

# Council Policy 3.2.4 - Purchasing - Procurement of Goods or Services up to \$250,000

<b>Responsible Directorate</b>	Corporate Services
<b>Responsible Business Unit</b>	Finance
<b>Responsible Officer</b>	Manager Finance
<b>Affected Business Units</b>	All

## Objective

- Ensure compliance with Regulation 11A of the *Local Government (Functions and General) Regulations 1996*;
- Provide uniformity and direction in the purchase of goods and services up to the amount of \$250,000;
- Facilitate Council obtaining best value for money; and
- Establish control in the purchasing function, including adequate maintenance of commitment records (i.e. Requisitions).

## Scope

This policy applies to all staff in all Directorates who are required to procure goods or services up to the value of \$250,000.

## Policy

### Ethics and Integrity

All officers and employees of the Shire of Serpentine Jarrahdale shall observe the highest standards of ethics and integrity in undertaking purchasing activity and act in an honest and professional manner that supports the standing of the Shire.

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 to ensure 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 and be 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 shall not be released unless authorised by the supplier or relevant legislation.

### Value for Money

Value for money is one of the overarching principles governing purchasing that allows the best possible outcome to be achieved for the Shire of Serpentine Jarrahdale. 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, life cycle costing and service benchmarks.

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

- all relevant whole-of-life costs 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, 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 (competency of the prospective suppliers in terms of managerial and technical capabilities and compliance history); 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 quote is recommended, there shall be clear and demonstrable benefits over and above the lowest total priced, conforming quote.

### **Underlying Principles**

1. All purchases must be made in accordance with the *Local Government Act 1995* and relevant Regulations made under that, or any other Act, and relevant Delegations determined by the Council and / or Chief Executive Officer.
2. All employees of the Shire shall observe the highest standards of ethics and integrity in undertaking purchasing activity and act in an honest and professional manner.
3. Full accountability shall be taken for all purchasing decisions to ensure the efficient, effective and proper expenditure of public monies based on achieving value for money.
4. All processes, evaluations and decisions shall be transparent, free from bias and appropriately documented to ensure processes and decisions are able to be assessed and audited as required to ensure compliance with this policy.
5. Any employee who has an actual or perceived conflict of interest must disclose the interest, in writing, and may not exercise any discretion allowed by this policy without the prior approval of the Chief Executive Officer. Approval to exercise a discretion when an actual or perceived conflict of interest may exist, is to be sought via a memorandum to the Chief Executive Officer prior to raising a purchase order and the creditor being appointed to carry out works. The memo, if approved, is to be uploaded and attached to the requisition within the purchasing program.

### **Purchasing Thresholds**

The Shire must 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.



<b>Monetary Threshold (ex GST)</b>	<b>Supply Methodology</b>
Up to \$5,000	Direct purchase from supplier seeking at least one verbal quotation.
\$5,001 - \$75,000	Seek at least three written quotations from the marketplace.
\$75,001 - \$250,000	Procurement to undertake a formal Request for Quote (RFQ) requesting a minimum of three responses containing price and specification of goods and services.

*Note:* The supply of goods or services can be obtained through Western Australia Local Government Association (WALGA) or State and Commonwealth (CUA's) as an exemption to the above requirements in which case a minimum of three quotes is required for purchases over \$5,000.

### **State Government Common Use Agreements and WALGA Preferred Supplier Program**

Employees are encouraged to make use of state government supply contracts (Common Use Agreements) and WALGA's Preferred Supplier Program for goods and services where possible - as these items have been the subject of a competitive tendering process prior to their inclusion on the relevant government supply contract. As such they may offer administrative cost savings. Purchases made through the Common Use Agreements and Preferred Supplier Program are exempt from the tendering process as per the *Local Government (Functions and Generals) Regulations 1996 – Part 4* however the purchasing threshold processes apply.

A further exception to the above exempt quotation requirements applies when legal representation or advice is sought through the WALGA preferred supply panel. In this case, competitive quotation requirements do not apply and the preferred supplier may be procured on WALGA rates.

### **Sole Source**

A sole source of supply arrangement requires approval where the:

- Purchasing value is estimated to be over \$5,000; and
- Market testing process and outcomes of supplier assessments have been documented, inclusive of a rationale for why the supply is determined as unique and cannot be sourced through more than one supplier. The Sole Source Form is to be signed off by your Director and then forwarded to the Chief Executive Officer for final approval.

### **Variations**

Where a purchase order has been issued for the procurement of goods or services and it is identified that a variation to the original quoted price is required, the original purchase order plus the value of the variation, cumulatively needs to be appropriately authorised.

