

10.3 Policy (Draft) - Tender and Quotation Evaluations

POLICY NAME: DRAFT POLICY
TENDERS AND QUOTATIONS - EVALUATION CRITERIA

POLICY REF:

MEETING ADOPTED:

POLICY HISTORY:

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OBJECTIVE

The objectives of this policy are to:

- Provide policy direction in respect to the selection of evaluation criteria and weightings for the assessment of quotations and tenders.
- Ensure conformity to procurement evaluation processes.
- Provide a fair and equitable basis for evaluations.
- Encourage competition by ensuring that responses are assessed in an equitable manner.

BACKGROUND

As a public authority council is required to comply with legislation in respect to its procurement of goods and services (i.e. Local Government Act and Regulations, Trade Practices Act). Often compliance requires council to call for quotations or tenders that result in more than one response being received. The responses must then be evaluated against each other.

There is a range of criteria and weightings that can be applied in an assessment process and it is important that council staff and council consultants receive direction from the elected Council in setting those criteria and weightings.

It is agreed that it is not possible to provide clear direction on all situations that may arise however this policy provides broad parameters to assist in the criteria and weightings selection process.

With this policy providing parameters only the final decision will rest with council staff and / or council consultants managing the procurement process, except where Council by resolution resolves to establish the criteria and weightings for a specific project or service.

DEFINITIONS

Quotation	an estimated price provided by a supplier for the supply of goods or services. Quotations are typically sought for purchases under \$150,000 (inclusive of GST) in value. The seeking of the quotation may be through an advertised process or by contacting suppliers directly.
Tender	the publically advertised process for the supply of goods or services or goods which must be conducted in a method as defined by the Local Government Act and the associated tendering regulations. This typically relates to a contract which has a value of over \$150,000 (inclusive of GST).
Criterion / Criteria	an attribute / characteristic that is comparable across a range of suppliers for a particular good or service. Normally at least three criteria will be applied to assist in comparing suppliers.
Weightings	percentage weighting given to each criterion in the assessment process.

SCOPE OF POLICY

This policy applies to:

- All council employees involved in the procurement process
- Any contractors or consultants appointed by council to assist in the procurement process.

RELATED DOCUMENTATION

Related documents, policies and legislation:

- Local Government Act 1993
- Local Government (General) Regulations 2005
- Tendering Guidelines for NSW Local Government 2009
- Ballina Shire Council Procurement Manual
- Trade Practices Act 1974

In addition to this documentation bodies such as the NSW Department of Local Government, NSW Ombudsman, Independent Commission Against Corruption and the Australian Competition and Consumer Commission (ACCC) are all in a position to monitor local authorities to ensure that any procurement process complies with all relevant legislation.

POLICY

Council is committed to providing best value services to the community. Importantly best value does not always mean lowest price as there are many other factors that need to be considered in selecting a provider of goods or services. These factors include variables such as relevant experience, financial resources, local knowledge, impact on the local economy and legislative responsibilities.

Council's preference is to purchase goods and services firstly from suppliers within the shire, secondly from within the northern rivers region and finally from outside the region.

However, due to legislation such as the Trade Practices Act, the purpose of which is to enhance the welfare of Australians through the promotion of competition and fair trading and provides for consumer protection, it is important that council only supports local suppliers where there are justifiable reasons that can support such a selection.

With these comments in mind Council has developed a criteria and weightings matrix to assist council staff and council consultants in the selection of criteria and weightings for quotation and tender processes.

Council acknowledges that the responsibility for the selection of the final criteria and weightings for a quotation or tender will rest with the council staff and / or council consultants overseeing the process, subject to any item being determined by Council resolution. Therefore the matrix provided is to be used as a guide only, although where the matrix is not applied in a quotation / tender process, the reasons why should be documented as part of that process.

Tender Evaluation Criteria

The first step in determining an evaluation matrix is to confirm the criteria that can be used in an assessment process. The following table identifies criteria that are considered to be relevant factors in determining the public benefit to be derived through a procurement process. The criteria listed are not considered to be exhaustive, although it would be unusual for criteria outside those listed to be used in an evaluation.

