

# Far North District Council Procurement Policy #2104-16



26 July 2016

# Our Procurement

Procurement covers all the business processes associated with purchasing the goods/services/works we use to run our business and deliver our public service objectives. It starts with identifying our needs, then planning the best way to meet them; continues through sourcing the goods/services/works then managing the contract; and ends with expiry of either the contract or the asset's useful life.

The purpose of this policy is to provide procurement guidance to suppliers and staff of the Far North District Council (FNDC) to achieve the outcomes of the FNDC Long Term Plan (LTP). It defines how the FNDC will undertake procurement decisions and sets out the process of deciding who the Council should procure from.

The Policy provides clear information to suppliers, contractors and the community on what the FNDC will consider through its procurement process. The policy is based on Council's over-arching principle of being accountable to and supporting the development of the Far North communities.

## Purpose and scope

This policy and FNDC procurement procedures outline the approach that the FNDC will take to planning, sourcing and managing its procurement. They must be followed by all our temporary and permanent employees, consultants and contractors.

This policy does not apply to fixed-term and permanent employment contracts. For assistance with these, please contact Manager, People and Capability.

## Our Procurement Objectives

### Our procurement objectives

- Get the best results from our spending, including sustainable value-for-money over the lifetime of the goods/services/works we buy.
- Raise performance standards through fair and effective management of our suppliers and service providers, to get the best public services for the Far North District.
- Help Far North District businesses to grow capability and increase competitiveness. We will achieve this by working with them to identify opportunities for innovation and continuous improvement in planning, decision making and ongoing contract management.

# How We Work

We will apply the *Principles of Procurement* and *Government Rules of Sourcing* when planning, sourcing and managing our procurement, as these set the standard for good practice (including financial thresholds and procedures for advertising procurement opportunities).

The way we buy goods/services/works will vary depending on the value, complexity and risk involved. We will apply the approach best-suited to the individual purchase, within the framework of the *Principles* and *Rules* – encouraging competitive tendering whenever possible.

## *Principles of Procurement*

-  1. Plan and manage for great results
-  2. Be fair to all suppliers
-  3. Get the right supplier
-  4. Get the best deal for everyone
-  5. Play by the rules

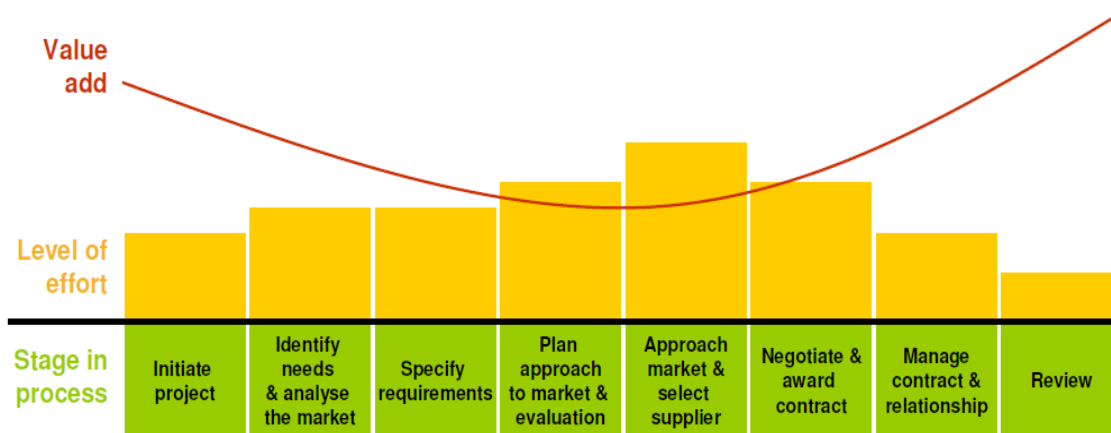
## *Government Rules of Sourcing*

For a copy, visit [www.procurement.govt.nz](http://www.procurement.govt.nz) => government-rules-of-sourcing.

## Strategic Procurement Model

FNDC will take a strategic approach to its procurement activities. Strategic procurement involves understanding the importance of the procurement to the council in achieving and delivering its outcomes i.e. the LTP.

