

# Procurement Policy

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**Group responsible:** Services and Assets/Finance

**Date approved:** 14 April 2021

**Effective from:** 1 July 2021

**File no:** R/16/10/16349

## Introduction

This policy contains high level policy statements that will guide procurement decisions for Southland District Council (Council).

Procurement is all aspects of acquiring and delivering goods, services and works. It starts with identifying the need and finishes with either the end of a service contract or the end of the useful life and disposal of an asset.

Council recognises that it is a significant user of public money and the expenditure of this money has an impact on the local and domestic economy. As such, Council seeks to ensure all procurement of goods, services and works are undertaken and managed in a way consistent with legislation, good practice and a sound business approach.

This policy informs any person working for or on behalf of Council of the policy approach that should be followed when conducting procurement. It also provides potential suppliers information about Council's procurement practices.

Council's procurement manual contains the practical steps that should be completed when procuring.

## Objectives

This policy and the procurement manual are to establish a decision making framework for procurement that:

- ensures procurement is managed in accordance with legal process/legislation
- is used consistently across Council
- encourages good relationships with suppliers
- helps achieve public value – including considering supporting local suppliers and increasing Southland businesses access to Council Procurement
- establishes a sound business approach to procurement
- appropriately manages risk
- aligns with the delegation manual and facilitates compliance with that manual.

## Scope

This policy and the procurement manual apply when goods, services and assets are actively being sought from a supplier.

Neither this policy, nor the procurement manual, cover:

- the setting of levels of service and budgets which are part of the long term plan process
- the setting of financial delegations for individual staff
- decisions about the preferred method of service delivery at the activity level (such decisions will be made in accordance with service delivery reviews required under section 17A of the Local Government Act 2002)
- how contracts should be managed.

## Associated documents and important considerations

There are a number of factors that guide procurement for Council. These include:

- legislation/legal process – there are specific pieces of legislation that guide Council procurement, depending on the nature of the procurement
- the Government Procurement Rules – these rules are not compulsory for councils but they are a benchmark against which councils are measured
- the standards of the Office of the Auditor General – the Office of the Auditor General is interested in ensuring that councils conduct their business, including procurement, in a prudent and business-like manner. They are also the auditor of all public sector entities
- Council's Procurement Manual – this outlines the detailed processes that staff are required to follow to conduct procurement in line with this policy
- Council's policies – including Council's Conflict of Interest and Fraud Policies
- Council's Delegation Manual
- Council's Code of Conduct for staff
- major funder requirements, for example the New Zealand Transport Agency (NZTA), and the Ministry for Business Innovation and Employment (MBIE) can have specific procurement requirements in order for Council to attract funding.

## Deviations from this policy

In exceptional situations, procurement may need to fall outside this policy. Council will comply with section 80 the Local Government Act 2002, if it makes decisions inconsistent with this policy.

## Policy statements

This section outlines policy statements that are to be applied to all procurement activities, to achieve Council's procurement objectives.

## Procurement will be in accordance with legal process/legislation

Council will abide by legal process and by legislation when it procures.

## **Procurement will be consistent across Council**

All purchasing activity will be undertaken in accordance with the requirements set out in this policy and in the procurement manual.

The standard procurement methods outlined in the procurement manual will be followed. Any deviation from the standard procurement methods will be appropriately authorised.