Criteria Description	Full Criteria
Tender Price	<ul style="list-style-type: none"> • Comparison of tenders received. • Comparison of benchmarks. • Analysis of individual tendered items
Sustainability	<ul style="list-style-type: none"> • Contractor's Environmental Policy/Environmental Management Plan • Contractor's sustainability record • Waste minimisation record • Level of pollution created and / or habitat destruction • Level of recycled content • Ability to recycle products
Capability	<ul style="list-style-type: none"> • Demonstrated capability to perform the works as specified. • Ability to perform contract within overall workload. • Current work load • Technical skills • Appropriate resources (including condition of plant) • Assessed capacity to complete the project satisfactorily and on time • Compliance with tender specification
Relevant Experience	<ul style="list-style-type: none"> • General performance history • Experience with contracts of a similar nature / similar projects • Profile and experience of staff in relevant field of expertise
Management & Financial	<ul style="list-style-type: none"> • The financial capacity of the tenderer measured against the contract requirements • Level of Council supervision required • Management skills • Whole of life cost • Financial Stability - Period of time operating in current business • Ability to manage projects within budget and maintain accurate accounting records
Compliance with Quality & Safety Plan	<ul style="list-style-type: none"> • Level and detail of quality plan. • Minimum standards of safety plan. • Reporting procedures
Methodology	<ul style="list-style-type: none"> • Proposed process and approach • Research and data base development system proposed • Transition plans for continuity of services
Social & Community	<ul style="list-style-type: none"> • Knowledge of local conditions • Social impact on local economy • Level of Australian content • Consultation and community communication process strategies • Demonstrated ability to meet and work co-operatively with committees and community groups
Innovative Work Practices	<ul style="list-style-type: none"> • Proposed new methodologies. • Proposed cost savings. • Environmental impact

Tender Evaluation Matrix

Council policy is to provide a higher weighting on tangible factors, such as price, for the delivery of goods that are relatively homogenous, which will then typically be operated by council staff (i.e. plant and machinery). The reason for this is that this type of purchase is considered to be relatively low risk due to the product's homogenous nature. However, where there are far greater variables in the products or services to be delivered, it is important that any evaluation place a higher weight on those other variables in an attempt to reduce the variability and also minimise any risk to council.

The following matrix reflects these policy comments.

Quotation / Tender Type	Explanation	Risk Profile	Preferred Criteria	Range for Weightings
Standard product or good	Refers to a product or good that is well tested in the market place and is utilised by many other organisations.	Relatively low risk - risk level can increase as price increases	Tender Price Sustainability Capability Relevant Experience	50% to 100% 0% to 20% 0% to 30% 0% to 30%
Construction contract valued at under \$150,000	Contract focuses on delivery of the construction works	Low Risk - Essential to ensure works comply with specification	Tender Price Sustainability Capability Relevant Experience Management & Financial Quality & Safety Plan	0% to 75% 5% to 15% 5% to 25% 5% to 25% 5% to 15% 5% to 15%
Construction contract valued at over \$150,000 and less than \$1 million	Typically a contract requiring a limited level of professional input combined with construction works	Medium Risk - Essential to ensure time lines and budget met and works comply with specification	Tender Price Sustainability Capability Relevant Experience Management & Financial Quality & Safety Plan Social & Community	0% to 50% 5% to 15% 5% to 25% 5% to 25% 5% to 25% 5% to 25% 0% to 10%
Construction contract valued at over \$1 million	Typically a contract requiring a wide range of professional input combined with significant construction works	High Risk - Strict project oversight required to minimise budget and deliver contract on time	Tender Price Sustainability Capability Relevant Experience Management & Financial Quality & Safety Plan Social & Community Methodology Innovative Work Practices	0% to 40% 5% to 15% 5% to 25% 5% to 40% 10% to 40% 5% to 25% 0% to 10% 0% to 20% 0% to 10%

