




GORE DISTRICT COUNCIL PROCUREMENT POLICY

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1. INTRODUCTION

1.1 The Gore District Council (GDC) is a territorial local authority with obligations to its ratepayers and the public, defined under the *Local Government Act 2002* as:

"to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses".¹

1.2 Procurement plays a vital role in the delivery of the GDC business outcomes, with a variety of goods, services and works being purchased from different suppliers.

1.3 The GDC recognises rigorous procurement management practices to:

- (a) ensure that the purchased goods, services or works are fit-for-purpose, value for money and quality outcomes;
- (b) underpin the performance and delivery of the Council's strategic and business objectives;
- (c) provide opportunities for the business sustainability, strategic growth and improvement;
- (d) ensure a unique and standard process is applied for procurement in the organisation; and
- (e) ensure the procurement policy and process aligns with the New Zealand Transport Agency (NZTA) and the Ministry of Business Innovation and Employment (MBIE).

1.4 The GDC also recognises its primary responsibility to ensure probity, and the prudent expenditure of ratepayer funds. There is an expectation within the community that Council procurement activities are undertaken to the highest ethical standard. Whether procurement projects are straightforward or complex, Council officers must behave ethically. Securing value for money and confidence in the outcome is dependent upon the proper conduct of the procurement activity.

2. PURPOSE

2.1 The purpose of the GDC Procurement Policy (the 'Policy') is to articulate the Council's commitment to the responsive, cost-effective and fit-for-purpose procurement of goods, services and works as well as implementing a transparent and efficient process.

2.2 The Policy establishes the guiding principles for the GDC's procurement practices, and seeks to ensure that:

- 2.2.1 A robust framework is adopted across the Council for procurement, from planning up to the delivery of goods and services contracts;
- 2.2.2 The GDC plans for, enters into and manages all contracts in a manner which facilitates and complies with the Council strategic and business objectives, promotes positive outcomes and minimises risks;

¹ LGA (2002) Section 10: 1 (a).

- 2.2.3 Staff understand their roles and responsibilities with regards to procurement, and are appropriately upskilled and trained to do so;
 - 2.2.4 The GDC achieves quality performance and cost-effective goods, services or works through an efficient and transparent process.
- 2.3 This Policy identifies the authority, responsibilities and operational parameters for prudent procurement decision-making, and the effective management of contracts and associated legally-binding agreements.

3. SCOPE

- 3.1 This policy applies to:
- 3.1.1 All GDC employees, including temporary employees, contracted staff and suppliers.
 - 3.1.2 Any person who is involved in the operation of the GDC, including elected members, volunteers and those people with honorary or unpaid staff status.
 - 3.1.3 Every business, service or activity of the GDC – with the exception of employment contracts.

4. DEFINITIONS

- 4.1 **Approved contractor:** prior to undertaking any work for the GDC, all contractors must apply for and be approved against a set of eligibility requirements, including insurance cover, Health and Safety (H&S) and relevant codes of practice.
- 4.2 **Bribe or inducement:** the giving or receiving, whether directly or indirectly, of something of value to influence a (procurement or contract management) transaction.
- 4.3 **Contract:** a formal, documented agreement between the GDC and a supplier or contractor that commits Council in legal or financial terms to the acquisition of goods, services or works.
- 4.4 **Contract owner:** a designated GDC staff member who is responsible for the ongoing management and delivery of contracted goods or services, and who has the authority to contract on the Council's behalf.
- 4.5 **Contracted staff:** non-permanent employees of the GDC, including consultants and contractors employed on fixed or short-term contracts who are undertaking business activities on behalf of the Council.
- 4.6 **Market:** all potential providers of a good or service that may be available to the GDC.
- 4.7 **Procurement:** the process of securing goods, services or works, including but not limited to purchase planning, standards or specifications determination, supplier and sector research, review and selection, pricing negotiation, making the purchase, supply contract administration, disposals and other related functions until delivery of the procured goods, services or works.

