



SHIRE OF
HARVEY

A Breath of Fresh Air



Policy 2.2.11 – Purchasing Policy

1. Policy Purpose

The Shire of Harvey is committed to delivering the objectives, principles and practices outlined in this Policy, when purchasing goods, services or works to achieve the Shire's strategic and operational objectives.

2. Policy Scope

This policy applies to the Chief Executive Officer (CEO) and staff sub-delegated to purchase goods, services or works on behalf of the Shire of Harvey to Key Management Personnel and Related Parties of the Shire of Harvey Policy scope

3. Policy

The Shire of Harvey's purchasing activities will:

- Achieve best value for money that considers sustainable benefits, such as; environmental, social and local economic factors.
- Foster economic development by maximising participation of local businesses in the delivery of goods and services.
- Use consistent, efficient and accountable purchasing processes and decision-making, including; competitive quotation processes, assessment of best value for money and sustainable procurement outcomes for all purchasing activity, including tender exempt arrangements.
- Apply fair and equitable competitive purchasing processes that engage potential suppliers impartially, honestly and consistently.
- Commit to probity and integrity, including the avoidance of bias and of perceived and actual conflicts of interest.
- Comply with the *Local Government Act 1995*, Local Government (Functions and General) Regulations 1996, as well as any relevant legislation, Codes of Practice, Standards and the Shire of Harvey's Policies and procedures.
- Identify and manage risks arising from purchasing processes and purchasing outcomes in accordance with the Shire of Harvey's Risk Management framework.

- Ensure records created and maintained to evidence purchasing activities in accordance with the *State Records Act 2000* and the Shire of Harvey's Record Keeping Plan.
- Ensure confidentiality that protects commercial-in-confidence information and only releases information where appropriately approved.

3.1. Ethics and integrity

Value for money is achieved through the critical assessment of price, risk, timeliness, environmental, social, economic and qualitative factors to determine the most advantageous supply outcome that contributes to the Shire of Harvey achieving its strategic and operational objectives.

The Shire of Harvey will apply value for money principles when assessing purchasing decisions and acknowledges that the lowest price may not always be the most advantageous.

3.2. Value for money

Value for money is achieved through the critical assessment of price, risk, timeliness, environmental, social, economic and qualitative factors to determine the most advantageous supply outcome that contributes to the Shire of Harvey achieving its strategic and operational objectives.

The Shire of Harvey will apply value for money principles when assessing purchasing decisions and acknowledges that the lowest price may not always be the most advantageous.

3.2.1. Assessing value for money

Assessment of value for money will consider:

- All relevant Total Costs of Ownership (TCO) 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, training, 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. This includes but is not limited to an assessment of compliances, tenderers resources available, capacity and capability, value-adds offered, warranties, guarantees, repair and replacement policies, ease of inspection, ease of after sales service, ease of communications etc.
- Financial viability and capacity to supply without the risk of default (competency of the prospective suppliers in terms of managerial and technical capabilities and compliance history).
- A strong element of competition by obtaining a sufficient number of competitive quotations wherever practicable and consistent with this Policy.
- The safety requirements and standards associated with both the product design and the specification offered by suppliers and the evaluation of risk arising from the supply, operation and maintenance.
- The environmental, economic and social benefits arising from the goods, services or works required, including consideration of these benefits in regard to the supplier's operations, in accordance with this Policy and any other relevant Shire of Harvey Policy.

- Providing opportunities for businesses within the Shire of Harvey's boundaries to quote wherever possible.

3.3. Purchasing practices and thresholds

3.3.1. Defining the purchase value

The Shire of Harvey will apply reasonable and consistent methodologies to assess and determine Purchasing Values, which ensure:

- The appropriate purchasing threshold and practice is applied in all purchasing activities.
- Wherever possible, purchasing activity for the same category of supply is aggregated into single contract arrangements to achieve best value and efficiency in future purchasing activities where the requirements are able to be provided by a single supplier.

A **category of supply** can be defined as groupings of similar goods or services with common: supply and demand drivers; market characteristics; or suppliers.

3.3.2. Strategic purchasing value assessments

The Shire of Harvey will periodically review recent past purchasing activity across its operations to identify categories of supply for which the Shire of Harvey will have continuing need and which can be aggregated into single contract arrangements in order to achieve best value for money and efficiency in future purchasing activity.

The assessment of aggregated expenditure for the same category of supply capable of being supplied by a single supplier will determine the Purchasing Value threshold applicable to future purchasing activity.

