



TE KAUNIHERA-Ā-ROHE O TARATAHI  
**CARTERTON**  
DISTRICT COUNCIL

## **PROCUREMENT POLICY**

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## Procurement Policy

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# Procurement Policy

## 1. Introduction

### 1.1. Purpose

The purpose of this policy is to document requirements related to procurement at Carterton District Council (CDC). This policy should be read in conjunction with the Office of the Auditor-General's *Procurement Guidance for Public Entities*.<sup>1</sup>

Procurement refers to all of the business processes associated with the purchase of goods, services, and works by Carterton District Council. Procurement spans the whole cycle from identification of need through to the end of a service contract or the end of the useful life and the subsequent disposal of an asset.

### 1.2. Scope and exclusions

#### **Personnel**

This policy applies to all employees, and also to contractors and consultants acting for CDC in connection with procurement.

#### **Exclusions**

This policy does not apply to the procurement of roading services, which is dealt with in the Carterton District Council Roading Procurement Strategy.

This policy does not apply to employment contracts. It does apply to the engagement of consultants.

#### **Training**

All those undertaking procurement for or on behalf of the Council will receive training in the use of this policy.

### 1.3. Authority

This policy is issued under the authority of the Chief Executive and will be reviewed and amended as required in consultation with senior management.

Ownership of this policy rests with the Corporate Services Manager, and responsibility for its implementation rests with the management team.

## 2. Principles

The basic principles that are to underpin all procurement at Carterton District Council are as follows:

- **Priority** – we will prioritise the awarding of procurement contracts on the quality of the service, the overall cost, and the time taken to deliver the service, in that order.
- **Value for money** – we will use our resources effectively, economically and without waste. Value for money represents the best possible overall outcome for Carterton.
- **Openness** – we will be fully transparent in how we go about our procurement activities, up to and including the decision to award a procurement contract.

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<sup>1</sup> For more information, see: <https://oag.parliament.nz/2008/procurement-guide>

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- **Fairness** - we will be impartial in our procurement processes and our decision-making.
- **Accessibility** – it should be easy to do business with Carterton District Council. In particular, small local businesses should have the opportunity to bid for CDC contracts wherever appropriate.
- **Integrity** – all of our procurement activity will be conducted with the utmost integrity, and we will not do anything that harms CDC’s reputation for integrity.
- **Accountability** – we will be accountable to the ratepayers and residents of Carterton District for the proper use of funds.
- **Lawfulness** – In all of our procurement activities we will act within the law and meet our legal obligations.
- **Health and Safety** – we will consider health and safety matters in all of our procurement activity.
- **Sustainable procurement** – Sustainable procurement has the most positive environmental, social, cultural and economic impacts on a whole of life basis and creates value and legacy. We will assess sustainable procurement broader outcomes related to all procurement activity.

### 3. Practical considerations

The principles above have general applicability to all procurements. As each situation is different the principles need to be applied in a way that is appropriate to the circumstances of each procurement. As a practical rule, CDC procurement arrangements should strive for simplicity and proportionality. That is, the arrangements put in place for each procurement should be as simple as possible, considering the monetary values involved, the complexity of the purchase, and the level of risk involved. The arrangements should be proportional to the transaction and should minimise compliance costs for both CDC and potential bidders.

This policy is to be applied in accordance with the requirements of the CDC Delegations Manual and any other applicable CDC policies.

All financial amounts included in this policy exclude GST. Where financial thresholds are listed, this refers to the total cost of the transaction. It is not permissible to break the transaction into component parts to justify a particular procurement method.

### 4. Managing conflicts of interest

All procurement and contract management decision-making processes shall include careful consideration of any actual, potential or perceived conflicts of interest.

Under no circumstances shall a staff member influence, advise or participate in a procurement or contract management activity where that employee has an actual, potential or perceived conflict of interest, either personally or through a related person.

