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# Auckland Council Group Procurement Policy

For decision:

For noting:

## Te tūtohunga / Recommendation

That the Auckland Transport Board (board):

- a) Notes the updated Auckland Council (AC) Group Procurement Policy (included as Attachment 1).
- b) Notes that the Auckland Transport (AT) Procurement Policy (Tier 1 Policy) will be brought to the board in August for approval (required bi-annual update).
- c) Approves the attached letter from the AT Chair and Chief Executive to the AC Chief Executive (Attachment 2).

## Te whakarāpopototanga matua / Executive summary

1. The AC Group Procurement Policy has been updated, incorporating new guidance on how the AC Group will procure goods and services together. Additional compliance obligations have been incorporated following recommendations from the Council Controlled Organisations (CCO) Review. AT's Procurement Policy and practices will give effect to this Group Policy and it is being updated accordingly for board approval in August 2021.
2. In reviewing the policy, the Executive Leadership Team (ELT) noted the lack of reference to safety, and the need to work collaboratively to achieve safe outcomes at all stages of the procurement lifecycle. This feedback has been provided to AC requesting amendments to be made accordingly.
3. It is proposed that the letter (see Attachment 2), is sent to AC's Chief Executive acknowledging AT's support of the AC Group Procurement Policy.

## Ngā tuhinga ō mua / Previous deliberations

4. The current AC Group Procurement Policy was noted by the board in 2018. The current AT Procurement Policy was approved by the board in March 2019.

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## Te horopaki me te tīaroaro rautaki / Context and strategic alignment

5. The AC Group Procurement Policy is to formalise the expectation that the AC Group will procure goods and services together where there are benefits to be realised for AC's ratepayers and customers. The review of this policy usually occurs every three years or otherwise as required.
6. The CCO Review recommended that AC should make compliance with the procurement policy mandatory on all CCOs to reduce costs and minimise duplication, noting that AC or a CCO should lead individual procurement processes, according to the circumstances. This prompted a review of the Group Policy to ensure it was fit for purpose to deliver these outcomes.
7. The Chief Financial Officers (CFOs) across the AC Group are ultimately accountable for ensuring that their individual organisation's procurement policies and practices give effect to this Group Policy. AT's procurement policy is being updated accordingly.

## Ngā matapakinga me ngā tātaritanga / Discussion and analysis

8. Following a collaboration between all CCOs, the Group Policy has been updated. The key changes made to the policy as a result:
  - a) The policy uses the updated standard template for the AC Group Policies (new best practice structure and layout).
  - b) Updated definition of what defines a Group Procurement approach. All planned procurement should in the first instance be considered as a potential group source opportunity to leverage our size for cost reduction and value optimisation, as well as to influence the market on our sustainability objectives through all stages of the procurement lifecycle (Plan, Source and Manage). By planning as a Group, procurement opportunities and activities can be classified, and hence the most relevant approach to the market be determined to maximise value for money, as well as deliver broader outcomes, for the AC Group.
  - c) Two broad classifications of procurement spend have been clarified:
    - i. *Group Procurement Activities* that are general in nature and are typically required by more than one, or all of the AC whanau and at a scale where there is clear potential to leverage benefit. By default, wherever reasonably practicable, these must commence as an AC whanau activity.
    - ii. *Strategic Procurement Activities* on the other hand are those that are directly required to support the business outcomes of an individual AC whanau member's operational requirements. These activities will often be unique to that individual organisation (examples are AT's Roding and Public Transport activities, or Watercare's water and wastewater treatment and distribution activities).
  - d) The policy has been updated with references to the latest published guidance (Ministry of Business, Innovation and Enterprise Government Procurement Rules) and applicable legislation.

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- e) Clarity has been added where the AC Group organisations must collaborate, in summary:
- i. Collaborate in the development of systems and tools to reduce duplication;
  - ii. Share their forward procurement programmes;
  - iii. Work together to create procurement strategies and plans that are best fit for the market;
  - iv. Use AC Group size and strength to deliver value, foster market competition where appropriate, and develop market capacity and capability as needed;
  - v. Use a consistent benefit reporting framework to track and report delivery of value; and
  - vi. Address market and supply risks collectively.

## **Ngā tūraru matua / Key risks and mitigations**

9. This policy will help AC and its CCOs to help to deliver value for money whilst mitigating fraud and reputation risks across the organisation.
10. The key risk will be to ensure ongoing compliance monitoring takes place across all the CCOs, and, in order to mitigate this risk, a set of governance guidelines are being developed to support the application of this Group Policy.
11. Regular reporting will be put in place and reviewed by the AC Group CFOs in planned Procurement review meetings. Any non-compliance will be dealt with through relevant corrective action processes.

