



**Waimate**  
District Council

# **PROCUREMENT POLICY 316**

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# POLICY OVERVIEW

## 1.0 PURPOSE

- 1.1 The purposes of the Procurement Policy are to:
- Define Waimate District Council's (Council) general approach to the procurement of goods and services; and
  - Ensure the alignment/compliance of Council's procurement practices with government procurement principles and rules; and
  - Ensure optimal delivery of procurement outcomes towards the realisation of public value; and
  - Provide a standardised approach to procurement for all departments; and
  - Ensure the alignment between Council's procurement practices and its strategic vision.

## 2.0 BACKGROUND

- 2.1 Council purchases a wide range of goods and services through a variety of procurement mechanisms. Central to procurement is achieving 'public value'.
- 2.2 The primary community outcomes sought by Council's procurement practices are:
- Contribution to a thriving and robust local economy, especially by means of including local businesses and small-to-medium enterprises in the Council's procurement process; and,
  - Implementation of socio-economic development with regards to sustainability, protection and preservation of the environment, waste reduction, and reduction in carbon emissions.
- 2.3 A procurement strategy was initially developed in 2010, and consequently renewed in 2015, to meet New Zealand Transport Agency (NZTA) National Land Transport Programme (NLTP) requirements. This strategy was developed to apply to all activities, and details the context and rules involved.
- 2.4 Council's general approach to procurement is aligned with the 3 pillars of the Government's modernised procurement doctrine, namely the Principles of Government Procurement, the Government Procurement Charter, and where applicable, the Government Procurement Rules.<sup>1</sup>
- 2.5 Council intends to follow the NZTA 2018 Procurement Manual as a guide for Physical Works and Professional Services.<sup>2</sup>

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<sup>1</sup> For the outlined Principles, Charter, and Rules see: *Ministry of Business, Innovation & Employment*, 'Government Procurement Rules: Rules for Sustainable and Inclusive Procurement', <<https://www.procurement.govt.nz/assets/procurement-property/documents/government-procurement-rules.pdf>>

<sup>2</sup> For the latest manual see: *New Zealand Transport Agency*, 'Procurement Manual: For Activities Funded through the National Land Transport Programme', <<https://www.nzta.govt.nz/assets/resources/procurement-manual/docs/procurement-manual-amendment-4.pdf>>

## **3.0 APPLICABILITY**

3.1 The present policy applies to all Council staff, departments, and activities, except the following:

- The employment of staff (excluding the engagement of contractors and consultants to supply service);
- The acquisition or lease of land or buildings;
- Disposals and sales of Council assets;
- Investments, loans, guarantees, or other financial instruments;
- Gifts, donations, and grants;
- Licences and agreements regarding commercial operations carried out by third parties on Council property;
- Non-contractual agreements between public sector agencies, such as memorandum of understanding (MOU), and
- Statutory or ministerial appointments.

## **4.0 DEFINITIONS**

### **4.1 Procurement**

- Denotes all of the business processes associated with purchasing, from the identification of needs to the end of a contract or the end of the useful life and subsequent disposal of an asset. Procurement begins with identifying a need and planning how to proceed. It includes the specification and sourcing of products or services, negotiation, contracting, the management of supply arrangements, and it ends with the disposal of products or when the service contracts or agreements come to an end.

### **4.2 Emergency Procurement**

Denotes procurement required as part of the response to a sudden unforeseen event, where life, health, property, or equipment is at immediate risk, or in order to maintain Council's service delivery to the community.

### **4.3 Public Value**

Denotes achieving the best possible result from a procurement. For instance, procurement offers the opportunity to support New Zealand businesses, including Maori businesses and Pasifika businesses. Procurement can also contribute positively towards achieving environmental outcomes by supporting New Zealand's transition to a low emissions economy or reducing waste.