## **Council will foster relationships with suppliers**

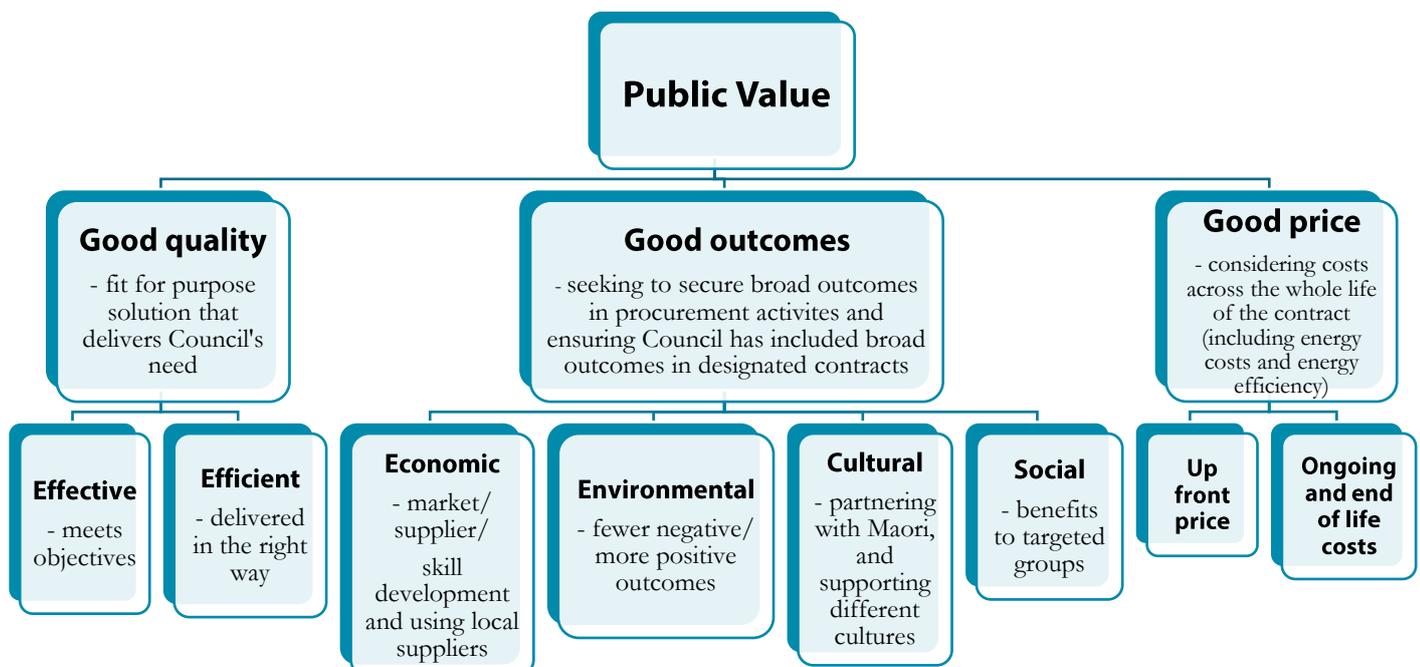
Council will foster relationships with suppliers to help ensure Council gets the best results. Where possible, relationships will be:

- collaborative
- professional
- demanding, but fair and productive
- focused on results and objectives
- mutually rewarding.

## **Council will make procurement decisions based on achieving public value**

To procure responsibly, Council will aim to achieve public value. As is shown in figure 1 below, public value includes trying to procure quality and cost-effective goods/services, but also trying to procure in a way that achieves other broader Council outcomes.

Figure 1. Public value<sup>1</sup>



<sup>1</sup> Amended from the New Zealand Government Procurement Rules, 4<sup>th</sup> Edition.

The Local Government Act 2002 prioritises achieving economic, social, cultural and environmental outcomes. Council, through its procurement processes, will leverage these outcomes where possible.

This will include:

- considering whether economic, environment, cultural and social outcomes can be achieved when identifying Council's business need and setting evaluation criteria
- getting the best possible procurement result
- using resources effectively, economically and without waste
- considering whole-of-life costs
- making it as easy as possible for suppliers to do business with Council, and where possible, ensuring opportunities are accessible for all
- making procurement decisions to consider a low emissions economy and to promote greater environmental responsibility.

## **There will be a sound business approach to procurement**

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Council will ensure a sound business approach by conducting procurement in accordance with the Government Procurement Rules and other 'good practice' guidelines, and also by:

- planning appropriately
- ensuring that procurement is effective and efficient
- acting with integrity
- making decisions based on public value
- abiding by the Health and Safety at Work Act 2015, and prioritising keeping staff, contractors and members of the public safe and healthy
- recognising the requirements of other agencies that provide funding, to assist with the delivery of Council services, such as the NZ Transport Agency.

## **Risk will be managed appropriately**

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Although risk is inherent in any procurement activity, Council will manage risk so it is acceptable from from a contractual and delivery point of view, to ensure that ratepayers are not exposed to significant unmitigated risk and future liability.

An element of risk management will be achieved by selecting the appropriate procurement method, contract, and basis of payment methods.

Council staff, are responsible for identifying and managing or mitigating risk effectively through each stage of the procurement process within their respective areas of responsibility.

The risk of fraud or impropriety will be reduced by conducting procurement in a fair and transparent manner, following appropriate procurement policies and procedures, and having appropriate internal controls in place.

Council will ensure that each employee or agent involved in a procurement process has the required skills for the type and level of procurement.

The general principle of risk management will be for Council to only transfer an appropriate level of risk.

## **Procurement decisions will be made in accordance with delegated authority**

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Council staff will act within their delegation when undertaking procurement and contracting activities. Procurement will not be undertaken without appropriate approval.

### **Review**

This policy will be reviewed within three years of adoption. Any amendments shall be made with the approval of Council.

There will be ongoing evaluations of the effectiveness of procurement activities.

### **Implementation**

This policy will become effective on 1 July 2021. The Procurement Manual will be used to implement this policy.