

FINANCE / ACCOUNTING

F 4.2 Purchasing & Tendering Policy

<i>Responsible Department</i>	Corporate Services
<i>Resolution Number</i>	C.3638
<i>Resolution Date</i>	17/04/2019
<i>Next Scheduled Review</i>	2021
<i>Related Shire Documents</i>	
<i>Related Legislation</i>	Local Government Act 1995 – s3.57 Tenders Local Government (Functions & General) Regulations 2000 - Part 4A Local Government (Administration) Amendment Regulations 2000 – s29

OBJECTIVE

To provide compliance with the Local Government Act, 1995 and the Local Government Act (Functions and General) Regulations, 1996 (as amended March 2007).

To deliver the best practice approach and procedures to internal purchasing for the Shire.

To ensure consistency for all purchasing activities that integrates within all the Shire operational areas.

SCOPE

The policy applies to purchases.

POLICY

The purpose of this policy is to ensure consistency and efficiency for purchasing and procurement across all the Shire of Northam's operational areas in order to maximise value for the Shire and the community by obtaining the best balance of conditions of supply, quality and price.

This policy sets out the requirements that must be complied with by the Shire, including purchasing thresholds and processes, these are compliant with the Local Government (Functions and General) Regulations 1996, as the relevant legislation

2. Why Do We Need A Purchasing Policy?

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

- Provides the Shire 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 receives value for money in its purchasing.
- Ensures that the Shire considers the environmental impact of the procurement process across the life cycle of goods and services.
- Ensures the Shire is compliant with all regulatory obligations.
- Promotes effective governance and definition of roles and responsibilities.
- Uphold respect from the public and industry for the Shire's purchasing practices that withstands probity.

3. Ethics & Integrity

All officers and employees of the Shire 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.

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 monies based on achieving value for money;
- all purchasing practice s shall comply with relevant legislation, regulations, and requirements consistent with the Shire 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 by a supplier shall be treated as commercial-in-confidence and should not be released unless authorised by the supplier or relevant legislation.

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. 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. The tender or quote offering the lowest price may not necessarily be successful. Being within budget does not in itself represent value for money.

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);
- 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. When motor vehicles are due for renewal under Council's policy, prices must be obtained from at least two Shire of Northam based dealers

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

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 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's sustainability objectives.

Practically, sustainable procurement means the Shire 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 suitable for operational needs and within the designated price range and potential replacement values in the context of individual employee contractual obligations;
- For new buildings and refurbishments – where available use renewable energy and technologies.

6. Risk

Purchase and procurement is to take into consideration, a risk assessment of the product or service to ensure potential hazards are identified and mitigation strategies determined, before the product or service is introduced into the workplace.

7. 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:-

Table 1 Purchasing Thresholds – Requirements

Purchase Thresholds (excluding GST)	Minimum Requirements
Less than \$3000	No quotations required. Officers are to use professional judgment and discretion to determine if prices or rates are value for money.
\$3,000 to \$7,500	Verbal quotations to be sought from three (3) suppliers where possible with the successful quote supplied in writing.
\$7,500 to \$50,000	Three written quotations or purchase through the Local Government Purchasing Service of the WA Local Government Association (WALGA) where possible.
Above \$50,000 to \$150,000	Obtain at least three written quotations containing price and specification of goods and services (with the procurement decision based on value for money considerations) or purchase through the Local Government Purchasing Service of WALGA.
Above \$150,000	Public tender or purchase through the Local Government Purchasing Service of WALGA.

Anti-Avoidance

Officers shall not create more than one purchase order with one supplier to avoid either exceeding their authorisation limit or creeping into the next purchasing threshold.

Quotation purchasing threshold procedures

It is not a prerequisite that every possible supplier is requested to quote, however the responsible officer is to use previous experience with suppliers and local knowledge to invite suitable suppliers to quote. One of the main aims for multiple quotes is to have a range of quotes to choose from to help determine value for money. A formal request for quotation (RFQ) process must be conducted by the responsible officer in conjunction with the Shire's Purchasing Officer and is subject to formal evaluation, review and approvals. Purchasing threshold requirements for quotations are as follows:

- **Less than \$3,000 (excl. GST)**

In cases where reactive maintenance is required or for the carrying out of normal Council ongoing business **no quotations need to be obtained**. However it is recommended to use professional discretion and undertake periodic checks and balances to test the market, with a greater number or more formal forms of quotation to ensure best value is maintained.

- **\$3,000 – \$7,500 (excl. GST)**

Where the value of procurement of goods or services is greater than \$3,000 and less than \$7,500, purchase on the basis of at least three verbal quotations should be obtained with the successful quote being supplied in writing, except:

- a) where purchase is being made under a panel of pre-qualified suppliers which include WALGA Preferred Suppliers.
- b) where goods or services are needed immediately in an emergency situation.
- c) where rates are considered reasonable and consistent with normal market rates and sufficient justification can be provided in this respect; and these are tested by obtaining quotes from time to time.
- d) where the responsible officer is satisfied that there is genuinely only one source of supply for those goods, services or works. Investigatory evidence to confirm there are no alternative sources of supply must be collated and written records retained.
- e) Where the purchase is for construction or workshop consumables (string, pegs, irrigation parts, auto parts etc), minor electrical equipment (two way units etc), fertiliser and herbicide etc.

