

# Policy

## PROCUREMENT POLICY

<b>TEAM:</b>	Finance
<b>RESPONSIBILITY:</b>	Group Manager Business Support
<b>ADOPTED:</b>	7 May 2025
<b>REVIEW:</b>	Every three years, or as required
<b>CONSULTATION:</b>	Specialist advice sought and Internal consultation undertaken
<b>RELATED DOCUMENTS:</b>	<p><b>Council documents:</b></p> <p>Ashburton District Civil Defence Plan, Climate Change Policy, Conflicts of Interest Policy, Loco Delegations system – Council Delegations, Fraud and Corruption Policy, Health &amp; Safety Approved Contractor Booklet, Long-Term Plan 2024-34, Partnerships with the Private Sector Policy, Sensitive Expenditure Policy, Community Engagement Policy, Transportation Procurement Strategy.</p> <p><b>Relevant legislation includes but is not limited to:</b></p> <p>Building Act 2004, Civil Defence Emergency Management Act 2002, Construction Contracts Act 2002, Construction Contracts Amendment Act 2015, Consumer Guarantees Act 1993, Commerce Act 1986, Fair Trading Act 1986, Contract and Commercial Law Act 2017, Health and Safety at Work Act 2015, Human Rights Act 1993, Public Finance Act 1989, Financial Reporting Act 2013, Privacy Act 2020, Land Transport Amendment Act 2005, Local Government Act 2002, Local Government Official Information and Meetings Act 1987, Resource Management Act 1991, Public Audit Act 2001, Public Records Act 2005.</p> <p><b>Central Government guidelines, include but are not limited to:</b></p> <p>Ministry of Business, Innovation and Employment, <a href="#">Government Procurement Rules</a>, 4<sup>th</sup> edition, June 2019</p> <p>Ministry of Economic Development, <a href="#">Guide 4 to Sustainable Procurement</a>, July 2010</p> <p>Office of the Auditor General, June 2020, <a href="#">Managing Conflicts of Interest: A guide for the public sector</a></p> <p>Office of the Auditor General, June 2008, <a href="#">Procurement guidance for public entities</a></p> <p>Office of the Auditor General, October 2020, <a href="#">Guidance for members of local authorities about the local authorities (Members' Interests) Act 1968</a></p>

## Policy Objectives

This policy provides a framework to apply a consistent procurement practice across all Council activities, in alignment with the Council's vision, strategic priorities and community outcomes. The objectives of this policy are to:

1. Ensure purchasing decisions are consistent, transparent, fair and lawful
2. Deliver procurement outcomes that promote the social, economic, environmental, and cultural well-being of the Ashburton District community in the present and for the future
3. Ensure products, services and works are fit for purpose and are procured using commercially astute and appropriate processes

Specifically, this policy aims to:

- Promote transparency in how the Council manages procurement
- Ensure procurement practices are consistent with legislation and the approach of central government
- Provide a framework for common understanding of Council procurement practices for potential suppliers

Council staff should read this policy in conjunction with the internal Procurement Guidelines.

## Definitions

**Council** means Ashburton District Council

**Emergency procurement** means procurement required as part of the response to a sudden unforeseen event, where life, health, property or equipment is at immediate risk, or in order to maintain Council's service delivery to the community.

**E-Tendering sites** means any electronic tendering service used for publishing and managing tenders, quotes and expression of interests. Council primarily uses Tenderlink and GETS.

**Local Value** means positively contributing to the local economy and wellbeing of the Ashburton community through procurement decisions. Typical examples of local value benefits are local employment, the utilisation of local resources or local economic development.

**Local Supplier** means a supplier that is:

- a) owned or operated within the Ashburton District, and/or
- b) has an existing business premises within the Ashburton District

**Probity** is the evidence of ethical behaviour. Probity in procurement means making sure all suppliers have a fair opportunity, and that the process is transparent, accountable, impartial and equitable.

**Procurement** is all of the business processes associated with purchasing, from the identification of needs to the end of a contract or the end of the useful life and subsequent disposal of an asset.<sup>1</sup> Procurement starts with identifying a need and planning how to proceed. It includes the specification and sourcing of products or services, negotiation and contracting, the management of supply arrangements, and it finishes with the disposal of products or when the service contracts or agreements come to an end.

