



Otago Regional Council

Procurement and Contract Management Policy

May 2022



Document Name: ORC Procurement and Contract Management Policy

Document Owner: General Manager Corporate Services

Authorised By: Chief Executive

Implementation Date: 31/05/2022

Review Period: Biennially

Last Reviewed: 31/05/2022

Next Review: 31/05/2024

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1. PURPOSE

This policy sets out the core framework for the procurement of both goods and services within the Otago Regional Council. It is supported by procurement guidelines that are designed to give practical guidance to confirm key policy requirements.

The objective is to keep the risks associated with procurement within Council's established risk criteria and ensure the required controls are being followed.

2. SCOPE

This policy applies to all employees including individuals hired by external parties and working for Otago Regional Council as a temporary employee.

Procurement is all business processes associated with the purchasing of goods and services, spanning the whole cycle from the identification of needs to the end of a service contract or the end of the useful life and subsequent disposal of an asset.

The procurement of some items is strictly controlled, including but not limited to vehicles, IT, travel, stationery, health and safety equipment, energy, and sensitive expenditure, and is dealt with at the corporate level to ensure both value for money and consistency.

3. PROCUREMENT PRINCIPLES

Council staff are to be guided by the following principles when procuring goods and/or services on behalf of the Otago Regional Council:

3.1. Value for Money

Council has a responsibility to manage its resources in an effective and efficient manner, and in doing so will consider best value for money over the whole life cycle when procuring goods and services. Staff are to make a balanced decision considering the possible social, sustainability, environmental, economic effects and cultural outcomes that should be achieved.

Projects should be appropriately bundled with efficiently timed tenders to allow the market to manage the load and make procurement a large enough size to encouraging healthy competition.

The value for money principle is one of the highest weighted principles for procurement.

3.2. Be fair to all suppliers

- Competition - Council will ensure open and effective competition as a competitive procurement process is likely to result in a better procurement outcome for Council.

- Fair Opportunities – Council procurement needs to treat all suppliers equally. Council does not discriminate between local, national or international suppliers nor do we give preference to the current supplier of the service. See 3.4 for local supplier requirements.
- All tender procurement activity should be publicly notified so all potential suppliers have equal access. The procurement documentation that is provided to the market will contain information which makes it clear what we are looking for by way of response, and evaluations will be undertaken in a manner that avoids bias. Ensuring probity of action is everyone’s responsibility when conducting procurement activities. Council will offer to de-brief any supplier who has taking part in a tender.
- Transparency – Follow procurement guidelines and be open to ensure spend and contract award information is available (subject to the Local Government Official Information and Meetings Act 1987) and documented, promotes a shared understanding of respective roles and obligations between Council and any external parties participating in procurement activities.
- Accountability – Be accountable for performance and be able to give complete accurate accounts of public funds, including funds passed on to others for a particular purposes.
- Ethical consideration – Behave ethically including; declaring any perceived conflicts of interest, comply with international standards of human rights and relevant labour laws in supply chains, and any other relevant internal policies.

3.3. Plan and manage procurement

Procurement planning and management is the responsibility of the department who is acquiring the goods or services. As a minimum the following questions should be asked;

- Identify what you need, including what broader outcomes should be achieved, and then plan how to get it.
- Involve suppliers early – let them know what you want and keep talking.
- Take the time to understand the market and your effect on it. Be open to new ideas and solutions.
- Choose the right procurement process – proportional to the size, complexity, cost and any risks involved. The entire procurement should be assessed and bundle together to provide the best procurement outcome.
- Manage the procurement that has been decided including service and cost.

3.4. Local Suppliers

Council promotes the use of local suppliers in the Otago region. Council will endeavour to ensure that at least one local supplier is approached for all quotes and tenders. If there is no local supplier available this needs to be documented in the procurement plan.

3.5. Value te ao Māori

The Council will support a resilient and regenerative Māori economy by supporting economic opportunities for Māori business and iwi organisations.

To enable this, all procurement will consider:

- Our legislative obligations derived from the Treaty of Waitangi and our relationships with mana whenua.

- Working with suppliers to create quality employment opportunities through our contracts for Māori.
- Making our size and scale work for and with Māori.

Council must consider including an assessment of Māori suppliers for all procurement over \$100,000 to ensure that our mana whenua partner companies are considered.

