



**MPI Organisational Policy**  
*Procurement Policy*

Owner: Chief Financial Officer

Published: June 2020

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**MPI Procurement Policy**

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# MPI Organisational Policy

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## OVERVIEW

Procurement covers all aspects of the acquisition and delivery of goods or services, spanning the whole contract life 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.

### Purpose

This MPI Procurement policy is designed to ensure that:

- MPI meets its obligations to achieve Public Value through best practice procurement, as laid out in the [Government Procurement Rules](#) (GPR) and Five Principles of Government Procurement (Principles);
- staff are aware of their obligations when planning, sourcing and managing procurement activity, and there is a consistent practice across MPI;
- appropriate agreements are entered into and managed to reduce legal, financial, health & safety, security and reputational risk to MPI;
- MPI can create partnerships that enables New Zealand to be the most sustainable provider of high-value food and primary products; and
- MPI applies the *Principles*, GPR, [Government Procurement Charter](#) and other [good practice guidance](#) to all procurement activity.

### Context

This policy defines how the Ministry will meet its obligations to achieve Public Value through best practice procurement, as laid out in the GPR, and the *Principles*.

Public Value means achieving the best available result for New Zealand for the money spent. It includes using all our resources effectively, economically, and responsibly, and taking into account:

1. The procurement's contribution to the outcomes and results we are trying to achieve; and
2. Delivery of any Broader Outcomes we are trying to achieve (including social, environmental, cultural, or economic benefits); and
3. The total costs and benefits of a procurement (total cost of ownership).

This includes selecting the most appropriate procurement process that is proportionate to the value, risk and complexity of the procurement to help achieve Public Value.

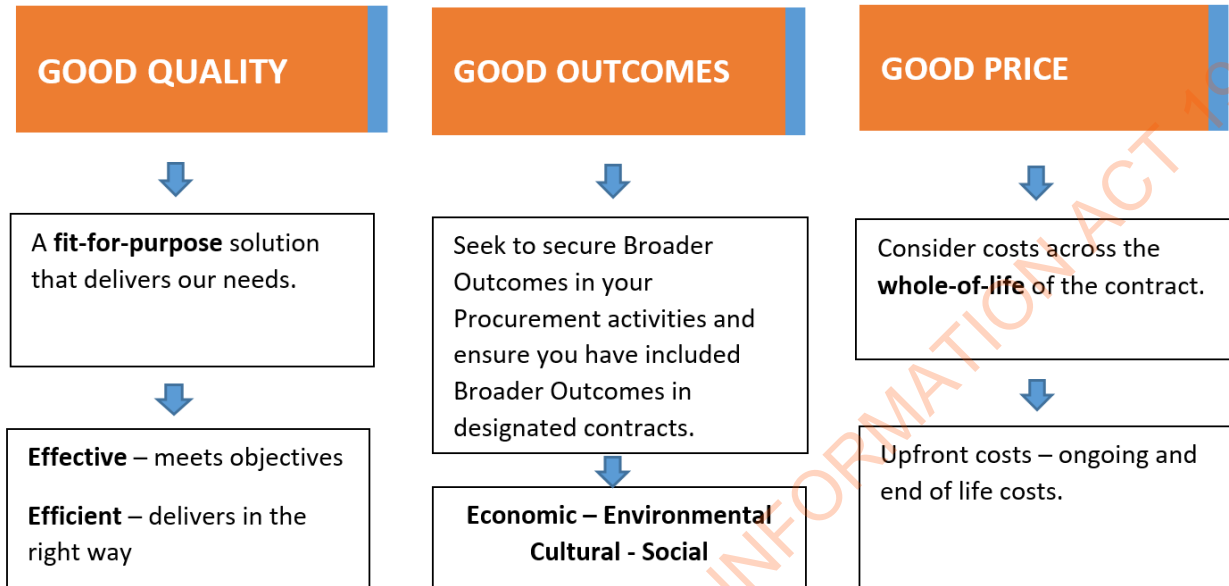


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New Zealanders expect that public money and resources will be managed effectively and efficiently, competently, and with integrity. MPI is reliant on external partners and service providers to support MPI to deliver on our commitments to the Government and New Zealanders as a whole.

### Principles and behaviours

The Ministry will conduct all procurement in accordance with the [GPR](#), including the Principles and the [Government Procurement Charter](#). All procurement, commercial and supplier management activities must comply with the Principles, no matter what the value of the external spend. The aim in applying these principles is to ensure that the delivery of Public Value is a primary focus in all our procurement activity.