It involves strategically sourcing suppliers and managing relationships to successfully deliver against public policy objectives and business needs, while delivering overall value for money.



Quality Assurance underpins the Project Management and Procurement framework and is enabled through gateway approvals processes and quality checks. These checks will occur at every stage of the procurement process from inception to contract close out.

### Planning

When planning procurement projects we will:

- use processes that are proportionate to the size, complexity and risks involved in the contract to get the best outcomes
- make sure we have up to date knowledge about the market and the effect our procurement has on it
- involve suppliers early in the process to explain our needs, learn about them and explore opportunities for new solutions before going to market
- consider subcontracting opportunities in big projects, so small and medium enterprises can grow their business capability
- ensure we have financial approval aligned with FNDC's financial delegations policy (at least in principle) before going to market.
- ensure that procurement related risk is identified, managed, controlled and reported at all stages of procurement

## **Sourcing**

When we buy goods/services/works, we will:

- purchase off government collaborative contracts or FNDC's existing supply contracts if they can meet our requirements
- give all suppliers a full and fair opportunity to compete – we will not discriminate on the basis of where suppliers come from or whether they have prior experience of working with government
- choose suppliers that have demonstrated their ability to meet our requirements and offer the best value-for-money over the lifetime of the goods/services/works, taking into account:
  - all the costs of ownership over that lifetime
  - suppliers' ability to deliver what we need at a fair price and on time
  - the social, environmental and economic effects of the deal
- use approved government model templates as our default tender and contract documents
- have an approved purchase order/agreement in place before the supplier starts delivering goods/services/works – except when using a purchasing card.

## **Contract management**

To get the best from our suppliers, we will:

- set clear performance measures, then monitor, manage and report through to the appropriate Committee
- encourage and recognise suppliers for delivering great results
- work with suppliers to make on-going savings and improvements for both entities
- be transparent in our procurement processes and regularly publish awarded tenders and forward work plans.

## **Meeting expectations**

To build effective relationships with suppliers we will:

- treat them all fairly and with respect
- be consistent, transparent, fair and accountable in the way we work
- be clear about what we require and how we will assess them before going to market
- give sufficient response time for our requests
- protect their commercially sensitive information and intellectual property
- offer a debrief to unsuccessful bidders
- pay invoices promptly.

## **Playing by the rules**

Our decisions and practices must be able to withstand public scrutiny at all times. Throughout our procurement activities we will:

- create and maintain clear records of our planning, processes and decisions so they can easily be audited under the provisions of

the Public Records Act 2005 and Public Audit Act 2001

- document and manage conflicts of interest
- identify risks and get the right person to manage them

act lawfully, ethically and responsibly e.g. prohibit the practice of ‘contract splitting’ to avoid approval by the relevant Delegated Financial Authority (DFA)

## Thresholds

Our standard procurement processes are detailed in FNDC’s Procurement Manual (to be published) and is based on monetary thresholds. Approvals under \$500,000 will be by Council Officers and the Chief Executive Officer as referred to in the Delegations Register.

Procurements in excess of \$500,000 will be endorsed by the Procurement Board before going before Council for final approval. The Procurement Board will comprise of three Elected Members and four Council Officers. Further guidance on the roles and responsibilities of the Procurement Board is contained in Section 4 of Procurement Value Chain Strategy – Policy#2104 – 14.

The default FNDC procurement approach will be open and competitive where appropriate as below;

Dollar Value	\$0 - \$5000	\$5000 - \$50,000	\$50,000 - \$100,000	\$100,000+	\$500,000+
Procurement Approach	Supplier Panel/ Single quote	Supplier Panel/ Three quotes	Supplier Panel/Three quotes through formal RFQ/Open market tender	Supplier Panel/Open market tender	Open Market Tender
Approval Mechanism	Purchase Order DFA	Purchase Order DFA	Procurement Plan DFA	Procurement Plan DFA	Procurement Plan Procurement Board Council
Escalation	<b>If any doubt exists, refer to the Procurement Board for review</b>				

Should an open competitive market not exist then guidance around a selective or direct award market approach is contained in Section 3 of the Procurement Value Chain Strategy – Policy#2104 – 14.

