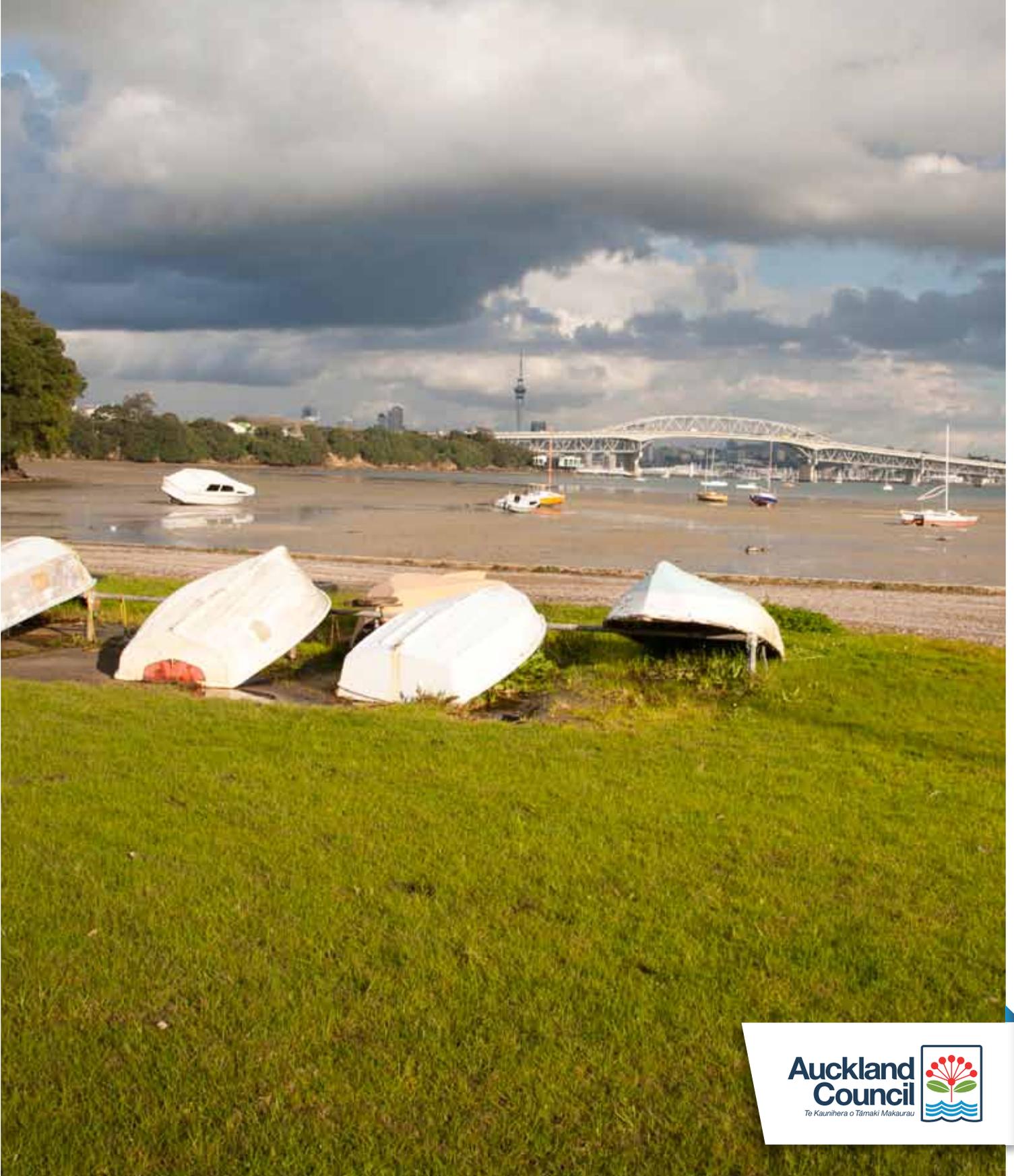


Auckland Council Procurement Strategy



Auckland Council Procurement Strategy

Summary

This strategy provides direction for when a decision is to be made to procure goods, services or works in order to deliver on the objectives of Auckland Council. The purpose of the strategy is to ensure that resulting procurements are undertaken in a way that is consistent with legislation governing Local Authorities and the intent and directives of the Auckland Plan.

