



# Procurement Policy

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## Contents

<b>Purpose</b> .....	<b>4</b>
Scope .....	4
<b>Section 1 – Guiding Principles and Broader Outcomes</b> .....	<b>5</b>
<b>Principles</b> .....	<b>5</b>
<b>Broader Outcomes</b> .....	<b>5</b>
<b>Collaboration with Aukaha</b> .....	<b>6</b>
<b>Section 2 – Procurement Processes and Practices</b> .....	<b>7</b>
<b>What is Procurement?</b> .....	<b>7</b>
Procurement Life Cycle .....	7
<b>Understand Business Needs and Define Scope</b> .....	<b>8</b>
<b>Identify Appropriate Procurement Method</b> .....	<b>8</b>
Non-standard Procurement Approval .....	8
Standard Procurement Approval .....	9
All of Government (AOG) Contracts .....	9
Supplier Panels .....	10
Contract Variation or Extension .....	10
<b>Follow Appropriate Procedure</b> .....	<b>11</b>
<b>Approach the Market</b> .....	<b>11</b>
<b>Evaluate Bids or Responses</b> .....	<b>12</b>
Evaluation Process .....	12
Due Diligence .....	12
Post-evaluation Negotiations .....	12
Variance between estimated price and received bids .....	13
Suspending or cancelling a tender process .....	13
<b>Contract Award</b> .....	<b>14</b>
Awarding the Contract .....	14
Notifying and debriefing unsuccessful participants .....	14
Contract Management and Review .....	14
Retentions Process .....	15
<b>Section 3 – Compliance</b> .....	<b>15</b>
Conflicts of interest .....	15
Confidentiality .....	15
Record Keeping .....	15
Health and Safety .....	15

Complaints Handling .....	16
Breaches of this policy.....	16
<b>Section 4 – Further Information .....</b>	<b>16</b>
Governance.....	16
Oversight by elected members of council .....	16
<b>Appendix A – CODC procurement overview .....</b>	<b>18</b>

## Purpose

This policy defines Council's approach to the procurement of all works, goods, or services to support the community in an affordable and efficient manner. It provides a standardised approach to procurement for all Council departments. This approach defined in this policy enables procuring officers to achieve the high standards of honesty, propriety, and integrity expected of a public entity.

## Scope



This policy applies to all CODC staff in the procurement of:

- Goods and products
- Physical works
- Services and professional services



This policy does not apply to:

- The employment of CODC staff
- The acquisition or lease of land or buildings (excluding their design, construction, or refurbishment)
- Internal procurement i.e., the procurement of services by one part of Council from another part of Council
- Procurement in the case of a civil defence emergency or business continuity event
- Procurement in the case of an urgent or critical incident or damage to infrastructure, as agreed by a group/general manager
- Procurement completed by Council Controlled Organisations
- The purchasing of insurance through a Council-appointed broker
- Procurement completed as part of an insurance claim
- Investments, loans, guarantees, or other financial instruments
- Licences and agreements regarding commercial operations of third parties (traders) on Council property
- Disposals and sales of Council assets
- Non-contractual agreements between public sector agencies, such as memorandums of understanding

# Section 1 – Guiding Principles and Broader Outcomes

The following principles will guide the procurement processes of CODC. Reference to broader outcomes is consistent with the New Zealand Government Procurement Rules.

## Principles

These principles will guide procuring officers in making decisions relating to the best approach to procurement activity.

1. Value for money
  - Value for money is not necessarily the lowest price, nor the highest quality good or service. The value for money principle balances quality with cost and affordability across the whole life of a product or service.
2. Fair and open competition
  - CODC is committed to a transparent, accountable procurement process.
3. Easy to do business
  - CODC aims to be a good buyer by ensuring the procurement process presents opportunities to suppliers throughout the district without unnecessary barriers. Procurement should enhance the CODC's reputation and brand.
4. Innovation
  - The marketplace can be a great source of innovation, assisting CODC to work smarter and deliver better services.

