

# Procurement Guidelines *(adopted – Council 6 October 2016)*

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## Overview

This document contains additional information to guide Queenstown Lakes District Council (**QLDC**) officers (and any procurement agents and/or consultants) in the application of the QLDC Procurement Policy (**the Policy**).

## Roles and Responsibilities

QLDC's general managers are responsible for:

- Managing their business unit's purchasing requirements within their financial delegations; and
- Ensuring their staff (and any procurement agents and/or consultants where relevant) apply the Policy.

The QLDC legal team is available for drafting and advising on contracts where external legal review has not been obtained.

All QLDC officers (and any procurement agents and/or consultants) are responsible for applying the Policy.

## Principles of Procurement

QLDC has identified four key principles of procurement which are outlined below with additional guidance about possible ways to implement them into procurement plans:

### 1. Quality and Value for Money

- Use resources effectively, economically and without waste
- Due regard for total costs and benefits of an arrangement and contribution to the outcomes of QLDC as documented in the Long Term Plan (**LTP**) and Annual Plan
- Select the best possible outcome for the total cost of ownership or whole-of-life cost (not necessarily lowest price). Whole-of-life cost includes the potential value lost by not procuring, as well as impacts on community and environment
- Act as one organisation to leverage supply requirements across departments
- Engage with other councils where possible in order to leverage supply requirements
- Select the most appropriate procurement method for the risk and value of the procurement
- Assess continuous improvement in the provision of services for the community
- Assess alignment with agreed social and environmental outcomes of Council

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## Principles of Procurement continued

### 2. Transparency and Fairness

- a. Impartial in decision-making – the importance of treating all suppliers equally and fairly
- b. New Zealand suppliers to have full and fair opportunity to compete and participate, including local suppliers
- c. Provide responses to any mid-procurement process questions to all confirmed participants and in an equal, timely and transparent fashion
- d. Consider sub-contracting various pieces of work in big projects
- e. Clarity around assessment processes and procurement tools, such as matrices
- f. Minimise the cost of tender applications for potential suppliers by seeking expressions of interest prior to the formal tender process to reduce costs associated with the procurement process

### 3. Accountability and Integrity

- a. Accountable for performance and able to provide a complete and accurate account of the use of public funds
- b. Assess and document effectiveness, efficiency and value for money
- c. Suitable governance and management processes, including adherence to good administrative practice, legislation, ethical requirements and other QLDC policies
- d. Maintain appropriate records relating to procurement activities that allow for subsequent review of the decision making process
- e. Identify, notify and manage any conflicts of interest, including demonstration of sound judgement to manage any conflicts of interest
- f. Engage in the procurement of goods, works or services where budget provision has been made through the LTP/Annual Plan process, or by special Council resolution
- g. If unbudgeted, the rationale is clearly documented and approval is obtained from the appropriate delegated authority prior to incurring the expenditure

### 4. Sustainability

- a. Minimise environmental footprint by purchasing goods and services with less harmful impacts on the environment whenever possible
- b. Consider economic, environmental and social impacts over life cycle of goods or services
- c. Resources are used efficiently and effectively to improve the overall quality of life of people in the local community

### Practical Considerations

When applying the aforementioned principles, QLDC will also consider the following:

<b>The goal</b>	Focus on the outcome – the process should not dominate at the expense of the outcome; Apply sound commercial judgement and drive innovation and performance;
<b>Simplicity and proportionality</b>	Consider amounts involved, complexity and level of risk when determining the requirements for the procurement process; Consider compliance costs for both parties and seek to reduce these wherever possible;
<b>The context</b>	Arrangements need to fit within the overall context of the funding arrangement including any more general existing relationship that the external party has with QLDC;
<b>The risk</b>	Consciously aim to get the right balance between risk and expected benefit – be risk aware, not necessarily risk averse;
<b>Nature of the parties</b>	Each party should understand the needs of the other party, including the consequences of those needs for the other party; and
<b>Social and environmental alignment</b>	Assess alignment between the supplier and Council objectives.

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## Health and Safety

The health and safety implications of any proposed procurement should be assessed before, during and after the procurement with particular emphasis on the following:

- Ensure the importance of workplace safety is reflected in all procurement and selection criteria and/or decisions where appropriate;
- During procurement, identify hazards and risks associated with any new or modified equipment, material, services or work processes being introduced into the workplace;
- Collaborate across the entire supply chain (including worker input) to ensure health and safety risks are managed; and
- Costs will only take precedence over health and safety, when the cost of eliminating a health and safety risk is “grossly disproportionate” to the risk itself and the risk is not serious to life or property.