## **Ngā ritenga-ā-pūtea me ngā rauemi / Financial and resource impacts**

12. Implementation of this policy will require some additional reporting by AT's procurement team, and this will be taken into account as part of the organisation's regular resource planning. No additional resources are expected at this stage, as the reporting is not expected to be onerous.

## **Ngā whaiwhakaaro ō te taiao me te panonitanga o te āhuarangi / Environment and climate change considerations**

13. The Group Policy has, as one of its core principles (Principle 3: Be Sustainable), considered Environment and Climate change impacts on our procurement activities. The AC Group will assess sustainable procurement outcomes related to all procurement activity and consider:
  - a) value-for-money over the whole of life, rather than just the initial cost;

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- b) minimising environmental impacts over the whole of life of the goods/services/works;
- c) strategies to avoid unnecessary consumption and that manage demand and minimise waste;
- d) our supplier's social responsibility practices, including compliance with legislative obligations to its employees;
- e) our obligations under the Treaty of Waitangi and our relationships with local Iwi; and
- f) where appropriate we will work with local and community organisations including The Southern Initiative and Amotai to facilitate these outcomes.

## **Ngā reo o mana whenua rātou ko ngā mema pooti, ko ngā roopu kei raro i te maru o te Kaunihera, ko ngā hāpori katoa / Voice of mana whenua, elected members, Council Controlled Organisations, customer and community**

14. CCOs have been consulted in the development of the Group Policy, which also reflects the elected member expectations as reflected in the CCO Review recommendations. Mana Whenua have not been consulted on this policy, however reference is made to Council's commitment to value te ao Māori in Principle 2 of the policy. Auckland Council's Māori Responsiveness Framework (Whiria Te Muka Tangata) recognises that Auckland's aspirations and Māori aspirations are aligned and that there will be times when procurement requires close consideration of Māori cultural competencies, such as te reo Māori, mātauranga Māori (Māori understanding, knowledge and skill), tikanga Māori, and kawa (protocols).

## **Ngā whaiwhakaaro haumaruru me ngā whaiwhakaaro hauora / Health, safety and wellbeing considerations**

15. In reviewing the policy, the ELT noted the lack of reference to safety, and the need to work collaboratively to achieve safe outcomes at all stages of the procurement lifecycle (Plan, Source and Manage). This feedback has been provided to AC requesting amendments to be made accordingly, suggesting that a sixth principle be added, with words to the effect of:

### ***Principle 6 – Safe with us***

*The Council Group is to collaboratively work together to achieve safe outcomes at all stages of the procurement lifecycle (Plan, Source and Manage). The Group shall ensure it meets its legislative requirements under the Health and Safety at Work Act 2015, and ensure that Group personnel, contractors, members of the public and customers are not put at risk from work carried out under or associated with AC Group and CCO contracts.*

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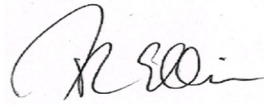
## Ā muri ake nei / Next steps

16. The AC Group Procurement Policy will be presented to the AC Strategic Procurement Committee on 8 June 2021 for noting and subsequently taken to the AC Finance and Performance Committee on 17 June 2021 for approval.
17. AT's updated Procurement Policy will be presented for board approval at the August meeting (having been presented prior in the July Finance and Assurance Committee meeting).
18. Develop and implement guidance with the AC Group on how compliance with the Group Policy will be achieved by CCOs and put in place regular monitoring and reporting to that effect, to be in place by the start of 2021/22.

## Te whakapiringa / Attachment

| Attachment number | Description   |
|-------------------|---|
| 1                 | Auckland Council Group Procurement Policy   |
| 2                 | Letter to Auckland Council's Chief Executive confirming support of the Group Policy |

## Te pou whenua tuhinga / Document ownership

|                                |  |   |
|--------------------------------|--|---|
| <b>Submitted by</b>            | Andy Richards<br><b>Group Manager Procurement</b>                      |    |
| <b>Recommended by</b>          | Rodger Murphy<br><b>Executive General Manager Risk &amp; Assurance</b> |  |
|                                | Mark Laing<br><b>Executive General Manager Finance</b>                 |  |
| <b>Approved for submission</b> | Shane Ellison<br><b>Chief Executive</b>                                |  |