

MBIE's technical review visit of Palmerston North CC (8-10 October 2014)

Context

The Ministry of Business, Innovation and Employment (MBIE) carries out technical reviews of territorial authority (TA) functions as part of its ongoing performance monitoring function under the Building Act 2004.

Purpose

The purpose of the technical review was to monitor and assess the performance of Palmerston North City Council (PNCC) in several of its TA functions - amending compliance schedules not captured by the building consent process, the enforcement of the building warrant of fitness (BWoF) system, which includes site audits, notices to fix (NTFs) and infringement notices. The opportunity was also taken to observe and assess the quality of installed passive fire systems (eg smoke/fire separations).

Approach

Three members of MBIE's Consent System Team (Brad Hislop, Gary Higham and Mike Reedy) undertook a technical review visit of PNCC on 8-10 October 2014.

Before the visit, PNCC provided the following statistical information.

	Subject	Total for the stated period
1	Buildings with compliance schedules at 31 July 2014	1708
2	Amended compliance schedules issued 13 March 2012 to 31 July 2014	270
3	On-site BWoF audits carried out 13 March 2012 to 31 July 2014	14
4	NTFs for compliance schedule and BWoF matters issued 31 March 2005 to 12 March 2012	9
5	NTFs for compliance schedule and BWoF matters issued 13 March 2012 to 31 July 2014	13
6	Infringement notices for compliance schedule and BWoF matters issued 1 July 2008 to 12 March 2012	1
7	Infringement notices for compliance schedule and BWoF matters issued 13 March 2012 to 31 July 2014	5

During the visit, PNCC staff members were interviewed and PNCC's records were reviewed to assess the adequacy and effectiveness of its systems. Also, the review team accompanied PNCC staff (from

Leigh Sage, Pip Freeman and Danny McCaul) on 7 BWoF inspections for a range of building types. The inspections were of the following buildings:

1. Globe Theatre, 312 Main St, Palmerston North
2. Westend School, 196 College St, Palmerston North (example of recently amended compliance schedule)
3. Joe's Garage, 38 Princess St (aka 109 Broadway Ave), Palmerston North
4. Ex Ezibuy Retail Outlet/Call Centre, 208 John F Kennedy Dr, Milson, Palmerston North
5. Harvey Norman, 361-371 Main St, Palmerston North
6. New Railway Hotel, 275 Main St, Palmerson North
7. Equine Veterinary Clinic, Tennent Dr, Massey University, Palmerston North

Findings

Positives

- Since early August 2014, PNCC have employed an experienced dedicated BWoF officer with good legislative understanding. (But this officer needs to focus solely on compliance schedule and BWoF matters and requires further support and assistance).
- PNCC staff are actively involved in regional sector meetings which regularly discuss compliance schedule, BWoF and independent qualified person (IQP) issues.
- Have a documented policy and procedure.
- No evidence of 'non-specified systems' (eg safety barriers, fire hose reels) on compliance schedules.
- Some evidence of building-specific information on some recent new or amended compliance schedules (eg the details relating to the back-flow prevention device at Joe's Garage, including its location) with relevant drawings attached.
- Have recently recommenced doing BWoF inspections (albeit a couple of reactionary ones) which were routinely last carried out in 2010 at a rate of approximately 20 per month.
- Have a detailed BWoF inspection sheet that when completed provides an adequate record.
- Will and have issued NTFs and 6 infringement notices as part of enforcing the BWoF system.

Opportunities for improvement

- Employ additional staff resource (2 FTEs) so there are at least 3 FTEs (2 technical, 1 support) solely dedicated to clearing the backlog of approximately **1275** compliance schedules that are required to be amended to satisfy the Building Amendment Act 2012 (deadline was **March 2013**) and undertake routine on-site BWoF inspections (appropriate to risk).

- PNCC staff estimated **75%** of compliances schedules were yet to be amended in order to comply with the requirements of the Building Amendment Act 2012 (ie provide specified system descriptions, plus detailed inspection, maintenance and reporting (IMR) requirements for all specified systems). MBIE observed 3 types of compliance schedules, these were as follows:
 - Pre-2007 – simply a list of specified systems with no IMR procedures (eg Globe Theatre, which is a PNCC owned building – important to be setting a good example for the sector)
 - 2007-2010 – contain information relating to IMR procedures, but this information is simply copied out of the *Compliance Schedule Handbook* and is not building-specific
 - 2010-present – some compliance schedules contain building-specific information about installed specified systems (about 400) but others are still of the 2007-2010 version.

- Consider the following recommendations in regards to compliance schedules:
 - For new compliance schedules (ie those issued to new buildings) there should be no reason why all specified systems do not have system descriptions. The consent process for new buildings is the perfect time to be getting information about the proposed specified systems in the building (including interfacing systems). It makes sense to get this information when the designers are involved, as they are the people in the best position to advise exactly what has been specified/used. This includes getting a floor plan showing the location of the specified systems.
 - No compliance schedule should just contain directly copied information from the *Compliance Schedule Handbook* – aside from the handbook stating this ‘should not be copied’ in several places, it does not make sense to have a list of possible inspection and maintenance standards for a system that the owner/IQP can choose from – there should only be one.
 - The layout of the compliance schedules that contained specified system descriptions was such, that this information was hidden amongst the detail of the IMR procedures. The specified system description needs its own heading before the IMR procedures so the information can easily be obtained.
 - The Building Amendment Act 2012 made it clear it was the owner’s obligation to have a compliance schedule which contained specified system descriptions. Send out a letter to these owners advising them that they need to submit an amendment to PNCC containing system descriptions – MBIE have a template letter that could be used.