Further guidance regarding other procurement approaches and methodologies is contained in Section 3 of the Procurement Value Chain Strategy – Policy#2104 – 14.

## **Exemptions from the Procurement Policy and Opt Out Procurement Options**

In general, there may be situations where a valid reason exists for an exemption to the Procurement Policy and/or to opt out from the Government Rules of Sourcing. The exemption/opt out process provides the Council greater flexibility in its procurement approach. When considering an exemption Council should always consider their options and use good judgement to decide whether or not opting out of the Rules or applying an exemption is the best way to meet their needs.

Council should always keep a record of their decision and the reasons for it. Exemptions must not be used solely for the purposes of avoiding competition.

Opt Out procurements can be used in circumstances as listed under rule 13.3 under **Government Rules of Sourcing**.

Approval for an exemption to the Procurement Policy and/or the Government Rules of Sourcing must be made through a fully prepared and authorised Procurement Plan and submitted to the appropriate General Manager, Chief Executive Officer or Procurement Board for approval based on their Delegated Financial Authority. In cases where the exemption has been assessed as high risk to Council, approval of the exemption must be escalated to the Procurement Board in the first instance.

Some valid exemptions are;

Following an open tender: the service has been openly advertised in the last 12 months and the service has not substantially changed the core procurement requirement.

Only one supplier in the market.

Additional goods, services or works to the original requirements that are necessary for complete delivery.

Prototype: Purchasing a prototype for research, experiment, study or original development.

Goods are purchased on a commodity market.

Exceptionally advantageous conditions that only arise in the very short term.

Design contest: where a contract is awarded to the winner of a design contest

For the avoidance of doubt, the following are not considered procurement activities and would not require an exemption for the Procurement Policy;

Employing staff (excluding the engagement of contractors and consultants)

Disposals and sales by tender

Investments, loans and guarantees

Gifts, donations and any form of unconditional grants

Statutory appointments

Ministerial appointments

Category 1 Legal Services

Where projects are partially or fully funded by NZTA, the requirements of their Procurement Manual shall take precedence over this document.

Unsolicited Proposals are not subject to the Procurement Policy and are to be initially assessed by the Procurement Board.

For further information and detail please refer to the Chief Executive Financial Delegations to Staff in the link below. This includes Authority to award contracts, Authority to make payment and Authority to purchase.

<https://objective/id:A1134901>

## **Roles and Responsibilities**

FNDC's managers are responsible for:

- managing their business unit's purchasing requirements up to their respective Delegated Financial Authority limits
- ensuring their staff apply FNDC procurement policy and procedures.

Our Project Management Office will assist with higher value, higher risk procurements on request.

Our legal team is responsible for drafting and approving contracts over \$100,000.

All staff are responsible for applying our procurement policy and procedures. Failure to comply with procurement policy and procedure may result in disciplinary action.



## Local Economic Outcomes

The Council will be a fair, but demanding buyer who will purchase from competitive suppliers where they offer best value for money. The Council will seek to promote the Far North economy through providing full and fair opportunity to compete for Council business. This will be achieved by:

- Ensuring local suppliers are included within invitations to tender and quote whenever practical
- Publishing a schedule of planned procurement opportunities on the Council website, and publicly advertising tender opportunities when appropriate
- Considering potential commercial and practical advantages in purchasing locally produced goods and services.
- Considering local economic impact when planning major procurement activities and packaging work for contracts.
- Ensuring that all future tender documents be worded in such a way as to enable a comparison between New Zealand and overseas produced goods, where relevant.

In general, should all things be equal when evaluating a procurement process, preference will be given to local suppliers.

## Sustainability

Council does not have a current Sustainability Policy. Sustainable procurement means incorporating environmental, social and economic concerns into all procurement activities, in short, sustainable procurement helps to create a vibrant clean economy that works for people, profit and the planet.

Sustainability involves thinking broadly about objectives, considering long-term as well as short-term effects, assessing indirect as well as direct effects, and taking extra care when changes brought about through procurement might be irreversible or uncertain.

