

Audit, Finance & Risk Committee
2 July 2020

Report for Agenda Item | Rīpoata moto e Rāraki take 6

Department: Property & Infrastructure

Title | Taitara: Review of Procurement Policy & Procurement Guidelines

PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO

- 1 The purpose of this report is to advise the Audit, Finance & Risk Committee that QLDC's Procurement Policy (the Policy) and Procurement Guidelines (the Guidelines) are due for review; and to propose a review pathway.

RECOMMENDATION | NGĀ TŪTOHUNGA

- 2 That the Audit, Finance & Risk Committee:
 1. **Note** the contents of this report.
 2. **Direct** Officers to review the Procurement Policy.
 3. **Approve** the Review Pathway.
 4. **Approve** the transfer of the Procurement Guidelines from Governance to Management accountability.

Prepared by:



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17/06/2020

Reviewed and Authorised by:



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17/06/2020

CONTEXT | HOROPAKI

- 3 Council adopted QLDC’s Procurement Policy (the Policy) and Procurement Guidelines (the Guidelines) in 2016 and these are now due for review.
- 4 When reviewing these documents, the Office of the Auditor-General (OAG) - 2008 “Procurement guidance for public entities” is still relevant; as are a number of relatively recent (late 2019 / 2020) changes in NZ Government procurement, namely the releases of the:
 - Government’s new Procurement Principles;
 - Government’s new Procurement Charter;
 - Updated Government Rules of Sourcing (GRS); and
 - OAG report on Local Government Procurement.
- 5 The NZ Government defines procurement as “all aspects of acquiring and delivering goods, services and works. It starts with identifying the need and finishes with either the end of a service contract or the end of the useful life and disposal of an asset”.
- 6 In the 2019/20 year QLDC spent approximately \$120m on goods, services and works (exclusive of statutory and related party payments).
- 7 “Procurement” is currently topical from the perspectives of an enabler of the infrastructure stimulus, evidencing value for money, whole-of-life cost, probity & conflict of interest, buying local and Broader Outcomes.
- 8 Broader Outcomes are defined in Rule 16 of the GRS as “...the secondary benefits that are generated from the procurement activity. They can be environmental, social, economic or cultural benefits.” The Government’s Broader Outcomes are often bundled into the term “social procurement”, when “social” is but one of a number of factors where secondary benefits can be considered.
- 9 QLDC will be considering Broader Outcomes through initiatives such as the Climate Action Plan and draft Community Wellbeing Strategy.

ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

- 10 **The Policy** is a Governance “owned” policy.
- 11 The Policy “... contains the framework and principles to guide QLDC... in the procurement of goods and services...”
- 12 Logically, the Policy should remain a Governance policy as it sets the organisations objectives and principles under which procurement should be undertaken.
- 13 The current Policy’s principles are not inconsistent with Government guidance, but would benefit from clearer alignment to NZ Government Procurement’s Principles, Charter and those mandated GRS (note - we must follow some, but not all of the rules, and we’re encouraged to have regard for the others).

- 14 The Policy now needs to be reviewed.
- 15 **The Guidelines** are currently also “owned” by Governance, but the ongoing suitability of this should be explored.
- 16 The purpose of the Guidelines is to operationalise and enable the Policy and to provide QLDC officers with direction and a common language and understanding to Plan, Source & Manage procurement.
- 17 However, having the Guidelines as a Governance tool seems contrary to the accepted Governance / Management split in accountabilities.
- 18 Acknowledging that the Guidelines also need to be reviewed, the key consideration is therefore whether the ownership of the Guidelines should remain with Governance or transfer to a Management accountability.
- 19 This report identifies and assesses the following reasonably practicable options for assessing the matter as required by section 77 of the Local Government Act 2002:

20 **Option 1: Maintain Governance Ownership of the Guidelines (status quo).**

Advantages:

- Greater Governance control of the procurement process.

Disadvantages:

- More complex and less timely review process.
- Discourages formalising iterative changes in how procurement is delivered.

21 **Option 2: Transfer Ownership of the Guidelines from Governance to Management**

Advantages:

- This approach would better provide for a model of continuous improvement and the agility to change our procurement:
 - processes - including systems, tools, templates, language and technology.
 - focus – based on business need and/or the changing social, environmental or economic landscape.
- This approach would also better enable the:
 - pan-organisation standardisation of procurement processes.
 - more effective on-boarding of new employees into the expectations and operation of procurement within QLDC.
- Lessen the opportunity for custom and practise to change the intent of the Guidelines.
- Cleaner delineation between Governance and Management accountabilities.

