Vision Category:
Our Council at Work

Focus Area:
Leadership - “Innovative, strong and visionary”

Objective:
The Council and Leadership Team drive Strategy and Policy development

Rationale

Local government buyers operate in an increasingly dynamic commercial environment. It is essential to have a structured and consistently applied approach to the purchase of goods and services which is both transparent and accountable.

The purchasing strategy must reflect appropriate consideration of matters including, but not limited to:

- Identifying, managing and controlling the risks associated with purchasing.
- Value for money
- Accountability for actions
- Controlling the costs of purchasing
- Use of regional (local) suppliers
- Sustainability principles
- Monetary thresholds for tendering and quoting
- Ensuring that all relevant legislative obligations are properly met

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 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’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
- 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 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 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 (competency of the prospective suppliers in terms of managerial and technical capabilities and compliance history)
- 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.

Policy

Underlying Principles

1. All purchases must be made in accordance with Section 6.8(1) of the Local Government Act 1995.
2. All officers and 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 and 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 officer who has an actual or perceived conflict of interest must disclose the interest and may not exercise any discretion allowed by this policy without the prior approval of the Chief Executive Officer. Approval 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 approved memo is then to be attached to the signed and authorised purchase order and forwarded to Finance for processing.

Purchasing Thresholds

1. Up to $3,000

Where the value of goods or services is of a minimal amount, less than $3,000 it is permissible to direct purchase based on a single verbal quote – where the market is known and the purchase is very low risk. This instance should only apply for a single
or occasional, very simple purchases where the cost of seeking competitive quotes would be unreasonable on a cost to benefit analysis basis (for example purchasing a book, platter of sandwiches or tin of paint).

2. **$3,001 to $15,000**

Where the value of procurement of goods or services is between $3,001 and $15,000 it is permitted to purchase on the basis of at least two verbal quotations. However, it is recommended to use professional discretion and occasionally undertake market testing with a greater number or more formal forms of quotation to ensure best value is maintained. This purchasing method is suitable where the purchase is relatively small and low risk.

3. **$15,001 to $30,000**

3.1 Where the value of the purchase of goods or services ranges between $15,001 and $30,000, the following principles apply:

3.2 At least three verbal or written quotations (or a combination of both) are required to be sought. Where this is not practical due to a limited number of suppliers, a proprietary product or non responses from potential suppliers asked to quote, this should be recorded.

3.3 The general principles for obtaining verbal quotations are:

- Ensure that the requirement /specification is clearly understood by the Shire 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.

3.4 Quotation records must be maintained and registered in accordance with record keeping policies.

4. **$30,001 to $99,999**

4.1 For the procurement of goods or services where the value exceeds $30,001 but is less than $99,999, it is required to seek three written quotes (this requirement may only be varied by authority of the CEO in circumstances where a written request and justification satisfies the CEO that there are exceptional circumstances).

4.2 The responsible officer is expected to demonstrate due diligence seeking quotes and to comply with any record keeping and audit requirements. Record keeping requirements must be met in accordance with record keeping policies.

4.3 The general principles relating to written quotations are:

- An appropriately detailed specification should communicate requirement(s) in a clear, concise and logical fashion.
- The request for written quotation should include as a minimum:
  - Written specification
  - Selection criteria to be applied
  - Price schedule
  - Conditions of responding
  - How long the offer is valid for
- 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.
• Responses should be assessed for compliance, then against the selection criteria, and then value for money and all evaluations documented.

4.4 Respondents should be advised in writing as soon as possible after the final determination is made and approved.

5. **Over $100 000**

Refer to Council Policy G002 – Procurement of Goods or Services Through Public Tendering

6. **State Government Common Use Agreements**

6.1 Officers are encouraged to make use of government supply contracts for goods and services (Common Use Agreements) 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 are exempt from requirements within this policy which require obtaining competitive quotes and/or public advertising.

7. **Green Purchasing**

**Interpretations**

**Energy efficient** products or facilities use less energy than typical products or facilities to provide a given energy service (such as heating or lighting) or level of activity.

**Environmentally preferred** products and services that have less impact on human health and the environment than competing products and services that serve the same purpose. This comparison may consider the source of raw materials, production, manufacturing, packaging, distribution, potential for reuse and recycling, operation, maintenance, or disposal of the product.