It has been developed by considering each of the decision-making principles set out in the Auckland Plan and how these are to be applied in a procurement context. It therefore sits alongside the various strategies, plans and policies of council to assist with their respective delivery of the Auckland Plan.

The Procurement Strategy is based on the following principles from Section C4 of the Auckland Plan:

1. Work together
2. Value te Ao Māori
3. Be sustainable
4. Act fairly
5. Make the best use of every dollar
6. Be affordable

Strategic Overview

1.1 Purpose of the Procurement Strategy

The Local Government Act 2002 requires all councils to provide good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective, efficient, effective and appropriate for households and businesses. Procurement is one of the many processes by which a local authority delivers on this requirement and this procurement strategy sets out how council will comply with this legislation by using the Principles in the Auckland Plan to provide the structure of Councils approach.

The Auckland Plan is the agreed 30 year plan for the delivery of the world's most liveable city and sets out Auckland's goals for local infrastructure and services, including those provided by Auckland Council. This strategy interprets the Auckland Plan principles into procurement principles to ensure that procurement is undertaken in a way that is both consistent with the intent and directives of the Auckland Plan, and that also ensures that Council will deliver goods, works and services in a way consistent with its legislative requirements.

The Procurement Strategy therefore sits alongside the various strategies, plans and policies of council to assist with their respective delivery of the Auckland Plan which is the shared vision for all of Auckland and its people. As such it provides direction for when a decision is to be made to procure goods, services or works to deliver on the objectives of Auckland Council.



It is intended that the Auckland Council family including the Council Controlled Organisations (CCOs) will act consistently in accordance with the adopted Strategy. The Governing Body will work with each Auckland Council CCO to ensure that the desired outcomes of the Procurement Strategy are achieved.

Council will continually look for ways to improve the efficiency and effectiveness in the delivery of its services and as a part of this we will also seek to improve the way in which we procure those services. We will adopt good practise in procurement to support programmes for service improvement.

1.2 Defining procurement

Procurement means the acquisition of all goods, works and services provided by or for the Council. Procurement covers every aspect of the procurement cycle from determining and specifying the needs of the service through the Long Term Plan or Annual Plan and Local Board agreement processes, through to the acquisition and delivery of goods and services as well as the relationship management of the supplier(s) involved. The procurement process finishes at the disposal of those goods or works or when the service contracts or agreements come to an end.

Managing, on behalf of Council, the supplier

relationships, or any relationships that Council enters into during a procurement process, is considered a vital part of the procurement process.

All the options that are available to the Council to procure goods, works and services must be considered at the concept or business case stages. Normally at the business case stage the range of procurement options will be identified, and the costs and benefits assessed.

The Council, as a public body, has responsibilities to consider not just the financial implications for Council of its procurement decisions, but also the short and long term outcomes for the community it serves.

Therefore, the Council will procure the best value for supplies, services and infrastructure by:

- Ensuring good practice in procurement which then helps to deliver the Council's key outcomes and priorities for improvement.
- Applying effective and up to date procurement procedures and practices
- Developing a whole of life cycle approach to the goods, services and infrastructure it procures – by contract or by other means. By the "life cycle" of an asset we mean the time from the initial definition of the service need through to the end of the useful life of the asset or service contract.

1.3 The key goals (outcomes) of the Procurement Strategy

A Procurement Strategy enables Council to:

- Ensure its procurement practice contributes to policy implementation and effective service delivery.
- Ensure that its approach to procuring goods and services is consistent with Council's principles for example Working Together and Valuing te Ao Māori.
- Ensure that most Council expenditure, while delivering the required goods or services, also contributes to wider policy goals and goals for the development of Auckland.

The Auckland Council faces significant challenges in delivering the required goods, services and works as described in the Auckland Plan within an environment of increasingly constrained resources. This Procurement Strategy therefore seeks to:

1. make the best use of resources,
2. focus on preventing needs arising, and achieving better outcomes in ways that provide long-term savings for the Council
3. work across the Auckland Council family to achieve social, economic and environmental and cultural impacts and
4. influence, where possible, the practices within the supply chain to be consistent with the goals of the Auckland Plan.

