

PURCHASING AND TENDER GUIDE

DIVISION	BUSINESS UNIT	RESPONSIBILITY AREA
Corporate Services	Finance	Financial Management

1.1 OBJECTIVES

- To provide compliance with the Local Government Act, 1995 and the Local Government (Functions and General) Regulations, 1996.
- To deliver a best practice approach and procedures to internal purchasing for the Shire of Plantagenet.
- To ensure consistency for all purchasing activities that integrate within all the Shire of Plantagenet operational areas.

1.2 WHY DO WE NEED A PURCHASING POLICY?

The Shire of Plantagenet is committed to setting up efficient, effective, economical and sustainable procedures in all purchasing activities. This policy:

- Provides the Shire of Plantagenet with a more effective way of purchasing goods and services;
- Ensures that purchasing transactions are carried out in a fair and equitable manner;
- Strengthens integrity and confidence in the purchasing system;
- Ensures that the Shire of Plantagenet receives value for money in its purchasing;
- Ensures that the Shire of Plantagenet considers the environmental impact of the procurement process across the life cycle of goods and services;
- Ensures the Shire of Plantagenet is compliant with all regulatory obligations;
- Promotes effective governance and definition of roles and responsibilities;
- Upholds respect from the public and industry for the Shire of Plantagenet’s purchasing practices that withstands probity examination; and
- Ensure the Council’s Occupational Health and Safety Policy is considered when making purchasing decisions.

1.3 ETHICS AND INTEGRITY

All officers and employees of the Shire of Plantagenet shall observe the highest standards of ethics and integrity in undertaking purchasing activity and act in an honest and professional manner that supports the standing of the Shire of Plantagenet.

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:

- Full accountability shall be taken for all purchasing decisions and the efficient, effective and proper expenditure of public moneys based on achieving value for money;
- All purchasing practices shall comply with relevant legislation, regulations, and requirements consistent with the Shire of Plantagenet policies and Code of Conduct;
- Purchasing is to be undertaken on a competitive basis in which 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 audit requirements;
- Any actual or perceived conflicts of interest are to be identified, disclosed and appropriately managed; and
- Any information provided to the Shire of Plantagenet by a supplier shall be treated as commercial-in-confidence and should not be released unless authorised by the supplier or relevant legislation.

1.4 VALUE FOR MONEY

Value for money is an overarching principle governing purchasing that allows the best possible outcome to be achieved for the Shire of Plantagenet. It is important to note that compliance with the specification is more important than obtaining the lowest price, particularly taking into account user requirements, quality standards, sustainability, life cycle costing, and service benchmarks.

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

- All relevant whole-of-life costs and benefits, whole of life cycle costs (for goods) and whole of contract life costs (for services) 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 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); and
- A strong element of competition in the allocation of orders or the awarding of contracts. This is achieved by obtaining a sufficient number of competitive quotations wherever practicable.

Where a higher priced conforming offer is recommended, there should be clear and demonstrable benefits over and above the lowest total priced, conforming offer.

1.5 SUSTAINABLE PROCUREMENT

Sustainable Procurement is defined as the procurement of goods and services that have less environmental and social impacts than competing products and services.

The Shire of Plantagenet is committed to sustainable procurement and where appropriate shall endeavour to design quotations and tenders to provide an advantage to goods, services and / or processes that minimise environmental and negative social impacts. Sustainable considerations must be balanced against value for money outcomes in accordance with the Shire of Plantagenet's sustainability objectives.

Practically, sustainable procurement means the Shire of Plantagenet shall endeavour at all times to identify and procure products and services that:

- Have been determined as necessary;
- Demonstrate environmental best practice in energy efficiency / and or consumption which can be demonstrated through suitable rating systems and eco-labelling;
- Demonstrate environmental best practice in water efficiency;
- Are environmentally sound in manufacture, use, and disposal with a specific preference for products made using the minimum amount of raw materials from a sustainable resource, that are free of toxic or polluting materials and that consume minimal energy during the production stage;
- Products that can be refurbished, reused, recycled or reclaimed shall be given priority, and those that are designed for ease of recycling, re-manufacture or otherwise to minimise waste;
- For motor vehicles – select vehicles featuring the highest fuel efficiency available, based on vehicle type and within the designated price range; and
- For new buildings and refurbishments – where available use renewable energy and technologies.

1.6 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	Policy
Up to \$1,000	Direct purchase from suppliers requiring only two (2) verbal quotations.
\$1,001 - \$19,999	Obtain at least three (3) verbal or written quotations.
\$20,000 - \$39,999	Obtain at least three (3) written quotations
\$40,000 - \$99,999	Obtain at least three (3) written quotations containing price and specification of goods and services (with procurement decision based on all value for money considerations).
\$100,000 and above	Conduct a public tender process.