- 4.8 **Sustainable procurement:** procurement principles that allow the GDC to secure goods, services or works in a way that recognises the whole of life costs and/or benefits of the goods or service, as well as delivers benefits for the local Gore District community, economy and environment. ²
- 4.9 **Whole of life:** an assessment of the total costs and/or benefits of purchasing goods, services or works– from concept to disposal. This includes purchase outcomes, operating costs spanning the useful life of the good or service, as well as any impacts associated with (product) manufacture, transport, delivery and disposal. Consideration may also be given to sustainable procurement, i.e. assessing the local social, economic and environmental costs and/or benefits associated with the procurement.

5. PRINCIPLES

- 5.1 GDC procurement practices shall ensure that the GDC plans for, enters into and manages its procurement activities in a manner that maximises value for money and quality service delivery, as well as realises business, strategic and community expectations.
- 5.2 The following ten principles shall be reflected in all procurement practices:
- 5.2.1 The purchasing power of the GDC will be harnessed for the realisation of its strategic and business objectives, as well as the benefit of the local community.
 - 5.2.2 The GDC will at all times act with integrity, impartiality and in a fair and reasonable manner in its dealings with other parties.
 - 5.2.3 The GDC shall ensure full probity in its procurement practices and decision-making processes. All procurement decisions will be appropriate and transparent, fair and equitable, and free from any real or perceived bias or conflict of interest.
 - 5.2.4 Open and effective competition will be encouraged – all eligible suppliers shall have full and fair opportunity to participate.
 - 5.2.5 The GDC shall take into consideration the whole of life costs and/ or benefits associated with procurement – spanning design, manufacture, delivery, operation and disposal.
 - 5.2.6 Consideration will be given to sustainable procurement principles whenever possible, ie assessing the whole of life social, economic and environmental impact of the procurement.
 - 5.2.7 All contracts shall clearly identify the functional, performance and/or technical deliverables and key performance indicators that reflect the Council's expectations and quality standards, and establish effective means to measure, monitor and manage their delivery.
 - 5.2.8 All contracts will be actively managed in a manner that fosters collaboration with suppliers and contractors, maximises value for money as well as supports continuous innovation and improvement.

² ISO20400:2017; ICLEI – Local Governments for Sustainability/ Procura+ European Sustainable Procurement Network (2016).

5.2.9 Procurement processes will comply with all applicable statutory obligations, recognise the Council's business, strategic and community expectations, and reflect relevant sector, central and local government good practice standards and guidelines.

5.2.10 All procurement risks will be identified and managed effectively throughout the life cycle of the goods, services or works.

6. POLICY

6.1 General requirements

6.1.1 GDC procurement practices shall at all times be fair, equitable and transparent, and abide by the principles and requirements set out in this Policy.

6.1.2 Procurement decision-making practices shall ensure:

- (a) Integrity, prudent decision-making and freedom from real or perceived bias or conflict of interest; and
- (b) Open and effective competition, subject to appropriate due diligence and probity measures; and
- (c) fit for purpose and value for money on a whole of life basis, including consideration of the principles of sustainable procurement whenever possible; and
- (d) Effective identification, assessment and management of risk throughout the life of the procurement activity; and
- (e) Recognition of, and compliance with all relevant statutory and regulatory obligations; and
- (f) Collaboration, innovation and recognition of the collective purchasing power of the GDC including the use of 'All of Government' contracts; and
- (g) Consideration of performance and delivery outcomes from previous procurement with prospective suppliers.

6.1.3 The GDC shall ensure that all staff involved in procurement have access to appropriate procurement resources, skills, knowledge and expertise.

6.1.4 The GDC shall ensure effective procurement process controls and monitoring mechanisms, including maintaining a dedicated GDC Tenders Board and standardised operational processes, guidelines, tools and templates.

6.1.5 A failure to adhere to the principles, obligations and requirements as outlined in this Policy and associated GDC procurement procedures and guidelines may result in staff disciplinary action being taken.

7. SUSTAINABLE PROCUREMENT

7.1 The GDC recognises that procurement practices provide a key opportunity to maximise value for money and quality service delivery, as well as deliver tangible benefits for the local community, economy and environment.