In the absence of Council Policy, Council will commit to the following aspirational principles of sustainable procurement;

### **Environmental – protecting the environment**

- Reduce our impact on climate change through the procurement of goods and services with a lower carbon impact;
- Protect and enhance open spaces and the natural environment;
- Minimise our use of energy, water and other natural resources;
- Minimise waste and prevent or minimise pollution;
- Specify goods that, wherever possible, have a minimal environmental impact in the extraction or sourcing of materials, manufacture, use and disposal.

## **Social – Ensuring high ethical standards**

- We will not knowingly work with contractors and suppliers whose activities do not comply with the conventions of the Employment Relations Act 2000, the Human Rights Act 1993 and any other relevant legislation.
- We intend, where possible, to purchase fair trade products.
- We will not knowingly engage with suppliers who support, encourage or facilitate the trade in illegal drugs, arms, tobacco, slavery or prostitution.
- We will not knowingly buy foodstuffs that are genetically modified or contain genetically modified ingredients.
- We will consider animal welfare when making purchasing decisions and ensure purchasing precludes any future animal testing by suppliers and therefore contributes to the end of animal testing.

## **Economic – supporting the local economy and community**

- We will encourage local businesses to take advantage of opportunities in the district – this will include improving their access to public sector procurement opportunities.
- We will seek to incorporate provisions into our contracts, where appropriate, to offer training and employment opportunities for members of the local community.
- We will explore the opportunities for delivering specific community benefits through our procurement activities and seek to understand the impact our procurement activities have on local communities.
- We will consider the cultural and religious requirements of the local community when making procurement decisions.

# **Related Procurement Documents and Law**

Procedures, policies and guidance including but not limited to;

- Annex A - Procurement Value Chain Strategy - Procurement Policy # 2104-14
- Annex B - FNDC Long Term Plan Principles and Policy Statements - Policy#2104 - 14
- FNDC procurement policies and procedures, Policy 2104 and 2104A
- FNDC Disposal of Property, Plant and Equipment, Policy 2119
- FNDC Delegations Register
- FNDC Code of Conduct HR02
- Gifts or Rewards Policy, Policy 2120
- Guide to Mastering Procurement, NZ Govt Procurement 2014
- Government Rules of Sourcing (3rd edition 2015), NZ Govt Procurement
- Procurement Guidelines for Public Entities: Office of the Auditor General 2008
- Guidelines for the Treatment of Intellectual Property Rights in ICT Contracts (State Services Commission 2008)
- Controlling Sensitive expenditure : Principles for Public Entities, 2007

- Public sector purchases, grants, and gifts : Managing funding arrangements with external parties, June 2008
- Achieving Public Sector outcomes with Private Sector partners, 2006
- Turning Principles into Action : A guide for local authorities on decision-making and consultation, Sept 2007
- Guidance for members of local authorities about the Local Authorities (Members Interests') Act 1968, Oct 2010
- Principles to underpin management by public entities of funding to non-government organisations, June 2006.
- Local Authorities Working Together, May 2004

#### Relevant Legislation (and amendments)

- Local Government Act 2002
- Land Transport Management Act 2003 (LTMA)
- Construction Contracts Act 2002
- Public Records Act 2005
- Commerce Act 1986
- Contractual Remedies Act 1979
- NZTA Procurement Manual, 2009
- NZTA Planning & Investment Knowledge Base, Aug 2011
- Local Authorities (Members' Interests) Act 1968
- Waste Minimisation Act 2008
- Health & Safety in Employment Act 1992
- Public Audit Act 2001
- Fair Trading Act 1986
- Official Information Act 1982

## Policy Owner

This policy is the responsibility of GM, Corporate Services.

## Further Information

For more information on FNDC's procurement, please contact the Project Management Office.

<mailto:projectoffice@fndc.govt.nz>

Review	Who	When
Interim Policy Review	Project Management Office	July 2017
Version	V.1 July 2016	

WARNING: Printed versions may not be the latest version of this policy, please refer to the electronic copy of the Procurement Policy for the latest version.