Disadvantages:

- Perceived loss of Governance control of the procurement process.

22 Based on the advantages described, this report recommends Option 2 for addressing the ownership of the Guidelines.

Review Pathway

23 The following high level Review Pathway is proposed for the Policy:

Task ID	Task Name	Duration	Start	Finish	Predcssr
1	ELT Briefing	1 day	Wed 17/06/20	Wed 17/06/20	
2	AF&R - Acceptance of Review Pathway	1 day	Thu 2/07/20	Thu 2/07/20	
3	Research other Local Authority Models	30 days	Fri 3/07/20	Thu 13/08/20	2
4	Draft Policy	10 days	Fri 14/08/20	Thu 27/08/20	3
5	Engage with Key Staff & Leadership Group	10 days	Fri 28/08/20	Thu 10/09/20	4
6	Council Workshop on Policy	20 days	Fri 28/08/20	Thu 24/09/20	4
7	Update and Finalise New Policy	9 days	Fri 25/09/20	Wed 7/10/20	6
8	Updated Policy to AF& R (Report Due to Mtg Date)	11 days	Thu 8/10/20	Thu 22/10/20	
9	AF&R Recommend New Policy	0 days	Mon 28/09/20	Mon 28/09/20	8
10	New Policy Adopted (Report Due to Mtg Date)	11 days	Thu 26/11/20	Thu 10/12/20	
11	Draft New Procurement Guidelines	30 days	Mon 21/09/20	Fri 30/10/20	8

CONSULTATION PROCESS | HĀTEPE MATAPAKI:

> SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA

24 This matter is of low significance, as determined by reference to the Council’s Significance and Engagement Policy because the matter generally relates to the review methodology, not the Policy. The report presenting the New Policy may have a different significance rating.

25 The level of significance determines the level of compliance necessary with the decision making requirements in sections 76-78 of the Local Government Act 2002. A higher level of compliance must be achieved for a significant decision.

26 The persons who are affected by or may be interested in this matter are:

- Elected members;
- Suppliers – “local”, national and to a much lesser degree international;
- Queenstown Lakes district community; and
- Other local authorities.

27 Elected members and QLDC’s Leadership Group will be engaged through workshops to provide input into and consideration of the updated Policy.

> MĀORI CONSULTATION | IWI RŪNANGA

28 The Council will consider the impact on Iwi, particularly with respect to Broader Outcomes and engage where appropriate.

RISK AND MITIGATIONS | NGĀ RARU TŪPONO ME NGĀ WHAKAMAURUTANGA

29 This matter relates to the Regulatory/Legal/Compliance risk category. It is associated with RISK00022 “Ineffective procurement process” within the [QLDC Risk Register](#). This risk has been assessed as having a moderate inherent risk rating.

30 The approval of the recommended option will support the Council by allowing us to implement additional controls for this risk. This shall be achieved by providing an updated and fit for purpose Policy with up to date Guidelines that support the organisation to Plan, Source and Manager procurement activity.

FINANCIAL IMPLICATIONS | NGĀ RITENGA Ā-PŪTEA

31 Nil.

COUNCIL EFFECTS AND VIEWS | NGĀ WHAKAAWEAWE ME NGĀ TIROHANGA A TE KAUNIHERA

32 The following Council policies, strategies and bylaws will be considered:

- Vision Beyond 2050;
- Climate Action Plan 2020;
- Waste Minimisation and Management Plan 2018; and
- (Draft) Community Wellbeing Strategy.

33 The review will be consistent with the Broader Outcomes and the principles set out in the named strategies.

34 The review nature of this matter means it does not require inclusion in the Ten Year Plan/Annual Plan.

LEGAL CONSIDERATIONS AND STATUTORY RESPONSIBILITIES | KA TURE WHAIWHAKAARO, ME KĀ TAKOHAKA WAETURE

35 Relevant legislation and statutory guidance associated with local government procurement includes (but is not limited to) the:

- Local Government Act 1974;
- Government Rules of Sourcing;
- Office of the Auditor-General:
 - Procurement guidance for public entities (2008); and
 - Local government procurement (2020).

LOCAL GOVERNMENT ACT 2002 PURPOSE PROVISIONS | TE WHAKATURETURE 2002 O TE KĀWANATAKA Ā-KĀIKA

36 The recommended option:

- Will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses by better positioning and enabling QLDC to be a “smart buyer” of goods, services and works;
- Can be implemented through current funding under the Ten Year Plan and Annual Plan;
- Is consistent with the Council's plans and policies; and
- Would not alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or transfer the ownership or control of a strategic asset to or from the Council.