

# Procurement Strategy

**2022**



## Approvals

<b>Endorsed by Executive Leadership Team:</b>	5 <sup>th</sup> September 2022
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## Change History

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# Part A: Introduction

## Executive Summary

The Horowhenua District Council ('the Council') is projected to conduct approximately \$35Million a year worth of procurement for goods, services and works over the next three years to ensure the needs in the community of the wider Horowhenua are met. In order to successfully achieve this, the Council has chosen to adopt a Procurement Framework which includes a Procurement Strategy to set the direction in how procurement is to be completed.

As well as focusing on the needs of the community, the Council has chosen to support locals with a new outlook in how procurement is completed. This includes a focus on a whole of life cost outlook, an emphasis in the procurement planning and delivering on a greater public value procurement outlook, using the correct sourcing methods, the introduction of broader outcomes to support local businesses and strengthen our relationship with local Iwi and Hapū all while acknowledging and being guided by our Procurement Principles and the Government Procurement Rules.

The Strategy will also outline a Procurement Programme which covers the projects identified in the Annual and Long Term Plans into further details. This programme will enable the Council to be open and transparent on its future projects as well as allowing the opportunity for local businesses to prepare for any anticipated proposed work.

## Purpose

This document is the Procurement Strategy and applies to the procurement activities that are conducted by the Council.

The purpose of the Procurement Strategy is to outline the direction the Council will undertake procurement and makes up part of the Council's Procurement Framework.

## Background

The Horowhenua District population is estimated to almost double by June 2041 and the Council is pro-actively planning for this. Key documents such as the Horowhenua 2040 Blueprint, the Horowhenua Growth Strategy 2040 and the 2021-2041 Long Term Plan have been produced to outline what is required to accommodate this successfully.

Procurement reviews completed in 2021 and 2022 have influenced the requirement for an overall procurement policy and process revival which has included the introduction of this Procurement Strategy as part of the newly established Procurement Framework.

## 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.

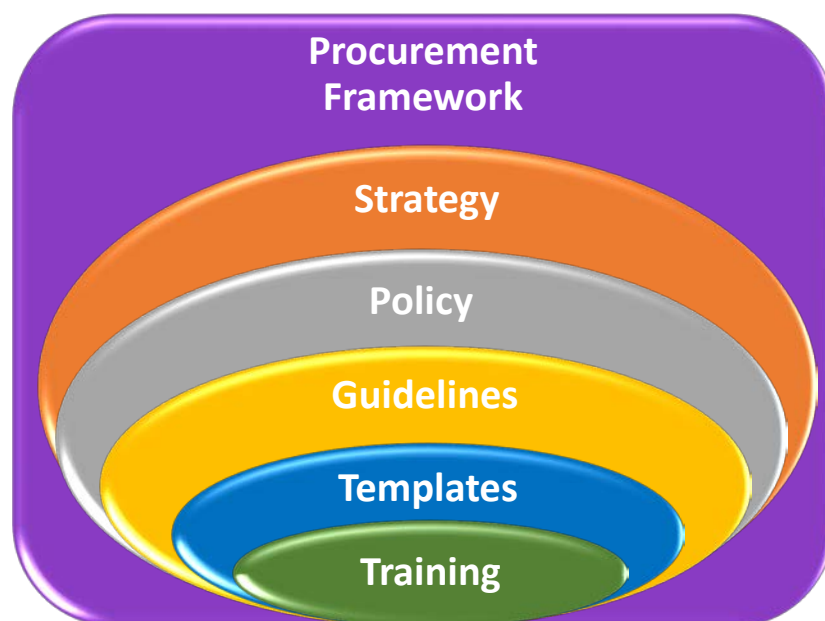
The Council's approach to procurement is outlined in this Procurement Strategy and the Procurement Policy.

## Procurement Framework

The procurement framework is an essential supportive function within the Council. The procurement framework exists to ensure all procurement completed by the Council is completed in accordance with the Council's vision and is in the best interests of the Horowhenua community.

Within the procurement framework there are key documents and functions that influence the conducting of procurement within the Council.

The procurement framework is influenced by the Strategy and Policy which are adopted by Council. The rest of the framework is approved by the Executive Leadership Team.



