

Policy 4.8 Finance

Purchasing

Reference/s

Local Government Act 1995 (s6.10)
Local Government (Functions and General) Regulations 1996 (r11a)

Date Proposed/Adopted

19 February 2014

Motion Number

14022014

This policy supports the delivery of the Shire of Cranbrook Vision

That the Shire of Cranbrook is a proactive, sustainable, safe, friendly and prosperous place to be

PURPOSE

To deliver best practice in the purchase of goods, services and works that align with the Shire of Cranbrook's strategic and operational objectives while maintaining the principles of transparency, probity and good governance.

POLICY STATEMENT

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

- (a) Ensure best practice policies and procedures are followed in relation to internal purchasing for the Shire of Cranbrook.
- (b) Ensure compliance with the *Local Government Act 1995, Local Government (Functions and General) Regulations 1996*.
- (c) Ensure compliance with the *State Records Act 2000* and the Shire's Record Keeping Plan.
- (d) Direct purchasing processes that ensures value for money by delivering the most advantageous outcomes possible.
- (e) Ensure openness, transparency, fairness and equity through the purchasing process to all suppliers.
- (f) Ensure efficient and consistent purchasing processes are implemented and maintained across the organisation.

PRINCIPLES

Ethics and Integrity:

All officers and employees of the Shire undertaking purchasing activities must have regard for the Code of Conduct requirements and shall observe the highest standards of ethics and integrity. All officers and employees of the Shire must always act in an honest manner which supports the good standing of the Shire.

Purchasing Principles:

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 by the authorised purchasing officer 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 Council's Policies and Code of Conduct;
- purchasing is to be undertaken on a competitive basis where 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, audit requirements and relevant legislation;
- 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.

Value for Money:

Value for money is an overarching principle governing purchasing and is determined by the consideration of price, risk, and qualitative factors assessing the most advantageous outcome achievable for the Shire of Cranbrook.

Assessing Value for Money:

An assessment for the best value for money outcome for any purchasing process should 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. This includes but is not limited to an assessment of compliances, the supplier's resource availability, capacity and capability, value-adds offered, warranties, guarantees, repair and replacement policies and response times, emergency response, ease of inspection and maintenance, ease of after sales service, ease of communications, etc.
- (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 in the allocation of orders or the awarding of contracts, This is achieved 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;

Purchasing Requirements:

The Local Government (Functions and General) Regulations 1996 and this purchasing policy prescribe the requirements that must be complied with by the Shire of Cranbrook, including purchasing thresholds and processes.

Purchasing that is \$250,000 or below in total value (excluding GST) must be in accordance with the purchasing requirements under the relevant threshold as defined in this policy under “Purchasing Thresholds”.

Purchasing that exceeds \$250,000 in total value (excluding GST) must be put to public tender unless a Regulatory Tender Exemption in accordance with Regulation 11 of the Local Government (Functions and General) Regulations 1996 is utilised by the Shire.

Determining purchasing value is to be based on the following considerations:

- i) The actual or expected value of a contract over the full contract period (including all options to extend); or
- ii) The extent to which it could be reasonable expected that the Local Government will continue to purchase a particular category of good, services or works and what total value is or could be reasonable expected to be purchased.

Purchasing Thresholds:

The value, or expected value, of the purchase excluding GST over the full contract period (including options to extend) will determine the purchasing practice to be applied:

Purchase Value Threshold	Purchasing Practice
<i>Up to and including \$100</i>	Direct purchase from suppliers. Quotations and purchase orders not required for items of minor recurrent nature, such as groceries, stationery, hardware, reticulation, consumables etc.
<i>Over \$100 and up to and including \$5,000</i>	Direct purchase from suppliers using a Purchase Order or Corporate Credit Card issued by the Shire of Cranbrook, obtaining at least one (1) verbal or written quotation from a suitable supplier, either from: <ul style="list-style-type: none"> • The open market; • An existing panel of pre-qualified suppliers administered by the Shire of Cranbrook; or • A pre-qualified supplier on the WALGA Preferred Supply Program or the State Government Common Use Arrangement (CUA)
<i>Over \$5,000 and up to and including \$50,000</i>	Obtain at least two (2) verbal or written quotations from suppliers either from: <ul style="list-style-type: none"> • The open market; • An existing panel of pre-qualified suppliers administered by the Shire of Cranbrook; or • A pre-qualified supplier on the WALGA Preferred Supply Program or the State Government Common Use Arrangement (CUA)

