

PURCHASING POLICY**Objectives**

- To provide compliance with the Local Government Act, 1995 and the Local Government Act (Functions and General) Regulations, 1996 (as amended in March 2007).
- To deliver a best practice approach and procedures to internal purchasing for the Shire of Denmark.
- To ensure consistency for all purchasing activities that integrates within all the Shire of Denmark operational areas.

Why do we need a Purchasing Policy?

The Shire of Denmark is committed to setting up efficient, effective, economical and sustainable procedures in all purchasing activities. This policy:

- Ensures that purchasing transactions are carried out in a fair and equitable manner.
- Strengthens integrity and confidence in the purchasing system.
- Ensures that the Shire of Denmark receives value for money in its purchasing.
- Ensures the Shire of Denmark is compliant with all regulatory obligations.
- Promotes effective governance and definition of roles and responsibilities.

Ethics & Integrity

All officers and employees of the Shire of Denmark shall observe the highest standards of ethics and integrity in undertaking purchasing activity and act in an honest and professional manner.

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 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 of Denmark 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;
- Council reserves the right to give preference to local suppliers in accordance with Councils adopted Regional Price Preference Policy (refer Policy P040216).
- all processes, evaluations and decisions shall be transparent, free from bias;
- any actual or perceived conflicts of interest are to be identified, disclosed and appropriately managed; and

Value for Money

Value for money is an overarching principle governing purchasing that allows the best possible outcome to be achieved for the Shire of Denmark. It is important to note that compliance with the specification is more important than

obtaining the lowest price, particularly taking into account user requirements, quality standards, sustainability and life cycle costing.

An assessment of the best value for money outcome for any purchasing should consider:

- all relevant whole-of-life costs and benefits whole of life cycle costs (for goods) and whole of contract life costs (for services) including transaction costs associated with acquisition, delivery, distribution, as well as other costs such as but not limited to holding costs, consumables, deployment, 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;
- financial viability and capacity to supply without risk of default.
- a strong element of competition in the allocation of orders or the awarding of contracts. This is achieved by obtaining a sufficient number of competitive quotations wherever practicable.

Where a higher priced conforming offer is recommended, there should be clear and demonstrable benefits over and above the lowest total priced, conforming offer.

Sustainable Procurement

Sustainable Procurement is defined as the procurement of goods and services that have less environmental and social impacts than competing products and services.

The Shire of Denmark is committed to sustainable procurement where appropriate and shall endeavour to provide a preference to goods, services and/or processes that minimise environmental and negative social impacts. Sustainable considerations must be balanced against value for money outcomes in accordance with these objectives.

Purchasing Thresholds

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 \$5,000	Direct purchase from suppliers requiring only verbal quotations.
\$5,001 - \$19,999	Obtain at least two verbal or written quotations.
\$20,000 - \$39,999	Obtain at least two written quotations
\$40,000 - \$99,999	Obtain at least three written quotations containing price and specification of goods and services (with procurement decision based on all value for money considerations).
\$100,000 and above	Conduct a public tender process.

Where it is considered beneficial, tenders may be called in lieu of seeking quotations for purchases under the \$100,000 threshold (excluding GST). If a decision is made to seek public tenders for Contracts of less than \$100,000, a

Request for Tender process that entails all the procedures for tendering outlined in this policy must be followed in full.

Up to \$5,000

Where the value of procurement of goods or services does not exceed \$5,000, purchase in accordance with the budget and value for money principles. The use of verbal quotes is recommended. It is recommended to use professional discretion and occasionally undertake market testing by obtaining quotes to ensure competitiveness and best value is maintained.

This purchasing method is suitable where the purchase is relatively small and low risk. Purchase orders should be issued for all purchases with the exception of items purchased via petty cash and/or through a resolution of Council.

\$5,001 to \$19,999

At least two verbal or written quotations (or a combination of both) are required. On occasion this may not be practical e.g. due to limited suppliers.

The general principles for obtaining verbal quotations are:

- Ensure that the requirement / specification is clearly understood.
- Ensure that the requirement is clearly, accurately and consistently communicated to each of the suppliers being invited to quote.

Purchase orders should be issued for all purchases.

\$20,000 to \$39,999

For the procurement of goods or services where the value exceeds \$20,000 but is less than \$39,999, it is required to obtain at least two written quotes (commonly a sufficient number of quotes would be sought according to the type and nature of purchase).

The responsible officer is expected to demonstrate due diligence seeking quotes and to comply with any record keeping and audit requirements.