## 1. Procurement Principles



### 1. Plan and manage for great results

- Identify what you need and then plan how to get it.
- Set up a team with the right mix of skills and experience.
- Involve suppliers early – let them know what you want and keep talking.
- Take the time to understand the market and your effect on it. Be open to new ideas and solutions.
- Choose the right process – proportional to the size, complexity and any risks involved.
- Encourage e-business (for example, tenders sent by email).



### 2. Be fair to all suppliers

- Create competition and encourage capable suppliers to respond.
- Treat all suppliers equally – we don't discriminate (this is part of our international obligations).
- Give NZ suppliers a full and fair opportunity to compete.
- Make it easy for all suppliers (small to large) to do business with us.
- Be open to subcontracting opportunities in big projects.
- Clearly explain how you will assess suppliers' proposals – so they know what to focus on.
- 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.
- Build 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.



### 4. Get the best deal for everyone

- Get best value for money – account for all costs and benefits over the lifetime of the goods or services.
- Make balanced decisions – consider the social, environmental and economic effects of the deal.
- Encourage and be receptive to new ideas and ways of doing things – don't be too prescriptive.
- Take calculated risks and reward new ideas.
- Have clear performance measures – monitor and manage to make sure you get great results.
- Work together with suppliers to make ongoing savings and improvements.
- It's more than just agreeing the deal – be accountable for the results.



### 5. Play by the rules

- Be accountable, transparent and reasonable.
- Make sure everyone involved in the process acts responsibly, lawfully and with integrity.
- Stay impartial – identify and manage conflicts of interest.
- Protect suppliers' commercially sensitive information and intellectual property

### Open competitive process

The Far North District Council has a preference for an open competitive procurement process. A competitive process is an invitation involving more than one prospective supplier. A contract can be awarded to the supplier who is evaluated for that particular procurement as providing best value for Council. Depending on the value and risk of the procurement, competitive processes can involve verbal quotations, written quotations, formal written tenders or proposals.

The Far North District Council will promote open and effective competition in the market and ensure full and fair opportunities for all suppliers. Where a closed or non-competitive process is chosen there needs to be a compelling and strategic business reason such as:

- a lack of suppliers in the market
- a sole supplier in the market
- Council has a requirement for a selective procurement of goods, services or works.

In general, when all things are equal when evaluating a procurement process, preference will be given to a local supplier. This is consistent with Council's over-arching principle of leading and supporting communities and the role that procurement can take in economic, community and individual development.

### Closed competitive process

In a closed competitive process, invitations are issued to a predetermined list of suppliers without an open pre-selection or pre-qualification process. This method does not allow equal access to all suppliers in the market, meaning that a better source of supply may be missed. Limited use should be made of this process.

Note: The closed competitive process should not be used to limit the number of potential participants. If you wish to limit the number of potential participants for procurement, a multi-stage method or short-listing should be used. The use of a closed competitive process should be properly justified in the procurement plan. All NZTA subsidised procurement over \$200k requires an Open competitive process.

### When to use a closed competitive process

Here are some examples:

- a limited number of suppliers are known to have the capability to supply;
- there is a genuine limited time for the procurement process which is not due to the lack of planning;
- the cost of conducting an open competitive process outweighs the benefits so a closed competitive process is more efficient.

### Direct negotiations

The term "direct negotiations" refers to exclusive negotiations entered into with a prospective supplier without first using a competitive process. As a general rule, negotiating directly with a supplier should be avoided because there are very few circumstances in which it can be assured it will result in the best value being obtained. Even for low dollar value and low/medium risk procurements the Council procurement guidelines require staff to obtain quotes before negotiating directly with a supplier. This is to test the

market to ensure the best possible value is obtained, unless clear and unambiguous circumstances indicate that direct negotiations are appropriate.

Depending on the value and complexity of the procurement, the process of direct negotiations should include the following:

- completion of a procurement plan requesting direct negotiations with an existing supplier. These should record the reasons why direct negotiations were chosen as well as describe the manner in which the meetings, negotiations, decisions, staff liaison and progress reports were managed. Include allocation of any negotiation costs, responsibilities as well as dispute resolution methodologies;
- supporting material such as market research, benchmarking information and cost-benefit analysis that confirms best value for money is being obtained;
- ensure individual parties to the negotiation sign the confidentiality and conflicts of interest declaration.