Legislative context

The principal legislative guidance for procurement is based on Section 10 of the Local Government Act 2002 (LGA) amended 2012.

The purpose statement is:

"to 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

and good quality is defined as

- (a) efficient; and
- (b) effective; and
- (c) appropriate to present and anticipated future circumstances

Council seeks to achieve 'best value' over the lifecycle of goods, services or infrastructure. Council considers that there are four elements to best value which are:

1. quality and suitability of the service
2. long-term implications
3. wider outcomes for society
4. the cost (both short and long term)

By achieving best value Council considers that it will meet legislative requirements and will be effective, efficient and appropriate for households and businesses, and will meet the need to be appropriate for current and future generations.

There is further legislative guidance for procurement in section 14 (1) (h) of the LGA 2002 which states that

“In performing its role, a local authority must act in accordance with the following principles:

in taking a sustainable development approach, a local authority should take into account—

- (i) the social, economic, and cultural interests of people and communities; and
- (ii) the need to maintain and enhance the quality of the environment; and
- (iii) the reasonably foreseeable needs of future generations”

In the Local government (Auckland) Act 2009 there are requirements that require the Auckland Council to set a strategic direction for Auckland and its communities that integrates social, economic, environmental, and cultural objectives.

Application to Council Controlled Organisations

Section 92 of the Local Government (Auckland Council) Act 2009 states that:

92. Substantive council-controlled organisations must give effect to the LTP and act consistently with other specified plans and strategies of Council.

1. Each substantive council-controlled organisation must give effect to the relevant aspects of the LTP.
2. Each substantive council-controlled organisation must act consistently with the relevant aspects of any other plan (including a local board plan) or strategy of the Council to the extent specified in writing by the governing body of the Council.

In Council’s view, this does not constitute a blanket requirement for either substantive or other CCO’s to comply with the strategies of Council, but that these matters should be considered on case by case basis and negotiated as relevant through the annual Statement of Intent or separately in writing dependent on the timing. However, it is clear that CCO’s must be kept informed of relevant strategies so they can be clear about Council’s intent.

It is intended that the Auckland Council family including the Council Controlled Organisations (CCOs) will act consistently in accordance with the adopted Strategy. The Governing Body will work with each Auckland Council CCO to ensure that the desired outcomes of the Procurement Strategy are achieved.

Guiding document

The Auckland Plan is a 30-year plan for Auckland. It is a comprehensive long-term strategy for Auckland's growth and development required by the Local Government (Auckland Council) Act 2009 legislation that established the Auckland Council. There is now a vision for Auckland to be the world's most liveable city, and, for the first time, there is a single comprehensive plan to deliver this vision.

The Auckland Plan was prepared under Auckland specific legislation, and the principles in section C4 of that Plan set out how Auckland Council will work to support the implementation of the Auckland Plan. Given the extent of the influence of Auckland Council procurement practice on business and community outcomes, these principles have provided the basis of this Procurement Strategy and supporting Policy documentation.

These principles are: Work together, Value te Ao Māori, Be sustainable, Act fairly, Make the best use of every dollar and Be affordable.

Strategic Principles summary

The six principles have been developed from the principles of how the council will work as set out in section C4 of the Auckland Plan 2011. Each principle will affect each stage of procurement from the preparation of the business case, the specification of the goods (the what), to assessment of the delivery options (the how), and finally, assessment of the tenders or applications (the who).

The early stages of procurement includes concept development and the development of the project through the business planning process, and through budget preparation processes. It is expected that the principles and options for procurement will be considered during the early stages of the end to end procurement process. There are particularly important value opportunities at the early stages. Each principle needs to be considered at the early stages of each procurement, but not every principle will be relevant to every procurement and therefore may not be factored in at later stages. It is however, important that at an early stage in each procurement that, there is a process of reviewing each of the principles and identification of which principles and policy objectives should be part of any subsequent procurement process.

It is important to note that the supporting Procurement Policy sets out some requirements that must be met in each procurement process. These are, in the main, related to best practice requirements, and to include the management of the supplier performance and relationship.

The following ongoing section sets out the six Auckland Plan principles and the subsequent procurement approach.