Where it is considered beneficial, tenders may be called in lieu of seeking quotations for purchases under the \$100,000 threshold (excluding GST). If a decision is made to seek public tenders for Contracts of less than \$100,000, a Request for Tender process that entails all the procedures for tendering outlined in this policy must be followed in full.

1.6.1 Up to \$1,000

Where the value of procurement of goods or services does not exceed \$1,000, purchase on the basis of at least two (2) verbal quotations is permitted. However it is recommended to use professional discretion and occasionally undertake market testing with a greater number or more formal forms of quotation to ensure best value is maintained.

This purchasing method is suitable where the purchase is relatively small and low risk.

Record keeping requirements must be maintained in accordance with record keeping policies. The WALGA Purchasing and Tender Guide contains a sample form for recording verbal quotations.

1.6.2 \$1,001 to \$19,999

This category is for the procurement of goods or services where the value of such procurement ranges between \$1,001 and \$19,999.

At least three verbal or written quotations (or a combination of both) are required. Where this is not practical eg: due to limited suppliers, it must be noted through records relating to the process.

The general principles for obtaining verbal quotations are:

- Ensure that the requirement / specification is clearly understood by the Shire of Plantagenet employee seeking the verbal quotations.
- Ensure that the requirement is clearly, accurately and consistently communicated to each of the suppliers being invited to quote.
- Read back the details to the Supplier contact person to confirm their accuracy.
- Written notes detailing each verbal quotation must be recorded.

Record keeping requirements must be maintained in accordance with record keeping policies. The Western Australian Local Government Association Purchasing and Tender Guide contains sample forms for recording verbal and written quotations.

1.6.3 \$20,000 to \$39,999

For the procurement of goods or services where the value exceeds \$20,000 but is less than \$39,999, it is required to obtain at least three written quotes (commonly a sufficient number of quotes would be sought according to the type and nature of purchase).

The responsible officer is expected to demonstrate due diligence seeking quotes and to comply with any record keeping and audit requirements. Record keeping requirements must be maintained in accordance with record keeping policies.

NOTES: The general principles relating to written quotations are:

- An appropriately detailed specification should communicate requirement(s) in a clear, concise and logical fashion.
- The request for written quotation should include as a minimum:
 - Written Specification;
 - Selection Criteria to be applied;
 - Price Schedule;
 - Conditions of responding; and
 - Validity period of offer.
- Invitations to quote should be issued simultaneously to ensure that all parties receive an equal opportunity to respond;

- Offer to all prospective suppliers at the same time any new information that is likely to change the requirements;
- Responses should be assessed for compliance, then against the selection criteria, and then value for money and all evaluations documented; and
- Respondents should be advised in writing as soon as possible after the final determination is made and approved.

The tender guide produced by the Western Australian Local Government Association should be consulted for further details and guidance.

1.6.4 \$40,000 to \$99,999

For the procurement of goods or services where the value exceeds \$40,000 but is less than \$99,999, it is required to obtain at least three written quotations containing price and a sufficient amount of information relating to the specification of goods and services being purchased.

The Western Australian Local Government Association Purchasing and Tender Guide has a series of forms including a Request for Quotation Template which can assist with recording details. Record keeping requirements must be maintained in accordance with record keeping policies.

For this procurement range, the selection should not be based on price alone, and it is strongly recommended to consider some of the qualitative factors such as quality, stock availability, accreditation, time for completion or delivery, warranty conditions, technology, maintenance requirements, organisation's capability, previous relevant experience and any other relevant factors as part of the assessment of the quote.

1.7 REGULATORY COMPLIANCE

1.7.1 Tender Exemption

In the following instances public tenders or 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 under a contract of WALGA (Preferred Supplier Arrangements), Department of Treasury and Finance (permitted Common Use Arrangements), Regional Council, or another Local Government;
- The purchase is under auction which has been authorised by the Council;
- The contract is for petrol, oil, or other liquid or gas used for internal combustion engines; and
- Any of the other exclusions under Regulation 11 of the Local Government (Functions and General) Regulations 1996 apply.

1.7.2 Sole Source of Supply (Monopoly Suppliers)

The procurement of goods and / or services available from only one private sector source of supply (ie: manufacturer, supplier or agency) is permitted without the need to call competitive quotations provided that there must genuinely be only one (1) source of supply. Every endeavour to find alternative sources must be made. Written confirmation of this must be kept on file for later audit.

Note: The application of provision 'sole source of supply' should only occur in limited cases and procurement experience indicates that generally more than one supplier is able to provide the requirements.

1.7.3 Anti-Avoidance

The Shire of Plantagenet shall not enter two (2) 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 \$100,000, thereby avoiding the need to publicly tender.