Before commencing negotiations and signing the contract, the Council should be satisfied that the price paid is consistent with market values.

Note: Any estimates of fair price should not be disclosed until after the supplier being negotiated with has put forward their own estimate. Larger projects require a steering committee for overseeing the key decisions, with the ability to challenge fundamental aspects of the project. A post implementation review to assess "overall value for money" may also enhance control.

### **When is it appropriate to negotiate directly with a supplier?**

- when the value and risk of the procurement is low and the purchase of these goods or services are on an "as-required" basis;
- for low dollar value and low/medium risk procurement when you are negotiating to extend an existing contract for a period longer than originally envisaged, or to include substantially different goods or services;
- where there is only one possible supplier of the goods or service (e.g. rare books for the Library);
- when an appropriate competitive process has not produced a good enough offer and the next best option is to negotiate with the party who made the best offer (or any party who has expressed serious interest if no best offer was made). Direct negotiations should not be used in these circumstances if the original process was not adequate. The negotiations should not be conducted in a way that coerces the participant with the best offer to reduce the price without commensurately reducing the scope of the contract;
- when it is without doubt that there is only one supplier who can meet the Council's well-defined and justified needs. Where there is any doubt, and there has been no demonstration of the lack of alternative suppliers, the market should be tested. It is often prudent to test the market by calling for expressions of interest, to avoid partiality or the perception of partiality;
- when there is an unforeseen need to alter the scope of the project in a minor way and the cost of re-entering the market will outweigh the potential benefits. In these circumstances you must be confident that an objective and appropriate delegated approval has been received.

**When is it not appropriate to negotiate direct with a supplier?**

- when negotiation excludes legitimate or anticipated variations to a contract, which falls into the scope of the goods, works or services. Negotiations conducted with a preferred participant in a properly run competitive process are not considered direct negotiations;
- when a contract is nearing completion and the market has not been tested for some time, even if the contracted supplier was the only participant in a previous process. Do not assume that there are no alternative suppliers;
- when following a tender process in which one tender is accepted, and subsequently the project specifications are changed so significantly that in effect it is a different project.

Direct negotiations are a legitimate procurement approach when certain conditions apply.

Direct Negotiations for a contract with a value of up to \$50,000 must be approved by the relevant General Manager.

Direct Negotiations for a contract with a value of \$50,000 or more must be approved by the Procurement Board.

**Emergency Procurement**

An 'emergency' is a sudden unforeseen event. It can result in injury, loss of life or critical damage to property or infrastructure.

Emergency situations can include:

- natural or manmade disasters: such as earthquakes, cyclones, tsunamis, volcanic eruptions, flooding, fires or contamination
- failures of critical infrastructure or equipment: such as failure of a prison security system or critical hospital infrastructure
- critical health or environmental emergencies: such as a pandemic or food safety incident
- political emergencies: such as a war, coup, or civil insurrection in New Zealand or countries where the New Zealand government offers support
  - critical security emergencies: such as a terrorist attack, serious crime or major cyber security emergency
  - unanticipated events that make it impossible for an agency to perform a statutory or critical function in the necessary timeframe: for example the destruction of critical election supplies immediately prior to an election would be an emergency for the Electoral Commission

NB. Urgent situations that are created by an agency through a lack of planning or risk mitigation do not constitute an emergency.

**Flexibility to respond**

In a genuine emergency, Council will need to be flexible in how we procure the goods and services that are required for their response. Council is permitted to forgo routine procurement procedures. In adopting a more flexible procurement process Council should consider what is reasonable and justifiable given all of the facts and circumstances they have to hand.

Council can purchase direct from a supplier if the delay involved in conducting a routine procurement (i.e. which involves advertising and competitive tendering) will prevent them delivering the goods or services in time to bring effective relief.