3.6. Legislative compliance

Council will comply with all relevant legislation, policies and procedures when engaging in the procurement process.

Council shall ensure it meets its legislative requirements under the Health and Safety at Work Act 2015, and ensure that Council employees, contractors, members of the public and customers are not put at risk as far as reasonably practicable.

4. MEANS OF PROCUREMENT

An electronic purchase order must be made for all procurement before goods and/or services are requested. The purchase order must include all items of the procurement. The only exception to this is in the case of an emergency as defined within this policy section 8.

The following is required to be performed for all procurement transactions with the level of requirements based on the financial amount of the procurement items.

Procurement less than \$5,000

- Procurement less than \$5,000 can occur with any creditors included in the IPOS procurement system.
- It is recommended that a procurement plan is made (appropriate to the size of the procurement) to document how the principles of the procurement policy have been met.

Procurement between \$5,001 and \$25,000

- Procurement between \$5,001 and \$25,000 requires a procurement plan to be completed and either of the following:
 - 3 written quotes including at least one local supplier where possible, (exceptions are to be documented in the procurement plan). A written quote is a written offer (either in manual paper or email) which outlines;
 - Services to be performed or goods to be supplied
 - A fixed price or fixed charge out rate
 - Confirms the supplier can deliver the goods or provide the services

OR

- The purchase is made under a contract for either preferred services or a specific procurement contract that has been set up by the department who is ordering the goods/services. Contract establishment requirements are detailed in clause 5.

Procurement between \$25,001 and \$100,000

- Procurement between \$25,001 and \$100,000 requires:
 - a procurement plan

- 3 written quotes including at least one local supplier (where possible) are to be obtained
- If Council signs up to an existing AOG contract or uses an existing AOG contract then 3 written quotes are not required and
- a contract to be established.

Procurement greater than \$100,000

- Procurement greater than \$100,000 requires a procurement plan to be completed and a tender process and contract established (unless an exception under section 7 applies which must be documented in the procurement plan).

All supporting documentation (including procurement plans, quotes and tender documents) must be recorded in the procurement system.

5. CONTRACT ESTABLISHMENT REQUIREMENTS

To establish a contract the principles of the procurement policy must be met as well as the following value for money considerations:

Contract procurement for a total contract value less than \$100,000

- A procurement plan
- 3 written quotes including at least one local supplier (where possible) are to be obtained (unless an exception under section 7 applies and is documented in the procurement plan).
- Council signs up to an existing AOG contract or uses an existing AOG contract then 3 written quotes are not required .

Contract procurement for a total contract value great than \$100,000

- A tender is required (unless an exception under section 7 applies and it is documented in the procurement plan).

Authority to sign off contracts' rests with the relevant staff who have a level of delegation consistent with the total expenditure of the contract. If a contract modification, extension or amendment is required this must be treated as being part of the original contract and can only be approved by the staff member of same or higher delegation level of that which approved the original contract, regardless of the size or value of the modification, extension or amendment.

Every Contract must include the position and title of the Otago Regional Council staff member accountable for the management of the contract. This person will be known as the "Contract Manager" and will be responsible for ensuring:

- All relevant documentation is complete and executed properly.
- All documentation is filed appropriately, and a copy of the contract is forwarded to the Finance department or department procurement officer and entered into iPos.
- Otago Regional Council's rights and obligations under the Contract are met.

Once in place, individual invoices under that contract may be authorised by staff with the level of delegation appropriate to each invoice.

5.1. Documentation of contract establishment

The document management system must be used to hold all related correspondence, and a copy of the signed original contract. References to these documents must be included in the procurement plan and documented in the contracts module of the procurement system so that expenditure transactions can be recorded against the contract.

All Council contracts must:

- Be in writing.
- Include the position title of the Council staff member/s accountable for the management of the Contract.
- Contain contract terms, conditions, scope and deliverables, KPI reporting (if applicable) and relationship management that are clear and understood by all parties.
- Take all reasonable steps to ensure that Council is not exposed to unacceptable risk.
- Ensure all contracts fully comply with Council's Health and Safety Policy.

