



SHIRE OF YORK

PROCUREMENT MANUAL

1. Procurement Framework

All purchasing by the Shire of York will be in accordance with the *Local Government Act 1995*, *Local Government (Functions and General) Regulations 1996*, the Shire’s policy *F1.2 Procurement* and this Procurement Manual which is based on the Procurement Toolkit and Templates developed and provided by the WA Local Government Association.

Features of a good practice procurement framework include:

- **Legislation and Regulations, Governance, Policies** – implemented, roles and responsibilities are clear, independent internal review, regular reporting to executive
- **Financial and Non-Financial Delegations**
- **Procurement Strategy** – supports business needs, buy-in from business managers
- **Procurement Planning** – defining the need (business case and funding approval), meets Local Governments requirements
- **Procurement and Contract Risk Management**
- **Procurement Process** – planning, adequate market testing, supplier selection, contract management, process review, demonstrated value for money
- **Organisation and Capability** – skills and resources assessed and applied
- **Procurement Tools and Systems** – assist in managing and documenting the process
- **Information Management and Reporting** – transparent and accountable
- **Best practice guidance** (i.e. WALGA Procurement Guide)
- **Staff and Councillor Codes of Conduct**
- **Other Relevant Policies** (eg. *Internal Control, Legislative Compliance,*)
- **Audit & Compliance Programs**

Figure 1: Procurement Framework



2. Statutory Environment

2.1 Relevant Legislation

Local Government procurement of goods and services is bound by:

- Section 3.57 of the *Local Government Act 1995* ('the Act')
- Part 4 of the *Local Government (Functions and General) Regulations 1996* ('the Regulations')
- *State Records Act 2000* and
- *The Competition and Consumer Act 2010*.

2.2 Purchasing Regulations

If the value of a purchase is or is expected to be greater than \$150,000 (exclusive of GST), public tenders must be called in accordance with the Regulations unless the Shire seeks to buy goods and services from a tender exempt arrangement such as a WALGA Preferred Supplier Arrangement. This procurement practice guide has been aligned to the Regulations.

Purchases of \$150,000 or less do not require a public tender, however it may be deemed beneficial to do so by officers in which case, Regulation 13 states the rules governing public tenders must be followed.

However, purchases of \$150,000 or less are governed by the Shire's Purchasing Policy.

2.3 Purchasing Policy

The Regulations do not provide the requirements for purchases that are \$150,000 or less.

Therefore, Local Governments must, under Section 11A of the Regulations (as amended) have a written Purchasing Policy when the consideration is \$150,000 or less that covers:

- The entering of contracts referred to in Sub-Regulation (1)
- The form of quotations acceptable, and
- The recording and retention of written information, or documents, in respect of:
 - All quotations received, and
 - All purchases made.

The Shire's policy F1.2 Procurement can be found at **Appendix 1** to this document.

2.4 Disposing of property

Before disposing of property, Section 3.58 of the *Local Government Act 1995 - Disposing of Property* must be considered. It should be noted that a business plan must be prepared (as per s3.59) before;

- commencing a major trading undertaking; or entering into a major land transaction; or
- entering into a land transaction that is preparatory to entry into a major land transaction.

2.5 Other Specific Obligations

Local Governments are dependent upon the quality of their employees' advice when making important commercial decisions such as awarding contracts. Section 5.41 of the Act places a responsibility on the Shire's CEO to provide appropriate advice.

3. Best Practice Procurement

3.1 Overarching principles

The following should be applied to every procurement by the Shire of York regardless of complexity and spend:

- Value for money (VFM) - optimum combination of cost and non-cost factors
- Open & fair competition
- Accountability
- Good governance and probity transparency
- Risk management, and
- Sustainability.

3.2 Guiding principles

When conducting a procurement activity, the highest standards of ethics should be used. Refer to the Shire's internal policies, Code of Conduct and Statement of Business Ethics (**Appendix 2**). Guidance for procurement practices include (but are not limited to):

- Procurement is conducted honestly and is fair to ALL parties
- Compliance with all legislation
- Costs of tendering for all parties can be high so should only be carried out where no tender exempt arrangement exists such as a WALGA Preferred Supplier Arrangement
- No tendering without commitment
- All parties treated equally
- Sufficient time given to all parties
- Respect for confidentiality, and
- Declare all conflicts of interest.

3.3 Ethical Behaviour

Ethical behaviour is inextricably linked to the fiduciary duty of elected members and employees, more so where expenditure of public funds is exercised. Therefore, ethical behaviour in procurement practices must be demonstrated by all persons involved in purchasing activities.

3.4 Sustainability

In section 1.3 (3) of the *Local Government Act 1995* (which defines its content and intent), it urges that:

...in carrying out its functions a Local Government is to use its best endeavours to meet the needs of current and future generations through an integration of environmental protection, social advancement and economic prosperity.

