

PROCUREMENT POLICY

COUNCIL COMMITTEE: Finance, Audit & Risk Committee

ADOPTED: 15 September 2016

CONSULTATION: Internal consultation with relevant staff

RELATED DOCUMENTS: **Council policies and strategies**

Delegations Manual, Strategy for the Procurement of Roading Infrastructure Services, Vehicle Purchasing Policy, Code of Conduct, Fraud and Detection Policy, Sensitive Expenditure Controls Policy, Local Civil Defence Emergency Management Arrangements, Gift – Receipt of Gifts, Prizes or Invitations Policy

Relevant legislation includes but is not limited to

Commerce Act 1986, Consumer Guarantees Act 1993, Fair Trading Act 1986, Financial Reporting Act 1993, Health and Safety in Employment Act 1992, Land Transport Management Act 2005, Local Government Act 2002, Local Government Official Information and Meetings Act 1987, Official Information Act 1982, Privacy Act 1993, Public Audit Act 2001, Public Finance Act 1989, Records Act 2005

Purpose and Scope

This policy outlines the approach that the Council will take to planning, sourcing and managing its procurement. It must be followed by all elected members and employees. Any departure from this policy must first be approved by the relevant delegated financial authority.

This policy excludes:

- Vehicle purchases;
- Procurement for roading infrastructure services as defined in the Strategy for Procurement of Roading Infrastructure Services;
- Employment agreements; and
- Purchases and procurement of services required for Rural Fire and Civil Defence emergencies.

Principles

The following principles have informed the development of this policy and will continue to guide its users.

- Value for money: selecting the best possible outcome for the total cost of ownership
- Transparency: being open in the administration of funds
- Accountability: ability to provide complete and accurate records of the use of public funds
- Fairness: acting reasonably and impartially to all parties involved in the procurement process

Objectives

- To ensure purchasing is transparent, fair, consistent and lawful
- To achieve value for money in procurement activities
- To facilitate an efficient and effective approach to procurement

Definitions

Procurement: All the business processes associated with purchasing - spanning the whole cycle from the identification of needs to the end and review of a service contract, or the end of the useful life and subsequent disposal of an asset.¹

Value for money: Using resources effectively, economically and without waste to achieve the best possible outcome for whole-of-life cost (or the total cost of ownership). Value for money is not necessarily selecting the lowest price, and involves selecting the most appropriate procurement method for the risk and value of the procurement.²

All values referred to in the policy are GST exclusive.

¹ Office of the Auditor-General. 2008. *Procurement Guidance for Public Entities – Good Practice Guide*.

² As above.

Policy

1. Procurement Planning

Purchases may only be made when there is an approved, allocated budget, and if the purchase is within delegated financial authority. Where a purchase exceeds an officer's delegated financial authority, the approval of the relevant delegated financial authority must be obtained. Current expenditure delegations can be found in the *Delegations Manual – Expenditure Delegations Appendix*.

If tendering procedures are required, the appropriate planning mechanisms as detailed in the Tender Manual (Schedule 1)³ must be followed. For any given tender project, the Council will retain the right to reject all tenders provided the principles of value for money, transparency, accountability and fairness are upheld.

2. Purchase Orders

A purchase order must be raised for all goods and services prior to purchase. This requirement may be waived in exceptional circumstances. Where possible, suppliers should include the relevant purchase order number on the invoice rendered.

3. Contract Requirements

All contractual relationships entered into by Council must meet industry guidelines, standards and best practice.

Variations and Extensions

Where extensions and variations are not specifically provided for in an existing contract, an extension or variation that increases the original value of the contract must be approved by the Chief Executive Officer. If the increased sum exceeds the expenditure delegations of the Chief Executive Officer, the contract extension or variation may be approved by the Mayor (or, in absence of the Mayor, another Councillor) and the Chief Executive Officer jointly.

