

Procurement Policy

2022



Approvals

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|---|--------------------------------|
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Part A: Introduction

Purpose

The purpose of this Policy is to provide direction to staff of the Horowhenua District Council (the Council) who participate in Procurement.

The Council procures significant goods and services that have an impact on the local community. The Council's commitment to delivering a consistent procurement service will contribute to the overall benefits with the wellbeing of its community and meeting the objectives set within the Council's annual and long term plans.

This Policy provides clear guidance in local government Procurement regulations and procedures as well as best business practice completed throughout the procurement process.

This policy is to be read in conjunction with the Council's Procurement Strategy and Guidelines as well as any other relevant Government regulations or Council policies and procedures as listed in Related Documents.

What is Procurement?

The term 'procurement' covers all the processes associated with purchasing the goods/services/works the Council use to run the business and deliver public service objectives.

Procurement starts with identifying the needs, then planning the effective and efficient way to meet them; continuing through to sourcing the goods/services/works; then managing the contract; and ends with the expiry of either the contract or the asset's useful life. Procurement also includes the relationship management and review of suppliers involved.

The Council's approach to procurement is outlined in the Procurement Strategy and this Policy.

Definitions

| Term | Meaning |
|--------------------------------|---|
| Council | Horowhenua District Council. |
| Procurement Review Group (PRG) | The Group established by the Executive Leadership Team to manage the overall governance of procurement. The PRG are required to endorse and/or approve procurements as per the procurement classifications. The Group is chaired by the Chief Executive and includes the Executive Leadership Team, the Procurement Team a representative of the Finance Team and an Elected Member. |
| Staff | Any employee of Horowhenua District Council whether fixed term, part-time, or permanent, or a contractor working on behalf of the Council. |

Review Period

The Procurement Policy is to have a full review every three years or anytime where Council or the Chief Executive requires a review to be completed.

The Procurement Policy may require refinement and minor amendments between reviews based on other policy/plans approved by Council. These amendments are required to be endorsed by the Executive Leadership Team and approved by the Chief Executive.

Clarification

All dollar figures are in NZD and are GST exclusive.

Part B: The Policy

Policy Statement

The Council will be guided by the Government Procurement Rules when planning, sourcing and managing procurement.

The Council will apply the approach best suited to the individual procurement, within the framework of the Rules.

Deviations from this Policy requires Procurement Review Group, and if required, Council approval.

Compliance

Compliance with this Policy is required for all procurement activity undertaken by Council staff. The Procurement Review Group or Council must approve any departure from this approach.

Roles and Responsibilities

| Role | Responsibilities |
|---|--|
| Chief Executive and the Executive Leadership Team | <ul style="list-style-type: none">• Modelling the highest standards of compliance with the Policy• Ensure that they and their staff are appropriately trained in the Council's procurement processes and procedures• Monitor that staff comply with the Policy |
| Procurement Review Group | <ul style="list-style-type: none">• Approval of requests for variations to the procurement process• Reviewing potential conflicts of interest related to procurement• Review, endorsement and approval of procurements in accordance with the procurement classification |
| Procurement Team | <ul style="list-style-type: none">• Delivery of procurement training to Council staff• Reviewing and management of procurement plans and the tender process• Updating of procurement policies and templates• Management of supplier panels |
| All Staff | <ul style="list-style-type: none">• Conduct procurement in the best interests of the Council and the community• Comply with the requirements of the Procurement Framework and associated processes and procedures |

Conflicts of Interest

Staff are to be aware of potential conflicts of interest while conducting procurement at any level. In accordance with the Council's Conflict of Interest Prevention Policy, where a potential conflict of interest does apply, staff are to advise their manager as soon as practical from when this is identified.

All procurement source and selection processes should include the following as a minimum requirement to meet best practice in public sector sourcing: all members of an evaluation team will sign and submit a conflict of interest declaration prior to evaluation commencing.

To minimise a perceived tender bias or the potential release of information, all correspondence and interaction with suppliers will be managed through a central coordinator during a tender process.

Any supplier evaluations will be subject to rules and policy applicable to member's interests where staff or Councilors may have an interest in the supplier.

Reporting

Procurement reports are to be presented the Council and are to include, at a minimum, the following:

- Procurements completed over \$200,000 - including details of the procurement and who awarded to
- A summary of expenditure for the top 20 vendors

This reporting ensures transparency between staff and Council and is the responsibility of the Procurement Team.

Procurement Programme

The Procurement Programme is a strategic document completed in conjunction with each Long Term Plan and updated alongside each Annual Plan. It provides a timeline and details of projects which fall into a 'C' or 'D' procurement category over a three year period including a procurement approach for each procurement activity.