Notes: 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 where practical at the same time.
- Responses should be assessed for compliance and then value for money and all quote retained for record keeping purposes.
- The successful respondent should be advised in writing by the issue of a purchase order as soon as possible after the final determination is made and approved.

\$40,000 to \$99,999

For the procurement of goods or services where the value exceeds \$40,000 but is less than \$99,999, it is required to obtain at least three written quotations containing price and a sufficient amount of information relating to the specification of goods and services being purchased.

The responsible officer is expected to demonstrate due diligence seeking quotes and to comply with any record keeping and audit requirements.

Notes: 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 where practical at the same time.
- Responses should be assessed for compliance and then value for money and all quote retained for record keeping purposes.
- The successful respondent should be advised in writing by the issue of a purchase order as soon as possible after the final determination is made and approved.

For this procurement range, the selection should not necessarily be based on price alone, and it is strongly recommended to consider some of the qualitative factors such as quality, stock availability, accreditation, time for completion or delivery, warranty conditions, technology, maintenance requirements, organisation's capability, previous relevant experience and any other relevant factors as part of the assessment of the quote.

Refer also Policy P040216 – Regional Price Preference Policy

Refer Delegation D040217 – Tenders for Providing Goods & Services

27FEB07

PURCHASING POLICY**Objectives**

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- Any actual or perceived conflicts of interest are to be identified, disclosed and appropriately managed.

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obtaining the lowest price, particularly taking into account user requirements, quality standards, sustainability and life cycle costing.

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- 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;
- Financial viability and capacity to supply without risk of default; and
- A strong element of competition in the allocation of orders or the awarding of contracts. This is achieved by obtaining a sufficient number of competitive quotations wherever practicable.

Where a higher priced conforming offer is recommended, there should be clear and demonstrable benefits over and above the lowest total priced, conforming offer.

Sustainable Procurement

Sustainable Procurement is defined as the procurement of goods and services that have less environmental and social impacts than competing products and services.

The Shire of Denmark is committed to sustainable procurement where appropriate and shall endeavour to provide a preference to goods, services and/or processes that minimise environmental and negative social impacts. Sustainable considerations must be balanced against value for money outcomes in accordance with these objectives.

Purchasing Thresholds

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
Less than \$5,000	Direct purchase from suppliers requiring at least one oral or written quotation.
\$5,000 - \$19,999.99	Obtain at least two oral or written quotations.
\$20,000 - \$39,999.99	Obtain at least two written quotations.
\$40,000 - \$149,999.99	Obtain at least three written quotations containing price and specification of goods and services (with procurement decision based on all value for money considerations).
\$150,000 and above	Conduct a public tender process.

The responsible officer is expected to demonstrate due diligence seeking quotes and to comply with any record keeping and audit requirements,

including the recording and retention of all quotations received and all purchases made.

Where it is considered beneficial, tenders may be called in lieu of seeking quotations for purchases under the \$150,000 threshold (excluding GST). If a decision is made to seek public tenders for Contracts of less than \$150,000, a Request for Tender process that entails all the procedures for tendering outlined in this policy must be followed in full.

Less than \$5,000

Where the value of procurement of goods or services is less than \$5,000, purchase in accordance with the budget and value for money principles. At least one oral or written quotation is required, with use of oral quotes recommended. It is recommended to use professional discretion and occasionally undertake market testing by obtaining quotes to ensure competitiveness and best value is maintained.

This purchasing method is suitable where the purchase is relatively small and low risk. Purchase orders should be issued for all purchases with the exception of items purchased via petty cash and/or through a resolution of Council.

\$5,000 to \$19,999.99

For the procurement of goods or services where the value is equal to or exceeds \$5,000 but is less than \$20,000, at least two oral or written quotations (or a combination of both) are required. On occasion this may not be practical e.g. due to limited suppliers.

The general principles for obtaining oral quotations are:

- Ensure that the requirement / specification is clearly understood; and
- Ensure that the requirement is clearly, accurately and consistently communicated to each of the suppliers being invited to quote.

Purchase orders should be issued for all purchases.

\$20,000 to \$39,999.99

For the procurement of goods or services where the value is equal to or exceeds \$20,000 but is less than \$40,000, it is a requirement to obtain at least two written quotes (commonly a sufficient number of quotes would be sought according to the type and nature of purchase).

Notes: 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 where practical at the same time;
- Responses should be assessed for compliance and then value for money and all quote retained for record keeping purposes; and
- The successful respondent should be advised in writing by the issue of a purchase order as soon as possible after the final determination is made and approved.