3.3.3. Individual purchasing value assessments

In any case, where there is no relevant current contract, each purchasing activity is to assess the Purchasing Value based upon the following considerations:

- Exclusive of Goods and Services Tax (GST).
- The estimated total expenditure for the proposed supply including the value of all contract extension options and where applicable, the total cost of ownership considerations.
- The appropriate length of a contract is to be determined based on market volatility, ongoing nature of supply, historical purchasing evidence and estimated future purchasing requirements.
- Requirements must not be split to avoid purchasing or tendering thresholds [F&G Reg. 12].

The calculated estimated Purchasing Value will determine the applicable threshold and purchasing practice to be undertaken.

3.3.4. Purchasing thresholds

Where the value of procurement (excluding GST) for the value of the contract over the full contract period (including options to extend) is, or is expected to be:

Amount of Purchase (exc. GST)	Policy
Up to \$5,000	Direct purchase from suppliers requiring only one verbal quotation.
\$5,001 - \$19,999	Seek at least two verbal or written quotations. If purchasing from a Western Australia Local Government Association (WALGA) PSA, CUA or other tender exempt arrangement, a minimum of one written quotation is to be obtained.
\$20,000 - \$59,999	Seek at least two written quotations. If purchasing from a WALGA PSA, CUA or other tender exempt arrangement, a minimum of one written quotation is to be obtained.
\$60,000 - \$249,999	Seek at least three written responses from suppliers by invitation under a formal Request for Quotation containing price and specification of goods and services (with procurement decision based on value for money principles (above).
\$250,000 and above	Conduct a Public Tender process in accordance with the <i>Local Government Act 1995</i> and relevant Shire of Harvey Policy and procedures. Tender Exempt arrangements (i.e. WALGA PSA, CUA or other tender exemption under F&G Reg.11(2)) require at least three written responses from suppliers by invitation under a formal Request for Quotation.
Emergency Purchases (Within Budget)	Must be approved by the President or by the Chief Executive Officer under delegation and reported to the next available Council Meeting.
Emergency Purchases (Not Included in Budget)	Only applicable where, authorised in advance by the Shire President in accordance with s.6.8 of the <i>Local Government Act 1995</i> and reported to the next available Council Meeting.

Note: Where it is considered beneficial, tenders may be called in lieu of seeking quotations for purchases under the \$250,000 threshold (excluding GST). If a decision to seek public tenders for Contracts of less than, \$250,000 a Request for Tender process that entails all the procedures for tendering outlined in this policy must be followed in full.

Quotations can be obtained directly from a pre-qualified panel of suppliers which include WALGA Preferred Supplier Contracts. Quotations can also be obtained via WALGA's eQuotes web based procurements system.

3.3.5. Tender exemption

In the following instances public tenders of quotation procedures are not required regardless of the value of expenditure:

- An emergency situation as defined by the *Local Government Act 1995*.
- The purchase is from a WALGA Preferred Supplier Contract or Business Service (PSA). All WALGA Preferred Supply Contracts have been established utilising a competitive public procurement process to pre-qualify suppliers that meet compliance requirements and offer optimal value for money to the Local Government Sector.
- The purchase is for insurance services from Local Government Insurance Services (LGIS).
- The purchase is from a Department of Finance Common Use arrangement (CUA), where Local Government use is permitted, a regional Local Government 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 Local Government (Functions and General) Regulations 1996 apply.
- Within six months of no tender being accepted.

3.3.6. Emergency purchases

Emergency purchases are defined as the supply of goods or services associated with:

- A local emergency and the expenditure is required (within existing budget allocations) to respond to an imminent risk to public safety, or to protect or make safe property or infrastructure assets.
- A local emergency and the expenditure is required (with no relevant available budget allocation) to respond to an imminent risk to public safety, or to protect or make safe property or infrastructure assets in accordance with s.6.8 of the *Local Government Act 1995* and Functions and General Regulation 11(2)(a).
- A State of Emergency declared under the *Emergency Management Act 2005* and therefore, Functions and General Regulations 11(2)(aa), (ja) and (3) apply to vary the application of this policy.

3.3.7. Inviting Tenders though not required to do so

The Shire of Harvey may determine to invite Public Tenders, despite the estimated Purchase Value being less than the \$250,000 prescribed tender threshold, but only where an assessment determines that the purchasing requirement cannot be met through a tender exempt arrangement and the use of a public tender process will enhance; value for money, efficiency, risk mitigation and sustainable procurement benefits.

In such cases, the tender process must comply with the legislative requirements and the Shire of Harvey's tendering procedures [F&G Reg.13].