For example, a purchase order has been issued for \$30,000 for agreed works. The purchase order has been authorised by the Coordinator/Manager (in accordance with their authorisation limit), a variation of \$10,000 is required. The project now totals \$40,000 and therefore the Director (in accordance with their authorisation limit) is required to authorise the purchase order for the variation of \$10,000.



### **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 whenever possible our suppliers demonstrate outcomes that 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).

### **Repetitive Purchases**

In making regular or repetitive purchases for the same goods or services, officers should be conscious of the potential for the annual purchases of the same, or a similar kind, to accumulate to an amount in excess of the tender threshold (currently above \$250,000). Where this repetitive purchasing issue is relevant and such occurrence is subsequently identified, officers should take appropriate actions to ensure that future purchases for these items are progressed in accordance with the requirements to obtain tenders as per the *Local Government (Functions and General) Regulations 1996*.

### **Anti-Avoidance**

The anti-avoidance provision Regulation 12 of the Function and General Regulations states that intentionally creating multiple contracts or purchase orders in order to avoid having to tender the supply is a breach of the regulation provisions and is not permitted.

Officers are to ensure that consideration must be given to the total value of the purchase. Where that total value is equal to, or in excess of the value at which tenders must be invited, a tender process shall be commenced.

### **Exemptions**

A Purchase Order is unnecessary in the case of the following:

- a) Fees and payment due under any Act of Parliament;
- b) Insurances;
- c) Payments made through payroll;
- d) Fees and payments that are statutory, this includes bank fees;
- e) Other statutory damages, infringements and penalties;
- f) Loan repayments;
- g) Freight and postal charges and fuel cards;
- h) Goods purchased from petty cash;
- i) Payments made under any Award binding upon the Council;
- j) Licences and rights of copyright - payment of which is not avoidable at law;
- k) Awards against the Council by a court of law for damages, penalties and royalties;
- l) Payments for subscriptions and publications;



- m) Credit card payment requests;
- n) Refunds and reimbursements;
- o) If an emergency situation arises after hours, as determined by a Shire officer on call; and
- p) Utilities.

### **Authorising Purchase Orders & Invoices**

A Requisition and Purchase order is to be raised and approved prior to any commitment to purchases on behalf of the Shire for all purchases of goods and services except where the Shire has determined that exemptions apply. Purchase orders must include details of the goods or services to be purchased, delivery information, estimated, contracted or quoted prices, references to contracts or successful quotations, and any other information relevant to that purchasing activity.

### **Records Management**

All records associated with direct purchasing must be recorded and retained. This includes:

- Quotation documentation;
- Internal documentation; and
- Order forms and requisitions.

Record retention shall be in accordance with the minimum requirements of the *State Records Act 2000* and the Shire's Business Operating Procedure (BOP) 2.3.0 – Employees Record Keeping Requirements.

### **Purchasing Policy Non-Compliance**

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

A failure to comply with the requirements of this policy will be subject to 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*; and
- Misconduct in accordance with the *Corruption, Crime and Misconduct Act 2003*.

### **Definitions**

Not applicable

### **Relevant Policies/Council Documents**

- Strategic Community Plan 2017 - 2027
- WALGA Purchasing and Tendering Guidelines
- Council Policy 3.2.5 – Procurement of Goods or Services through Public Tendering
- Business Operating Procedure (BOP) 3.1.0 – Employees Record Keeping Requirements
- Business Operating Procedure (BOP) - Authorisation to Issue Purchase Requisitions



## Council Policy 3.2.4 - Purchasing - Procurement of Goods or Services up to \$250,000

- Business Operating Procedure (BOP) 3.2.12 - Authorisation of Payments from Municipal and Trust Funds
- Business Operating Procedure (BOP) 3.3.5 - Provision of Goods and Services to External Clients
- Federal Governments Online Green Vehicle Guide ([www.greenvehicleguide.gov.au](http://www.greenvehicleguide.gov.au) )

### Legislation/Local Law Requirements

- *Local Government Act 1995*, s. 207 – Role of Council, s. 3.57
- *Local Government (Functions and General) Regulations 1996* Part 4
- Division 1 – Purchasing Policies for Local Governments

Office Use Only				
Relevant Delegations	Payments from the Municipal of Trust Funds			
Council Adoption	Date		Resolution #	
Reviewed	Date	28/05/2012	Resolution #	OCM147/05/12
Reviewed	Date	08/04/2013	Resolution #	OCM179/04/13
Reviewed	Date	29/09/2015	Resolution #	OCM187/09/15
Reviewed	Date	14/03/2016	Resolution #	OCM037/03/16
Modified	Date	18/12/2017	Resolution #	OCM179/12/17
Amended	Date	28/05/2018	Resolution #	OCM049/05/18
Amended	Date	15/07/2019	Resolution #	OCM148/07/19
Amended	Date	20/07/2020	Resolution #	OCM226/07/20