\$40,000 to \$149,999.99

For the procurement of goods or services where the value is equal to or exceeds \$40,000 but is less than \$150,000, it is a requirement to obtain at least three written quotations containing price and a sufficient amount of information relating to the specification of goods and services being purchased.

Notes: 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 where practical at the same time;
- Responses should be assessed for compliance and then value for money and all quote retained for record keeping purposes; and
- The successful respondent should be advised in writing by the issue of a purchase order as soon as possible after the final determination is made and approved.

For this procurement range, the selection should not necessarily be based on price alone, and it is strongly recommended to consider some of the qualitative factors such as quality, stock availability, accreditation, time for completion or delivery, warranty conditions, technology, maintenance requirements, organisation's capability, previous relevant experience and any other relevant factors as part of the assessment of the quote.

Refer also Policy P040216 – Regional Price Preference Policy

Refer Delegation D040217 – Tenders for Providing Goods & Services

TENDERS FOR PROVIDING GOODS & SERVICES

DELEGATION NUMBER	-	D040217
LEGISLATIVE POWERS	-	Local Government Act 1995 (Section 5.42)
DELEGATE	-	Chief Executive Officer
ACTIVITY	-	Administration (Other Governance)

In respect to part 4 of the Local Government (Functions and General) Regulations 1996, the Chief Executive Officer is delegated authority to perform the following:

- a) Publicly invite tenders for the supply of goods and services expected to be worth more than \$100,000.
(Reference: Regulations 11 (1), 12 and 13.)
- b) Determine, in writing, the criteria for deciding which tenders should be accepted and give Statewide public notice in accordance with Regulation 14.
- c) Unless otherwise specified by a Resolution of Council, the Chief Executive Officer is delegated authority to accept a tender when the consideration involved does not exceed \$100,000 provided that appropriate provision is made in Council's Budget.

The Chief Executive Officer in exercising authority under Section 5.44 of the Local Government Act 1995 has delegated this power/duty to the relevant Director; for the supply of goods and services within that officer's area of responsibility.

AMENDED by Res: 110715 / 7 July 2015

RECORDING REQUIREMENTS

Section 5.46(3) - Local Government (Administration) Regulation No 19.

Tenders Register.

Note: Delegation D120201 also relates.

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DELEGATE	-	Chief Executive Officer
ACTIVITY	-	Administration (Other Governance)

In respect to part 4 of the Local Government (Functions and General) Regulations 1996, the Chief Executive Officer is delegated authority to perform the following:

- a) Publicly invite tenders for the supply of goods and services when the CEO believes that a tender process will deliver the best outcome for Council.
(Reference: Regulations 11 (1), 12 and 13.)
- b) Determine, in writing, the criteria for deciding which tenders should be accepted and give Statewide public notice in accordance with Regulation 14.
- c) Unless otherwise specified by a Resolution of Council, the Chief Executive Officer is delegated authority to accept a tender when the consideration involved does not exceed \$150,000 provided that appropriate provision is made in Council's Budget.

The Chief Executive Officer in exercising authority under Section 5.44 of the Local Government Act 1995 has delegated this power/duty to the relevant Director; for the supply of goods and services within that officer's area of responsibility.

RECORDING REQUIREMENTS

Section 5.46(3) - Local Government (Administration) Regulation No 19.

Tenders Register.

Note: Delegation D120201 also relates.



Our Ref: 526-98#05; E1532543

TO ALL LOCAL GOVERNMENTS

CIRCULAR N^o 16-2015

AMENDMENTS TO THE LOCAL GOVERNMENT (FUNCTIONS AND GENERAL) REGULATIONS 1996

Amendments to the *Local Government (Functions and General) Regulations 1996* were published in the *Government Gazette* on 18 September 2015 and take effect on 1 October 2015.

The amendments are a result of recommendations made by the Local Government Steering Committee and the Corruption and Crime Commission (CCC), with the aim of improving the purchase and tendering practices of local government. In addition to increasing the tender threshold, the amendments provide for local governments to appoint a panel of pre-qualified suppliers.

A summary of the key amendments are provided below.

Tender Threshold

The tender threshold has been increased from \$100,000 to \$150,000.

For the purchase of goods and services under this threshold, the amendments have introduced the requirement for the purchasing policy to include the minimum number of oral and written quotes that must be received. If the contract for goods or services is expected to be more than \$150,000 a public tender process is required.

Amendments have been made to Regulation 11(2) which relates to circumstances when tenders do not need to be publically invited. This includes when goods or services are obtained through:

- the WA Local Government Association preferred supplier program
- a person registered on the Aboriginal Business Directory WA for contracts worth \$250,000 or less, or
- an Australian Disability Enterprise.