Further guidance is provided in the Procurement Manual

## **2. Delegated Financial Authority**

<b>Holders of the Delegated Financial Delegation (DFA)</b>	<b>Maximum Limit</b>
Procurement Board and Council	\$500,000+
CEO	\$500,000
GM Corporate Services	\$250,000
GM Infrastructure and Asset Management	\$250,000
GM Strategic Planning and Policy	\$75,000
GM District Services	\$75,000
For further information and detail please refer to the Chief Executive Financial Delegations to Staff in the link below. This includes Authority to award contracts, Authority to make payment and Authority to purchase; <a href="https://objective/id:A1134901">https://objective/id:A1134901</a>	

### **Community Expectations**

Council is a public body representing the community of the Far North district using ratepayer’s money to perform required service functions. The ratepayers have the following expectations with respect to contracting:

- activities are carried out efficiently, economically and effectively
- appropriate standards of fairness and equity are observed
- the requirements of relevant legislation and common law are met
- the policies and delegations of council are met
- there are mechanisms in place for monitoring and controlling performance and to ensure the above expectations have been met.



### **Local Economic Impact**

The local economic impact component should be considered for each procurement process over the value of \$100,000 and be mandatory for each procurement over \$500,000. This will include consideration of the size, scope and value of the project, scope of advertising, availability of local suppliers or expertise, evaluation attributes, and pre-tender communication with suppliers.

Local Impact will be assessed during the procurement evaluation phase through a Local Economic Impact Attribute.

For the avoidance of doubt, a Local Economic Impact attribute is not a 'Buy Local' Supplier Premium.

Having given local suppliers full and fair opportunity and assessed any commercial and practical value for money advantages associated with local supply through the inclusion of a Local Impact assessment, Council will buy from the best source available, according to its own judgement of all costs, benefits and overall value for money.

### **The Multiplier Effect**

An important contributor to a healthy local economy is the multiplier effect of income in to a local area – in other words, how much of that money is spent and then re-spent in the local area and how many times this happens, before it leaks out of the area.

Given the budgets of public organisations, public sector procurement can have a significant multiplier effect on a local economy. A higher proportion of money re-spent in the local economy means a higher multiplier effect because more income is generated for local people. More income retained locally, or nationally, means more jobs, higher pay and more tax revenue for government, all of which may lead to better living standards.

### **Guidance around Local Economic Impact**

This is not a local supplier premium. Difficulties arise in deciding what "local" is in many cases. It is a local economic impact factor that will be applied to appropriate Far North District Council tender processes for particular procurements as follows:

1. NZTA subsidised roading tenders – Not applied.
2. Weighted Attribute tenders – Applied via a "local economic impact" attribute

### **Weighted Attribute Tenders**

The Local Economic Impact Attribute shall be added to the existing range of evaluation attributes, such as relevant experience, track record, resources, technical skills, management skills, quality assurance, sustainability, methodology and price, and will consider, but will not limited to, the following criteria:

- Engagement of staff and subcontractors from within the district
- Procurement of materials or resources from within the district

## Annex A - Procurement Value Chain Strategy - Procurement Policy # 2104 - 14

- Ownership or lease of operating premises within the district
- Percentage of overall revenue from the contract going to the district
- Creation of apprenticeships and training opportunities provided within the district.
- Purchase and /or maintenance of plant and machinery within the district

This type of assessment measures potential economic impact rather than attempting to prejudge or define who or what is local. Under this process an ‘out of town’ supplier would not necessarily be disadvantaged, provided they intended to employ local staff and showed that a significant percentage of their revenue would be spent within the Far North district. It should be a positive initiative for the local business community without necessarily putting off out of town contractors.

The weighting shall be in the range of 5% to 15% and be considered for each procurement process over the value of \$100,000 and be mandatory for each procurement over \$500,000. Its removal from the group of evaluation attributes shall only be possible with Chief Executive approval.

Table 1 below shows an example of an evaluation criteria table that would typically be included in an RFP document using the weighted attribute evaluation method of proposal selection. The criteria details and weightings are arbitrary but the ‘local economic impact’ criterion has been included to show its application. This is a summary table and further detail for this attribute and other attributes would be required within the RFP document.