3.3.8. Expressions of interest

Expressions of Interest (EOI) will be considered as a prerequisite to a tender process [F&G Reg.21] where the required supply evidences one or more of the following criteria:

- Unable to sufficiently scope or specify the requirement.
- There is significant variability for how the requirement may be met.
- There is potential for suppliers to offer unique solutions and/or multiple options for how the purchasing requirement may be obtained, specified, created or delivered.
- Subject to a creative element.
- Provides a procurement methodology that allows for the assessment of a significant number of potential tenderers leading to a shortlisting process based on non-price assessment.

All EOI processes will be based upon qualitative and other non-price information only.

3.3.9. Sole source of supply (monopoly suppliers)

The procurement of goods and/or services available from only one private sector source of supply, (i.e. manufacturer, supplier or agency) is permitted without the need to call competitive quotations provided that there must genuinely be only one source of supply.

Every endeavour to find alternative sources should be made.

3.3.10. Anti-Avoidance

The Local Government shall not enter two or more contracts of a similar nature for the purpose of splitting the value of the contracts to take the value of consideration below the level of, \$250,000 thereby avoiding the need to publicly tender.

3.3.11. Contract renewals, extensions and variations

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

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

1. The variation is necessary in order for the goods or services to be supplied and does not change the scope of the contract.
2. 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.
3. Upon expiry of the original contract, and after any options for renewal or extension included in the original contract have been exercised, the Shire of Harvey is required to review the purchasing requirements and commence a new competitive purchasing process in accordance with this Policy.

3.4. Sustainable procurement

The Shire of Harvey is committed to implementing sustainable procurement by providing a preference to suppliers that demonstrate sustainable business practices (social advancement, environmental protection and local economic benefits).

The Shire of Harvey will apply Sustainable Procurement criteria as part of the value for money assessment to ensure that wherever possible our suppliers demonstrate outcomes which contribute to improved environmental, social and local economic outcomes.

Sustainable Procurement can be demonstrated as being internally focused (i.e. operational environmental efficiencies or employment opportunities and benefits relating to special needs), or externally focused (i.e. initiatives such as corporate philanthropy).

Requests for Quotation and Tenders will include a request for Suppliers to provide information regarding their sustainable practices and/or demonstrate that their product or service offers enhanced sustainable benefits.

3.4.1. Local economic benefit

The Shire of Harvey promotes economic development through the encouragement of competitive participation in the delivery of goods and services by local suppliers permanently located within its District first, and secondly, those permanently located within its broader region. As much as practicable, the Shire of Harvey will:

- Consider buying practices, procedures and specifications that encourage the inclusion of local businesses and the employment of local residents.
- Consider indirect benefits that have flow on benefits for local suppliers (i.e. servicing and support).
- Ensure that procurement plans, and analysis is undertaken prior to develop Requests to understand local business capability and local content availability where components of goods or services may be sourced from within the District for inclusion in selection criteria.
- 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.
- Consider the adoption of Key Performance Indicators (KPIs) within contractual documentation that require successful Contractors to increase the number of employees from the District first.
- Provide adequate and consistent information to local suppliers.

To this extent, a weighted qualitative criterion will be included in the selection criteria for Requests for Quotation and Tenders where suppliers are located within the boundaries of the Shire of Harvey, or substantially demonstrate a benefit or contribution to the local economy.

3.5. Socially sustainable procurement

The Shire of Harvey will support the purchasing of requirements from socially sustainable suppliers such as Australian Disability Enterprises and Aboriginal businesses wherever a value for money assessment demonstrates benefit towards achieving the Shire of Harvey's strategic and operational objectives.

A qualitative weighting will be used in the evaluation of Requests for Quotes and Tenders to provide advantages to socially sustainable suppliers in instances where the below tender exemptions are not exercised.

3.5.1. Aboriginal businesses

Functions and General Regulation 11(2)(h) provides a tender exemption if the goods or services are supplied by a person on the Aboriginal Business Directory WA published by the Chamber of Commerce and Industry of Western Australia, or Australian Indigenous Minority Supplier Office Limited (trading as Supply Nation), where the consideration under contract is \$250,000 or less, or worth \$250,000 or less.

The Shire of Harvey will first consider undertaking a quotation process with other suppliers (which may include other registered Aboriginal Businesses as noted in F&G Reg.11(2)(h)) to determine overall value for money for the Shire of Harvey.

Where the Shire of Harvey makes a determination to contract directly with an Aboriginal Business for any amount up to and including \$250,000 (ex GST), it must be satisfied through alternative means that the offer truly represents value for money.

