

Policy Intent

The objectives of this Policy are to ensure that all Shire of Murray (**Shire**) purchasing activities:

- demonstrate that best value for money is attained;
- demonstrate support to purchasing local at every opportunity within the guidelines of this Policy;
- are compliant with relevant legislations, including the *Local Government Act 1995* and associated Regulations;
- are recorded in compliance with the *State Records Act 2000* and associated records management practices and procedures;
- mitigate probity risk by establishing consistent and demonstrated processes that promotes openness, transparency, fairness and equity to all potential suppliers;
- ensure that the sustainable benefits, such as environmental, social and local economic factors are considered in the overall value for money assessment;
- are conducted in a consistent and efficient manner; and
- that ethical decision making is demonstrated.

Policy Statement

The Shire is committed to delivering best practice in the purchasing of goods and/or services that align with the principles of transparency, probity and good governance and that comply with the *Local Government Act 1995* (**Act**) and Part 4 of the *Local Government (Functions and General) Regulations 1996* (**Regulations**).

Procurement processes and practice's to be complied with are defined within this Policy.

1. Ethics & Integrity

1.1 Code of Conduct

All employees undertaking purchasing activities must comply with Shire of Murray Code of Conduct for Employees which sets the expected standards and behaviours of employees, observing the highest standards of ethics and integrity at all times.

1.2 Purchasing Principles

The following principles underpin the Shire's purchasing processes:

- 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 and in accordance with the Shire's adopted budget;
- All purchasing practices shall comply with the Act, Regulations, applicable policies and the Shire of Murray Code of Conduct for Employees;
- 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 and procedures, audit requirements and relevant legislation;
- Any actual or perceived conflicts of interest are to be identified, disclosed and appropriately managed; and
- Any information provided by a supplier related to pricing, methodology, technology, any manufacturing, industrial or trade processes used in performing the contract shall be treated as confidential and will not be released unless authorised by the supplier or relevant legislation.

2. Value for Money

2.1 Overview

Value for money considers price, risk and qualitative factors that are assessed to determine the most advantageous outcome to be achieved.

As such, purchasing decisions must be made with greater consideration than obtaining the lowest price, but also to incorporate qualitative and risk factors into the decision-making process.

2.2 Application

An assessment of the best value for money outcome for any purchasing process should consider factors such as:

- 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 and/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);
- Competitive allocation of orders or awarding of contracts. This is achieved by obtaining a sufficient number of competitive quotations wherever practicable;
- Safety requirements associated with both the product design and specification offered by suppliers and the evaluation of risk when considering purchasing goods and/or services from suppliers;
- Purchasing of goods and services from suppliers that demonstrate sustainable benefits and good corporate social responsibility; and
- Providing opportunities for businesses within the Shire's boundaries to be given the opportunity to quote for providing goods and services wherever possible.

3. Purchasing Requirements

3.1 Legislative Requirements

The requirements that must be complied with, including purchasing thresholds and processes, are prescribed within the Act, Regulations, this Policy and associated purchasing procedures .

3.2 Anti-Avoidance

In accordance with r.12(1) of the Regulations, the Shire shall not enter into two or more contracts or create multiple purchase order transactions of a similar nature for the purpose of "splitting" the value of the purchase or contract to take the value of the consideration of the purchase below a particular purchasing threshold, particularly in relation to Tenders and to avoid the need to call a public Tender.

3.3 Purchasing Generally

Purchasing that is below \$250,000 (excluding GST) in total value must be in accordance with the purchasing requirements under the relevant threshold as defined under section 3.7 of this Policy.

Purchasing that exceeds \$250,000 (excluding GST) in total value over the term of the expected contract must be put to public Tender unless it is determined that a regulatory Tender exemption in the Act or Regulations is provided, or as stated in this Policy.

3.4 Purchasing Value Definition

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

- Exclusive of Goods and Services Tax (GST);
- The actual or expected value of a contract over the full contract period, including all options to extend; or
- The extent to which it could be reasonably expected that the Shire will continue to purchase a particular category of goods and/or services and what total value is or could be reasonably expected to be purchased.
- A best practice method is that if a purchasing threshold is likely to be reached within three years , then the purchasing requirement under the relevant threshold (including the tender threshold) must apply; and
- Must incorporate any variation to the scope of the purchase and be limited to a 10% tolerance of the actual or expected value.

3.5 Purchasing from Existing Contracts

Where the Shire has an existing contract in place, it must ensure that goods and/or services required are purchased under these contracts to the extent that the scope of the contract allows.

