

### F3. Purchasing Policy

#### Policy Objective

To ensure that the purchase of all goods and services will be carried out in a manner that is fully accountable, transparent, free from any perceived or actual bias or conflicts of interest, compliant with relevant legislation, and fully documented in accordance with audit requirements.

#### Policy Statement

The Shire of Dundas will strive to ensure that the highest standards of ethics are observed in the purchasing of goods and services so as to maintain its professional standing and to promote confidence in the integrity of local government processes.

The purpose of the policy is to ensure:

- compliance with all relevant legislation including the *Local Government Act 1995* and the *Local Government (Functions and General) Regulations 1996*;
- all purchasing activities are recorded in compliance with the *State Records Act 2000* and internal management practices for the Shire of Dundas.
- the best value for money is attained for the Shire, while acknowledging the importance of strategic procurement;
- to mitigate probity risk, by establishing processes that promote openness, transparency, fairness and equity to all potential suppliers;
- to ensure that sustainable benefits such as environmental, social and local economic factors are considered in the overall value for money assessment;

#### 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:

- all purchase of goods and services must have the required Council budget appropriation prior to purchase;
- 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 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;
- 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; and
- a purchase order must be approved and issued prior to engaging a supplier to obtain goods or services.

#### Procurement decision

The procurement decision will consider the following:

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- Price - includes transaction costs, delivery, and all other “whole of life costs” relevant to the underlying purchase;
- Quality – any value add recognized, any technical merits, warranties, guarantees and ease of communication;
- Criticality – the degree of importance to operational continuity;
- Commonality/Uniqueness – the degree to which a product or service possesses like or interchangeable characteristics;
- Competitive market – this is attained by obtaining a sufficient number of competitive quotations wherever practicable;
- Lead time and availability;
- Buy local – providing opportunities to quote for businesses in the region, the Regional Price Preference Policy applies to all purchases;
- Safety – associated with product design and specification;
- Financial risk – financial viability and capacity to supply without risk of default;
- Relevant experience/ technical expertise and reputation – dealing with suppliers with reputable managerial and technical capabilities, and good corporate social responsibility while also able to demonstrate sustainable benefits.

The selection criteria that should be used will depend on the above and is a responsibility of officers and employees of the Shire undertaking purchasing activities. Selection is linked to the complexity of the procurement process, this will mean a varying level of consideration undertaken where considering the size and criticality of the purchase.

#### Value for money

Value for money is determined when the consideration of price, risk and qualitative factors are assessed to determine the most advantageous outcome to be achieved for the Shire.

#### Variations to existing contracts

In adherence with sec. 21A of Local Government (Functions and General) Regulations 1996, Variations to contract are not permitted unless

- the variation is necessary 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 term of the contract.

Such variations should be approved by the officer with appropriate purchase delegation or the Council, depending on the total cost of the contract after the variation.

A purchase order must be raised to cover the additional cost of the variation stating reasons and the source of approval (i.e. the Council is applicable).

#### Roles and Responsibilities

Employees will use the local market for their procurement requirements to encourage economic growth and local business partnerships where it is practical and reasonable to do so. Employees are to ensure that the application of a regional price preference is clearly identified within the tender

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and quotation documents to which the preference is to be applied and that this policy is made available to businesses as part of the quotation or tender.

#### Consequences

This policy represents the expected procurement standards of the Shire of Dundas. Elected members and employees are obligated under the Council’s code of conduct to give full effect to the lawful policies, decisions and practices of the Shire. Failure to comply with this policy may lead to disciplinary action.

#### Anti – Avoidance

Orders for the purchase of goods and services are not to be split into lesser-valued individual components so as to circumvent the guidelines associated with the purchasing thresholds established in this policy. Where feasible, orders should be aggregated upwards to provide a contract for the supply of goods and services.

#### Purchasing Thresholds

The following table establishes the guidelines for the purchase of goods and services depending upon the estimated cost (excluding GST)

Purchase Amount	Policy
Less than \$1,500	Direct purchase without quotations from regular suppliers included in the regular supplier list of the Shire
Less than \$2,500	Direct purchase without quotations from a local sole provider within the Shire of Dundas
Less than \$2,500	Direct purchase from suppliers requiring only 1 verbal quote (suppliers not fall in to above two categories)
\$2,501 to \$50,000	Obtain at least two (2) written quotations specifying applicable terms and conditions, and specification of the goods and services
\$50,001 to \$250,000	Obtain at least three (3) written quotations specifying applicable terms and conditions, and specification of the goods and services.
\$250,000 and above	Conduct a public tender process.

**Regular Suppliers:** Quotations are not required for the purchase of goods and services (regular supplies) as per the adopted budget from **regular suppliers** included in the **regular supplier list of the Shire (annexure 1)**. The regular supplier list is reviewed as part of the annual budgeting process.

**Local sole Provider within the Shire of Dundas:** Quotations are not required, however professional discretion and occasional market testing is required. The CEO is required to periodically review the pricing and charges of a person or firm considered to be a local sole provider, comparing their pricing to other providers, to ensure competitive rates are charged.

**WALGA Preferred Suppliers:** Obtain quotations directly from a WALGA Preferred Supply Contracts. It is recommended that wherever possible, the Shire source multiple competitive quotations (at least two Preferred Suppliers) using a formal Request for Quotation process either through eQuotes or directly in writing.

