



2.2 PROCUREMENT POLICY

| Date Reviewed | Next Review | Officer Responsible |
|----------------|--------------|---------------------|
| 1 October 2016 | 30 June 2019 | Procurement Lead |

Policy Purpose:

This policy covers activities associated with the purchasing of all goods and services by, or on behalf of the Rotorua Lakes Council. It applies equally to the Council, Community Boards, the Management Team, all groups and staff – permanent, temporary or contract.

Policy Objectives:

The objectives of Rotorua Lakes Council’s procurement policy are to provide clear direction to management and staff in relation to the purchasing function and establishes a decision framework that:

- delivers best value for money over the whole life of the goods, service or asset;
- ensures purchases are made in an open and transparent manner with full and fair opportunity for all eligible suppliers;
- minimises relationship costs, ongoing operational costs and consequential costs;
- contributes to Council’s sustainability objectives and requires sustainably produced goods or services whenever possible, having regard to economic, environmental, and social impacts over their life cycle;
- appropriately manages risk;
- promotes efficient purchasing practices and their continuous improvement;
- ensures adequate probity – integrity, equity and fairness
- ensures compliance with the requirements and guidelines of the RLC Procurement Manual; and
- ensures Council’s purchasing activities are managed in accordance with its statutory and legal responsibilities.

Policy:

- To achieve Council’s procurement objectives and to enhance professional integrity, accountability and probity, all purchasing activity within Council shall be undertaken in accordance with the policy, principles and procedures set out in the Council’s Procurement Manual.

- A Procurement Steering Committee, comprising of the Procurement Lead and Tenders Panel Members, shall oversee procurement practice within the Council.
- The Council will undertake its purchasing activities in the most effective and efficient manner to minimise the administrative costs associated with purchasing and will ensure that appropriate practices and procedures of internal control and risk management are in place for its purchasing activities.
- Council has a commitment to sustainability and environmental protection. This will be pursued by promoting purchasing practices which conserve resources, save energy, minimise waste, and will protect the environment and human health whilst maintaining environmental safety and quality.
- From time to time an internal audit process shall be undertaken to ensure that the terms and conditions of the Council's Procurement Manual and Procurement Policy are being followed.
- Operational procedures and principles are published in the RLC Procurement Manual which distinguishes between mandatory processes and discretionary activities. To ensure the operational procedures and principles remain current, from time to time amendments may be necessary. Such amendments shall be approved by the Procurement Steering Committee.
- For procurement activity to be fully effective and achieve best value, it needs to be planned. Accordingly, a Procurement Plan shall be required for all procurements of \$25,000 or more.
- Where the value of the goods or works proposed to be purchased or sold exceeds \$50,000, publicly advertised tenders are to be invited unless there are exceptional circumstances, for which approval must be recorded in writing by the appropriate delegated authority. Exceptional circumstances are defined as where there is only one known or specialist supplier, or in cases of obvious emergency.
- Where the value of the goods or works proposed to be purchased or sold falls between \$10,000 and \$50,000, at least three written competitive prices shall be sought and recorded, unless there are exceptional circumstances, for which approval must be recorded in writing by the appropriate delegated authority. Exceptional circumstances are defined as where there is only one known or specialist supplier, or in cases of obvious emergency.
- Where the value of the goods or works proposed to be purchased or sold falls between \$2,000 and \$10,000, three written quotes shall be sought and recorded, wherever practicable.
- Purchases of less than \$10,000 shall be sourced from suppliers designated as 'preferred suppliers' where such preferred supply relationships or contracts have been established following:
 - a. a competitive Rotorua Lakes Council procurement process; or
 - b. a competitive All of Government (AoG) procurement process; or
 - c. a competitive n³ procurement process, or
 - d. a competitive Bay of Plenty Local Authority Shared Services (BOPLASS) procurement process.
 A current schedule of 'preferred suppliers' shall be maintained on the RLC Procurement Intranet page.
- The Chief Executive is delegated authority to approve contracts without going to public tender or obtaining three competitive written prices for reasons of practicality and/or market conditions.
- Acceptance of tenders for the purchase of goods, works or services, on either a lump sum, or continuing basis, shall be in accordance with Council's current approved delegated authorities.

- Summary details shall be provided to the next Tenders Panel meeting for all publicly advertised tenders, all competitive procurement processes resulting in a formal contract, and for any cases when works or services valued at \$50,000 or more are undertaken without being subject to public tender.
- The extension or re-definition of any contract that increases the originally approved contract sum and/or term shall be by documented Variation in accordance with Council's current delegated authorities. It is acknowledged that where the additional costs of a service or project are small in relation to the costs of preparing specifications, seeking tenders, and contractors preparing their bids, an approved contract extension will often be preferred to a new or separate tender process.
- The authority to go to tender and ultimately enter into a contract may be sought and obtained from Council during the **Quarterly Forecast process** prior to commencing the tender process, or on a project by project basis under delegated authority.
- On 1 August 2015 Council established the Council Controlled Organisation (CCO) Rotorua Contracting, formerly known as its contracting business unit, Castlecorp. In order to further refine or develop service delivery contracts that more closely reflect the amount of work required to maintain the services, and to increase the proportion of work that is output priced, such work will be negotiated between Council's asset managers and Rotorua Contracting, and managed under in-house contracts.
- All RLC CCOs shall be encouraged to participate in RLC centrally managed organisation-wide service and supply contracts that offer volume based commercial advantages.

Notes regarding policy review:

1. The role of the Tenders Panel referred to in this policy requires a fundamental review post the October 2016 Election
2. **The Quarterly Forecast process has not yet been implemented.**