

QLDC Council
2 June 2022

Report for Agenda Item | Rīpoata moto e Rāraki take [6]

Department: Property & Infrastructure

Title | Taitara New Procurement Guide

PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO

1 The purpose of this report is to consider the adoption of the new Procurement Guide.

RECOMMENDATION | NGĀ TŪTOHUNGA

That Council:

1. **Note** the contents of this report.
2. **Adopt** the Procurement Guide with effect from 1 July 2022.
3. **Approve** the date for the completion of the review of the Procurement Guide as 30 June 2023.
4. **Approve** the name change from Procurement Guidelines to Procurement Guide, and the associated reference changes within the Procurement Policy.
5. **Approve** the Procurement Policy Revision 1 (Attachment B) which includes the amended section 9 (Financial Thresholds for Procurement Planning & Procurement Method), minor changes to the sections 5.1.1 and 5.2.5, and the replacement of Guide for Guidelines, with effect from 1 July 2022.
6. **Approve** the use of an Improvement Register to capture minor content changes to reflect continuous improvement for both the Procurement Policy and Procurement Guide.

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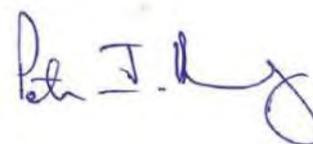
16/05/2022

Reviewed and Authorised by:

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17/05/2022

Reviewed and Authorised by:

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17/05/2022

CONTEXT | HOROPAKI

Procurement Guidelines

- 1 The Procurement Guidelines (the Guidelines) were first adopted by Council in 2016.
- 2 In 2021 staff provided a report to Council that proposed updates to Guidelines including:
 - a. a new Financial Thresholds table; and
 - b. a new Appendix 1, that set out classes of activities, procurement methods and contract types that are compliant with the Guidelines.
- 3 The updated Guidelines were adopted by Council on 25 February 2021.

Procurement Policy

- 4 A new Procurement Policy (the Policy) was adopted by Council on 16 December 2021.
- 5 The new Policy signalled a number of material changes for procurement at QLDC including:
 - a. Adopting the Procurement Lifecycle: Plan, Source, Manage
 - b. The transfer of the Financial Thresholds from the Guidelines to the Policy
 - c. Procurement Planning
 - d. Procurement Reporting; and
 - e. The operation of procurement in line with financial delegations provided in the Delegations Register.
- 6 The new Policy contemplated the introduction of new Procurement Guidelines. The Policy provides that the Guidelines will set out:
 - a. how procurement will be operationalised within QLDC
 - b. how the procurement lifecycle will be managed, including the requirements of procurement planning and the procurement methods available to staff
 - c. assist staff to balance the multiple aims of the Policy; and
 - d. reporting and compliance requirements.

New Procurement Guide

- 7 The Procurement Guide (the Guide) has been developed considering:
 - a. QLDC's Procurement Policy

- b. Feedback from staff and elected members; and
 - c. Material from NZ Government Procurement and other Local Government organisations.
- 8 The Guide is considered fit for purpose.
- 9 As for the Policy, it is intended to complete a review of the Guide by 30 June 2023.

The Policy Section 9 - Financial Thresholds for Procurement Planning & Procurement Methods

- 10 On adoption of the Guide, section 9 - Financial Thresholds for Procurement Planning & Procurement Methods of the Policy (Section 9) becomes operable.
- 11 As it stands, the table in Section 9 provides for two spend brackets, see below:

Estimated Whole of Life Spend	Procurement Planning Required *	Sourcing Methods Available
Up to \$100,000	Lite	All
Greater than \$100,001	Full	1. Open market 2. Procurement Departure Request *

- 12 At a minimum it is intended to capture the following procurement data from the Lite Procurement Plan:
- a. Procurement methodology
 - b. Procurement rationale; and
 - c. Contract type.
- 13 Within the current systems, we would capture procurement data by utilising the Contract Register module of QLDC’s enterprise software system.
- 14 However, in developing the Guide it became clear that the proposed use of the Contract Register to capture procurement data for all procurement activity was going to be considerably more time intensive than anticipated.
- 15 An analysis of QLDC’s Purchase Orders (PO’s) by the number issued and expenditure for the year ended 30 June 2021 identified the following:
- a. 5,711 PO’s were issued for a total of ~\$85m
 - b. 4,464 or 78% of the PO’s were for less than \$10,000
 - c. The total expenditure for the PO’s issued for “less than \$10,000” was \$9.9m or 12% of the expenditure, which averages to ~\$2,200 per PO .

- 16 This means that by capturing and reporting procurement data for PO's issued of "\$10,000 or greater", we would gain insight into procurement data for 88% of the spend, from 22% of the staff time.
- 17 This level of procurement data will greatly increase visibility of QLDC's procurement/spend profile.
- 18 In practical terms, this would mean replacing the table in Section 9 of the Policy with the following:

Spend Bracket	Estimated Whole of Life Spend	Procurement Planning Required *	Sourcing Methods Available
1.	Less than \$10,000	Not mandated	All
2.	From \$10,000 to less than \$100,000	Lite	All
3.	\$100,000 and greater	Full	1. Open market 2. Procurement Departure Request *

- 19 It is intended to replace Section 9 when Revision 1 of the Policy is issued.
- 20 While the Less than \$10,000 spend bracket would not mandate procurement planning or the use of the Contract Register, it would be subject to regular analysis and quarterly reporting by the Finance Team to the Audit Finance & Risk Committee. The purpose of the reporting would be to ensure compliance with the Financial Threshold table, delegated authority and to avoid the risk of contract splitting. Analysis would include the likes of assessing multiple PO's with same/similar coding to the same supplier and increases to PO's that approach/cross the \$10k limit.

