

Whangarei District Council

Procurement Policy 2021

***Policy
0086***

Policy title			
Audience (Primary)	Internal	Business Owner (Dept)	Business Support
Policy Author	Manager Business Support	Review date	November 2021

Table of contents

Table of contents	2
1..... Introduction.....	3
2..... Purpose	3
3..... Definitions and Scope	3
4..... Compliance.....	3
5..... Exclusions to this Policy.....	4
6..... External Funders	4
7..... Alignment.....	4
8..... Principles	5
8.1 Transparency and accountability	5
8.2 Value for money	6
8.3 Thinking strategically and acting as one organisation.....	6
8.4 Effective market competition	7
8.5 Emergency procurement.....	7
8.6 Preferred Respondent.....	7
8.7 Sustainability.....	8
8.8 Encourage local supply	9
8.9 The value of relationships	9
8.10 Fairness and lawfulness.....	9
8.11 Risk Management	9
8.12 Electronic Submissions	9
8.13 Probity.....	10
9..... Key Considerations.....	10
9.1 Approved budget, delegations and financial authority	10
9.2 Health and safety	10
9.3 Ethical business practices	10
9.4 Practical considerations	11
9.5 Members' Interests and involvement in procurement	11
9.6 Confidentiality and intellectual property	11
9.7 Extended Contract	12
9.8 NZ Government Contracts (Collaborative Contracts)	12
9.9 Keeping records.....	12
10..... Governance and Sign Off.....	13
11..... Risk and Audit Committee.....	13
12..... Review	13
13..... Adoption	13
13.1 Policy Review.....	14
Appendix 1: Guidance Notes	15
Appendix 2: Risk Matrix for Procurement of Goods or Services	16
Appendix 3: High Level Procurement Decision Making Process	18
Appendix 4: Government Principles of Procurement	19

Policy title			
Audience (Primary)	Internal	Business Owner (Dept)	Business Support
Policy Author	Manager Business Support	Review date	November 2021

1 Introduction

Whangarei District Council (Council) is a territorial local authority with obligations to its ratepayers and the public as defined under the Local Government Act 2002.

Council's obligations to its ratepayers will be fulfilled by working in partnership with our communities; promoting sustainable management of natural and physical resources; using innovative, cost effective and technically excellent methods; and ensuring decision-making is based on high quality information.

Council recognises that it is a significant user of public money and the expenditure of this money has an impact on the local and domestic economy. As such Council seeks to ensure all procurement of goods, services and works are undertaken and managed in a way consistent with legislation, good practice and a sound business approach.

2 Purpose

The purpose of this Policy is to:

- Inform Council staff, and those acting on behalf of Council, of the principles required when conducting procurement
- Encourage a common understanding and consistent management practice across Council to realise procurement-related benefits
- Promote transparency in how Council manages its procurement
- Ensure procurement practices are always consistent with legislation
- Provide potential vendors with information on Council's procurement principles.

Aids to determine what approach is required and who needs to be involved are set out in:

- Appendix 1 – Guidance Notes
- Appendix 2 – Risk Matrix for Procurement of Goods and Services
- Appendix 3 – High Level Procurement Decision Making Process

3 Definitions and Scope

Council requires the organisational procurement function to support the procurement of goods, services and works to deliver a high level of service and the capital projects in the Long Term Plan, business as usual and emergency situations.

Procurement and contract management is a significant activity of the Council. Council procures a wide range of goods, services and works from an array of different markets. The requirements are diverse and complex, ranging from major and minor contracts with long term partnerships (e.g. roading, facilities management, recruitment and travel) to one off purchases.

The definition of procurement is "all the business processes associated with purchasing, spanning the whole cycle from the identification of needs to the end of service contract or the end of the useful life and subsequent disposal of an asset."

(Office of the Auditor General: Procurement Guidance for Public Entities www.oag.govt.nz)

4 Compliance

Full compliance with this policy is required in order to meet contractual obligations, legislative requirements, and to be fair to suppliers/contractors. A breach of this policy may constitute misconduct or serious misconduct under staff policy, depending on the circumstances.

Policy title			
Audience (Primary)	Internal	Business Owner (Dept)	Business Support
Policy Author	Manager Business Support	Review date	November 2021

From time to time in exceptional situations procurement may need to fall outside the rules of this policy. A variation to operate in this manner must be signed by the Chief Executive or delegate acting for the Chief Executive.

5 Exclusions to this Policy

The following areas are excluded from this policy:

- procuring permanent and fixed term employment contracts
- day to day treasury management
- grants
- gifts
- koha
- procurement during a state of emergency or time critical situation (see clause 8.5)
- disposal or acquisition of land and interests in land (including leases and licences)
- disposal of assets (other than land and interests in land).
- Projects when Council is engaged with other bodies, councils or consortiums.

Where-ever possible the principles in this procurement policy and best practise should be applied to these exempted areas too, but they are not mandated.

