



New South Wales Government

NSW Government Procurement Guidelines

Simple Procurement

May 2007

version	2.2
revision date	May 2007
further information	agency procurement information service
phone	02 9372 8600
e-mail	gpshep@commerce.nsw.gov.au

These guidelines were prepared by the NSW Department of Commerce for the NSW Government. They are available from the procurement process maps on

<http://www.treasury.nsw.gov.au/procurement/procure-intro.htm>

For further information on these guidelines contact NSW Procurement help desk by phone 02 9372 8600 or e-mail gpshep@commerce.nsw.gov.au

Issue log

Issue number	release date	details
2	October 2006	Minor editorial changes
2.1	December 2006	Revision of Schedule 1 definition
2.2	May 2007	Inclusion of PM 2007-01

Related Guidelines

[NSW Government Procurement Policy Statement](#)

[NSW Government Code of Practice for Procurement](#)

[NSW Government Tendering Guidelines](#)

Related Instruments

[Public Sector Management \(Goods and Services\) Regulation 2000](#)

[Public Sector Employment and Management Act 2002](#)

Table of Contents

1 About this guideline	1
2 The simple procurement process	2
3 Define the need and specification.....	4
4 Establish potential sources of supply.....	6
5 Determine the procurement method	7
Common use period contracts	7
Purchase without quotations	9
Quotations.....	9
6 Obtain approval and invite quotations.....	11
Obtaining approval	11
Preparing request for quotations (RFQs).....	11
Inviting quotations.....	12
Receiving quotations	12
Clarification of requirements.....	12
7 Evaluate responses and select a service provider	13
8 Approve the selection	14
9 Monitor performance.....	15
10 Record keeping	16

1 About this guideline

This document provides guidance on the simple procurement of goods and services that are generally of low risk and where the value for money decision factors are likely to be primarily fitness for purpose, price and availability.

Simple procurement is usually undertaken by buying off common use arrangements or through the use of oral or written quotations. While this type of procurement is generally straightforward, problems can arise if the process is mismanaged or key steps are omitted. Procurement considerations like risk analysis and performance management should not be overlooked because of the low value of a prospective purchase.

For [Schedule 1, Part 1, \(Public Service Department\) agencies](#) governed by the [Public Sector Management \(Goods and Services\) Regulation 2000](#), the acquisition goods and services is subject to delegations and directions as approved by the [State Contracts Control Board \(SCCB\)](#) and its [General Purchasing Delegation](#). The delegation stipulates, for Schedule 1 agencies, when they are to:

- buy off SCCB contracts
- not required to obtain quotations
- obtain one or three written quotations
- call for invitation for tenders (not covered in this guideline).

For all other agencies, the Chief Executive Officer determines the delegations for the acquisition of goods and services.

Under [Premier's Memorandum 2006-11 NSW Procurement Reform](#), all NSW Government agencies except State Owned Corporations are required to use SCCB period contracts where they are available.

This guideline does not provide guidance for more complex procurements through open tenders nor does it cover procurement of construction services or the engagement of consultants.

Further information on this guideline is available from gphelp@commerce.nsw.gov.au or (02) 9372 8600.

2 The simple procurement process

The characteristics of simple procurement are typically that:

- the details of the product or service being procured are known
- the product or service is readily available
- the product or service has been procured previously
- there is a competitive market
- the primary selection criteria are price and availability
- there are low risks

To ensure probity, integrity, fairness and consistency, all procurement undertaken by government agencies must achieve value for money and be conducted in an accountable manner, in accordance with this guideline and the [NSW Government Code of Practice for Procurement](#) and the [NSW Government Tendering Guidelines](#).

The process of simple procurement usually consists of the following steps:

1. define the need and specification
2. establish potential sources of supply
3. determine the procurement method
4. obtain the appropriate approval
5. invite offers or quotations
6. evaluate responses and select a service provider
7. obtain approval for the decision
8. monitor performance of the service provider

Analysis and consideration of the risks associated with the procurement should help agencies identify where steps in the process should be given greater or less emphasis.

Advance planning of purchases would assist agencies in realising value for money outcomes.

