



Shire of West Arthur Council Policy – Purchasing

Policy Number	F4.1 Finance
Policy Title	Purchasing
Related Legislation	Local Government Act 1995 (WA) Local Government (Functions and General) Regulations 1996 State Records Act
Strategic Outcome Supported	Outcome 2.1: The business community will be Dynamic, Growing and Diverse providing employment and economic benefits to the Shire.
Adopted by Council	Adopted 2008 Amended 12 May 2018 Amended 15 June 2021
Review	CEO Annually

1. Objective

To promote a best practice approach to procurement which promotes transparent, equitable and competitive purchasing practices for the Shire of West Arthur and is compliant with the Local Government Act 1995; and the Functions and General Regulations 1996.

2. Scope

Applies to all staff with the authority to purchase goods and services.

3. Definitions

Nil

4. Policy Statement

4.1 Ethics & Integrity

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

The following principles, standards and behaviours must be observed and enforced through all stages of the purchasing process to ensure the fair and equitable treatment of all parties:

- full accountability shall be taken for all purchasing decisions and for the efficient, effective and proper expenditure of public monies based on achieving value for money;
- all purchasing practices shall comply with relevant legislation, regulations, and requirements consistent with the Shire's policies and code of conduct;
- purchasing is to be undertaken on a competitive basis in which all potential suppliers are treated impartially, honestly and consistently;
- all processes, evaluations and decisions shall be transparent, free from bias and fully documented in accordance with applicable policies and audit requirements;
- any actual or perceived conflicts of interest are to be identified, disclosed and appropriately managed; and

- any information provided to the Shire by a supplier shall be treated as commercial-in-confidence and should not be released unless authorised by the supplier or relevant legislation.

4.2 Value for Money

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

Value for money assessment will consider:

- (a) all relevant Total Costs of Ownership (TCO) and benefits including; transaction costs associated with acquisition, delivery, distribution, and 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.
- (c) the supplier's financial viability and capacity to supply without the risk of default, including the 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 consistent with this Policy, where practicable;
- (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, 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 Policies; and
- (g) providing opportunities for businesses within the Shire's boundaries to quote wherever possible.

4.3 Sustainable Procurement

The Shire is committed to sustainable procurement and where appropriate shall endeavour to design quotations and tenders to provide an advantage to goods, services and/or processes that minimise environmental and negative social impacts. Sustainable considerations must be balanced against value for money.

4.4 Local Purchase

Having due regard to quality, price and availability, preference will be given to local goods and services, from businesses within the Shire, wherever possible. When considering price - the price differential between local and non-local goods and services should fall within 15% variance in favour of the local supplier.

The variance in the cost for the supply of goods and services in West Arthur versus non-local supply plus freight.

Nothing prevents staff from seeking the supply of goods not specifically held in the local marketplace, though the intent of the policy is that every effort should be undertaken to find a local supplier before ordering externally.

Where goods are not readily available, nothing prevents Council staff from obtaining the goods from a non-local supplier when anticipated delivery of the goods will be sooner.

4.5 Purchasing Thresholds and Practices

The Purchasing Value, assessed in accordance with clause 4.2.1, determines the Purchasing Practice to be applied to the Shire's purchasing activities.

Purchase Value Threshold (ex GST)	Purchasing Practice
Up to \$5,000 (ex GST)	Seek at least one (1) verbal or written quotation from a suitable supplier.
From \$5,001 and up to \$50,000 (ex GST)	<p>Seek at least two (2) verbal or written quotations from suitable suppliers.</p> <p>If purchasing from a WALGA PSA, CUA or other tender exempt arrangement, a minimum of one (1) written quotation is to be obtained.</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 price.
From \$50,001 and up to \$250,000 (ex GST)	<p>Seek at least three (3) written responses from suppliers by invitation under a formal Request for Quotation.</p> <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 selection criteria that assesses all best and sustainable value considerations.
Over \$250,000 (ex GST)	<p>Tender Exempt arrangements (i.e. WALGA PSA, CUA or other tender exemption under <i>F&G Reg.11(2)</i>) require at least three (3) written responses from suppliers by invitation under a formal Request for Quotation.</p> <p><u>OR</u></p> <p>Public Tender undertaken in accordance with the <i>Local Government Act 1995</i> and relevant Shire Policy and procedures.</p> <p>The Tender Exempt or Public Tender purchasing decision is to be based on the suppliers response to:</p> <ul style="list-style-type: none"> • A detailed specification; and • Pre-determined selection criteria that assesses all best and sustainable value considerations.
Emergency Purchases	To be approved by the President or by the Chief Executive Officer under delegation and reported to the next available Council Meeting. An

Purchase Value Threshold (ex GST)	Purchasing Practice
	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.
LGIS Services Section 9.58(6)(b) Local Government Act	The suite of LGIS insurances are established in accordance with s.9.58(6)(b) of the <i>Local Government Act 1995</i> and are provided as part of a mutual, where WALGA Member Local Governments are the owners of LGIS. Therefore, obtaining LGIS insurance services is available as a member-base service and is not defined as a purchasing activity subject to this Policy. Should Council resolve to seek quotations from alternative insurance suppliers, compliance with this Policy is required.

Where it is considered beneficial, tenders may be called in lieu of seeking quotations for purchases under the \$250,000 threshold (excluding GST).

Occasionally market testing shall be undertaken for regular trades (i.e. electrician) to ensure best value is maintained.

It is recognised that it is not always possible to obtain quotes for goods or services in regional areas, especially when considerable travel is required for a site visit to quote. Where it is not practical to obtain multiple written or verbal quotations the CEO may approve the purchase of goods and services where deemed appropriate without compliance with the protocol. If a purchase and the minimum protocol is not met, a file note signed by the CEO shall be completed detailing the reasons for not meeting the protocol.

The general principles for obtaining verbal quotations are:

- Ensure that the requirement / specification is clearly understood by the employee seeking the verbal quotations.
- Ensure that the requirement is clearly, accurately and consistently communicated to each of the suppliers being invited to quote.
- Read back the details to the Supplier contact person to confirm their accuracy.
- Written notes detailing each verbal quotation must be recorded.

The general principles relating to written quotations are;

- An appropriately detailed specification should communicate requirement(s) in a clear, concise and logical fashion.
- Invitations to quote should be issued simultaneously to ensure that all parties receive an equal opportunity to respond.
- Offer to all prospective suppliers at the same time any new information that is likely to change the requirements.
- Respondents should be advised in writing as soon as possible after the final determination is made and approved.

4.6 Anti-Avoidance

The Shire will not conduct multiple purchasing activities with the intent (inadvertent or otherwise) of "splitting" the purchase value or the contract value, so that the effect is to avoid 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.

4.7 Records Management

All records associated with the tender process or a direct purchase process must be recorded and retained including;

- tender documentation;
- internal documentation;
- evaluation documentation;
- enquiry and response documentation;
- notification and award documentation.
- quotation documentation;
- internal documentation;
- order forms and requisitions.

Record retention shall be in accordance with the minimum requirements of the State Records Act, and the Shire's internal records management policy.

5. Associated Documents

CEI01 Purchasing and Authorisation of Expenditure