- Suggest the template for the front pages of the compliance schedule be amended:
 - Delete the text ‘BWof expiry date’ and include original compliance schedule issue date at the top of the page;
 - Include the date, if and when, the compliance schedule is amended (perhaps with a brief description of the amendment, eg SS14.2 added, SS15.5 deleted);
 - For ‘Current, lawfully established use’, it is more appropriate to use classified use(s) from Building Code clause A1 (eg Commercial) plus a lay building-type description (eg restaurant and bar);
 - Delete ‘Highest fire hazard category for building use’ and ‘Purpose group’ as these are now redundant terms under the Protection from Fire documents, which were introduced in April 2012;
 - Replace ‘Purpose group’ with ‘Use group’ using the categories from Schedule 2 of the Building (Specified Systems, Change the Use, and Earthquake-prone Buildings) Regulations 2005. (Copies of marked-up compliance schedules were handed to PNCC).

- Strongly recommend PNCC to expand its current reactionary on-site BWoF inspections to become routine BWoF inspections on a 3-5 year cycle so that - 1) the authenticity of IQPs' paperwork can be assessed, and 2) accuracy of compliance schedules can be checked (6 of 7 inspections revealed specified systems that either needed to be deleted and/or added). Reminder to inspect passive fire systems (eg fire and smoke separations) whenever possible.
- Possibly reformat PNCC's BWoF inspection checklist. Currently, the checklist has 3 columns (ie 'added', 'removed' and 'existing') which are terms from the building consent application form. It is suggested the 3 columns headings be - 1) 'listed on the compliance schedule' so it can be marked up before the inspection, 2) 'covered by the BWoF' which can be verified on site (if this information is provided, as it is not mandatory), and 3) 'what exists in the building' so it can be filled out as the inspection of the building progresses. It is suggested that a drop-copy of the completed inspection checklist should be given to the building owner/occupier for their information and records.
- Minimal public information on PNCC's website and at front of house counter. PNCC should consider providing links to MBIE's guidance documents *Compliance schedule handbook*¹ and *Owners' responsibilities to ensure their buildings are safe to use*². These links could also be included in correspondence to owners (eg BWoF reminder letters).
- Update the 2010 version of the documented policy and procedures (eg delete reference to licensed building practitioners (LBPs) in BWoF procedures, some terminology does not exactly align with the Building Act 2004) to reflect what PNCC actually do (preferably for all TA functions) and communicate this manual to all building control staff. (MBIE handed a marked-up copy to the Quality Assurance Coordinator).
- Consider issuing a draft compliance schedule with the building consent. Such a draft can be referred to in a certificate for public use as the interim means of inspecting and maintaining installed specified systems until the official compliance schedule can be issued with the code compliance certificate.
- Ensure all fields in the prescribed forms are populated. There were some BWoFs that had some fields missing (eg maximum number of occupants, year first constructed).
- It was noted that PNCC's infringement notices did not contain restricted building work (RBW) offences in the list of building offences. RBW offences came into force in September 2012.

What's next?

At the conclusion of the 2014-15 round of technical reviews (13 TAs scheduled), MBIE will write and publish a report on its website which will summarise the review team's findings and any trends that have emerged so that TAs can check, adopt or modify their existing practises.

¹ <http://www.dbh.govt.nz/compliance-documents#handbooks>

² <http://www.dbh.govt.nz/UserFiles/File/Publications/Building/Building-Act/building-wof-guidance.pdf>

MBIE will do a follow-up visit in **2015** (date yet to be confirmed) to assess progress in dealing with the back-log.

Acknowledgement

MBIE would like to thank PNCC's building control management and staff for its cooperation and assistance during the technical review. We trust you have found the review to be of some value and have seen it as an opportunity to perhaps improve some of your building control activities.



21 OCT 14

Mike Reedy
Advisor, Consent System Team



Management Team Policy

Purchasing	Policy No: MT70
	Page 1 of 18

Policy

Employees are required to make financially prudent decisions when purchasing goods or services in keeping with Council policy direction and statutory requirements. This is important because poor procurement practices may lead to increased or unnecessary expense, failure to achieve an outcome, and /or risk to reputation, safety, be less sustainable or result in financial loss.

Consideration must be given to principles such as:

1. *Best value for money:* Take into account the total cost of ownership (whole-of-life cost) and benefits gained to ensure that best value for money overall is obtained.
2. *Sustainability:* Have regard for the economic viability, environmental and social impacts, as appropriate over the whole life-cycle of the goods or service purchased.
3. *Buy Local:* Wherever possible, consideration should be given to local suppliers provided that value is equal to alternatives.
4. *Market comparability for In-House service provision:* Where there is an in-house service provider they should be given preference for the provision of a service so long as they have the expertise, capacity, and compare favourably with the external market – this may not always be the lowest price available. Their ability to provide should be decided through a discussion between the client and provider.
5. *Competitive purchasing:* Ensure Council achieves the best prices available for given levels of service and quality.
6. *Health and Safety:* To take into account Health and Safety aspects in purchasing goods and services.
7. *Conflicts of Interest.* Ensure that those staff who are involved in purchasing decision-making do not have (or could not be reasonably perceived to have) a financial or personal benefit for themselves or any related party to themselves.

In addition to these principles, staff must follow the requirements outlined in the Delegations Manual where applicable. Failure to follow the procedures in this policy may result in disciplinary action as outlined in the Employee Code of Conduct.

Context

Council is in a position of responsibility in ensuring that purchasing decisions are financially prudent, and residents are satisfied that they get value for money from their rates.

Staff are required to ensure that they use a considered approach to all purchases to ensure that the Council achieves best value for money, and that all relevant factors have been considered before a decision is made. This follows good practise and includes:

- Following a planned approach with a clear need (s) to be met.
- Using appropriate process and methods for the scope and nature of the purchase.
- Having an awareness of the different options of goods and services available so that an informed decision can be made.
- An understanding of the difference between the goods or service's cost (across the whole life cycle) and upfront price.

