

SOUTH WAIRARAPA DISTRICT COUNCIL

13 DECEMBER 2017

AGENDA ITEM C10

REVIEW PROCURING GOODS AND SERVICES POLICY M500

Purpose of Report

To inform Councillors of the recent review of the Procuring Goods and Services Policy M500.

Recommendations

Officers recommend that the Council:

1. *Receive the information.*
2. *Approve the amendments to the Procuring Goods and Services Policy M500.*
3. *Agree the next review date should be December 2020.*

1. Executive Summary

The Procuring Goods and Services Policy M500 is due for review in June 2018. Audit New Zealand noted in their interim Management Report for the 2017 financial year that there were some areas where the current policy could be improved. Officers have now reviewed the policy and made amendments accordingly.

2. Background

Audit NZ included a recommendation in their interim management report for the 2017 financial year as follows:

Update the procurement policy to ensure that it covers all of its procurement and contract management activities.

3. Discussion

As a result of the recommendation from Audit NZ, officers have reviewed the Procuring Goods and Services Policy and the changes show as tracked changes in the attached document in Appendix 1.

The main changes are as follows:

- 3.1 Including wording to reinforce the need for fairness in awarding contracts and providing for open and effective competition.
- 3.2 Referencing the updated Financial Delegations Policy to ensure the two policies are consistent.
- 3.3 Allowing for the possibility of using external resources to assist with the tender process if necessary due to lack of appropriate internal resources or a potential conflict for interest for internal staff.
- 3.4 Updating terminology regarding roles to reflect the current titles in the SWDC organisational structure and to correct the name of the Tenders working party.
- 3.5 Add additional clauses covering how to manage conflicts of interest, monitoring vendor performance and renewal/rollover of contracts to provide clarity on how best to deal with these situations.
- 3.6 Include reference to the recently reviewed Information Technology policy.
- 3.7 Delete reference to SWDC staff being able to use SWDC supplier accounts for personal expenditure as this is not considered good practice and can result in unnecessary extra work for finance team members to recover amounts owing by staff.
- 3.8 Other minor wording changes as evidenced by tracked changes in the attached document.

4. Conclusion

The Procuring Goods and Services policy has been reviewed and updated after feedback from Audit NZ. The amendments have been reviewed and approved by the Audit and Risk Working Party at their November meeting.

It is now submitted to Council for their review and approval.

5. Appendices

Appendix 1 - Procuring Goods and Services Policy M500

Contact Officer: Jennie Mitchell, Group Manager Corporate Support

Reviewed By: Paul Crimp, CEO

**Appendix 1 – Procuring
Goods and Services Policy
M500**



Procuring Goods & Services

1. RATIONALE:

1.1 Due to the diversity of items likely to be contracted for and supplied to both the District Council's Office and Council's agencies, it is essential that firm and clear policies, guidelines and controls are formulated and maintained for the procurement of goods and services.

1.2 The objectives in adopting this policy and procedures are to create:

- A system that ensures there is adequate control by budget holders
- A system that facilitates rather than stifles delegated authority to staff
- A system that gives control to senior management allowing them to consider large expenditure items, before they happen
- A system that has a minimum of bureaucracy
- A system that delegates authority to the most effective level of operation
- A system that provides for open and effective competition
- A system that provides full and fair opportunity for all eligible suppliers

while at the same time achieving the goals outlined below.

1.3 Councils goals in co-ordinating and managing the procuring of goods and services are to:

- Conform with any Statutory provisions;
- Project the Council in a business-like manner; and
- Maximise ratepayer benefit from public funds committed.

2. PURPOSES

2.1 To ensure that funds for the facilitation and delivery of services are used effectively through the buying of necessary goods and services.

2.2 To ensure that funds are not used to subsidise any particular private enterprise or other supplier.

2.3 To ensure that all potential suppliers have reasonable access to Council purchasing through a public advertising policy or other means as may be appropriate.

2.4 To encourage competitive pricing.

~~2.5 Land Transport f New Zealand Transport Agency (NZTA) funded work is procured in accordance with NZTA~~

~~2.62.5 Land Transport New Zealand~~ Competitive Procedure requirements and Councils' procurement strategy, policies and procedures.

~~2.72.6 To recognise service and warranty benefits and provisions of local support, and "buy local" where prices are competitive.~~

~~2.92.7~~ To ensure that Council supplies are obtained under the most favourable conditions by coordinating the sourcing and purchase of supplies.

