

# COUNCIL POLICY LG509

## PURCHASING

KEY FOCUS AREA **Leadership and Governance**



### Purpose

The purpose of this policy is to demonstrate the Town of Claremont's (the Town) commitment to ensuring that all purchasing activities:

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.

**Pre-qualified panel of suppliers** includes a supplier approved through the WALGA preferred supply program or State Government CUA.

**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 aligns with the principles of transparency, probity and good governance. The following principles must be observed through all stages of purchasing:

- All purchasing practices shall comply with all relevant legislation.
- All Town's Policies and the Code of Conduct must be followed.
- Purchasing is to be carried out to deliver the most advantageous outcome for the Town.
- Purchasing is to be carried out in accordance with approved budget provisions.
- All processes, evaluations and decisions shall be transparent, free from bias, merit based and fully documented in accordance with applicable policies, practices and procedures, and audit requirements.
- 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.
- Any actual or perceived conflicts of interest are to be identified, disclosed and appropriately managed.
- 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.

- Employees must only undertake purchasing activities within their authorised limit.

### Purchasing Thresholds and Practices

The table below prescribes the minimum purchasing process that must be followed:

Purchase Value Threshold (excluding GST)	Purchasing Requirements
\$1,000 to \$5,000	Obtain at least <b>two (2)</b> oral or written quotation.
Over \$5,000 and up to \$15,000	Obtain at least <b>two (2)</b> oral or written quotations from suppliers following issue of a brief outlining the specified requirement.
Over \$15,000 and up to \$50,000	Obtain at least <b>three (3)</b> written quotations from suppliers following issue of a brief outlining the specified requirement.
Over \$50,000 and up to \$250,000	A formal RFQ process must be followed in accordance with the Act and the Regulations.  At least <b>three (3)</b> written quotations must be obtained.  RFQ from a pre-qualified suppliers are not required to be invited using a RFQ, however at least three (3) written quotes are still required to 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.

## Purchasing exemptions under \$250,000

The following exemptions where the Town is not required to undertake a competitive purchasing process and where the total value of the purchase does not exceed \$250,000 include:

- Emergency Purchases.
- Purchases where there is a sole source of supply.
- Services of WALGA and LGIS.
- Services of government entities including, but not limited to Federal, State, Local government entities, and Government Trading Enterprises (GTE's).
- Newspaper advertising (or online equivalent).
- Advance / Prior Payment of Services (for example: accommodation, travel services, entertainment, conferences, seminars, Memberships, Subscriptions, training courses).
- 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.

## Emergency Purchases

An emergency purchase is defined as an unanticipated and unbudgeted purchase which is required in response to an emergency situation as provided for in the Act. An emergency purchase does not relate to purchases not planned due to time constraints.

## 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 Town 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 sources of supply. Once determined, the justification for the Sole Source of Supply must be endorsed by the relevant Director, prior to a contract being entered into.

## Panels of Pre-qualified Suppliers

The Town may consider creating a Panel of Pre-qualified Suppliers ("Panel") when a range of similar goods and services are required to be purchased on a continuing and regular basis and it is advantageous to use multiple suppliers. Should the Town determine that a Panel is beneficial to be created, it must do so in accordance with Part 4, Division 3 of the Regulations.

## Expressions of Interest

Expressions of Interest (**EOI**) may be considered in situations where the project is of a significant value or contains significant complexity of project delivery that 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.

## Purchasing Principles

### Value for Money

'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.

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

- 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.
- The technical merits of the goods or services being offered.
- Financial viability and capacity to supply without risk of default.
- A strong element of competition in the allocation of orders or the awarding of contracts.
- The safety requirements associated with both the product design and specification offered by suppliers and the evaluation of risk when considering purchasing goods and services from suppliers.

### Sustainable Procurement and Corporate Social Responsibility

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

### 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).
- Ensure that procurement plans address 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.
- Provide adequate and consistent information to potential suppliers.

Document Control Box			
<b>Legislation:</b>	<i>Local Government Act 1995 s. 3.58 Local Government (Functions and General) Regulations 1996 State Records Act 2000 (WA)</i>		
<b>Organisational:</b>	Purchasing Practice Guide		
Version #	Decision:	OCM Date:	Resolution Number:
1.	Adopted	26 October 1999	862/99
2.	Reviewed	16 December 2003	536/03
3.	Reviewed	17 July 2007	202/07
4.	Modified	5 October 2010	210/10
5.	Modified	6 March 2012	23/12
6.	Reviewed	10 December 2013	360/13
7.	Reviewed	9 December 2014	203/14
8.	Reviewed	15 December 2015	226/15
9.	Modified	2 August 2016	121/16
10.	Reviewed	13 December 2016	206/16
11.	Modified	18 December 2018	228/18
12.	Reviewed	16 February 2021	020/21