6 External Funders

Where external parties (such as NZTA, Ministry of Health, Ministry for the Environment) are providing funding to Council, they sometimes have specific procurement requirements or policies that Council needs to meet to get the funding.

In these cases Council's procurement policy applies in the first instance, any additional requirements the funder has are applied in addition to this policy (not instead of).

In the event that an external funder has additional requirements, confirm:

- procurement requirements from that agency
- agency point of contact
- in all cases written / email confirmation from the external agency approving the procurement plan prior to initiating the procurement process

This information should be included in the procurement plan which is required to be approved by the person with the required authority.

7 Alignment

The Procurement Policy is aligned to the following policies, rules and guidelines:

- Whangarei District Council Employee Code of Conduct
- Whangarei District Council Sensitive Expenditure Policy
- Whangarei District Council Disciplinary Policy
- Whangarei District Council Sustainability Strategy
- Whangarei District Council Health and Safety Policy
- Whangarei District Council Contractor Health and Safety Management Policy
- Whangarei District Council Safety in Design Guideline
- Whangarei District Council Financial Delegations as detailed in the Delegations Register
- Whangarei District Council Purchase Order terms and conditions
- Whangarei District Council Draft Koha Policy (refer to Finance Department for guidance)
- Government Procurement Rules 4th Edition 2019 ("The Rules")
- Controller and Auditor-General's Procurement Guidance for Public Entities, June 2008
- Five Principles of Government Procurement (set out in Appendix 4)

Policy title			
Audience (Primary)	Internal	Business Owner (Dept)	Business Support
Policy Author	Manager Business Support	Review date	November 2021

- Any other relevant policy adopted by Council over time
- Any such other government policies on procurement which are applicable to local government bodies

Procurement processes and practices must be influenced by the following legislation:

- Local Government Act 2002
- Fair trading Act 1986
- Local Government Official Information and Meetings Act 1987
- Commerce Act 1986
- Public Records Act 2005
- Local Authorities (Members' Interests) Act 1968
- Public Finance Act 1989
- Contract and Commercial Law Act 2017.

The Rules require that Councils conform to The Government Procurement Charter ("The Charter" - a section within The Rules) and identify their key priorities and to seek to meet as many of these expectations as practical. This policy contains many references to similar concepts and ideals as The Charter. Key priorities from The Charter identified by Council are as follows:

Charter	Comments
Manage risk appropriately	Risk management is key to successful procurement throughout Council and must be part of every purchasing decision.
Undertake initiatives to contribute to a low emissions economy and promote greater environmental responsibility	Sustainability is a key tenet of how Council spends ratepayer funds and needs to be considered as part of planning each procurement.
Encourage collaboration for collective impact	Successful contract management is all about relationships, and the most successful relationships are the ones where we work together towards a common goal.
Seek opportunities to include New Zealand businesses	Purchasing local is a priority for us and takes on various forms depending the good or service being procured.
Promote inclusive economic development within New Zealand	Providing opportunity for good and services to be procured from a wide range of businesses in New Zealand and looking for opportunity to purchase from Maori owned businesses.

8 Principles

Council expects all staff to ensure that the following principles are considered in every procurement of goods, services and works.

8.1 Transparency and accountability

Council is accountable for the use of public money through procurement and must be able to give complete and accurate accounts of how public funds have been used and contracts awarded. This will be achieved by:

- Following consistent processes and procedures that are in line with accepted good practice for public sector organisations and allow for transparency of decision-making

Policy title			
Audience (Primary)	Internal	Business Owner (Dept)	Business Support
Policy Author	Manager Business Support	Review date	November 2021

- Maintaining appropriate records and minutes relating to procurement activities that allow for subsequent review of the decision-making process
- Conducting all procurement in a fair, consistent, accurate and unbiased manner, acting in good faith
- Considering all procurements in their own right, and the principles of the policy are adhered to
- Managing procurement in a timely manner so that where it is required, goods, services and works are provided seamlessly
- Goods, works or services are identified through the LTP / Annual Plan and budgeting process, or by specific Council resolution
- The procurement of non-budgeted goods, works or services must be approved by the appropriate delegated authority and documented accordingly
- All procurement decisions and commitments are in accordance with the delegated authorities recorded in the Delegations Register
- Declaring all gifts or gratuities from any supplier, active or who are actively tendering or negotiating for Council contracts
- Declaring all personal interests that may affect (or could be perceived to affect) their impartiality. The conflict-of-interest declarations are required routinely at the beginning of the procurement process by everyone involved in the process, and again if you are a member of the evaluation team. The conflict or interest form is a template in the Procurement section of Kete Template Central and when completed becomes a public record and must be managed as such.