## **5.0 PRINCIPLES**

5.1 Council's approach to procurement is conducted in full compliance with the provisions of Government Procurement Principles and Charter. Within such a framework, Council conducts its procurement procedures by:

- Clear identification of requirements and objectives, and devising strategies towards the realisation of such objectives;
- Involving suppliers early, and providing suppliers with a precise description of requirements;

- Analysing the market towards a comprehensive comprehension of its dynamics and Council's impact on such an environment;
- Selecting the optimal procurement process, proportional to complexity, size, and risks;
- Encouraging electronic business;
- Creating competition and encouraging capable suppliers to respond;
- Treating all suppliers equally;
- Being open to the prospect of subcontracting in larger projects;
- Outlining the precise proposal assessment process to inform suppliers as to the utilised process;
- Informing unsuccessful suppliers as to reason(s) for not having been awarded a contract so such suppliers are made aware how to improve/prepare in the future;
- Selecting the optimal supplier, capable of delivering the outcome in the most financially-efficient and timely manner;
- Selecting the supplier that is in full compliance with the Government's *Supplier Code of Conduct*,<sup>3</sup>
- Maintaining a demanding yet fair relationship with suppliers;
- Focusing on attaining the best 'public value';
- Making balanced decisions by considering possible social, environmental, economic, and cultural outcomes that ought to be achieved;
- Avoiding being excessively prescriptive as to be open to initiatives and new approaches;
- Establishing clear performance measures via monitoring and managing;
- Cooperating with suppliers towards improvements and ongoing savings;
- Maintaining accountability, transparency, integrity, lawfulness, and fairness;
- Maintaining impartiality by identifying and managing all conflicts of interest;
- Protecting suppliers' commercially sensitive information and intellectual property;
- Actively seeking opportunities to include local suppliers, and small-to-medium New Zealand-based enterprises in the procurement cycle;
- Undertaking initiatives to contribute to low-emissions economy, and to promote greater environmental responsibility;
- Avoiding excessive prescribing the technical requirements of a procurement, permitting suppliers/contractors the opportunity to demonstrate their expertise;
- Ensuring the full compliance of its suppliers/contractors with labour rights, employment rights and standards, and that all such parties operate with integrity, transparency, and accountability;
- Engaging with Maori, Pasifika, and regional businesses and social enterprises as to the promotion of diversity and inclusion in workforce, and to actively contribute to local economy;

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<sup>3</sup> Ministry of Business, Innovation & Employment, 'Supplier Code of Conduct' <<https://www.procurement.govt.nz/assets/procurement-property/documents/supplier-code-of-conduct.pdf>> [accessed September 2019]

- Generating optimal risk mitigation strategies by assigning risk management responsibility to the most suitable party in a procurement arrangement, either the agency or the supplier; and
- Seeking to support cross-agency and/or cross-businesses collaboration.

5.2 Furthermore, Council's procurement of goods, works, and services are governed by the Government's Rules of Sourcing 3<sup>rd</sup> edition.<sup>4</sup> Council staff and representatives involved in procurement must be mindful of the fact that Council is subject to, and should comply with, all applicable legislation, manuals, and frameworks, as listed below:

- Commerce Act 1986
- Contract and Commercial Law Act 2017
- Fair Trading Act 1986
- Health and Safety at Work Act 2015
- Local Authorities (Membership Interests) Act 1987
- Local Government Official Information and Meeting Act 1987
- Local Government Act 2002
- Official Information Act 1982
- Public Records Act 2005
- Civil Defence Emergency Management Act 2002
- Goods and Services Tax Act 1985
- Land Transport Management Act 2003
- Resource Management Act 1991
- Construction Contracts Act 2002
- Public Works Act 1981
- Government Procurement Rules
- Government Rules of Sourcing

## PROCEDURES

### 6.0 METHODS OF PROCUREMENT

6.1 Council procures goods through a variety of procurement methods, from small, less formal engagements, to comprehensive multi-year maintenance contracts including long-term arrangements for essential services.

6.2 Council recognises the role of:

- Long-term contracts
- Preferred supplier arrangements
- Specialist suppliers
- Joint procurement groups
- Local suppliers
- Bundling work vs. individual assignments
- The need for a simple approach for 'minor' procurement

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<sup>4</sup> Ministry of Business, Innovation & Employment, 'Government Rules of Sourcing', 3<sup>rd</sup> ed. < <https://www.procurement.govt.nz/assets/procurement-property/documents/government-rules-of-sourcing-procurement.pdf>> [Note: the 4<sup>th</sup> edition of the rules will come into effect on 1 October 2019]

- 6.3 Thresholds provide maximum limits for different procurement methods. Under Rule 6 of Government Procurement Rules, the threshold for goods or services or refurbishment works is \$100,000 (excluding GST). When procuring goods and services, staff should consider what constitutes the most efficient method for maximising *public value* while complying with the procurement rules and principles, and thus choose accordingly, in conjunction with the thresholds defined in Chart 1 (See Section 8 of the policy for: Chart 1).
- 6.4 For Roading activities, there are exemptions: the principles around selecting the delivery model and supplier selection method, based on the circumstances of the procurement situation rather than threshold limits, is also favoured for all transport activities. It is acknowledged that this will require ongoing discussions and effective partnering between Council and NZTA.