3 Define the need and specification

It is essential that there is a clear understanding of what is to be procured. The first step in any procurement is to define the need and to specify what is needed.

Poor identification of needs may lead to incorrect products or services being sought or offered, resulting in additional time, effort and costs.

Specifications should provide sufficient detail for a service provider to ascertain the agency's needs. Define specifications to encourage and promote open and effective competition. The specification should:

- be clear, concise and unambiguous
- not be commercial specifications based on known products or services
- not overstate specifications, as this may limit the range of goods and services offered
- not be understated as this may result in inappropriate goods and services

Generic product names or descriptions may be adequate, provided they do not restrict competition.

In addition, and only where appropriate, consider incorporating specifications that help achieve the Government's [economic](#), social and [environmental](#) objectives. These include support for local and regional enterprises, [occupational health and safety](#) (OHS), ecologically sustainable development (ESD) and Aboriginal employment and training opportunities.

Identify and include as appropriate other requirements such as warranty, timeframes, quality standards, delivery, insurance or packaging as appropriate.

When the needs, specifications and other associated requirements have been determined, the cost of the procurement should be determined. This will assist in the consideration of offers.

The degree of detail of the specifications or requirements specified would be commensurate with the degree of complexity, risk and value of the procurement.

4 Establish potential sources of supply

The following are examples of information sources that may be used to ascertain potential service providers:

- previous orders
- [common use or period contracts](#)
- [smartbuy®](#)
- [NSW Industry Capability Network \(ICN\)](#)
- newspapers and trade journals
- telephone directories
- catalogues
- the internet
- industry and government directories

Note: The Government does not typically endorse privately produced purchasing directories. Care should be taken that any 'government' reference material is properly authorised.

It should be noted that the [Australia and New Zealand Government Procurement Agreement](#) (ANZGPA) is an inter-government agreement between all States, Territories, the Commonwealth, and New Zealand. NSW Government agencies must provide equal opportunity and treatment to service providers of goods and services in Australia and New Zealand. Agencies must also promote opportunities for Australian and New Zealand service providers to compete for government business on the basis of value for money, and avoid procurement practices which are biased in favour of foreign goods or service providers.

5 Determine the procurement method

The method of procurement selected must promote fair and effective competition appropriate to the circumstance. For simple procurement, the extent of competition sought must be commensurate with the value of the procurement, and in line with the agency's purchasing and financial delegations. The procurement method chosen must achieve best value for money.

[Schedule 1, Part 1, agencies](#) of the [Public Sector Employment and Management Act 2002](#) are governed by the [Public Sector Management \(Goods and Services\) Regulation 2000](#) and the [General Purchasing Delegations](#) determined by the [State Contracts Control Board \(SCCB\)](#). It should be noted that the Delegations do not replace the need for agencies to act within the financial delegations set by their Minister.

Under [Premier's Memorandum 2006-11 NSW Procurement Reform](#), all NSW Government agencies except State Owned Corporations are required to use SCCB period contracts where they are available.

Simple procurement methods include:

- buying through common use period contracts
- purchase without quotations
- oral or written quotations

Common use period contracts

A common use period contract is a formal arrangement with a service provider to provide goods or services at agreed rates and conditions, for a specified period, on request.

The [SCCB](#) has established centralised purchasing arrangements of this kind. [Common use period contracts](#) reduce the cost of procurement to government agencies and other authorised users, while achieving benefits from aggregating the Government's purchasing power. Some of the goods and services available under these arrangements include:

- fuel
- motor vehicles

- air travel
- stationery
- electrical and hardware components
- health consumables
- food
- information technology components and services

These contracts can be accessed by agencies and other approved organisations. Information on these contracts and their use can be obtained from [Contracting Services](#), a business unit of the NSW Department of Commerce.

The main features of common use period contracts are:

- service providers have been identified and selected in accordance with the [NSW Government Code of Practice for Procurement](#)
- purchases are carried out without the need for agencies to obtain competitive quotes
- essential contractual terms and conditions are already established
- the goods and services are selected in accordance with the [NSW Government Procurement Policy](#) and other relevant government policy obligations.