The Shire's Procurement Policy includes the following with regards to sustainable procurement:

- Local economic benefit
- Local Price Preference
- Purchasing from Australian Disability Enterprises
- Purchasing from Aboriginal Businesses

In addition, value for money is an overarching principle of the Shire's procurement activities. Availability,

resources and capacity can impact on the ability to practice sustainable procurement. However, officers are encouraged to consider sustainability as a principle of best practice procurement. To demonstrate this concept, the following table provides an example of sustainable and unsustainable procurement in the case of the purchase of an ink-based printer:

Economic factors	Product A	Product B
Purchase price	\$60	\$200
Consumables	\$400 ink costs/yr = \$1200	\$150 ink refillable
Maintenance & renewal	Renewal x 2 = \$120	\$100
Disposal	\$30 x 2 = \$60	
Whole of Life cost	\$1440	\$750
Social and Environmental factors		
Environmental	Ink cartridges need to be thrown out and more purchased	In cartridges can be refilled with long life ink
Social	Ink cartridges add toxic mercury contamination to landfill and affects local health	Vegetable based dyes in ink have no effect on local health when eventually disposed of
Result	Unsustainable	Sustainable

Although cheaper initially, Product A ended up costing double the price, contributed to health problems and had a greater impact on the environment.

3.5 Record Keeping and Storage

All records associated with a tender process or a direct purchase process must be recorded and retained. For a tender process, this may include (but is not limited to):

- Tender documentation
- Tender evaluation plans
- Probity plans
- Risk assessments
- Internal documentation including agendas and minutes
- Evaluation documentation including consensus score and comments. Please note: it is not advisable to retain individual scores and comments – these should be deleted prior to the evaluation panel decision being announced
- Clarification and response documentation
- Debrief meeting notes, and
- Notification and award documentation.

For a direct purchasing process, this may include (but is not limited to):

- Quotation documentation
- Drawings or plans
- Internal documentation, and
- Order forms and requisitions.

Record retention must be in accordance with the minimum requirements of the *State Records Act 2000 (WA)*, the Shire's Recordkeeping Plan and associated policies.

4. Probity Management

4.1 What is Probity?

Probity is defined as the demonstration of the strict adherence to a code of ethics based on strong moral principles, ethics, honesty and decency.

Whether procurement projects are straightforward or complex, Shire officers must behave ethically. Securing value for money and confidence in the outcome is dependent upon the proper conduct of the procurement. The Shire's reputation can be affected by its approach to procurement and providing assurance to all stakeholders requires an understanding of, and commitment to, ethical and probity-driven values.

The following principles have been identified as providing the foundation for integrating probity considerations in procurement:

- Compliance with the legal and policy framework applying to procurement decisions
- Use of an appropriately competitive process
- Fairness and impartiality
- Consistency and transparency of process
- Identification and management of conflicts of interest, and
- Appropriate security and confidentiality arrangements.

Irrespective of the value of a procurement, probity principles should guide officers in all aspects of the purchase. Probity management during procurement is concerned with ensuring that appropriate processes and systems are in place so that the integrity of the eventual procurement decision can be defended.

4.2 Procurement Probity Risks

The procurement process is a high-risk process given the level of impact procurement decisions can have on core areas of Local Government business including:

- Financial Management
- Safety and Environmental Management
- Reputation Management

Reports of failures of government procurement regularly revolve around breaches of probity. Common probity risks that are relevant are listed below:

- Fraud, Theft and Misappropriation - Officers have the ability to commit expenditure and as such probity risks need to be managed
- Breach/Non-Compliance (legislation, policies, process) - Procurement operates under an intricate legislative and regulatory framework. Deliberate non-compliance with this framework is also a probity risk to be monitored and managed
- Nepotism - Procurement decision-making needs to be fair, open and transparent with a focus on enabling competition. Suppliers must not be selected based on their relationship with officers or Councillors
- Conflicts of officer and Councillor Interests - Procurement decisions need to be free from the influence of any potential or perceived benefit to officers, Councillors or any other persons to whom they are related
- Unauthorised release of Commercial-In-Confidence information - To maintain fairness and competition in procurement processes information that is of a commercial nature must remain in

confidence

- Inappropriate dealings with suppliers - Officers must maintain professional relationships with suppliers that enable effective business outcomes and deliver on the terms of the Contract. Interactions with suppliers that could be seen as influencing decision must be avoided. Long-term relationships between staff and suppliers are to be managed as such as to limit the ability for undue bias to occur with existing suppliers. Canvassing of officials and staff at any stage of the procurement process, especially during the selection phase is to be prohibited
- In-house bids - Local Governments have the ability to submit in-house bids for services to test its competitiveness and viability with the market. In these instances, the Local Government must structure its procurement in such a manner as to prevent any bias or influence that may be presented.

