

Council Policy CP010 Procurement of Goods and Services Policy			
Officer	Director Corporate & Commercial Services	Owner	Chief Executive Officer
Review Frequency	Biennially	Next Review	July 2014
Council Resolution number and date		OP0002 – 24 July 2012	
Mayor		Chief Executive Officer	

OBJECTIVES

To provide guidance to the City to allow consistency and control over procurement activities.

To provide probity and accountability for acquisition outcomes by ensuring compliance with the Local Government Act 1995 ('the Act') and the Local Government (Functions & General) Regulations 1996 ('the Regulations') (as amended).

To deliver value for money using a best practice approach to purchasing.

To demonstrate accountability to rate payers.

To ensure consistency for all purchasing activities that integrate within all the Local Government operational areas.

To provide guidance on ethical behaviours in local government procurement.

To increase the probability of obtaining the right outcome when purchasing goods and services.

SCOPE

This policy applies to all contracting and procurement activities at the City and is binding upon Councillors, City officers, and temporary employees, contractors and consultants while engaged by the City.

This policy should be read in conjunction with the Procurement Handbook produced by the Western Australian Local Government Association.

DELEGATIONS

The Chief Executive Officer (CEO) has delegated authority to undertake purchases of goods and services in accordance with his/her delegation from the Council. The CEO may delegate authority to purchase goods and services to any officer in order to maintain effective and efficient operations.

DEFINITIONS

Purchasing or Procurement is defined as the entire process by which all classes of resources (including but not necessarily restricted to human, material, plant, equipment, facilities and services) are obtained generally for a local government activity, function or specific project by payment.

This can include the functions of planning, design, standards determination, specifications writing, selection of suppliers, financing and other related functions.

Procurement methods can include:

- a. Direct Purchase – use existing supply agreements, e.g. Annual contracts, State/Commonwealth Government contracts; WALGA preferred suppliers; from Retail or Wholesale outlets.
- b. Oral Quotations.
- c. Written Quotations – dated and signed by the Supplier.
- d. Direct Negotiation.
- e. Lease/Hire Agreements.
- f. Public Tender.
- g. Petty Cash.

Employee's means all people employed by the City of Greater Geraldton whether permanent fixed term or casual contract of service, apprentice, trainee and independent contractors.

Goods means tangible, quantifiable material requirements usually capable of being moved or transported that are purchased, rented, leased or hired by a public authority. Only goods directly acquired by government agencies are included in this definition. Goods acquired by any service contractor are not directly acquired and are therefore excluded, except where the goods are acquired by a private sector provider for a government agency (refer to WA State Policy 1.13).

Services or Provision of Services means any task, consultancy, work or advice to be performed or provided that is procured by a government agency. Included are services such as management consultancies, outsourcing, maintenance contract/agreement, cleaning, waste removal, equipment repairs, external auditors, utilities and services acquired by a private sector provider for a government agency (refer to WA State Policy 1.13).

Excluded are payments made directly to employees, superannuation and pension payments, statutory or involuntary payments and grants, subsidies and transfer payments.

Construction (including works) means the carrying out of any improvement on or over any area of land, lake, river or ocean, and any services related to that activity in the City of Greater Geraldton. This includes the construction of buildings, housing and other public infrastructure as well as related services such as architectural, surveying, facilities management and general maintenance.

Regional Tenderer:

To qualify as a regional tenderer, a supplier must meet all the following conditions:

- a. have had a permanent office and permanent staff in the prescribed area for a period of six (6) months prior to bids being sought,
- b. be either registered or licensed in Western Australia and
- c. demonstrate a majority or all of the goods or services are to be supplied from regional sources.