2.8 To endeavour to protect Council from loss or damage as a result of financial failure or unique influence by other parties by demonstrating integrity and compliance with legislation.

2.9 To ensure control of purchase orders and their subsequent payment within the authorities delegated by Council and the budgetary amounts authorised.

2.10 To ensure that goods and services are made available with the minimum of delay.

3. GUIDELINES

Council must act fairly and reasonably in awarding contracts. Council must be, and must be seen to be, impartial in their decision-making.

Anyone who is managing public resources must do so with the utmost integrity. The standards applying to public servants and other public employees are clear, and Council needs to make clear when funding other organisations that they expect similar standards from them.

The principle of value for money for procuring goods and services does not necessarily mean selecting the lowest price but rather the best possible outcome for the total cost (or whole-of-life cost) for the community.

3.1 Purchases of less than \$20,000 estimated value

All goods and services with an estimated value of under \$20,000 are procured by raising a purchase order. Purchase orders must contain an adequate description of the goods or services required, the general ledger ~~mnemonic code~~ of the account which is to be

charged, name and address of the specific supplier and the name of the person making the order.

Cognisance is taken of the fact that cost to Council needs to be minimised, hence competitive prices should be obtained where there is deemed an advantage to do so.

3.1.1 One Over One Authorisation

In order to implement a level of control over large expenditure items, a "one over one" system exists for authorisation of purchase orders. "One over one" means that each cost centre manager has a preset limit. To place an order in excess of that limit, authority is required from the person's higher officer.

Limits are set in order that delegated authority is not stifled. Each department has different needs and so needs different limits to suit their operations. Any extraordinarily large (and therefore probably strategically important) expenditure for any department requires s authorisation from the Chief Executive Officer (CE), thereby giving him/her some measure of control over semi-discretionary expenditure. Limits are regularly reviewed in order that they continue to achieve a balance of expediency and control. Council Officers can revise contracts within the conditions and values of the contract.

Financial delegations for different types of expenditure are set out in Council's Financial Delegations Policy O200.

3.1.2 Exemptions

Items of expenditure exempted from purchase order procedures are:

- formally tendered contracts;
- wages;
- service contracts;
- fleet card;
- ~~Direct engagement of Consultancy services where an Institute of Professional Engineers of New Zealand (IPENZ) short form contract is used, limited specialized skills are available in the market and it is under \$20,000.~~
- phone rentals;
- petty cash;
- power charges;
- tax payments;
- bank fees;
- debt payment;
- Wellington Regional Council payments

- Direct engagement of Consultancy services where an Institute of Professional Engineers of New Zealand (IPENZ) short form contract is used, limited specialized skills are available in the market and it is under \$20,000.

▬

3.2 Purchases of more than \$20,000 value

- 3.2.1 The procurement of any goods and/or services having an estimated value of \$20,000 or more is by means of a formal contract either by tender or direct appointment where the service is for a professional consultancy and has been budgeted for.

Council may provide exemptions where the use of tenders is genuinely inexpedient. Approval for such exemptions is known as, and recorded as, a "Certificate of Inexpediency" signed by the Chief Executive Officer.

- 3.2.2 To ensure the integrity of the tender and appointment system, an approved procedure for the advertising, receiving, opening and recording of tenders applies. In cases where appropriate internal resources are not available -or where there is a perceived or potential conflict of interest, an external consultant should be appointed to carry out all or part of the procurement processing a consultant should be followed.
- 3.2.3 The publishing of all tender advertisements is done by the department head concerned.
- 3.2.4 Tender boxes are locked. The key is held by an officer of Council as authorised by the Chief Executive Officer or the department head.
- 3.2.5 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. Council reserves the right to refuse to consider any tender received after the time stipulated, irrespective of the reason for lateness. Consideration of any late tender will be at the sole discretion of the Council.
- 3.2.6 Tenders received by fax up to the close off time are endorsed on receipt, stating date and time of receipt and the receiving officer's name, and placed in an envelope, the tender number written on the outside of the envelope, and then immediately placed in the tender box. Faxed tenders may not be photocopied prior to tenders being opened.

