

COUNCIL POLICY LG509

PURCHASING

KEY FOCUS AREA LEADERSHIP AND GOVERNANCE

Purpose

The purpose of this policy is to demonstrate Council's commitment to ensuring that all Purchasing activities of the Town:

1. Achieve best value for money.
2. Are compliant with all relevant legislation and regulatory obligations.
3. Mitigate probity risk by establishing consistent and demonstrated processes that promote transparency and fairness.

Definitions

Act means the *Local Government Act 1995*.

Purchase Value Threshold means the actual or expected value of a contract over the full contract period, including any options.

Regulations means the *Local Government (Functions and General) Regulations 1996*.

RFT means Request for Tender.

RFQ means Request for Quotation.

WALGA means Western Australian Local Government Association.

Policy

The Town is committed to delivering best practice in purchasing activities that align with the principles of transparency, probity and good governance. The following principles must be observed through all stages of the purchasing activity:

- All purchasing practices shall comply with all relevant legislation, including the Town's Policies and Codes of Conduct.
- Purchasing is to be carried out to deliver on Value for Money principles.
- Purchasing is to be carried out in accordance with approved budget provisions and within financial authority limits.
- All processes, evaluations and decisions shall be transparent, free from bias, merit based and fully documented. Any actual or perceived conflicts of interest are to be identified, disclosed and appropriately managed.
- All employees of the Town must act in an honest and professional manner at all times which supports the standing of the Town. Full accountability shall be taken by employees for all purchasing decisions.
- With respect to RFQ and RFTs all employees are expected to demonstrate due diligence in seeking quotations. The number of quotations obtained, the contract conditions and level of evaluation required should be determined by having regard to the type and nature of the purchase and the associated risk, and not purely the purchase value as set out in the purchasing threshold table.

Value for Money

Value for money is an overarching principle, which underpins purchasing practices through the achievement of a desired outcome at the best possible price.

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

The Town will apply value for money principles when assessing purchasing decisions and acknowledges the lowest price may not always be the most advantageous. Other factors including qualitative and risk criteria will also be given consideration into the decision.

Anti-Avoidance

The Town or its employees shall not, at any stage, seek to 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 in order to reduce the value of the consideration of the purchase below a particular purchasing threshold.

Local Economic Benefit

Under the State Government's Buy Local Policy, Government Agencies and Local Governments, including the Town, are encouraged to maximise participation of local and small businesses in the supply of goods, services and works. As much as practicable, the Town will:

- 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).
- Explore the capability of local businesses to meet requirements and ensure that procurement plans, and 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 provide adequate and consistent information to potential suppliers and be structured to encourage local businesses to bid.

Sustainable Procurement and Corporate Social Responsibility

Where appropriate, the Town shall endeavour to provide an advantage to suppliers demonstrating minimal environmental and negative social impacts, and who embrace sustainable business practices and Corporate Social Responsibility. These considerations must be balanced against value for money outcomes.

Purchasing Thresholds and Practices

The table below prescribes Purchasing Value Thresholds and Purchasing Activities that must be followed:

Purchase Value Threshold /Contract Value (excluding GST)	Purchasing Activity
Under \$3,000	No formal activity required. Value for money principles followed.
Over \$3,000 and up to \$10,000	Obtain at least two (2) oral or written quotations from suppliers. The market must be tested.
Over \$10,000 and up to \$50,000	Obtain at least two (2) written quotations from suppliers following issue of a brief outlining the specified requirement.
Over \$50,000 and up to \$100,000	Obtain at least three (3) written quotations from suppliers following issue of a brief outlining the specified requirement.
Over \$100,000 and up to \$250,000	A formal RFQ process must be followed in accordance with the Act and the Regulations At least three (3) written quotations must be obtained.
Over \$250,000	A formal RFT process must be followed in accordance with the Act and the Regulations subject to the exceptions in Regulation 11(2) and as set out within this policy.