7.2 As such, the principles of sustainable procurement shall be recognised whenever possible in the assessment of the costs and benefits of procurement on a whole of life basis, as follows:

7.2.1 Buy local: the GDC in certain circumstances will confer preference on local companies in order to maximise economic activity in the District. Buy Local preference does not apply to the NZTA and MBIE assisted programme. The preference conferred on local companies is not absolute and is subject to the following limits:

(a) A preference will be conferred in favour of local business enterprises for the purchase of Council goods and services, with allowances on price compared to those provided by companies outside the Gore District as follows:

- 7.5% up to \$5,000 in value
- 5% up to \$10,000 in value
- 2.5% over \$10,000 in value

(b) Specialist services such as legal, engineering and planning, the full range of which may not be available in the Gore District, are not subject to the buy local preference section of this policy.

(c) Goods and services being of an acceptable quality;

(d) Goods or services that can be obtained in a timely manner to suit the needs of the Council.

(e) For the avoidance of doubt, a local company is defined as:

- A company which has a physical presence in the form of a shop, branch, depot or building located in the Gore District.

7.2.2 Think environmental: the GDC shall encourage procurement decisions that have a positive impact on the natural environment and biodiversity, including the prudent use of natural resources, the minimisation of waste or hazardous substances, and efforts to reduce carbon or Greenhouse Gas (GHG) emissions.

7.2.3 Think social: the GDC shall encourage procurement decisions that maximise community benefits in terms of personal wellbeing, social cohesion, capital and inclusion, equal opportunities and participation.

7.2.4 Consider health and safety: ensure the procurement outcomes promote health and safety of people through the asset lifecycle and comply with the latest relevant standards and legislation including Safety in Design.

7.2.5 Whenever practicable, the GDC shall give due consideration to sustainable procurement principles, including when undertaking cost-benefit analysis or weighted attributes assessments of potential goods and service suppliers.

8. CONFLICT OF INTEREST

8.1 The GDC shall ensure that procurement and contract management processes cannot be justifiably challenged on the basis of any real or perceived bias or conflict of interest.

- 8.2 All procurement and contract management decision-making processes shall include careful consideration of any actual, potential or perceived conflicts of interest.
- 8.3 Under no circumstances shall a staff member influence, advise or participate in a procurement activity where that employee has an actual, potential or perceived conflict of interest – subject to very limited circumstances (see point 8.4 below).
- 8.4 Every person involved in the decision-making process shall declare in writing that they have no real or potential for a perceived conflict of interest. This includes those involved directly in procurement and contract management activities, as well as anyone who has the ability to influence key decisions (eg those holding delegated financial authority or monitoring performance).
- 8.5 Where there is uncertainty about whether there is a conflict, employees should discuss the potential conflict with the Contract Owner, Line or General Manager or Chief Executive Officer. If in doubt, employees should at all times fully disclose a potential conflict or bias.
- 8.6 Where the CEO is involved with procurement and identifies a potential conflict of interest, escalation shall be to elected members/the GDC Tenders Board.
- 8.7 It is never acceptable for a GDC staff member to accept a bribe or inducement. Any such instances will be dealt with in strict accordance with the Staff Code of Conduct Policy and other applicable guidelines.
- 8.8 As part of the procurement process the GDC Gifts and Hospitality Register shall be reviewed to identify gifts and/or hospitality received by any person involved in a procurement process. Should these exceed a cumulative value of \$500 in the preceding 15 months the person will be precluded from taking any part in the procurement process.

9. PROCUREMENT PLAN AND APPROVAL

- 9.1 All staff involved in the procurement of goods and services must have appropriate knowledge of, and comply with all relevant GDC policies, procedures and guidelines, as well as applicable legislation and professional standards of practice with regards the procurement process.
- 9.2 All staff undertaking procurement must be able to carry out a rough estimate and conduct a market research and the evaluation of potential goods or service and shall proceed the procurement under the following categories (value):
 - (a) Procurement with a cumulative value of more than \$5,000 and less than \$25,000 requires at least two written quotations.
 - (b) Procurement with a cumulative value of more than \$25,000 and less than \$150,000 require at least three written quotations.
 - (c) Procurement with a cumulative value of more than \$150,000 requires an approved procurement plan and an open and competitive process (RFP/ RFT) and Tender Board approval.