**Procure to pay system** also known as CiAnywhere is Council's primary system for managing purchase orders.

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<sup>1</sup> Based on the definition provided by the Office of the Auditor General; Procurement Guidance for Public Entities - Good Practice Guide, published June 2008.

**Public value** means the best available result for Ashburton District for the money spent. It includes using resources effectively, economically and responsibly, and taking into account the procurement's contribution to the desired result for current and future generations, including:

- Council's strategic priorities and community outcomes
- The four well-beings - social, economic, environmental and cultural
- The total costs and benefits of a procurement (i.e. total cost of ownership)

**Reasonable price** means the price of the goods, services, or works is cost effective and comparable with prices listed for the same or similar product by other suppliers.

**Sustainability** in relation to procurement means considering the social, economic, and cultural well-being of the community, and the need to maintain and enhance the quality of the environment.

**Whole of life costs** means the costs and/or benefits over the lifetime of the goods or services. Including but not limited to:

- Initial / set up costs such as the purchase or contract cost
- Operating costs such as maintenance and administration costs
- End of life /disposal costs
- Non-financial costs such as environmental or social costs

## Policy Statement

### Scope

This policy applies to all supply arrangements of any value for products, services or works, procured by or on behalf of Council.

This policy does not apply to the following activities:

- The employment of staff (excluding the engagement of contractors and consultants to supply services);
- The acquisition or lease of land or buildings (excluding the design, construction or refurbishment of buildings);
- Disposals and sales of Council assets;
- Investments, loans, guarantees, or other financial instruments;
- Gifts, donations and grants;
- Licences and agreements regarding commercial operations carried out by third parties (traders) on Council property;
- Non-contractual agreements between public sector agencies, such as memorandums of understanding; and,
- Statutory appointments

### Background

The provision of products, services and works by Council suppliers is essential for the delivery of infrastructure and services to the community. An effective procurement function can make a significant contribution to the following Council community outcomes:

- A balanced and sustainable environment
- A prosperous economy based on innovation, opportunity and high-quality infrastructure
- A district of great places and spaces

Council will ensure that where possible, procurement processes consider the social, economic, environmental, and cultural well-being of current and future communities. Considering these well-being's in procurement contributes to the achievement of Council's community outcomes and strategic priorities.

Council acknowledges procurement processes should adapt to the changing needs of the Ashburton District, and of society as a whole. This policy provides flexibility to adjust procurement processes to changing needs.

## 1. Principles Framework

Council follows the 'Five Principles of Government Procurement' which are included in the Government Procurement Rules, 4<sup>th</sup> edition. Council has added a sixth principle related to sustainability. This principle establishes Council's commitment to ensuring social, economic, environmental and cultural interests and outcomes are considered.

In making decisions on procurement, Council will consider these principles, alongside other decision-making considerations.

### 1.1 Principles and Outcomes

#### Principles

#### 1. Plan and manage for great results

- Manage resources in an effective and efficient manner
- Promote efficient purchasing practices and minimise procurement costs
- Appropriately manage risks associated with procurement processes

#### 2. Be fair to all suppliers

- Ensure procurement processes are free from bias and real and/or perceived conflicts of interest
- Promote fair and transparent competition between capable suppliers

#### 3. Get the right supplier

- Provide accurate and relevant information to potential suppliers
- Build demanding but fair and productive relationships with suppliers

#### 4. Get the best deal for everyone

- Deliver best public value over the whole life of the goods, service or asset
- Ensure decisions are balanced and consider the social, economic, environmental, and cultural outcomes for the community

#### 5. Play by the rules

- Establish clear processes for identifying methods of evaluation and ensure these are followed
- Ensure purchases are made in an open, fair, transparent and accountable manner
- Identify and manage conflicts of interest

#### 6. Be sustainable

- Promote Council's commitment to achieving public value
- Consider minimising environmental impacts over the whole life of the goods/services/works
- Require suppliers to adhere to social responsibility practices

Sustainability will be considered at every stage in the procurement lifecycle, starting with planning and specifying requirements, then in market engagement, selection of products and/or suppliers, and contracting

with suppliers. The weight given to the sustainability criterion will be assessed on the needs of the individual project.