Author / Last Reviewed By: Phil Walker, City Networks	Version: Three
Adopted by: Management Team [137-14]	Date: 15 April 2014

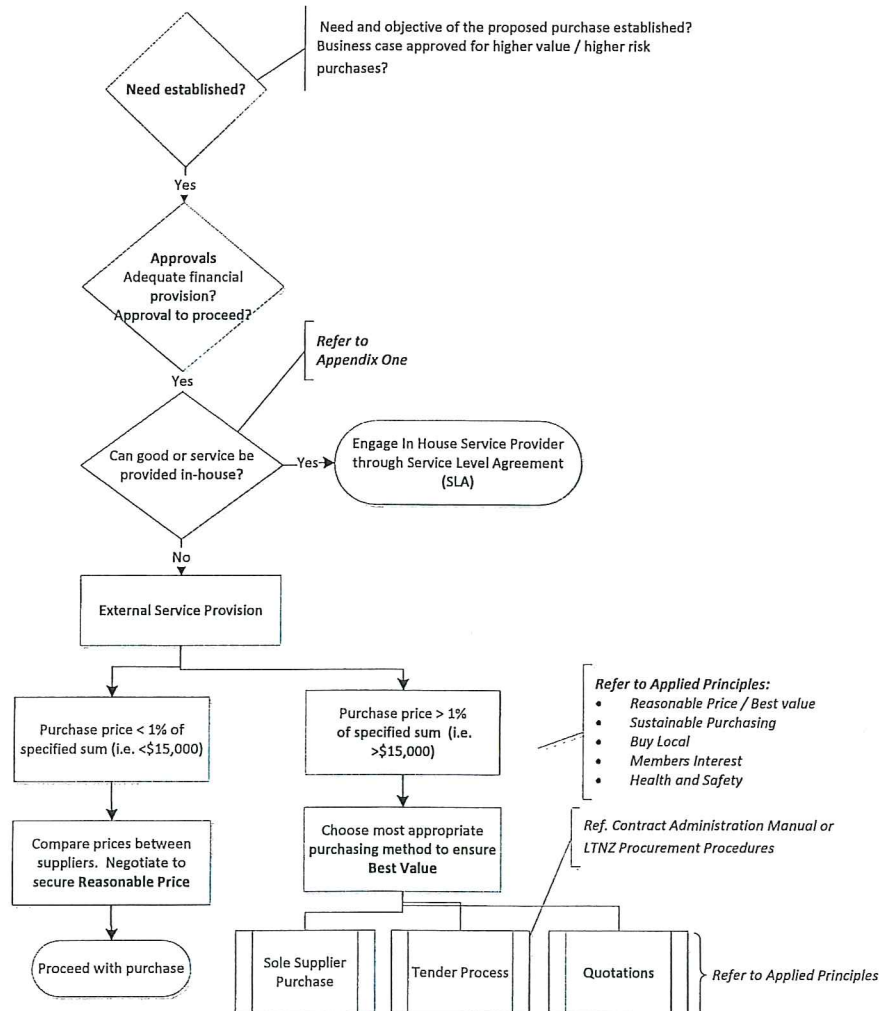
Management Team Policy

Purchasing	Policy No: MT70
	Page 2 of 18

- Identifying and managing risks associated with the purchase including, contractual, financial and sustainability.
- Maintaining appropriate records and minutes relating to purchasing activities that allow for subsequent review of the decision making process.
- Declaring all personal interests that may affect (or could be perceived to affect) their impartiality in the purchasing process consistent with the Conflicts of Interest Policy.

Procedures

General Purchasing (including Technical Services)



Author / Last Reviewed By: Phil Walker, City Networks	Version: Three
Adopted by: Management Team [137-14]	Date: 15 April 2014



Management Team Policy

Purchasing	Policy No: MT70
	Page 3 of 18

Specialist Procurement

1. *Purchasing involving New Zealand Transport Agency (NZTA) Financial Assistance:* Where necessary, PNCC process may need to be modified to align with the NZTA procurement procedure. Any modifications are to be documented (see exceptions to the policy)
2. *Building and Engineering work:* Refer to the Building and Engineering Contracts Administration Manual.
3. *Library content purchasing:* Managed by the Content Team. Refer to the Collection policies.
4. *Information and Communication Technology (ICT) Procurement:* ICT purchases are managed centrally through the IT Division to ensure that hardware and software can be adequately supported; and are aligned with corporate IT policy and strategy.
5. *Vehicle and Plant Purchasing:* Managed centrally through City Enterprises.
6. *Energy Purchasing:* Managed centrally through City Networks.
7. *Engaging Consultants:* Often this will occur outside of a competitive process due to specific services being required and the importance of the client-consultation relationship. Where the likely value of engagement exceeds 20% of the specific sum (i.e. > \$300,000) a competitive bidding process should be used unless there are sound business reasons not to (if this is the case, this is to be documented). Where a consultant is engaged on a long term period or ongoing basis, appropriate review measures are to be built into the contract. Refer to Appendix Three of this policy.
8. *Legal Purchasing.* Refer to Appendix Seven of this policy.

Exceptions to the policy

- *Emergency Procurement:* In an emergency it may not be possible to satisfy the processes of the policy. To meet critical requirements of a genuinely unforeseen event the decision to purchase outside of these requirements should be made at an appropriate senior level. Poor planning or organisation is not a reason for emergency procurement.
- Where there is a departure from this policy, the reasons for the departure together with details about who authorised it need to be documented.

Other considerations:

Members Interest: No purchase is to be made from any supplier or company that an Elected Member has a disclosed interest in without prior approval at General Manager level. The register of Elected Members interests is held by the Governance & Support Team Leader.

Applied Principles:

The purchasing requirements and resulting contractual arrangements should be as simple and practical as possible, considering the amounts involved, the complexity and level of risk. The following briefly indicates how the principles are to be applied:

1. **Best Value:** Due regard must be given to the full costs and benefits of a purchase so that the best possible outcome for the total long term cost of ownership is achieved. This will not always be the lowest purchase price.