4.4 Who does probity?

In all cases, 'Probity' is the responsibility of the senior officer responsible for the procurement. The engagement of external probity advisors and/or auditors does not transfer this responsibility for probity to them and away from the Local Government.

4.5 Financial Delegations

Procurement decision making involves the commitment of Shire funds. Officers can only decide to commit funds where a budget for the activity exists under a system of financial delegations.

The Council delegates authority to the CEO to commit expenditure up to a certain expenditure threshold. The CEO can then further delegate the ability to commit expenditure to officers. This results in a hierarchy of delegations that are designed to enable low risk high frequency purchasing while managing high value, high risk procurement appropriately.

4.6 Conflicts of Interest

Councillors and officers alike are bound by the Shire's Code of Conduct.

All people in these roles are expected to declare their interests as soon as they become aware of a potential conflict. This includes any personal interests as well as interests of people and parties that they have a relationship with.

4.7 Information Privacy

Councillors and officers are likely to come across information of a commercial nature when participating in the procurement process. This information is to be kept commercial-in-confidence and should not be made accessible to anyone internally or externally who is not involved in the procurement process nor should it be shared with competing tenderers/suppliers. (See Tendering for more detail).

4.8 Gifts and Hospitality

The acceptance of gifts and hospitality from suppliers can be perceived as having an influencing or coercive effect on Local Government decision making. Officers involved in the procurement process need to ensure that gifts and hospitality requirements of the Code of Conduct are strictly observed. The refusal of any gifts or hospitality will mitigate the inherent associated risks.

4.9 Separation of Roles

Separation of duties enables an organisation to mitigate the risk of fraud and misappropriation (committing Local Government funds to purchase items of a non-business nature). The principle of separation of duties is to ensure that no individual can both commit funds and approve payments within any given procurement activity.

However, it is recognised that the size and capacity of the local government needs to be considered. Wherever possible, an employee should not be responsible for more than one of the following activities:

- Initiating and approving purchases

- Receiving goods
- Approving invoices for payment
- Review and reconciliation of transactions
- Inventory

In reality, given the small number of people authorised to sign purchase orders, it is likely there is some overlap. However, it is the intention that systems and processes are in place to identify or mitigate any risk of fraudulent behaviour. Regular and random auditing of any exemptions is undertaken to ensure that probity is being upheld.

5. Procurement Process

5.1 Procurement as part of the Business Cycle

Although the Procurement Process is outlined as a standalone process in this Manual, it is important to consider the role of procurement in relation to the broader business objectives of the Shire.

- **Project Development**

Consideration of the role of external suppliers in the delivery of any given project will have an impact on the project design. Opportunities to bundle similar activities into procurement packages can also lead to increased efficiency and lower costs. Including procurement considerations is therefore integral to the successful development of projects.

- **Budget**

Procurement can assist identifying potential costs to acquire goods and services that should be considered when applying for funding via the Budgeting process.

- **Contract Management**

Procurement strategies put in place the necessary structures and governance arrangements to enable effective Contract Management and delivery of services to the community.

- **Knowledge Management**

Lessons learned should always be captured as knowledge that can be accessed and referred to when the Shire approaches any similar projects and procurement activities in the future.

Figure 2: Procurement as a part of the Broader Business Cycle



5.2 Basic Procurement Steps

Figure 3 provides an outline of the basic procurement steps to be followed. A strategy is required for anything that requires a Request for Quotation or Request for Tender process (RFx). For direct purchasing, the Shire's purchasing policies and procedures should be followed.

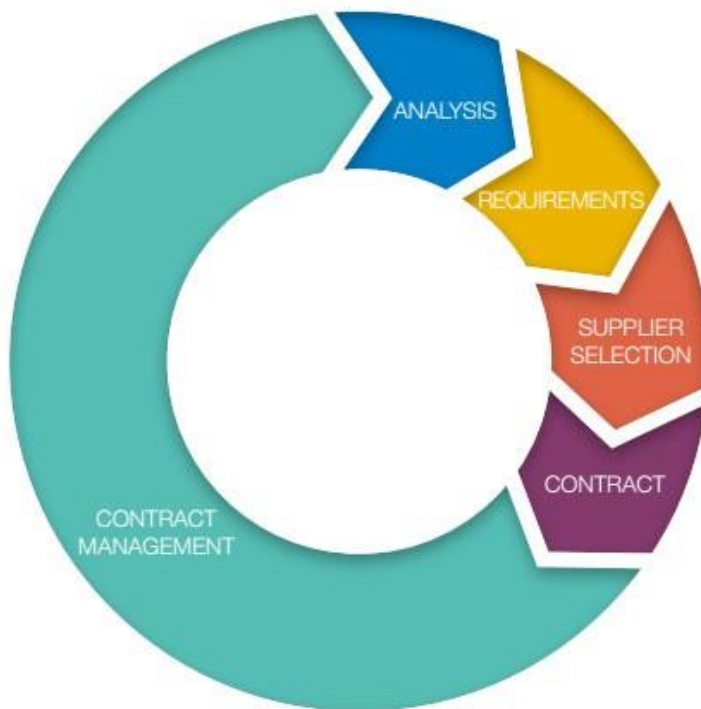
Figure 3: Basic Procurement Steps



5.3 The Procurement Lifecycle

As shown in Figure 4, the basic procurement steps are not of equal length. The sourcing process, from analysis to contract award, may only be a few months whereas; the contract management process will last for the duration of the contract. The benefits of a sourcing activity may be lost without effective contract management, so procurement efforts should be allocated accordingly to ensure that the objectives of sourcing activities are achieved.