3.6 Sourcing

Quotations for the supply of goods and services not subject to public tender should be sought from local suppliers, where possible. In the absence of local suppliers, consideration must be given to the appropriate procurement source during the value for money assessment and quotations may be sought from the following,

- Western Australian Local Government Association (WALGA) Preferred Supplier Program (PSP); or
- State Common User Arrangement (CUA); or
- Australian Disability Enterprise; or
- Aboriginal owned business; or
- Open market
 - Supporting local suppliers, where possible and practicable; or
 - Using the Shire's online procurement portal.

3.7 Purchasing Thresholds

All purchasing must ensure available budget and apply the Value for Money principles to all purchases.

The following table prescribes the purchasing thresholds and conditions that employees must follow, based on the purchase value:

Purchase Value Threshold (ex GST)	Minimum number of quotes to be invited	Form of quotation	Purchasing Conditions
Up to \$10,000	1	Verbal or written	Any quotation documents must be saved against the purchase order.
Over \$10,000 up to \$50,000	2	Written quotation	- Request for quotation should include a project scope and pricing schedule. - Written quotations must be saved against the purchase order. - Where only one quotation is received the record of invitation and value for money assessment must be documented against the purchase order.
Over \$50,000 and up to \$250,000	3	Written quotation	- Formal invitation of Request for Quotation, containing detailed specification of goods and/or services and pricing schedule is required to be developed and included with the quote process. - The procurement decision is to be based on pre-determined evaluation criteria that assesses all value for money considerations in accordance with the definition stated within this Policy. - Requests for quotation from the WALGA Preferred Supplier Program (PSP) or the State Government Common User Agreement (CUA) are not required to be invited using a Request for Quotation form, however a scope of work must be provided and a for money assessment must be completed prior to award. - Supplier contracts are to be recorded in the Shire Finance and Records Management systems. - Where quotations exceed the purchasing threshold of \$250,000 the public Tender or if applicable Tender Exempt purchasing requirements must be undertaken.

			Where less than three quotations are received the record of invitation and value for money assessment must be documented against the purchase order.
Over \$250,000 (Tender Threshold)	Public Tender	Public Tender	- Formal public invitation of Request for Tender process in accordance with Part 4 of the Regulations, this Policy and the Shire's tender procedures. - Formal tender documentation must be developed to include detailed specifications of goods and/or services and pricing schedule to be developed and included with tender process. - The procurement decision is to be based on pre-determined evaluation criteria that assess all value for money considerations in accordance with the definition stated within this Policy. - Supplier contract is to be recorded in the Shire Finance and Records Management system.
Over \$250,000 (Tender Exempt – See 4.1)	3	Written quotation	- Purchasing from WALGA PSP or State CUA. - Formal documentation must be developed to support the Request for Quotation including detailed specification of goods and/or services and pricing schedule to be developed and included with the process. - The procurement decision is to be based on pre-determined evaluation criteria that assess all value for money considerations in accordance with the definition stated within this Policy. - Where less than three quotations are received the record of invitation and value for money assessment must be documented against the purchase order. - Supplier contract is to be recorded in the Shire Finance and Records Management systems

3.8 Inviting Tenders under the Tender Threshold (\$250,000 or less)

Where considered appropriate and beneficial, the Chief Executive Officer (**CEO**) may consider publicly advertising Tenders in lieu of undertaking a Request for Quotation for purchases under the tender threshold. This decision should be made after considering the benefits of this approach in comparison with the costs, risks, timeliness and compliance requirements and also whether the purchasing requirement can be met through the WALGA PSP or State Government CUA.

If a decision is made to undertake a public Tender for contracts expected to be \$250,000 or less in value, the Shire's tendering procedures must be followed in full.

4. Exemptions from Purchasing Requirements

4.1 Public Tender Exemptions*

An exemption to publicly invite tenders applies where goods and/or services are supplied by or obtained through:

- WALGA PSP or State Government CUA;
- A Regional Local Government or another Local Government;
- A person or business 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;

- An Australian Disability Enterprise and represents value for money;
- A Shire pre-qualified supplier under a Panel established; in accordance with the Act and Regulations; and
- any of the other exclusions under Regulation 11 of the Regulations apply.

4.2 Sole Source or Unique Nature Supply

Where the purchasing requirement is over the value of \$10,000 and of a unique nature or can only be supplied from one supplier, the purchase is permitted without undertaking a tender or quotation process.

This is only permitted in circumstances where the Shire is satisfied and can show evidence that there is only one source of supply for those goods and/or, services. The Shire must use its best endeavours to determine if the sole source of supply is genuine by exploring if there are any alternative sources of supply. Once determined, the justification must be endorsed by the relevant Director, prior to a contract being entered into.

