotation and Tenders – all Requests must be structured to encourage local businesses to bid; and
- provide adequate and consistent information to local suppliers.

To this extent, a qualitative weighting is to be included in the evaluation criteria for quotes and Tenders where suppliers are located within the boundaries of the Shire, or substantially demonstrate a benefit or contribution to the local economy. This criteria is to relate to local economic benefits that result from Tender processes.

4.2 Purchasing from Disability Enterprises

An Australian Disability Enterprise may be contracted directly without the need to comply with the Threshold and Purchasing Practices requirements of this Policy, where a value for money assessment demonstrates benefits for the Shire's achievement of its strategic and operational objectives.

A qualitative weighting is to be used in the evaluation of quotes and Tenders to provide advantages to Australian Disability Enterprises, in instances where not directly contracted.

4.3 Purchasing from Aboriginal Businesses

A business registered in the current Aboriginal Business Directory WA (produced by the Small Business Development Corporation) may be contracted directly without the need to comply with the Threshold and Purchasing Practices requirements of this Policy, only where:

- the contract value is or is worth \$250,000 or less, and
- a best and sustainable value assessment demonstrates benefits for the Shire's achievement of its strategic and operational objectives.

A qualitative weighting is to be used in the evaluation of quotes and tenders to provide advantages to businesses registered in the current Aboriginal Business Directory WA, in instances where not directly contracted.

4.4 Purchasing from Environmentally Sustainable Businesses

The Shire supports the purchasing of recycled and environmentally sustainable products whenever a value for money assessment demonstrates benefits for the Shire's achievement of its strategic and operational objectives.

A qualitative weighting is to be used in the evaluation of quotes and tenders to provide advantages to suppliers which:

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

5. PURCHASING POLICY NON-COMPLIANCE

Purchasing Activities are subject to financial and performance audits, which review compliance with legislative requirements and also compliance with the Shire's policies and procedures.

A failure to comply with the requirements of this policy may be the subject of an investigation, with findings to be considered in context of the responsible person's training, experience, seniority and reasonable expectations for performance of their role.

Where a breach is substantiated it may be treated as:

- an opportunity for additional training to be provided;
- a disciplinary matter, which may or may not be subject to reporting requirements under the Public Sector Management Act 1994;
- misconduct in accordance with the Corruption, Crime and Misconduct Act 2003.

6. RECORD KEEPING

All purchasing activity, communications and transactions are to be evidenced and retained as local government records in accordance with the State Records Act 2000 and the Shire's Record Keeping Plan. This includes those with organisations involved in a tender or quotation process, including suppliers.

GUIDELINES

Local Government Act 1995

Part 4 of the Local Government (Functions and General) Regulations 1996

Corruption, Crime and Misconduct Act 2003

State Records Act 2000