Figure 4: Procurement Lifecycle



5.4 Procurement Thresholds

Figure 5 below, articulates the Shire of York's purchasing thresholds in accordance with Policy *F1.2 Procurement*.

Amount of Purchase	Process to be followed
Up to \$2,000	Direct purchase from suppliers. No quotation required. Market testing is strongly encouraged.
\$2,000 to \$5,000	Seek at least two verbal or written quotations from suitable suppliers (may include print outs from reputable suppliers' catalogues or websites), recommendation to purchase, include on quotation form reason for choosing selected supplier, official order for the goods and services to be countersigned by the Officers designated in this Policy. At least one quotation must be obtained
\$5,001 to \$20,000	Seek at least three verbal or written quotations from suitable suppliers, recommendation to purchase, include on quotation form reason for choosing selected supplier, official order for the goods and services to be countersigned by the Officers designated in this Policy. At least one quotation must be obtained.
\$20,001 to \$50,000	Seek at least three written quotations from suitable suppliers after outlining in writing the requirements of the supply, recommendation to purchase, include on quotation form reason for choosing selected supplier, and that the official order for the goods and services be countersigned by the Officers designated in this Policy. At least two quotations must be obtained.
\$50,001 to \$150,000	Obtain at least three written quotations (using the Shire of York's Request for Quotation template) containing price and specification of goods and services, recommendations to purchase to be accompanied by a written evaluation against pre-determined criteria, and approved by the Chief Executive Officer.
\$150,001 and above	Conduct a public tender process, as prescribed under the <i>Local Government (Functions and General) Regulations 1996</i> .
WALGA Services (excluding Preferred Supplier Program)	For the purchasing of WALGA services, a minimum of one written quotation is to be sought and recorded.
LGIS Services	For the purchasing of LGIS services, a minimum of one written quotation is to be sought and recorded.

5.5 Authorisation

The signing of purchase orders and certification of invoices for the supply of goods and services can only be exercised by those Officers indicated in the following schedule, and only to the extent indicated in accordance with Policy *F1.2 Procurement*.

OFFICER	THRESHOLD
Chief Executive Officer	Unlimited
Executive Manager Corporate and Community Services	To a maximum of \$50,000 in any one transaction within the approved Budget Allocations
Executive Manager Infrastructure and Development Services	To a maximum of \$50,000 in any one transaction within the approved Budget Allocations
Works Co-ordinator	To a maximum of \$2,000 in anyone transaction within the approved Budget Allocations

6. Tenders

6.1 When are Tenders Required?

Purchasing that exceeds \$150,000 in total value (excluding GST) must be put to public tender unless a regulatory tender exemption is utilised by the Local Government.

Determining purchasing value is to be based on the following considerations:

- The actual or expected value of a contract over the full contract period (including all options to extend), or
- The extent to which it could be reasonably expected that the Local Government will continue to purchase a particular category of goods, services or works and what total value is, or could be reasonably expected to be, purchased.

6.2 Tender Exemptions

Under Regulation 12, a Local Government cannot avoid the requirement to invite public tenders **unless** a tender exemption exists.

A Local Government is exempted from the requirement to call public tenders if:

- The expenditure has been authorised in an emergency under section 6.8(1)(c) of the Act
- The goods or services are obtained from a tender exempt organisation such as WALGA (Preferred Supplier Arrangement or Business Service), the State or the Commonwealth or any of its agencies (i.e. Department of Finance Common Use Arrangements which are permitted for Local Government use), Regional Council, or another Local Government
- Within the last 6 months the Shire publicly invited tenders or expressions of interest for the supply of the goods or services but no tender was submitted that was thought to meet the tender specifications or value for money assessment
- Within the last 6 months the Shire has, under regulation 21(1), sought expressions of interest for the goods or services but there were no acceptable tenderers
- The contract is to be entered into by auction after being expressly authorised by a resolution of Council
- The goods or services are supplied by or obtained through the Government of the State or the Commonwealth or any of its agencies, or by a Local Government or a regional Local Government
- The goods or services are to be supplied:
 - In respect of an area of land that has been incorporated in a district as a result of an order made under section 2.1 of the Act changing the boundaries of the district, and
 - By a person who, on the commencement of the order referred to in subparagraph (i), has a
 - contract to supply the same kind of goods or services to the Local Government of the district referred to in that subparagraph
- The Local Government has good reason to believe that, due to the unique nature of the goods or services required or for any other reason, it is unlikely that there is more than one potential supplier – and it can demonstrate its justification if required
- The goods or services are for \$250,000 or less, are to be supplied by a person registered on the Aboriginal Business Directory WA published by the Small Business Development Corporation and are assessed as representing value for money
- The goods or services are to be supplied by an Australian Disability Enterprise, and

