

**Audit, Finance & Risk Committee**  
**14 October 2021****Report for Agenda Item | Rīpoata moto e Rāraki take : 7****Department: Property & Infrastructure****Title | Taitara Review of the Procurement Policy****PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO**

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The purpose of this report is to provide the Audit Finance & Risk Committee with an update on the review of the Procurement Policy ('the draft policy'), to consider the latest draft of the policy, and the next steps to achieve policy adoption by Council.

**RECOMMENDATION | NGĀ TŪTOHUNGA**

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That the Audit, Finance & Risk Committee:

1. **Note** the contents of this report and in particular the feedback from the Council workshop;
2. **Agree in principle, subject to further work, that** the financial thresholds within the Procurement Guidelines are:
  - a. Updated to consider procurement planning, as well as procurement methods;
  - b. Simplified so that all procurement methods are available up to \$100,000, with open tender mandated above \$100,001;
  - c. Amended so that operationally, procurement activity is governed by the Delegations Register; and
3. **Recommend to Council** that the draft policy is fit for purpose.

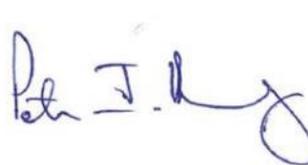
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1/10/2021

Reviewed and Authorised by:



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1/10/2021

**CONTEXT | HOROPAKI**

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- 1 At a workshop on 28 May 2021 and an update session on 16 June 2021, the Audit Finance & Risk Committee provided feedback and advice on the draft policy.
- 2 Subsequently the draft policy was the subject of a Council workshop on 2 September 2021. The slides used in the Council workshop are provided as Attachment A.
- 3 The purpose of the Council workshop was to:
  - a. Provide the latest draft of the policy, and to identify policy areas for discussion
  - b. To consider the links between the policy and the guidelines, and the best practice procurement lifecycle of: Plan / Source / Manage
  - c. Consider the financial thresholds and what part of the procurement lifecycle these should be aimed at:
    - i. The status quo – Sourcing (Procurement Methods by dollar values)
    - ii. Planning, or
    - iii. A hybrid.

**Council workshop Feedback**

- 4 The feedback received from Councillors can be summarised into the following high-level topics:
  - a. The need for an ethical supply chain;
  - b. Sustainable procurement in terms of our Climate Action Plan, the need to define success, and the outcomes being sought;
  - c. Through training and lessons learnt – the need to build organisational capability and accountability; and
  - d. That checks and balances and ensuring that reporting of compliance is in place.

**Procurement Policy Updates**

- 5 The draft policy is provided as Attachment B.
- 6 The draft policy is largely as previously discussed with the inclusion of:
  - a. The goals of procurement at QLDC (see s4); and
  - b. The NZ Government Procurement – Supplier Code of Conduct, now embedded and linked to community outcomes (see s7.4).
- 7 The feedback identified in paragraphs 4(a) and 4(b) has also been addressed in the attached draft policy.
- 8 The feedback identified in paragraph 4(c) is being worked through with our People and Capability Group and a training programme on the new policy and guidelines will be rolled

out to existing staff, and procurement training will be formalised as part of the induction programme for new staff.

- 9 The feedback identified in paragraph 4(d) is not specifically a policy drafting issue but goes to how QLDC will ensure operational compliance with the policy and future guidelines. This point will be more fully addressed in the Council report seeking adoption of the policy.

### **Financial Threshold Updates**

- 10 From a financial threshold perspective and in line with the procurement lifecycle, there was general support to move the focus to planning and away from mandating procurement methods (as these should be an outcome of procurement planning).
- 11 As an interim step, a hybrid version (slide #20 of Attachment A) was also considered. This is further discussed at paragraph 18.

### **Review methodology**

- 12 As previously agreed, the review pathway provides that the policy is developed first, followed by the development of the new guidelines.
- 13 Subject to the Audit Finance and Risk Committee accepting the recommendations of this report, the next steps for the policy are:
  - a. Council workshop of 16/11/21 to provide updates and seek final feedback; and
  - b. A report to the Council meeting of 16/12/21.
- 14 In parallel, the Procurement Guidelines will be developed and will be the subject of an Audit Finance and Risk workshop and subsequent report.
- 15 The Procurement Guidelines will then move through to a Council workshop before seeking adoption by the full Council.

### **Draft Policy – Fit for Purpose**

- 16 Subject to the November Council workshop and any subsequent amendments, the draft policy is considered fit for purpose.

## **ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU**

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### **Mandate & Financial Thresholds**

- 17 The current Procurement Guidelines mandate specific procurement methods at various financial thresholds. The following is an extract from the Procurement Guidelines:

## Procurement Guidelines

Estimated Total Contract Value		Up to \$10,000	\$10,001 to \$50,000	\$50,001 to \$100,000	Greater than \$100,001
Procurement methods	Direct Appointment / Sole Source Negotiation	✓	X	X	X
	Preferred Supplier or 3 Quotes	✓	✓	X	X
	Restricted Tender	✓	✓	✓	X
	Open Tender	✓	✓	✓	✓
	Procurement Departure Request (Approved Procurement Plan)	✓	✓	✓	✓

Please see Appendix 1 for exceptions to these thresholds.