Sustainability objectives for procurement may include:

Environmental Sustainability	Financial Sustainability	Social Sustainability
<ul style="list-style-type: none"><li>➤ Sustainable resource use – reducing water and energy consumption</li><li>➤ Reducing soil, water and air pollution</li><li>➤ Minimising single use packaging and material waste</li><li>➤ Protecting biodiversity and natural habitats</li></ul>	<ul style="list-style-type: none"><li>➤ Achieving public value</li><li>➤ Promoting innovation</li><li>➤ Financial prudence</li></ul>	<ul style="list-style-type: none"><li>➤ Protecting human health</li><li>➤ Promoting fair working conditions</li><li>➤ Supporting local suppliers</li></ul>

## Outcomes

### 1. Public Value

Council will seek to achieve public value benefits across procurement processes. Resources will be used effectively, economically and responsibly. Procurement assessments will not default to the cheapest solution at the cost of promoting social, economic, environmental, and cultural outcomes.

Public value may be achieved by:

- Considering the contribution the goods, services or works make to achieving Council's community outcomes, and strategic priorities
- Considering all costs and benefits over the lifetime of the goods or service
- Looking for new and innovative solutions
- Seeking opportunities to promote local value
- Engaging with businesses with good employment practices
- Assessing warranties and ongoing maintenance requirements

#### 1.1 Whole of life costs

Where practicable, Council shall take into account the whole of life costs rather than just the initial "up-front" cost. Typically, this involves consideration of the cost of the initial purchase, plus implementation/transition, support and maintenance, operations, and end-of-life/disposal. From time to time, other costs and benefits may also be relevant in the selection decision.

### 2. Local Value

Council will seek to achieve local value benefits through its procurement activity. Local value benefits in procurement processes are where there is a value to the community well-being of Ashburton District. Typical examples of local value benefits are local employment, the utilisation of local resources, or local economic development.

Local outcomes may be achieved through:

- Creating opportunities for local businesses to participate. However, these opportunities will not preclude other suppliers
- Considering potential commercial and practical advantages in purchasing locally produced products and services
- Considering local outcomes when planning major procurement activities, packaging work for contracts, developing specifications and defining selection criteria.

The weight given to the local value criterion will be assessed on the needs of the individual project.

## 2.1 Buy Local Requirement

Ashburton District Council recognises that there is a benefit to the community by purchasing from local suppliers and will endeavour to create opportunities for local suppliers to participate.

**For expenditure under \$2,000 (very minor expenditure)**, officers must purchase from a local supplier where one is known to offer the required goods, works, or service at a reasonable price.

**For expenditure between \$2,001 and \$99,999 (minor and moderate expenditure)** officers are required to obtain at least one quote from a local supplier when there is at least one known local supplier who offers the goods or works or services. When a local quote is obtained the buy local premium must be applied.

***Buy Local Premium:** the quoted price from a local supplier will be allowed a reduction of 5% in price (exclusive of GST) for evaluation purposes only.*

## 2. Procurement - Planning Phase

Council will ensure that procurement processes are well conceived and implemented, the right people are involved at the right time, and risks are identified and managed.

Council recognises that poor procurement planning can compromise the efficiency and effectiveness of its procurement process, and this typically impacts both Council and suppliers.

Council will ensure that adequate preparation is made prior to market engagement to ensure that its requirements and procurement processes are clear, and that expenditure is budgeted in the applicable Annual Plan or Long-Term Plans. The extent and nature of procurement planning will be proportionate to the total value, complexity and risks associated with the procurement.

Purchases should only be made when there is an approved budget, and if the purchase is within delegated financial authority. Any major alterations to the purpose of a budget must be considered by Council.

### 2.1 Procurement Types

A summary of the types of procurement is provided below, all values are GST exclusive:

Expenditure type	Purchase amount	Procurement method
Very Minor	Up to \$2,000	<b>Standard Method:</b> Direct purchase from a local supplier where one is known to offer the required goods, works or services at a reasonable price. <b>Exception Method:</b> Direct purchase from a non-local supplier.
Minor	\$2,001 - \$14,999	<b>Standard Method:</b> A minimum of 2 written quotes/ estimates must be obtained, including one from a local supplier where one is known to offer the required goods, works or services. Where a local quote is obtained, the buy local premium must be applied. <b>Exception Method:</b> Direct purchase (subject to one up approval)
Moderate	\$15,000 - \$99,999	<b>Standard Method:</b> A minimum of 3 quotes must be obtained, including at least one quote from a local supplier where one is known to offer the required goods, works or services. Where a local quote is obtained, the buy local premium must be applied.  All quotes must be sought with identical specifications and work scope, have a set closing date and time.