6. CONTRACT MANAGEMENT

Contract Management enables Councils and their suppliers to meet their contractual obligations at an agreed cost and quality by monitoring the contract throughout its lifecycle. Circumstances may change over the life of a contract, so contract management also involves managing changes and variations in terms of scope, terms and prices. It also enables appropriate contract forward planning to ensure that the Council achieves its objectives and that procurement takes place in a structured way in compliance with the law and the Council's rules.

Council will maintain a central database of all approved contracts in the IPOS electronic procurement systems. It is the responsibility of the Contract Manager to ensure that all documentation is provided to Finance for this purpose.

The Contract Manager (as defined in clause 5) is responsible for:

- The ongoing management of the contract including monitoring, auditing and reviewing contract delivery against the agreed contract deliverables and performance expectations.
- Perform a continued risk assessment of the contract risk including operational and finance risk.
- The Contract Manager must review live contracts on their anniversary and is responsible for managing the renewal and/or expiry and exit of the contract.

7. EXCEPTION FOR SOLE SUPPLIER

An exception to the procurement quote and tender requirements may be allowed where there is a single supplier or where an exemption from open advertising applies (refer Ministry of Business and Innovation (MBIE) rules on procurement). A business case must be prepared outlining the reasons why it is appropriate to depart from the procurement policy. The business case requires General Manager approval.

A business case must consider the following:

1. Background (including explaining how there is only one supplier)
2. Existing situation – risk considerations
3. Proposed situation
4. Benefits/negatives
5. Budget
6. Any training or transition implications
7. Recommendation

8. EMERGENCY PROCUREMENT

An emergency procurement situation can arise from natural disasters such as flooding and earthquakes. Emergency procurement is not available to compensate for poor planning or to procure without a purchase order.

In an emergency, the following procedure is to be followed:

1. An emergency for procurement purposes must be classified by either the General Manager Corporate Services, CEO, Chairperson or Group Controller of Emergency Management Otago.
2. If available, the IPOS procurement system is to be used.
3. If it is not possible to use the IPOS system due to infrastructure failure (or by approval of the General Manager Corporate Services, CEO, Chairperson or Group Controller of Emergency Management Otago), the manual purchase order books are to be used for all approved expenditure. A manual purchase order must state the following:
 - a) The supplier
 - b) An estimate of cost or the actual cost
 - c) The level of service approved (for example 50 hours of helicopter services)
 - d) Who approved the expenditure (note this must be within emergency delegation levels). This person must sign the purchase order.
4. When practicable all manual purchase order books must be returned to Finance and all manual purchase orders must be entered into the IPOS system.

Expenditure will not be paid without a valid purchase order from the IPOS system, or a record of the transaction in a manual purchase order book.

In the event of an oil spill emergency or Harbourmaster event, all purchases must be made through the IPOS system, and if required, finance may be used to raise requisition orders on behalf of active field staff.

9. DELEGATION AUTHORITY

By resolution of Council, the Chief Executive has the power to authorise delegation for expenditure to employees of Council.

When approving a procurement transaction, it is the responsibility of the approver to review the procurement:

1. Meets the principles and requirements of the procurement policy will all procurement plans, quotes and tender documents (if applicable) attached in IPOS.
2. Procurement expenditure is in line with budget for the job code area.
3. Procurement is in a budget area of Council the approver is responsible for.

10. CONFLICT OF INTEREST

Procurement is required to be undertaken in a transparent way. Documenting the procurement process provides for transparency. Staff must be aware of possible or actual conflicts of interest and staff should remove themselves from the procurement process altogether, advise management and complete a conflict of interest declaration form if there is a conflict of interest (including a potential conflict) at any stage of the procurement.

11. BREACH OF POLICY

Any breach of this policy will be treated as serious misconduct and investigated by Council.

12. RELEVANT LEGISLATION

Council must comply with all applicable legislation and Council policies throughout the procurement process. This includes, but is not limited to:

- Local Government Act 2002
- Local Government Official Information and Meetings Act 1987
- Contract and Commercial Law Act 2017
- Health and Safety at Work Act 2015
- Public Records Act 2005
- Construction Contracts Act 2002
- Electronic Transactions Act 2002
- Public Audit Act 2001
- Public Finance Act 1989
- Commerce Act 1986
- Fair Trading Act 1986
- Land Transport Management Act 2003