If the contract value exceeds \$50,000 (ex GST), a formal Request for Quotation will be issued to the relevant Aboriginal business. The rationale for making the purchasing decision must be recorded in accordance with the Shire of Harvey's Record Keeping Plan.

3.5.2. Australian Disability Enterprises

Functions and General Regulation 11(2)(i) provides a tender exemption if the goods or services are supplied by an Australian Disability Enterprise.

The Shire of Harvey will first consider undertaking a quotation process with other suppliers (which may include other Australian Disability Enterprises) to determine overall value for money for the Shire of Harvey.

Where the Shire of Harvey makes a determination to contract directly with an Australian Disability Enterprise for any amount, including an amount over the Tender threshold of \$250,000 (ex GST), it must be satisfied through alternative means that the offer truly represents value for money.

If the contract value exceeds \$50,000 (ex GST), a formal Request for Quotation will be issued to the relevant Aboriginal business. The rationale for making the purchasing decision must be recorded in accordance with the Shire of Harvey's Record Keeping Plan.

3.6. Environmentally sustainable procurement

The Shire of Harvey will support the purchasing of recycled and environmentally sustainable products whenever a value for money assessment demonstrates benefit toward achieving the Shire of Harvey's strategic and operational objectives.

Qualitative weighted selection criteria will be used in the evaluation of Requests for Quote and Tenders to provide advantages to suppliers which:

- Demonstrate policies and practices that have been implemented by the business as part of its operations.
- Generate less waste material by reviewing how supplies, materials and equipment are manufactured, purchased, packaged, delivered, used, and disposed.
- Encourage waste prevention, recycling, market development and use of recycled/recyclable materials.

3.7. Record Keeping

All Local Government 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 of Harvey's Record Keeping Plan.

In addition, the Shire of Harvey must consider and will include in each contract for the provision of works or services, the contractor's obligations for creating, maintaining and where necessary the transferal of records to the Shire of Harvey relevant to the performance of the contract.

3.8. Purchasing Policy non-compliance

The Purchasing Policy is mandated under the *Local Government Act 1995* and Regulation 11A of the Local Government (Functions and General) Regulations 1996 and therefore the policy forms part of the legislative framework in which the Local Government is required to conduct business.

Where legislative or policy compliance is not reasonably able to be achieved, records must evidence the rationale and decision making processes that substantiate the non-compliance.

Purchasing activities are subject to internal and external financial and performance audits, which examine compliance with legislative requirements and the Shire of Harvey's policies and procedures.

If non-compliance with legislation, this Purchasing Policy or the Code of Conduct, is identified it must be reported to the Chief Executive Officer or the Director Corporate Services.

A failure to comply with legislation or policy requirements, including compliance with the Code of Conduct when undertaking purchasing activities, may be subject to investigation, with findings to be considered in context of the responsible person's training, experience, seniority and reasonable expectations for performance of their role.

Where a breach is substantiated it may be treated as:

- An opportunity for additional training to be provided.
- A disciplinary matter, which may or may not be subject to reporting requirements under the *Public Sector Management Act 1994*.
- Where the beach is also identified as potentially serious misconduct, the matter will be reported in accordance with the *Corruption, Crime and Misconduct Act 2003*.

4. Strategic Objective

The policy aligns with the following strategic objective:



Effective civic leadership

Effective civic leadership is visionary and influential. It means listening to the community, balancing competing demands, making fair decisions and acting with integrity.

5. Definitions

Tender means a formal, structured invitation to suppliers to submit a bid to supply products or services.

6. Legislation

- *Local Government Act 1995* s.2.7(2)(a) and (b) and s.6.5(a)
- Local Government (Financial Management) Regulations 1996 s.11(1)(a).
- Local Government (Functions and General) Regulations 1996 Part 4 and Part 4A

7. Related Documents

- Delegation 1.2.2 – Tenders for goods and services
- Delegation 1.2.11 – Financial Management Systems and Procedures

Responsible officer	Director Corporate Services		
Responsible team	Finance		
Responsible area	Corporate Services		
Version control	Date	Resolution	Number
Version 1	27.03.2007	Resolution	21458
Version 2	12.08.2008	Resolution	08/350
Version 3	15.04.2014	Resolution	14/101
Version 4	15.09.2015	Resolution	15/264
Version 5	21.11.2017	Resolution	17/319
Version 6	22.01.2019	Resolution	19/020
Version 7	28.04.2020	Resolution	20/096
Version 8	23.11.2021	Resolution	21/233
Version 9	23.05.2023	Resolution	23/068