Defining the Purchasing Value

The Town will apply the following principles to assess and determine Purchasing Value to ensure appropriate purchasing practice and threshold management for all purchasing activities:

- Exclude Goods and Services Tax (GST);
- Use the actual or expected value of a contract over the full contract period including the value of all contract extension options;
- Determine the appropriate length of a contract based on the nature of goods and services provided, historical purchasing activity, an assessment of expecting future purchasing requirements, and market conditions.
- All relevant Total Costs of Ownership ('TCO') and benefits including transactional costs associated with acquisition, delivery, distribution, as well as other costs such as but not limited to holding costs, consumables, deployment, maintenance and disposal.

Purchasing activities for the same goods and services should be, where possible, aggregated into a single purchasing activity to achieve the best value for money and efficiencies for the Town.

The calculated estimated purchasing value will determine the applicable threshold and purchasing practice.

Purchasing exemptions under \$250,000

In circumstances where it is inappropriate or not reasonably practicable to adhere to the requirements of this Policy, and where the total value of a purchase does not exceed \$250,000, a waiver of the requirements may be sought for the following exemptions:

- Emergency purchases.
- Purchase of stock that is to be on sold (for example: Aquatic Centre shop, swim wear, goggles, refreshments).
- Services of WALGA and LGIS (for example: subscriptions, insurance, seminars and conferences).
- Services of government entities including, but not limited to Federal, State, Local government entities, and Government Trading Enterprises (GTE's).
- Services from an Australian Disability Enterprise.
- Services or goods from a business registered on the Aboriginal Business Directory of WA
- Newspaper advertising (or online equivalent).
- Advance / Prior Payment of Services (for example: accommodation, travel services, entertainment).
- Memberships, Subscriptions and/or Training Courses that are of a unique nature.
- Annual Services / Software maintenance / Support Fees.
- Fuels and Oils.
- Provision of utility services.
- Reimbursements.
- Purchases for maintenance of equipment from Original Equipment Manufacturer (OEMs) and where warranty provisions may be void.
- Purchases of urgent or unique nature or where exceptional circumstances arise and it is considered in the best interest of the Town, an exemption may be granted by the CEO. When exercised Council is to be advised.

Sole Source of Supply

Where the purchasing requirement is over the value of \$5,000 and of such a unique nature that it can only be supplied from one supplier, the purchase is permitted without the requirement to obtain quotes, undertake a tender or quotation process.

This is only permitted in circumstances where the CEO is satisfied and can provide evidence that there is only one source of supply for those goods, services or works.

The Town must use its best endeavours to determine if the sole source of supply is genuine by exploring if there are any alternative to the service or good. Once determined, the justification must be endorsed by the relevant Director and CEO, prior to a contract being entered into.

WALGA Preferred Suppliers Program and CUE

WALGA Preferred Supplier Panels (PSP) are specific groupings of suppliers that have been pre-qualified and appointed by WALGA to supply a category of goods or services to local governments. Pre-qualification follows a public procurement process by WALGA that is deemed compliant with the relevant legislation and best practice purchasing requirements.

A Common User Agreements (CUA) are contracts for goods and services commonly procured by the State Government.

Under the Regulations, tender exemptions exist for the purchase of goods and services of any value from a PSP or CUA, without having to publicly invite tenders.

Procurement of goods and services through a PSP or CUA are subject to the following requirements:

- For purchases up to \$250,000, the Purchasing Thresholds and Activity contained within the above table are to be complied with.
- Where the value of the goods or services is, or is to be expected to be more than \$250,000, a minimum of three quotes must be obtained.

Expressions of Interest

Expressions of Interest (**EOI**) may be considered in situations where the project is of a significant value or contains significant complexity that it may solicit responses from a considerable range of industry providers. In these cases, the Town may conduct an EOI process, preliminary to any request for Tender process, where the procurement requirement is:

- Unable to be sufficiently scoped or specified;
- Open to multiple options for how the purchasing requirement may be obtained, specified, created or delivered;
- Subject to a creative element; or
- To establish a procurement methodology that allows for an assessment of a significant number of tenderers leading to a shortlisting process based on non-price assessment criteria.

EOI processes are to be conducted in line with Part 4, Division 2 of the Regulations.

Contract Renewals, Extensions and Variations

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

For any other contract, the contract must not be varied unless:

- The variation is necessary in order 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 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 Town will review the ongoing requirements and commence a new competitive purchasing activity in accordance with this Policy.

Document Control Box			
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