From time to time, expression of interest may be publicly invited to effectively determine that one sole source of supply still genuinely exists.

4.3 Banking Services

The requirement to obtain a minimum number of quotations does not apply for the supply of banking services where:

- a. the value of a contract is less than \$250,000; and
- b. a biennial review of fees is conducted to ensure the current supplier's rates remain advantageous to the Shire.

4.4 Legal Services

Legal Services may be procured directly from WALGA PSP legal service providers for a single brief subject to the following conditions:

- a. There is no reasonable expectation that the value of the brief will exceed \$10,000;
- b. If the brief may exceed \$10,000 the approval of the CEO is required; and
- c. There is sufficient budget available.

4.5 Software Licenses

The requirement to obtain a minimum number of quotations does not apply for the supply, maintenance and/or support of software and specifically associated software where:

- a. the value of a contract is less than \$250,000; or
- b. relates to software and specifically associated hardware currently licensed for use by the Shire.

4.6 Waiver of Quotation Requirements (Exceptional Circumstances)

Where it is not practical to undertake a quotation process (excluding public tenders), a waiver from the requirements contained in 3.7 Purchasing Thresholds (for budgeted expenditure) may be granted at the discretion of the CEO and/or Directors (within Financial Authorisation Limit). Written record of the justification and the approval obtained must be recorded and attached to the purchase order.

Time constraints, poor planning, administrative omissions and errors do not justify a purchase under a waiver. Every effort must be made to research and anticipate purchasing requirements in advance to allow sufficient time for planning and scoping proposed purchases and then obtain quotes or tenders, as applicable.

4.7 Reactive Maintenance or Repair Works

Where a fault requires prompt attendance to protect public safety, site security, or continuity of Shire services and the extent of the works cannot reasonably be determined in advance, an officer may authorise a contractor to attend and carry out necessary repairs without a quotation being obtained, based on the contractor's current rate held by the Shire.

This clause is limited to circumstances where the officer reasonably considers the works will be less than \$10,000 (ex GST). Where the final cost for the reactive maintenance or repair work exceeds this, the works already completed remain validly authorised under this clause.

The officer must document the rate applied and the reason a quotation could not be given in advance.

4.8 Emergency Purchases

“Emergency Purchase” is defined as an unanticipated and unbudgeted purchase which is required in response to an emergency situation as provided for in section 6.8 of the Act.

In accordance with r.11(2) of the Regulations tenders do not have to be publicly invited if the supply of the good and/or services are associated with a state of emergency. In these circumstances purchasing will be facilitated by the CEO or the appointed Local Recovery Coordinator.

An emergency purchase does not relate to purchases not planned or due to time constraints. Every effort must be made to anticipate purchases in advance and to allow sufficient time to obtain quotes and tenders, whichever may apply.

5. Records Management

Records of all purchasing activity including all communications, responses, advertising, negotiations, award documents, approvals and contract documents must be retained in compliance with the *State Records Act 2000 (WA)*, the Shire of Murray Records Management Policy and associated procedures and procurement practices.

6. Sustainable Procurement and Corporate Social Responsibility

The Shire is committed to supporting suppliers that demonstrate sustainable business practices and high levels of corporate social responsibility (**CSR**). Where appropriate and practicable purchasing employee shall endeavour to consider suppliers demonstrating that they minimise

environmental and negative social impacts and embrace CSR. CSR considerations must be balanced against this policy's intentions and objectives.

7. Buy Local Policy (Excluding Tenders)

As much as practicable, the Shire must:

- where appropriate, consider buying practices, procedures and specifications that do not unfairly disadvantage local businesses;
- consider indirect benefits that have flow on benefits for local suppliers (i.e. servicing and support);
- ensure that procurement planning addresses local business capability and local content;
- explore the capability of local businesses to meet requirements and ensure that Requests for Quotation and Tenders are designed to accommodate the capabilities of local businesses;
- avoid bias in the design and specifications for Requests for Quotation and Tenders. All Requests must be structured to encourage local businesses to bid; and
- provide adequate and consistent information to potential suppliers.

To this extent and for the purposes of supporting buying local, as a demonstrated benefit or contribution to the local economy, suppliers based within the boundaries of the Shire, for at least six (6) months prior to a Request for Quotation being sought, are afforded the following a buy local price preference, for the purposes of assessment:

- 15% for purchases up to \$100,000 (ex GST).
- a flat \$15,000 for all purchases between \$100,000 and \$150,000 (ex GST) during a State of Emergency declaration as defined in the *Emergency Management Act 2005*, section 3.
- a flat \$20,000 for all purchases between \$150,001 and \$250,000, (ex GST) during a State of Emergency declaration as defined in the *Emergency Management Act 2005*, section 3.