8.2 Value for money

Council has a responsibility to manage its resources in an effective and efficient manner. Council will seek the best possible outcome for the total cost of ownership (or cumulative value). This will be achieved by:

- Basing procurement decisions on cumulative value (or total cost of ownership) rather than just consideration of the lowest price
- Including an appropriate balance of financial and non-financial (e.g. functional, technical, environmental, quality, performance, risk etc) evaluation criteria in procurement decision making
- Subjecting proposals and tenders received by suppliers to robust evaluation processes, including benchmarking, and / or comparison of value between proposals or bids
- Periodically reviewing and benchmarking Council's supply arrangements, to ensure best value is being achieved
- Selecting procurement methods and forms of contract that are appropriate to the scale (value risk and complexity) of the Council's requirements
- Ensuring that suppliers acknowledge and agree that any disbursements, surcharges or margins invoiced to Council must be an identifiable cost relating to the respective project and pre-approved by Council in writing.
- Utilisation of standardisation, standard templates and contracts as appropriate.

8.3 Thinking strategically and acting as one organisation

When making procurement decisions Council will consider long term benefits, economic and environmental impacts, and consequences and implications to the whole organisation and wider community. Council departments are expected to act collaboratively, to leverage supply requirements and achieve best value. This will be supported by:

- Forward planning of procurement activities in conjunction with contract expiries to ensure that sufficient time and resources are available

Policy title			
Audience (Primary)	Internal	Business Owner (Dept)	Business Support
Policy Author	Manager Business Support	Review date	November 2021

- Ensuring that staff with the responsibility for managing and overseeing procurement activities are suitably skilled and experienced, and external advice and capability is utilised only when appropriate
- Ensuring that suppliers comply with Council's standard terms and conditions at all times. Any material terms and conditions proposed by suppliers and any material variations to Council's standard terms and conditions shall be reviewed and approved by Legal Services before Council execution.
- Ensuring that if Council engages a third party to procure goods, services or works on Council's behalf, that third party adheres to this Procurement Policy.
- Asking suppliers to apply innovative thinking and provide advice to Council to ensure continuous improvement of goods, services and works procured.

8.4 Effective market competition

Council recognises that the development of competitive supply markets will ensure sustainable sources of supply, and where mature markets exist a competitive procurement process is likely to result in a better procurement outcome for Council. Therefore, all preferred suppliers must have a reasonable opportunity to participate in all Council procurements. This will be achieved by:

- Ensuring that Council's position is to engage suppliers in good faith
- Ensuring that at the expiry of the contract term, the goods, services or works required by Council are retendered and the contract is not automatically rolled over unless there is good reason to do so and as such the rationale is clearly recorded and authorised by staff with the appropriate delegated authority.

8.5 Emergency procurement

In an emergency or urgent situation, it may not be possible to satisfy these procurement principles. Parts of the procurement process may therefore be dispensed with to react quickly to genuinely unforeseen urgent circumstances. Relevant criteria are:

- Life, property or equipment are immediately at risk; or
- Standards of public health, welfare or safety need to be re-established without delay (such as disaster relief).
- Service interruption will have serious consequences

Council must still act lawfully and with integrity, be prepared to account for all emergency procurements and act within delegated authority.

8.6 Preferred Respondent

The procurement process and the tender documents should state that having run the procurement process Council will select a Preferred Respondent. Council will then enter into an agreement in principle which states:

- they have been selected as the Preferred Respondent
- Council and the Preferred respondent will enter into detailed discussions together to agree the terms of the contract, such as:
 - technical specification
 - roles and responsibilities
 - equipment
 - methodology
 - final pricing
 - health and safety requirements
 - sustainability

In the event that the parties cannot agree the terms of the contract council reserves the right to enter into discussions with a third party (meaning the next best supplier) or abandon the process.

Policy title			
Audience (Primary)	Internal	Business Owner (Dept)	Business Support
Policy Author	Manager Business Support	Review date	November 2021

This right is only exercised once Council has tried and failed to reach an agreement with the Preferred Respondent. It is not an opportunity for Governance to select a respondent other than that recommended.

This means that Council:

- select the best supplier
- then work towards an agreement with them that works for Council
- If Council can't reach agreement then they park the first supplier, select the second-best supplier and do the same with them.

8.7 Sustainability

The Local Government Act 2002 requires local authorities to take a sustainable approach when procuring goods, services and works. This needs to be applied in a pragmatic way and balanced with other criteria.

Sustainability includes:

- planning
- design
- manufacturing
- production
- distribution
- waste minimisation
- water conservation
- protection of ecosystems
- social sustainability
- energy consumption
- packaging
- non toxic
- non carcinogenic
- recycled content

Sustainable procurement is defined as meeting the needs for goods, services, utilities and works, not only on a private cost–benefit analysis, but with a view to maximizing net benefits for Council, the wider community and our environment. In doing so Council may incorporate extrinsic considerations into decisions alongside the conventional procurement criteria of price and quality. The sustainable impacts of a potential supplier's approach may also be assessed as a form of quality consideration. These considerations are typically divided thus: environmental, economic and social.

Council is committed to the implementation of a Sustainability Strategy, prioritising the reduction of carbon emissions, and will look for opportunities to positively act on the environmental, social, economic and cultural wellbeing of our communities.