## **7.0 PURCHASE OF GENERAL GOODS**

- 7.1 Council purchases a range of general goods through a range of methods including:
- “All of Government” contracts (i.e. vehicles, stationary, office consumables, etc.)
  - Joint purchasing with other organisations (Joint Procurement Group)
  - Purchasing via brokers (GSB Supplycorp)
  - Competitive tender
  - Preferred supplier- ongoing (e.g. Electrician for repair work)
  - One-off/ ad-hoc arrangements
- 7.2 Council acknowledges the importance of flexibility to utilise the most appropriate approach in achieving public value while operating in full compliance with the Government Procurement Principles and Charter.

## **8.0 PROCEDURES FOR PROCUREMENT**

- 8.1 The attached flowchart provides guidance for the approach to procurement (See Appendix 1). In using the flowchart, all principles outlined in the present policy (as projections of applicable Government Procurement Rules) must be taken into account and complied with.
- 8.2 In determining the most appropriate approach, the following should be considered:
- The complexity of the goods or services involved to determine the extent of documentation required.
  - How will public value be obtained? The key criteria are suitability for purpose, timeliness, and cost.
  - How competitive is the market? If there are a number of suppliers, then an open or closed contest. If this is not known, then a two stage process involving a Registration of Interest (ROI) can be used.
- 8.3 As a guide, the following table indicates the most appropriate approach for different contract values. It should be noted that this general guide and special circumstances may affect the appropriateness of any approach.

**CHART 1.**

Supplier Selection Process				
Method	Contract \$ Value			
	\$0 to 40,000	\$40,001 to \$100,000	\$100,001 to \$250,000	Over \$250,000
Direct Appointment	✓	✓	✓	✗
Lowest Price Conforming Tender	✓	✓	✓	✓
Purchaser Nominated Price (Professional Services only)	✓	✓	✓	✓
Price Quality (e.g. Weighted Attributes)	✗	✓	✓	✓
<b>KEY</b>	✓ Most Appropriate	✓ Appropriate	✓ Less Appropriate	✗ Generally Not Appropriate

**Roading Exception**

Supplier Selection Process- Roothing				
Method	Contract \$ Value			
	\$0 to 40,000	\$40,001 to \$100,000	\$100,001 to \$250,000	Over \$250,000
NZTA Rule 10.8 (modified)	Direct Appointment		✗	
	Closed Contest			✗
	Open Contest			
<b>KEY</b>	✓ Most Appropriate	✓ Appropriate	✓ Less Appropriate	✗ Generally Not Appropriate

**9.0 EMERGENCY PROCUREMENT**

9.1 In the event of a genuine emergency, as defined by the term ‘emergency procurement’, Council will need to be flexible in how it procures goods and services that are required for their response. In such situations, rapid procurement may mean it is not operationally feasible or prudent for Council to satisfy all requirements outlined in the present policy.



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

9.3 Council shall document and account for all emergency procurement activity to safeguard against the risk of fraud/corruption. Emergency situations may include but are not limited to:

- Natural or man-made disasters, such as earthquakes, tsunamis, volcanic eruptions, flooding, fires, or contamination;
- Failures of critical infrastructures or equipment;
- Critical health or environment emergencies, such as pandemic or food safety incidents;
- Critical security emergencies, such as major cyber security breaches/disruptions, terrorist attacks, or serious crimes;
- Political emergencies, such as interstate war, coup d'état, or civil insurrection;
- Occurrence of unforeseen events that render it impossible for Council to perform a statutory or critical function in the necessary timeframe.

## 10.0 DOCUMENT CONTROL

Queries:	Corporate Services Group Manager
Effective:	8 October 2019
Previous Review Date(s):	27 October 2015
Next Review Date:	8 October 2022
Document Owner:	Corporate Services Group Manager
To be only amended by:	Resolution of Council

Approved by: \_\_\_\_\_  
Stuart Duncan, Chief Executive

Date: 8 October 2019

# APPENDIX 1

