

Procurement Policy

Adopted:
Commences: 22 September 2010
Review date: 22 September 2012

1.0 INTRODUCTION

This policy covers activities associated with the purchasing of all goods and services by, or on behalf of the Whakatane District Council.

2.0 OBJECTIVES

The objectives of Council's procurement policy are to provide clear direction to management and staff in relation to the purchasing function and establish a decision framework that:

- a) delivers best value for money over the whole life of the goods, service or asset;
- b) ensures purchases are made in an open and transparent manner with full and fair opportunity for all eligible suppliers;
- c) minimises relationship costs, ongoing operational costs and consequential costs;
- d) contributes to Council's sustainability objectives and requires sustainably produced goods or services whenever possible, having regard to economic, environmental, cultural and social impacts over their life cycle;
- e) appropriately manages risk;
- f) promotes efficient purchasing practices and their continuous improvement;
- g) ensures adequate probity – integrity, equity and fairness
- h) ensures compliance with the requirements and guidelines of the WDC Procurement Manual; and
- i) ensures Council's purchasing activities are managed in accordance with its statutory and legal responsibilities.

3.0 DEFINITIONS

Council – Whakatane District Council

GSB Supplycorp – Government Supply Brokerage Corporation Ltd. GSB Supplycorp is New Zealand's largest specialised group purchasing organisation (GPO).

Probity - *Probity is the evidence of ethical behaviour in a particular process.* Probity is defined as complete and confirmed integrity, uprightness and honesty. It contributes to sound procurement processes that accord equal opportunities for all participants. A good outcome is achieved when probity is applied with common sense. Probity should be integrated into all procurement planning, and should not be a separate consideration. Procurement must be conducted with probity in mind to enable purchasers and suppliers to deal with each other on the basis of mutual trust and respect. Adopting an ethical, transparent approach enables business to be conducted fairly, reasonably and with integrity. Ethical behaviour also enables procurement to be conducted in a manner that allows all participating suppliers to compete as equally as possible. The procurement

process rules must be clear, open, well understood and applied equally to all parties to the process.

Procurement – the planning, decision-making, and implementation process used to obtain goods and services. It covers the whole cycle from identification of needs, through to the end of a services contract or the end of the useful life of an asset.

Sustainability – involving the integration of holistic thinking and decision making incorporating environmental, social, economic and, where applicable, cultural issues.

Value for money – the best combination of whole-of-life cost and quality of outcome that meets the objectives.

Whole-of-life – all costs associated with the life of a service or goods from conception, its usage and disposal/termination.

4.0 POLICY

- 4.1 To achieve Council’s procurement objectives and to enhance professional integrity, accountability and probity, all purchasing activity within Council shall be undertaken in accordance with the policy, principles and procedures.
- 4.2 A Procurement Steering Committee, comprising of the Manager Contracts, Director of Works & Services and the Chief Financial Officer, shall oversee procurement practice within the Council.
- 4.3 The Council will undertake its purchasing activities in the most effective and efficient manner to minimise the administrative costs associated with purchasing and will ensure that appropriate practices and procedures of internal control and risk management are in place for its purchasing activities.
- 4.4 Council has a commitment to sustainability and environmental protection. This will be pursued by promoting purchasing practices which conserve resources, save energy, minimise waste, and will protect the environment and human health whilst maintaining environmental safety and quality.
- 4.5 From time to time an internal audit process shall be undertaken to ensure that the terms and conditions of the Council's Procurement Manual and Procurement Policy are being followed.
- 4.6 Operational procedures and principles are published in the “WDC Procurement Manual” which distinguishes between mandatory processes and discretionary activities. To ensure the operational procedures and principles remain current, from time to time amendments may be necessary. Such amendments shall be approved by the Strategic Leadership Team. For procurement activity to be fully effective and achieve best value, it needs to be planned. Accordingly, a Procurement Plan shall be required for all procurements of \$50,000 or more.
- 4.7 Where the value of the goods or works proposed to be purchased or sold exceeds \$50,000, publicly advertised tenders are to be invited unless there are exceptional circumstances, for

which approval must be recorded in writing in accordance with Council's Delegation Manual.

- 4.8 Where the value of the goods or works proposed to be purchased or sold falls between \$10,000 and \$50,000, at least three written competitive prices shall be sought and recorded, unless there are exceptional circumstances, for which approval must be recorded in writing in accordance with Council's Delegation Manual..
- 4.9 Where the value of the goods or works proposed to be purchased or sold falls between \$2,000 and \$10,000, three written or verbal quotes shall be sought and recorded, wherever practicable.
- 4.10 Purchases of less than \$10,000 shall be sourced from suppliers designated as '*preferred suppliers*' where such preferred supply relationships have been established following:
- a) the adoption of an approved business case presented to the Contract Manager as part of the procurement review; or
 - b) following a subsequent competitive procurement process; or
 - c) contracted to GSB Supplycorp, following a competitive procurement process.
- 4.11 A current schedule of 'preferred suppliers' shall be maintained on the WDC Procurement Intranet page (*to be developed*).
- 4.12 The Chief Executive has the authority to approve contracts without going to public tender or obtaining three competitive written prices for reasons of practicality and/or market conditions, subject to a report being provided to the next Council meeting summarising such reasons.
- 4.13 Acceptance of tenders for the purchase of goods, works or services, on either a lump sum, or continuing basis, shall be in accordance with Council's Delegation Manual.
- 4.14 Summary details shall be provided to the next appropriate Standing Committee or Council meeting for all publicly advertised tenders, all competitive procurement processes resulting in a formal contract, and for any cases when works or services valued at \$50,000 or more are undertaken without being subject to public tender.
- 4.15 The extension or re-definition of any contract that increases the originally approved contract sum, and where that original sum is beyond the delegated authority of the Chief Executive, shall be presented to the next Council meeting for approval. It is acknowledged that where the additional costs of a service or project are small in relation to the costs of preparing specifications, seeking tenders, and contractors preparing their bids, an approved contract extension will often be preferred to a new or separate tender process.
- 4.16 In order to further refine or develop service delivery contracts that more closely reflect the amount of work required to maintain the services, and to increase the proportion of work that is output priced (i.e. paid for at a scheduled rate or for an agreed price rather than at an hourly rate), such contracts with the OBU, shall not be publicly advertised but shall be negotiated with Council's Asset Managers.