CALLING OF QUOTATIONS / TENDERS FOR CONTRACTORS POLICY

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Review	Procurement Coordinator – Annually – March (from 2011)
File Number	N/A – refer Records Section.
Associated Documents	Purchasing Policy 2007, Tendering Policy 2009

1. INTRODUCTION

As per Councils Purchasing Policy there is a requirement to call for Quotations / Tenders for Contractors to ensure value for money when engaging Contractors services. The requirements for Quotations are included in this policy. This policy was first developed in 1997 and has been reviewed several times since to ensure it remains current with any changes in Local Government Regulations and or practices in general.

2. POLICY OBJECTIVE

The purpose and objective of this document is to standardise current Quotation practices & procedures across Port Macquarie-Hastings Council. This document will define the policies by which best practice Quotation for Contractors can be fulfilled.

Please note:
This policy does not replace the comprehensive Tendering policy originally adopted November 2003.
This policy is for the engagement of Contractors only.

Please Note:
This policy does not relate to the purchase of Motor Vehicles or Major Plant Items.

3. POLICY SCOPE

This policy applies to all Council Officers.

4. DEFINITIONS

N/A

5. LEGAL & POLICY FRAMEWORK

This policy is to be read in conjunction with Port Macquarie-Hastings Council Purchasing policy 2007 and Tendering policy 2009.

6. POLICY STATEMENT

All instances where contractors will be engaged to perform works on behalf of Port Macquarie-Hastings Council will be subject to this policy.

7. IMPLEMENTATION

The Calling of Quotations / Tenders for Contractors Policy has been in place since 2005. Relevant staff have previously been trained in the processes involved in obtaining quotes from contractors and periodically, further training will be provided. Any Council Officers with a requirement to engage contractors are encouraged to seek the assistance and advice of the Procurement Coordinator or the Manager, Business Services.

7.1 Roles and Responsibilities

The Procurement Coordinator and the Manager, Business Services are responsible for the implementation of this policy. It is the responsibility of all Council Officers to adhere to this policy when seeking quotes.

7.2 Support and Advice

The Procurement Coordinator and the Manager, Business Services are available for support and advice as required.

7.3 Communication

The revised policy will be placed on public exhibition for a period of 28 days. Once the public exhibition period is over; Council staff will be informed of the revised policy.

7.4 Procedures and Forms

The procedures for obtaining quotes are contained below. For information regarding all forms and documents, contact the Procurement Coordinator.

7.5 Guidelines

N/A

8. REVIEW

The Procurement Coordinator will conduct a review of the policy on an annual basis, in March, beginning in 2011.

POLICY

1. **Contractors shall be engaged on a principal/contractor basis.**

2. **Quotations/Tenders**

   Unless otherwise specified, quotations/tenders for the use of contractors shall be called in sufficient time so that the quotations/tenders can be assessed and accepted for use commencing from 1 July following. Quotations/tenders shall initially be called for a period of

one (1) year. Subsequent periods shall be determined by the General Manager in consultation with Directors.

3. **Advertisements**

Advertisements shall be placed in the local papers and where appropriate, in Regional/National papers, as determined by the relevant Director/General Manager.

4. **Specifications and Documentation**

The standard component of the specification shall apply and be completed by all contractors, in addition to any specific additional requirements. A copy of this standard documentation shall be forwarded to each interested contractor and where specified, shall be completed by the contractor for the quotation/tender to be accepted as formal.

The standard component of the specification shall require:

(i) For the provision of service, details relating to the percentage of local content involved in the provision of the service.

(ii) For the provision of product, details relating to the percentage of manufacture of the product that has occurred from within the Hastings Local Government area and whether warehousing or transport firms, located in the Hastings are to be used.

5. **Assessment of Quotations/Tenders**

The relevant Director, in conjunction with relevant Council Officers, shall assess the quotations/tenders in accordance with this policy and make recommendations to Council, as necessary.

Quotations/tenders shall be categorised as follows from the information supplied by the contractor:

(a) *Incorporated Contractors*

These include those currently incorporated or intending to become incorporated prior to the commencement of the next financial year. Where this is proposed by the contractor, it be a requirement that incorporation be completed prior to commencement.

(b) *Partnerships*

It shall be assessed as to whether it is a legitimate partnership in terms of taxation requirements, by an examination of the following issues:

i) The names of the partners submitted;
ii) The name of the bank account submitted for payments to be remitted to;
iii) Whether the partnership advertises its services;
iv) Registered Trade Name (if applicable) and business address
v) Statement as to whether more than one (1) partner is active in the business;
vi) The percentage labour represents of the quoted price;
vii) The number of employees (if any).

In assessing/comparing the prices of the partnership contractors, a loading of 2.5% shall apply to meet statutory obligations. Where a quotation/tender from a partnership does not meet the above guidelines from a taxation perspective, the quotation/tender shall be assessed as a sole trader.