## Broader Outcomes

Broader outcomes are the secondary benefits that are generated from the procurement activity. Consideration must be given to the below broader outcomes and how these can be incorporated into procurement activity.

1. Local economic development
  - By building a diverse supply base, CODC can support businesses of all types to grow and encourage economic development across the district. Procurement can be used to support Small to Medium-sized Enterprises (SMEs), Māori-owned businesses and local businesses.
2. Sustainability
  - Sustainable procurement focuses on spending public money efficiently, economically, and ethically to deliver value for money on a whole of life basis.
3. Social outcomes
  - CODC procurement can help to support economic participation, social outcomes, create jobs and opportunities and develop skills for the people of

Central Otago. CODC's substantial infrastructure investments can support jobs and skills development for a range of workers, including mana whenua.

## Collaboration with Aukaha

Aukaha is a Māori consultancy organisation that works across the environmental, health, social services, and cultural and economic development sectors. Aukaha is owned and governed by five Kāi Tahu papatipu rūnaka:

- Te Rūnanga o Waihao
- Te Rūnanga o Moeraki
- Kāti Huirapa Rūnaka ki Puketeraki
- Te Rūnanga o Ōtākou
- Hokonui Rūnanga

Where broader outcomes are being incorporated into procurement activity, consideration must be given to seeking opinion and/or support from Aukaha in order to improve the potential success of the defined outcomes. Further details, including suggested criteria for the inclusion of Māori and Pacifica employment and training opportunities, can be found in the Tender Procedure document.

## Section 2 – Procurement Processes and Practices

### What is Procurement?

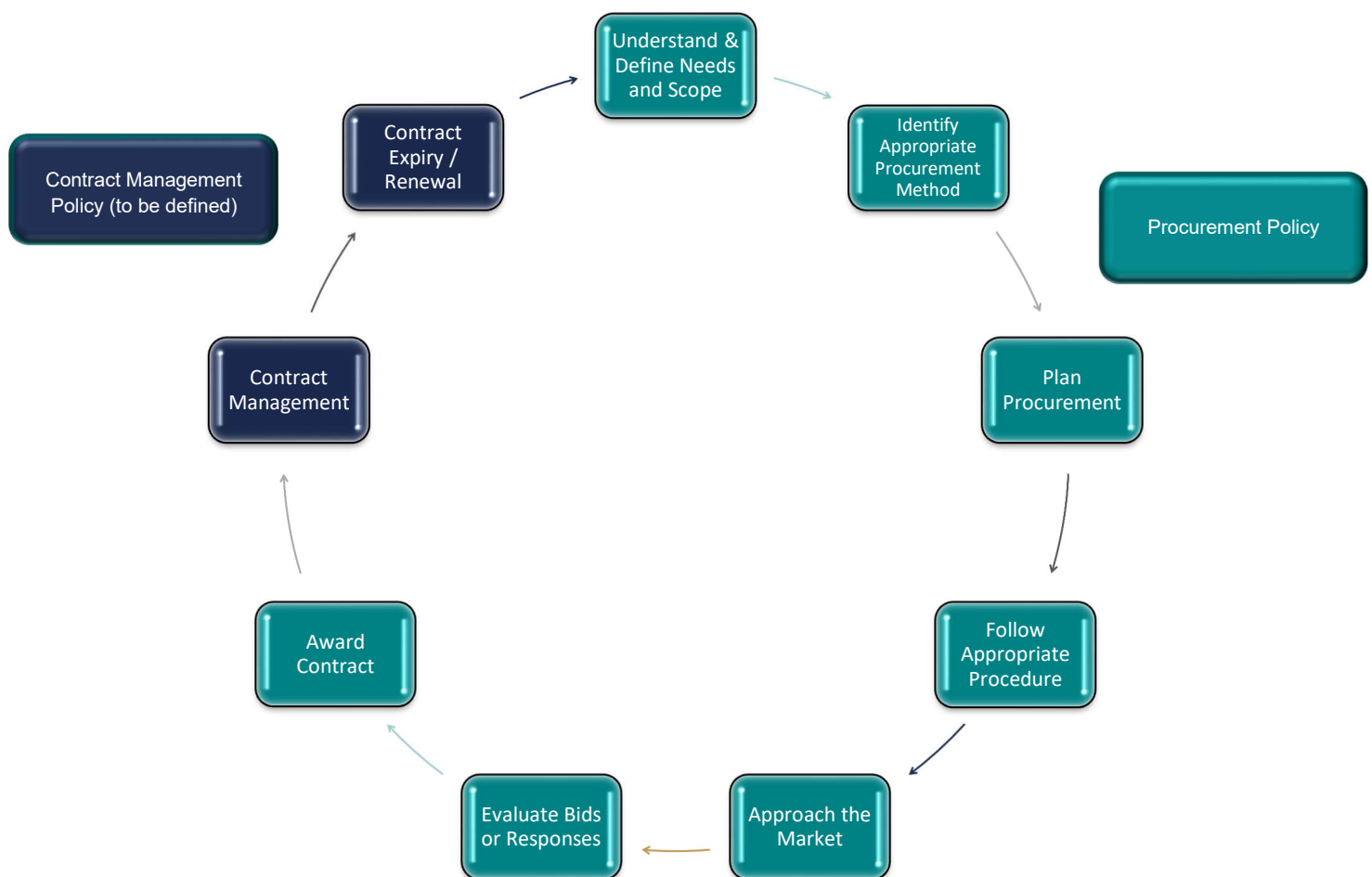
Procurement includes all the processes involved in acquiring and managing goods and services from a supplier. Procurement spans the whole cycle from the identification of needs to the end of a contract.

