



Procurement Policy

Applicable to:	MDC Staff	Policy Number:	MDC011
Issued by:	Chief Executive	Date of Approval:	5 September 2017
Contact person:	Manager Finance	Review Date:	5 September 2020

PURPOSE

The purpose of the Procurement Policy is to ensure that Masterton District Council (MDC) undertakes procurement in a fair and consistent manner that provides value for money for Masterton district ratepayers.

SCOPE

This policy applies to all goods and services purchased on behalf of MDC, including the engagement of independent contractors.

PRINCIPLES OF PROCUREMENT

MDC is committed to responsible financial management and will act at all times in the best interests of the Masterton district ratepayers to achieve the best value for money. All procurement will adhere to the following principles:

- plan and manage for great results (including competitive pricing and social benefits);
- be fair to all suppliers; and
- get the right supplier.

PLANNED PROCUREMENT

All procurement, regardless of value, will aim to ensure:

- evidence-based, transparent decision making;
- alignment of procurement with strategic objectives;
- prioritisation of spending and resources; and
- that projects are delivered on time, within budget and to an agreed standard.

Procurement will be completed in accordance with the Procurement Procedure.

SUSTAINABLE PROCUREMENT

MDC will take a sustainable approach to procurement and will give due consideration to whole of life value, social outcomes and environmental benefits when making purchasing decisions.

Whole of Life Value

Whole of life value is the full cost associated with a purchase, not just the initial purchase price. Whole of life value is calculated using the formula below:

$$\text{(Initial Cost + Life Maintenance Costs + Life Operational Costs + Disposal Costs)} \div \text{Life of Asset} \\ = \text{Whole of Life Value}$$

Social Outcomes and Environmental Benefits

While obtaining the best price possible is a key priority, overall value is also important. A supplier with a higher price may be selected where the social and environmental benefits outweigh the cost difference.

When making purchasing decisions, MDC will give due consideration to:

- opportunities to create positive local impact (economically, socially and culturally);
- the whole of life environmental impacts of goods and services; and
- whether suppliers are socially responsible, both in their environmental practices and in relation to their obligations to employees.

PROCUREMENT METHODS

All of Government Contracts

If MDC is signed up to an All of Government (AoG) agreement that provides the goods or services being sought, then procurement through that contract will be considered. Refer to Appendix 1 for a current list.

If an AoG agreement is in place but it is considered that greater value for money can be achieved, then the procurement may be completed by approaching the market (see below).

If the goods or services are not covered by an existing agreement, MDC will consider whether there is an existing AoG contract that will meet its needs.

New Zealand Transport Agency (NZTA) Subsidised Contracts

Procurement for contracts subsidised by the NZTA under the Land Transport Management Act 2003 will be completed in accordance with the MDC Roading Procurement Strategy. The strategy adheres to the requirements of the NZTA Procurement Manual.

Approaching the Market

When approaching the market, the method will be dependent on the value of the procurement, as identified in the table below.

Procurement Value (excl GST)	Procurement Method
Up to \$5000	Purchase directly from preferred local suppliers.
\$5000 - \$200,000	Obtain quotes from three preferred suppliers (unless competitive prices have been obtained from suppliers within the previous six months, or where there is a sole supplier of the specified item). <i>Note: procurement method limits differ for the procurement of independent contractors. Refer Engagement of Independent Contractors below.</i>
\$200,000 - \$1 million	Invite tenders from a minimum of three preferred suppliers. If there are no suitable preferred suppliers, follow the open tender process.
Over \$1 million	Open tender.

PREFERRED SUPPLIERS

All budget holders will maintain a current list of preferred suppliers for their area/s of responsibility.

Prior to engaging a preferred supplier, the Procurement Lead will seek confirmation that the supplier has been tested against the market within the last two years. If not, the review must take place at the time of purchase by the Procurement Lead.

ENGAGEMENT OF INDEPENDENT CONTRACTORS

MDC may engage independent contractors to:

- temporarily resource a core, ongoing function or activity;
- complete critical project work that cannot be completed by existing staff due to lack of resourcing;
- provide advice or undertake a self-contained piece of work that requires specialist knowledge or skills that Council does not have; or
- avoid any actual, potential or perceived conflict of interest.

Prior to engaging an independent contractor, Council will consider if:

- the work is of a specialised nature which cannot be completed by current employees;
- all or part of the workload can be delayed or covered by current employees;
- a current employee can be seconded into the position; or
- a fixed term employment contract is more cost effective?

The Procurement Lead must also confirm that the relationship is not legally defined as an employment relationship. Refer to the Ministry of Business, Innovation and Employment (MBIE) [Employee vs Contractor guide](#) or seek advice from the Human Resources Advisor.

