

Procurement Policy

Approved by:

Policy and Development Committee

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28 July 2015

Keywords:

Procurement, purchasing, contracts

1.0 Purpose

The purpose of the Procurement Policy is to:

- Define Timaru District Councils approach to the procurement of goods and services to support the community in an affordable and efficient manner
- Provide a standardised approach to procurement for all departments.

2.0 Background

Council purchases a wide range of goods and services through a variety of procurement mechanisms. Central to procurement is achieving value for money.

A procurement strategy was initially developed in 2010 to meet NZTA National Land Transport Programme (NLTP) requirements. This strategy was developed to apply to all activities and details the context and rules involved.

Timaru District Council intends to follow the NZTA Procurement Manual as a guide for Physical Works and Professional Services.

The development of this policy is to provide clarity in Council's approach to procurement.

3.0 Key Definitions

Procurement

Procurement is all the business processes associated with purchasing, 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.

(This definition is as outlined by the Office of The Auditor General - Procurement Guidance for Public Entities - Good Practice Guide, June 2008; and reinforced in the NZ Transport Agency's Procurement Manual, second edition effective 2014).

Value for Money

Value for money means using resources effectively, economically, and without waste, with due regard for the total costs and benefits of an arrangement, and its contribution to the outcomes the entity is trying to achieve

(This definition is as outlined by the Office of The Auditor General in June 2008 published 'Procurement guidance for public entities - Good practice guide'.)

Public/Private Partnership (PPP)

For the purpose of the Procurement Strategy, a PPP is an arrangement between a public sector entity or entities (including Council) and a private sector entity or entities for the purpose of jointly or co-operatively undertaking a project for mutual benefit.

Local Supplier

"Local" means a ratepayer of the Timaru District Council and/or an organisation that employs Timaru District residents.

4.0 Policy

4.1 Role & Responsibility

Responsibility for the Policy and its currency primarily lies jointly with the Group Manager Corporate Services who is responsible for Procurement guidance across the organisation; and the Land Transport Manager who is responsible for the continuity of financially assisted transport funding. Ultimately however responsibility for each specific activity lies with the respective Unit Manager.

4.2 Methods of Procurement

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

Timaru District Council recognises the role of:

- Long term contracts
- Preferred supplier arrangements
- Specialist suppliers
- Joint procurement groups and collaboration with other organisations
- Local suppliers
- Bundling work versus individual assignments
- The need for a simple approach for 'minor' procurement

Thresholds provide maximum limits for different procurement methods; when procuring goods and services staff should consider what method should be used to achieve the best result, rather than just what method can be used.

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 this will require ongoing discussions and effective partnering between Council and NZTA.

4.3 Purchase of General Goods

Council purchases a range of general goods through a range of methods including:

- "All of Government" contracts (i.e. Vehicles, Stationery, office consumables etc.)
- Joint purchasing with other organisations (Joint Procurement Group) and through collaborative arrangements
- Purchasing via brokers (GSB Supplycorp)
- Competitive Tender
- Preferred Supplier – Ongoing (e.g. Electrician for repair work)
- One-off/ ad-hoc arrangements

4.4 Local Suppliers

The role of local suppliers shall be recognised and considered alongside efficient and effective spending.

The policy remains that:

“Tenders for the supply of materials or plant and/or carrying out of works be accepted on the basis generally of the lowest satisfactory tender, but that a tolerance in favour of a local tender of up to 5% with a maximum of \$2,000 on any one tender, may be allowed.”

This policy element shall not apply to expenditure receiving any funding from the New Zealand Transport Agency.

4.5 Procedure for Procurement

The attached flow chart provides guidance for the approach to procurement (see appendix A)

In determining the most appropriate approach the following should be considered:

1. The complexity of the goods or services involved to determine the extent of documentation required.
2. Is assistance required to prepare the documentation? If so, this is another procurement process which is required.
3. How will “value for money” be obtained? The key criteria are fitness for purpose, timeliness and cost.
4. 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