This policy covers the steps in the procurement lifecycle shown below from understanding business needs through to contract award. The steps of contract management and contract expiry are covered in the CODC Contract Management Policy.

All dollar values and thresholds referenced in this policy are exclusive of GST and whole of life cost means the maximum total estimated value that CODC will spend over the life of the contract, unless otherwise specified.

Procurement activity undertaken at CODC cannot begin without prior approval of budget.

### Procurement Life Cycle



## Understand Business Needs and Define Scope

Prior to starting any procurement activity, Council's needs must be analysed.

The Quotation Procedure and Tender Procedure document provide further detail on this step.

## Identify Appropriate Procurement Method

The cost of a procurement must be estimated, and the correct procedures followed. Where an estimate is close to the upper limit of one of the spend categories, the risk profile of the procurement should be considered in deciding whether to apply the procedures for a higher spend procurement.

CODC adopts a flexible approach to procurement through utilising standard approaches and non-standard approaches. These are listed below:

Standard procurement:

- Purchasing process <\$10,000
- Quotation procedure (obtaining three quotes) >\$10,000 - \$200,000
- Supplier panel procedure >\$10,000
- All of Government (AOG) contract utilisation >\$10,000
- Tender procedure >\$200,000

Non-standard procurement:

- Obtaining one quote, also referred to as direct engagement >\$10,000
- Obtaining two quotes >\$10,000
- Obtaining three quotes >\$200,000
- Contract variation or extension >\$10,000

## Non-standard Procurement Approval

Non-standard procurements are treated as an exemption to policy and must be approved as detailed below. A non-standard procurement plan is the vehicle used to obtain approval. See the 'Plan Procurement' section for further detail.

All non-standard procurements with a spend level of over \$10,000 require a procurement plan.

Exemption from standard quotation procedure (spend level >\$10,000 - \$200,000) must be approved by a group/general manager.

Exemption from standard tender procedure (spend level >\$200,000-\$500,000) must be approved by the procuring officer's group/general manager and an independent group/general manager.