Author / Last Reviewed By: Phil Walker, City Networks	Version: Three
Adopted by: Management Team [137-14]	Date: 15 April 2014

Management Team Policy

Purchasing	Policy No: MT70
	Page 4 of 18

2. **Reasonable Price:** What is deemed to be a fair price after comparing the range of market prices.
3. **Sustainable purchasing:** This has many aspects associated with it including a consideration of long-term economic viability, minimising environmental impact and being socially responsible when purchasing goods, services or works. These considerations apply at all stages of purchasing including supplier selection, specification, bid evaluation and contract management.

Purchasing for the organisation is very wide ranging both in size and types of purchases. It is not practicable for in depth analysis to be undertaken for every purchase or contract entered into. The approach taken should be appropriate to the size and nature of the purchase with greater focus on integrating sustainability principles into the purchasing process for larger projects that justify the inputs required and where the greatest gains can be made. This includes significant contracts such as larger building projects and supplier arrangements.

All purchases should, however, give consideration to basic sustainability principles such as the whole life cycle cost of the purchase and the energy and resource usage over the lifetime of the product with the aim of minimising the impact on the environment. In this context buy local policy should also be adhered to. Where value and functionality are similar, preference should be given to the more sustainable option.

Further guidance on sustainable purchasing is available through the Sustainability Coordinator and in the Sustainability Purchasing Guidelines DMS#***** (to be completed).

4. **Buy Local:** This is in recognition that buying locally provided goods and services is of substantial benefit to the local community. Purchases should be made locally so long as they cost no more than alternative goods and services, the quality is equal to alternatives and the guarantee and service is equal to alternatives. This does not usually apply to contracts that must be put out to tender or contracts that are required to follow a competitive pricing procedure.
5. **Health and Safety:** Consideration should be given to Health and Safety aspects at the time of purchase to ensure that there is proper compliance with Health and Safety requirements and that any hazards associated with the goods and services are identified at the outset.
6. **Selecting a supplier:**
 (NB: Appendix Three should be referred to for processes related to the selection of professional services)
 - a. *Preferred suppliers:* In some circumstances it can be more efficient to identify a list of preferred suppliers for frequently sourced goods or services than go through a separate process each time. Where this is the case clear criteria should be established for being a preferred supplier in line with this policy. Generally, the list should be open to all suppliers who qualify. It may be desirable to use a Registration

Author / Last Reviewed By: Phil Walker, City Networks	Version: Three
Adopted by: Management Team [137-14]	Date: 15 April 2014

Management Team Policy

Purchasing	Policy No: MT70
	Page 5 of 18

- of Interest (ROI) process to establish this list in the first instance. There should also be a process to review this list at regular intervals.
- b. *Sole Supplier*: There are instances when there is a requirement to approach a single supplier without inviting competition from other suppliers to source goods and services. This is an exception rather than a rule and should be fully justified, documented and approved at an appropriate level. It may arise when tendering is not practicable or the goods/services to meet the need in a timely way are only available from one supplier. A contract for the supply of the goods or services is still required.
 - c. *Quotations*: Used for lower value purchases when the cost of tendering is not justified. The value of the purchase will usually be less than 20% of the specified sum. Quotations enable availability, price and supply to be easily determined. Generally three quotations should be obtained. A contract with acceptable terms and conditions is required.
 - d. *Tender*: Invite parties interested in supplying goods or services to make an offer based on the outlined requirements.
7. **Risk Management**: The risks of the procurement process and contractual agreement should be identified and consideration given as to how to manage those risks for the size and nature of the purchase. The key is to get a right balance between risk and expected benefit and do this in a considered way. Where a significant risk is identified or there are significant issues with respect to contractual terms guidance should be sought from Council's internal legal counsel before proceeding. Management Team Policy – Risk Management (MT/76) also applies.

Other relevant information

Applicable legislation:

- Sale of Goods Act (1908)
- Consumer Guarantees Act (1993)
- Fair Trading Act (1986)
- Commerce Act (1986)
- Health and Safety in Employment Act (1992) and associated regulations
- Local Authorities (Members Interest) Act (1968)

Policies, Guidelines, and Procedures:

- MT Policy: Employee Code of Conduct
- MT Policy: Conflict of Interest
- MT Policy: Gifts, Inducements, and Rewards
- MT Policy: Expenses
- MT Policy: Risk Management
- Building and Engineering Contract Administration Manual
- Delegations Manual (*sets out various levels of financial authority, usually as a percentage of the specified sum – currently this is \$1.5M adopted by Council 27 June 2012*)

Author / Last Reviewed By: Phil Walker, City Networks	Version: Three
Adopted by: Management Team [137-14]	Date: 15 April 2014



Management Team Policy

Purchasing	Policy No: MT70
	Page 6 of 18

- Guideline on the Briefing and Engagement for Consulting Engineering Services (*ACENZ, IPENZ*)

For further information contact

- General advice on procurement and tendering process: Technical Services Manager, City Enterprises
- Sustainable Purchasing: Sustainability Coordinator, City Future
- Legal Counsel (internal)

Next Review Date

February 2016

Author / Last Reviewed By: Phil Walker, City Networks	Version: Three
Adopted by: Management Team [137-14]	Date: 15 April 2014



Management Team Policy

Purchasing	Policy No: MT70
	Page 7 of 18

Appendices

NB: Please note that the principles and requirements of the Purchasing Policy apply to all of the processes outlined in the appendices. The appendices go into specific detail over and above the policy.

1. In-House Service Provision
2. Tender Processes and Documents
3. Engaging Consultants
4. Energy Purchasing
5. Library Content Purchasing
6. Plant and Vehicle Purchasing
7. Legal Services Purchasing

Appendix One: In-House Service Provision

The Council has in-house service delivery units (e.g. City Enterprises, City Corporate – Print Synergy) that provide a range of goods and services to the organisation. The Council has an investment in these resources and an expectation that they will be fully utilized.

It is a principle of this policy that the in-house unit should be given the opportunity to provide goods and services where they have the expertise and capacity to do so. This may not always be the lowest price available.

The decision to engage a service in-house should be based on the following key questions and considerations:

- Is the price market-comparable (not necessarily the cheapest)?
- Can the goods and services be provided in a timely manner?
- Is the quality acceptable?
- Is Best Value obtained?