4. Procurement Procedures – Standard

Procurement procedures are outlined in the Standard Procurement Procedures Table. The following definitions are provided to ensure consistent interpretation:

- **Value** means the total potential value of the procurement. For example, if a contract is valued at \$50,000 per year and is for a length of three years, the procurement value is \$150,000.
- **Method** refers to the way a purchase can be made. The methods outlined are subject to the existence of an approved, unallocated budget and the delegated financial authority of the officer making the purchase.
- **Exceptions** are situations in which a departure from the method outlined in the Standard Procedure Table is permitted. Where an exception is used, a record must be kept of the approval obtained and the reason for the exception's use.

³ Available internally on the intranet: <http://intranet/Procedures%20and%20Checklists/Forms/AllItems.aspx>

Standard Procurement Procedures		
Value	Method	Exceptions
\$9,999 and under	Direct purchase from supplier. Where possible, a Preferred Supplier (see the Preferred Supplier Register) must be used.	
\$10,000 to \$49,999	Either: <ul style="list-style-type: none"> • Purchase directly from a Preferred Supplier (see the Preferred Suppliers Register); or • Obtain a minimum of three written quotes. 	Where unreasonable difficulty is incurred in sourcing the three quotes, approval to dispense with this requirement may be granted by the relevant delegated financial authority.
\$50,000 to \$199,999	Obtain a minimum of three written quotes from Preferred Suppliers. If less than three Preferred Suppliers offer the necessary goods or services, the balance of quotes outstanding may be sourced from external suppliers.	Provided written authorisation is obtained from the Chief Executive, may purchase direct from a supplier in the following circumstances: <ul style="list-style-type: none"> • The required goods or services are only available from one supplier; • The services required are specialist technical or professional services; • Standardisation or compatibility with existing equipment or services is necessary or desirable; or • Goods are to be purchased direct from the manufacturer.
\$200,000 and above	Purchase via open tender following the process outlined in the Tender Manual (Schedule 1).	Selective tendering may be used for purchases under \$300,000 with the written approval of the Chief Executive.

Procurement by Elected Members

A purchase order must be raised and written approval from the relevant delegated financial authority obtained prior to any elected Council, Committee or Board member committing to purchase goods or services on Council's behalf.

5. Procurement Procedures – Non-Standard

The following are instances where the Standard Procurement Procedures may not apply. All other provisions of this policy remain applicable.

Emergency Procedures

In Rural Fire and Civil Defence Emergencies, the standard procurement procedures may be suspended.

Joint-Procurement Arrangements

The Council may participate in collective buying schemes that offer value for money, such as All of Government supply contracts or joint supply agreements with other territorial authorities, in which case competitive procurement will be undertaken by the group as a collective.

It is appropriate for these arrangements to be established outside the Standard Procurement Procedures, provided the approval of the relevant financial delegated authority is obtained.

Standing Arrangements

Standing arrangements are agreements where Council can purchase goods or services directly from a supplier for a fixed period of time. These may be established through competitive processes.

Standing arrangements are suitable for purchases that are high value but low risk. Examples include fuel, stationary and air travel.

IPENZ Short-Form Agreements

Standard Procurement Procedures will be used before entering these agreements, based on a reasonable estimate of cost of the work/service required. It is recognised that the final cost of the work/service will not always adhere the Standard Procurement Procedure requirements, given the nature of these agreements (based on hourly rates) and, in some circumstances, ambiguity regarding the extent of work necessary.

6. Suppliers

Preferred Suppliers

The Council will establish and maintain a Preferred Supplier Register, following the process set out in the Preferred Suppliers Manual (Schedule 2).⁴

Any All of Government supply contract entered into by Council will be recorded and appropriately designated on the Preferred Suppliers Register.

No legal or contractual relationship between the Council and the supplier is created by the Preferred Supplier Register, nor is the Council under any obligation to use a Preferred Supplier for any procurement. Where necessary, a supplier identified on the Register may be required to meet other evaluation or performance criteria as part of the procurement process.

Local Suppliers

Council officers will ensure local suppliers are given fair opportunity to compete for all Council business.

Supplier Privacy

The Council may retain the details of any supplier for internal use only. These details will not be made public without the authorisation of the supplier, unless required by law.⁵

⁴ Available internally on the intranet: <http://intranet/Procedures%20and%20Checklists/Forms/AllItems.aspx>

⁵ For example: a request under the Local Government Official Information and Meetings Act 1987.