Council will assess sustainable procurement outcomes related to all procurement activity considering:

- value-for-money over the cumulative value, rather than just the initial cost
- minimising environmental impacts over the cumulative value of the goods/services/works
- strategies that manage demand and minimise waste and avoid unnecessary consumption
- our supplier's social responsibility practices, including compliance with legislative obligations to its employees
- that where value and functionality are similar, preference should be given to the more sustainable option.
- demonstration of supplier activities that reduce carbon emissions.

Policy title			
Audience (Primary)	Internal	Business Owner (Dept)	Business Support
Policy Author	Manager Business Support	Review date	November 2021

8.8 Encourage local supply

Local suppliers (including Maori and Pasifica businesses) should be given a fair opportunity to compete for Council business. Council will promote the local economy through providing full and fair opportunity to local suppliers to compete for Council business. This will be achieved by:

- Ensuring local suppliers are included within invitations to tender and quote whenever practical
- Considering potential commercial and practical advantages in purchasing locally produced goods and services
- Considering local economic implications when planning major procurement activities and packaging work for contracts
- Ensuring that all tender documents be worded in such a way as to enable a comparison between New Zealand and overseas produced goods and services, where relevant.

Where there are specific requirements for a supplier to have a local presence, this should be identified in the planning stage of the procurement and the evaluation weighted accordingly. Having given local suppliers a fair opportunity and assessed any commercial or practical advantages associated with local supply, staff are required to make purchasing decisions based on the evaluation criteria determined in the planning phase of the procurement.

8.9 The value of relationships

Council recognises the value of effective and honest relationships with suppliers and other stakeholders involved in procurement activities. Developing long term and mutually beneficial relationships with key suppliers and commercial partners will support Council in achieving best value. Council will actively manage contracts and relationships, to sustain and increase supplier performance through the full contract term.

8.10 Fairness and lawfulness

As a public entity, Council's overriding and fundamental public law obligation is always to act fairly and reasonably. Council must comply with all relevant and applicable legislation. The Council must not, except to the extent required by law, disclose confidential information that would prejudice legitimate commercial interests of a particular supplier or might prejudice fair competition between suppliers, without the written authorisation of the supplier that provided the information. Staff should seek legal advice on how to reconcile duties of this nature with Council's contractual or common law obligations to maintain commercial confidentiality.

8.11 Risk Management

Risks associated with procurement are deemed to be associated with "Cumulative Value" costs and staffs understanding of, and experience with, procurement.

The Risk Matrix (Appendix 1) takes into account these aspects of procurement, thus determining a risk category for each specific procurement activity. In addition to specific procurement expertise there are times when risks are managed or reduced through the engagement of Financial and Legal reviews.

Irrespective of risk, all procurement must have approved budget prior to commencing the procurement process. The Delegated Financial Authority Policy applies in full to all Procurement.

The Business Support Manager can provide advice if there is any uncertainty around process.

Where-ever possible Council will work with the suppliers to develop risk mitigation strategies.

8.12 Electronic Submissions

When going to the market, where-ever possible, the opportunity should be lodged on an e-tendering system and responses should be submitted via the e-tendering system. This does not

Policy title			
Audience (Primary)	Internal	Business Owner (Dept)	Business Support
Policy Author	Manager Business Support	Review date	November 2021

prohibit sending the opportunity directly to known suppliers in addition to lodging the opportunity through the e-tendering system.

8.13 Probity

For large and complex or potentially controversial contracts and in consultation with the Manager, Business Support, it may be appropriate for the appointment of a probity advisor. A probity advisor will provide external scrutiny and ensure the integrity of the process. If the decision is to use one, ensure that they have the appropriate skills and experience.

9 Key Considerations

9.1 Approved budget, delegations and financial authority

Staff must not enter into any purchase process unless there is an approved budget and they have the delegated authority for the expenditure. The funds available must be sufficient to cover the total cost of purchase including any related or ongoing obligations such as maintenance.

9.2 Health and safety

Council is ultimately responsible for the health and safety of all staff and contractors working for Council. As such due care must be given to the assessment of contractor's health and safety plans throughout the procurement and contract management process.

Council must consider Health and Safety implications at all stages of the process:

- planning
- design
- manufacture
- supply and installation
- construction
- management and controls
- operation

The procurement plan should consider the most appropriate ways to incorporate these considerations.

All new suppliers and contractors of good and services must go through Council's health and safety approval process.

Any new contractors working with asbestos, must also go through the Council's asbestos approval process.

Any new chemicals purchased must include a current copy of the Safety Data Sheet (SDS), which is to be made available to exposed workers, prior to use.

9.3 Ethical business practices

Council is expected to operate ethically and expects that its suppliers will respect human rights and;

- Not use forced, bonded or compulsory labour
- Not use inappropriate child labour in the supply chain
- Refuse to accept unlawful discrimination of any kind in working relations
- Consider flexible working relationships to promote work/life balance
- Provide a healthy safe working environment for all employees in accordance with international standards and laws.