A regional price preference in accordance with Council Policy F1 – Regional Price Preference is afforded for procurement by way of Tender.

8. Purchasing from Disability Enterprises

Pursuant to Part 4 of the Regulations, the Shire is not required to publicly invite tenders if the goods and/or services are to be supplied from an Australian Disability Enterprise, as registered on www.ade.org.au. This is contingent on the demonstration of value for money.

Where possible and practicable, Australian Disability Enterprises are to be invited to quote for supplying goods and/or services under the tender threshold. A qualitative weighting for assessment purposes, as outlined in clause 7 of this policy, is to be afforded for the purposes of quotes and tenders to provide advantages to Australian Disability Enterprises.

9. Purchasing from Aboriginal Businesses

Pursuant to Part 4 of the Regulations, the Shire is not required to publicly invite tenders if the goods and/or services are to be supplied from a person registered on the Aboriginal Business Directory published by the Small Business Development Corporation on [Gateway by ICN -](#)

[ABDWA - Home](#), where the expected consideration under contract is worth \$250,000 or less. This is contingent on the demonstration of value for money.

Where possible and practicable, Aboriginal businesses are to be invited to quote for supplying goods and/or services under the tender threshold. A qualitative weighting for assessment purposes, as outlined in Clause 7 of this Policy, is to be afforded for the purposes of quotes and tenders to provide advantages to Aboriginal owned businesses, or businesses that demonstrate a high level of aboriginal employment.

10. Panel of Pre-Qualified Suppliers

To further support effective procurement the Shire may determine to establish a Panel of Pre-qualified Suppliers in accordance with Part 4, Division 3 of the Regulations, The following factors are to apply if a Panel is to be established:

- a determination is to be made that a range of similar goods and/or services are required to be purchased on a continuing and regular basis;
- there are numerous potential suppliers in the local and regional procurement-related market sector(s) that satisfy the test of 'value for money';
- the purchasing activity under the intended Panel is assessed as being of a low to medium risk;
- the Panel will streamline and will improve procurement processes; and
- a capability and capacity exist to establish, manage the risks and achieve the benefits expected of the proposed Panel

Before establishing any Panel of Pre-Qualified Suppliers, extensive consideration of the requirements under the Regulations must be assessed to ensure capacity to maintain compliance.

Any Panel established must have a purchasing methodology including allocation of work and quotation processes. The purchasing methodology must not be varied during the term of the panel unless all panel members are treated equitably and the variation complies with applicable legislation.

All quotation processes, communications, evaluation and award decisions must be documented in accordance with the Shire's recordkeeping requirements. Contracts awarded under a Panel must not exceed twelve months in duration (including extensions) and must comply with purchasing thresholds and value for money principles.

11. Purchase Orders

Supply of goods or services must not commence until a purchase order has been issued, unless exempt from this requirement.

A purchase order where possible should always be raised however may be exempt in the case of the following:

- Payments made through payroll;
- Utilities (service and/or consumption charges/fees only);
- Fees and payments that are statutory, this includes bank fees;

- Other statutory damages, infringements and penalties;
- Loan repayments;
- Lease or license payments, including operating and finance leases;
- Freight, postal charges and fuel cards;
- Goods purchased from petty cash;
- Purchasing card payment (at the time of payment);
- Australia Post commissions;
- Legal Services, where the procurement conforms with the Policy requirements;
- State or Federal Government agencies such as Landgate, Office of State Revenue, Western Australia Planning Commission, Environmental Protection Authority, Department of Commerce, Department Fire and Emergency Services.

12. Financial Authorisation

The CEO shall determine financial authorisation limits for individual positions within the organisation in accordance with regulation 5(e) of the *Local Government (Financial Management) Regulations 1996*. A Financial Authorisation Limit Register shall set out financial authorisation limits for conducting and approving a request for quotation, approving a purchase order, and approving variations.

An employee cannot exceed their financial authorisation as set out in the Financial Authorisation Limit Register unless specifically authorised in writing by the CEO i.e. under periods of higher duties. The Financial Authorisations Limit Register is subject to review and approval by the CEO, such review is to occur annually or as otherwise required.

Legislation

- *Local Government Act 1995*
- *Local Government (Functions and General) Regulations 1996*, Regulation 11A

Related Documents

- Financial Authorisation Limit Register
- Delegated Authority Register

Policy Detail		
Responsible Directorate	Corporate Services	
Responsible Department	Governance	
Responsible Officer	Manager Governance and Risk	
Next Policy Review / Schedule	2029 (3-yearly)	
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