- 3.2.7 The tender box remains locked and undisturbed until the close of tenders.
- 3.2.8 There are to be two people present when the tender boxes are opened by an authorised officer of the Council. The tender box is to be opened as soon as possible after a tender closes.
- 3.2.9 A register of all tenders received is kept by the departmental head concerned. 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 two authorised officers present, to certify that the opening has been done correctly. Through this process it is imperative confidentiality is maintained.
- 3.2.10 All communication and tender documents are handled in their entirety by the officer taking responsibility for the tender. All cheques received are receipted as soon as practicable.
- 3.2.11 As soon as possible after tenders have been opened, the officer responsible for the contract checks all tenders received to ensure that they are arithmetically correct and in the terms of the tender invitation. He/she then prepares a tender evaluation report containing the following minimum detail:
- a) description of the proposed work (i.e. 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 eEstimated 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 contractor who has submitted the lowest tender is considered to be capable of supplying goods or services successfully to the required standards within time and within budget;
- If the lowest tender is not recommended for acceptance a similar statement is required for the recommended tenderer together with reasons for not recommending the lowest tender;

- f) a financial statement showing details of all expenditure required to complete the works and the actual funds available;
- g) the recommendation of the officer evaluating the tenders.

3.2.12 The officer responsible for the contract may be a Council employee or an external agency/agent commissioned by the Council.

3.2.13 Authority to Award Contracts:

~~Authority to award contracts is as follows:~~

Provided that:

- a) Sufficient funds for the goods or services to be procured have been budgeted for in the current Annual Plan (AP) or Long Term Plan (LTP); and
- b) the cost of the contract plus the cost of any goods and services to be supplied by others for the same project is within the funds budgeted for the project.

Authority to award contracts is as follows:

Contracts having a total value of **not more than \$50,000 (exclusive of GST)** may, after consideration of the Tender Evaluation Report, be awarded by three Council personnel, at least two of whom are Department Heads (including the Departmental Head concerned).

Contracts having a total value of **not more than \$100,000 (exclusive of GST)** may, after consideration of the Tender Evaluation Report, be awarded by three Council personnel, one of whom must be the Chief Executive Officer, the relevant Group Manager and ~~the other two Departmental Heads (including the Departmental Head concerned)~~.

Contracts having a total value of **\$100,000 (exclusive of GST) and above**, may, after consideration of the Tender Evaluation Report, be awarded by a Tenders Working Party, consisting of the Mayor, one Councillor, Chief Executive Officer, the relevant Group Manager and the Departmental Head concerned.

3.2.14 In the case of contracts which do not meet the criteria referred to in a) and b) above, the Tender Evaluation Report shall include reasons why it is necessary for the contract to proceed and a recommendation for the source(s) of funds required.

In such cases the "one-over-one" authorisation procedure applies e.g. a contract in \$20,000 - \$50,000 bracket not complying with a) and b) is referred to the next authorisation level.

3.2.15 The Tenders ~~Working Party Committee's~~ next ~~authorisation~~ authorisation level is the Council.

3.2.16 Extensions, variations and additions under existing contracts will be dealt with under the terms and conditions of that contract.

3.3 Capital Expenditure Approval

Capital Expenditure - asset purchases - can be defined as any expenditure on acquiring a new asset with an estimated value in excess of \$1,000 (exclusive of GST). Capital expenditure requires authorisation from the Chief Executive Officer prior to commencing the purchasing process except where detailed in the AP/LTP.

Financial delegations for Capital expenditure are set out in Council's Financial Delegations Policy O200.

3.4 Managing Conflicts of Interest

3.4.1 Council officers, Contractors and Elected members involved in the procurement process need to be aware of situations where a conflict of interest or perceived conflict of interest may as they arise.
~~and disclose them in line with Clause 2.7 in their Employee Contract.~~

3.4.2 All staff involved with the procuring of goods and/or services are required to declare any personal interest that may affect, or could be perceived to affect, their impartiality in any aspect of their work. The representatives undertaking procurement activities are expected to perform their duties in a fair and unbiased way and not to make decisions that are affected by private interests or the prospect of personal gain. Whether a perceived or actual conflict of interest exists, or does not exist, staff are required to declare this in writing.

3.4.3 Council officers, Contractors and Elected members involved in the procurement process must not accept gifts, favours or hospitality that may be construed as a bribe or perceived undue influence from any supplier or potential supplier to Council.

The offer and receipt of gifts, including special occasion goodwill gifts must be reported to the Chief Executive.

3.4.4 Working lunches and social occasions should be undertaken in an appropriate manner and must not create a conflict of interest or perceived conflict of interest.

3.4.5 Council officers, Contractors and Elected members involved in the procurement process must act with integrity and impartiality at all times in the procurement process.