Buying off a common use period contract constitutes 'in contract' purchasing. Purchases made where no common use period contract exists are considered 'not in contract', and are covered by the competitive quotation process, as required by the [General Purchasing Delegations](#).

A contractual arrangement is activated by placing an order specifying the requirement directly with the service provider. Each order placed by an agency or organisation comprises a separate contract, operating under the terms of the specific common use period contract.

If a common use period contract lists more than one contracted service provider to supply similar goods or services, the agency should match its needs with the alternatives offered by the different service providers. Quotations do not need to be obtained when buying under common use period contracts, even if there is more than one supplier.

Many agencies also establish agency specific period contracts for goods and services repeatedly purchased. These period contracts are to be used where available.

Purchase without quotations

For very low value purchases, and where permitted by the relevant delegation, goods and services can be purchased without seeking quotations, providing:

- the rates are reasonable and consistent with the market rates for items of a similar nature
- regular reviews are undertaken to ensure the reasonableness of prices, including the random invitation of quotations at appropriate time intervals
- the required goods or services are not split into components or a succession of orders for the purpose of enabling orders to be placed without seeking quotations and
- fairness, equity and ethical dealing are assured

Quotations

Quotations are only needed when the good or service to be purchased is not available under common use period contracts. The quotation process is intended to ensure that the purchaser receives value for money based on fair competition and ethical dealing. When requesting quotations, government agencies should provide the following information to service providers:

- a description of the goods or services
- specifications
- the quantity required
- the name and telephone number of the officer to whom quotes and enquiries should be directed
- delivery lead time
- delivery point.

A request for a quotation should also show a request number and the closing date, which must allow a reasonable time for potential service providers to respond.

All quotations are to be carried out in accordance with the [NSW Government Code of Practice for Procurement](#). The complexity and value of the procurement, and the financial delegations of the agency will determine whether oral or written quotations are sought. Oral quotes are most commonly used for low value transactions. The complexity and value of the procurement will also determine the number of quotes to be sought.

The whole of government electronic marketplace, [smartbuy®](#) and the [NSW Government eTendering](#) website may offer assistance.

Oral quotations

When obtaining oral quotations, those invited to quote should:

- all receive the request at or about the same time
- all receive the same information
- represent a fair selection of available service providers

The relevant officer should record and endorse the information obtained through oral quotes on the purchasing papers. This is to facilitate comparison and approval, and to ensure accountability.

If fewer than the required number of quotes is received, the reasons for not inviting more quotations should be documented (eg critical time constraints).

Written quotations

Those invited to quote in writing should:

- all receive the request at or about the same time
- all receive the same information
- represent a fair selection of available service providers
- be requested to submit their quotations in writing to a specified location by the due date and time

Should the complexity and value of the procurement require more than one written quotation, and if fewer than the required numbers of quotes are received, the reasons for not inviting more quotations should be documented.

All quotation documentation must be retained for audit and probity purposes, in accordance with the appropriate requirements, including legislation.

6 Obtain approval and invite quotations

Obtaining approval

It is necessary to obtain the appropriate approval before proceeding with the procurement process.

A simple business case should be prepared outlining the need, the procurement method, estimated costs, selection criteria, evaluation methodology/plan etc. Seek approval from the appropriate delegate for funding and permission to proceed using the business case.

Preparing request for quotations (RFQs)

It is essential that the Request for Quotation be clear and unambiguous. The components that comprise an RFQ include:

- description of the need
- specifications
- conditions of quoting, general conditions and special conditions
- requirements such as quality standards, insurances, warranty
- selection criteria
- outputs and performance measures
- timeframes
- location and instructions for lodgment
- response forms and schedules

The degree of detail of the RFQ used or the information required from suppliers should be commensurate with the value, complexity and risk of the procurement. Agencies should seek legal advice when developing Request for Quotations for their own use.

Inviting quotations

Only procurement actions which can be funded, and have been given a firm intention to proceed, should be taken to the market.

Quotes can be obtained by a variety of methods including mail, fax or email.

The number of suppliers invited to quote will depend on factors such as the value, risk and complexity of procurement and the number of potential suppliers.

All suppliers invited to quote should be given the same information and operate under the same conditions. Any addenda are to be communicated promptly to all invited suppliers.