18 The hybrid version proposed in the Council workshop would have the effect of mandating:

- a. Different levels of Procurement Planning at various financial thresholds;
- b. That all procurement methods are available below \$100,000;
- c. That an Open Tender should be the default procurement method for whole of life estimates above \$100,000;
- d. The continued use of the Procurement Departure Request; and
- e. A move so that the approval of procurement activity e.g. Procurement Plans and Procurement Departure Requests, be managed utilising the Delegations Register. This would place responsibility on staff to operate within their delegated authority and remove the requirement for Procurement Departure Requests only being approved by General Managers or the Chief Executive.

19 The following matrix is a work in progress and included here as example of how the “hybrid” model could be presented in the Procurement Guidelines (noting this would also include definitions and templates for Lite and Full Procurement Plans).

Procurement Planning & Methods Matrix		Financial Thresholds				
		Estimated Whole of Life Contract Value				
		Procurement Planning			Procurement Method	
		Up to \$50,000	\$50,001 to \$100,000	Greater than \$100,001	Up to \$100,000	Greater than \$100,001
Procurement methods	All Procurement Methods available, eg: - Direct Appointment - Sole Source Negotiation - Restricted Tender	N/A	Lite	X	✓	X
	Open Tender	N/A	Lite	Full	✓	✓
	Procurement Departure Request, signed under appropriate Delegated Authority	N/A			N/A	✓

**CONSULTATION PROCESS | HĀTEPE MATAPAKI:**

**> SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA**

- 20 This matter is of low significance, as determined by reference to the Council’s Significance and Engagement Policy because the principles of the Policy are not materially different from those of the existing Procurement Policy and this will not materially change a level of service.
- 21 The persons who are affected by or interested in this matter are
  - a. Audit Finance & Risk Committee
  - b. Elected members
  - c. Staff
  - d. Suppliers – “local”, national and to a much lesser degree, international
  - e. Queenstown Lakes District community
  - f. Other local authorities.
- 22 Engagement via workshops and/or briefings have been provided to the Audit Finance & Risk Committee, Elected Members and a selection of senior QLDC staff, and their feedback has been considered in developing the draft policy.

**> MĀORI CONSULTATION | IWI RŪNANGA**

- 23 The Council will consider the impact on Iwi, particularly with respect to broader outcomes, and will engage where appropriate.

**RISK AND MITIGATIONS | NGĀ RARU TŪPONO ME NGĀ WHAKAMAURUTANGA**

- 24 This matters relates to the “Ineffective Procurement Process” risk (RISK00022) in the QLDC Risk Register. The review has highlighted weaknesses in practice, but also the Procurement Guidelines and its alignment with the Procurement Policy. This risk has been assessed as having a moderate inherent risk rating.

25 The approval of the recommended options will support the Council by allowing us to implement additional controls for this risk. This shall be achieved by providing updated Policy and fit for purpose Guidelines.

### **FINANCIAL IMPLICATIONS | NGĀ RITENGA Ā-PŪTEA**

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26 There are two main resource and financial implications:

- a. External expertise to support the further development of procurement guidelines and procedures; and
- b. The further development of QLDC's enterprise resource planning system to enable more efficient and effective procurement reporting.

27 These will both be managed within existing budgets.

### **COUNCIL EFFECTS AND VIEWS | NGĀ WHAKAAWEAWE ME NGĀ TIROHANGA A TE KAUNIHERA**

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

- Procurement Policy
- Procurement Guidelines
- P-Card Policy
- Sensitive Expenditure Policy
- Engagement of Contractors and Consultants Policy
- Reference alignment with and consideration of the principles of the Vision Beyond 2050: <https://www.gldc.govt.nz/vision-beyond-2050/>

29 The recommended option is consistent with the principles set out in the named policy/policies.

30 This matter is not specifically included in the Ten Year Plan/Annual Plan.

### **LEGAL CONSIDERATIONS AND STATUTORY RESPONSIBILITIES | KA TURE WHAIWHAKAARO, ME KĀ TAKOHAKA WAETURE**

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31 Relevant legislation and statutory guidance associated with local government procurement includes (but is not limited to) the:

- Local Government Act 1974
- Government Procurement Rules
- Office of the Auditor-General:
  - Procurement guidance for public entities (2008)
  - Local government procurement (2020)

### **LOCAL GOVERNMENT ACT 2002 PURPOSE PROVISIONS | TE WHAKATURETURE 2002 O TE KĀWANATAKA Ā-KĀIKA**

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32 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 provides the most value for communities, households and businesses by improving the effectiveness of our procurement activities towards best practice;
- Can be implemented through current funding under the Ten 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 | NGĀ TĀPIRIHANGA

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A	Presentation from Council workshop held on 2 September 2021
B	Draft Procurement Policy