Exemption from standard tender procedure (spend level >\$500,000-\$1,000,000) must be approved by the procuring officer's group/general manager and the Chief Executive.

Any exemption to the standard approach for a spend of >\$1,000,000 must be approved by elected members at a Council meeting.



Group/general managers and the Chief Executive are expected to provide a response to non-standard approval requests within two weeks of receiving the request. Where a request is urgent, procuring officers should make this clear to approvers.

Non-Standard Spend Level	Approver (to approve non-standard approach)
>\$10,000 - \$200,000	Group/general manager
>\$200,000 - \$500,000	Group/general manager <b>and</b> independent group/general manager
>\$500,000 - \$1,000,000	Group/general manager <b>and</b> CEO
>\$1,000,000	Council

## Standard Procurement Approval

All standard procurements with a spend level of over \$50,000 require a procurement plan.

All standard procurement plans must receive one-up approval, starting with activity managers and moving up where an activity manager is completing the procurement.

Procurement plans with a spend level of \$1,000,000 or more may benefit from Council review in addition to one-up manager approval. This provides Elected Members with awareness of the procurement approach being taken and allows feedback to be given prior to going to market. Group/General Managers must confirm when a procurement plan with a value of \$1,000,000 or more is to receive Elected Member oversight.

Using this approach for procurements with a value of \$1,000,000 or more also allows the opportunity for Council to agree to a resolution to delegate the contract award approval to the Chief Executive if certain criteria are met.

All approvals must be documented and saved for audit trail purposes.

Further details on minimum standards are included in quotation and tender procedures.

## All of Government (AOG) Contracts

Where an AOG contract exists, due consideration should be given to whether CODC should utilise these arrangements. Joining an AOG contract often has implications across the whole of council. As such, the Risk and Procurement Manager should be contacted to discuss joining any AOG contracts. A group manager must approve council entering into any AOG contracts. Where an AOG contract is for regular ongoing services such as electricity, the estimated whole-of-life contract cost must be assessed to establish whether elected members are required to approve the contract award.

Where CODC is already a member of an AOG contract and utilisation is contractually required or would be beneficial, a direct source approach will be used. The following steps must be taken when procuring goods, works, or services via AOG contracts:

- Procurement >\$10,000 - \$50,000 = obtain approval from activity manager or one-up to proceed
- Procurement >\$50,000 = document approach in procurement plan and obtain approval from activity manager or one-up. Proceed with purchasing process in line with delegation

A list of all current AOG contracts can be found on the government procurement website [here](#).

A list of the AOG contracts CODC is currently a member of can be found in the Procurement Toolbox in SharePoint.

## Supplier Panels

In order to achieve best value for ratepayers, Council may employ the use of supplier panels for the procurement of goods, services, or works.

When establishing a panel, each department must follow the supplier panel procedures..

The value of each engagement under the panel is dictated by several factors, as detailed below:

- Where the panel has been established using a basic quotation process, the total value of each individual engagement must not exceed \$200,000
- Where the panel has been established using a full tender process, the total value of each individual engagement may exceed \$200,000, with due regard to the contract award approval within the next point
- When establishing a panel, the total value of all engagements under the panel should be estimated in order to establish the appropriate approver for the panel contract i.e., if the panel will run for three years with an estimated spend total of \$600,000 each year, the total value of the contract will/may exceed \$1,000,000, therefore contract award must be approved by Council

Supplier panel procurement over \$50k requires a procurement plan to be documented and approved.

The Supplier Panel Procedure can be found in the Procurement Toolbox in SharePoint.

Details of existing Supplier Panels can be found in the Procurement Toolbox in SharePoint.

## Contract Variation or Extension

CODC may choose to vary or extend an existing contract rather than completing a procurement exercise.

A variation or extension cannot be made without ensuring the required budget is available and approved. Where additional budget is required, approval must be obtained prior to proceeding with any variation or extension activity.