Receiving quotations

A closing time for the submission of quotations is to be set.

Procurement officers are reminded of the ethical and probity issues involved in accepting and considering late offers. The consideration of late offers may raise questions about the probity of the evaluation process.

Late quotations should not be considered, except where the appropriate delegate is satisfied that the integrity and competitiveness of the process are not compromised. If a late quotation is considered or accepted, the reasons for doing so must be fully documented.

Government agencies must ensure the commercial confidentiality of responses is maintained.

Clarification of requirements

Potential service providers may seek clarification of the specifications or other requirements after requests for quotations are issued. Procurement ethics require that potential service providers are treated equally and fairly. Procurement personnel must ensure that clarifying information is given to all participating service providers to ensure that there can be no claims of unfair advantage.

7 Evaluate responses and select a service provider

The evaluation process should provide a fair comparison between the responses and be conducted in accordance with the approved evaluation methodology/plan and criteria.

Evaluation should be conducted by those with relevant skills and knowledge appropriate to the value and importance of the procurement. Any conflict of interest must be declared and resolved.

The same evaluation method should be applied to each response.

An evaluation form to assist with the analysis, based on the evaluation criteria developed should be prepared before calling for quotations.

For higher value procurements, or those with a higher risk factor, a formal evaluation team may need to be established with its meetings minuted.

The selected quotation must provide the best value for money when evaluated against the assessment criteria. Best value is not necessarily lowest price. It should be a combination of quality, reliability, timeliness, service, whole-of-life costing and other factors as specified in the requirements.

The [NSW Government Code of Practice for Procurement](#) specifies that 'bid shopping' (trading off one service provider's price against the price of another in an attempt to seek lower prices) is not permitted in government procurement.

When the responses have been evaluated and a service provider selected, a recommendation report is to be prepared outlining the findings of the evaluation process. The recommendation report should record the reasons for the recommendation, particularly if the service provider offering the lowest price is not recommended. For smaller, less complex purchases, note the reasons for the selection on the relevant purchasing documents.

8 Approve the selection

An officer with the appropriate delegation should approve the recommendation to accept a quotation. Approving officers must satisfy themselves that the best offer, as measured against the evaluation criteria, is being accepted.

When the selection process is completed, promptly advise both successful and unsuccessful bidders of the decision. Upon request, provide relevant details to unsuccessful service providers as to their lack of success. Limit this to the unsuccessful service provider's response and how it did not meet the requirements. The name of the successful service provider and the price accepted may be provided. Comparisons should not be made with the successful service provider's response.

Unless otherwise authorised by the service provider or required by legislation, information on unsuccessful service providers responses must remain confidential.

To effect the purchase, use the agency's standard requisition form if appropriate.

[Premier's Memorandum 2007-01, Public Disclosure of Information Arising From NSW Government Tenders and Contracts](#), stipulates the information to be disclosed. It introduces revised guidelines to provide NSW government agencies with a practical model to determine what, how and when specific information arising from government tenders and contracts (including project deeds and other forms of agreements) with the private sector should be publicly disclosed and what information should remain confidential.

9 Monitor performance

The benefits of effective supplier performance monitoring are significant in terms of encouraging continuous improvement, assisting in the future design of specifications and contracts and ensuring the terms and spirit of the contract are adhered to, including the commitment to service delivery.

Following placing orders with the successful service provider, monitor the performance of the service provider against the specifications and requirements stated.

The goods or services are to be delivered in accordance to specifications the terms and conditions stipulated.

Goods or services that do not meet the specified requirements and conditions are to be rejected and the supplier advised. Any instances of poor performance should be documented for future reference.

Invoices are to be reviewed prior to payment to ensure that the goods or services have been accepted and the invoice amount is correct and in accordance to the agreed terms and conditions.

10 Record keeping

Government agency personnel involved in procurement are expected to be aware of their responsibilities and able to account for their actions and decisions.

Records of procurement decisions, including reasons for recommending and deciding on the selection and rejection of offers, must be kept in a manner that facilitates audit and other normal processes of accountability, and retained in accordance with Government or agency requirements.