POLICY PRINCIPLES

1. Ethics and Integrity

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:

- 1.1. 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;
- 1.2. All purchasing practices shall comply with relevant legislation, regulations, and requirements consistent with the Local Government policies and code of conduct;
- 1.3. Purchasing is to be undertaken on a competitive basis in which all potential suppliers are treated impartially, honestly and consistently;
- 1.4. All processes, evaluations and decisions shall be transparent, free from bias and fully documented in accordance with applicable policies and audit requirements;
- 1.5. Any actual or perceived conflicts of interest are to be identified, disclosed and appropriately managed; and
- 1.6. Any information provided to the Local Government by a supplier shall be treated as commercial-in-confidence and should not be released unless authorised by the supplier or relevant legislation.

2. General Principles

The City's contracting, purchasing and contract management activities:

- 2.1. Support the Council's corporate strategies, aims and objectives including, but not limited to those related to sustainability, protection of the environment, and corporate social responsibility;
- 2.2. Achieve value for money and quality in the acquisition of goods, services and works by the Council;
- 2.3. Can demonstrate that public money has been well spent;
- 2.4. Are conducted, and are seen to be conducted, in a transparent, impartial, fair and ethical manner;
- 2.5. Seek continual improvement including the embrace of innovative and technological initiatives such as electronic tendering processes to reduce activity cost; and
- 2.6. Generate and support business in the local community.

3. Value for Money

Value for money is an overarching principle governing purchasing that seeks the best possible overall outcome for the City.

An assessment of the optimum value for money outcome for any procurement should consider:

- 3.1. all relevant whole-of-life costs and benefits, whole of lifecycle 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;
- 3.2. Lifecycle alignment of the offered solution with strategies for the function;
 - 3.3. the technical merits of the goods or services being offered in terms of *compliance* with minimum critical specifications, contractual terms and conditions and any relevant methods of assuring quality;
 - 3.4. functionality of offered product solutions that *exceed* minimum critical specifications, and the extent or otherwise of added operational value and cost/benefit relative to competing product offerings;
 - 3.5. technology age and associated risks – whether the technology offered is redundant/legacy, mature and current, contemporary leading edge, or still emerging;
 - 3.6. compatibility of the offered goods or services solution with existing product or service technologies in the organisation, having regard to ability to effectively and efficiently integrate the solution with minimal consequential transition or operational costs;
 - 3.7. 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);
 - 3.8. timeliness of proposed scheduling of delivery of goods or services, relative to the criticality (or otherwise) of the needs and the timeframe within which they are required to be met; and
 - 3.9. 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.

Local Government (Functions and General) Regulation 18 embodies the concept of appraising offers with the view to determining which offer “*..would be most advantageous to the local government to accept*”. Consideration of the factors above, and endeavouring to balance the broader issues of sustainability, addressed below, will together contribute towards optimum value for money, delivering procurement decisions that will be most advantageous to the City.

Where a higher priced conforming offer is recommended, or where a higher-priced *alternative* offer (from a respondent that also submitted a conforming offer), there should be clear and demonstrable benefits over and above the lowest total-priced conforming offer.

4. Sustainable Procurement

The City is committed to sustainable procurement and where appropriate shall endeavour to design requests for quotations and tenders to the advantage of goods, services and/or processes that minimise negative environmental or social impacts. Sustainability considerations must be balanced against economic outcomes, in accordance with the City’s sustainability objectives, to deliver optimum value for money.

To the extent reasonably practicable, the City will identify and procure products and services that:

- 4.1. demonstrate contemporary environmental better practice in energy efficiency which can be demonstrated through suitable rating systems and eco-labelling;
- 4.2. demonstrate contemporary environmental better practice in water efficiency;
- 4.3. 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;

- 4.4. 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;
- 4.5. for motor vehicles – select vehicles which must be suitable for task required featuring the highest fuel efficiency available, based on vehicle type and within the designated price range; and
- 4.6. for new buildings and refurbishments – where available use renewable energy and associated technologies.

PURCHASING THRESHOLDS

All purchases shall be made through a competitive process, using either the City's own procurement process or purchasing from a tender exempt organisation such as WALGA's Preferred Supply Contracts (which have been established utilising a competitive public process).

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	City Policy
Up to \$1,000	No quotations required.
\$1,001 - \$5,000	Obtain two verbal quotations or purchase from WALGA Preferred Supply Contracts.
\$5,001 - \$19,999	Obtain two written quotations or purchase from WALGA's Preferred Supply Contracts or State Government Common Use Agreements (Department of Treasury and Finance)
\$20,000 - \$49,999	Obtain three written quotations or purchase from WALGA's Preferred Supply Contracts or State Government Common Use Arrangements (Department of Treasury and Finance)
\$50,000 - \$99,999	Obtain at least three written quotations (Request for Quote RFQ) containing price and specification of goods and services (with procurement decision based on all value for money considerations), or purchase from WALGA's Preferred Supply Contracts or State Government Common Use Arrangements (Department of Treasury and Finance)
\$100,000 and above	Conduct a public Request for Tender (RFT) process, or purchase from WALGA's Preferred Supply Contracts or State Government Common Use Arrangements (Department of Treasury and Finance)

NOTE 1: All quotations must be recorded and attached to requisitions.

NOTE 2: Where there is uncertainty as to whether the purchase price will exceed \$100,000 then a public tender process should be used.

An appropriately detailed specification of goods or services required should communicate requirement(s) in a clear, concise and logical fashion.

A request for written quotation (RFQ) should include as a minimum:

- a) Written Specification of required goods or services.
- b) Selection Criteria to be applied in assessment of offers received.
- c) Provision for insertion by respondent of a Price Schedule.
- d) Conditions of responding.
- e) Provision for insertion by respondent of Validity period of the 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 with the specification, then appraised against the selection criteria, and then appraised for value for money. All evaluations should be documented.

Respondents should be advised in writing as soon as possible after the final determination is made and approved.

TENDERS

1. Requirement and Authorisation to Publicly Invite Tenders

1.1 Subject to clause 1.2 below, this Council policy requires and authorizes the Chief Executive Officer to publicly invite tenders for any procurement for the supply of goods or services where the total consideration for the procurement is, or is reasonably expected to exceed \$100,000, unless tenders do not have to be publicly invited pursuant to Local Government (Functions and General) Regulation 11(2).

1.2 Procurement for which tenders may be publicly invited by the CEO shall be confined to goods and services required to implement the Corporate Business Plan adopted by resolution of Council, and matters included in related funding estimates for the operational or capital programs of the City.

1.3 While the CEO may authorize public invitation for tenders, as noted in clause 14 below the CEO may only accept a tender and enter into a subsequent contract for goods or services where the total consideration of the contract is within the financial delegation limit of the CEO as authorised by Council (\$500,000 as at November 2013). Where total consideration exceeds that delegation limit, a tender may only be accepted and entry into a contract authorised by formal resolution of Council.

2. Tender Exemption

In the following instances, pursuant to Local Government (Functions and General) Regulation 11(2), public tenders or quotation procedures are not required (regardless of the value of expenditure):

- 1.1. an emergency situation as defined by the Local Government Act 1995;

- 1.2. the purchase is from a tender exempt organisation such as WALGA (Preferred Supplier Contracts or Business Service), the Department of Treasury and Finance (permitted Common Use Arrangements), Regional Council, or another Local Government;
- 1.3. the purchase is under auction which has been authorised by Council;
- 1.4. the contract is for petrol, oil, or other liquid or gas used for internal combustion engines;
or
- 1.5. any of the other exclusions under Regulation 11 of the Functions and General Regulations apply.

3. *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.

4. *Anti-Avoidance*

The City shall not enter into 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 limits where formal tendering or requests for quotes are required.

5. *Tender Criteria*

Should the City elect to call Tenders, before Tenders are publicly invited the City shall determine in writing the criteria for deciding which tender should be accepted.

An 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. All panels must contain a minimum of three members.

6. *Advertising Tenders*

Tenders shall be advertised in a state wide publication e.g. "The West Australian" newspaper, Local Government Tenders section, preferably on a Wednesday or Saturday.