## Why do we need a Procurement Strategy?

The Procurement Strategy is the prime document that outlines how the Council will deliver procurement which:

- Provides the best possible result for the community – public value
- Aligns with the Long Term and Annual Plans
- Meets Council's community and broader outcomes
- Is conducted within a transparent, fair and effective process
- Risk is acknowledged and managed

The Procurement Strategy is the first layer of the procurement framework and sets the precedence for how Council will conduct its procurement activity.

The Council's procurement framework includes the vision and tools for the conducting of procurement within Horowhenua District Council. Council staff conducting procurement are to be conversant with the procurement framework.

## Review Period

The Procurement Strategy is to have a full review every three years in line with the Long Term Plan or anytime where Council or the Chief Executive requires a review to be completed.

The Procurement Strategy may require refinement and minor amendments between reviews based on other policy/plans approved by Council such as, but not limited to, an Annual Plan. These amendments are required to be endorsed by the Executive Leadership Team and approved by the Chief Executive.

# Part B: The Strategy

## The Procurement Process/Lifecycle

The procurement process or lifecycle consists of three base categories of planning, sourcing and managing over eight logical stages which all center on the needs/requirements of the procurement itself. For procurement to be successful, all eight stages are required to be followed and completed before moving onto the next.

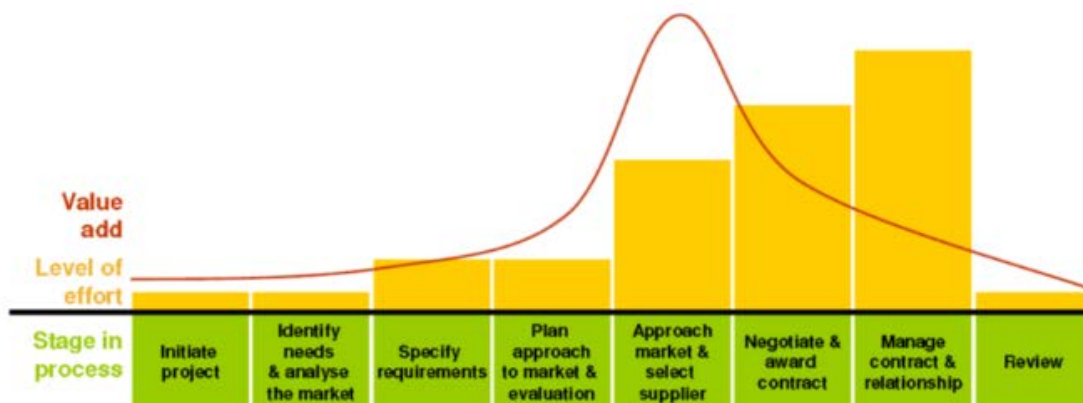


Further details in how this is conducted is covered within the Procurement Policy and Guidelines.

## Traditional vs Strategic Procurement

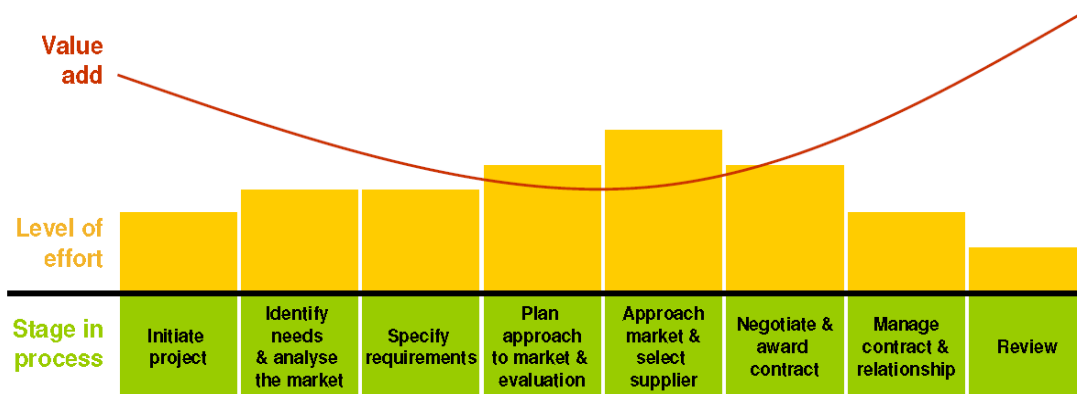
Local Government has previously followed a traditional approach to procurement. This approach has meant little to no emphasis was given to the early phases of projects, and resources were allocated accordingly. As such, most of the added-value was realised during the approach to market phase in order to drive the price of services down.