Over \$50,000 and up to but not including \$250,000	Obtain at least three (3) written quotations from suppliers containing price and specification of goods and services. The procurement decision is to be based on all value for money considerations in accordance with the definition stated in this policy, either from: <ul style="list-style-type: none"> • The open market; • An existing panel of pre-qualified suppliers administered by the Shire of Cranbrook; or • A pre-qualified supplier on the WALGA Preferred Supply Program or the State Government Common Use Arrangement (CUA)
\$250,000 and Over	Conduct a public tender process or WALGA Preferred Supplier / State Government Common Use Agreement. Refer to Council for decision unless prior delegation to the CEO.
Emergency Purchases	Where no relevant budget allocation is available for an emergency purchasing activity then, in accordance with s.6.8 of the <i>Local Government Act 1995</i> , the President must authorise the necessary budget adjustment prior to the expense being incurred. Emergency purchases are defined as unanticipated and unbudgeted purchases required in response to an emergency situation as provided for in the <i>Local Government Act 1995</i> and under the <i>Emergency Management Act 2005</i> . In such instances, quotes and tenders are not required to be obtained prior to the purchases being undertaken. 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.

The Current State of Emergency Declaration under the Emergency Management Act 2005 – Exemptions:

There is a state of emergency declaration in force for the local government district or part of the district and the the goods or services must be required to address needs arising from, or impacts or consequences of, the hazard to which the emergency relates. There are two exemptions when tenders do not have to be publicly invited:

1. Ensures the formal tender process does not need to be undertaken when sourcing and securing essential goods and services to respond to a state of emergency.
2. Gives the local government the discretion to renew or extend a contract that expires when a state of emergency declaration is in force, even though this option is not included in the original contract. Limits on this apply: the original contract must have less than three months left to run, the renewal or extension cannot be for more than twelve months, and there must be a state of emergency declaration applying to the district or part of the district when the renewal or extension is entered into.
3. A further exemption is being updated to encourage local governments to purchase goods or services supplied by Aboriginal businesses, identified in the Aboriginal Business Directory.

Procurement Exceptions:

A quotation is to be obtained and a purchase order is required to be issued except for:

- Reimbursement of expenses incurred by a councillor or employee on approved Shire business, where receipts are provided or a statutory declaration is made, e.g. meals or parking fees etc
- Non-contracted or non-contestable utilities, e.g. electricity, water, telephone, gas
- Regular or statutory expenses of a periodic nature, e.g. rates and taxes, insurance, licences, superannuation, subscriptions etc
- Employee / elected member allowances
- Other payments as determined by the CEO, examples include but are not limited to:
 - ✦ Credit card purchases
 - ✦ Freight companies for delivery fees (below \$500)
 - ✦ Petty cash purchases
 - ✦ Fuel card purchases
 - ✦ Regional Risk Co-ordinator Scheme by Local Government Insurance Services
 - ✦ Security and on-going alarm monitoring services

Purchase of road making materials (fill, roc, gravel, water etc) from a landowner is exempt from the requirement to obtain quotes. Purchase order is required.

Whenever it is not possible to meet the purchasing requirements of the Shire, appropriate justification must be documented through records in accordance with the Shire's record management practices.

Where it is not possible to obtain the required quotations (e.g. due to limited suppliers) the CEO may, at their discretion waive the requirements to obtain quotes provided that written, justifiable reasons are provided by the responsible officer and documented through records.