Where CODC wishes to undertake new or additional activity and a contract variation or extension is the most appropriate method of procurement, a non-standard procurement plan

must be approved. Approval must be obtained in line with the non-standard procurement approval section of this policy.

If a contract is varied due to changes in scope or approach, this is purely part of the management of the project and existing contract, and no procurement plan is required.

It should be noted that variations initiated by contractors through contracts such as NZS3910 or NZS3916 are not bound by these rules and must be managed in accordance with contract requirements.

## Follow Appropriate Procedure

Once a procurement is planned, the subsequent procedure steps must be followed to ensure the approach and documentation is accurate and appropriate.

Level of Spend (exc. GST)		<=\$10,000	>\$10,000 - <=\$200,000	>\$200,000 - <=\$500,000
Procedures	Purchasing Process	✓	✗	✗
	Quotation Procedure	✓	✓	✗
	Supplier Panel Procedure	✓	✓	✓
	AOG Procedure	✓	✓	✗
	Tender Procedure	✓	✓	✓

Key	
✓	Procedures <b>must</b> be used for level of spend and chosen standard approach
✓	Procedures should/could be used where the procurement activity is considered high risk or costs may exceed estimated spend
✗	Procedures should not be used unless a non-standard approach is approved

## Approach the Market

The most appropriate approach to market must be considered when planning the procurement and documented in the procurement plan. CODC utilises the following

approaches to market but maintains flexibility to utilise a different approach should there be sufficient rationale provided by a procuring officer.

Possible approaches to market and the associated procedure documentation for reference:

Approach to Market	Associated Procedure
Requesting quotes	Quotation procedure
Supplier panel engagement	Supplier panel procedure
Utilising AoG contract	AoG procedure
Contract extension/variation	Quotation or tender procedure
Open tender	Tender procedure
Closed tender	Tender procedure
Multi-Stage tender	Tender procedure

## Evaluate Bids or Responses

### Evaluation Process

Council must guarantee that all suppliers' responses are treated fairly. This includes receiving, opening, and evaluating responses.

For all tendered procurements, an evaluation team will be established.

Further details can be found in the quotation and tender procedures.

### Due Diligence

Council requires due diligence checks of the preferred participants for all procurements with a spend level of >\$1,000,000 to ensure that the participant has the capacity and stability to fulfil all the requirements of the contract and meets all the necessary legal and regulatory requirements where these apply.

Further details can be found in the tender procedure.

### Post-evaluation Negotiations

Council supports post-evaluation negotiation as an effective tool to manage risk and seek to achieve cost reductions without compromising on quality. From Council's perspective, the primary objective of the negotiations should be to:

- test the understandings and underlying assumptions that have influenced a participant in preparing the costs; and
- achieve a reduction in costs, where appropriate.

Council will negotiate first with the highest ranked participant. If the outcome is unsatisfactory, Council will then negotiate with the next highest ranked participant, and so on down the list until a satisfactory outcome is achieved.

Concurrent negotiations may be required in limited circumstances. Concurrent negotiations must be approached with care to ensure that they remain fair.

The final outcome of the negotiations must be recorded in writing and included in the contract.

## Variance between estimated price and received bids

Council accepts that there will be variance between estimated prices and received quotes or bids. In the event that quotes or bids received are >25% higher than the estimated price, the procuring officer should contact their one-up manager, starting with an activity manager, along with the Risk and Procurement Manager, to discuss the appropriate course of action. If 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 if both the procuring officer and one-up manager are comfortable.

If quotes or bids received exceed the total budget available for the related project, procurement activity must be paused until a course of action has been agreed.

Action to be considered in the event of budget exceedance:

- Post-evaluation negotiation if there is reason to believe this could result in a significant price reduction; or
- Amendment of scope – officers must be careful in this event to ensure probity and fairness to all suppliers. This is unlikely to be suitable in the case of complex procurements and any amendments to scope must ensure that original key expectations are still met; or
- Up to date analysis of needs to establish whether the procurement should be cancelled; or
- Request for additional budget, following the defined Council process.