- 9.3 Procurement plan shall determine the tender and procurement process and stages, supplier market analysis, risks, supplier selection and delivery method as well as the estimated and/or the LTP budget and the contract duration.
- 9.4 The GDC procurement programme to be developed based on the Gore District's 10-Year Plan and updated every year. This programme shall include all procurements for the operational and capital expenditure with a value of over \$150,000.
- 9.5 The GDC General Manager or CEO must confirm open or limited tendering for the procurement with the estimated value under \$500,000. Limited tender (close contest) is not applicable for the procurement assisted by the NZTA or MBIE funding. Any procurement with the estimated value over \$500,000 must be open and public.
- 9.6 The tender process and evaluation results shall be endorsed by a certified evaluator and GM or CEO, as per their delegated authorities.
- 9.7 All contracts must be approved and signed by a GDC staff member with appropriate delegated authority. No external parties are authorised to sign contracts on behalf of Council.
- 9.8 The contract owner shall maintain a full (physical and/or electronic) record of all procurement preparation, negotiation and award activities, in accordance with this Policy and all GDC records management practices.
- 9.9 All contracts entered into by the GDC must be in writing, signed by all relevant parties, and held securely on file in accordance with Council document management practices.
- 9.10 All contracts prepared by the GDC shall utilise approved and standardised contract templates whenever possible. If no applicable template exists, the Contract Owner shall seek assistance from the GDC Solicitor or General Manager to prepare a contract.
- 9.11 No contractual arrangement entered into by the GDC shall be greater than 10 years in its entirety, including rights of renewal. Council shall not enter into contracts that include more than two rights of renewal or that are "evergreen" (ie of indefinite length).

10. CONTRACT MANAGEMENT

- 10.1 The GDC shall maintain a central database of all approved and/or active contractors, and ensure comprehensive records are held, including all third-party vetting, H&S approval, insurance coverage, contract review, renewal or expiration dates, deviations and variations.
- 10.2 All GDC contracts shall have a delegated GDC contract owner, who acts as the dedicated single point of contact and is responsible for the effective management and delivery of the contract in line with this Policy and all associated processes or guidelines. Duties include, but are not limited to:
 - (a) Contract negotiation
 - All contracts shall include measurable, relevant and robust key deliverables, measures and performance indicators (ie 'SMART' key

performance indicators that are specific, measurable, achievable, relevant and time-bound).

- All contracts shall establish effective and robust monitoring and reporting activities that ensure delivery of pre-determined deliverables and levels of performance.
- All contracts shall comply with GDC, professional regulatory body and statutory obligations, as required.
- Contract owners shall be alert to, and address any provisions in contracts that expose the GDC to unsuitable or unacceptable risk. This includes a review of prior service delivery or performance by potential third party suppliers.

(b) Contract delivery

- Contract owners shall regularly monitor, audit and review contractor delivery against agreed milestones, deliverables or performance expectations over the life of the contract, including maintaining a regular audit programme, as required.
- All contractor payments, performance bonds and other financial transactions shall be made in accordance with the terms of the contract and appropriate assurance of agreed performance delivery, in accordance with relevant GDC financial delegations and authority.
- Contract owners shall engage relevant parties and establish variations or re-negotiate contract terms where appropriate.
- Full records of all contract evaluations and performance monitoring activities (including any variations, renewals and cancellations) shall be held in accordance with the GDC document management guidelines and practices.

(c) Escalation and exit

- The GDC shall ensure appropriate and effective processes and mechanisms are in place as a part of contract for the reporting, escalation and resolution of performance issues or contract delivery failure.
- Contract owners shall monitor contract schedules for renewal or expiry, and effectively manage the business impacts arising from exiting the agreement, including ensuring all relevant intellectual property, data or property is returned to the Council.

(d) Suppliers performance

- The contract owner shall prepare and submit a performance report of suppliers for the contract with a value \$100,000 and above. These records must be available for all the GDC staff.
- A pre-qualified suppliers list to be developed and recorded, it must be kept up-to-date with the latest scores of suppliers.

11. RISK MANAGEMENT

11.1 The GDC staff shall ensure that the costs, benefits and risk presented by procurement are identified, and appropriately reflected in the procurement plan and being utilised.

11.2 Contract owners shall work collaboratively with engaged providers' suppliers to

identify, assess and manage all risks associated with the goods or service procured, throughout the length of the contracted period.