3.4.6 Any contract with an external contractor to assist with the procurement process must cover how the parties will deal with conflicts of interest, disclosure, resolution and management.

3.5 Monitoring Vendor Performance

3.5.1 Throughout a contract a vendor's performance must be monitored to ensure it meets all the standards in accordance with the contract.

3.5.2 Where appropriate, regular meetings should be held between the relevant Council Officer and the key contact at the supplier company.

3.5.3 Any issues with non-performance from the supplier should be communicated to the supplier contact and addressed immediately.

3.5.4 If necessary, the officer should escalate issues of non-performance to their manager who should escalate to the appropriate person in the supplier company.

3.5.5 Serious misconduct or underperformance by any supplier must be notified to the Chief Executive Officer along with a summary of any risks to Council as a result.

3.5.6 In all cases, officers should refer to the contract with the supplier and follow all agreed protocols for contract management.

3.6 Renewing the Contract (Contract Roll-over)

3.6.1 Before the decision is made to renew or roll-over a contract, the current contract must be reviewed and evaluated to assess how well the objectives of the contract have been achieved and determine where any improvements can be made.

3.6.2 Existing contracts should be re-examined to ensure value for money is being achieved and the effectiveness and efficiency of the contractual arrangement and the performance of a vendor must be evaluated. This process should be clearly recorded and the justification for the final decision documented.

4. SENSITIVE EXPENDITURE

Objective: To ensure expenditure ~~can~~ is not extravagant and can withstand public scrutiny. In that it is transparent, justifiable, conservative, and staff are not perceived to benefit personally, ~~or directly benefit.~~

4.1 Principles

4.1.1 Ensure expenditure is:

- Not of a nature that could be regarded as, extravagant or immoderate
- Justifiably for business purposes ~~adequately documented~~
- Substantiated by invoices, receipts and other relevant documents
- Appropriately authorised before committed
- Compliant with policies and procedures including the Financial Delegations Policy O200
- ~~Impartial~~
- ~~Conservative~~
- Transparent

4.1.2 Ensure the recovery of inappropriate expenses wherever possible and practicable.

4.2 Travel and Expenditure

The Council pays for all travel costs associated with Council business. Council cars are provided for this purpose, however at times the use of private cars and/or air travel is required.

4.2.1 Where commercial air services are available and used, all costs associated with the travel are met by Council through a purchase order. Discounted Economy or economy class is used for journeys of up to 4 hours of uninterrupted flight duration except where the distance ~~or~~ travelled, or work schedule on arrival, or personal health, safety or security reasons make business class preferable. All stop overs will be covered by ~~entity Council~~ if they have a clear business purpose but they must be pre-approved.

4.2.2 Where no commercial air services are available, Elected Members and Council employees are required to use Council vehicles if available or rail/coach services.

4.2.3 Where Council vehicles are not available, private vehicles may be used subject to the approval of the Group Manager or Chief Executive Officer first being obtained. Insurance is the owner's responsibility, SWDC will have no liability.

- 4.2.4 Where the use of private vehicles is approved in advance, costs will be reimbursed for Council employees at current Inland Revenue Department rates and for Elected Members at rates determined by the Remuneration Authority.
- 4.2.5 Where the use of a private vehicle is approved, expenses to ~~be reimbursed~~ be reimbursed will be limited to the appropriate airfare or current Inland Revenue Department rates. Vehicle mileage will be payable to all Community Board members and non-elected members of Council committees for travel to and from officially notified meetings and any other Council business that may be required and authorised by the ~~Mayor and/or~~ Chief Executive Officer ~~for return trips over 30kms only, and that the first 30km of those trips would be exempt from payment.~~
- 4.2.6 **Taxi** travel is to be ~~to~~ preapproved ~~destinations by the staff member's~~ Manager, exceptions ~~can~~ will be made when personal safety or hour of day make taxi travel the most appropriate form of transport can be justified.
- 4.2.7 **Rental vehicles** should be booked as soon as attendance practical once travel has been approved confirmed. ~~Be~~ Staff should use the most economical type and size of rental vehicle given the distance- to be travelled and the number of people using the vehicle. Rental vehicles can only be used for personal use when the employee is staying over a weekend for continued work on the Monday. The employee will reimburse the council for any additional costs ~~this~~ incurred that do not relate to Council business. Private use must be approved by the employee's manager prior to the travel occurring.
- 4.2.8 Travel should be booked as soon as attendance is confirmed possible to obtain the best possible price.
- 4.2.9 All **Fines** (e.g. parking and speeding) are at the individual's expense.
- 4.2.10 **Private travel** may be linked to official business as long as there are no additional costs to SWDC. Travel costs of ~~s~~ Spouses, partners, or other family members will not be covered with the exception of the Mayor and CEO's partner to the LGNZ Annual Conference.
- 4.2.11 **Food** transactions can be covered by a cash advance or claim. When travelling overnight the council will cover actual and reasonable expenses, not extravagant or excessive ~~(e.g.~~

