



DRAFT PROCUREMENT POLICY

Effective from TBC

1. Scope

This policy covers activities associated with the purchasing of all goods and services by or on behalf of the Council. It applies equally to the Council, community boards, the management team, all departments and staff – permanent, temporary or contract, with the exception of:

- Employment payments
- Grants, sponsorship and Koha payments
- Property transactions including purchasing and leasing of Council-owned property and the leasing of property to the Council
- Payments to government and regulatory bodies including all forms of taxation and levies
- Treasury and financial instruments
- Court awarded and negotiated settlements

2. Procurement Principles

The policy allows for but does not require social and sustainable procurement. Where practicable Council will utilise social and sustainable procurement approaches to support community wellbeing outcomes, with a particular focus on supporting local business, supporting disadvantaged groups and enabling improved environmental outcomes.

A. Obtaining Value in the Expenditure of Public Money

Procurement outcomes that deliver the best value in the expenditure of public money ensure the optimal use of Councils resources. The policy framework promotes procurement practices that will result in best value for money outcomes.

A key principle of value for money is that 'lowest price' does not always represent the best outcome when evaluating alternative offers. When selecting a supplier, achieving value for money involves determining the extent to which the proposed solutions will deliver the optimum combination of whole-of-life cost and quality (non-cost) factors.

Factors which may be considered in assessing value for money include "The Four Local Government Wellbeing's - social, economic, environmental, cultural" and in summary includes:

• contribution to council priorities	• social and sustainability objectives
• quality and fitness for purpose	• financial and operational soundness
• efficiency and effectiveness	• risk and opportunity
• whole of life costs	• service, support and warranty

The achievement of value needs to be considered within the context of creating 'community value' which may mean total cost will increase when sustainability and social issues for part of the evaluation process.

B. Ethical and Fair Treatment

Providing for ethical and fair treatment of participants refers to conducting all dealings with suppliers in an open, honest and impartial manner and respecting their rights and obligations. Council must seek to ensure this principle is reflected throughout the procurement process, particularly through:

- open and competitive procurement processes (where practicable and appropriate)
- providing suppliers with equal opportunity to supply to Council
- straight forward and user friendly market approach documents
- clear and unambiguous evaluation criteria and methodology communicated to potential bidders
- consistent processes and feedback on decisions
- access to a timely, effective and responsive complaints process
- effective, concise and clear communication and provision of information to all suppliers.

C. Probity, Accountability and Transparency

Probity, accountability and transparency refers to ensuring the integrity of the procurement process and actions taken by Council employees and/or representatives. All procurement shall be undertaken in a manner that ensures council are accountable for their actions:

- appropriate record keeping and documentation and the transparency of decision making
- adherence to the Council Code of Conduct and project financiers (e.g. NZ Government Agencies) integrity processes
- the identification and management of actual or potential conflicts of interest
- the confidentiality of all commercial and private information.

D. Social equity

Social Equity is a commitment to promoting diversity, acceptance, fairness, compassion, inclusiveness and access for people of all abilities. A focus is placed on citizens who are underrepresented and people with less opportunity. Social equity contributes to building stronger and more resilient communities. Depending on the nature of the procurement, Council will explore opportunities to engage social enterprises to provide works, goods and services.

E. Fostering local business

Procurement activity should contribute to having efficient and cost-effective local suppliers that support a dynamic and innovative local economy. The Council will

ensure advantages from local procurement are recognised and considered in procurement decisions, local businesses are encouraged to explore unique and innovative initiatives, social procurement initiatives are progressed to provide economic and employment opportunities to communities in the Council area. Where practicable, procurement processes should not limit opportunities for local suppliers.

F. Exceptions to this policy

The Executive Leadership Team or if required the Chief Executive, may approve a variation from the requirements of this policy for an individual purchase process. This may be due to limited suppliers, specialist contractors / consultants or perceived low risk or value of the procurement process.