This decision should be reached through negotiation and agreement between both parties (the client and service provider) and may include discussion about changes to scope of work, level of service to be provided, and development of capability. Where there is dispute about whether goods and services can be provided in an acceptable way the decision should be elevated to General Manager level.

Where the decision is made to engage an in-house provider, a Service Level Agreement (SLA) should be created so that both parties are clear on the terms and conditions agreed to.

Author / Last Reviewed By: Phil Walker, City Networks	Version: Three
Adopted by: Management Team [137-14]	Date: 15 April 2014



Management Team Policy

Purchasing	Policy No: MT70
	Page 8 of 18

Appendix Two: Tender Processes and Documents

NB: For detailed procedures for building and engineering work refer to the *Building & Civil Engineering Contract Administration Manual*)

Documents inviting tenders or proposals from the market

- **Registration of Interest (ROI):** This process invites parties interested in supplying goods and services to register their interest in a particular project. This can be useful in identifying potential suppliers before seeking tenders or proposals for specific goods or services.
- **Request for Proposal (RFP):** RFP's invite prospective tenderers to suggest ways in which they could achieve the projects objective. The RFP process allows the tenderers to be innovative and offer different approaches and pricing options. It offers greater flexibility from tenderers than the RFT process.
- **Request for Tender (RFT):** This process invites prospective tenderers to make offers based on a specific specification of requirements. It is a relatively rigid and prescriptive process.
- **Request for Information (RFI):** This is used when more information is required to assist in writing more accurate specifications and or to provide market insights.

Tendering process

- i) Before beginning the tender process ensure:
 - The project has financial approval
 - Scope and specification defined
 - Objectives for tendering & criteria for evaluation decided
- ii) Choose appropriate method
 - This will depend on the nature of the procurement required.
 - It may involve *single stage* or *multistage* process - In complex procurement activities where there is a need to find out more about the goods or services or the market a multi-stage process may be appropriate with an RFI issued initially followed by an RFP or RFT to submit an offer or propose a solution.
 - May be *open* or *closed*. Inviting tenders may be open (open to all suppliers to respond) or closed (only some suppliers invited to respond). Generally tenders are open unless there are good reasons for a closed process.
- iii) Prepare appropriate documents (e.g. ROI, RFP, etc.)
- iv) Call for tenders
- v) Evaluate
 - The criteria for evaluating the tender and weightings should be decided on before tendering. A tender panel of at least three people is advisable. Common criteria include price, past performance, team, assessment of service or goods supplied, on-going support .
- vi) Let Contract

Author / Last Reviewed By: Phil Walker, City Networks	Version: Three
Adopted by: Management Team [137-14]	Date: 15 April 2014



Management Team Policy

Purchasing	Policy No: MT70
	Page 9 of 18

Appendix Three: Engaging Consultants

Consultants are often engaged outside of competitive PNCC processes due to specific services being required and the consultant/ client relationship being a key factor. Of particular importance in engaging consultants are:

- Setting out proper terms of reference
- Clear deliverables
- Agreed basis of payment (preferably a fixed price)
- Delivery by a set time
- A set of desirable attributes for selection purposes
- Ownership of intellectual property

Registration of Interest (ROI) process

A registration of interest process can be useful where information is required about the skills and capacity of consultants in the market. This involves advertising initially for ROI from consultants for a project. Information about the capacity, skills and experience can be requested from registrants either initially or as part of another process and this can be used to short list consultants.

Professional Services Contract Documents

In some engagements an exchange of letters detailing the scope, conditions and price of contract will be sufficient. The following documents are often used for the engagement for engineering consultancy work. These are appropriate to use for a wide range of professional services.

- Conditions of Contract for Consultancy Services ACENZ, IPENZ
- Short Form Agreement for Consultant Engagement ACENZ, IPENZ (for smaller engagements)

Contract Review Clauses

Where consultants are engaged for longer term provision of services (e.g. as a technical advisor) it may be appropriate to have intermediate review stages that give the ability to evaluate and decide on further engagement on a periodic basis, costs incurred basis or performance basis. This will enable better management of the contract.

Typical Areas of Evaluation:

- Qualifications of the Consultant
- Experience and previous performance in similar projects
- Expertise of assigned staff
- Approach, Methodology, and Innovation
- Understanding of requirements of the project
- Support facilities
- Presentation of proposal

Author / Last Reviewed By: Phil Walker, City Networks	Version: Three
Adopted by: Management Team [137-14]	Date: 15 April 2014

Management Team Policy

Purchasing	Policy No: MT70
	Page 10 of 18

Appendix Four: Energy Purchasing

Contracts for energy supply are generally greater than 20% of the specified sum.

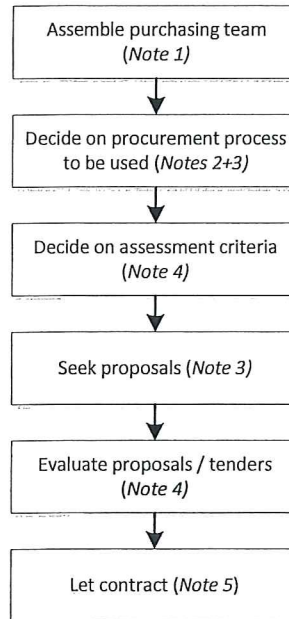


Figure: Procedure for energy purchasing

General

Energy for Council facilities is purchased centrally through long term contracts for both electricity and gas with energy suppliers. In addition the Council generates electricity at two sites which it both uses at its own sites and exports surplus to the grid. Co-ordination of Council's purchasing and monitoring is through the H&S / Energy Officer.