As a result, high levels of effort are necessitated during the delivery phases of projects to mitigate less than optimal procurement decisions and poor supplier selection.



Council want to change this by taking a more strategic and holistic approach to procurement in order to deliver an overall better outcome for our community.

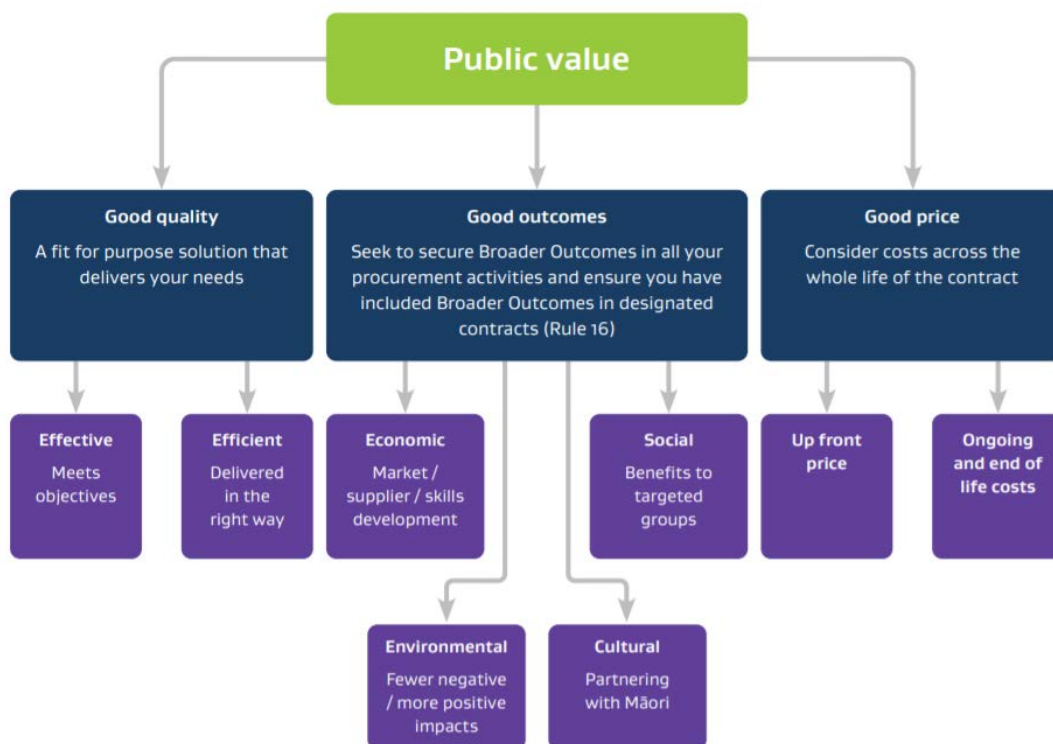
In order to achieve this, the Council will develop a better understanding of the whole of life cost versus a unit cost. Focusing on this and applying the right resources will enhance the whole of life value for money through effective planning, appropriate sourcing strategies, effective contract management and supplier relationship management.