Any person seeking alternative procurement must document;

- that the variation sought is in accordance with the principles detailed in the preceding Procurement Principles.
- the reasons for variation; and
- the level of risk to the Council's objectives in letting the contract, applying the Council's Risk Criteria

3. Governance

ESTIMATED Dollar Value		Approval Mechanism	Purchasing Option
\$0 - \$20k Plus GST	Direct Appointment – One quotation/ Supplier Panel	Purchase Order Credit Card # Contracted Supplier	Delegated Financial Register
\$20k to \$100k Plus GST	Minimum of Three written quotes (if possible)	Purchase Order # Contracted Supplier	Delegated Financial Register
<p>For tenders estimated to be under \$200,000 emailed to Tenders@icc.govt.nz or GETS can be used.</p> <p>If the aim is to target local business for promoting local economic development then the Council Procurement Tender email can be used.</p>			
\$100k - \$200k Plus GST	Restricted or Open Market Tender / Supplier Panel	Tender Initiation Checklist with non-price weightings Contract Award Recommendation	Delegated Financial Register Group Manager Finance and Assurance and relevant GM recommends tender call and approves Tender Recommendation
<p>Council will advertise all tender estimated to be \$200,000 or over on GETS unless otherwise recommended by the relevant GM and approved by GM Finance and Assurance.</p>			

ESTIMATED Dollar Value	Approval Mechanism	Purchasing Option	
\$200k - \$500k Plus GST	Open Market Tender / Supplier Panel	Tender Initiation Checklist with non-price weightings Contract Award Recommendation	Delegated Financial Register Group Manager Finance and Assurance and relevant GM recommends tender call and approves Tender Recommendation
Over \$500,000 Plus GST	Open Market Tender	Tender Initiation Checklist Full Tender Evaluation Plan Tender Recommendation (full version)	As above with CEO approval required and reporting to Council if Contract \$500,000 or more
Over \$5m Plus GST	Open Market Tender	As above and Probity Advisor / Probity Auditor maybe appointed	As above and Probity Advisor Checklist completed or Probity Auditor appointed with Probity Auditor Report released prior to approvals. (GM Finance and Assurance / CEO to decide)

Council Policies and documents that support this policy

Requirement	Detailed in:
Approvals	Financial Delegations
Risk Management	Risk Management Framework Policy and Process
Behaviour	Standards of Conduct - Code of Conduct Conflict of Interest Declarations
Process	Procurement Manual Appendix 1 - Managing Expectations Appendix 2 - Procurement Process Stages
Planning	Market RFx Initiation Template
Contract Templates and rules	Procurement Templates : Terrace Publications (TP) Website: https://terracepublications.com/ MBIE Procurement – Invercargill City Council encouraged to apply Government Rules of Sourcing, 4 th edition, 2019 Government Procurement Rules New Zealand Government Procurement and Property NZTA Procurement Waka Kotahi (NZTA) Procurement Manual, 2019 Procurement manual Waka Kotahi NZ Transport Agency (nzta.govt.nz)

Appendix 1: Managing Stakeholder Expectations

Managing individual groups expectations such as stakeholders, legal requirements, professional and treaty requirements and international expectations need to be considered in managing the procurement process and expectations are below:

Stakeholders	Expectations
Council Requirements for Staff Executive and Councillors	<ol style="list-style-type: none"> 1) Procurement Manual 2) Market RFx Initiation Template 3) Procurement Plan 4) Procurement Recommendation 5) Financial Delegations 6) Risk Management Framework Policy and Process 7) Council Policies and Procedures
Local Government Act	<p>Local Government Act 2002 (section 14)</p> <p>In performing its role, a local authority must act in accordance with the following principles:</p> <ol style="list-style-type: none"> (a) a local authority should— <ol style="list-style-type: none"> i. conduct its business in an open, transparent, and democratically accountable manner and; ii. give effect to its identified priorities and desired outcomes in an efficient and effective manner (b) a local authority should undertake any commercial transactions in accordance with sound business practices; and (c) a local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interests of its district or region, including by planning effectively for the future management of its assets; and (d) in taking a sustainable development approach, a local authority should take into account— <ol style="list-style-type: none"> i. the social, economic, and cultural interests of people and communities; and ii. the need to maintain and enhance the quality of the environment; and iii. the reasonably foreseeable needs of future generations.
Council Controlled Organisations	Council Controlled Organisations may seek to access the Councils contracts
Auditor General	Auditor General has issued recommended guidance Procurement — Office of the Auditor-General New Zealand (oag.parliament.nz)
NZ Government (Broader Procurement Outcomes)	<ol style="list-style-type: none"> 1. Guide to Mastering Procurement, NZ Govt Procurement 2014 2. Government Procurement Rules and specifically note number 16 “there are the secondary benefits that are generated from the procurement activity. These outcomes can be social, environmental, cultural or economic benefits, and will deliver long-term public value for New Zealand. Broader outcomes require consideration not only of the whole-of-life cost of the procurement, but also the costs and benefits to society, the environment and the economy”. 3. New Zealand Transport Agency - Procurement Manual 4. Sustainable Business Council 2019 Home - SBC