Auckland Plan Principle 1: Work together

- Procurement Strategy Principle: Procurement processes that enable staff to work collaboratively with each other, the CCO's and external agencies where appropriate, to achieve best value.

Auckland Plan Principle 2: Value te Ao Māori

- Procurement Strategy Principle: The procurement process will support the council's commitment to Māori including responsibilities under Te Tiriti o Waitangi/The Treaty of Waitangi and its broader legal obligations as described in the council's Māori Responsiveness Framework.

Auckland Plan Principle 3: Be Sustainable

- Procurement Strategy Principle: The Council procurement process will ensure that opportunities for social, economic, environmental and cultural interests and outcomes will be actively considered for current and future generations.

Auckland Plan Principle 4: Act fairly

- Procurement Strategy Principle: The Council's procurements will be ethical, and lawful, and will consider the needs of all groups in the community.

Auckland Plan Principle 5: Make the best use of every dollar

- Procurement Strategy Principle: Council will use efficient, effective and appropriate procurement processes to deliver good quality goods, works and services.
- For clarity, this principle is focused on the effectiveness of Council's procurement, while Principle 6 relates to the efficiency of Council's procurement.

Auckland Plan Principle 6: Be affordable

- Procurement Strategy Principle: Council will look for the best possible value (including but not confined to price) for the whole lifecycle of the goods, works or services. It does not necessitate the selection of the lowest price. In addition, the Council procurement processes will encourage and maintain a sustainable and diverse market place to ensure that a competitive market is retained.



Procurement Strategy Principles

Principle 1: Work together

Application to Procurement Strategy

- Procurement processes that enable staff to work collaboratively with each other, the CCO's, and external agencies where appropriate, to achieve best value.

Rationale

- It is common to point to the interdependence of projects, programmes and initiatives in the Auckland Plan. Many of these will require some form of collaborative delivery or partnership with community or business interests.
- In particular, generating and recognising social value within the Council procurement processes will ensure that agreed Auckland Plan objectives can be jointly worked towards, with community and business groups.
- This principle supports (where the business case and specification require it), Local Impact Assessments to be used in the procurement process. (Note: information on Local Impact Assessments is included in the Procurement Policy and the Procurement Manual for staff).
- This principle supports working with the not-for-personal-profit organisations where the objectives of the organisation and Council align.

Consequences

- The Council needs the flexibility to use a variety of tools, from simple contracting to close business relationships from competitive to collaborative, from out-sourcing to in-sourcing. This principle increases the tool box available to staff which then enables each business manager to specify the appropriate process.
- Under this principle, business managers along with procurement professionals are able to identify the degree of local impact to be included in the specification of the good or service, and will be required to do so for large contracts.

Commentary

- The Council is committed to a mixed economy of service providers because it believes that services should be delivered by the organisation that best meets our needs and standards. This means that the Council delivers services directly or through contracts with the private, not-for-personal-profit sector or other public bodies. The Council has the view that neither an internal nor an external service delivery option is considered as being automatically more beneficial.
- Collaborative processes are best actioned in a high trust environment and where they are not subject to competitive tendering practices on a project by project basis. For clarity, in order to retain transparency, such agreements should be openly tendered and would be reviewed formally and regularly for example on a 3-5 yearly basis. This would be consistent with common timeframes for normal commercial contracts. Although some collaborative agreements may have longer timeframes.
- In addition, the term 'partnership' encompasses a wide range of agreements by which Council will procure goods, works or services.

Principle 2: Value te Ao Māori

Application to Procurement Strategy

- The procurement system will support the council's commitment to Māori including responsibilities under Te Tiriti o Waitangi/The Treaty of Waitangi and its broader legal obligations as described in the council's Māori Responsiveness Framework.

Rationale

- Council has obligations to Māori that arise from Te Tiriti o Waitangi/The Treaty of Waitangi and other legal obligations that go beyond its role relative to other sectors of the community.
- Council recognises that its responsibilities are distinct from the Crown's Treaty obligations and fall within a local government/Tāmaki Makaurau context.
- The Auckland Plan and Long-term Plan articulate the special place of tangata whenua, and that Auckland's point of difference in the world is its Māori identity. Council is committed to building lasting reciprocal relationships with mana whenua and mataawaka.
- The Māori Responsiveness Framework describes how council will ensure its policies and actions consider the protection and recognition of Māori rights, and contribute to the needs and aspirations of Māori.

