



**SOUTH WAIRARAPA
DISTRICT COUNCIL**
Kia Reretahi Tātau

Procurement Policy and Guide

First Adopted	December 2017
Last Reviewed	30 June 2022
Policy Number	M500
Next Review	31 March 2026 Minor procedural amendments may be made to the procedures that sit within this policy outside of scheduled reviews on the approval of the Chief Executive Officer. Amendments will be reported in the governance report to the appropriate committee.

Contents

Procurement Policy	2
1. Background.....	2
2. Purpose	2
3. Scope	2
4. Procurement Objectives.....	2
5. Principles of Procurement.....	3
6. Broader outcomes.....	4
6.1. Environmental Considerations	5
7. Relevant Policies and Procedures and Legislation	5
Procurement Guide	6
How we procure	6
8. Plan.....	6
8.1. Identify requirements	6
8.2. Plan approach to the market.....	7
9. Source.....	8
9.1. Approach market and select supplier	8
9.2. Negotiate and award contract	9
10. Manage.....	11
10.1. Manage contract and relationship	11
10.2. Managing conflicts of interest.....	11
10.3. Contract renewal.....	12

Procurement Policy

1. Background

The Local Government Act 2002 states the purpose of local government is to enable local decision-making and action by, and on behalf of communities, and to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.

To achieve its purpose, this requires councils to use public money and we recognise the importance of delivering public value for the goods, services and works we procure. In addition, South Wairarapa District Council (SWDC) recognises that expenditure of public money can generate additional social, cultural, environmental and economic benefits.

2. Purpose

This policy provides the overarching objectives, principles and outcomes that guide SWDC procurement. It should be read in conjunction with the Procurement Guide which outlines the approach to planning, sourcing and managing procurement activities.

3. Scope

This policy applies to all SWDC procurement activities excluding activities funded by external agencies that may require specific procurement processes e.g. Waka Kotahi NZ Transport Agency funded work which is procured in accordance with the endorsed South Wairarapa District Council Transport Procurement Strategy and Waka Kotahi Procurement Manual.

This policy and guide does not apply to non-procurement related activities such as:

- 3.1 employing staff (excluding contractors and consultants)
- 3.2 appointments
- 3.3 investments, loans and guarantees
- 3.4 gifts, donations and grants.

On occasions, exemptions may be required to this policy and guide, such as in an emergency or to comply with regulatory obligations. Exemptions are at the approval of the Chief Executive and will be reported to the Finance, Audit, and Risk Committee to the following meeting.

4. Procurement Objectives

Our procurement objectives are:

- 4.1 **Delivering value for money** – getting the best results from our spending, including sustainable value of money over the lifetime of the goods and services that we procure.

- 4.2 **Optimising public value** – seeking opportunities for procurement activity to enhance the social, economic, cultural and environmental wellbeing of our communities as part of the goods, services or work being delivered.
- 4.3 **Building capability** – raising performance standards through effective management of our suppliers and service providers to get the best public services for the South Wairarapa District.
- 4.4 **Supporting local** – helping South Wairarapa District businesses to grow capability and increase competitiveness.

5. Principles of Procurement

Council applies the *Five Principles of Government Procurement* and takes into consideration the Government Procurement Rules as set out in the Government Procurement Rules (4th Edition) 2019, published by the Ministry of Business, Innovation and Employment (MBIE). Council recognises this publication as providing a best practice framework to guide Council in the delivery of the best ‘public value’ through its procurement, and to drive innovation and performance.

Five Principles of Government Procurement	
1. Plan and manage for great results	
»	Identify what you need, including what broader outcomes should be achieved, and plan how to get it
»	Set up a team with the right mix of skills and experience
»	Involve suppliers early
»	Understand the market and your effect on it
»	Choose the right process
»	Encourage e-business (e.g. tenders sent electronically)
2. Be fair to all suppliers	
»	Creative competition and encourage capable suppliers to respond
»	Treat all suppliers equally – don’t discriminate
»	Make it easy for suppliers of all sizes to do business with SWDC
»	Be open to subcontracting in big contracts
»	Clearly explain how proposals will be assessed
»	Talk to unsuccessful suppliers so they can learn and know how to improve next time
3. Get the right supplier	
»	Be clear about what you need, and fair in how you assess suppliers – don’t string suppliers along
»	Choose the right supplier who can deliver what you need at a fair price and on time
»	Building demanding, but fair and productive, relationships with suppliers
»	Make it worthwhile for suppliers – encourage and reward them to deliver great results
»	Identify relevant risks and get the right person to manage them