1.7.4 Tender Criteria

The Shire of Plantagenet shall, before tenders are publicly invited, determine in writing the criteria for deciding which tender should be accepted.

The evaluation panel shall be established prior to the advertising of a tender and include a mix of skills and experience relevant to the nature of the purchase.

For Requests with a total estimated (ex GST) price of:

- Between \$40,000 and \$99,999, the panel must contain a minimum of two (2) members; and
- \$100,000 and above, the panel must contain a minimum of three (3) members.

1.7.5 Advertising Tenders

Tenders are to be advertised in a state wide publication eg: 'The West Australian' newspaper Local Government Tenders section, preferably on a Wednesday or Saturday.

The tender must remain open for at least fourteen days after the date the tender is advertised. Care must be taken to ensure that fourteen full days are provided as a minimum.

The notice must include:

- a brief description of the goods or services required;
- information as to where and how tenders may be submitted; and
- the date and time after which tenders cannot be submitted;
- particulars identifying a person from whom more detailed information as to tendering may be obtained;
- detailed information shall include;
 - such information as the Shire of Plantagenet decides should be disclosed to those interested in submitting a tender;
 - detailed specifications of the goods or services required;
 - the criteria for deciding which tender should be accepted;
 - whether or not the Shire of Plantagenet has decided to submit a tender; and
 - whether or not tenders can be submitted by facsimile or other electronic means, and if so, how tenders may so be submitted.

1.7.6 Issuing Tender Documentation

Tenders will not be made available (counter, mail, internet, referral, or other means) without a robust process to ensure the recording of details of all parties who acquire the documentation.

This is essential as if clarifications, addendums or further communication is required prior to the close of tenders, all potential tenderers must have equal access to this information in order for the Shire of Plantagenet not to compromise its duty to be fair.

1.7.7 Tender Deadline

A tender that is not received in full in the required format by the advertised Tender Deadline shall be rejected.

1.7.8 Opening of Tenders

No tenders are to be removed from the tender box, or opened (read or evaluated) prior to the Tender Deadline.

Tenders are to be opened in the presence of the Chief Executive Officer's delegated nominee and preferably at least one other Council Officer. The details of all tenders received and opened shall be recorded in the Tender Register.

Tenders are to be opened in accordance with the advertised time and place. There is no obligation to disclose or record tendered prices at the tender opening, and price information should be regarded as *commercial-in-confidence* to the Shire of Plantagenet. Members of the public are entitled to be present.

The Tender Offer form, Price Schedule and other appropriate pages from each tender shall be date stamped and initialled by at least two (2) Shire of Plantagenet Officers present at the opening of tenders.

1.7.9 No Tenders Received

Where the Shire of Plantagenet has invited tenders, however no compliant submissions have been received, direct purchases can be arranged on the basis of the following:

- a sufficient number of quotations are obtained;
- the process follows the guidelines for seeking quotations between \$40,000 and \$99,999 (listed above);
- the specification for goods and / or services remains unchanged; and
- purchasing is arranged within six (6) months of the closing date of the lapsed tender.

1.7.10 Tender Evaluation

Tenders that have not been rejected shall be assessed by the Shire of Plantagenet by means of a written evaluation against the pre-determined criteria. The tender evaluation panel shall assess each tender that has not been rejected to determine which tender is most advantageous.

1.7.11 Addendum to Tender

If, after the tender has been publicly advertised, any changes, variations or adjustments to the tender document and/or the conditions of tender are required, the Shire of Plantagenet may vary the initial information by taking reasonable steps to give each person who has sought copies of the tender documents notice of the variation.

1.7.12 Minor Variation

If after the tender has been publicly advertised and a successful tenderer has been chosen but before the Shire of Plantagenet and tenderer have entered into a Contract, a minor variation may be made by the Shire of Plantagenet.

A minor variation will not alter the nature of the goods and / or services procured, nor will it materially alter the specification or structure provided for by the initial tender.

1.7.13 Notification of Outcome

Each tenderer shall be notified of the outcome of the tender following Council resolution. Notification shall include:

- The name of the successful tenderer
- The total value of consideration of the winning offer

The details and total value of consideration for the winning offer must also be entered into the Tenders Register at the conclusion of the tender process.

1.7.14 Records Management

All records associated with the tender process or a direct purchase process must be recorded and retained. For a tender process this includes:

- Tender documentation;
- Internal documentation;
- Evaluation documentation;
- Enquiry and response documentation; and
- Notification and award documentation.

For a direct purchasing process this includes:

- Quotation documentation;
- Internal documentation; and
- Order forms and requisitions.

Record retention shall be in accordance with the minimum requirements of the State Records Act and the Shire of Plantagenet's internal records management policy.'

ADOPTED: 13 February 2007

LAST REVIEWED: