

## **POLICY MANUAL**

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### **Procurement Policy (July 2018)**

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#### **BACKGROUND**

Part 6 of the *Local Government Act* together with the *Financial Management Regulations and Functions* and *General Regulations* provide an outline of specific requirements and probity guidelines in respect of purchase of goods and tendering on behalf of local governments.

The State Supply Commission has an extensive series of policies and guidelines that are available for use by local governments.

The West Australian Local Government Association purchasing service negotiates contracts for the supply of goods and services for local government.

The State Supply Commission and the Commonwealth Supply agencies also have contracts for the supply of goods and services that are accessible by local governments.

All of the accessible supply contracts and the policies of WALGA and the State Supply Commission provide a framework for best practice procurement.

The West Australian Local Government Association has produced a purchasing and tender guide that refers specifically to good procurement practices in reference to the *Local Government Act and Regulations*.

Wherever possible and appropriate, the contracts and guidelines mentioned above will be used by the Tamala Park Regional Council following objectives for best practice and probity in all procurement activity.

#### **TPRC OBJECTIVES – PROCUREMENT**

To provide guidelines for adopting a value for money approach in procuring goods or services through quotes or public tender.

#### **PROCUREMENT POLICY AND GUIDELINES**

1. Value for money is the basis for comparing conforming bids so that the optimal offer can be selected. Achieving user requirements, quality standards and service benchmarks is considered to be more important than obtaining the lowest price.

An assessment of the best value for money outcome for any procurement should take into account:

- All relevant whole-of-life costs and benefits;
- Technical merits of the goods or services being offered in terms of compliance with specifications and contractual conditions; and
- Financial viability and capacity to supply without risk of default.

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In this context, the value for money principle embraces:

- Cost related factors; and
- Non-cost factors.

2. Value for money assessment involves the comparison and evaluation of suitable conforming offers.

Factors to be considered in making this decision include the following:

- Value for money is not necessarily about selecting the successful bidder based on price alone, although the lowest total priced, conforming offer can be used as an initial benchmark for comparing value for money. Where a higher priced conforming offer is recommended, there should be clear and demonstrable benefits over and above the lowest total priced, conforming offer;
- All offers should be evaluated in a consistent manner against the evaluation criteria for the procurement. The use of weighted matrix analysis is a recommended method for analysing and comparing bids in a detailed and consistent manner, particularly for high value purchases; and
- A due diligence investigation of the preferred or shortlisted bidders should be undertaken for all high value or complex purchases to ensure that bidders have the financial stability and technical capacity to comply with the requirements of the contract.

Value for money considerations are not only relevant to the selection of a successful supplier and the purchase of goods or services. Value for money should also be applied to the ongoing contract management over the life of the procurement.

3. The exclusion provisions contained in the functions and general regulations relating to procurement for a value greater than \$50,000 will also apply to procurement for values less than \$50,000.
4. The Local Government legislation does not require local governments to tender for purchases under the value of \$150,000.

Purchases under \$150,000 are categorised as simple purchases but nevertheless require controls and appropriate accounting and probity support practices.

5. The following should apply to purchases of value less than \$150,000.

- 5.1. Direct Purchasing – Less than or equal to \$2,000

Purchases to \$2,000 may be made on a single quotation, however, best practice will require that market testing be undertaken from time to time and that consideration be given to value for money purchasing.

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#### 5.2. Non-Formalised Quotations – Over \$2,000 and less than \$10,000

At least 3 quotations should be obtained except where impractical due to availability of suppliers.

A record of quotations obtained must be maintained.

All quotations are to be obtained prior to a supply order being authorised.

Where there is a waiver of the requirement for 3 quotations the reason for the waiver must be noted and approved by the CEO.

#### 5.3. Formalised Quotations – Over \$10,000 and less than \$150,000

A formalised quotation must be obtained in writing, by fax or email. Email submissions must contain an electronic signature or the image of a signature of a person authorised to provide the quotation.

Quotations must be made in reference to a specification setting out the details of supply, the pricing required, delivery requirements and other relevant matters.

#### 5.4. Special Provisions with respect to Consultancy Services - More than \$10,000 and less than \$150,000

- Quotations must be made in reference to:
  - A written brief defining the services required;
  - The deliverables from the consultancy;
  - The start and end time;
  - The fee basis i.e. fixed, hourly, component completion;
  - The basis for any variation fees; and
  - Provisions for termination of services.
- Completion of a contract for consultancy services must be subject of a written agreement signed by the consultant and TPRC.
- If it is expected that the Council will enter into 2 or more contracts with one supplier which may exceed \$150,000 then Council should invite tenders in accordance with Section 6 of the Policy.

#### 6. Tendering for Goods – Value \$150,000+

All supply of goods and services to a value greater than \$150,000 will proceed in reference to the provisions of the *Local Government Act* and specifically the requirements of Part 4 of the *Functions and General Regulations* made pursuant to the Act.

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Before tendering for the supply of goods for an amount greater than \$150,000 an authorisation to proceed with the tender must be obtained from the Council.

Tenders must be subject of a tender brief setting out, in appropriate detail, at least the following:

- The goods or services required;
- The deliverables from the procurement;
- The start and end time for supply;
- The fee basis i.e. fixed, hourly, component completion;
- The basis for any variation fees; and
- Provisions for termination of services.

Evaluation criteria are to be stipulated in tender invitation documents.

The basis for contracts must be stipulated in tender invitations i.e. any Australian Standard contract proposed to be used.

Where a specifically designed contract is proposed, the details of the contract are to be provided with the tender invitation.

Where variations are proposed to Australian Standard contracts, a schedule of variations is to be included in the tender invitation.

An evaluation matrix is to be used in advising prospective tenderers of the evaluation criteria and the method for scoring tender responses.

Evaluation matrix's may consist of either:

- A weighted cost criteria; or
- A non-weighted cost criteria.

a) Weighted Cost Criteria

The use of a weighted cost criteria method is suited to acquisitions where price is considered to be crucial to the outcome of the contract. Price is assessed as a selection criteria item with a predetermined weighting, together with quality criteria.

b) Non-Weighted Cost Criteria

The use of a non-weighted cost criteria method is suited to acquisitions where functional considerations such as capacity or quality, are considered crucial to the outcome of the contract.

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A weighted selection criteria containing items addressing the qualitative requirements of the contract are comprised and assessed prior to considerations of price within the evaluation.

Once tenders have been ranked against the qualitative items of the selection criteria, a value judgment of cost differences is able to be made, with judgment as to whether qualitative advantages of a tender justify cost differences.

The allocation of evaluation points available in conducting evaluation of tender responses must be made in accordance with criteria set prior to the issue of tender invitations. The allocation would typically be made over a range of items such as those shown in the following table:

Rate	Description
0	Inadequate or non-appropriate offer, many deficiencies, does not meet criterion
2	Marginal offer, some deficiencies, partly meets criterion
4	Fair offer, few deficiencies, almost meets criterion
6	Good offer, no deficiencies, meets criterion
8	Very good offer, exceeds criterion
10	Outstanding offer, greatly exceeds criterion

The table showing the evaluation of points is not to be published with the tender invitation or to be made otherwise available to prospective or actual tenderers.

Tenders may be lodged to a secure tender box or secure email tender box.

The use of an email tender box will be decided by the CEO in each instance having regard for the nature of the tender, the size of the likely tender response and such other factors as may relate to each tender invitation. Where an email tender is permitted, the full details of how the tender should be submitted should be included in the tender invitation.

When tenders are opened there must be at least two employees of Council, or one Council employee and one person authorised by the CEO, present.

#### 7. Use of Probity Auditor

In all cases where tenders are valued at an amount greater than \$150,000, consideration shall be given to the use of a probity auditor.

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A proposal to engage/not engage services of a probity auditor will be included in the report to the Council under section (6) above proposing the issue of an invitation for supply of goods or services.

#### **8. Environmental Procurement Policy**

The TPRC will consider the environmental impact in the procurement process when undertaking the purchase of goods and services and disposal of goods.

The governing principle for goods and services procurement is the achievement of value for money. However, when determining value for money, the environmental impact issues to be considered may include:

- Use of recycled or recovered materials;
- Product reusability;
- Product recyclability;
- Durability;
- Energy efficiency and consumption;
- Water efficiency;
- Waste prevention;
- End of life disposal method; and
- Environmental health issues.

#### **9. Environmental Purchasing**

Environmental purchasing generally refers to the inclusion of relevant environmental factors in any decision to procure goods and/or services in order to maintain the quality of the environment, conserve resources, minimise waste and protect human health.

The aim of considering environmental factors in procurement is to:

- Managing risks to the broader environment by procuring goods and services that have a reduced impact on the natural environment and human health compared with competing products or services that serve the same purpose.
- Promote the achievement of better value for money on a whole-of-life cycle basis.
- Fostering the development of products and processes that have a positive environmental impact.

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- Reducing costs for addressing the effects of environmental health impacts and pollution to the community over the long term.

The focus of environmental purchasing may vary, depending on the nature of the good or service being procured.

#### 10. Environmental Procurement and Value for Money

Value for money is the core principle governing goods and services procurement. In this context, the lowest price is not necessarily an indicator of best value for money.

The environmental impact of a good or service is also a major consideration in the Value for Money Assessment.

Environmentally friendly products will usually involve reduced risks and more efficient use of energy, water and materials leading to lower costs, particularly on a whole of life basis. Therefore, even where an environmentally friendly product or service initially costs more than a conventional product or service, consideration of value for money requires purchasers to give due regard to the benefits obtained from good environmental performance.

It is also essential that the environmental impacts and/or value-add in all procurements are considered across the lifecycle of a product.

Value for money is assessed on a whole of life basis so that all costs and benefits across the procurement cycle can be adequately considered. For example, in the case of a good, the environmental impact should be assessed at each stage of production, use and disposal. Therefore, to ensure effective Value for Money decisions, the environmental assessment also needs to factor in the impacts and costs created when a product is used, particularly during the evaluation stage when comparing products. These costs electrical power, water, fuel and requirements for other consumables.

#### 11. Environmental Considerations in Contracting Process

The level of effort expended to minimise the environmental impact of procurement should be commensurate with the nature of the purchase and should be applied in all phases of the procurement process as follows:

##### Contract Planning (pre-tender)

- Is the proposed purchase necessary.
- Identify and address environmental impact issues in all procurement plans.
- Develop specifications that give consideration to environmental standards, codes or legislation, where appropriate.

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- Consider options for quotation and tender design, including selection criteria that provide positive advantage to goods, services and/or processes that minimise environmental impact.
- Consider options for quotation and tender design that provide positive advantage to innovative goods, services and/or processes that minimise environmental impact.
- Develop selection criteria that provide positive advantage to goods, services and/or processes that minimise environmental impact.
- Where appropriate consider quality assurance, environmental standards, codes or legislation for inclusion in specifications.
- Where appropriate, seek information from suppliers through the offer document on the environmental impact of goods, services and processes tendered (e.g. accreditation, practices, recycled content, durability and reuse options, hazardous material content, energy efficiency, waste prevention, water efficiency).
- Consider options for, and where appropriate specify methods for end of life disposal of product and/or packaging.

The Guidelines provided in:

- *The State Sustainability Strategy*; and
- *The State Supply Commission Environmental Purchasing Guide* may be accessed as appropriate to achieve the stated policy outcomes, operational and cost efficiency.

This Procurement Policy is authorised by the Chief Executive Officer on 16 August 2018.

Signature:



Name: JOHN ANTHONY ARIAS

Date: 16 August 2018