The key sites are as follows:

- Time of Use sites (TOU)
 - Wastewater Treatment Plant (also gas)
 - Pumping Stations (water, wastewater, stormwater)
 - Water Bores
 - Water Treatment Plant
 - The Square
 - Aquatic Facilities (also gas)
 - CAB (also gas)
 - Central Library (also gas)
- Non Time of Use sites
- Street Lighting

Author / Last Reviewed By: Phil Walker, City Networks	Version: Three
Adopted by: Management Team [137-14]	Date: 15 April 2014



Management Team Policy

Purchasing	Policy No: MT70
	Page 11 of 18

Purchasing Team¹

The team is led by the H&S / Energy Officer – it should represent those activities that are the main users of energy as well as including staff with experience and expertise in purchasing at this level.

Purchasing of energy can involve complex contracts and understanding about how the energy market works. Specialist advice including legal advice is likely to be required.

Request for Proposal²

In putting together a RFP consideration should be given to the following:

- Desirable contract length
- Pricing mechanisms
- Risk of price changes
- Price indexing
- Exporting of own energy
- Billing system
- Energy management
- Guarantee of supply
- Energy efficiency
- Sustainability – source of generation

Procurement Process³

The objective is to obtain the overall best value to the Council with acceptable risk. Those suppliers who have the capacity and capability to meet the Council's requirements should be given the opportunity to submit a proposal. This may involve a ROI process or the selection of prospective suppliers from market information.

Evaluation and Assessment Criteria⁴

Evaluation is likely to include consideration of the following criteria to determine the overall best value to the Council.

- Development/ Innovation
- Sustainability
- Energy information including Data Base
- Energy efficiency
- Technical support
- Service aspects
- Financial
- Capacity
- Priority of supply

Approval of contract⁵

Where the total value of the contract is in excess of delegated authority the recommendation will need to be reported to the Council for acceptance before any contract is signed.

Author / Last Reviewed By: Phil Walker, City Networks	Version: Three
Adopted by: Management Team [137-14]	Date: 15 April 2014

Management Team Policy

Purchasing	Policy No: MT70
	Page 12 of 18

Appendix Five: Library Content Purchasing

Book purchase orders are generally < 1% of specified sum

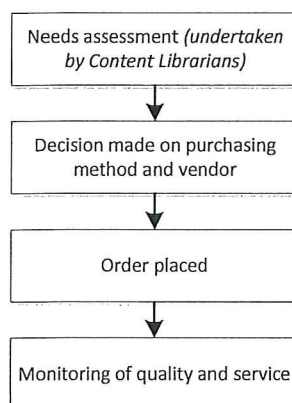


Figure: Process for Library Content Purchasing

Preferred Suppliers:

Purchases should be made from the preferred suppliers list held within the library to ensure that there is prompt supply, discounts are obtained and there is efficient follow up of any claims.

The list of preferred suppliers should be subject to on going monitoring and review to ensure that the required quality of service is being received.

Notes about purchasing criteria:

- The Library's Content Management Team selects resources in keeping with the Collection Development Policies.
- The Content Management Team places orders onto the Library's Symphony computer system. The Library's catalogue then shows that an item is on order, and our funding database is automatically adjusted so that we can keep track of spending through the financial year.
- Before placing an order a decision is made regarding the best place from which to order the item. The decision is based on several factors, including but not limited to the following:
 - **Reliability** of the vendor. Have we had trouble with them in the past?
 - **Urgency**: This may be more of an influencing factor if the item is a replacement books that has 16 people waiting to read it, so we might buy it from a local shop even if it costs a few dollars more
 - **Robustness** of their accounting system
 - **Customer service** where needed to follow up on any problems that may arise (We may get a 20% discount from one vendor but can never reach them to fix an invoice error, for example. In that case we may go with someone who only gives us 15% but is always helpful)

Author / Last Reviewed By: Phil Walker, City Networks	Version: Three
Adopted by: Management Team [137-14]	Date: 15 April 2014



Management Team Policy

Purchasing	Policy No: MT70
	Page 13 of 18

- **Price** (Is this the cheapest option, including price of the item, plus shipping, GST, or any other charges. These charges can vary from day to day so we take note of every invoice that arrives. See next point below)
- **Exchange rate** (a trend in the exchange rate may cause a shift in the ratio of offshore to local buying, or cutting back on quantities)
- **Quality of items** (the vendor may be cheap but their books fall apart after two months of Library use)
- **Format of item** (hardback is usually preferable to paperback because it's far more durable. Hardbacks are often more readily available from our overseas vendors as many titles are released in Australasia as trade paperback editions only)
- **Ease of use** (Some vendors have very efficient online database and ordering systems, some are only contactable by mail)
- **Expertise** (E.g. if we order an opera CD from Parsons Books and Music in Wellington they may advise us there is a better option available. Some vendors may work with Selectors to advise them on their specialist areas too.)
- **Scarcity** (There may be only one place that will sell us books in Korean)

Long-term aims are constantly balanced with short-term demands. For example, a pre-publication order may be placed with a publishing house up to 5 or 6 months in advance, and then the next order might be an off-the-shelf purchase straight from a local bookshop to replace an in-demand or locally-produced item.

Monitoring:

Controls in place:

- Claims reports run via Symphony that pick up outstanding orders which highlights vendors who are consistently slow to supply.
- Items are handled by Content Management when received so quality of the book (binding in particular) is able to be checked.
- The Content Management Team keeps abreast of technological developments that may influence buying patterns in the future, including developments in ordering systems, Library Cataloguing systems, and different formats becoming available (e.g. electronic books vs. physical books).

Author / Last Reviewed By: Phil Walker, City Networks	Version: Three
Adopted by: Management Team [137-14]	Date: 15 April 2014

Management Team Policy

Purchasing	Policy No: MT70
	Page 14 of 18

Appendix Six: Plant and Vehicle Purchasing

Plant and vehicle purchasing is generally less than 20% of the specified sum. Most plant and vehicle purchasing is through the City Enterprises Unit and may be for either its own operational use or for other Units (e.g. vehicles).

