

7.4 Purchasing and Tenders

Introduction

Objective

History	Former Policy	1.1.24
	Adopted	21 March 2007
	Amended	27 July 2011
	Amended	21 October 2015
	Amended	August 2016

Policy Statement

1. The following Policy Schedules are adopted, and form part of this Statement –
 - 7.4 (a) – Purchasing Principles
 - 7.4 (b) – Purchasing Thresholds
 - 7.4 (c) – Regulatory Compliance
 - 7.4 (d) – Tender Regulations and Panel Tender Pre- Qualified Suppliers
2. In accordance with Delegation 2.1, the CEO may call tenders for purchases over ~~\$150,000~~ \$250,000 at an appropriate time, subject to the goods or services being disclosed in the adopted Budget.

– End of Policy

COMMENT

Nil

Policy Schedule 7.4 (a) – Purchasing Principles

1. Objectives

- To provide compliance with the Local Government Act, 1995 and the Local Government Act (Functions and General) Regulations, 1996.
- To deliver a 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.

2. Why Do We Need a 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 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 purchasing practices that withstands probity.
- Ensures that environmental impacts across the life cycle of goods and services are considered in the procurement process.

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 Local Government.

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 practices shall comply with relevant legislation, regulations, and requirements consistent with the Shire of Trayning 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.
- consideration must be taken in regards to Council's Regional Price Preference Policy,

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.

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.
- continuity of supply or service, and particularly timeliness of any warranty service, emergency or repair response, familiarity with works etc

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.

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.
- 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.
- 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,

- For motor vehicles – select vehicles featuring the highest fuel efficiency available, based on vehicle type and within the designated price range,
- For new buildings and refurbishments – where available use renewable energy and technologies.

– End of Schedule

COMMENT

Nil

Policy Schedule 7.4 (b) – Purchasing Thresholds

Purchasing Thresholds

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

General –

Amount of Purchase	Requirement
Up to \$5,000	Quotations are not required for purchases for \$5,000 or less.
\$5,001 to \$30,000	Obtain at least two verbal or written quotations
\$30,001 - \$50,000	Obtain at least two written quotations
\$50,001 - \$149,999 \$249,999	Obtain at least three written quotations containing price and specification of goods and services (with procurement decision based on all value for money considerations).
\$150,000 \$250,000 and above	Conduct a public tender process.

Local Sole Provider exemption –

Amount of Purchase	Requirement
Up to \$5,000	Quotations not required
\$5,001 - \$50,000	Obtain written quotation

Where it is considered beneficial, tenders may be called in lieu of seeking quotations for purchases under the ~~\$150,000~~ \$250,000 threshold (excluding GST). If a decision is made to seek public tenders for Contracts of less than ~~\$150,000~~ \$250,000, a Request for Tender process that entails all the procedures for tendering outlined in this policy must be followed in full.

Quotations

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:
 - o written specification
 - o selection criteria to be applied
 - o price schedule
 - o conditions of responding
 - o 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.
- Respondents should be advised in writing as soon as possible after the final determination is made and approved.

The Local Government Purchasing and Tender Guide produced by the Western Australian Local Government Association (WALGA) should be consulted for further details and guidance.

If it is not possible to get three written quotations, a supplier's verbal "decline to quote" will be sufficient.

1. Up to \$5,000 for General purchasing or to \$5,000 for Local Sole Provider

Where the value of procurement of goods or services does not exceed the limit a quotation is not required. However it is recommended to use professional discretion and occasionally undertake market testing.

2. \$5,001 to \$30,000 for General purchasing

Where the value of procurement of goods or services is between \$5,000 and \$30,000, purchase on the basis of at least two verbal quotations is permitted. However it is recommended to use discretion and occasionally undertake market testing with a greater number or more formal forms of quotation to ensure best value is maintained.

The general principles for obtaining verbal quotations are:

- Ensure that the requirement / specification is clearly understood by the Shire of Trayning 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.

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

3. \$30,001 to \$50,000 for General purchasing

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

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

4. \$5,000 to \$50,000 for Local Sole Provider

A written quotation to be obtained and is subject to approval of CEO. This provision is intended to be exercised for required services (i.e. trades etc) rather than goods readily obtainable from a variety of sources.

The CEO is required to periodically review of pricing and charges of a person or firm considered to be a Local Sole Provider, comparing their pricing to other providers, to ensure competitive rates are charged.

5. \$50,001 to ~~\$149,999~~ \$249,999

For the procurement of goods or services where the value exceeds \$50,000 but is less than ~~\$149,999~~ \$249,999, 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.

The Local Government 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.

- End of Schedule

COMMENT

Nil

Policy Schedule 7.4 (c) – Regulatory Compliance

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.

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.

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~~ \$250,000, thereby avoiding the need to publicly tender.

4. Tender Compliance

Purchasing over ~~\$150,000~~ \$250,000 is to comply in all respects with the Local Government Act and Regulations.

Where tenders below that threshold are invited at the direction or discretion of Council or CEO, they must also comply in all respects.