## Public Value

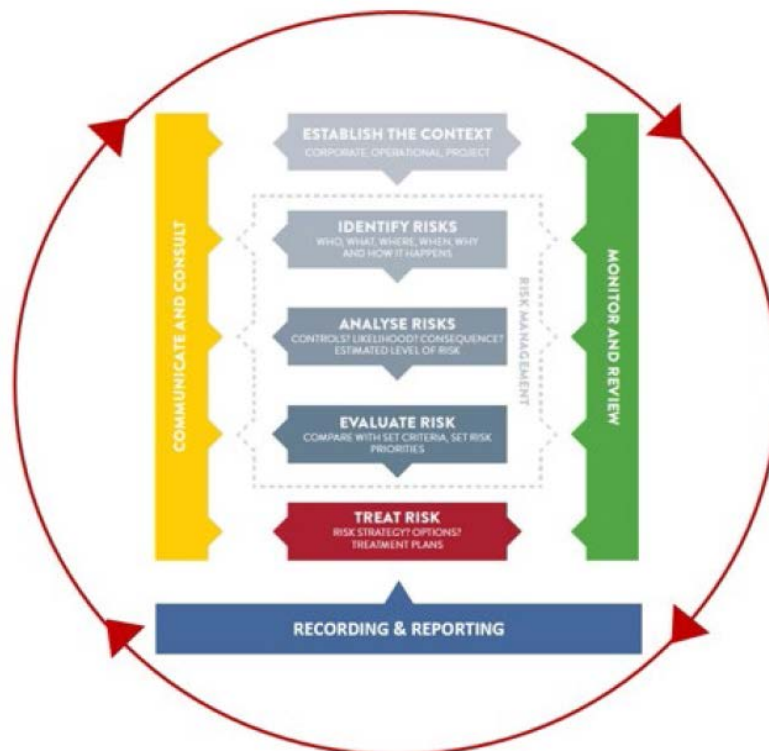
For the Council, public value means obtaining the best possible result from the procurement process while using resources effectively and economically with minimal waste.

It is important that public value does not always focus directly on the initial costs of the procurement. Other factors to take into account are total cost of ownership, delivery timelines, broader outcomes and the quality of service/the product. All of these factors should be applied with the end goal of delivering on the needs/requirements of our community.



## Risk Management

Procurement of any goods or services brings some element of risk to the Council whether financial, reputational or health and safety. The risk management framework at Council aligns with AS/NZS ISO 31000 Risk Management Principles and Guidelines. Procurement risk is reported on through the Council's Finance Audit and Risk Committee.



Risk in procurement is manageable through early research and planning. The risks identified are categorised whether low, medium or high risk and whether they can be minimised, isolated or eliminated.

It is the responsibility of Council Officers to identify any risks that may arise prior to, during and after a procurement. Risk assessment and planning is covered within the Council's Procurement Policy and Guidelines.

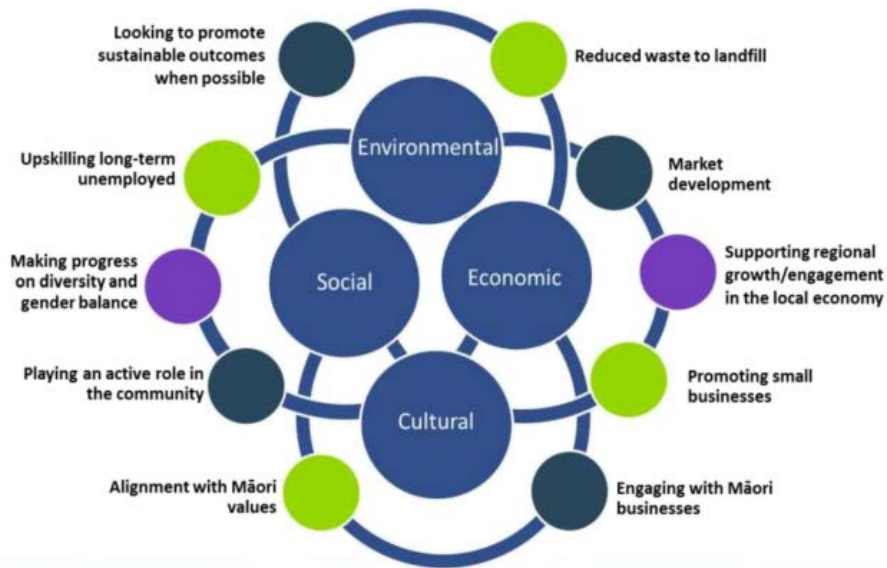
## Our Sourcing Methods

The Council's aim is to be fair to all of our suppliers in how our procurement are sourced. The Council aims to use a mixture of sourcing methods including direct appointments, request for quotes and open and closed tenders. Council will operate where appropriate preferred supplier registers and open supplier panels. The Council is accountable to the community and any sourcing method used will be in accordance with the Council's Procurement Policy and Guidelines.