Stakeholders	Expectations
Emergency Response	<ol style="list-style-type: none"> 1) Civil Defence emergency is in place - providing the Controller with access to special powers (Refer Civil Defence Emergency Management Act 2002 s.85 and s.94). 2) Restoration of any core service to the Invercargill community as set out in S.11A of the Local Government Act 2002 as amended 3) Assist any network utility operator as defined in s.166 of the Resource Management Act to immediately restore a network utility operation 4) Quick guide to emergency procurement (MBIE)
Construction	Construction Industry Accord with Government Home Construction Accord
Mana whenua	<p>The role of Māori, and Ngāi Tahu (“Kāi Tahu”), as Takata Whenua, as represented by Waihōpai Rūnaka and Te Rūnanga o Awarua, as a partner of Council is recognised.</p> <p>The views of Mana Whenua will be considered in decision making on all matters through the Mana Whenua roles on Committees of Council, with a particular focus on matters impacting on their ancestral land, water, sites, Wāhi tapu, valued flora and fauna and other taoka, including cultural taoka.</p>
Confidentiality, Privacy and Conflicts of Interest	<ol style="list-style-type: none"> 1) Privacy Act 1993 2) Local Government Official Information and Meetings Act 1987 3) Confidentiality of Supplier Quotes and Tender bids. 4) Managing Conflicts of Interest Guidance for Public Entities (Office of Auditor General 2007)
Legislative Compliance (additional to above)	<ol style="list-style-type: none"> 1) Building Act 1991 2) Commerce Act 1986 3) Construction Contracts Act 2003 4) Consumers Guarantees Act 1993 5) Contract and Commercial Law Act 2017 6) Electronic Transactions Act 2002 7) Fair Trading Act 1986 8) Health and Safety at Work Act 2015 9) Financial Reporting Act 1993 10) Official Information Act 1982 11) Land Transport Management Act 2003 12) Local Authorities (Members’ Interests) Act 1968 13) Local Government Act 2002 14) Local Government Official Information & Meetings Act 1987 15) Official Information Act 1982 16) Public Audit Act 2001 17) Public Finance Act 1989 18) Public Records Act 2005 19) Sale of Goods Act 1908 20) Resource Management Act 1991
Council Insurance	Suppliers, Contractors and Consultants seeking to self-insure, limit their liability or transfer risk to the Council during the quotation / tender and negotiation process.
International Guidelines on Responsible Business Conduct	<p>International expectations to comply with recognised guidelines</p> <ol style="list-style-type: none"> 1) ISO 20400:2017 Sustainable procurement — Guidance 2) ISO 26000 Social Responsibility <p>The OECD Due Diligence Guidance for Responsible Business Conduct provides explanations of its due diligence recommendations and associated provisions and helps to avoid and address adverse impacts related to workers, human rights, the environment, bribery, consumers and corporate governance that may be associated with their operations, supply chains and other business relationships.</p>

Appendix 2 – Procurement Process Stages

The process outlined in this appendix is scalable to the value and risk of the procurement.

Renewal and extensions of any contract after expiry date or any increase in contract value must be approved at the delegation to approve the current contract value plus the increase in value being sought. At a minimum the approval must be the relevant GM and GM Finance and Assurance (or if required the relevant Council Committee) before any commitment to purchase is made.

Contracts with no expiry date are deemed to have expired.

Stage 1: Purchase Planning broadly consists of three stages outlined below.

1.1 Identify Council and Community needs

- Identify clear need linked to the Councils procurement objectives within the Long Term and Annual Plans.
- Review options to satisfy this need to determine whether procurement is the best means to deliver a value for money outcome and if a contract already exists that can meet the need.
- Identify key stakeholders and undertake internal and external consultation.
- Identify social procurement and sustainability goals
 - Diversity and Disability Targets e.g. Indigenous & Young people, People exiting correctional facilities & ex-offenders, Lone parents, Female workers (into male dominated roles), People who are not in employment or education or training, Refugees, Recently unemployed due to Pandemics, earthquake & other disasters).
 - Business development e.g. local and regional business, small and start-up business, indigenous business and businesses actively achieving diversity and disability targets.
 - Reducing Carbon footprint e.g. energy efficiency and renewable resources, green vehicle strategies, building ratings, water use efficiency, recycling and waste management, steps taken to protect flora and fauna.
- Develop and approve a business case (if appropriate) - Confirm availability of funds.

1.2 Plan Procurement Strategy

- Undertake preliminary analysis of market and preliminary scoping of procurement requirements to identify outcomes, objectives and logistics/supply chain factors.
- Consider legislative, policy and probity requirements.
- Consult the procurement team and risk team for advice where required.
- Confirm and commit resource requirements for the procurement process.
- Identify and undertake briefing of potential suppliers as appropriate.