Policy title			
Audience (Primary)	Internal	Business Owner (Dept)	Business Support
Policy Author	Manager Business Support	Review date	November 2021

9.4 Practical considerations

- The procurement requirements and resulting contractual arrangements should be as simple and practical as possible, considering the amounts involved, the complexity, and the level of risk. It is appropriate to consider compliance costs for both parties and seek to reduce them where possible.
- Where possible Industry Standard Tender and Contract templates to be utilised.
- The contractual arrangements may need to fit with the overall context of a more general relationship the external party may have with Council or other relevant local government and government organisations
- Council will identify the risks of the procurement process and contractual agreement and consider how to manage and or mitigate those risks. The key is to get the right balance between risk and expected benefit, and to do so consciously
- Where a significant risk is identified or there are significant issues with respect to contractual terms, staff are required to obtain guidance and approval from Council's Legal Services before proceeding with procurement.

9.5 Members' Interests and involvement in procurement

Without prior Office of the Auditor General approval, the Local Authorities (Members' Interests) Act 1968 prohibits a person from being an elected member of the Council or on any committee or sub-committee of the Council if they have an interest in an organisation that has supplied goods or services to the Council totalling more than \$25,000, including GST, across all purchases in any one financial year, defined as 1 July one year until 30 June the following year.

The onus is on the elected members and committee/sub-committee members to ensure that the requirements of the Act are met.

The Auditor General has provided advice regarding the role of governance in the procurement process. They have clearly stated that elected members (or other governance roles) should not be part of tender evaluation panels, as this is not good practice, and interferes with their ability to hold management to account.

9.6 Confidentiality and intellectual property

Confidentiality is an important aspect of any competitive procurement process and the council must take particular care when handling commercially sensitive information. Confidentiality obligations apply throughout the entire procurement process and also after the contract has terminated or expired.

This can include:

- not including information that is confidential to a particular supplier in the documents
- handling questions and answers during the process
- site visits and discussions with suppliers during the process
- evaluations of proposals – taking care about storage of documents and where they are reviewed
- not discussing proposals with people outside the decision-making process
- not sharing or releasing suppliers Intellectual Property.

Seek legal advice where Council needs to balance confidentiality requirements with statutory requirements for disclosure and consultation. For example; disclosure obligations under the Local Government Official Information and Meetings Act 1987 balanced with the protection of sensitive information.

Policy title			
Audience (Primary)	Internal	Business Owner (Dept)	Business Support
Policy Author	Manager Business Support	Review date	November 2021

9.7 *Extended Contract*

An approach that can be used to extend an existing contract is where Council requests currently active providers to price additional projects (not an extension of the contract term for the original contract) as variations to existing contracts and relevant criteria have been met.

This approach reduces costs for both parties associated with:

- compiling additional contract documents
- tendering
- tender evaluation
- administration costs
- the contractors' establishment costs

This approach is used under the following conditions:

- a supplier has a record of high quality, timely completion of provision of the goods or services
- the additional goods or services are generally of a similar nature to the work already contained within the existing contract that was won through an open market process
- the new work is of a lower value than the existing contract, and must be less than \$250,000
- the market is stable in terms of pricing for the goods and services provided
- the last competitive pricing was obtained was less than three years ago

9.8 *NZ Government Contracts (Collaborative Contracts)*

The Ministry of Business, Innovation and Employment (MBIE) is responsible for coordinating the Government's efforts around procurement for public sector agencies. There are three types of Collaborative Contracts available:

- Syndicated Common Use contracts
- All-of-Government (AoG) contracts
- Common Capability (CC) contracts

WDC is eligible to purchase goods and/or services under these supply agreements.

The use of a Collaborative Contracts or Council panel of suppliers or framework agreement satisfies the requirement for open competition where it was established as a result of an open competitive process.

A secondary procurement process should be used to select the supplier in the following circumstances:

- If the value is under \$250,000, direct appoint
- If the value is over \$250,000, run a closed tender process (quote pack) to the panel members

The secondary process should include a Procurement Plan that is signed off by the appropriate DFA holder.

9.9 *Keeping records*

Council must keep adequate records of all procurement decisions. The Public Records Act 2005 requires public entities to create and maintain full and accurate records of its activities as well as records of any functions of Council contracted out to another party.

Key information to be managed as records should include:

- significant draft information used in the decision-making process
- show that it followed due process and observed the basic principles set out in this policy
- establish that it identified and appropriately managed potential conflicts of interest issues

Policy title			
Audience (Primary)	Internal	Business Owner (Dept)	Business Support
Policy Author	Manager Business Support	Review date	November 2021

- all key documents that were published to the open market or sent to suppliers
- questions from suppliers and corresponding answers
- all decisions
- record the outcomes of team evaluations and decisions
- provide evidence for accountability and audit purposes
- plan any subsequent procurement.

Council will keep procurement records in the approved enterprise management and content system(s). Documents will be retained or have disposal applied according to the retention and disposal schedule approved by Archives New Zealand.