Name change: Guidelines to Guide

- 21 In an attempt to create separation between the old Guidelines and the new Guide, it is proposed to change all references from Guidelines to Guide.
- 22 There are 13 references in the Policy to "Guidelines", and it intended to replace these when Revision 1 of the Policy is issued.

Improvement Register

- 23 QLDC has a growing level of procurement maturity. With that maturity comes the opportunity of take advantage of lessons learned and continuous improvement. To enable the Policy and Guide to be keep current, an Improvement Register is recommended.
- 24 Any changes of a minor nature would be:

- a. captured in the Improvements Register

- b. identified in the Chief Executives regular report to Council; and
- c. the Policy and/or Guide updated.

25 Any proposal to make material changes would be the subject of a separate Council Report.

26 There are two minor changes that are intended to be included in Revision 1 of the Policy:

- a. Section 5.1.1
 - i. Replace: Encourage e-business (for example, tenders sent by email)
 - ii. With: Encourage e-business (for example, procurement activity uses the Government Electronic Tender Service).
- b. Section 5.2.5
 - i. Replace: Engage with Māori, Pasifika, and regional businesses and social enterprises in order to actively contribute to our local economy. Openly working to include and support these businesses and enterprises through procurement will promote both skills development and a diverse and inclusive workforce
 - ii. With: Engage with Māori, Pasifika, regional businesses and social enterprises in order to actively contribute to our local economy and promote a diverse and inclusive workforce.

ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

Option 1 Adopt the Guide in all respects.

Advantages:

27 QLDC will have a current, fit for purpose Guide, that:

- a. aligns with and builds on the Policy
- b. provides staff with a clear pathway through the Plan/Source/Manage Procurement Lifecycle
- c. has a clear financial threshold model for procurement planning and sourcing methods; and
- d. provides for the capture and regular reporting of procurement data.

Disadvantages:

28 Increased:

- a. staff time commitment in formalising the operation of the Procurement Lifecycle; and

- b. procurement administration including capturing procurement data and the use of the Contracts Register.

Option 2 Direct Officers to make further amendments to the Guide.

Advantages:

- 29 Advantages will be amendment specific.

Disadvantages:

- 30 Amendments may create further delay for the introduction of the Guide and the full operation of the Policy.
- 31 This report recommends **Option 1** for addressing the matter because it provides QLDC with a fit for purpose Guide and direct alignment between the Policy and the Guide.

CONSULTATION PROCESS | HĀTEPE MATAPAKI:

> SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA

- 32 This matter is of low significance, as determined by reference to the Council’s Significance and Engagement Policy because the new Guide will not materially change a level of service.
- 33 While the Impact Level Guidance provided in Council’s Significance and Engagement Policy suggests the significance of the new Procurement Policy has a “Lower impact”, QLDC acknowledges that procurement:
 - a. is an important issue for our community; and
 - b. is critical to the operation of QLDC.
- 34 The new Guide will provide staff with repeatable, scalable procurement processes that will enable smart, defensible procurement that contributes to the delivery of better public value and becoming a “client of choice” for our suppliers.
- 35 The persons who are affected by or interested in this matter are:
 - a. Elected members
 - b. Audit Finance & Risk Committee
 - c. Staff
 - d. Suppliers – “local”, national and to a much lesser degree international
 - e. The Queenstown Lakes District community; and
 - f. Other local authorities.

36 Engagement via workshops and/or briefings has been provided to Elected Members, the Executive Leadership Team, and a selection of senior QLDC staff. Their feedback has been considered in developing the new Guide.

> MĀORI CONSULTATION | IWI RŪNANGA

37 The Council will consider the impact on Iwi, particularly with respect to the use of Broader Outcomes, and will engage in regular protocol hui and where appropriate, on specific projects.

RISK AND MITIGATIONS | NGĀ RARU TŪPONO ME NGĀ WHAKAMAURUTANGA

38 This matter relates to the Financial risk category. It is associated with “Ineffective Procurement Process” risk (RISK00022) within the QLDC Risk Register. This risk has been assessed as having a moderate inherent risk rating.

39 The approval of the recommended option will support the Council by allowing us to implement additional controls for this risk. This shall be achieved by providing an updated, fit for purpose, Procurement Guide that aligns with the Procurement Policy.

FINANCIAL IMPLICATIONS | NGĀ RITENGA Ā-PŪTEA

40 The main resource and financial implications are:

- a. The further development of the new Guide’s procurement framework - procedures, tools, and templates; and
- b. The further development of QLDC’s enterprise software system to enable more efficient and effective integration of the Procurement Lifecycle, including procurement reporting.

41 These will both be managed within existing budgets.

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

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

- Procurement Policy
- Procurement Guidelines
- Reference alignment with and consideration of the principles of the Vision Beyond 2050: <https://www.qldc.govt.nz/vision-beyond-2050/>

43 The recommended option is consistent with the principles set out in the named policies.

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

LEGAL CONSIDERATIONS AND STATUTORY RESPONSIBILITIES | KA TURE WHAIWHAKAARO, ME KĀ TAKOHA KA WAETURE

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

- Local Government Act
- 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

46 Section 10 of the Local Government Act 2002 states the purpose of local government is (a) to enable democratic local decision-making and action by, and on behalf of, communities; and (b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future. As such, the recommendation in this report is appropriate and within the ambit of Section 10 of the Act because it will serve to improve the effectiveness of QLDC's procurement activities enabling the generation of greater public value.

47 The recommended option:

- 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

A	Procurement Guide
B	Procurement Policy (Revision 1)