- **\$7,500 to \$50,000 (excl. GST)**

Where the value of procurement of goods or services ranges between \$7,500 and \$50,000 a sufficient number of written quotations (at least three) are to be sought through a simple RFQ process to demonstrate competition. Where this is not practical, e.g. due to limited suppliers or deemed sole supplier, investigatory evidence to confirm there are no alternative sources of supply must be collated and written records retained.

Written records of quotations are to be made and retained in all cases.

Request written quotation(s) directly from a pre-qualified panel of suppliers which include WALGA Preferred Supplier Panel, using a request for quotation process either through WALGA e-Quotes or directly in writing. It is not mandatory for multiple quotations to be requested when using the WALGA Preferred Supplier Panel, and a quotation can be requested from a single supplier where deemed practical. The benefit, however, of requesting multiple quotations is that there is a range to choose from to help determine value for money. The responsible officer is to use previous experience with suppliers and local knowledge to invite suitable suppliers and establish the appropriate number of suppliers from which to request a quote.

Written records of quotations are to be made and retained in all cases.

- **\$50,000 to \$150,000 (excl. GST)**

For the procurement of goods or services where the value exceeds \$50,000 but does not exceed \$150,000, at least three written quotations shall be obtained through a formal RFQ process including pricing and product or service information relating to the specification of goods and services being purchased. Where this is not practical, e.g. due to limited suppliers or deemed sole supplier, investigatory evidence to confirm there are no alternative sources of supply must be collated and written records retained.

This purchasing threshold typically requires a detailed specification to be prepared and included in the formal RFQ documentation. It is recognised that not all goods and services procured within this threshold will be of a nature that requires a detailed Specification, it is therefore acceptable to include a less detailed Specification where considered more appropriate. All Specifications must effectively communicate the Requirements of the Shire.

Comprehensive written records are to be retained in all cases.

Request written quotation(s) directly from a pre-qualified panel of suppliers which include WALGA Preferred Supplier Panel, using a request for quotation process either through WALGA e-Quotes or directly in writing. It is not mandatory for multiple quotations to be requested when using the WALGA Preferred Supplier Panel, and a quotation can be requested from a single supplier where deemed practical. The benefit, however, of requesting multiple quotations is that there is a range to choose from to help determine value for money. The responsible officer is to use previous experience with suppliers and local knowledge to invite suitable suppliers and establish the appropriate number of suppliers from which to request a quote.

Written records of quotations are to be made and retained in all cases.

Invitation to Tender (above \$150,000 excl. GST)

Tenders are to be publicly invited according to the requirements of regulation 11(1) of the *Local Government (Functions & General) Regulations 1996* before the Shire enters into a contract for another person to supply goods or services if the consideration under the contract is, or is expected to be, more, or worth more, than \$150,000 (excl. GST).

8. REGULATORY COMPLIANCE

Local Government (Functions and General) Regulations 1996 Part 4 Division 2

8.1 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 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 Functions and General Regulations apply.

8.2 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 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.*

8.3 Anti-Avoidance

The Shire 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 \$150,000, thereby avoiding the need to publicly tender unless emergency circumstances prevail. Notice to be given to Council.

8.4 Tender Criteria

The Shire shall, before tenders are publicly invited, determine in writing the criteria for deciding which tender should be accepted. Please refer Delegations Register, number F04 to determine the appropriate selection criteria.

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.

8.5 Advertising Tenders

Tenders are to be advertised in a state wide publication e.g. “The West Australian” newspaper, Local Government Tenders section and a local newspaper.

The tender must remain open for at least 14 days after the date the tender is advertised. Care must be taken to ensure that 14 **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;
- The date and time after which tenders cannot be submitted;
- Particulars identifying a person from who more detailed information as to tendering may be obtained;
- Detailed information shall include;
 - such information as the Shire 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 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.
 - Advice that no tender shall be necessarily accepted.

8.6 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 not to compromise its Duty to be fair. That the same Tender documents be used for all tenders.

8.7 Receiving Tenders by Email

All tenders are to be received by Central Records Department, upon receipt they should be printed by the Records Officer and placed within an envelope with the following details on the front;

- Time tender was received
- Name of the tenderer

The envelope should then be placed in the tender box.

8.8 Tender Deadline

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

8.9 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 by an Executive Manager and one other officer.

If the above Officer's are not available the Officers' delegated nominee and at least one other Council Officer may open the Tender. The details of all tenders received and opened shall be recorded in the Tenders 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. Members of the public are entitled to be present.

The Tenderer's Offer form, Price Schedule and other appropriate pages from each tender shall be date stamped and initialled by at least two Shire Officers present at the opening of tenders.

8.10 No Tenders Received

Where the Shire 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 specification for goods and/or services remains unchanged;
- purchasing is arranged within 6 months of the closing date of the lapsed tender.
- Council Approval must be sought

8.11 Tender Evaluation

Tenders that have not been rejected shall be assessed by the Shire 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.

8.12 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 may vary the initial information by taking reasonable steps to give each person who has sought copies of the tender documents notice in writing of the variation.

8.13 Minor Variation

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

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.

8.14 Notification of Outcome

Each tenderer shall be notified of the outcome of the tender by the Chief Executive Officer (under Delegated Authority) or following Council resolution within 21 days. 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. If no tender was accepted it must be advertised “that no tenders were accepted.”

8.15 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;

Notification and award documentation .For a direct purchasing process this includes:

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

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