Where there is uncertainty about whether there is a conflict, employees should discuss the potential conflict with their manager or the Chief Executive. If in doubt, employees should at all

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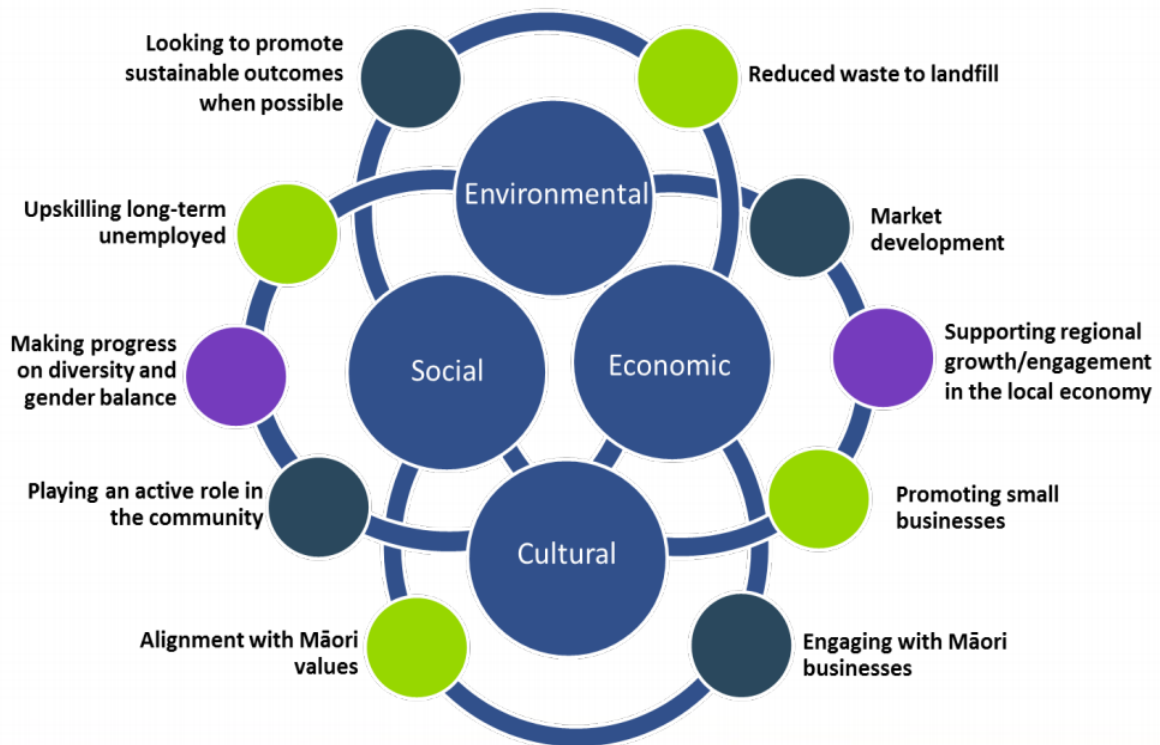
times fully disclose a potential conflict or bias and document how it will be managed. Refer also to the CDC Staff Code of Conduct<sup>2</sup>.

## 5. Sustainable Procurement

The Council has a commitment to sustainability. Sustainable procurement is, or will become, part of our 'business as usual', and includes environmental, social, cultural and economic broader outcomes.

Broader outcomes require consideration of not only whole-of-life costs, but also the costs and benefits to society, the environment and the economy. These broader outcomes will be considered when purchasing goods, services or works, and are described in the diagram below:

### What are 'Broader Outcomes'?



Through its procurement activities, Carterton District Council aims to achieve the following broader outcomes:

#### Objective 1 Environmental broader outcome:

- Mitigate and adapt to Climate Change
- Reduce waste
- Increase community resilience

<sup>2</sup> For more Template, see NZ Government Conflict of Interest Management Pan template and Confidentiality Agreement. <https://www.procurement.govt.nz/procurement/templates/>

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### **Objective 2 Social broader outcome:**

- Support local employment
- Local supplier utilisation

### **Objective 3 Cultural broader outcome:**

- Supplier diversity and creativity
- Support Māori partnerships

### **Objective Economic broader outcome:**

- Support the best outcome for everyone
- Quality employment for everyone
- Enhance businesses and employment prosperity

There is no implied order of priority so each objective should be considered equally. Exceptions to not include sustainability within a procurement will be considered on a case-by-case basis only and must be justified.