## Suspending or cancelling a tender process

Council will reserve the right to cancel or suspend a tender where appropriate. Generally, this will be a result of an emergency situation or where the business case for the procurement is no longer valid i.e., the procurement is no longer of any value. Council will advise tenderers upon their participation in the tender of Council's rights to cancel or suspend a tender. Where a procurement activity will be cancelled, Council will communicate equally with all tenderers advising of the termination.

Where a tender is suspended, Council will communicate with each tenderer advising of the suspension duration and for the need to maintain the procurement terms and agreements.

# Contract Award

## Awarding the Contract

The chair of the evaluation team or procuring officer will document the procurement outcome and make a recommendation of the preferred supplier.

The approving authority must start with a one-up approval and be within the approver's delegated authority.

Award of contracts over \$1,000,000 must be approved by Council, unless a prior resolution has been obtained delegating contract award authority to the Chief Executive. In order to obtain such a resolution, the following details must be included in a decision report:

- Procurement Programme with details of allocated budget (as approved within a prior Annual Plan, Long-Term Plan, or Council decision)
- Recommendation that Council delegates authority to the Chief Executive to award contracts in line with the provided Procurement Programme

It should be noted that in the event that received bids exceed approved budgets, further action must be taken in line with the 'Variance between estimated price and received bids' section of this policy.

If the approving authority rejects the contract award recommendation, they should:

- Clearly document the reason for not accepting the recommendation; and
- Ensure that the reason is legitimate (this would usually be the result of an unforeseen event that was not identifiable earlier in the process).

If approval is declined, then the procurement process is likely to be terminated. The approver cannot override the recommendation and choose an alternative supplier.

In the event that the approving authority has concerns or identifies issues in relation to the probity of the process, the matter will be referred to the Risk and Procurement Manager in the first instance and, where necessary, to the Chief Executive for advice and action.

The successful participant will be formally notified, and the contract signed.

Officers will lodge the executed contract within the activity's 'Agreements and Contracts' folder in CentralDocs.

## Notifying and debriefing unsuccessful participants

Unsuccessful participants are to be notified of the outcome and offered a debriefing.

Debriefing will be delegated only to staff who have the necessary experience and sensitivity to carry it out successfully.

## Contract Management and Review

Contract management ensures that the supplier delivers per the contract on time, with the appropriate quality and for the agreed price. Contracts must be appropriately monitored and managed by an individual or team, in the role of contract manager.

## Retentions Process

Where Council holds retentions on a construction contract, the Retentions Process must be followed. This process requires staff to inform Finance of the retentions being held so appropriate and compliant reporting can be undertaken as required.

## Section 3 – Compliance

### Conflicts of interest

At all key decision points in the process, staff must comply with CODC's [Staff Interests Policy](#).

All staff involved in the evaluation or approval of quotes or tender responses must complete a conflict-of-interest declaration. Any perceived, potential, or real conflicts must be managed.

It may be appropriate to engage a probity auditor where the procurement is of high public interest, high risk, or particularly complex. A probity auditor may be internal or external.

### Confidentiality

The confidentiality of suppliers' information must be protected throughout the procurement process. Confidentiality obligations remain after contracts are terminated or expired.

Legal advice may be required in instances where CODC needs to balance confidentiality requirements with statutory requirements for disclosure and consultation under the Local Government Official Information and Meetings Act 1987.

### Record Keeping

The contract manager must ensure that all contracts are saved in the relevant 'Agreements and Contracts' folder in CentralDocs. The procuring officer must ensure all relevant documentation is saved appropriately, utilising 'Procurement' folders within the CODC Projects library in CentralDocs where appropriate.