- The goods to be supplied under the contract are:
 - Petrol or oil, or
 - Any other liquid, or any gas, used for internal combustion engines.

When utilising a tender exemption, the Shire of York must comply with Council's adopted Purchasing Policy (F1.1 Purchasing), including obtaining quotations to ensure value for money for the Shire and delivering the most advantageous outcome possible.

6.3 Public Notices Advertising Tenders

- Tenders must be advertised via public notice. The notice must include:
 - Statewide public notice (not just the local paper)
 - A description of goods/services
 - person to contact for more information, and
 - Lodgement instructions.
- Evaluation criteria and weightings must be developed and approved in writing before inviting tenders, and

6.4 Lodgement of Tenders

- Tenderers must have at least 14 days from when the tender notice was first published to respond to the Request for Tender.

6.5 Opening Tenders

When tenders are opened:

- Responses must not be opened unless the request period has closed
- At least two Shire employees authorised by the CEO must attend the opening, and
- Details of the tenders (other than the consideration sought in the tender) are to be immediately recorded in the Tender Register.

6.6 Rejecting and Accepting Tenders

- A tender must be rejected unless it is submitted at a place and within the time, specified in the invitation for tenders
- A tender that is submitted at a place, and within the time, specified in the invitation for tenders but fails to comply with any other requirement specified in the invitation may be rejected without considering the merits of the tender
- If the CEO has prepared a list of acceptable tenderers (as allowable under the *Local Government (Functions and General) Regulations 1996*) for the supply of goods or services, a tender submitted by a person who is not listed must be rejected
- To assist the Shire in deciding which tender would be the most advantageous to accept, a tenderer may be requested to clarify the information provided in the tender
- The Shire should accept the tender, that having regard to all information, appears to be the most advantageous
- The Shire may decline to accept any tender
- Clarifications must be carefully managed and recorded.

6.7 Managing the Tendering Process

- A Tender Register must be kept and made available for public inspection

- All tenderers are to be treated equally and fairly
- Tenders must be kept confidential. It is the responsibility of the evaluating panel members to protect the security and confidentiality of all tenders and tender information in their possession and ensure all documents are recorded and filed correctly
- The following guidelines apply for tender processes relating to consultancy services, capital works, general goods and services contracts and for staff involved in calling, assessing or otherwise handling tender information:
 - During tender evaluation, tenders should be secured and not accessible when the tender evaluating officers are not at their desks or workstations. For example, tenders should be locked in a drawer or cupboard or the work place should be restricted only to authorised staff
 - When a tender evaluation is completed, unsuccessful tenders should be placed on a file marked 'Commercial-in-Confidence - Restricted' and secured for access by authorised staff
 - The tenders may not be opened until after the tender closing date/time
 - Members of the public are entitled to be present at the tender opening process
 - Fair and appropriate processes must be followed and reasons given to justify decisions made on the awarding of tenderers
 - The Shire may limit who can tender by making a preliminary selection from amongst prospective suppliers by seeking Expressions of Interest publicly first (EOI)
 - The time to be given to respond to public tenders and EOIs must be a minimum of 14 days from the first date the notice is published in the newspaper
 - Tenderers and respondents to EOIs must be advised in writing by the CEO of the outcome of any tender
 - The CEO has administrative responsibility for compliance with the regulations, and
 - The Shire may decline to accept any tender.
- Non-compliance with the legislation or conditions of tendering may render a contract void and unenforceable and potentially puts the Shire at risk.

6.8 Regional Price Preference

The Shire of York's Procurement Policy contains a Regional Price preference clause which must be observed for all quotations and tenders.

6.9 Tendering and the Process Contract

The tendering process is one that should demonstrate the highest levels of openness, transparency, fairness and competition. As such, probity risks are managed more specifically when it relates to a tender.

- Tendering processes should be designed to eliminate subjectivity and enable an objective and systematic assessment of tenderer responses against a defined set of criteria.
- Conditions of tendering outline the requirements to be met by both the tenderers and the buyer to ensure the integrity of the tendering process (Process contract).
- Some of the key components of the tender process that involve probity management are described below:
 - (i) *Evaluation Criteria*
 - Need to be set prior to advertising the tender
 - Evaluation panel to sign off on evaluation plan prior to advertising tender Criteria cannot be altered once the tender has been advertised, and

- Need to be clear, unambiguous so as not to create a bias to favour a contractor or group of contractors and must be aligned with the objectives of the project.