The tender must remain open for at least 14 full days after the date the tender is advertised. The notice must include:

- 5.1. a brief description of the goods or services required;
- 5.2. information as to where and how tenders may be submitted;
- 5.3. the date and time after which tenders cannot be submitted;
- 5.4. particulars identifying a person from who more detailed information as to tendering may be obtained;
- 5.5. detailed information shall include;
- 5.6. such information as the City decides should be disclosed to those interested in submitting a tender;
- 5.7. detailed specifications of the goods or services required;

- a) the criteria for deciding which tender should be accepted;
- b) whether or not the City has decided to submit a tender; and
- c) whether or not tenders can be submitted by facsimile or other electronic means, and if so, how tenders may so be submitted.

5.8. Canvassing of Councillors will disqualify tenderers.

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

8. Tender Deadline

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

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 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 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 City. 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 (2) officers present at the opening of tenders. Acknowledgement letters upon receipt of submissions will be sent to tenderers.

10. No Tenders Received

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

- a. a sufficient number of quotations are obtained;
- b. the specification for goods and/or services remains unchanged; and
- c. purchasing is arranged within 6 months of the closing date of the lapsed tender.

11. Tender Evaluation

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

Tenders will be evaluated by at least three (3) officers and one (1) Corporate Services officer, independent of the work area receiving the tender.

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 City 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.

13. Minor Variation

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

14. Acceptance of Tenders

14.1 Where the total contract consideration is expected to be within or up to the procurement financial delegation limit of the CEO as determined by Council (\$500,000 as at November 2013), the CEO is able to accept a tender and enter into a contract with the accepted tenderer, without requiring authorisation by Council.

14.2 Where the total contract consideration is expected to exceed the procurement financial delegation limit of the CEO as determined by Council, then a tender assessment report must be prepared and submitted for Council deliberation and Council must by formal resolution endorse a preferred tender prior to authorizing the CEO to enter into a contract.

15. Notification of Outcome

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

- a. The name of the successful tenderer.
- b. 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.

RECORDS MANAGEMENT

Records shall be retained of all tenders in compliance with the State Records Act (WA).

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

1. Tender documentation;
2. internal documentation;
3. evaluation documentation;
4. enquiry and response documentation; and
5. notification and award documentation.

For a direct purchasing process this includes:

1. quotation documentation;
2. internal documentation; and
3. order forms and requisitions.

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

REGIONAL PRICE PREFERENCE

The City seeks to maximise the use of competitive local business in the procurement of goods and services and construction services. Regional Price Preference will be applied by the City in order to support local businesses and industry, encourage employment of local persons and generate economic growth in the Mid-west region.

The City shall apply a Regional Price Preference to a regional tenderer as follows:

1. 5% - where the contract is for goods and services up to a maximum price reduction of \$50,000
2. 5% - where the contract is for construction services, up to a maximum price reduction of \$50,000
3. 5% - to a maximum of \$500,000 (based on \$50,000 per annum to a maximum of ten years) applies to goods and services sourced and used and all construction conducted in the prescribed area. This preference applies on a once off basis and when the contract is renewed the standard preference applies.

Council has a Regional Price Preference Policy - CP016 which should be read in conjunction with this Policy.

WORKPLACE INFORMATION

The acts and regulations listed may be applicable, but not limited, to the following:

- a. The appropriate Australian Standard code of tendering conditions of contract and specifications AS 4120-1994;
- b. National Competition Principles Act;
- c. Freedom of Information Act 1996;
- d. Local Government (Functions and General Regulations) 1996;
- e. Competition and Consumer Act 2010;
- f. Occupational Safety & and Health Act 1984 and associated regulations; and
- g. Competitive Neutrality.

ROLES AND RESPONSIBILITIES

It is the responsibility of all employees undertaking procurement that they observe the highest standards of ethics and integrity and act in an honest and professional manner that supports the standing of the City of Greater Geraldton.