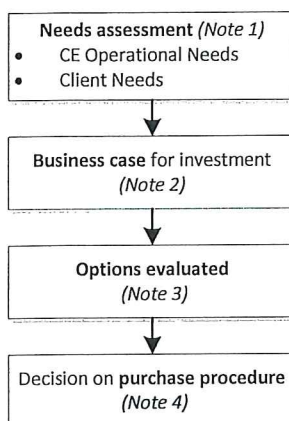


Figure: Plant and Vehicle purchasing process

Notes:

1. Need for equipment

Generally purchase of plant and vehicles is undertaken by City Enterprises. They may purchase for their own operations or on behalf of other clients. The procedures are basically the same.

2. Business case

A business case should be established to show overall positive benefit to the organisation. This will take into account the full life cycle cost of the asset including:

- Initial purchase price
- Annual running cost
- Disposal value
- Recoveries

Internal Rate of Return (IRR) & Net Present Value (NPV) methods should be used to establish the comparative benefit of options to the Council over the useful life of the asset.

3. Option assessment

A full consideration of options including health and safety and ergonomic aspects, fuel efficiency and emissions profile, leasing arrangements and second hand purchase should be undertaken.

Author / Last Reviewed By: Phil Walker, City Networks	Version: Three
Adopted by: Management Team [137-14]	Date: 15 April 2014



Management Team Policy

Purchasing	Policy No: MT70
	Page 15 of 18

Health and Safety

Consideration should be given to Health and Safety aspects at the time of purchase to ensure that there is proper compliance with Health and Safety requirements and that any hazards associated with operating the plant are identified and mitigated at the outset.

Sustainability

Where functional capabilities and costs are similar the plant that minimises the environmental impact is to be preferred.

New / second hand

In some cases a second hand purchase may provide better value or better meet needs than a new purchase. This will need to be determined for the particular situation.

Lease / purchase

In some circumstances (e.g. where equipment is not able to be fully utilised) a lease arrangement may provide better value to the organisation rather than tying up capital in plant.

Reallocation

Consideration should be given to better utilisation or reallocation of existing plant that may provide better value to the organisation than adding plant the fleet.

4. Purchase Procedure

Obtain quotes or tenders as per the General Policy.

Author / Last Reviewed By: Phil Walker, City Networks	Version: Three
Adopted by: Management Team [137-14]	Date: 15 April 2014

Management Team Policy

Purchasing	Policy No: MT70
	Page 16 of 18

Appendix Seven: Legal Services Purchases

The Council has legal services agreements with:

- Cooper Rapley - for general legal services
- Simpson Grierson - for matters of special importance and/or complexity

Legal advice may be required in connection with various Council activities, particularly planning and consenting activities. The scope of services required can often be difficult to determine at the time of the initial engagement.

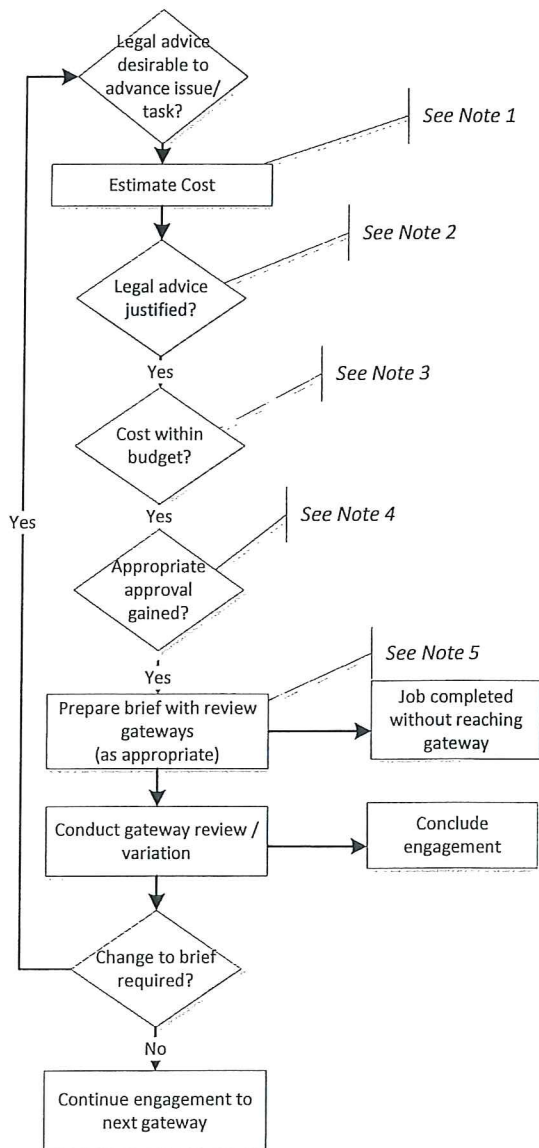


Figure: Engagement and Management of Legal Service

Author / Last Reviewed By: Phil Walker, City Networks	Version: Three
Adopted by: Management Team [137-14]	Date: 15 April 2014



Management Team Policy

Purchasing	Policy No: MT70
	Page 17 of 18

The procedure set out above is to ensure that each engagement with the Council's legal advisors is appropriately authorised before engagement commences and represents value for money compared to the benefit derived from the service provided. This is based around three key questions:

- Is the cost of legal advice justified?
- Is the cost within budget?
- Has the engagement been approved at an appropriate level?

In addition this procedure provides checks through gateway reviews to ensure that any ongoing engagement is justified.

Council's Legal Counsel may also be able to provide assistance in this process.

Notes:

1. Estimate of cost: This will usually be provided by the legal firm.

2. Is the cost of legal services justified?

This should take into account:

- The value added to the work compared to the cost of obtaining legal advice.
- The risks if legal advice is not obtained.
- Advice already obtained on similar cases.
- The precedent value of any legal advice (i.e. will it have value for other cases in addition to the immediate case).

Where necessary Council's Legal Counsel should be consulted on:

- Assessing whether external legal advice is required
- Identifying the appropriate law firm to engage
- The preparation of instructions

3. Cost of Services exceed budget

Where there would appear to be a need for engaging legal advice but the allocated budget is not sufficient to cover this expense within the Unit the matter should be reported to Unit Management for consideration of the best option to follow. This may also in some cases require reporting to Council for approval of unbudgeted expenditure.