(ii) Communication with tenderers

- Ensure that information relevant to the tender process is provided to all tenderers
- Register any communications between tenderers and the Local Government during the tender process, and
- Evaluation panel members (internal and external) sign off Privacy/confidentiality and Conflict of Interest declarations prior to tender advertisement.

(iii) Forming Evaluation Panels

- Declarations of conflict of interest are signed by both internal and external panel members prior to the evaluation taking place
- Panel members are appropriately knowledgeable in the subject matter
- Panel members demonstrate competencies in the procurement procedures Consideration of the requirement of a probity adviser prior to evaluation taking place
- Regular review of the make-up of evaluation panels to identify and respond to potential instances of group-think (Rotation of roles)
- Clarify evaluation panel member roles (Chair, Subject Matter Experts, External advisers). Also clarify who is a voting member of a panel, and who is a technical expert (non-voting).

(iv) Evaluating

- A detailed Tender Evaluation plan should be developed that demonstrates how tenders are to be evaluated. Considerations should include:
 - Training of panel members
 - How qualitative criteria will be scored How scoring will be averaged / used
 - That pricing will be considered as a separate step post qualitative evaluation
 - How Clarifications will be requested and received.

(v) Scoring

- Review and agree to follow the scoring methodology (consensus, average) using the Shire's Evaluation Rating Scale
- Use words in the scoring system that match to the scoring matrix to support objective analysis
- Query significant differences in scores between panel members,
- Ensure comments match the scores and the scoring matrix; and
- Mandate to the panel that comments must accompany the evaluation of each criterion to provide reasoning for the score given by each panel member.

(vi) Evaluation Report

- Ensure that all panel members sign the final evaluation report
- The evaluation report should include enough detail to outline the reasoning behind the selection of the preferred tenderer, and
- Use the Shire's standard format/template for evaluation reports.

6.10 Contract Management

Ongoing management of contractors also creates an environment where probity risks exist. Many of the

decisions contract managers make also need to be conducted within robust frameworks to manage probity.

6.11 Variations

- If the Shire has entered into a contract for the supply of goods or services with a successful tenderer, the contract must not be varied unless:
 - the variation is necessary in order for the goods or services to be supplied and does not change the scope of the contract; or
 - the variation is a renewal or extension of the term of the contract as described in regulation 11(2)(j).
- It is important for this reason that where the Shire anticipates that the contract may be subject to variations, the circumstances that this may occur must be referenced within the contract.

6.12 Incentives

Contract managers may have the authority to approve performance incentives under the contract.

- This process should incorporate the principles of separation of duties to ensure that incentive payments are made based on an objective assessment of the contractor's performance against the performance targets defined in the contract.
- Incentives should also not be withheld if the contractor has met all of the performance targets.
- Performance incentives must be predefined under the contract and recording of measurement of performance targets must be adequate to ensure its legitimacy.

6.13 Tender Checklist and Templates

Officers should complete a tender checklist to ensure all required processes have been completed. This and other templates relating to the Shire's procurement processes can be found here. (H:Common Share/Procurement/Templates and Checklists)

7. Request for Quotation

7.1 When is a written Request for Quotation process required?

There are two situations where a written request for quotation is required:

1. Where the actual or expected value of a purchase is over \$20,000 and up to \$50,000, at least three written quotations are required after outlining in writing the requirements of the supply. This may be done via email or hard copy and quotations are to be attached to the duly authorised purchase order with an explanation for the selection of the chosen supplier.
2. Where the actual or expected value of a purchase is over \$50,000 (and under the tender threshold), a formal Request for Quotation document must be prepared using the Shire of York's Request for Quotation template. This process is described below.

7.2 The Formal Request for Quotation (RFQ) Process

- Use the Shire's RFQ Templates to develop the scope of works, specification, milestones and evaluation criteria.
- Determine who will evaluate the quotations. The Shire requires at least two people to evaluate formal RFQs.
- For larger, or more complex projects, a panel of people with the appropriate skills and knowledge must be established to evaluate the quotations. The panel will include the project manager, their Executive Manager and an independent officer to oversee probity. In some cases, an outside consultant or community member with the relevant skills may be asked to join the panel. This must be discussed with the Executive Management Group prior to establishing the panel.
- Determine who the request will be sent to by searching the WALGA Preferred Supplier Directory, the web or by contacting other local governments for suppliers for specialised goods or services.
- Ask the evaluation panel to review the RFQ document and provide feedback then agree on the suppliers to whom the RFQ will be sent. In order to ensure the required number of quotations are received, it is advisable to send the RFQ to at least five, if not more suppliers.
- Have the RFQ approved by a member of the Executive Management Group.
- Send the RFQ to the agreed suppliers with a covering email. All suppliers must receive the same information. If questions are asked or clarifications sought, responses must be sent to all suppliers.
- As soon as possible after the closing date, each member of the panel should evaluate each RFQ received and complete the Evaluation Workbook using the Shire's Evaluation Rating Scale and provide comments to support their scores.
- The Project Manager will then arrange a meeting of the panel to discuss the evaluations and come to an agreed score for each supplier. The Project Manager must attach the evaluation report to the office copy of purchase order raised.