(c) *Sole Traders*

i) As required in the standard documentation, where a contractor indicates he/she is a sole trader, the price shall be specified in two (2) components:

1. Labour
2. Other (including machinery hire)

ii) This category of contractor shall also be required to provide details of:

i) Whether the contractor advertises his/her services &
ii) Whether the contractor has a registered trade name and business address;

iii) The relevant Director must also give an assessment as to the estimated extent of work with Council for the proposed contract period.

Where the sole trader is deemed by the relevant Director "not be used on a continuous basis and for less than 75% of Council's normal working hours", or the labour content is less than 50% of the total quoted/tendered price, then the proposed quotation/tender shall be treated as a contractor - sole trader and assessment based on the price submitted, plus a loading of 2.5% to meet Council's statutory obligations.

iv) Where a sole trader submits a quotation/tender price that indicates the labour content is 50% or greater of the total price and the Director assesses that the usage of that contractor, if successful, is likely to be greater than 75% of Council's normal operational hours, then the proposed engagement be treated in two (2) parts:

i) As a contractor for the dry hire of the plant;

ii) As a casual/temporary employee for the labour component (the price submitted for labour shall include all leave entitlements) and the sole trader must be prepared to enter into Council's standard "Contract of Employment" for temporary/casual employees where plant is also hired. In accepting this arrangement, the contractor acknowledges that Council will be paying the labour component of the quotation/tender as an employee through Council's normal payroll system and will be subject to normal PAYG tax deductions. This determination shall be made in accordance with Tax Ruling IT2129.

In these cases, an on-cost rate shall be applied to the labour component sufficient to cover superannuation, Workers' Compensation and payroll tax at applicable rates that may apply from time to time. These costs shall also be added to the labour tendered price by Council when evaluating quotation/tender prices. The specific percentages of these on-costs are not listed here as they are subject to change. For clarification of these on-costs, Council Officers need to confirm the actual on-costs with appropriate Finance Staff.

Any quotation/tender received where the documentation is not complete/inaccurate so as to not allow a determination in accordance with these guidelines, shall not be accepted at Council's discretion.

6. **Taxation**

(a) For all contractors except for that component determined as sole traders/casual/temporary employees (where applicable), prescribed payments tax shall be deducted in accordance with the taxation requirements. The contractors shall acknowledge that Council will deduct tax through the withholding tax system at the rate of 50% of their payment or as otherwise specified by taxation guidelines, unless the prescribed declaration is presented in accordance with the taxation requirements. No retrospective adjustment shall be made where a declaration is subsequently submitted.

(b) Where a determination is made that it is a sole trader/casual/temporary employee relationship, then the taxation of the dry hire of the plant shall be in accordance with the prescribed payments system, as outlined in 5(a). For the labour component, taxation shall be deducted through Council's PAYG payroll system at the prescribed rates.

7. **Workers Compensation**

(a) That where labour is to be employed by the contractor, lessee or licensee, proof of Workers' Compensation insurance and renewals to be provided.

(b) Notice of this requirement and a further note that Council will require the production of the original Workers' Compensation policy is to appear in all applications, specifications, contracts and tender forms where applicable.

(c) All such documents to contain a condition that if proof of the above insurance is not furnished fourteen (14) days prior to the commencement or renewal of the contract, lease, agreement or licence, the arrangement will be terminated. Further, that payment to contractors may be withheld.

8. **Motor Vehicle & Third Party Insurance**

(a) Tenderers for the supply of hire plant and applicants for the listing of plant items are to furnish proof by presenting for inspection:
- Original motor vehicle registration papers;
- Original motor vehicle comprehensive insurance documents;

Along with details of other insurances required in these matters.

(b) Proof of currency of insurance and renewal to be furnished fourteen (14) days prior to commencement of the agreement.

(c) Notice of these requirements is to appear in all pro-forma applications, specifications and tender forms.

(d) All such documents to contain a condition that if proof of registration and comprehensive insurance is not furnished fourteen (14) days prior to commencement of renewal of the contract or agreement, the arrangement will be terminated, further, that payment to contractors may be withheld.

9. **Claims for Payment**

With the exception of the labour component of sole traders/casual/temporary employee, all claims for payment shall be made by invoice by the contractor on the business invoice of the contractor. The invoice must be in the name of the accepted quotation/tender and must specify the following:

i) The name (as per quotation/tender submitted) and address

ii) The date of the invoice

iii) Details of work
   (a) The date of the job
   (b) Description of the job
   (c) Number of units (i.e. hours, etc)
   (d) The rate per unit (i.e. hours, etc)
   (e) The amount of claim
   (f) Advice whether task completed by owner or employee

iv) A certification that all employees (where applicable) or sub-contractors of the contractor engaged in the work subject to the payment by Council have been paid and details of currency of the Workers' Compensation and public liability policies held and the dates of expiry.