		<b>Exception Method:</b> Direct purchase (subject to Group Manager's approval)
<b>High</b>	<b>\$100,000 + OR deemed significant or high risk as per ADC's corporate risk policy</b>	<p><b>Primary Method:</b> Open tender. An open request for tenders will be issued containing all of the information suppliers need to prepare and submit a tender.</p> <p>A detailed description of the goods or services being procured, key timeframes, required service levels, the procurement method and evaluation process will be available. If evaluation criteria are being used, an indication of the relative importance of each criterion will also be provided.</p> <p><b>Exception Method:</b> Closed competitive process or direct purchase where an exception has been approved by the Chief Executive.</p> <p>Buy Local requirement does not apply. However, a local value weighting should be considered where appropriate.</p>

## 2.2 Alternative Procurement methods

Alternative procurement methods may be used in place of standard procurement methods where the conditions of each method have been met. These methods will only apply to certain forms of procurement, the relevant policies and conditions must be satisfied in order to use an alternative procurement method.

### Collaborative Procurement Arrangements

Council may participate in collective buying schemes that offer public value, such as all of Government (AoG) supply contracts, or joint supply agreements with other territorial authorities. In these circumstances, competitive procurement is undertaken by the group as a collective.

### Standing Arrangements

Council may set up standing arrangements after a competitive process in which goods or services can be purchased directly from a provider for a fixed period of time.

### Public Private Partnerships (PPP)

A PPP may only be entered into following a resolution of the Council or under a delegation from the Council to the Chief Executive. Where the issue is deemed to be significant in terms of the Council's Community Engagement Policy the decision shall not be delegated by the Council.

Any consideration of a public private partnership must satisfy the criteria set out in Council's Partnerships with the Private Sector Policy.

### Prequalified suppliers

Council may assess suppliers of particular goods and/or services against predetermined criteria with no specific contract in mind.

Pre-qualification does not form a contractual or legal relationship between Council and any supplier, but pre-qualified suppliers can be invited to bid in a closed competitive situation. Suppliers will still be required to meet other evaluation and performance criteria as part of any specific procurement process. To ensure Council's process remains competitive and public value is being achieved, Council should test prequalified suppliers against the open market every 12 months by running an open competitive process.

## **2.3 Probity**

Council is responsible for ensuring that systems, policies and procedures are in place to preserve the integrity of the procurement decision-making process. These must be able to withstand public scrutiny and preserve private and public-sector confidence in the procurement process.

For projects valued over \$5m (whole of life cost), deemed significant as per the Community Engagement Policy, or where there is high corporate risk, the use of a probity auditor is recommended.

The engagement of a probity auditor does not transfer the requirement for ensuring probity away from the Council, the engagement of a probity auditor is seen as complementing existing probity processes.

## **3. Procurement - Sourcing Phase**

Council will ensure that the sourcing and selection of a supplier will be undertaken in a fair, open and transparent manner. Council recognises the importance of ensuring that potential suppliers have the same opportunities and access to information.

Council will create and maintain appropriate records of all supplier correspondence, decisions and supporting documentation related to procurement.

### **3.1 Lotting and contract splitting**

Lotting is dividing a large procurement requirement into smaller, distinct portions or "lots." Each lot represents a separate contract open for competition. This approach is designed to enhance competition and achieve better value for money.

Restructuring large contracts into smaller lots can be helpful for small local businesses that may not be able to compete for one large contract. For instance, instead of choosing one supplier who is able to deliver the entire project, Council should consider if dividing the project into smaller projects would be beneficial for the overall cost and quality of the project and help achieve strategic outcomes.

Council must not split a procurement with the intent of circumventing procurement rules, such as financial thresholds that require open competitive bidding. The practice of contract splitting undermines the principles of this policy.