Forms and Quotations:

Verbal – where a verbal quotation is required under this policy, both the request for quotation and the submission of quotation may occur verbally or in writing. Verbal quotations are to be recorded on the *Quotation Form* (see Appendix A) and attached to the purchase order.

Written – Where a written quotation is required under this policy, both the request for quotation and the submission of quotation must occur in writing. Where two (2) or more quotations are required under this policy, the *Quotation Form* must be completed and attached to the purchase order.

Quotations – Invitations to quote are to be issued simultaneously to ensure all parties have equal opportunity to respond. Both verbal and written requests for quotation must include:

- Details of goods and services required, communicated in a clear, concise and logical manner;
- The timeframe when goods and services are required;
- A date by which quotation must be submitted;
- The *Quotation Form* is to be completed and attached to the purchase order for all verbal quotes, and where multiple quotes are required.
- If a supplier declines to quote, this should be noted on the *Quotation Form* with name of supplier and date.

Tendering Exemptions:

An exemption to publicly invite tenders may apply in the following instances:

- The purchase is obtained from a pre-qualified supplier under the WALGA Preferred Supply Program or State Government Common Use Arrangement;
- The purchase is from a Regional Local Government or another Local Government;
- The purchase is acquired from a person 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 and represents value for money;
- The purchase is acquired from an Australian Disability Enterprise and represents value for money;
- The purchase is from a pre-qualified supplier under a Panel established by the Shire of Cranbrook; or
- If any of the other exclusions under Regulation 11 of the Regulations apply.

Inviting Tenders Under the Threshold

The Shire may determine to invite Public Tenders, despite the estimated Purchase Value being less than the \$250,000 prescribed tender threshold, but only where an assessment determines that the purchasing requirement cannot be met through a tender exempt arrangement and the use of a public tender process will enhance; value for money, efficiency, risk mitigation and sustainable procurement benefits.

In such cases, the tender process must comply with the legislative requirements and the Shire's tendering procedures [*F&G Reg.13*].

Sole Source of Supply:

Procurement of a unique nature over the value of \$5,000 that can only be supplied from one supplier is permitted without undertaking a tender or quotation process. This is only permitted where the Shire of Cranbrook has explored alternatives and is satisfied there are no other sources of supply for those goods, services or work. Written confirmation of actions taken to find alternative sources will be kept on record. Once determined, the justification must be endorsed by the Chief Executive Officer, prior to a contract being entered into.

From time to time an approved arrangement of this nature must be re-assessed to evidence that only one potential supplier still genuinely exists.

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.

Regional Price Preference:

Preference may be given to a regional supplier by assessing the quote/tender from that regional supplier as if the quote/tender were reduced by:

- 5% for goods or services for a supplier from within the Shire of Cranbrook; and

- 2.5% for goods or services for a supplier from a Shire within the Great Southern Region of Western Australia (as defined by the Great Southern Zone of the Western Australian Local Government Association).

Sustainable Procurement:

Sustainable procurement, defined as the procurement of goods and services that have less environmental and social impacts than competing products and services, is supported by the Shire of Cranbrook. Considerations must be balanced against value for money outcomes.

Contract Renewals, Extensions and Variations:

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

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.

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.

Record Keeping

Records of all purchasing activity must be retained in compliance with the State Records Act 2000 (WA) the Shire of Cranbrook's Record Keeping Plan and associated procurement procedures.

For the quotation process, this includes:

- Quotation documentation for both verbal and written quotes, and which is to be attached to the Purchase Order;
- Any Internal documentation;
- Requisition and purchase orders;
- Any other relevant correspondence.

For the tendering process, this includes:

- Advertising
- Tender documentation
- Evaluation documentation
- Enquiry and response documentation; and
- Notification and award documentation

APPENDIX A

A Quotation form for both verbal and written quotations and justification of selection is attached.

PROCEDURE ASSOCIATED WITH THIS POLICY

Nil

ROLES AND RESPONSIBILITIES Elected

Members

- To ensure compliance with this policy

Chief Executive Officer

- To ensure compliance with this policy

Executive Management Team and Employees

- To ensure compliance with this policy