Five Principles of Government Procurement

4. Get the best deal for everyone

- » Get the best public value
- » Make balanced decisions – consider the possible social, environmental, economic and cultural outcomes that should be achieved
- » Encourage and be receptive to new ideas and ways of doing things – don't be too prescriptive
- » Talk calculated risks and reward new ideas
- » Have clear performance measures – monitor and manage for great results
- » Work together with suppliers to make ongoing savings and improvements
- » Be accountable for the results

4. Play by the rules

- » Be accountable, transparent and reasonable
- » Act responsibly, lawfully and with integrity
- » Stay impartial – identify and manage conflicts of interest
- » Protect supplier's commercially sensitive information and intellectual property

6. Broader outcomes

As far as reasonably practicable, SWDC aims to achieve the following broader outcomes through its procurement activities:

Social	<ul style="list-style-type: none">• Buying locally• Using local suppliers who have a significant presence in the district• Increasing community wellbeing, meaning having a safe well connected community
Economic	<ul style="list-style-type: none">• Supporting the best outcome for everyone• Using organisations that offer quality employment for everyone• Enhancing business and employment prosperity
Cultural	<ul style="list-style-type: none">• Increasing supplier diversity and creativity• Supporting Māori and Pasifika partnerships• Encouraging the engagement of Māori in the design and/or delivery of goods, services and works
Environmental	<ul style="list-style-type: none">• Mitigating and adapting to Climate Change• Reducing waste• Increasing community resilience• Minimising the effects of goods and services on the environment, over the whole of life, including their disposal, as well as their cost and quality

6.1. Environmental Considerations

As a provider of waste management services to the district, SWDC has a moral and operational role in considering the impacts of procurement on the environment.

SWDC is committed to the five principles of environmentally sustainable procurement developed by MBIE. These principles are summarised as follows:

- 6.1.1 Buy only when there is a genuine business need
- 6.1.2 Buy low or no emission options
- 6.1.3 Conserve resources
 - Think twice before buying new
 - Think about the way things are made
 - Think about the packaging
 - Think about what you'll do with a product once you've finished with it
- 6.1.4 Use energy and water wisely:
 - Buy products that run on renewable and low-emission energy sources
 - Use energy efficiently
- 6.1.5 Evaluate value and performance:
 - Buy good quality products
 - Buy goods and services that comply with recognised environmental standards
 - Buy products that support good outcomes.

7. Relevant Policies and Procedures and Legislation

In addition to this policy and guide, anyone involved in procurement should be aware of Councils relevant policies and procedures, in particular the Financial Delegations Policy which sets financial thresholds that apply to procurement processes.

Staff should also be aware of relevant statutes that relate to Local Government, contracting, and the common law of contracts, including but not limited to:

- 7.1 [Commerce Act 1986](#)
- 7.2 [Construction Contracts Act 2002](#)
- 7.3 [Contracts and Commercial Law Act 2017](#)
- 7.4 [Health and Safety at Work Act 2015](#)
- 7.5 [Fair Trading Act 1986](#)
- 7.6 [Land Transport Management Act 2003](#)
- 7.7 [Local Authorities \(Members' Interests Act\) 1968](#)
- 7.8 [Local Government Act 2002](#)
- 7.9 [Local Government Official Information & Meetings Act 1987](#)
- 7.10 [Public Audit Act 2001](#)
- 7.11 [Public Records Act 2005](#)

Procurement Guide

This guide sets out how Council staff procure goods and services. It covers how we plan, source and manage our procurement to ensure we meet our objectives and principles.

How we procure

8. Plan

This section outlines what you need to do before approaching and selecting a supplier.

8.1. Identify requirements

The level of planning should be proportionate to the size, risk, relative value and strategic importance of the procurement. Depending on the nature of the procurement, this phase may involve:

- 8.1.1 deciding what you intend to procure, how you intend to approach the market, how you will evaluate any bids and how you intend to contract.
- 8.1.2 considering what broader outcomes could be leveraged through the procurement.
- 8.1.3 estimating the delivery date taking into account the complexity, how much subcontracting there might be, and a realistic time to deliver given the nature and scope.
- 8.1.4 identifying if there are any pre-conditions that need to be applied e.g. technical skills or expertise required.
- 8.1.5 the declaring of any conflicts of interest that may affect, or could be perceived to affect, a staff members impartiality in any aspect of their work is required. These should be recorded in writing. A Declaration of Interest form is available for use by those with involvement in the procurement process.

A Procurement Plan template is available to support competitive procurements exceeding \$100,000 and high-risk procurements.