*Table 1: Weighted Attribute Evaluation Criteria Example*

Evaluation criteria	Weighting	What we would ideally expect to see?
Relevant experience and track record	15%	Details of track record of supply on the scale required References from 3 previous clients
Product offering	25%	Ability to provide a comprehensive, quality product that meets all of Council’s requirements Ability to supply/deliver as and when required
Local economic impact	15%	Specific details of how your proposal will positively impact the local Far North economy in terms of staff, subcontractors, purchase or use of materials and other resources, operating premises etc.
Service and support	15%	Level of technical support offered. Ongoing serviceability and warranty
Indicative cost	30%	An indicative breakdown of costs for supply, installation and ongoing support

This form of proposal/tender evaluation results in the best proposal based on an assessment of the combination of all of the criteria listed above. It is a subjective process and may still result in outcomes that are perceived to be unsatisfactory to some participants or observers. However, it is an established and

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accepted process and the additional attribute can be applied easily and effectively without causing undue concern for participants.

### **3. Procurement Board Terms of Reference**

#### **Membership of the Procurement Board**

The Board shall consist of three elected members appointed using due process and four staff members appointed by the Chief Executive Officer.

The Chair of the Procurement Board will be the General Manager, Corporate Services.

The Mayor will not sit on the Procurement Board as they review and make recommendations on all procurements delegated to them for approval by Council.

#### **Responsibilities of the Procurement Board**

The Procurement Board is established to assist the Chief Executive to undertake the management procedure of ensuring sound probity procedures are followed in relation to procurement of goods and services necessary to deliver on the work programme and operations outlined in Council's adopted Annual Plan.

The Board will ensure that reasonable purchasing procedures have been followed in awarding contracts and will provide an efficient mechanism for documenting the approvals for those contracts.

Within a framework where contracts are an operational matter delegated to the Chief Executive, this Board will consider all tenders beyond the Chief Executive's financial delegations.

The Chief Executive (or any other Officer) may refer contracts within his financial delegations which are sensitive or may impact on the reputation of the Council.

The Chief Executive has power to award contracts up to \$500,000 alone.

The Board will have responsibility for:

- Reviewing the Procurement Plan for any proposed contract with a value greater than \$500,000;
- Reviewing and making recommendations on contracts greater than \$500,000 for approval by Council; and
- Reviewing and making recommendations on contracts less than \$500,000 which are sensitive or may impact on the reputation of the Council where the Chief Executive or any other Officer refers the matter to the Board.

#### **Role of the Procurement Board**

The role of the Procurement Board is to:

- Be satisfied that the FNDC's procurement policies, principles, strategies, objectives and all associated procedures are complied with.
- Be satisfied that sufficient Council funding is available for the proposed procurement.
- Receive and review the appropriate Procurement Plan prior to going to market.
- Receive and review the Supplier Recommendation Reports on completion of market exercise.
- Be satisfied that the successful tender achieves the best value for money for the Far North and its stakeholders.

- Be satisfied that commercial confidentiality is fully maintained as required by the procurement process.
- Advise of any conflicts of interest (perceived or otherwise) that may occur during the Boards consideration of a matter and remove themselves from the process.
- Ensure the Board consistently remains neutral and fair.

#### **Limitations**

It is not the role of the Procurement Board to question the need for the work; this decision should be taken prior to the calling for tenders.

The Procurement Board is authorised to make Recommendations to the Council of their preferred tenderer, but does not itself have the authority to award the contract.

#### **Quorum**

The quorum required for a Procurement Board Meeting in order to make Recommendations to the Chief Executive will consist of a minimum of four voting members, and must include 2 of 3 elected member representatives.

## **4. Education and Ongoing Training**

The Project Management Office will develop and deploy a Procurement Induction Training module and provide ongoing staff training regarding FNDC Procurement Policy and Procedures and procurement best practice in general.

This training will include, but not be limited to, the following;

- Value for Money
- Legal considerations
- Ethics and Integrity
- Methodologies and procurement approaches
- Procurement principles
- Economic, sustainability and social impact of procurement
- Conflicts of Interest
- Probity
- Contract Management
- Records Management