## NZTA Requirements

All procurement activities in relation to roading should comply with NZTA requirements as outlined in the “Strategy for the Procurement of Transport, 3-Waters and Solid Waste Infrastructure Services” issued by QLDC in July 2011. The procurement plan should document the reasoning for any departure from the Policy.

## Financial Thresholds

QLDC standard procurement processes are based on monetary thresholds.

In determining the category of procurement that is required for any purchase, the estimated whole of contract value must be used. Contracts may not be split into component parts and procured using a lesser standard than the whole of contract value would demand. The following table summarises the procurement options and thresholds:

Contract \$ Value (excluding GST)	\$0 - \$50,000	\$50,001 - \$100,000	Over \$100,000
Preferred Supplier or 3 Quotes	✓	✗	✗
Restricted Tender	✓	✓	✗
Open Tender	✓	✓	✓
Approved Procurement Plan	✓	✓	✓

## Procurement Methods

The procurement method determines three key variables:

1. Who the supplier of the goods or services will be;
2. The price to be paid for the goods or services; and
3. The terms and conditions of the supply.

The following methods of procuring goods and services are permitted:

### Open Tender

A tender is a process designed to seek competitive prices from several suitable bidders. The tender process may, depending on the risk and complexity of the goods or services being purchased, include an initial Registration of Interest (ROI) or Expression of Interest (EOI) phase as a means of establishing more information about the goods or services, the market and the capability of suppliers to satisfy the procurement need. This will be followed by a Request for Proposal (RFP) or Request for Tender (RFT). An RFP is used where the outcome desired can be specified but Council is willing to accept alternatives methods of achieving the outcome and is seeking innovation on the part of the suppliers. An RFT is used where the specification or requirements are clearly defined and there is little room for flexibility or innovation. QLDC’s administrative procedures for receiving and opening tenders are set out on the intranet.

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## Procurement Methods continued

### **Restricted Tender**

A restricted tender is the same as an open tender with the exception that the invitation to tender is limited from the commencement of the process to a restricted set of possible bidders. In every other respect, the requirements for an open tender apply equally to this procurement method.

Before a restricted tender can be undertaken, a register of potential bidders has to be prepared and maintained. Entry into the register has to be made available to any supplier who expresses interest and can satisfy the quality requirements that might be imposed equally on all registrants.

Invitations to participate in a restricted tender must be sent to all current suppliers on the register.

### **Approved Procurement Plan**

Where an officer assesses that there are **insufficient qualified suppliers** available to undertake a tender pursuant to the Policy or the matter involves proprietary products that are not amenable to tender, then a procurement plan will be prepared outlining the approach proposed to obtain the best overall result for QLDC. This plan must be submitted to the relevant General Manager for approval where the estimated cost of the procurement is within the financial delegation of the General Manager. All plans for procurement which exceed the financial delegation of the General Manager must be submitted to the Chief Executive for approval.

A procurement plan is an approach that enables a facilitated negotiation of the purchase of goods and/or services with one or a small number of specifically qualified invited parties. It differs from a tender process in that there is no public price discovery mechanism. A template for a procurement plan is available on the intranet.

The QLDC Procurement Principles are still to be considered where relevant when using the procurement plan approach. This approach is also required to meet the delegated authority limits of the budget holding manager.

### **Preferred Suppliers**

Two different categories of preferred suppliers are created under the Policy: standing arrangements for supply of recurring purchases each of a relatively low value; and panel arrangements where a contractual arrangement is made with a group of suppliers to provide services as and when required based on a fixed rate. For each category, the supplier under a standing or a panel arrangement may only become a preferred supplier following an open tender process.

### *Standing Arrangements*

These are procurement arrangements where Council buys directly from suppliers for an agreed period of time. These arrangements are appropriate for goods of low value, have no special requirements, are easy to specify and have common standards.

### **Examples might include:**

Fuel	Motor vehicles	Air travel	Stationery
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### *Panel Arrangements*

These are procurement arrangements commonly used for the supply of professional services. Appointment of a panel ensures the ongoing availability of suppliers who are pre-qualified (both in the skills and ability they have and their understanding of Council's requirements) for the delivery of service where selection can be determined by price and availability in a timely and low transaction cost manner.

Responsibility for maintaining the register of preferred suppliers is with the relevant general manager.