Emergency Procurement

An 'emergency' is a sudden unforeseen event that can result in injury, loss of life or critical damage to property or infrastructure.

In the event of a genuine emergency the Council will need to be flexible in how it procures goods and services that are required to support their response. In these situations rapid procurement may mean it is not possible or prudent to satisfy all requirements of this Policy.

When making emergency procurement decisions the Council will act lawfully and with integrity. Once the situation is stabilised and there is no risk to human life, the environment or critical infrastructure, a recovery plan will be established to authorise necessary procurement activity.

It is important to note that urgent procurements due to poor planning do not fall under emergency procurement and are still required to follow the correct procurement process.

Health and Safety

The Council is to ensure Health and Safety is applied within the procurement process and through the term of any contract.

Staff conducting procurements are to be conversant with the Council's Health and Safety Contractor Management Policy. As a minimum, procurements which involve the supply of a physical service are to ensure that the contracted vendor (as well as any sub-contractors) have completed the required Health and Safety prequalification criteria to be an approved Council contractor.

Further information is available via 'The Hub' (internal HDC intranet) and from the Council's Health and Safety Lead.

Procurement Classification

Procurement is classified into four categories. These categories are based on value and risk of the procurement and require different levels of final approval authorities.

| Category | Criteria | Endorsement | Approval |
|----------|--|--|---|
| A | <ul style="list-style-type: none"> Low-medium risk and less than \$50,000 | | Manager (based on financial delegation) |
| B | <ul style="list-style-type: none"> Low-medium risk and between \$50,000 and \$200,000 | Manager | Group Manager |
| C | <ul style="list-style-type: none"> Low-medium risk and between \$200,000 and \$1,000,000; or High risk and less than \$200,000 | Group Manager | Procurement Review Group and/or Chief Executive |
| D | <ul style="list-style-type: none"> High risk and above \$200,000; or Above \$1,000,000 | Procurement Review Group and Chief Executive | Council |

Risk Management

Procurement brings risk to the Council. Ensuring that risk is properly identified and managed is the responsibility of the staff member coordinating the procurement. Staff are to ensure that risk is identified as early as possible as well as being monitored and managed throughout the procurement activity.

Staff are expected to use the Risk Assessment Tool prior to determining the procurements classification. It is also expected that staff conducting procurements monitor risks using a risk register as per the procurement guidelines. The requirement to do this at each procurement category is as per the table below.

| Category | Risk Register |
|----------|---------------|
| A | Encouraged |
| B | Encouraged |
| C | Required |
| D | Required |

Procurement Plans

Procurement Plans are used to set out the 'why' and 'how' Council want to complete its procurement activity. The procurement plan annotates that a correct process has been completed and gives a tool to ensure the correct authority has been sought.

The Procurement Plan is to cover the entirety of a project – a project shall not to be split up into separate procurement activities to purposely avoid any delegation, approval or other requirement levels.

Procurement Plans are required to be submitted and approved in accordance with the following table:

| Category | Procurement Plan Type | Description |
|----------|-----------------------|---|
| A | Not Required | |
| B | Lite | Provides a basic checklist to ensure correct processes have been followed. |
| C | Standard | Provides a basic background to why the procurement is required and includes basic planning information including budgeting and risk. |
| D | Detailed | Provides a detailed analysis for the procurement activity essentially incorporating a business case and standard procurement plan together. |

A full process of the procurement plan approval process is in the procurement guidelines.

Implementation of Broader Outcomes

Staff conducting procurement should be aware of the secondary benefits available with the implementation of broader outcomes. Broader outcomes should be realistic based on the type of service being provided and also on a contractual value.

Staff should incorporate broader outcomes as education and encouragement for small - medium contracts (<\$1,000,000) and as requirements for larger contracts (>\$1,000,000). The broader outcomes Council is committed to are:

- Local businesses inclusion e.g. by making it a priority that they are included as sub-contractors and/or suppliers
- Cultural awareness e.g. that our suppliers understand Councils obligations to Te Tiriti o Waitangi and knowledge of tikanga relating to the procurement

Other broader outcomes to be considered are:

- Environmental improvement e.g. a suppliers approach to the environment relating the procurement including steps/initiatives to improve or sustain a clean environment
- Community engagement e.g. how the supplier plans to engage with Iwi, Hapū and the community for the duration of the procurement (if applicable)

Supplier Selection Process

Selection Methods

There is an expectation that staff conducting procurement are to use the most suitable selection method applicable to the individual procurement being conducted.