7. Procurement Records Management

Appropriate records of dealings with all suppliers must be saved electronically in the Contracts and Procurement Managements folder in Laserfiche (file path: Hurunui\Subject\Contract and Procurement Managements\Procurement\Records Management).

Filing will be consistent with the process outlined in the Records Management Manual (Schedule 3).⁶

Contracts Register

Relevant details of all contracts entered into by Council must be uploaded into the Electronic Contracts Register, located in Laserfiche here: Hurunui\Subject\Contract and Procurement Managements\Contracts\Contracts Register. All contract milestone dates, performance records and any variations and/or extensions will also be recorded in the Contracts Register.

The Records Management Manual (Schedule 3) provides guidance on how to use the Contracts Register.

Exceptions to the Standard Procedure

Where an exception to the Standard Procedure method of procurement is used, evidence documenting the reason for the exception and the written approval obtained must be recorded in the relevant folder.

8. Asset Management & Disposal

As procurement extends to the disposal of an asset (where relevant), the policy on asset management is included in this section.

Asset Registers

Following purchase, all Council-owned assets will be recorded with the relevant details in the appropriate register. The registers are: RAMM (Roading), Assetfinda (3-Waters) and the Integrate Fixed Asset Register (all other Council-owned plant).

Disposal of Assets

Prior to disposal, an asset will be assigned a condition rating as an estimate of its value. Assets will be disposed of via public auction (and, failing that, at the discretion of the CEO).

A record will be kept of:

- The condition rating of the asset;
- The method of disposal used; and
- Any funds received from the disposal, and the purpose for which they were used.

Following disposal, the asset will be removed from the relevant register.

⁶ Available internally on the intranet: <http://intranet/Procedures%20and%20Checklists/Forms/AllItems.aspx>

9. Employee Responsibilities

Conflicts of Interests

Conflicts of interest can arise at any time during the procurement process. Examples may include an employee being offered a gift by a potential supplier, or an employee participating in the decision to award a tender when that employee has a connection to a person/organisation that submitted a tender.

To maintain public confidence in Council processes, employees must be (and be perceived to be) impartial. Where a conflict of interest arises during a procurement process, employees will follow the Council's *Code of Conduct Policy*. This includes the obligation to disclose any conflict of interest to a member of the Management Team. The Council's *Gift – Receipt of Gifts, Prizes or Invitations Policy* and/or *Sensitive Expenditure Controls Policy* may also be relevant.

Confidentiality

Employees will maintain the confidentiality of a procurement process at all times.

Staff Purchasing

Employees may use group buying privilege schemes entered into by the Council (on behalf of its employees) to purchase goods or services at a discounted rate. All such transactions must be paid for by the employee personally.

The application of Council funds to purchase items for personal use is prohibited.

10. Health and Safety Requirements

Health and safety risks associated with goods and/or services will be considered prior to purchase via a health and safety risk assessment. Any officer procuring goods or services will conduct a risk assessment proportionate to the size, scale and nature of the procurement. The steps required for the risk assessment are as follows:

1. Identify any risks/hazards associated with the procurement.
 - a. For 'off the shelf' items: the supplier should have safety information.
 - b. For de novo or original construction: risks/hazards should be discussed with the (potential) supplier.
2. Evaluate acceptability of risks/hazards.
3. Apply and document controls in order of elimination or minimization in procurement decision, and ongoing use of the item or service.
4. Identify training needs, approvals and supplementary items such as Personal Protective Equipment requirements.
5. Any documentation will be recorded as outlined in the Records Management Manual (Schedule 3).

Suppliers of goods or services are required to inform the Council of any health and safety risks/hazards associated with using the goods or services prior to purchase. Suppliers of goods or services must take all reasonably practicable steps to detail control measures to eliminate or minimize any health and safety risks/hazards to prevent harm to staff and others.

Where applicable, goods and/or services purchased will comply with the requirements of the Health and Safety at Work Act 2015, relevant best practice safety standards and other statutory requirements subject to the constraints of budget resources available.