- 11.3 All critical issues must be escalated and resolved appropriately to ensure the continued quality delivery of service achieved.
- 11.4 All risk management and mitigation strategies must be clearly documented as part of the procurement plan.

12. EXEMPTIONS

- 12.1 Exemption from the GDC's procurement policy and processes may be necessary due to circumstances beyond the control of the Council. Such instances include:
 - (a) A limited number of suppliers available in the market
 - (b) A different procurement methodology or process is stipulated by legislation or a professional/ regulatory body
 - (c) An exceptional, urgent or emergency situation where immediate Council decision-making is required and is in the best interests of ratepayers.
 - (d) It has openly advertised first time, but did not receive any response, or the received responses did not meet the requirements or were non-conforming.
 - (e) Additional goods, services or works required when the original contract openly advertised and changing of supplier cannot be made for economic or technical reasons, and a change of supplier can impose significant duplication of the costs for the GDC.
 - (f) Prototype and innovative goods or services.
- 12.2 In such instances, two members of senior leadership team (SLT) shall authorise the deviation prior to adoption, and if appropriate the decision ratified (retrospectively) by the Tenders Board.
- 12.3 In such instances where a staff member has a conflict of interest, but also possesses specific expertise that is deemed essential to the procurement decision-making process and which is not available from any other sources (including those external to the GDC), two members of SLT may sanction that person's involvement in writing, provided they:
 - 12.3.1 Ensure the staff member's involvement is limited as much as possible; and
 - 12.3.2 Closely supervise the staff member's role and takes personal responsibility for the fairness and equity in the decision-making.

13. DOCUMENTATION AND PUBLICATION

- 13.1 All procurement processes shall adhere to relevant statutory and regulatory obligations, including the Public Records Act 2005.
- 13.2 Clear and comprehensive written records of all procurement activity shall be retained in accordance with GDC document management policies and protocols. This includes

market, tender and evaluation material, contracts and variations, performance reporting, correspondence and associated service delivery records.

13.3 Procurement records shall provide a clear, transparent and accessible audit trail so that GDC staff, auditors and/or legal advisors may readily establish the process and rationale for any procurement decisions made and actions taken.

13.4 At a minimum, records shall be retained that demonstrate:

- (a) GDC procurement processes have been followed, as outlined in this Policy and all associated procedures and practice guidelines.
- (b) Procurement adheres to appropriate budget allocations through the Long Term Plan, the Annual Plan or an approved business case.
- (c) Approval for procurement has been obtained from the relevant holder of delegated financial authority.
- (d) The GDC has identified key contract performance expectations and deliverables, and undertaken appropriate measures and audit/ monitoring activities that provide assurance of performance.
- (e) All risks are identified, assessed and effectively managed in collaboration with the contractor, including health and safety assessments, site planning and maintaining appropriate insurance cover.
- (f) All employees involved in decision-making have affirmed that they are free from any real or perceived conflicts of interest.

14. CONFIDENTIALITY

14.1 Employees involved in procurement activities shall take all due precautions when handling commercially sensitive information. This includes ensuring information is protected and not passed between parties entering into a tender or other competitive procurement process, as well as maintaining the rights of the Council and third party intellectual property.

14.2 Confidentiality obligations continue throughout the procurement process, as well as after the contract has terminated or expired.

15. RELEVANT LEGISLATION

15.1 Land Transport Management Act (LTMA)

15.2 Local Government Act (LGA)

15.3 Government Rules of Sourcing

15.4 Procurement Manual (NZTA).

16. RELATED POLICIES, PROCEDURES AND REFERENCE MATERIAL

16.1 Long Term and Annual Plans

- 16.2 Accounting transactional process and procedures manual
- 16.3 Health and safety manual
- 16.4 Significance and Engagement Policy
- 16.5 Conflict of Interest Policy
- 16.6 Staff delegations register
- 16.7 Asset Management Policy
- 16.8 Tenderlink Users Guide

The policy was adopted by the Gore District Council at its meeting held on Tuesday 11 December 2018.

Clause 7.2.1 amended by the Council at its meeting held on Tuesday 14 July 2020.