### Health and Safety

CODC has a primary duty of care to ensure, so far as reasonably practicable, the health and safety of workers for CODC while they are at work. Workers include CODC staff and the staff of suppliers.

When undertaking procurement activities, procuring officers must ensure that all health and safety conditions are met. Refer to the Health and Safety page on the staff intranet for further guidance.

Contractual arrangements often have a number of parties involved. The Health and Safety at Work Act 2015 refers to these parties as Persons Conducting a Business or Undertaking (PCBU). If more than one PCBU has a duty in relation to the same matter, each PCBU with the duty must, so far as reasonably practicable, consult, cooperate, and coordinate activities.

CODC contract managers must ensure that where possible, health and safety legislation and practice is being adhered to by all persons / contractors undertaking the work or present at the site.

## Complaints Handling

Where a complaint is made in relation to procurement activity, this must be referred to the Risk and Procurement Manager and the relevant group/general manager.

## Breaches of this policy

Breaches of this policy and the Good Practices and Business Rules may be considered misconduct. Misconduct may result in disciplinary action under the [Performance Management Policy](#).

## Section 4 – Further Information

### Governance

The Executive Leadership Team is responsible for ensuring oversight of the implementation of this policy and ensuring minimum standards are met in managing procurement activities.

### Oversight by elected members of council

Councillors approve budgets annually and as required, which include planned procurement spend, and approve award of all contracts with a value of over \$1,000,000 unless otherwise previously agreed.

### Related Documents

This Policy must be read in conjunction with the following documents:

- Tender Procedure
- Quotation Procedure
- AoG Procedure
- Supplier Panel Procedure
- Staff Delegations Manual
- Retentions Notification Process

## Glossary

Word or phrase	Definition
All-of-Government Contracts (AoG)	A type of collaborative contract. AOG are usually Panel Contracts established by MBIE or other agencies that are approved Centres of Expertise for common goods or services (e.g., vehicles, laptops, and recruitment services). In this document, reference to AOG contracts includes syndicated, common capability, and Department of Internal Affairs contracts and agreements.



Word or phrase	Definition
Broader Outcomes	Broader Outcomes are the secondary benefits which are generated due to the way goods, services or works are produced or delivered. They include economic, environmental, social, and cultural outcomes.
Competition	Rivalry between suppliers for sales, profits, and market share. Competitive tension in the market and can produce innovation, better-quality goods or services, better value, and better pricing.
Conflict of interest	<p>A conflict of interest is where someone’s personal interests or obligations conflict, or have the potential to conflict, with the responsibilities of their job or position or with their commercial interests. It means that their independence, objectivity, or impartiality can be called into question.</p> <p>For more information see <a href="http://www.procurement.govt.nz">www.procurement.govt.nz</a></p>
Contract opportunity	An opportunity for suppliers to bid for a contract for goods, services or works.
GETS	An acronym for Government Electronic Tenders Service. GETS is a website managed by New Zealand Government Procurement.
Local Supplier	A business that is a ratepayer of the Central Otago District, and/or an organisation that employs residents of the Central Otago District.
New Zealand business	A business that originated in New Zealand (not being a New Zealand subsidiary of an offshore business), is majority owned or controlled by New Zealanders, and has its principal place of business in New Zealand.
Procurement plan	A plan to identify an appropriate strategy to approach the market, based on market research and analysis, and summarises the proposed procurement process. It usually includes the indicative costs (budget), specification of requirements, indicative timeline, evaluation criteria and weightings and an explanation of the Broader Outcomes CODC will seek to achieve through the procurement.
Secondary procurement	Where CODC purchases goods, services or works from a Panel of Suppliers, an All-of-Government Contract, Common Capabilities Contract or Syndicated Contract.
Supplier Panels	A list of suppliers CODC has pre-approved to supply particular goods or services and who have agreed to CODC’s terms and conditions for supply.

# Appendix A – CODC procurement overview