**Environmentally preferred**

Wherever possible and practicable, the Serpentine Jarrahdale Shire will purchase goods and services that meet the following criteria:

1. **Minimum Waste**

Purchasing decisions shall be made in the context of the waste hierarchy to avoid, reduce, reuse and recycle.

- **AVOID** – Identify ways of carrying out a function or task without using materials that generate waste (e.g. send information electronically instead of on paper; choose products that are easy to maintain and write repair services into supply contracts).
- **REDUCE** – Use less in the first place and avoiding waste (e.g. purchase in bulk to reduce packaging and purchase printing equipment that prints double sided).
- **REUSE** – Use the same item more than once, and extend the useful life of products and equipment before replacing an item. Aim to reuse or repair an existing product. Ensure that new purchases are durable, have a long service life and are easy to maintain and upgrade.
- **RECYCLE** – Purchase products that contain recycled materials or those that have or can be remanufactured (e.g. choose suppliers who have cradle-to-grave policies and will take responsibility for recycling products at the end of their lives; stipulate in purchasing contracts that suppliers are responsible for recycling products at the end of their lives, especially for products that are costly or difficult to recycle such as IT equipment).
2. **Minimum Greenhouse Gas Emissions**
   - Purchase energy efficient products and materials by checking that the energy rating and efficiency features are the best available for the cost over the lifetime of the product. This includes motor vehicles.
   - Purchase renewable energy and reduce the purchase of fossil fuels.
   - Purchase goods that have not been transported long distances (e.g. choose suppliers with Carbon Reduction Policies and ask suppliers about the carbon policies of their supply chains).

3. **Minimum Habitat Destruction**
   - Purchase paper and wood products obtained from recycled, plantation, salvaged or renewable sources (e.g. purchase 100% post consumer waste paper and Forest Stewardship certified products).
   - Purchase green cleaning products that don't result in discharges of toxic chemicals to waterways.

4. **Minimum Toxicity**
   - Purchase materials and products that are free of toxic or polluting materials.
   - Purchase products and materials that will not release toxic substances that can affect human health and pollute water, land or air at any stage of their life cycle.

5. **Maximum Water Efficiency**
   Purchase products that conserve water or use water in an efficient way.

6. **Minimum Soil Degradation**
   Purchase products, materials and services that will not degrade or pollute the soil, or result in erosion through their use.

8. **Repetitive Purchases**
   8.1 In making regular or repetitive purchases for the same goods or services, officers should be conscious of the potential for the annual purchases to accumulate to an amount in excess of the tender threshold (currently more than $100,000). 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 Regulations.

9. **Anti Avoidance**
   9.1 When making purchases Shire officers are to ensure that actions taken are in accordance with the Anti Avoidance provisions of the Local Government (Functions & General) Regulations 1996 (Part 4) and Section 3.57 of the Local Government Act 1995.

10. **Exemptions**
    10.1 In the following instances public tenders or quotation procedures are not required (regardless of the value of expenditure):
        - An emergency situation as provided by the Local Government Act 1995;
        - The purchase is under a contract of WALGA (Preferred Supplier Arrangements), Department of Treasury and Finance (Permitted Common Use Arrangements), Regional Council, or another Local Government;
The purchase is under auction which has been authorised by Council;
The contract is for petrol, oil, or other liquid or gas used for internal combustion engines;
Any of the other exclusions under Regulation 11 of the Functions and General Regulations that apply.

11. Authorising Purchase Orders & Invoices
11.1 The issue of Purchase Orders on behalf of the Shire and the authorisation of invoices for payment is to be conducted in strict accordance with the Shire’s Purchasing Policy and Work Procedures which are to be developed and maintained under the authority of the Chief Executive Officer.

12. Records Management
12.1 All records associated with direct purchasing must be recorded and retained. This includes:

- 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 Record Keeping Policy.

Other Relevant Policies and Documents
Local Government Act 1995
Local Government (Functions and General) Regulations 1996
WALGA Purchasing and Tendering Guidelines
Council Policy G002 - Procurement of Goods or Services Through Public Tendering

Work Procedures
GWP21 - Provision of Goods and Services to External Clients
E11/6388 - Request for Submission to Quote
E11/6387 - Evaluation Matrix for Submissions

Delegation
ENG01 - Tenders

Policy Adoption and Amendment History

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