~~cavier~~). Meals that comprise part of the conference/travel package will not be reimbursed. Alcohol with meals will not be reimbursed.

4.2.12 **Alcohol**

Council Functions where alcohol may be served are:-
Events/Forums
Christmas Function
Social Club Events

4.2.13 **Entertainment & Hospitality**

In general terms there is no need to incur expenditure of this nature, accordingly reimbursement will require prior approval.

4.2.14 ~~_____~~ **Accommodation**

Accommodation is to be preapproved ~~booked via~~ by the attendee's Manager or ~~Team~~ Leader with the view it is cost effective for the region, time of year and safety.

The council will not cover mini bar or paid TV costs incurred.

4.3 Goods and Services Transactions

4.3.1 Sale of Surplus Assets to Staff

Low value obsolete and worn out goods may be tendered to staff.

All vehicles, high value items and confiscated items e.g. stereos are to be sold through an auction house or other on-line mechanism.

4.3.2 Loyalty Points and Prizes

Remain the property of SWDC as the payer and benefiter of the goods and services.

4.3.3 Reasonable private use of entity assets (~~P~~phones, photocopiers ~~(10 copies)~~, internet) ~~(short duration, stationery etc.)~~ is duration is permitted. See SWDCs Information and Technology Policy N600 for more detailed guidelines.

4.3.4 SWDC~~Entity~~ Use of Private Assets

This may occur and be reimbursed with approval in advance by the CEO.

~~4.3.5 Private Use of SWDC Suppliers~~

~~_____ This is permitted provided:~~

~~The goods are paid for by the next pay day.~~

~~The staff member is not involved in the vendor approval process.~~

~~The goods or services are not being purchased on behalf of a third party.
Purchases are made using a purchase order~~

4.4 Staff ~~Support and Welfare~~ Sponsorship

4.4.1 ~~Staff Farewells and retirements~~

~~SWDC does not contribute to Staff farewells and retirements; these are recognised through colleague contribution.~~

4.4.2 SWDC does not provide **sponsorship** to employees. All other sponsorship, donations and grants are covered in the M700 Grants Policy.

4.5 Other types of expenditure

4.5.1 ~~Koha's may be given~~ are to reflect the occasion, time commitment and facility. ~~they~~ Koha must be approved in advance ~~by the CE.~~

4.5.2 Receiving Gifts

4.5.2.1 Gifts may be given by SWDC to a maximum value of \$200 as part of ceremonies and protocol for example dignitaries and new citizens.

4.5.2.2 Staff may personally acquire infrequent and inexpensive gifts that are openly distributed by suppliers and clients (For example pens, badges, calendars).

4.5.2.2 Staff must reject or hand to Group Managers or CEO all non-minor gifts for redistribution for example at a year ~~end~~ draw.

~~4.6 Exemptions~~

~~Managers have the power to grant an exception in advance.~~

5.0 Staff Reimbursement Claims and Cash Advances

Staff may claim reimbursement of expenditure incurred on behalf of SWDC.
The following applies to staff reimbursement claims:

5.1 Claims must clearly state the business purpose of the expenditure.

5.2 Claims must ~~B~~be accompanied by supporting documentation such as a tax invoice. Credit card statements do not constitute adequate documentation.

- 5.3 ~~Claims must~~ document the date, amount and description for minor expenditure when receipts are unavailable e.g. vending machines and tips (tips may be claimed for international travel only).
- 5.4 ~~Claims must~~ be submitted within two weeks of expenditure.
- 5.5 Claims will be ~~randomly~~ checked against guidelines by Accounts Payable.

6.0 Inappropriate Spend

Inappropriate spend must be reported to the CEO or a Group Manager as soon as identified and will be dealt with in confidence.

~~7. Context~~

~~Every public entity should have a policy like this one to minimise risk.~~