The benefits of sustainable procurement are not always able to be quantified, but they must be taken into account when making the procurement decision, alongside the financial considerations. Where a decision is made to select a supplier on sustainability grounds, and that supplier would otherwise be rejected when judged solely on financial considerations, then the reasoning must be documented.

## 6. Procurement methods

Procurement methods vary in terms of their openness to suppliers, level of risk and complexity and potential for innovation. The general rule to be followed is to use a procurement method that is simple and that is open and fair to all suppliers. As running an open tender is not as simple as obtaining an oral quote from a known supplier, there is a trade-off between the two requirements. For lower value transactions it is permissible to dispense with open advertising. However, it is not permissible to dispense with open advertising in order to:

- avoid competition
- protect local suppliers
- discriminate against any local or national supplier.

### 6.1. Purchases of less than \$10,000 estimated value

All goods and services with an estimated value of under \$10,000 (excluding GST) must be procured by raising a purchase order. Purchase orders must contain the name and address of the supplier, an adequate description of the goods or services required, the agreed or estimated cost, the general ledger account to be charged, and the name of the person making the order.

Before an order is made all purchase orders must be approved by an officer with sufficient authority to incur expenditure, as set out in the Delegations Manual.

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Items of expenditure exempted from purchase order requirements are:

- formally tendered contracts
- wages and payroll deductions
- service contracts, eg fleet card
- phone rentals
- petty cash
- power charges
- tax payments
- bank fees
- debt payment
- rates payments to Wellington Regional Council
- other regular (eg monthly) payments under a contract or agreement.

The cost to Council needs to be minimised. So competitive prices should be obtained where there is the potential for a benefit from doing so.

### 6.2. Purchases of more than \$10,000 estimated value

#### **\$10,000–\$100,000**

For purchases in excess of \$10,000 and less than \$100,000 total value, open advertising is preferred, unless the manager responsible determines that that method is inappropriate to the circumstances of the transaction. If open advertising is not used, at least three quotes should be obtained. At least one of the quotes is to be local, unless this is not practicable.

The procurement of any goods and/or services having an estimated total cost of \$10,000 or more (excluding GST) must be by means of a formal contract. In accordance with the CDC Delegations Manual, only the Chief Executive, the Corporate Services Manager, and the Infrastructure and Services and Planning and Regulatory Manager are authorised to sign contracts with total cost in excess of \$50,000 (GST excluded).

#### **\$100,000–\$150,000**

For purchases with total value above \$100,000 and less than \$150,000, open tendering must be used, unless the Chief Executive determines that this method is not appropriate.

#### **\$150,000 and more**

All purchases with a total value equal to or greater than \$150,000 must be by way of open tender in accordance with a procurement plan.

Notwithstanding the above requirements, the Chief Executive may exempt the requirement for quotes, or from open tender, if there is good reason to do so, for example where there is a specialist supplier, or urgency. This decision must be documented.



### 7. Planning

The procurement plan for the project must contain the following information:

- Understand the Project - What outcomes are expected?
- Analyse the Market
- Risk Analysis
- Opportunity /Broader outcomes analysis eg. sustainability
- Choose the delivery model and Supplier Selection Method
- Budget amounts
- Timeline of the procurement process
- Type of contract
- Roles and responsibilities
- Risk assessment - specifically covering risks relating to the procurement
- Resources required

The information listed is useful for those endorsing / approving the procurement plan to know either for context or because they are key aspects of the planned procurement plan.

### 8. Risk management

All procurement should be undertaken with an awareness of the risks and complexities surrounding the procurement process. For procurements where whole of life costs (excluding GST) exceeds \$150,000, a Risk Management Assessment should be prepared during the procurement planning phase, in which procurement risks and associated risk management options are documented.

Different procurement projects have different risks and complexities. For advice on procurement risk, contact the Projects and Contracts Officer.

Risk management should be integrated with good project planning and reporting. Where a new risk arises, or an existing risk changes its character, appropriate strategies should be developed and the Risk Management Assessment updated.