The **Five Principles** and their requisite behaviours and actions are:

- **Plan and manage for great results**
  - Identify what you need, including what broader outcomes should be achieved, and then plan how to get it;
  - Set up a team with the right mix of skills/experience;
  - Involve suppliers early – let them know what you want and keep talking to them throughout the process;
  - Take the time to understand the market and your effect on it. Be open to new ideas and solutions;
  - Choose the right process – proportional to the size, complexity and any risks involved; and
  - Encourage e-business.
- **Be fair to all suppliers**
  - Create competition and encourage capable suppliers to respond;



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- Treat all suppliers equally – don't discriminate (this is part of our international obligations);
  - Seek opportunities to involve NZ businesses, including Maori, Pasifika and regional businesses and social enterprises;
  - Make it easy for all suppliers (small and large) to do business with us;
  - Be open to subcontracting opportunities where this adds value;
  - Clearly explain how proposals will be assessed, so suppliers know what is important and what to focus on; and
  - Provide useful and constructive feedback to suppliers so they can learn and know how to improve next time.
- **Get the right supplier**
    - Be clear about what you need and fair in how you assess suppliers;
    - Choose the right supplier who can deliver what you need, at a fair price and on time;
    - Choose suppliers that comply with the Government's [Supplier Code of Conduct](#);
    - Build demanding, but fair and productive, relationships with suppliers;
    - Make it worthwhile for suppliers; and
    - Identify relevant risks and get the right person to manage them.
  - **Get the best deal for everyone**
    - Get the best Public Value – account for all costs and benefits over the lifetime of the goods and/or services;
    - Make balanced decisions – consider social, environmental, economic and cultural outcomes that should be achieved;
    - Encourage and be receptive to new ideas and ways of doing things – don't be too prescriptive;
    - Have clear performance measures – monitor and manage to make sure you get great results;
    - Work together with suppliers to make ongoing savings and improvements; and
    - It's more than just agreeing the deal – be accountable for the results.
  - **Play by the rules**
    - Be accountable, transparent and reasonable;
    - Make sure everyone involved in the process acts responsibly, lawfully and with integrity;
    - Stay impartial – identify and manage actual, perceived or potential conflicts of interest; and
    - Protect suppliers' commercially sensitive information and intellectual property.

We will apply the Principles and the GPR when planning, sourcing and managing our procurement, as these set the standard for good practice. By applying these principles sensibly, we can demonstrate that we are spending public money carefully and that we are properly managing the process for spending it.



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The [Government Procurement Charter](#) directs us to:

- **Seek opportunities to include New Zealand Businesses.** Openly work to create opportunities for local businesses and small-to-medium enterprises to participate in the procurement processes;
- **Undertake initiatives to contribute to a low emissions economy and promote greater environmental responsibility.** Ensure that economic and social development can be implemented on a sustainable basis with respect for the protection and preservation of the environment, reducing waste, carbon emissions and pollution;
- **Look for new and innovative solutions.** Making sure we don't overprescribe the technical requirements of a procurement, give businesses the opportunity to demonstrate their expertise and be open to considering new methods of service delivery;
- **Engage with businesses with good employment practices.** Ensure that the businesses we contract with operate with integrity, transparency and accountability, and respect international standards relating to human and labour rights. For businesses operating within New Zealand, ensure that they comply with all New Zealand employment standards, health and safety requirements, and privacy laws;
- **Promote inclusive economic development within New Zealand.** Engage with Maori, Pasifika, and regional businesses and social enterprises in order to actively contribute to our local economy. Openly work to include and support these businesses and enterprises through procurement, we will promote both skills development and a diverse and inclusive workforce;
- **Manage risk appropriately.** Responsibility for managing risks should be with the party – either the agency or the supplier – that is best placed to manage the risk. We will work with suppliers on risk mitigation strategies; and
- **Encourage collaboration for collective impact.** Look to support greater collaboration, both across-agency and across-businesses to give likeminded groups the opportunity to find common solutions within our procurement opportunities.

## SCOPE:

### What this policy covers

This policy applies to the purchase of all goods and services, rentals and leases arranged by MPI, including consultants and contractors engaged by MPI and any procurement managed by a third party on behalf of MPI.

### What this policy does NOT cover

This policy does not apply to the following activities:

- Employing staff (unless engaging temps, contractors and consultants);
- Disposals and sales by tender;
- Investments, loans and guarantees;
- Gifts, donations and grant schemes (refer MPI Organisational Policy Grants) including sponsorships (refer MPI Organisational Policy External Sponsorship);



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- Administration of Crown Forestry managed assets, which are subject to specific procedures agreed with the Director General;
  - Statutory appointments;
  - Ministerial appointments;
  - Core Crown Legal matters; and
  - Public prosecutions as defined in section 5 of the Criminal Procedure Act 2011.