### **3.2 Use of E-Tendering Sites**

Council primarily uses GETS and Tenderlink for publishing and managing tenders, quotes and expression of interests online. The use of any online tendering site must be carried out in accordance with the site provider's terms and conditions and this policy.

### **3.3 Late responses**

Late tenders or quotations will not be accepted, unless there are exceptional circumstances that have been provided for in the original request for quote, tender or proposal. Late responses must not be accepted if the supplier may have knowledge of the content of any other response or if it would be unfair to any other supplier to accept the late response.

### **3.4 Variances between estimated price and quoted prices**

Council acknowledges that there may be instances where quotes or bids received exceed the initial estimated price of the project. Where the quoted price exceeds the estimated price, officers must obtain



Group Manager approval before accepting the quote/bid. Where budget is available and the prices provided are supported by consistent calculations (e.g. length of time required for completion, market rates for labour or materials), procurement can continue where approval has been granted.

### **3.5 Contract requirements**

Any contractual relationship undertaken by Council must meet industry standards, guidelines and best practice, as well as any applicable third-party requirements. In the interests of achieving public value, Council expects suppliers to:

- Respect ethical standards in the context of their own working environment
- Respect fundamental human rights
- Treat employees fairly
- Act with integrity and transparency
- Maintain a safe working environment at all times
- Respect the intellectual property rights of others
- Consider the wider implications of their actions in terms of the four well-being's detailed in the Local Government Act 2002 (s.10)

## **4. Procurement – Managing Phase**

### **4.1 Notifying unsuccessful suppliers**

Unsuccessful tenderers for all moderate or high procurement types must be notified as soon as practicable once a supplier has been selected. Further information about the successful bid will be provided upon request, subject to the Council's Local Government Official Information and Meetings Act 1987 Requests Policy.

### **4.2 Contract extensions, variations and renewals**

When the additional costs of a service or project are small in comparison to the costs of undertaking a discrete tender process, a contract extension or variation may be used.

When extension and variations are not specifically provided for within an existing contract, the extension or re-definition of a contract that increases the originally approved contract value must be approved by the Chief Executive where the value of the increase is over \$100,000 (high expenditure). When the additional sum is beyond the delegated authority of the Chief Executive, the contract must be presented to Council for approval.

The refining of service delivery contracts to more closely reflect the amount of work required to maintain services does not need to be openly tendered, but can be managed directly by the appropriate Council officer.

### **4.3 Performance and Review**

A post implementation review (PIR) should be carried out within 12 months of the contract being completed for projects valued over \$5m (whole of life cost), deemed significant as per the Community Engagement Policy, and where there is high corporate risk. The findings of these reviews will be reported back to Council. The review should include;

- An assessment of the quality of the goods and services against the required quality
- A review of the process and delivery of project against the intended timeline
- Reporting against the terms of the contract including any specific outcomes e.g. local employment
- Analysis of the final costs

- Lessons learned including any recommendations for process improvement
- The effectiveness and quality of the relationship between the supplier and Council

## 5 Non-Standard Procurement

Council acknowledges there may be exceptional circumstances where some of the conditions in this policy cannot be met. It may be necessary to bypass some aspects of the normal procurement process. However, this is only permitted in the following circumstances contained in section 5 of this policy.

### 5.1 Exceptions

Exceptions must only be granted in the circumstances outlined in the table below. Approval must be granted before an alternative / non-standard procurement process can be undertaken.

Council must approve procurement exceptions valued above the Chief Executive's delegated authority as detailed in the Delegations system.

<i>At least one circumstance from the table below must be demonstrated for an exception to be considered and approved</i>	<b>Exception threshold for minor expenditure only</b>  <b>Approval:</b> one-up through the procure to pay system	<b>Exception threshold for moderate expenditure only</b>  <b>Approval:</b> from the relevant Group Manager	<b>Exception threshold for high expenditure only</b>  <b>Approval:</b> from the Chief Executive
<b>1. The required goods, works, or services are technical or specialist in nature and supply is restricted because:</b>	There are limited suitable suppliers who are known to supply the required goods, services, or works.		There were limited suitable suppliers identified through open competition in the last 12 months.
<b>2. The goods, works or services can be sourced without the need for open competition because:</b>	Written quotes for the required goods, works, or services can be sought from pre-qualified / approved suppliers.		A closed competition can be run with a number of approved contractors / prequalified suppliers who are known to supply the required goods, works or services.
<b>3. An open competitive process would not be practical or beneficial because:</b>	Pricing and specifications of the required goods, works or services are already publicly available through known supplier websites or have been previously obtained.	Three written quotes for the same core requirements have already been obtained in the last 12 months.	Open competition for the same core requirements has already been carried out in the last 12 months
<b>4. Standardisation or compatibility with existing equipment or services is necessary or desirable because:</b>	A change in supplier could create additional costs, negatively impact on levels of service or cause significant disruption to business activity.		A change in supplier could significantly impact levels of service and /or disrupt business activity, outweighing any long-term benefits that might be achieved through open competition.