Consequences

- This principle requires consideration of the four drivers of the Māori Responsiveness Framework – enable Māori outcomes, enable Te Tiriti o Waitangi, value Te Ao Māori and fulfill statutory Māori obligations.
- Applying the four drivers of the Māori responsiveness framework in the concept development stages of a project and the business planning stage of the procurement process will require consideration of:
 1. Where and when Māori cultural competencies and Māori expertise are required.
 2. Whether the council's legal obligations are met including under the LGA 2002, RMA 1991, LG(AC A 2009 and role of the supply chain in assisting the council to meet these obligations.
 3. Relevant Treaty principles and Māori outcomes as articulated in the Auckland Plan and how the project/initiative and the services it procures can assist the council to contribute to supporting these as an integral part of a project/initiative or in adding value by, for example, contributing to a Māori identity that is Auckland's point of difference in the world.

Commentary

- Māori and in particular mana whenua have an enduring relationship with Tāmaki Makaurau, Auckland. It is from here that they draw identity and wellbeing. Protecting this relationship for future generations is imperative to Māori. Māori also aspire to better socio-economic outcomes, individually, and as a sub-population. Procurement is one tool the council can use to assist Māori to achieve these goals by raising awareness during the procurement process of the need for relevant Māori services and advice.
- This principle will ensure that Māori values contribute to make Auckland a unique city.

Principle 3: Be Sustainable

Application to Procurement Strategy

- The Council procurement system will ensure that opportunities for social, economic, environmental and cultural interests and outcomes will be actively considered for current and future generations.

Rationale

- The Auckland Plan sets some ambitious targets as part of becoming the world's most liveable city. Council will need to mobilise all its tools, including its procurement practice, to support initiatives that take Auckland towards that goal.
- Part of achieving sustainability outcomes requires that opportunities are sought to ensure multiple outcomes are achieved whenever these are possible, relevant and proportionate.
- This principle means that every procurement must consider social, economic, environmental, and cultural outcomes or impacts in the early stages of the process, but recognises that not every procurement will need to address the full range of social, economic, environmental and cultural interests in the final stages of the procurement process.
- Using a sustainable approach also requires looking at long term costs and benefits. Short term fixes can impose long term costs on ratepayers. In addition, LGA S10 requires that services are provided that are appropriate to present and anticipated future circumstances. Assessing the impacts of procurement on current and future generations is an essential component in achieving sustainability.

Consequences

- This principle drives an integrated approach to procurement e.g. across disciplines, and across units of Council.
- It allows staff to consider such matters as economic sustainability (e.g. improved employment opportunities for disadvantaged populations, increased local spend), social sustainability (e.g. enhanced community capability), environmental sustainability (e.g. carbon reduction opportunities) and cultural sustainability (e.g. te reo Māori, cultural diversity) during each stage of the process.
- The tools for implementing this sustainability principle such as whole of life assessments and/or life cycle approaches are set out further in the Procurement Policy.
- The sustainability principle also supports innovation and actively searching for the best use of physical resources.
- The sustainable approach will include efforts to improve the greening of the supply chain.

Commentary

- Applying the sustainability principle supports the delivery of other principles such as 'making the best use of every dollar', and 'be affordable'. It does this by:
 - o a) seeking multiple outcomes from every dollar spent (eg a park also acting as part of the stormwater system) as in Principle 5, and;
 - o greater resource efficiencies (eg energy generation and use) as in Principle 6 and;
 - o retention of a diverse and sustainable market, also as in Principle 6.

Principle 4: Act fairly

Application to Procurement Strategy

- The Council procurement will be ethical and lawful, and consider the needs of all groups in the community.

Rationale

- Being fair means that all our processes are clear, that all members of the public can participate if they choose, and that procurement decisions are free of undue influence.
- Access to information and reasonable time frames for decisions are also important components of acting fairly.