Staff should be conversant with the following supplier selection methods:

| Category | Default Selection Method | Alternative Selection Method |
|----------|------------------------------|------------------------------|
| A | Direct Award or Three Quotes | |
| B | Three Quotes or Tender | Direct Award |
| C | Tender | Direct Award, Three Quotes |
| D | Tender | Direct Award |

Other alternatives to these methods may be applied if a procurement falls under an existing preferred supplier or supplier panel arrangement or an All-of-Government (AoG) Contract. A description of each sourcing method is available in the Procurement Guidelines.

Preferred Suppliers and Panels

The Council may establish direct relationships with suppliers to procure goods and services at a lower than market rate, or at an agreed level of service. This is intended to achieve value for money by consolidating spend and reducing the cost of business through reduced transactions and a reduced number of suppliers.

The Council may establish supplier panels in order to make the procurement process more efficient in cases where similar services/goods are consistently being tendered and the same pool of service providers are bidding.

Supplier panels set up by Council are to be kept open to new suppliers. The Council has the ability to conduct a procurement within the panel in a closed capacity and without going to the open market. All procurements completed from a supplier panel must still follow the processes set out in the Procurement Framework.

The use of either a preferred supplier or supplier panel is as per the below:

| Category | Preferred Supplier | Supplier Panel |
|----------|--------------------|----------------|
| A | ✓ | ✓ |
| B | ✓ | ✓ |
| C | | ✓ |
| D | | ✓ |

All-of-Government (AoG) Contracts

An All-of-Government Contract (AoG) is a type of approved collaborative contract. AoG establish supply agreements with approved suppliers for selected common goods or services purchased across government. Council is not bound to the use of these contracts but has the ability to use them where they will provide best value.

Tenders and Evaluations

The Council will advertise all Tenders on the Government Electronic Tender System (GETS) and provide sufficient time for respondents in accordance with the Government Procurement Rules.

Tenders for procurements above \$200,000 which are funded by Waka Kotahi New Zealand Transport Agency (NZTA) will require at least one qualified tender evaluator on the evaluation panel in accordance with the Waka Kotahi NZTA Procurement Manual.

As a minimum, Council will require at least one qualified tender evaluator for tenders over \$1,000,000 and additionally an external (and independent) evaluator for tenders over \$4,000,000 on the evaluation panel.

Financial Delegations

Financial Delegations are given to selected roles within the Council. Procurement within the Council can only occur with the authorisation from a manager with a, and within their, Financial Authority. The Council Delegations Register dictates delegations given to the Mayor, Deputy Mayor and Chief Executive and is authorised by Council. The Chief Executive holds the responsibility and authority for the Internal Delegations Register which lists Officer roles and their respective financial authority.

Contractual Considerations

The Council must comply with all relevant law on the formation and performance of contracts. Failure to do this puts the Council at risk or litigation.

Staff should be aware when conducting tenders that legal risks do exist and ensure that the complete process is followed correctly.

Council has multiple contracts available to use in the Procurement Guidelines, however a supplier's written contract may also be accepted in some instances.

All contracts signed on behalf of the Council are to be peer reviewed by the Procurement Team.

Templates and Tools

Templates have been developed to make the procurement process easier for staff to understand and follow. These templates are to be used and staff are to make themselves conversant with these. These are located in the templates section of the Procurement Guidelines.

Related Documents

Various guidelines, tools and templates have been developed to support this policy. It is acknowledged that additional material may be developed to support those already available to staff. All information will be made available to staff via 'The Hub'.

Various policies and frameworks exist which support this policy including:

| Government Legislation and Standards | Council Policy and Key Documents |
|---|--|
| Commerce Act 1986 | Horowhenua 2040 Blueprint |
| Contract and Commercial Law Act 2017 | Horowhenua Growth Strategy 2040 |
| Fair Trading Act 1986 | 2021-2041 Long Term Plan |
| Health and Safety at Work Act 2015 | Project Management Policy |
| Local Authorities (Membership Interests) Act 1968 | Conflict of Interest Prevention Policy |
| Local Government Official Information and Meetings Act 1987 | Legal Compliance Policy |
| Local Government Act 2002 | Sensitive Expenditure Policy |
| Official Information Act 1982 | Risk Management Framework |
| Public Records Act 2005 | Information Management Policy |
| Civil Defence Emergency Management Act 2002 | Fraud Policy |
| Goods and Services Tax Act 1985 | Staff Private Purchasing Policy |
| Land Transport Management Act 2003 | Delegations Register |
| Resource Management Act 1991 | Internal Delegations Register |
| Construction Contracts Act 2002 | Procurement Strategy |
| Public Works Act 1981 | Procurement Guidelines |
| Government Procurement Rules | |
| Supplier Code of Conduct | |
| WKNZTA Procurement Manual | |