A business case should be completed for non-emergency procurement activities exceeding \$100,000 which are not budgeted for in the Annual Plan or the Long Term Plan.

8.2. Plan approach to the market

Different procurement methods are used depending on the total cost of the good, service or work and the level of risk involved as set out in the following table.

Estimated Whole of Life Contract Value	Up to \$5,000	\$5,001 - \$20,000	\$20,001 - \$100,000	Greater than \$100,000
Direct appointment / sole source negotiation	✓	✗	✗	✗
Preferred supplier or two written quotes	✓	✓	✗	✗
Preferred supplier or three written quotes	✓	✓	✓	✗
Open and competitive tender	✓	✓	✓	✓

A different approach may be required in an emergency situation in the interests of expediency or when there is a single specialist supplier. Exemptions are at the approval of the Chief Executive and the reasons should be documented. Any exemption granted will be reported to the Finance, Audit and Risk Committee at the following meeting.

8.2.1. Quotations

Quotes are the preferred procurement method when procuring low value, low/medium risk goods and services where the primary objective is to achieve value for money.

Quotes can be used to provide a quick and convenient way of exploring the market and determining availability and price for low value, low/medium risk goods or services. Written quotes are used, where practicable, for procurement exceeding \$5,000.

8.2.2. Preferred suppliers

Council may procure directly from suppliers for an agreed period of time as a *standing arrangement*. These arrangements are appropriate for goods of low value and low risk. Examples might include fuel, stationery, advertising and air travel.

Supplier panels may also be used. Panel arrangements are where a contractual arrangement is made with a group of suppliers to provide services as and when required based on a fixed rate. Appointment of a panel ensures the ongoing availability of suppliers who are pre-qualified (in skills and ability and their understanding of Council's requirements) for the delivery of service where selection can be determined by price and availability in a timely manner. A supplier may only be added to a supplier panel following an open tender process.

Responsibility for maintaining a register of preferred suppliers sits with the Finance team.

8.2.3. Open tender

A tender is a process designed to seek competitive prices from multiple suitable bidders.

Depending on the risk and complexity, the process may include an initial Registration of Interest (ROI) or Expression of Interest (EOI) phase. This phase is intended to establish more information about the goods or services, the market and the capability of suppliers.

The next phase is a Request for Proposal (RFP) or Request for Tender (RFT):

8.2.3.1 An RFP is used where the outcome desired can be specified but Council is willing to accept alternative methods of achieving the outcome and is seeking innovation on the part of the suppliers.

8.2.3.2 An RFT is used where the specification or requirements are clearly defined and there is little room for flexibility or innovation.

SWDC's administrative procedures for receiving and opening tenders are set out in section 2.1.3.

9. Source

This section outlines how to get quality responses from the right supplier or providers.

9.1. Approach market and select supplier

9.1.1. Notify the procurement

If an open competitive process is being used, suppliers should be notified of the procurement opportunity. The notice should incorporate all the information needed for suppliers to prepare a response.

Procurements valued over \$100,000 are advertised on TenderLink or the Government Electronic Tendering Service (GETS). Refer to [Procurement Rule 38](#) for guidance on the content to include in the notice.

Adequate time should be given for suppliers to respond to the procurement opportunity. We are guided by the minimum time periods set out in [Procurement Rule 34](#).

9.1.2. Responding to supplier questions

Suppliers may ask questions about the procurement. Staff should respond to all questions and reasonable requests for information. If the response would give an unfair advantage, the information should be provided to all suppliers at the same time.

9.1.3. Receiving tender responses

For a supplier to be considered they must submit their tender response in writing and comply with any pre-conditions. Tenders may be accepted through a secure electronic tendering

system or by hard copy. The tender notice will contain specific instructions as to how tenders are accepted.

All tender responses received in hard copy (e.g. via post or dropped into reception) will be date and time stamped.

All tender responses whether electronic or hard copy are to remain unopened until the closing time. Two officers are required to be present when tender documents are opened. All received tenders are to be logged in a tender register, which is to be signed by the two officers present. A tender register template is available.

9.1.4. Evaluating offers

A formal evaluation process is required when:

- 9.1.4.1 the value of work exceeds \$100,000
- 9.1.4.2 supplier selection is not solely based on price
- 9.1.4.3 for high-risk procurements.

The bids are to be evaluated by an evaluation team in accordance with the criteria and weightings in the procurement planning. The size and membership will depend on the value, complexity and risk of the procurement. For Lowest Price Conforming evaluations there should be at least two evaluators. For all other evaluations at least three evaluators are required. This might include the following officers: a person with subject matter technical expertise, a person with financial expertise, and a person with procurement process experience.