**Note:** All sections of this policy and its associated guidelines and procedures contribute to the policy position.

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#### Policy Statements:

All Ministry staff, consultants and contractors who perform any aspects of procurement are expected to follow the policy statements as listed below:

1. All procurement must be carried out in accordance with the *GPR*, the MPI Procurement Policy and Procedures and comply with all applicable legislation.
2. Ensure that New Zealand Government funds are used efficiently, effectively and economically and deliver good Public Value.
3. Maintain the highest possible standard of Probity and integrity in all business relationships. Conduct must align with the MPI Code of Conduct and the Public Service Code of Conduct. This includes declaration and appropriate management of all actual, potential and/or perceived Conflicts of Interest during all procurement activity.
4. Develop new solutions and approaches to obtain the best outcome for the Ministry and the wider public sector, while being aware of potential costs and risks (including operational, commercial/legal, health & safety, security and reputational risks).
5. Apply appropriate levels of risk management across our procurement activities - risks should be identified at the planning stage, recorded and managed throughout.
6. Consider the relevance of Public Value; including Broader Outcomes (social, environmental and/or economic), health & safety requirements, compliance obligations, protective security and privacy requirements and business continuity needs, in relation to our requirements.
7. Ensure that adequate written or electronic records are retained to enable appropriate scrutiny of procurement activity.
8. Use existing [MPI-wide agreements](#) (which includes MPI contracts, All of Government, Common Capability or Syndicated Procurement contracts) if they can meet our needs.
9. Purchase values must be based on the maximum total estimated value over the Whole-of-life Cost (WoLC) of the contract including optional purchases, premiums, fees, commissions, interest and revenue streams or other forms of remuneration to be provided, disbursements, including payments to agents or supply brokers, and contract variations (GST exclusive).
10. All procurement activity with a WoLC greater than \$100,000 must undergo an open competitive procurement process in line with the Principles and the *GPR*, unless the requirement can be met by an existing MPI-wide Agreement. If an open competitive approach is not going to be conducted, or an existing MPI contract or AoG collaborative contract is not used, or an established Secondary Procurement process is not used, an Exemption from open advertising must be documented and approved by the relevant delegated financial authority. The Manager Procurement and Commercial Management must also consider any proposed



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Exemption above the \$100,000 value threshold.

11. In the rare instance of an Emergency, purchasing outside of normal MPI procurement processes for individual purchases may be allowed. This must be limited to the quantity which is sufficient only to cope with the emergency, have appropriate authorisation and be documented clearly stating the purchase and reasons.
12. The procurement thresholds for individual purchases and the associated procurement methods for the purchase of goods and/or services as specified within the [MPI Procurement Procedures](#) are minimum requirements.
13. The delegated financial authority must be aware of the maximum total estimated costs, have an approved budget for the procurement and authorisation to enter into the agreement on behalf of MPI.
14. Support and advice must be sought early in the planning process from appropriate subject matter experts as relevant to the activity and its associated risk, including Procurement & Commercial Management, Legal, Safety & Wellbeing, Security & Privacy and Business Technology & Information Systems.
15. For specific guidance and information (such as when to contact the respective teams) all staff are required to follow the [MPI Procurement Procedures](#).
16. All contracts should be internally reviewed and must be signed by both parties to the contract before agreements with suppliers come into force.
17. A contract number is mandatory for:
  - All Professional Services and Contract for Services engagements, regardless of value (for natural account numbers 41000, 41010, 41012, 41015 and 41040 as defined in MPI's [Chart of Accounts](#)); and
  - All engagements with a Maximum Total Estimated Value of above \$40,000.
18. Staff may not purchase goods and/or services for their private use through MPI agreements.
19. No person will use their position to place undue influence, real or perceived, at any stage of a procurement process, in order to have an unfair impact upon the outcome, or to derive, either directly or indirectly, any advantage to themselves, any relative or other associate or another MPI staff member.





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## KEY ACCOUNTABILITIES

The following roles have specific responsibilities under this policy:

### Chief Financial Officer (CFO)

The CFO is responsible for setting and maintaining MPI's Procurement policy, procedures and guidelines and reporting to the Senior Leadership team (SLT) on the policy where necessary

### Managers

All Managers are accountable for:

- understanding and complying with the responsibilities and limits of their own delegated financial authority;
- ensuring staff, and all people working in their team, are familiar and comply with this procurement policy;
- ensuring that Contract Managers are assigned to all contracts managed within their teams, and ensuring Contract Managers understand and undertake their contract management responsibilities;
- planning, management and outcomes of all procurement activity within their business unit; and
- risks (including operational, commercial, financial, health & safety and reputational), benefits and overall performance of all contracts managed appropriately within their business unit.