7.3 Contract Management

- Ongoing management of contractors under the RFQ process also creates an environment where probity risks exist. Many of the decisions contract managers make also need to be conducted within robust frameworks to manage probity.
- Where a formal RFQ process has been undertaken, a formal contract should be entered into for the supply of the goods or services.

7.4 Variations

- If the Shire has entered into a contract for the supply of goods or services with a successful supplier, the contract must not be varied unless:

- the variation is necessary in order for the goods or services to be supplied and does not change the scope of the contract; or
 - the variation is a renewal or extension of the term of the contract as described in regulation 11(2)(j).
- It is important for this reason that where the Shire anticipates that the contract may be subject to variations, the circumstances that this may occur must be referenced within the contract.

7.5 Regional Price Preference

The Shire of York's Procurement Policy contains a Regional Price preference clause which must be observed for all quotations and tenders.

7.6 Probity

Like the tendering process, the RFQ process must also demonstrate the highest levels of openness, transparency, fairness and competition.

7.7 RFQ Checklist and Templates

Officers should complete a checklist to ensure all required processes have been completed. This and other templates relating to the procurement processes can be found here. (H:Common Share/Procurement/Templates and Checklists)

8. Other Purchasing

All other purchasing must still be done in accordance with the Shire's policy, business ethics and the principles contained in this Procurement Manual.

8.1 Regional Price Preference

- A preference will be applicable to all locally based contractors and suppliers with a permanent office and staff located within the Shire of York. This also applies to contractors based outside the Shire of York who use goods, materials or services which are sourced from within the Shire.

Goods and Services

- A 10% price preference, to a maximum of \$5,000, applies to goods and services, sourced and used in the Shire of York.
- A 5% price preference to a maximum of \$2,500 applies to goods and services sourced within the Avon Valley.

Construction

- A 5% price preference, to a maximum of \$5,000, applies to all construction conducted by businesses/contractors based within the Shire of York.
- A 2.5% price preference, to a maximum of \$2,500, applies to all construction conducted by business/contractors based within the Avon Valley.

8.2 Issuing an official order to the supplier

- Authorised 'Supplier Copy' of purchase order shall be forwarded to Supplier.
- Authorised 'Office Copy' of purchase order to be given to Accounts Payable with all relevant quotes, supporting documentation as per compliance with Procurement Policy F1.2. Written comments for quotation required section to be completed by Officer

8.3 Variation to Purchase Orders

It is recognised that in some cases, a variation to an original order may occur. Variations must comply with the adopted current financial year budget. A variation may include the following:

- Monetary value
- Description of approved purchases of goods or services
- Scope of works (minor variations only)

Process for Identified Variation to original order

- Identify variation to original order.
- Purchasing officer to complete a 'Variation to Purchase Order' form. This must be authorised by relevant management in accordance with Procurement Policy F1.2 monetary signing threshold.
- Attach supporting variation to purchase order documentation
- Executive Manager to authorise variation. Where the variation is outside signing monetary threshold, the Chief Executive Officer must countersign variation.
- Approved authorised variation to purchase order to be forwarded to Supplier/ Contractor
- Variation to Purchase Order form and all supporting documentation to be given to Accounts Payable and attached to original order
- Accounts Payable Officer to scan and record all documentation in Synergy.
- Synergy reference to be recorded on variation to purchase order document

8.4 Receival of Goods and Services

- Invoice must be date stamped upon receipt in order to process payments in accordance with the Shire of York payment terms
- Match purchase order to invoice along with all obtained quotations and supporting documentation.
- Officer to stamp invoice with Goods Received stamp.
- Accounts Payable Officer to review and check invoice details with Synergy
- Invoice forwarded to relevant responsible officer for signing. Officer must check invoice and sign. A receipt date of goods received must be completed.
- Responsible Officer to return invoices to Accounts Payable. In the case an invoice needs to be countersigned, this will be forwarded to the relevant officer then returned to Accounts Payable.

8.5 Transaction Processing

Invoice transaction batches to be processed in Synergy. Batch reports printed, checked and updated.

8.6 Payment Processing

Accounts Payable to process payment batch in Synergy. Print cheques and EFT reports. Attach to payment batches. Forward payment batches to Management for review and upload of payment to be processed through the bank.