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#### Purchasing administrative requirements

- Any deviation from the above purchasing thresholds needs to be clearly mentioned in the office copy of the purchase order with the CEO’s approval.
- Copies of the quotations need to be attached with the office copy of the purchase order to the Accounts Officer.
- Verbal quotes received are to be documented on the purchase order, name of the supplier, contact number, date/time contacted, value of the quote and any specific conditions.
- Acceptance of any quotation is to be undertaken only by officers authorised to approve orders and only within their respective approval limits as indicated below (limits of authority).

#### Limits of Authority

The following staff members are authorised to sign purchase orders on behalf of the Shire, with limitations as indicated:

Officer:	Limit of Authority:
Chief Executive Officer	As per the adopted annual budget, or by decision of Council for items not included in the budget, relating to expenditure within the organisation.
Manager of Works and Services	Up to and including \$50,000 as per the adopted annual budget, or by decision of Council for items not included in the budget, relating to expenditure within the relevant department.
Manager of Community Development	Up to and including \$50,000 as per the adopted annual budget, or by decision of Council for items not included in the budget, relating to expenditure within the relevant department.
Projects Officer	Up to and including \$50,000 as per the adopted annual budget, or by decision of Council for items not included in the budget, relating to expenditure within the relevant department.
Senior Administration Officer	Up to and including \$10,000 as per the adopted budget. In the absence of other senior staff, purchase orders may be signed with the verbal approval of other senior officers listed in this section, provided that the purchase order is counter signed by that senior officer upon their return.
Youth and Event Officer / Administration and Record Officer	Up to and including \$1,000 as per the adopted budget.

**Note: Any purchase order above \$50,000, a delegated senior manager will process the purchase order in the Synergy system (on behalf of the CEO) for the CEO’s approval.**

#### Election to go to tender below legislated threshold (<= \$250,000, GST exclusive)

If a decision is made to seek public *tenders* for contracts of less than or equal to \$250,000, a Request for *Tender* process entailing all of the procedures for a *tender*, in accordance with the Act and the associated regulations must be followed in full.

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#### **Tendering Exemptions – Sec. 11 (2) of Local Government (Functions and General) Regulations 1996**

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; or
- any of the other exclusions under Regulation 11 of the Regulations apply

#### **Support Local Suppliers**

Before entering into a contract for the purchase of goods and services the Shire shall, give preference to a local supplier where their bid is deemed to be competitive within the guidelines of the “F.4 Regional Price Preference Policy”

#### **Emergency Purchasing**

An emergency purchase required in response to an emergency situation as provided for in the Local Government Act 1995 (natural disaster). In such instances, quotes and tenders are not required to be obtained prior to the purchase being undertaken.

An emergency purchase does not relate to purchases not planned for due to time constraints. Emergency purchases are to include safety hazards / exposure to risk requiring immediate attention and are to be approved by the CEO.

#### **New Suppliers**

##### **Registration**

It will be required for a new supplier to duly complete the “Creditor Creation / Update Request” form and email to [accounts@dundas.wa.gov.au](mailto:accounts@dundas.wa.gov.au). Senior Administration Officer & Senior Manager approval is needed before registering a new creditor in the Synergy system. Once the new creditor is created, the form will be registered in the Shire’s record management system.

Creditor applications will ensure information is provided to verify authenticity and credit worthiness of new suppliers.

##### **Changes to bank details of the registered suppliers**

Any such request must be made in writing using “Creditor Creation / Update Request” form. Shire will contact relevant supplier via a telephone call to verify the request. The call will be made to an existing telephone number. Senior Administration Officer will approve all such amendments. Once the bank details are updated in the system, the form will be registered in the Shire’s record management system.

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As a part of month-end procedure, audit trail of changes to master data file must be printed for verification and approval.

#### Definitions

**Consideration under the Contract:** The value of the work under contract for the term of the contract. Where contracts have renewal options the consideration is the total for the maximum term possible.

**Direct sourcing:** the procurement of goods and/or services by placing an order with the supplier of choice, without seeking other bids.

**eQuotes** is an online system that guides users through the process of selecting potential WALGA preferred suppliers.

**Local business:** is defined in this policy as being a business/organisation substantially trading from a recognised business address within the region. This policy requires the businesses to have been operating out of the local premises for a continuous period of not less than six (6) months.

**Local sole provider:** Is a local business that is the only provider of particular goods and services within the Shire

**Quotation - Written:** Means a statement from a supplier setting out the cost, technical specifications and description for the supply of goods and/or services.

**Regular Supplier:** is a supplier of goods and services on a list of regular suppliers approved by the Council on an annual basis. The suppliers have been selected based on past cost-effective services (i.e. prompt supply, quality product or service and competitive cost).

**Responsible Officer:** is the person responsible for the delivery of the project, good or service that is subject of the tender.

**Sole source of supply:** where it has been clearly established that only one supplier can supply the requirement.

**Tender:** means a Tender required under Clause 11 of *the Local Government (Function and General) Regulations 1996* or other Tender Procedure as determined by Council.

**Term of Contract:** Period of agreement, normally 1 year.

#### Record Keeping

All purchasing activity, communications and transactions must be evidenced and retained as local government records in accordance with the State Records Act 2000 and the Shire's Record Keeping Plan. This includes those with organisations involved in a tender or quotation process, including suppliers.

***Policy Reviewed January 2021***