

STRATFORD DISTRICT COUNCIL

SECTION: FINANCIAL	
POLICY: <u>PROCUREMENT PROCEDURES</u>	
RESPONSIBILITY: Corporate Services	REVIEW DATE: July 2008
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INTRODUCTION

It is Council's policy when procuring goods, works or services to:

- Achieve the right outcomes and value for money.
- Manage risk while allowing staff to exercise business judgement and be innovative.
- Be able to demonstrate fairness.
- Reflect best management practice.
- Have a local procurement policy applying to works with a monetary value up to a limit prescribed by the Council.

NOTE: This policy shall not be applied to invalidate Land Transport New Zealand's Competitive Pricing Procedure when applied to roads maintenance and construction.

USE OF A WRITTEN FORM OF CONTRACT

All goods and services are to be purchased with a written contract. Where the monetary value is low and the goods or services are readily available, the contract is recorded on the standard Purchase Order Form. Where the monetary value is high and/or the goods or services are not readily available, a contract is to be prepared.

AUTHORITY TO ENTER INTO A CONTRACT

All goods and services are to be purchased within the Annual Budget or specifically approved budget approvals and within delegated authorities.

PREPARING A PURCHASE ORDER

The request for goods or services must be recorded on a Purchase Order appropriately approved, unless the purchase is being undertaken under the contracting procedures. After identifying suppliers, the official order to be communicated to any supplier is the Purchase Order.

COMPETITIVE TENDERING

All purchases of goods or services greater than \$10,000 will be subject to competitive tendering, through:

- the preferred supplier list, or
- a minimum of three invited and recorded verbal quotations, or
- a minimum of three invited and recorded written quotations, or
- by public tender.

SPECIALIST SUPPLIERS

Where specialist equipment is to be maintained or serviced, the supplier or agent for the equipment shall be used without the need to obtain a competitive price.

PETTY CASH

Petty cash is used when money is needed in advance for small purchases of unknown amounts with approval of the voucher within delegated authorities.

CONFLICT OF INTEREST

Conflict of interest occurs when someone who is involved in making a decision that affects the interest of someone else, has competing:

- Professional or personal obligations and/or
- Personal interests and/or
- Financial interests and
- this would make it difficult to fulfil their duties fairly.

Conflicts of interest can arise at any time during the contracting process, but the most common occur during the planning and invitation to tender stages when people are able to influence the requirements, the evaluation criteria or the way that the selection is made.

MANAGING CONFLICT OF INTEREST

To avoid any conflict of interest where an officer is contemplating any transaction, tender or contract which may involve either a relative, a personal friend or a business associate, then that officer will advise their supervisor and remove themselves from the process of obtaining prices and letting any contract.

This process will be carried out by another Council Officer who is not connected with the supplier.

CONTRACTS WITH ELECTED MEMBERS

An Elected Member is liable to disqualification from the Council if involved in contracts with Council in which payments to the member exceeds \$25,000 in any financial year without prior written approval of the Audit Office.

While compliance with this requirement is entirely the responsibility of the Elected Member, should staff become aware of a potential breach of their requirement, the matter should at once be reported to the Chief Executive.

Elected members cannot, by law, purchase items through the Council's purchasing system.

LOCAL PROCUREMENT POLICY

The principles of the local procurement policy are:

- To encourage business activity by local rate paying firms, where they are competitive suppliers in respect of price and quality.
- To minimise transport costs and their environmental effects through measures which provide for Council to buy from local sources where competitive.

GUIDELINE ON LOCAL PROCUREMENT

Policy

In applying the local procurement policy, a local provider will be allowed a 5% bias of the lowest conforming tender price, with a maximum bias of \$50,000.

“Local” shall mean businesses with either their head office or a branch office located somewhere within the district.

It is, however, considered desirable that three tenders be received for most work with value greater than \$10,000 and less than \$50,000 to ensure competitive pricing. A single price for work less than \$10,000 is administratively more cost effective than seeking several prices.

If there are less than three suitable providers within the district, then other providers may be considered for the work to make up the number to three tenders. The requirement for three tenders could be dispensed with in certain circumstances (eg. where immediate response is required or only one suitable provider is readily available).

Local suppliers list

A list of suppliers database will be developed.