8.7 Payment Cycle

- An invoice can be received in several ways; either by email, post, or delivered in person. Hard copies should be date stamped upon receipt and given to Accounts Payable as soon as possible. Invoices are matched to their respective purchase order/s and sent to the responsible officers for authorisation of payment. Invoices must be returned to Accounts Payable with all supporting documentation within 5 days of the relevant payment run.
- Payment runs will occur on the 14th day and 30th day of each month, or if this day falls on a weekend or public holiday, the next working day. February payment runs will occur on the 14th day and the 28th day of the month, or if this day falls on a weekend or public holiday, the next working day.

8.8 Payment Channels

The Shire of York maintains multiple payment methods as part of its commitment to efficiently pay for goods and or services provided.

These methods are;

- Electronic Funds Transfer – to be used wherever possible as this is the most popular and efficient method of payment.
- Cheque – can be produced when required however is usually restricted in most cases to utilities and licenses.
- Credit Card – The Shire has one credit card which is held by the Chief Executive Officer. Payments will be made by credit card only when other methods of payment are unavailable. Use of the credit card is generally restricted to online purchases, parking fees, and creditors who do not issue accounts.
- Direct Debit – This payment method is used for bank fees, superannuation and lease payments.

8.9 Payment exceptions

There are times when payment of an invoice is outside the Shire's standard procedures. This can be attributed to the following reasons;

- Invoices with errors are put on hold until the issues are resolved. Accounts payable coordinates with the relevant staff members to resolve these exceptions to enable payment of invoices on hold.
- Invoices from Creditors providing discount may be processed outside the normal timeframes.
- Payment can be made on an ad hoc basis when required, however staff are encouraged to adhere to the Shire of York default payment term

8.9 Remit payment advice

Supplier must supply an email address to remit payment advice electronically.

9. Purchasing and Credit Cards

Corporate purchasing and credit cards can deliver significant benefits to local governments through improved administrative practices and more effective cash management. However, they can also expose the Shire to significant risks if not properly controlled.

The risks associated with purchasing and credit cards can be minimised by implementing policies to control their use.

The Shire operates a corporate purchasing credit card system which permits an appropriate level of cards to be issued within the organisation.

9.1 Benefits of Corporate Purchasing and Credit Cards

When used correctly, a purchasing or credit card can –

- eliminate or reduce time spent on paper-based ordering and payments;
- reduce administrative costs;
- reduce the number of payments made per month;
- provide a useful resource in remote and emergency situations;
- reduce the need to carry cash on the premises; and
- provide an effective audit trail of expenditures.

9.2 Custodianship and Conditions of Use

- The Shire of York will hold one (1) credit card, the custodian of which shall be the Chief Executive Officer. All applications for a Corporate Credit Card shall be approved by the Council.
- The Corporate Credit card may only be used under the direction of the approved custodian.
- All credit card expenditure will be reported to Council with the monthly financial report.
- The requirement for Corporate Fuel cards will be determined on a case-by-case basis and approved by the Chief Executive Officer.
- Fuel cards will only be used for purchasing fuel for the Shire vehicle (or hire vehicle where appropriate) to which the application relates.
- All fuel card expenditure will be reported to Council within the list of monthly creditors payments.
- Officers must provide receipts to Finance at the end of each month for reconciliation to the statement.

9.2 Policies and Procedures Governing the Use of Corporate Purchasing and Credit Cards

The following shall be complied with for controlling the use of Corporate purchasing and credit cards [Card(s)]:

- An agreement shall be signed by the cardholder which sets out the cardholder's responsibilities and legal obligations when using the Card;
- A secure register managed by the Executive Manager Corporate and Community Services of all current cardholders will be kept which includes card number, expiry date of the Credit Card and credit limit. Details of goods and services the cardholder has authority to purchase are outlined in the cardholder agreement;
- All new and existing cardholders shall be provided with a copy of the policies and procedures relating to the use of Corporate Cards and shall formally sign the register to acknowledge that they have read and understood the requirements of the policy;

- When an employee misplaces their Corporate Card, they shall promptly report the matter to the Executive Manager Corporate and Community Services who shall immediately cancel the card.
- Credit Cards shall not be transferred to other users;
- Use of the reward schemes, such as Fly Buys and Frequent Flyers, will not be permitted for personal gain;
- All surrendered Cards shall be destroyed by the Executive Manager Corporate and Community Services in the presence of another employee;
- In the event that a cardholder fails to comply with the policy's requirements, the Chief Executive Officer shall withdraw the use of the Corporate Card and take appropriate disciplinary action. All criminal/illegal acts of alleged misuse shall be reported to the Police and other relevant authorities; and
- The use of Corporate Cards for any personal use whatsoever is strictly prohibited.
- Use of the corporate credit cards for purchases over the internet should be restricted to trusted secure sites.
- The cardholder will be personally liable for expenditure that cannot be shown to be related to the business of the Shire of York.