### Contract Managers

All Contract Managers are responsible for ensuring contracts are managed appropriately over their life, including:

- tracking and monitoring performance (including managing performance issues), reporting, delivery and deliverable/milestone progress;
- financial monitoring, including validation and approval of invoices, and tracking spend against contract value;
- identifying and managing risks associated with the contract (including operational, commercial, financial, health & safety and reputational);
- identifying areas of improvement; and
- developing and maintaining trusted and robust relationships with suppliers, conducting reviews and resolving problems.



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#### All Ministry staff, contractors and consultants

All MPI staff, contractors and consultants involved in procurement activities are responsible for:

- ensuring they understand, comply with, and consistently apply the procurement policy and associated procedures and guidelines when procuring goods and/or services in the course of their duties;
- obtaining support and advice early in the process from appropriate subject matter experts as relevant to the activity and its associated risk, including the Procurement & Commercial Management, Legal, Safety & Wellbeing, Security & Privacy and Business Technology & Information Systems;
- ensuring that New Zealand government's funds are used efficiently, effectively and economically and deliver good Public Value;
- except for engagement of consultants and contractors, their own purchasing arrangements up to \$100,000 in value and managing them accordingly;
- for engagement of consultants and contractors, their own purchasing arrangements up to \$40,000 in value and managing them accordingly;
- requesting a contract number from the Procurement and Commercial Management Team for all Professional Services and Contract for Services engagements, regardless of value (for natural account codes 41000, 41010, 41012, 41015 and 41040 as defined in MPI's [Chart of Accounts](#)), and for all other engagements with a Maximum Total Estimated Value of over \$40,000;
- providing the Procurement and Commercial Management Team with a scanned copy of the signed contract following a procurement;
- declaring any actual, potential or perceived conflicts of interest in accordance with MPI's [Conflict of Interest Guidelines](#); and
- conducting reasonable due diligence (both prior to, and during the contract period).

#### Procurement and Commercial Management Team

MPI's Procurement and Commercial Management Team are responsible for:

- considering all proposed Exemption requests above the \$100,000 value threshold, and providing advice on whether the exemption to MPI's Procurement Policy is supported;
- leading the procurement sourcing strategy and process for all consultants and contractor services over \$40,000 and for all other procurement activity over \$100,000;
- providing contract numbers by registering contracts in a centralised database and holding a copy of the contract;
- providing professional procurement expertise, advice/assistance to the business when needed;
- providing training to staff in relation to all phases of the procurement lifecycle;
- maintaining and updating associated guidelines, procedures and templates so that they remain fit for purpose; and



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- developing and maintaining key internal relationships to assist with delivering commercial management within MPI.

## MANDATORY PROCEDURES

MPI staff that need to undertake a procurement activity are required to follow the procurement procedures set out below:

- [MPI Procurement Procedures](#)
- [Recruitment, Contractor & Consultant Guidelines](#)

## FURTHER GUIDANCE and INFORMATION

Business Units undertaking procurement activity must consider any legal or Treaty related obligations and accords and consult with interested parties and/or relevant subject matter experts (both internal and external) where necessary.

Related Policies, procedures and guidance:

- MPI Policy
  - [Code of Conduct](#)
  - [Asset Management and Disposal Policy](#)
  - [External Sponsorships](#)
  - [Grants Schemes Policy](#)
  - [Information Management Policy](#)
  - [Risk Management Policy](#)
  - [HR & Finance Delegations](#) (Delegations)
  - [Motor Vehicle Policy](#)
  - [Sensitive Expenditure Policy](#)
  - [Purchase Card Policy](#)
- Government Requirements
  - [Government Procurement Rules 2019 \(4<sup>th</sup> Edition\)](#)
  - [Government Procurement Principles](#)
  - [Government Procurement Charter](#)
  - [Government Good Practice Guides](#)
  - [Good Practice Procurement Guide for Improving Health and Safety](#)
- MPI Guidelines
  - [MPI Guidelines Managing Intellectual Property](#)
  - [Guidelines for the treatment of Intellectual Property Rights in ICT contracts](#)
  - [Conflict of Interest](#)
  - [Motor Vehicle Guidelines](#)
  - [Sensitive Expenditure Guidelines](#)