– End of Schedule

COMMENT

Nil

Policy Schedule 7.4(d) – Panels Of Pre-Qualified Suppliers

Policy Objectives

In accordance with Regulation 24AC of the *Local Government (Functions and General) Regulations 1996*, a Panel of Pre-qualified Suppliers (“Panel”) may be created where most of the following factors apply:

- the Shire determines that a range of similar goods and services are required to be purchased on a continuing and regular basis;
- there are numerous potential suppliers in the local and regional procurement-related market sector(s) that satisfy the test of ‘value for money’;
- the purchasing activity under the intended Panel is assessed as being of a low to medium risk;
- the Panel will streamline and will improve procurement processes; and
- the Shire has the capability to establish, manage the risks and achieve the benefits expected of the proposed Panel.

The Shire will endeavour to ensure that Panels will not be created unless most of the above factors are firmly and quantifiably established.

Establishing a Panel

Should the Shire determine that a Panel is beneficial to be created, it must do so in accordance with Part 4, Division 3 the *Local Government (Functions and General) Regulations 1996*.

Panels may be established for one supply requirement, or a number of similar supply requirements under defined categories within the Panel.

Panels may be established for a minimum of two (2) years and for a maximum length of time deemed appropriate by the Shire.

Evaluation criteria must be determined and communicated in the application process by which applications will be assessed and accepted.

Where a Panel is to be established, the Shire will endeavour to appoint at least three (3) suppliers to each category, on the basis that best value for money is demonstrated. Where less than three (3) suppliers are appointed to each category within the Panel, the category is not to be established.

In each invitation to apply to become a pre-qualified supplier (through a procurement process advertised through a state-wide notice), the Shire must state the expected number of suppliers it intends to put on the panel.

Should a Panel member leave the Panel, they may be replaced by the next ranked Panel member determined in the value for money assessment should the supplier agree to do so, with this intention to be disclosed in the detailed information set out under Regulation 24AD(5)(d) and (e) when establishing the Panel.

Distributing Work Amongst Panel Members

To satisfy Regulation 24AD(5) of the Regulations, when establishing a Panel of pre-qualified suppliers, the detailed information associated with each invitation to apply to join the Panel must either prescribe whether the Shire intends to:

- i. Obtain quotations from each pre-qualified supplier on the Panel with respect to all purchases, in accordance with Clause 0; or
- ii. Purchase goods and services exclusively from any pre-qualified supplier appointed to that Panel, and under what circumstances; or

- iii. Develop a ranking system for selection to the Panel, with work awarded in accordance with Clause 0(b).

In considering the distribution of work among Panel members, the detailed information must also prescribe whether:

- a) each Panel member will have the opportunity to bid for each item of work under the Panel, with pre-determined evaluation criteria forming part of the invitation to quote to assess the suitability of the supplier for particular items of work. Contracts under the pre-qualified panel will be awarded on the basis of value for money in every instance; or
- b) work will be awarded on a ranked basis, which is to be stipulated in the detailed information set out under Regulation 24AD(5)(f) when establishing the Panel. The Shire Trayning is to invite the highest ranked Panel member, who is to give written notice as to whether to accept the offer for the work to be undertaken. Should the offer be declined, an invitation to the next ranked Panel member is to be made and so forth until a Panel member accepts a Contract. Should the list of Panel members invited be exhausted with no Panel member accepting the offer to provide goods/services under the Panel, the Shire may then invite suppliers that are not pre-qualified under the Panel, in accordance with the Purchasing Thresholds stated in section 5.5 of this Policy.

In every instance, a contract must not be formed with a pre-qualified supplier for an item of work beyond 12 months, which includes options to extend the contract.

Purchasing from the Panel

The invitation to apply to be considered to join a panel of pre-qualified suppliers must state whether quotations are either to be invited to every member (within each category, if applicable) of the Panel for each purchasing requirement, whether a ranking system is to be established, or otherwise.

Each quotation process, including the invitation to quote, communications with panel members, quotations received, evaluation of quotes and notification of award communications must all be captured on the Shire's electronic records system. A separate file is to be maintained for each quotation process made under each Panel that captures all communications between the Shire and Panel members.

Recordkeeping

Records of all communications with Panel members, with respect to the quotation process and all subsequent purchases made through the Panel, must be kept.

For the creation of a Panel, this includes:

- The Procurement initiation document such as a procurement business case which justifies the need for a Panel to be created;
- Procurement Planning and approval documentation which describes how the procurement is to be undertaken to create and manage the Panel;
- Request for Applications documentation;
- Copy of public advertisement inviting applications;

- Copies of applications received;
- Evaluation documentation, including clarifications sought;
- Negotiation documents such as negotiation plans and negotiation logs;
- Approval of award documentation;
- All correspondence to applicants notifying of the establishment and composition of the Panel such as award letters;
- Contract Management Plans which describes how the contract will be managed; and
- Copies of framework agreements entered into with pre-qualified suppliers.

The Shire is also to retain itemised records of all requests for quotation, including quotations received from pre-qualified suppliers and contracts awarded to Panel members. A unique reference number shall be applied to all records relating to each quotation process, which is to also be quoted on each purchase order issued under the Contract.

Information with regards to the Panel offerings, including details of suppliers appointed to the Panel, must be kept up to date, consistent and made available for access by all officers and employees of the Shire.

- End of Schedule

COMMENT

Nil