Consequences

- In effect, this supports such matters as:
 - o Ethical procurement practice adhered to.
 - o Fair trading practices supported
 - o All suppliers will comply with New Zealand legislation
 - o No goods, services, or assets using child labour will be used

- o All potential (including local) suppliers have equal opportunity to participate in the procurement process.
- o No group disadvantaged due to race, gender or disability.
- o All suppliers, including smaller firms and new entrants, are encouraged to participate in the process
- Supplier relationship management processes will be fair and equitable.

Commentary

- At the end of a contact or agreement, it is expected by both parties, that if there is a requirement for a new contract or agreement, that the contact or agreement will be transparent in the market place and competitively tendered where considered appropriate.
- Acting fairly in the market place has an advantage to Council, as it recognises that there is value to its ratepayers by contracting with suppliers who are stable, and who employ an appropriately skilled work force.



Principle 5: Make the best use of every dollar

Application to Procurement Strategy

- Council will use efficient, effective and appropriate procurement processes to deliver good quality goods, works and services.
- For clarity, this principle is focused on the effectiveness of Council's procurement, while Principle 6 relates to the efficiency of Council's procurement.

Rationale

- One of the ways to make the best use of every dollar is to ensure that projects specify and deliver on multiple outcomes whenever possible.
- While this may not be possible for every procurement undertaken by council, there are many opportunities to identify goods, works and services delivered by projects and programmes where cross-Council objectives can be achieved using a collaborative approach.

Consequences

- The use of whole of lifecycle value approach, and specification of multiple outcomes at the business plan stage, will assist Council to innovate, make the best use of constrained resources, and make every dollar work as hard as it can. This will enable Council to be effective, efficient, and appropriate over time.
- Achievement of best value will be considered over the whole of life of goods, works and services. For clarity, best value is not limited to financial factors.
- In a resource constrained environment, such approaches support innovation across Council business and community activity.
- In addition, this principle supports the preparation of 3 year procurement planning by units within Council which will identify the areas where a combined approach to procurement will identify opportunities for a more effective spend.

Commentary

- Council, as a public body, is concerned not just with unit costs, but also with the full value or public benefit that a provider brings to delivering a service. This recognises that every time the public sector spends money, it should do so in a way that enables the organisation to be effective, to achieve as much for its community as possible, and to focus on the value a provider creates across a range of outcomes over the longer term with the resources it is given.

Principle 6: Be affordable

Application to procurement strategy

- Council will look for the best possible value for the whole lifecycle of the goods, works or services it is procuring. It does not necessitate the selection of the lowest price.
- The Council procurement system will encourage and maintain a sustainable and diverse market place to ensure a competitive market is maintained.

Rationale

- The Auckland Plan sets out to make Auckland an affordable place to work, live and play. The Council procurement can support this through ensuring that its procurement decisions seek the best long term value for both Council and its citizens.
- Affordability is also influenced by the depth and diversity in the market place – under this principle, Council will endeavour to foster and maintain a diverse and sustainable market place.
- To be cost-effective is a requirement for local authorities, and in addition, the delivery of goods, works and services must also be appropriate for present and future circumstances.

Consequences

- The search for affordable solutions supports the use of innovative approaches such as working with social enterprises.
- At times, there will be tensions between short and long term costs, benefits and affordability. Using the whole of life approach at the business case stage will assist in making decisions on these matters clear.

- The identification and mitigation of risk is an essential component of procurement to ensure that the services are cost effective over the life of the service. Therefore an effective and efficient procurement process requires the application of sound risk management practices aimed at protecting the interests of the Council and ensuring that the procurement outcomes are achieved. Clear accountabilities and monitoring processes are applied as part of the Councils approach.
- Retention of diverse, actively competitive, motivated and sustainable markets will help in keeping costs to Council and ratepayers at an affordable level, while exploring opportunities to add value.

Commentary

- The Auckland Council is accountable to the community for delivery of cost effective services through the Long Term Plan and Annual Plan and the achievements and results are reported through the Annual Report. Therefore, managing risk, monitoring and assessment processes must be included in procurement processes in order to ensure that Council is delivering the best that it can, and can demonstrate that it is managing ratepayer funds most efficiently.
- This is in addition to the internal management reporting and reporting back on projects to elected representatives at either Governing Body or Local Board level.
- Encouraging sustainable and diverse supply markets includes the full range of businesses including small and medium sized businesses.