20 October 2015 - Attachment 8.5.3e

Gordon Stephenson House
140 William Street Perth WA 6000
GPO Box R1250 Perth WA 6844

Tel: (08) 6551 8700 Fax: (08) 6552 1555 Freecall: 1800 620 511 (Country only)
Email: info@dlgc.wa.gov.au Website: www.dlgc.wa.gov.au

It is also not necessary to invite public submissions if the term of the original contract is being renewed or extended where –

- (i) the original contract was entered into after a public submission period
- (ii) the invitation to tender included the option for a renewal or extension
- (iii) the original contract contained an option to renew or extend, and
- (iv) the supplier's tender included a requirement for such an option.

Anti-avoidance provisions

Reports prepared by the CCC made recommendations that the anti-avoidance provisions be strengthened to ensure that contracts were not split for the purposes of avoiding the tender threshold.

Regulation 12 has been amended to clarify this. It is expected that if a local government reasonably believes that the purchase of a good or service from one supplier will exceed the tender threshold of \$150,000 they should publically invite tenders.

No timeframe for the tender threshold has been included in the regulations. However, local governments should consider the importance of testing the market through a public tender process for low value, repetitive contracts. A best practice suggestion is that if the tender threshold is reached within three years, then a public tender is invited for that good or service.

Receiving and opening tenders

Regulation 16 has been amended to require that when tenders are opened there must be at least two employees of the local government present, or one local government employee and at least one person authorised by the Chief Executive Officer.

If tenders are received by email, it is suggested that a separate email inbox is created and no tenders are opened until the application period has closed.

Varying a contract

Regulation 21A is a new regulation that provides that a contract cannot be varied once a local government has entered into a contract for the supply of goods or services unless:

- the variation is necessary in order for the goods or services to be supplied and does not change the scope of the contract, or
- the variation is a renewal or extension of the original term of the contract (in accordance with regulation 11(2)(j)).

Panels of pre-qualified suppliers

Part 4 Division 3 has been inserted into the regulations to introduce the ability for local governments to create a panel of pre-qualified suppliers.

There are some conditions on developing a panel including: the need for a local government to develop a written policy outlining how the panel will operate; how each supplier will be invited to quote; consistent communication with the panel; and, the recording and retention of quotes and purchases from suppliers.

In establishing a panel, persons are to be publicly invited to apply. State-wide public notice is required and it must be open for at least 14 days following the first notice (not including the advertisement's publishing date).

There is a range of detailed information that needs to be made available about the proposed panel including: the written policy; details of how the panel will operate; the period for which the panel will be established; and, the number of suppliers the local government intends to appoint to the panel.

Once a panel has been established, local governments may enter into a contract (or contracts) with any of the pre-qualified suppliers. However, the contract(s) cannot exceed 12 months and cannot contain an option to renew or extend its term. If it is expected that a contract is to exceed 12 months the particular good or service should be put to tender.

Regulation 13 of the *Local Government (Audit) Regulations 1996* has been amended to require local governments to carry out an audit of compliance for panels of tenders in accordance with section 7.13(1)(i) of the *Local Government Act 1995*.

Other amendments

In addition to amendments around the tender provisions, the prescribed value of abandoned vehicle wrecks under regulation 29A(a) has been increased to \$500.

The consideration under 30(3)(b) has been increased to \$75,000 in regards to the disposition of property. This provision has been reworked to clarify that if the entire consideration received for the sale of property is used to purchase new property, which is not worth more than \$75,000, it is an exempt disposition.

For example: Vehicle 'x' is sold for \$50,000 and vehicle 'y' is purchased with that sale money. If the total cost of vehicle 'y' is \$75,000 or less, then vehicle 'x' is an exempt disposition.

If the purchase price of vehicle 'y' is more than \$75,000, even if the consideration received from the sale of vehicle 'x' is less than \$75,000, vehicle 'x' is not an exempt disposition.

This amendment clarifies that it is not the difference between the purchase price and the sale price, but the total consideration of the new property (\$75,000 or less).

More information

A copy of the regulations as published in the Government Gazette can be viewed on the State Law Publisher's website at www.slp.wa.gov.au.

If you require more information, please contact Ms Darrelle Merritt, senior legislation and strategy officer on 6552 1479 or via email darrelle.merritt@dlgc.wa.gov.au.



Jennifer Mathews
DIRECTOR GENERAL

10 September 2015