10 Governance and Sign Off

In regard to delegation levels it is important to note that dollar limits used to determine who has to approve matters are set out on the cumulative value of the contract or goods or services being procured. This includes any extensions to an existing contract. For example, a \$100k extension to an existing \$350k contract means a total contract value of \$450k and would require the signoff level to be for \$450k, not just \$100k.

When providing approval to award a contract or not the person with the Governance responsibility should check that the process has been run robustly and in line with the approved plan. At that point the options for Procurement Signoff are:

- approve
- seek further information or clarity
- decline

In the event that approval is declined, the most likely outcome is that the whole process has to be aborted. Procurement Signoff cannot override the recommendation and choose an alternative supplier. If it does decline the recommendation it must be documented as to why.

11 Risk and Audit Committee

The Business Support Manager will report on policy adherence to the Risk and Audit committee.

12 Review

Council will review the Policy within 24 months of the date of adoption. Subsequent reviews will be completed on a triennial basis.

13 Adoption

This Policy has been approved for adoption by the Manager, Business Support and the General Manager Corporate Services.

Edward Wotherspoon
Manager - Business Support

October 2021
Date

Alan Adcock
General Manager - Corporate

October 2021
Date

Policy title			
Audience (Primary)	Internal	Business Owner (Dept)	Business Support
Policy Author	Manager Business Support	Review date	November 2021

Policy adopted by Council Resolution on 25 November 2021

13.1 Policy Review

This Policy was reviewed in 2021 and this revised Policy was updated as follows:

Date of meeting: 25 November 2021

By: Whangarei District Council

Policy title			
Audience (Primary)	Internal	Business Owner (Dept)	Business Support
Policy Author	Manager Business Support	Review Date	November 2021

Appendix 1: Guidance Notes

- Guidance and detailed information that supports the Procurement Policy can be found in the Procurement Process Manual in Kete. The Manual outlines best practice, and requests to deviate away from the processes outlined in the Manual should be made to the Procurement Coordinator.
- It is recommended that if you are unsure of the process to proceed, then contact the Procurement Coordinator or Manager Business Support, prior to commencing any procurement. This ensures that all aspects of procurement are considered prior to commencement and mitigates risks for Council.
- The overall responsibility for the procurement process is the “procurement lead” identified prior to the commencement of the process. The procurement lead is likely to be the Project Manager, Department Manager or Procurement Coordinator.
- The responsibility for the outcome of the procurement is generally the Department Manager. However, all procurements must be approved as per the delegated authority policy and appropriate approvals in place before any purchase is made. If the delegated authority sits with the General Manager, they may take responsibility for the outcome of the procurement.
- Roles and responsibilities should be established within the project governance structure at the commencement of the procurement.
- Cumulative value is the spend over the term of the contract and is used to determine the level of signoff required.
- In some instances, a business case is required for approval, and likewise in some instances there are valid reasons for completing a project plan as well as a procurement plan.
- All procurements require careful planning and engagement of key stakeholders.
- All procurement requires a technical or service specification detailing the business needs.
- A single-source contract is bypassing the competition, following a comprehensive review of all suppliers, to sign with a single company and pass up the opportunity to work with other suppliers. This is often related to the quality of the goods or services.
- A sole-source contract is when there is only one supplier option. It is recommended that the term of a contract with a sole-source supplier is for no longer than two years so that the market is revisited for supplier options.
- All documents are to be correctly filed in Kete.
- Procurement and contract templates are available in Kete Template Central.
- Suppliers must be set up in Technology 1 before any purchase is made.
- Any written evidence of market search against a purchase order should be stored with it as an attachment in Technology 1 (i.e. quotes, brochures etc) if no CON folder is available in Kete.
- Standardisation of purchase orders is achieved through the use of Council’s “Purchase to Pay” process. Consult with Finance if further information on this process is required.
- Health and safety conditions must be approved before commencement of work.

If you are unsure of ANY aspect of Procurement you can contact the following people for advice or recommendations:

- The Procurement Co-ordinator
- The Manager, Business Support
- The Council Legal Advisors

Policy title			
Audience (Primary)	Internal	Business Owner (Dept)	Business Support
Policy Author	Manager Business Support	Review date	November 2021

Appendix 2: Risk Matrix for Procurement of Goods or Services

Recommendations;

1. Determine the Cumulative Value for the Procurement (Y axis)
2. Is there expertise and/or capacity in the Department to lead and support the Procurement? (X axis)
3. Based on 1 & 2 and Table 1 below, determine the Risk
4. The Price Comparison determines the Procurement Process
5. Table 2 identifies the reviews required based on risk, cumulative value and Delegated Financial Authorities (DFA's).