4. Approval at appropriate level

Before any engagement for legal services is agreed there must be approval for the total expenditure involved at the right level. This will normally be in accordance with delegated financial authorities for budgeted expenditure. Where the financial authority of the immediate manager is exceeded approval will need to be elevated to a higher level. Where later variations to the agreement are sought that will result in increased expenditure approval should be at the appropriate level for the total cost of the engagement.

Author / Last Reviewed By: Phil Walker, City Networks	Version: Three
Adopted by: Management Team [137-14]	Date: 15 April 2014



Management Team Policy

Purchasing	Policy No: MT70
	Page 18 of 18

5. Management and review of the engagement

The initial brief should specify requirements around accounting and monitoring of progress and expenditure and if appropriate when and how the engagement will be reviewed. In larger engagements it may be appropriate to schedule a number of progress payments. A review may be triggered by a later variation to the scope and cost of the engagement.

It is the engaging officer's responsibility to ensure that progress claims / accounts are submitted in a timely manner.

Author / Last Reviewed By: Phil Walker, City Networks	Version: Three
Adopted by: Management Team [137-14]	Date: 15 April 2014

115.5. The laws relating to local government generally recognise that the decisions of a delegatee may be reviewed by or appealed to the delegator who may confirm, vary, overrule or substitute any decisions although there are some exceptions, including those mentioned in clauses 131 and 132. In such cases the grounds for the review should be clearly stated and a decision varied only when compelling circumstances arise.

[Amended Council 23 November 2015]

Care in Defining Authority

116. The law recognises, in certain circumstances, the right of individuals acting in good faith in reliance on the apparent authority of a delegatee to enforce a decision of a delegatee, whether or not the delegatee in fact had the authority claimed.
117. Accuracy and precision should always be a feature when defining the scope and limitations of any delegated authority in order to protect the interests of the Council, the delegatee and any interested third party.
118. [Not Used] *[Council 23 November 2015]*

Specified Sum

119. The specified sum is a dollar sum, reviewable each year, which determines, in conjunction with this Manual, the extent of the financial authority of the delegatee. This sum, and any proportion of it, is exclusive of GST (Goods and Services Tax).

[Council 27 June 2012]

120. From the date this amendment is adopted up until 30 June 2013, the specified sum will be \$1,500,000.

[Council 27 June 2012]

NOTE: From 1 July 2014 the specified sum will be \$1,550,000 as per the formula listed in 120A.

- 120A. On 1 July 2013 and on 1 July in every succeeding year, the Chief Executive will adjust the specified sum by increasing it or decreasing it in proportion to movements in the officially published Consumers Price Index (CPI), in the manner set out in the following formula:

SPECIFIED SUM

$$(1 \text{ July, year of review}) = \$1,500,000 \times \frac{\text{CPI 31 March, year of review}}{\text{CPI 31 March 2012}}$$

and the figure so derived shall be rounded to the nearest \$50,000 and reported to Council.

[Council 27 June 2012]

DELEGATIONS TO OTHER OFFICERS

All Principal Managers

194. In addition to the functions, powers and duties which are incidental to his/her position (as set out in the job description for that position), each Principal Manager (who are those Managers who are members of the Management Team and report directly to the Chief Executive) may exercise the following general powers where that is permitted by law, is in accordance with this Manual, and is in accordance with Council policy and any term or condition imposed from time to time by the Council:

- 194.1. Supervise and manage the activity, resources and facilities (including staff) of the Unit under the Manager's jurisdiction.
- 194.2. Expend monies for any individual transaction up to the applicable proportion of the specified sum where provision has been made for that expenditure in the approved budgets of the unit under the manager's jurisdiction, except that where the expenditure is for an approved internal payment, the applicable proportion does not apply and such expenditure is permitted to the extent provided for in approved budgets. The applicable proportions for the Principal Managers are:

Chief Financial Officer	30%
General Manager, City Enterprises	50%
General Manager, City Future	30%
General Manager, City Networks	50%
General Manager, Customer Services	30%
General Manager, Libraries and Community Services	20%

***NOTE:** For the purposes of this clause, an "approved internal payment" means expenditure of the nature or description approved by the Council for this purpose (see Part 3 of this Manual).*

194.3. Contracts that are for the Purchase, Supply or Disposal of Goods, Services or Other Assets

Each Principal Manager may, in regard to matters within his/her jurisdiction, and subject to the limitations applied in clause 147, accept, negotiate or decline any contract for the purchase or supply of goods, services, plant, capital works or other assets (including real property), and for the disposal of goods, plant, capital works and other assets (excluding real property) and for the supply of Council services where:

- (a) In the case of a lump sum contract, the total value of the contract; or
- (b) In the case of an employment contract, the estimated amount to be paid in any one year; or
- (c) In the case of a continuing contract (other than an employment contract) for a term of three years or less, the estimated amount to be paid in any one year; or
- (d) In the case of a continuing contract (other than an employment contract) for a term exceeding three years and for which approval has been given by the Chief Executive, the estimated amount to be paid in any one year,

does not exceed the applicable proportion of the specified sum, as mentioned in sub-clause .2 above.

194.4. Approve and pass invoices for payment up to the delegated value above or the total value of a contract as approved by the Council or a Committee, subject to goods/services being endorsed as sighted/received by a separate officer.

194.5. Setting of Fees and Charges (Clause 158)

Each Principal Manager may set, vary, or waive any class of fee or charge for a Council service or goods provided, subject to:

- (a) The fee or charge being in respect of a matter within her/his jurisdiction; and
- (b) The fee or charge being permitted by law and not inconsistent with Council policy; and
- (c) The decision being reported to the Chief Executive for transmittal to the Finance and Performance Committee.

194.6. [Not Used – see Clause 154A]

194.7. [Not Used] [*Council 23 November 2015*]