

QLDC Council
6 October 2016

Report for Agenda Item: 2

Department: Finance & Regulatory

Procurement Policy

Purpose

The purpose of this report is to seek formal adoption of the 'Procurement Policy 6 October 2016' "**the Policy**" which provides guidance and clarity on what QLDC considers during its procurement process in order to achieve the outcomes of the Long Term Plan and Annual Plan in a transparent and fair way.

Recommendation

That Council:

1. **Note** the contents of this report; and
2. **Adopt** the Procurement Policy dated 6 October 2016 [appended as **Attachment A**] and Procurement Guidelines [**Attachment B**].

Prepared by:



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22/09/2016

Reviewed and Authorised by:



Stewart Burns
Chief Financial Officer

22/09/2016

Background

- 1 The existing Procurement Policy was adopted by Council on 9 December 2008. The Council work programme for 2015/16 included a review of the Procurement Policy.
- 2 Developments in the procurement space have focused on the following areas since 2008:
 - a. Strategic procurement approach; and
 - b. Establishment of procurement principles

- 3 Both Councillors and various QLDC managers have been afforded the opportunity to provide feedback on the proposed policy. All feedback has been considered. A legal review has also been obtained.

Comment

- 4 **Long term Council outcomes:** the 2015-25 ten year plan includes the following outcomes which are relevant to procurement:
 - a. High performing infrastructure and services that are affordable for the District
 - b. Regulatory requirements and services delivered by the Council are cost effective
 - c. The District has a resilient and diverse economy
 - d. Council expenditure is cost-effective and sustainable
- 5 The following information was considered during the update of the Policy:
 - a. Feedback from Councillors and QLDC staff;
 - b. Procurement guidance published by the Ministry of Business, Innovation and Employment;
 - c. Procurement guide for public entities published by the Office of the Auditor-General;
 - d. Procurement information published by Auckland Council and Tauranga City Council.
- 6 Following the feedback from Councillors and staff a number of changes have been made to the Policy, particularly to recognise matters relating to local suppliers and general suitability principles. At this point the policy does not address the matters raised by some feedback regarding 'whole of life' and other wider costs and benefits. It was considered that the current level of confidence about introducing such policies or principles could not be justified. However it was still on balance considered important that the base procurement policy be updated and a new Policy adopted. Council may wish to signal that staff continue to do further work on the issue of sustainability and whole-of-life benefits and costs, and report back to Council in the next six months on a further possible revision to the new Policy.

Options

- 7 This report identifies and assesses the following reasonably practicable options for assessing the matter as required by section 77 of the Local Government Act 2002.
- 8 Option 1 – Adopt the 'Procurement Policy'.

Advantages:

- 9 Adoption of a revised policy and guidelines will provide improved clarity to Council, staff, suppliers and the public about how, and on what basis, Council procures goods and services.
- 10 Adoption of a revised policy will enable Council to reflect current practices and updated best practice advice from Government, including the Office of the Auditor-General.

Disadvantages:

- 11 No known disadvantages.

12 Option 2 – Do not adopt the ‘Procurement Policy’.

Advantages:

- 13 No known advantages.

Disadvantages:

- 14 Current policy will continue to have force.
 - 15 Current policy is outdated and provides little guidance to users as to its implementation.
 - 16 Current policy contains references to positions and processes which have been modified over time by custom and practice and does not fully reflect practice or intent.
- 17 The report recommends the adoption of a new Procurement Policy as it will put Council procurement processes on a modern and more transparent setting. It is recognised that the proposed Policy may be updated further, and should be reviewed on a regular basis (3-5 years).

Significance and Engagement

- 18 This matter is of medium significance, as determined by reference to the Council’s Significance and Engagement Policy because of its importance to the Queenstown Lakes District and community.

Risk

- 19 This matter relates to the operational risk OR014b Theft/fraud or misuse of council property (assets, data, funds etc.), as documented in the Council’s risk register. The risk is classed as moderate. This matter relates to this risk because it determines the policy by which goods/services are procured.
- 20 The recommended option considered above mitigates the risk by treating the risk through the adoption of the Policy and guidelines. The policy direction in the new Policy is more clearly stated and will provide greater direction to staff and Council. The guidelines provide transparency around how procurement will be carried out by Council and will improve both practice and accountability.

Financial Implications

21 The policy is designed to support not only the best procurement process but in doing so seek to ensure that the policy's operation addresses the principles of procurement, including Quality and Value for Money.

Council Policies, Strategies and Bylaws

22 The following Council policies, strategies and bylaws were considered:

- Procurement Policy (December 2008)
- Strategy for the Procurement of Transport, 3-Waters and Solid Waste Infrastructure Services (July 2011)
- Strategy for the Procurement of Transport Infrastructure Services (February 2015)

23 The recommended option is superceding the Procurement Policy dated December 2008 and consistent with the principles set out in the other named strategies.

Local Government Act 2002 Purpose Provisions

24 The recommended option:

- Will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses by ensuring that procurement processes are appropriate;
- Can be implemented through current funding under the 10-Year Plan and Annual Plan;
- Is consistent with the Council's plans and policies; and
- Would not alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or transfer the ownership or control of a strategic asset to or from the Council.

Attachments

- A Procurement Policy
- B Procurement Guidelines