A Declaration of Interest Form should be completed by all members of the evaluation team.

The results of the evaluation should be recorded to provide the holder of delegated authority with information on the evaluation process and rationale for recommending the preferred supplier to enter contract negotiations with.

9.2. Negotiate and award contract

9.2.1. Purchase orders

Council's Purchase Ordering system represents a contract and is appropriate for the purchase of low value/low risk goods and services up to \$20,000.

Purchase orders must contain:

- 9.2.1.1 a description of the goods or services
- 9.2.1.2 the general ledger code of the account to be charged
- 9.2.1.3 name and address of the specific supplier
- 9.2.1.4 name of the person making the order
- 9.2.1.5 signature from appropriate delegated authority in accordance with the Delegations Policy and Register. If the delegated authority holder is not the direct

line manager, a record of approval from the line manager should be presented to the delegated authority when the purchase order is provided for signing.

9.2.2. Purchase order exemptions

Items exempt from the purchase order procedures are:

- 9.2.2.1 formal contracts, including service contracts and where a short form contract is used
- 9.2.2.2 wages
- 9.2.2.3 fleet card
- 9.2.2.4 phone rentals
- 9.2.2.5 power charges
- 9.2.2.6 tax payments
- 9.2.2.7 bank fees
- 9.2.2.8 debt payments
- 9.2.2.9 Greater Wellington Regional Council payments.

9.2.3. Contract Negotiation

When we have relationships that require extended terms and conditions, or there is higher than normal risk, a formal written contract is required.

Any due diligence (e.g. reference checks) required should be carried out on the preferred supplier before entering contract negotiations or awarding the contract. This helps to independently verify a supplier is who they claim to be, has the financial ability to deliver and has the necessary capacity and capability to deliver. The level of due diligence will vary depending on the value and risk of the procurement.

Staff should negotiate the terms and deliverables of the contract to reach an agreement that is acceptable to both parties. The written contract should also state if there is a right of renewal.

Contracts should be signed by the appropriate delegated authority as set out in the Financial Delegation Policy.

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

9.2.4. Inform unsuccessful suppliers and offer debriefs

After awarding the contract, staff should promptly inform any unsuccessful suppliers.

Unsuccessful bidders should be offered an opportunity to be debriefed. Staff should address the supplier's concerns and questions and provide information that helps the supplier to improve future responses. This includes information such as the reason(s) the proposal was not successful, how the proposal performed against the criteria, and the relative advantages of the successful proposal.

9.2.5. *Supplier complaints*

Complaints may be directed to the Chief Executive who will consider and respond impartially.

9.2.6. *Publish contract award notice*

Any tenders notified on TenderLink or GETS should have a Contracts Award Notice published within 30 business days of the contract being fully signed. Refer to [Procurement Rule 48](#) for guidance on the information to be included in the notice.

9.2.7. *Record keeping*

Staff should maintain appropriate records relating to procurement activities that allow for subsequent review of the decision-making process.

10. Manage

This section outlines how to manage the contract and relationship once its underway.

10.1. *Manage contract and relationship*

Contract management continues throughout the life of the project and includes tracking and monitoring delivery and costs, managing risks and relationships, conducting reviews and resolving problems.

To get the best from suppliers SWDC:

- 10.1.1 Sets clear performance expectations, then monitors and manages the contract against these standards
- 10.1.2 Encourages and recognises suppliers for delivering great results
- 10.1.3 Works with suppliers to make ongoing improvements for both parties
- 10.1.4 Encourages a proactive approach to any issues arising
- 10.1.5 Adopts an open communication and 'no surprises' approach.

Contracts exceeding \$100,000 will be reviewed prior to renewal or roll-over. Contracts are also to be reviewed at the end of the contract life to determine how well the objectives of the contract have been achieved and opportunities for improvement.

10.2. *Managing conflicts of interest*

Staff should manage perceived and actual conflicts of interest over the life of the contract. If a new conflict of interest arises over the course of the contract, staff are responsible for ensuring this is declared and recorded in writing.

Staff should be aware of and comply with the Discretionary Expenditure Policy and Guidance in managing relationships with suppliers, particularly in relation to receiving gifts.

10.3. Contract renewal

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

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.

The maximum length of new contracts is to be five years. This may for example, consist of a 3 year + 2 year + 1 year renewal approach. Exceptions to this may be granted at the discretion of the Chief Executive. Any exceptions need to be justified with the reasons clearly documented. Any exceptions will be reported to the Finance, Audit and Risk Committee.