## Broader Outcomes

Broader outcomes are the secondary benefits that can be delivered from a procurement activity that go beyond the delivery of a product or service. These include the wider social, economic, cultural and environmental outcomes in our community. Procurement completed by the Council should be actively aiming to achieve these.





Broader outcomes have previously not been considered specifically within procurement, but have displayed similar principles in the Community Outcomes within the Council’s future strategic planning and form part of the 2021-2041 Long Term Plan. These are what the Council aim to achieve in meeting the current future needs of our communities for good quality infrastructure, public services and performance of regulatory functions.

 <b>Vibrant Economy</b>	 <b>Outstanding Environment</b>	 <b>Fit for purpose Infrastructure</b>	 <b>Partnership with Tangata Whenua</b>	 <b>Strong Communities</b>
<ul style="list-style-type: none"> <li>• We are business friendly.</li> <li>• We will work with others to enable our economy to grow.</li> <li>• We support diversity and resilience in our local economy.</li> <li>• We aspire for economic security for all of our people.</li> <li>• We seize growth opportunities for our district.</li> </ul>	<ul style="list-style-type: none"> <li>• We contribute to improving our natural environment for current and future generations to enjoy.</li> <li>• We protect the important natural features in our district.</li> <li>• We ensure our built environment supports the wellbeing of our people.</li> <li>• We manage competing pressures on resources sustainably.</li> </ul>	<ul style="list-style-type: none"> <li>• We develop and maintain facilities and infrastructure to meet the needs of current and future generations.</li> <li>• We provide efficient, reliable and affordable infrastructure.</li> <li>• We work with partners to develop infrastructure that enables growth.</li> <li>• Our community facilities and infrastructure are resilient, helping us to respond to climate change and natural hazards</li> </ul>	<ul style="list-style-type: none"> <li>• We will uphold Te Tiriti o Waitangi and its principles.</li> <li>• We build mutually respectful partnerships with tangata whenua.</li> <li>• We support Mana Whenua to maintain and enhance tikanga with their ancestral lands and waterways, wāhi tapu and other taonga.</li> <li>• We support whanau, marae, hapū and iwi in achieving their aspirations.</li> <li>• We recognise the role of Mana Whenua as kaitiaki of their rohe.</li> </ul>	<ul style="list-style-type: none"> <li>• We value the diversity of our people.</li> <li>• We recognise the value of our district’s heritage and its contribution to our communities sense of identity and pride.</li> <li>• We take an inclusive approach and encourage our people to participate in local decision making.</li> <li>• We provide infrastructure and services as a foundation for resilient and connected communities.</li> <li>• We build collaborative relationships with service providers to help enable all of our people to live positive and health lifestyles.</li> </ul>

Meeting our Community Outcomes is vital to the successful function of the Council. Ensuring that these are used to influence the procurement process will allow them to be followed through during the useful life of the procured product and/or service. Horowhenua District Council is committed to applying the following priority broader outcomes within its larger procurements:

- Local Business inclusion
- Cultural awareness

Other broader outcomes the Council will consider during procurements are:

- Environmental improvement
- Community engagement

Focusing on a large number of broader outcomes through procurement in a smaller district comes with its challenges with many businesses contracted being small-medium in size. An approach of education and encouragement for small-medium contracts (<\$1,000,000) and requirements for larger contracts (>\$1,000,000) will provide a balanced approach to achieving broader outcomes.

## **Supporting Local**

Council is committed to the enhancing the local community by including local businesses better. This will be conducted by early engagement and business briefings and workshops.

## **Tāngata Whenua**

Council is committed to building a better relationship with local Marae, Iwi and Hapū in the Horowhenua rohe and lifting the environmental, social, cultural and economic wellbeing of Tāngata Whenua through procurement. As part of the procurement framework, initiatives will be developed to ensure:

- An early engagement with Iwi and Hapū in planning
- Procurement is completed in accordance with Te Tiriti o Waitangi
- A cultural competency and awareness in Te Ao Māori is available to the Council's suppliers
- Encourage the engagement of Tāngata Whenua in the design and/or delivery of goods, services and works.

## **Government Procurement Rules**

The Government Procurement Rules are the Government's standards of good practice for Government procurement. The Government Procurement Rules are in place to help support good market engagement, which leads to better outcomes for agencies, suppliers and New Zealand taxpayers.