Quotation / Tender Type	Explanation	Risk Profile	Preferred Criteria	Range for Weightings
Construction contract valued at over \$1 million, with preliminary ROI process	Typically a larger, more complex contract requiring a wide range of professional input combined with significant construction works	ROI - Potential High Risk for numerous components of contract	Sustainability Capability Relevant Experience Management & Financial Quality & Safety Plan Social & Community Methodology Innovative Work Practices	5% to 15% 5% to 25% 5% to 40% 10% to 25% 5% to 25% 0% to 10% 0% to 20% 0% to 10%
		Tender - Price needs to be realistic	Tender Price Capability Management & Financial	80% to 100% 0% to 20% 0% to 20%
Management contract	Refers to a contract where the contractor manages a facility for Council (i.e. camping ground)	Medium to high risk - highly dependent on staff appointed to deliver the contract	Tender Price Sustainability Capability Relevant Experience Management & Financial Quality & Safety Plan Social & Community	0% to 40% 5% to 15% 5% to 40% 5% to 25% 5% to 25% 5% to 15% 0% to 10%
Lease / Licence	Where a supplier is submitting a price to access a Council service or resource (i.e. commercial activity)	Medium to high risk - highly dependent on experience and track record of proposed service provider	Tender Price Sustainability Capability Relevant Experience Management & Financial Quality & Safety Plan Social & Community Methodology	0% to 50% 5% to 15% 5% to 45% 5% to 25% 5% to 40% 5% to 15% 0% to 10% 0% to 10%
Consultancy contract under \$150,000	Consultancy required a limited range of professional input	Low Risk - Essential to ensure timeline and budgets are met	Tender Price Sustainability Capability Relevant Experience Management & Financial Quality Plan Methodology	0% to 60% 0% to 15% 5% to 25% 5% to 25% 5% to 10% 0% to 10% 0% to 10%

Quotation / Tender Type	Explanation	Risk Profile	Preferred Criteria	Range for Weightings
Consultancy contract valued at over \$150,000	Consultancy requiring a high level of technical expertise often from a range of professions - May also include a high level of innovation	Medium to High Risk - Essential to ensure project team satisfy the specification	Tender Price Sustainability Capability Relevant Experience Management & Financial Quality Plan Social & Community Methodology Innovative Work Practices	0% to 40% 0% to 20% 5% to 40% 5% to 40% 5% to 10% 5% to 10% 0% to 10% 0% to 20% 0% to 20%
Consultancy contract valued at over \$150,000, with preliminary ROI process	Consultancy requiring a high level of technical expertise often from a range of professions - May also include a high level of innovation	Medium to High Risk - Essential to ensure project team satisfy the specification	Sustainability Capability Relevant Experience Management & Financial Quality Plan Social & Community Methodology Innovative Work Practices	0% to 20% 5% to 40% 5% to 40% 5% to 10% 5% to 10% 0% to 10% 0% to 20% 0% to 20%
		Tender - Price needs to be realistic	Tender Price Capability Management & Financial	80% to 100% 0% to 20% 0% to 20%
Service delivery contract under \$150,000	Service contract that is typically for a limited period of time or for spasmodic periods	Low Risk - Essential to ensure service delivered	Tender Price Sustainability Capability Relevant Experience Management & Financial Quality & Safety Plan	0% to 60% 5% to 15% 5% to 25% 5% to 25% 5% to 10% 5% to 10%
Service delivery contract valued at over \$150,000	Service contract involving the provision of a service that often covers more than one year	Medium to High Risk - Essential to ensure service delivered on time and on a long term basis	Tender Price Sustainability Capability Relevant Experience Management & Financial Quality & Safety Plan Social & Community Methodology Innovative Work Practices	0% to 40% 5% to 20% 5% to 40% 5% to 40% 5% to 10% 5% to 10% 0% to 10% 0% to 20% 0% to 20%

State Government Contracts and Local Government Procurement

A number of contracts are available from through tenders completed by the NSW State Government and Local Government Procurement (LGP), with LGP being fully owned by the NSW Local Government and Shires Association.

Council supports the use of State Government Contracts and LGP due to the reduction in administrative costs and the benefits typically achieved through bulk purchasing.

Where purchases are conducted through these organisations Council accepts that criteria different to that outlined in this policy may have been utilised.

REVIEW

This policy is to be reviewed every four years.