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- [Dealing with Misconduct Guidelines](#)
  - [Information Gathering and Public Trust Guidelines](#)
  - [Our IT Guidelines](#)
  - [Guideline for managing health and safety risk in contracting](#)
  - Legislation
    - Public Finance Act 1989
    - Commerce Act 1986
    - Health & Safety at Work Act 2015
    - Privacy Act 1992
    - Public Records Act 2005
    - Official Information Act 1982

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## DEFINITIONS

Term	Meaning
<u>Broader Outcomes</u>	<p>Government procurement can and should be used to support wider social, economic, cultural and environmental outcomes that go beyond the immediate purchase of goods and services. The Government have identified four priority outcomes for agencies to focus on, which are incorporated in the Government Procurement Rules, and require government agencies to consider specific priority outcomes when buying from designated contract areas:</p> <ul style="list-style-type: none"> <li>- Increasing access for New Zealand businesses;</li> <li>- Construction skills and training;</li> <li>- Improving conditions for New Zealand workers; and</li> <li>- Reducing emissions and waste.</li> </ul>
<b>Conflict of Interest</b>	<p>A conflict of interest is where a staff member's personal interests or obligations conflict, can be perceived or have the potential to conflict, with the responsibilities of their job or position or with their commercial interests. It means that their independence, objectivity or impartiality can be called into question.</p> <p>Note: Identification of an actual, perceived or potential conflict of interest won't necessarily preclude the involvement of the staff member in the procurement process, if it is identified and managed appropriately.</p>
<b>Contract Manager</b>	<p>A Contract Manager is responsible for managing the contract throughout it's life, including tracking and monitoring delivery and costs, managing risks and relationships, conducting reviews and resolving problems.</p>
<b>Delegated Financial Authority</b>	<p>The Delegated Financial Authority is the person or persons with an authorisation to enter into a contract to bind MPI; and a Delegated Financial Authority and budget to commit MPI to the expenditure.</p>
<b>Emergency</b>	<p>A sudden unforeseen catastrophe that results in injury, loss of life or critical damage to property or infrastructure.</p>
<b>Exemption</b>	<p>The recognised circumstances (e.g. a procurement in response to an emergency) where an agency does not need to openly advertise the contract opportunity or undergo a competitive procurement process.</p>
<b>Maximum Total Estimated Value</b>	<p>A genuine estimate of the total costs that an agency will pay over the whole-of-life of the contract. It covers the full contract cost of goods and services, and any other expenses such as maintenance and repairs, and the cost of disposing of the goods at the end of the contract.</p>
<b>Probity</b>	<p>Probity is defined as "confirmed integrity". To the public sector probity is the prudent expenditure of public funds or resources. Prudence, integrity, honesty, trustworthiness, law-abiding, reliable, professional</p>



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Term	Meaning
	competence, due care and professional behaviour are all related concepts.
<b>Professional Services</b>	Relates to engagements for natural account numbers 41000, 41010, 41012 and 41015, as defined in <a href="#">MPI's Chart of Accounts</a> .
<b>Public Value</b>	<p>Achieving the best available result for New Zealand for the money spent. It includes using all our resources effectively, economically, and responsibly, and taking into account:</p> <ol style="list-style-type: none"> <li>1. The procurement's contribution to the outcomes and results we are trying to achieve;</li> <li>2. Delivery of any Broader Outcomes we are trying to achieve (including social, environmental, cultural, or economic benefits); and</li> <li>3. The total costs and benefits of a procurement (total cost of ownership).</li> </ol> <p>This includes selecting the most appropriate procurement process that is proportionate to the value, risk and complexity of the procurement to help achieve Public Value.</p>
<b>Secondary Procurement</b>	<p>The purchasing of goods/services from a Panel of Suppliers, an All-of-Government contract, Common Capability contract or Syndicated contract, pursuant to an existing and over-arching Panel or Master Agreement by way of a Statement of Work or Services Order where authorisation is provided for purchasing of those services.</p> <p>The method of secondary procurement undertaken will depend on what has been established for that particular panel. This will be documented within the 'buyers guide' and can be found via the <a href="#">MPI-wide agreements</a>.</p>



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### Document Information

The published version number and date is required in the following table.

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03/05/2016	3	s 9(2)(a)	
08/08/2016	4	s 9(2)(a)	
19/10/2016	5	s 9(2)(a)	
December 2017	6	s 9(2)(a)	Update as per lifecycle
November 2019	6.1	s 9(2)(a)	Updates to reflect Government Procurement Rules effective 1 October 2019
December 2019	6.2	s 9(2)(a)	Final draft following consultation