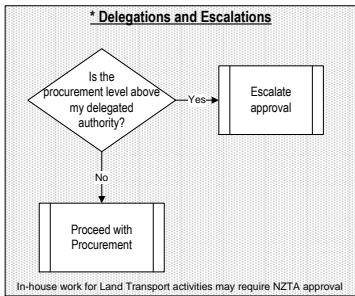
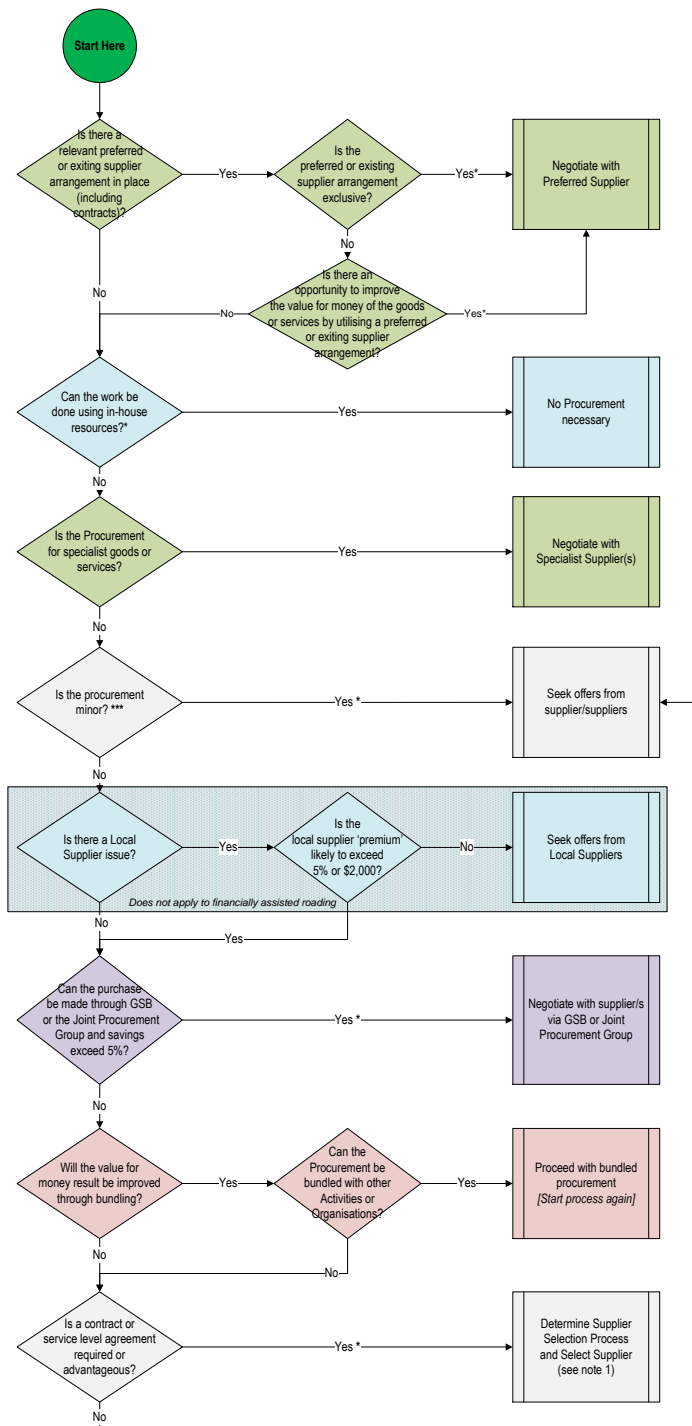
As a guide, the following table indicates the most appropriate approach for different contract values. It should be noted that this is general guide and special circumstances may affect the appropriateness of any approach.

Supplier Selection Process				
Method	Contract \$ Value			
	\$0 to 50,000	\$50,001 to \$100,000	\$100,001 to \$300,000	Over \$300,000
Direct Appointment	✓	✓	✓	✗
Lowest Price Conforming Tender	✓	✓	✓	✓
Purchaser Nominated Price (Professional Services only)	✓	✓	✓	✓
Price Quality (e.g. Weighted Attributes)	✗	✓	✓	✓
KEY	✓ Most Appropriate	✓ Appropriate	✓ Less Appropriate	✗ Generally Not Appropriate

Roading Exception

Supplier Selection Process- Roading				
Method	Contract \$ Value			
	\$0 to 50,000	\$50,001 to \$100,000	\$100,001 to \$300,000	Over \$300,000
NZTA Rule 10.8 (modified)	Direct Appointment			
	Closed Contest			
	Open Contest			
KEY	✓ Most Appropriate	✓ Appropriate	✓ Less Appropriate	✗ Generally Not Appropriate

5.0 Appendix A: Decision Tree



**** Specialisation**

Procurement is regarded as Specialised if the supplier has any particular:

- Equipment
- Information technology
- Technical compliance (e.g. approved contractor)
- Personnel
- Experience/Knowledge
- Ability to meet a timeframe
- Ability to supply goods or services efficiently due to a unique opportunity
- Specialised technique or unique process

and any of these attributes are required to obtain a better value for money result

***** Minor Procurement**

Procurement is regarded as minor if:

1. The item is within approved budgets
2. The procurement is ad hoc, not an ongoing commitment beyond one year
3. Suppliers prices are likely to be similar

6.0 Delegations, References and Revision History

6.1 Delegations - Identify here any delegations related to the policy for it to be operative or required as a result of the policy

6.2 Related Documents - Include here reference to any documents related to the policy (e.g. operating guidelines, procedures)

6.3 Revision History – Summary of the development and review of the policy

6.1 Delegations

Delegation	Delegations Register Reference

6.2 References

Title	Document Reference
Timaru District Council Procurement Strategy NZTA Procurement Manual (July 2009 and amendments)	#944007 http://www.nzta.govt.nz/resources/procurement-manual/

6.3 Revision History

Revision #	Policy Owner	Date Approved	Approval by	Date of next review	Document Reference
1	Group Manager Corporate Services	28/7/2015	Policy and Development Committee	31/7/2018	#944011 Policy #944026 Report to Policy and Development Committee 28 July 2015.