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## Supplier Selection Criteria

The criteria for selection of a supplier, contract or proposal may include some or all of a variety of price and non-price factors such as:

Price Factors	Non-Price Factors
<ul style="list-style-type: none"> <li>• Whole-of-life cost of the goods, works or services supplied. Factors to consider include:               <ul style="list-style-type: none"> <li>○ Base price</li> <li>○ Maintenance/ongoing costs (if any)</li> <li>○ Consequential costs such as disbursements, travel etc.</li> <li>○ Ongoing supplier/contract management costs</li> </ul> </li> <li>• Pricing:               <ul style="list-style-type: none"> <li>○ The price identified via the procurement process</li> <li>○ Price improvement through bulk buying, available discounts and leveraged discounts</li> <li>○ Price stability and sustainability over the life of the contract</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Demonstrated supplier ability to deliver, including:               <ul style="list-style-type: none"> <li>○ Resources (including availability)</li> <li>○ Adherence to specifications</li> <li>○ Contract and relationship management</li> <li>○ Timing</li> <li>○ Quality</li> </ul> </li> <li>• Relevant experience</li> <li>• Relevant qualifications, skills and methodology</li> <li>• Commercial factors other than price</li> <li>• Overall quality and strength of documentation</li> <li>• Health and safety systems and procedures</li> <li>• Contribution to QLDC desired outcomes and supporting strategies, including environmental and social impacts</li> <li>• Geographic location of supplier</li> </ul>

## Supplier Management

### Contract Management

To get the best from suppliers, QLDC will:

- Set clear performance measures, then monitor and manage the contract against these measures;
- Encourage and recognise suppliers for delivering great results;
- Work with suppliers to make on-going savings and improvements for both parties;
- Encourage a proactive approach to any issues arising; and
- Adopt a 'no surprises' communication policy.

### Meeting Expectations

To build effective relationships with suppliers QLDC will:

- Treat all suppliers fairly and with respect;
- Be consistent, transparent, fair and accountable in the way we work;
- Be clear about what we require and how we will assess suppliers before going to market;
- Give sufficient response time for our requests;
- Protect commercially sensitive information and intellectual property;
- Offer a debrief to unsuccessful bidders; and
- Pay invoices promptly.

## Negotiating Purchase Contracts

Any QLDC officer may only accept, sign, negotiate or decline any contract for the purchase or supply of goods, services, plant, capital works or other assets (including real property) subject to passing three key tests:

1. The purchase is within jurisdiction (e.g. an officer responsible for parks and reserves should not be acquiring a computer system);
2. The purchase is subject to the limitations and conditions of the delegated financial authority of the QLDC officer. A QLDC officer may only contract up to the lesser of:
  - a. The uncommitted amount specified in any budget line, as set out in the LTP / Annual Plan and referred to by the terms of their delegation; or
  - b. The amount specified as the limit of the financial delegation for that manager.

And
3. The purchase method complies with the Policy.

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## Negotiating Purchase Contracts continued

Every person involved with a contract will ensure that the transaction is handled in such a way as to ensure that QLDC receives the most favourable terms possible, with appropriate priority and balance being given to specified qualitative and other non-price and price attributes.

Officers entering into contractual negotiations must consider the whole-of-life value of the goods or services being procured when applying the Policy. An officer may not arbitrarily separate a project into discrete parts so as to avoid the necessity for entering into a particular procurement process.

## Complaints Process for Suppliers

QLDC is committed to establishing and maintaining solid working relationships with all its suppliers. Complainants are encouraged to make every effort to resolve their issue with the QLDC department where the issue arose and also debrief the initial procurement process (where relevant).

Formal complaints can be addressed to the Chief Executive Officer.

## Definitions

**All of Government Contract** is a supply arrangement established by the Crown for selected common products and services purchased across Government, including territorial authorities.

**Restricted Tender** means a market engagement approach where a limited number of known suppliers are invited to make submissions. The invitation is not publicly advertised.

**Emergency Procurement** means procurement required as part of the response to a sudden unforeseen event, where life, health, property or equipment is at immediate risk, or in order to maintain Council's service delivery to the community.

**Government Electronic Tender Service (GETS)** is a government website ([www.gets.govt.nz](http://www.gets.govt.nz)) that provides information about New Zealand Government business opportunities, including territorial authorities who elect to use the service.

**LTP** means the Long Term Plan which covers a 10-year period and is available on the QLDC website.

**Market Engagement Approach** means a formal process of inviting potential suppliers to make a submission to supply QLDC with products, services or works. Submissions sought from suppliers are typically in the form of tenders, quotes, proposals or registrations of interest. The process used in the market engagement involves open competition, restricted competition or direct procurement.

**NZTA** refers to the New Zealand Transport Agency.

**Open Tender** means a competitive procurement process where all potential suppliers in a market are offered an opportunity to respond to a contract opportunity. The contract opportunity is advertised on the GETS website.