### 9. Preferred suppliers

Council may maintain a list of preferred suppliers for regular purchases of specific types of goods, services or works. Inclusion on the list may be through establishing pre-qualified suppliers or Panel of suppliers.

A supplier register will be open and available to all suppliers and will allow new suppliers to register and existing suppliers to update their details or extend the coverage of their service categories and specialties.

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Council business units can choose suppliers either by direct appointment, or through a closed process from the preferred supplier list when the value of the work is within the Council's defined limits. This may include establishing a panel of suppliers for work with costs between \$10,000 and \$150,000.

Existing arrangements shall be reviewed at least every three years, and new applications are to be allowed at that point.

The register of preferred suppliers shall be approved by the Chief Executive.

## 10. Specific Procurement

### 10.1. Vehicle replacement

Vehicles are replaced on the following basis:

- 10 years – cars and utes
- 15 years – trucks
- 20 years – tractors.

When reviewing the efficiency of fleet vehicles, and before deciding to replace a vehicle, check its performances (especially fuel consumption, efficiency, usage) in order to consider whether a vehicle needs replacement, and if so, find the best choice depending on the usage, greenhouse gas emissions, and whole of life cost.

### 10.2. Energy procurement

The Council will prefer energy suppliers that offer 100% renewable energy.

### 10.3. All-of-Government contracts

All-of-Government contract (AoG) is a type of approved collaborative contract co-ordinated through MBIE's New Zealand Government Procurement Branch. AoGs establish supply agreements with approved suppliers for selected common goods or services purchased across government.

Council may purchase from AoGs if it is commercially advantageous to do so. Before approaching the market, Council should check whether there is an AoG that is available. CDC is currently a party to arrangements for mobile telephony services and for stationery.

## 11. Tender process

### 11.1. Electronic tenders

CDC, together with Masterton District Council and South Wairarapa District Council, maintains a joint tendering portal on the TenderLink electronic procurement service. There are considerable advantages associated with the use of TenderLink, including the ability to upload documents, assurance that our tender has been adequately notified, and the ability for bidders to submit tenders electronically.

TenderLink should be used for all procurements of over \$100,000, unless in the opinion of the manager responsible this would be inappropriate. Further information on TenderLink may be

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obtained from the Projects and Contracts Officer. Where consultants are employed to manage a tender process, the Wairarapa joint portal should be used.

### 11.2. Preparation of tender documentation and advertisement

- The publishing of all tender advertisements is done by the manager concerned.
- Where a tender is complex or considered to be higher risk, the advice of the Projects and Contracts Officer should be sought before issuing the advertisement.
- Tender documentation shall contain a clear statement of the goods or services that are required, sufficient to allow suppliers to prepare their tender. The documentation should also contain a clear statement of how the preferred tenderer will be selected.
- All communication and tender documents are handled in their entirety by the officer taking responsibility for the tender.

### 11.3. Communication with bidders

- The issue of tender documentation shall be documented, and suppliers collecting documentation shall physically sign that they have received the documentation. Full contact details of all suppliers obtaining tender documentation shall be recorded. This will be done automatically if TenderLink is used.
- Where questions are received from bidders, and where the terms of the tender permit it, answers shall be provided at the same time and in the same form to all suppliers who have obtained tender documentation.

### 11.4. Submission of tenders

- If TenderLink is used all tenders should be submitted electronically.
- If a manual tender process is used, a Tender Box will be used. Tender boxes are to be secured and are managed by an officer of Council as authorised by the Chief Executive or the relevant manager.
- Manual tenders are to be submitted in a sealed envelope with the name of the tender and the person submitting the tender clearly printed on the outside of the envelope.
- Electronically faxed or e-mailed tenders will not, as a rule, be accepted, unless under extraordinary circumstances, and due consideration has been given to associated risk.
- Tenders received by mail up to the close-off time are endorsed on receipt, stating date and time of receipt and the receiving officer's name, and placed immediately in the tender box.
- It is the responsibility of the tenderer to submit their tender on time and in accordance with the tender instructions.
- Late tenders will not, as a rule, be accepted, unless the lateness is a consequence of Council's actions, or extraordinary circumstances pertain. Any decision to accept a late tender must be documented and retained.
- Acceptance of late tenders has the potential to raise issues of fairness. Where a late tender is to be accepted, that must be allowed for in the tender instructions, and the late opening must be done in a transparent manner.