Table 1

PRICE COMPARISON	RISK MATRIX FOR PROCUREMENT of GOODS or SERVICES						
OPEN TENDER	CUMULATIVE VALUE OF PROCUREMENT	>\$10mil	MODERATE RISK	HIGH RISK	HIGH RISK	EXTREME RISK	EXTREME RISK
OPEN TENDER		\$3.5mil-\$10mil	LOW RISK	MODERATE RISK	HIGH RISK	HIGH RISK	EXTREME RISK
OPEN TENDER		\$250,001-\$3.5mil	LOW RISK	LOW RISK	MODERATE RISK	HIGH RISK	HIGH RISK
3 or more quotations (QUOTE PACK)		\$100,001-\$250K	NEGLIGIBLE RISK	LOW RISK	LOW RISK	MODERATE RISK	HIGH RISK
sole source from pre-approved suppliers or subject matter experts		<\$100,000	NEGLIGIBLE RISK	NEGLIGIBLE RISK	LOW RISK	LOW RISK	MODERATE RISK
			EXTREME	HIGH	MODERATE	LOW	NEGLIGIBLE
		BUSINESS EXPERTISE AND CAPACITY TO LEAD AND SUPPORT PROCUREMENT					
			Frequent Procurement using Standard Templates	Occasional Procurement using Standard Templates	Occasional Procurement	Infrequent Procurement	Rarely involved in Procurement or Never

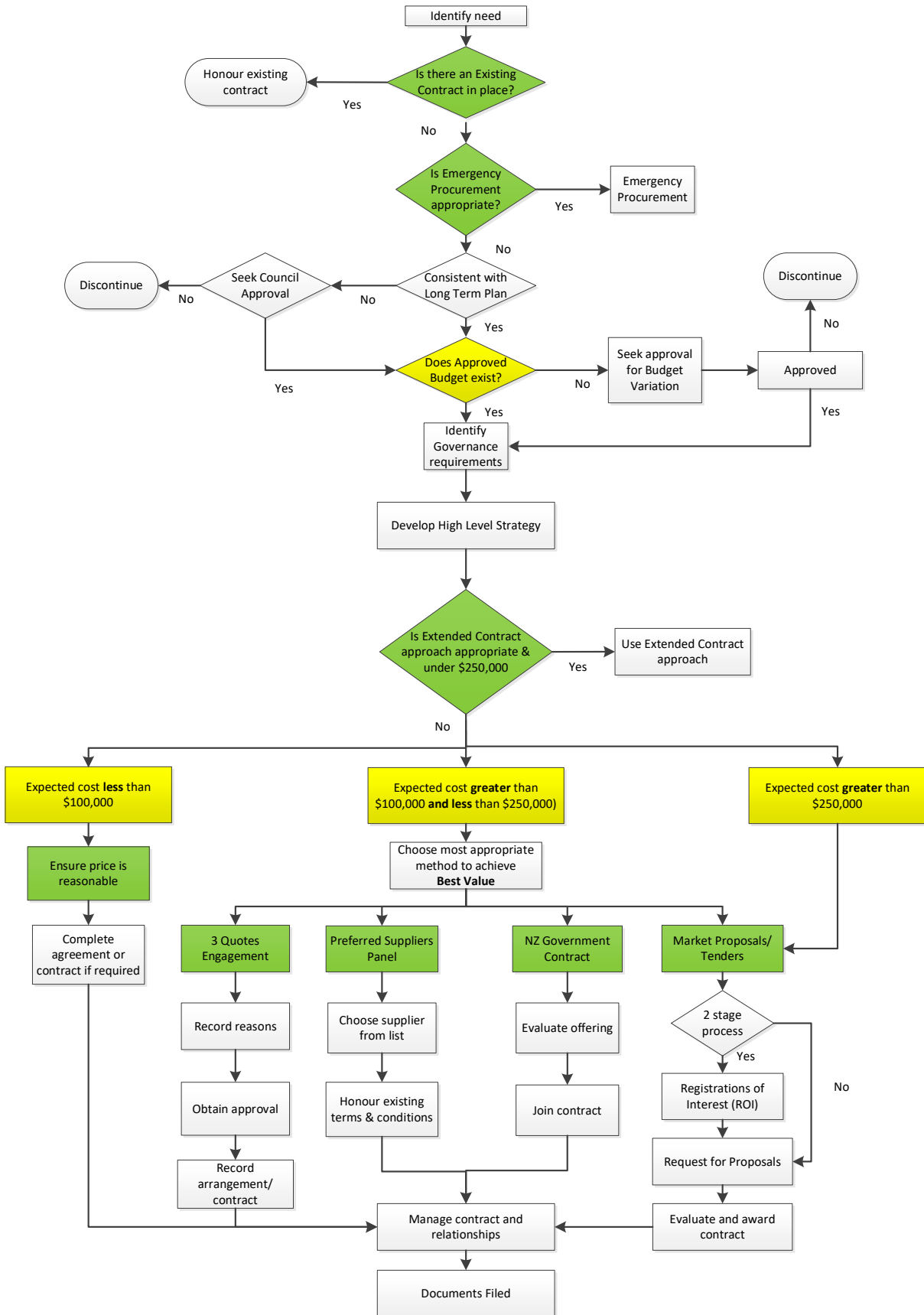
Policy title			
Audience (Primary)	Internal	Business Owner (Dept)	Business Support
Policy Author	Manager Business Support	Review date	November 2021