Engagements anticipated to incur fees above \$30,000 (excl GST) will follow an open tender process.

CONFLICT OF INTEREST

Employees who are involved at any stage of the procurement process must declare any actual, potential or perceived conflicts of interest to their manager or the Procurement Lead as soon as they become aware of the conflict. This applies to all procurement regardless of the value.

Conflicts of interest can include, but are not limited to:

- financial or business affairs;
- family and other close personal relationships; or
- particular opinion or bias.

Employees with a conflict of interest will be removed from the procurement process.

GIFTS AND KOHA

No gift or koha (including hospitality or any other incentive) are to be accepted during any stage of any procurement process.

FINANCIAL DELEGATIONS

All contracts will be signed in accordance with the Chief Executive and Staff Delegations Manual. All employees are accountable and will have a clear understanding of the delegations before committing to any expenditure or other financial or contractual commitment.

SALE OF SURPLUS PLANT, EQUIPMENT AND PROPERTY

Surplus Plant/Equipment

Surplus plant/equipment currently valued at less than \$500 (either as a single item or as a group of items) may be disposed of by internal tenders in the first instance.

Surplus plant/equipment currently valued at \$500 or more will be disposed by publically advertised tender or auction.

Where new plant is being purchased and the surplus plant is to be treated as a trade-in, quotes must be obtained from alternative purchasers to ensure maximum value is obtained.

Property Sales

All property sales require Council approval and will adhere to the requirements of the [Local Government Act 2002 \(Subpart 3\)](#). Unless otherwise determined by the Council, the method of sale will be by advertisement or sale through real estate agents.

EXCEPTIONS

Any exception to this policy must be approved by the Procurement Lead's manager, in accordance with the 'one-up' principle, with written confirmation that the exception:

- is warranted for reasons of efficiency, strategic benefit or urgency or due to a genuine restriction in the number of suitable suppliers; and
- will not disadvantage the Council or ratepayers.

A Schedule of Exemptions will be maintained to monitor the use of exceptions. Exceptions on procurement valued over \$50,000 will be reported to the Audit and Risk Committee.

RESPONSIBILITIES

Employees are responsible for being familiar with and adhering to the requirements of this policy when undertaking procurement activity.

Budget Holders are responsible for maintaining a current list of preferred suppliers in their area/s of responsibility.

Senior Managers are responsible for managing their team's purchasing requirements and ensuring procurement is within budget and completed in accordance with this policy.

The Finance Manager is responsible for being the subject matter expert on good practice for procurement and supporting managers to adhere to those standards.

REVIEW OF POLICY

This policy will be reviewed every three years.

DEFINITIONS

All-of Government (AoG) Contract: A collaborative contract that has been approved by the Procurement Functional Leader (Chief Executive of the Ministry of Business, Innovation and Employment (MBIE)).

AoG contracts are usually panel contracts established by MBIE or other approved centres of expertise for common goods or services (eg. vehicles, legal and recruitment services).

Conflict of Interest: A situation in which financial or other personal, employment or professional considerations have the potential to compromise or bias professional judgment and objectivity.

Due Consideration: The proper weight or significance given to a matter, taking into account the value, complexity and risk.

Independent Contractor: A person or organisation engaged by MDC to perform services under a Contract for Services or Agency Agreement. Independent contractors include consultants, temporary staff and tradespeople.

Plant and Equipment: Tangible items held by MDC for the production or supply of goods or services or for administrative purposes that are expected to be used during more than one accounting period.

Procurement: All aspects of the acquisition and delivery of goods or services, spanning the whole of contract lifecycle from the identification of needs to the end of a service contracts, or the end of the useful life and subsequent disposal of an asset.

Procurement Lead: The employee leading the procurement process.

Value: The whole-of-life cost of the procurement, including the purchase price and all other expenses and benefits that MDC will incur (eg. installation, training, maintenance, decommissioning costs and social and environmental outcomes/benefits).

RELATED DOCUMENTS

Procurement Procedure

Expectations of Integrity and Conduct

Chief Executive and Staff Delegations Manual

Sensitive Expenditure Policy

Gifts, Inducements and Rewards Policy

REFERENCES

Local Government Act 2002

Appendix 1: All of Government Contracts and Preferred Suppliers

AoG and Syndicated Contracts

MDC is signed up to the following AoG agreements and syndicated contracts:

- Mobile Voice and Data
- Banking
- Print Technology and Associated Services
- IT Hardware.

N3 Membership

MDC is a member of N3, a membership organisation that provides access to exclusive pricing and terms of supply. N3 contracts are recognised as preferred suppliers.