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### 11.5. Opening tenders

- Where a manual tender process is used, the tender box is to remain secured and undisturbed until the close of tenders.
- The tender box is opened by an authorised officer of the Council in the presence of another authorised officer as soon as possible after a tender closes.
- A register of all tenders received is kept by the relevant manager. Each tender should be opened and the details noted in the tender register. When all tenders have been processed, the tender register should be signed by the two authorised officers present, to certify that the opening has been done correctly. Through this process it is imperative confidentiality is maintained.
- The officer responsible for the tender may be a Council employee or an external agency/agent commissioned by the Council.

### 11.6. Tender evaluation

- As soon as possible after tenders have been opened, the officer responsible for the tender checks all tenders received to ensure that they are arithmetically correct and meet the terms of the tender invitation. During the evaluation it is important for the reasons for differentials in scoring to be discussed and agreement to be reached on the appropriate score. He/she then prepares a tender evaluation report following the procedure for tender evaluation set out in the tender documentation. The evaluation report should contain the following minimum detail:
  - a. Description of the proposed work (ie scope of the contract).
  - b. Details of the tender opening (date, time, place and officers present) and a list of tenderers and tendered prices (GST exclusive) as submitted, including the Estimated Cost.
  - c. If required, an amended list of tendered prices (GST exclusive) after any corrections to arithmetical errors.
  - d. An evaluation of the corrected tender prices (against the estimate if applicable) and a commentary on significant variations.
  - e. A statement that the preferred tender is compliant with the tender specification, represents the best value for money, and the tenderer is considered to be capable of supplying the goods or services successfully to the required standards within time and within budget. If the preferred supplier is local<sup>3</sup>, this should be noted.
  - f. A statement that appropriate health and safety plans and practices are included.
  - g. A financial statement showing details of all expenditure required to complete the works and the actual funds available.
  - h. The recommendation of the officer evaluating the tenders.

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<sup>3</sup> within the Wairarapa District Boundary

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- For large tenders a Tenders Committee may be constituted by Council. In these circumstances then the evaluation report described above should still be completed to assist the Tenders Committee. And evidence retained that a recommendation was approved.
- Unsuccessful parties are to be given an opportunity for a formal debriefing on the tendering process. This can be a useful process for the tenderers to improve their submissions for future projects, and it is also a chance for tenderers to give helpful feedback to management on how the process could be improved.

### 11.7. Awarding the contract

The following conditions must be met to award a contract:

- There must be sufficient funds for the goods or services in the current Annual Plan and Long Term Plan.
- If there are other goods and services to be supplied by other suppliers for the same project, there must be sufficient funds in the current Annual Plan and Long Term Plan for the whole project.
- The award must be authorised by an officer with sufficient authority under the Delegations Manual, or, in the case of the Tenders Committee, as authorised by Council.

## 12. Documentation

The Council will maintain appropriate documentation, proportionate to the value and risk of each procurement, to support planning, evaluation and conflict of interest management processes followed. Appropriate documentation is important to demonstrate that a robust process was followed, which supports accountability.

## 13. Review of the Policy

This policy will be reviewed three-yearly.

Any recommended changes to the policy as a result of a review will be submitted to the Policy and Strategy Committee for approval.

## 14. Related documents

The Carterton District Council documents below are related to this Policy:

- Procurement Planning Toolbox
- Asset Management Policy
- Staff Code of Conduct Policy
- Delegations Manual
- Health and Safety Policy
- Staff Manual

## **Procurement Policy**

- Communications Policy
- Fraud, Dishonesty and Corruption Control Policy
- Sensitive Expenditure Policy
- Credit Card Use Policy
- Complaints Policy
- Ruamāhanga Strategy (Carbon Reduction Strategy)
- Carbon Reduction Policy (Internal Policy)