Table 2

RISK CATEGORY	GUIDANCE	FINANCE REVIEW	LEGAL REVIEW	Report to Council Committees
NEGLIGIBLE RISK	Proceed as per policy & INFORM Business Support	N/A	If amendments to standard contract terms (e.g. NZS3910) are proposed. If recommended by the Procurement Coordinator	\$100K- \$250K Inform relevant Council Committee of contracts approved under DFA Policy
LOW RISK	Proceed as per policy & CONSULT with Business Support	If Procurement in excess of \$250K, ensure financial expertise included in planning or alternatively contact Finance Department	If amendments to standard contract terms (e.g. NZS3910) are proposed If recommended by the Procurement Coordinator All procurement >\$3.5M	\$100K- \$3.5M Inform relevant Council Committee of contracts approved under DFA Policy \$3.5M - \$10M Report to relevant Council Committee for approval of Procurement Plan and approval to award contract
MODERATE RISK	CONSULT with Business Support prior to commencement	Procurement in excess of \$250K	If amendments to standard contract terms (e.g. NZS3910) are proposed If recommended by the Procurement Coordinator All procurement >\$3.5M	\$100K- \$3.5M Inform relevant Council Committee of contracts approved under DFA Policy \$3.5M - \$10M Report to Council Committee for approval of Procurement Plan and approval to award contract. \$>10M report to Full Council for approval of Procurement Plan, and approval to award contract
HIGH RISK	CONSULT with Business Support prior to commencement	ALL Procurement	If amendments to standard contract terms (e.g. NZS3910) are proposed If recommended by the Procurement Coordinator All procurement >\$3.5M	\$100K- \$3.5M Inform relevant Council Committee of contracts approved under DFA Policy \$3.5M - \$10M Report to Council Committee for approval of Procurement Plan and approval to award contract. \$>10M report to Full Council for approval of Procurement Plan, and approval to award contract
EXTREME RISK	CONSULT with Business Support prior to commencement	ALL Procurement	ALL Procurement	\$3.5M - \$10M Report to Council Committee for approval of Procurement Plan and approval to award contract. \$>10M report to Full Council for approval of Procurement Plan, and approval to award contract

Policy title			
Audience (Primary)	Internal	Business Owner (Dept)	Business Support
Policy Author	Manager Business Support	Review date	November 2021

Appendix 3: High Level Procurement Decision Making Process



Policy title			
Audience (Primary)	Internal	Business Owner (Dept)	Business Support
Policy Author	Manager Business Support	Review date	November 2021

Appendix 4: Government Principles of Procurement

The Five Principles of Government Procurement

Take time to read the five *Principles*. You need to understand how they apply to the work that you do.

1. PLAN AND MANAGE FOR GREAT RESULTS

- › Identify what you need and then plan how to get it.
- › Set up a team with the right mix of skills and experience.
- › Involve suppliers early – let them know what you want and keep talking.
- › Take the time to understand the market and your effect on it. Be open to new ideas and solutions.
- › Choose the right process – proportional to the size, complexity and any risks involved.
- › Encourage e-business (for example, tenders sent by email).

2. BE FAIR TO ALL SUPPLIERS

- › Create competition and encourage capable suppliers to respond.
- › Treat all suppliers equally – we don't discriminate (this is part of our international obligations).
- › Give NZ suppliers a full and fair opportunity to compete.
- › Make it easy for all suppliers (small to large) to do business with us.
- › Be open to subcontracting opportunities in big projects.
- › Clearly explain how you will assess suppliers' proposals – so they know what to focus on.
- › Talk to unsuccessful suppliers so they can learn and know how to improve next time.

3. GET THE RIGHT SUPPLIER

- › Be clear about what you need and fair in how you assess suppliers – don't string suppliers along.
- › Choose the right supplier who can deliver what you need, at a fair price and on time.
- › Build demanding, but fair and productive relationships with suppliers.
- › Make it worthwhile for suppliers – encourage and reward them to deliver great results.
- › Identify relevant risks and get the right person to manage them.

4. GET THE BEST DEAL FOR EVERYONE

- › Get best value for money – account for all costs and benefits over the lifetime of the goods or services.
- › Make balanced decisions – consider the social, environmental and economic effects of the deal.
- › Encourage and be receptive to new ideas and ways of doing things – don't be too prescriptive.
- › Take calculated risks and reward new ideas.
- › Have clear performance measures – monitor and manage to make sure you get great results.
- › Work together with suppliers to make ongoing savings and improvements.
- › It's more than just agreeing the deal – be accountable for the results.

5. PLAY BY THE RULES

- › Be accountable, transparent and reasonable.
- › Make sure everyone involved in the process acts responsibly, lawfully and with integrity.
- › Stay impartial – identify and manage conflicts of interest.
- › Protect suppliers' commercially sensitive information and intellectual property.