5. The goods, service or works are necessary for complete delivery, and a change of supplier cannot be made for economic or technical reasons because:	The existing goods, service or works cannot easily be completed by a new supplier without having to alter or replace the work already completed.	Changing a supplier at this stage of the project would cause significant inconvenience or substantial duplication of costs.
6. It is not practical or cost-effective to use the primary procurement method because:	There are exceptionally advantageous conditions for purchasing the goods that could not be matched by obtaining supplier quotes e.g. a one-off public auction or sale.	There are exceptionally advantageous conditions for purchasing the goods that cannot be achieved through open tender e.g. a one-off public auction or sale. <b>OR</b> the overall rates offered through non-standard procurement are the same or lower than that received through open competition for the same core requirements carried out within the last 12 months.
7. There is limited time to carry out the primary procurement process because:	The goods, services, or works are required immediately in order to carry out core business or meet a project deadline.	Undertaking an open tender would impact on Council's ability to deliver the project cost effectively and on time.
	<i>must be able to demonstrate that time pressure has not been caused due to improper planning or poor project management.</i>	

## 5.2 Emergency procurement

A departure from standard procurement process is acceptable under emergency situations where Council is required to make time-sensitive decisions to ensure an acceptable level of service is restored as quickly as possible. Departure from standard process is applicable to either;

**A declared civil defence emergency** where Council (as declared by the mayor) activates an Emergency Operations Centre (EOC) in response to a major event. Procurement will be carried out in accordance with the Civil Defence Emergency Management Act 2002.

**Business continuity disruption** where the Chief Executive (or delegate of the Chief Executive) activates emergency procurement in response to situations where Council services and infrastructure have been affected by a non-civil defence emergency or event. In these circumstances, procurement can be undertaken via direct purchase or by seeking verbal quotes. Situations could include but are not limited to:

- a cyber-attack on Council systems
- critical failures of Council infrastructure
- damage or failure caused by a sudden, unforeseen event.

When procuring goods or services in emergency situations, appropriate record keeping is still required and should be carried out as soon as practicable.

## 6 Employee Responsibilities

### Delegations

All procurement activity must be carried out in accordance with the annual budget or specifically approved budgets, and within delegated authority.

Council contractors cannot make purchases or commit to spend on Council's behalf without prior authorisation.

### Staff purchasing

The use of Council funds for the purchase of items for personal use is prohibited unless authorised by the Chief Executive and reimbursed.

If staff purchase personal goods and services using discounts obtained through Council buying privileges schemes, the transaction must be paid for by the staff member personally.

### Endorsement

Generally, employees must not endorse any products or services. If an employee receives a request to endorse any product or service, they must refer the request to the appropriate Group Manager.

Staff may, with the approval of their manager, act as referees for contractors or consultants who are bidding for external contracts.

### Conflicts of interest

Conflicts of interest may arise at any time during the procurement process. All employees must act in accordance with the Conflicts of Interest Policy and declare any real or potential conflicts of interest in writing to their manager.

### Gifts and hospitality

Any offers of gifts or hospitality from suppliers must be managed in accordance with the Corporate Gifts Policy.

### Confidentiality

All staff must maintain the confidentiality of a procurement process at all times.

## 6.1 Records Management

Appropriate records of dealings with all suppliers should be kept. This should include details of:

- tender or other comparison processes and selection procedures, including procurement plans and the application of the buy local requirements
- copies of all agreements entered into, including purchase orders (this should be in electronic form);
- performance records, including any items under dispute; and,
- correspondence – including, but not limited to, notices, contract variations, contract extensions, and price change documentation