As a Local Government Organisation, Council are not bound by these Rules but are encouraged to apply them. Council have decided to use the Government Procurement Rules as a guide<sup>1</sup> for the planning, sourcing and management of the procurement process.

A key focus of the Rules is the importance of open competition – giving all businesses the chance to participate, and giving them enough time to respond to opportunities properly. The Rules also help to:

- align New Zealand procurement practice with international best practice
- encourage more strategic procurement approaches
- foster competition and innovation, resulting in better solutions
- promote broader environmental, social, cultural and economic outcomes.

The Government Procurement Rules incorporate the Five Principles of Government Procurement and the Government Procurement Charter. The Five Principles of Government Procurement provide the overarching values in procurement – even when or if the Rules do not apply.

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<sup>1</sup> All procurement funded by Waka Kotahi New Zealand Transport Agency must follow the Government Procurement Rules. Full details on this are included within the Procurement Policy and Guidelines.

1. Plan and manage for great results
2. Be fair to all suppliers
3. Get the right supplier
4. Get the best deal for everyone
5. Play by the rules

## Our Procurement Principles

The Council's Procurement Principles align with the Five Principles of Government Procurement. As well as these, Council will apply the following principles:

**Transparency**

Be transparent while ensuring confidential or propriety information of our suppliers is securely managed.

**Honesty and Integrity**

Show the upmost honesty and integrity.

**Accountability**

Be accountable for the decisions made no matter what.

**Visionary**

Looking at the broader implications and effects of a procurement.

# Part C: Influences

## Central Government

The New Zealand Government (the Government) and other Central Government organisations have a massive influence on how Horowhenua District Council can operate.

While the Council will often be given an opportunity to respond and/or to have its say on policies and procedures the Government propose, ultimately the Government will decide if, as a Local Government Organisation, the Council has to or can choose to follow legislation and guidelines.

Examples of legislation and reforms that are currently in discussions or implementation with direct effect on Council are, but are not limited to:

- Three Waters Reform Programme
- Future of Local Government
- Resource Management Act Reforms

Central Government organisations influence how the Council should conduct its procurement.

Ministry of Business, Innovation and Employment (MBIE), via the Government Procurement Group (GPG), set the standards for procurement in Central Government with a heavy influence is local government and closely associated organisations. The Government Procurement Rules are set by the GPG and as a local government organisation, the Council does not have to adhere to Rules, but is strongly encouraged to. The GPG also facilitate the initiation and oversight of All-of-Government (AoG) Contracts of which the Council can join. The Council's Procurement Strategy and Policy details how the Council has adopted the Government Procurement Rules and AoG Contracts.

Waka Kotahi New Zealand Transport Agency have a major influence in how the roading infrastructure is managed and funded in the Horowhenua rohe. Waka Kotahi are strict users of the Government Procurement Rules set by the GPG. Procurement completed by the Council on behalf of, and/or funded by Waka Kotahi are to follow Waka Kotahi procurement policies and procedures.

WorkSafe influence how the Council is to apply the health and safety of all employees and its contractors. The Council's Health and Safety Policy outlines how this is to be implemented with particular reference to the Health and Safety at Work Act 2015. Health and safety, as per the Procurement Policy, is to be considered in all phases during the procurement process.

## Ratepayers/Community

The community has the biggest influence in the direction and decisions which the Council makes. This is achieved via the electing of Council members, contributing to community engagement arranged by the Council or Central Government organisations and the general 'community voice'.

## Elected Members/Council

Elected Members (Council) are elected by the community via local government election on a three yearly cycle. The Council set the direction which the Council will operate including approving all plans and strategies.

## COVID-19

The COVID-19 Pandemic has overwhelmingly effected how the world operates and the Council is no different. Even after over two years of lockdowns and restrictions, COVID-19 is influencing how we operate. It has had drastic effects on the cost of materials and freight, slowed down production of vital infrastructure material and increased the lead-times for items throughout the supply chain. Overall productivity has slowed due to staff sickness and contractor/suppliers own delays. The 'COVID effect' is going to have ongoing implications for the delivery of Council's projects.