1.3 Prepare Procurement Plan

- Establish project team/evaluation team including procurement expertise.
- Develop initial risk management plan for procurement, project and capital works issues (update during the process).
- For high risk and high value, strategic procurements, undertake supply positioning
- Complete and seek approval for purchase plan.

Stage 2: Supplier Selection broadly consists of six stages outlined below.

2.1 Develop Bid Documents including Specification

- Develop specification to identify outcomes, objectives and practical requirements
- Ensure standards of performance and codes of practice, incentives, disincentives and performance measures (and project milestones) are in the specification.
- Develop the invitation/market approach documents and clarify as necessary
- Obtain relevant approvals to approach market.

2.2 Develop Evaluation Plan

- Develop and approve an evaluation plan, including criteria for evaluation, membership of evaluation team, and explanation of the selection process.
- Obtain and address conflict of interest (includes those who developed specification), prior to releasing formal market approach documentation to the market - Form evaluation team.
- Develop Transition Plan (if existing contractor / supplier in place) and include outline in documents released to bidders.
- Release documents to bidders.

2.3 Manage distribution and receipt of bids

- Invite responses selectively or by advertising the requirement in line with the purchase plan.
- Undertake briefings and clarification of information with bidders.
- Receive, schedule and acknowledge responses and inform all bidders of the status of their responses through the process.
- Deal with late bids and non-conforming bids as appropriate.

2.4 Select preferred supplier/s including managing risk transfer and limitation of liability

- Evaluate bids according to evaluation plan (ensure calculations are checked)
- Clarify matters arising with bidders (including contract clause changes and limitation of liability, risk transfer or reduced insurance limits sought by bidder).
- Select and seek approval of preferred supplier/s.
- Prepare a negotiation plan (if required) and conduct negotiations.
- Prepare purchase recommendation and obtain financial delegation approval
- Notify successful supplier/s.

2.5 Develop and formalise contracts

- Negotiate contract including Performance Measures and Project Milestones.
- Negotiate Transition Plan (service and supply contracts) at to manage end of contract handover.
- Finalise Contract including guarantees, insurance certificates and bonds
- Obtain delegation approval to enter into contract and execute final contract documentation.
- Update risk management plan (where relevant handover to Project Manager) and if required update Council Risk Register.
- Commence contract implementation once contract is signed/executed.

2.6 Debrief market and other stakeholders

- Advise internal stakeholders of new contract.
- Inform and debrief unsuccessful bidders upon request with feedback on their bids.
- Disclose contracts in line with contract disclosure guidelines.
- Record the contract on the contract register.

Stage 3: Contract Management broadly consists of five stages

3.1 Prepare to manage a contract

- Form contract management team and allocate roles and responsibilities for Contract Sponsor, Contract Manager and Contract administration.
- Complete and approve a contract management plan – update risk management plan.

3.2 Implement a contract management strategy

- Establish information and communication strategies for supplier/s and stakeholders.
- Monitor risks during the life of the contract.
- Establish and manage relationship with supplier/s and stakeholders.

3.3 Implement the contract

- Develop implementation plan if required and implement the contract in accordance with the contract management plan and/or implementation plan/strategy.
- Implement start-up or transition arrangements.

3.4 Monitor and maintain performance of a contract

- Monitor delivery and evaluate key performance indicators and project milestones to ensure value for money identified in the procurement process is achieved.
- Receive and review Contractors performance reports (hold meetings and develop action plans as required).
- Ensure all obligations under the contract are being met.
- Manage contract variations and contract extensions.
- Negotiate and manage issues relating to the contract.
- Maintain communication with all stakeholders on the performance of the contract.

3.5 Planning Contract expiration

- Review contracts due to expire to determine future requirements.
- Finalise, amend, extend or terminate contract in accordance with contract including management of close-out, renewal or transition to a new contract. If contract value is increased the relevant delegation is determined by the new total contract value i.e. existing contract value plus increase in contract value.
- Evaluate the outcomes of the contract (specifically projects and capital works) and document and where measures or outcomes are not met in full.

Reference Number:	A3479409
Effective Date:	TBC
Review Period:	This Policy will be reviewed every three (3) years, unless earlier review is required due to legislative changes, or is warranted by another reason requested by Council.
Supersedes:	Nil.
New Review Date:	TBC
Associated Documents/References:	Procurement Manual (A3479410)
Policy Owner:	Manager – Procurement