

From: "Pete Hansby" <peter.hansby@qldc.govt.nz>
Sent: Fri, 12 Feb 2021 13:37:29 +1300
To: "Mike Theelen" <mike.theelen@qldc.govt.nz>
Subject: As Discussed
Attachments: ELT Briefing - Commercial & Procurement.docx, ELT Briefing - Commercial & Procurement Update.docx, Procurement - Observations & where to from herepptx

Refer Slide 4 of the procurement Observations

Ngā mihi,
Peter

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Date Request:	14 May 2019
To:	Executive Leadership Team
From:	Geoff Mayman
Date to attend ELT:	16 May 2-19
Subject:	Commercial & Procurement Observations – 6 months in
Time required:	30 minutes

1.0 Background

In late September 2018 I started in the new role of Commercial & Procurement Manager. This is a pan-organisation role reporting into the GM Property & Infrastructure. In March this year I provided the CEO with an overview of my initial observations.

2.0 Purpose

The purpose of this paper and the attached Slides are to provide ELT with an overview of my observations, to signal some of the key risks and the mitigation / development areas needed to support QLDC to achieve its objectives and levels of service.

3.0 Outcome/Action required from ELT

For noting only, no action required at this stage.

4.0 Summary

Since starting with QLDC a large proportion of my time has been supporting the development, introduction and operation of the 3 Waters design and construction panels. I have though had the opportunity to engage across all Groups in areas such as Project Manawa, P&D's Professional Services Panel (and its alignment with Property & Infrastructure), the Legal Services Panel, insurance, financial and risk reporting and the use of technology to support change.

Through my work over the last six months I have observed a number of key procurement risks at QLDC, including compliance to the Procurement Policy and in particular the Procurement Guidelines. With the growth of QLDC over recent years the Guidelines are likely no longer fit for purpose and are in need of a refresh. The other key risks are the lack of a centralised / single source of truth contracts register and our use of Purchase Orders mean we are often contracting on suppliers T's & C's without fully understanding the implication of this.

The attached Slide set provides another level of detail.

5.0 Recommendation

Note

6.0 Financial Implications

Nil (at this stage).

Date Request:	15/6/20
To:	Executive Leadership Team
From:	Geoff Mayman
Date to attend ELT:	17/6/20
Subject:	Review of the Procurement Policy & Guidelines
Time required:	20 minutes

1) Background

- a) QLDC's Procurement Policy (the Policy) and Procurement Guidelines (the Guidelines) were adopted by Council in 2016 and are overdue for review.
- b) When reviewing these documents, the OAG's 2008 "Procurement guidance for public entities" is still influential; as are a number of (relatively) recent changes in NZ procurement, namely the late 2019 / early 2020 releases of the:
 - i) Government's new Procurement Principles
 - ii) Government's new Procurement Charter
 - iii) updated Government Rules of Sourcing (GRS)
 - iv) Office of the Auditor General's paper on Local Government Procurement.
- c) "Procurement" is currently a hot topic from the perspectives of an enabler of the infrastructure stimulus, evidencing value for money, probity and Broader Outcomes.
- d) Broader Outcomes are defined in Rule 16 of the GRS as:

"...the secondary benefits that are generated from the procurement activity. They can be environmental, social, economic or cultural benefits."

This is often bundled into the term "social procurement", when "social" is but one of a number of factors where secondary benefits can be achieved.
- e) Our current Policy usefully identifies a number of objectives and principles, but also provides commentary on the Procurement Approach.
- f) Between the Policy's Procurement Approach and the Guidelines there are a number of inconsistencies and the use of language that has evolved to have different meanings (such as a "procurement plan").
- g) We currently have the situation where the Guidelines:
 - i) if read literally, are effectively inoperable
 - ii) do not align with custom and practice, or best practice; and
 - iii) use language that is confusing.
- h) After discussions with Mike and Stew it was agreed that the first step in the review of the Policy and Guidelines would start with a Report to the Audit, Finance & Risk Committee that proposes a review pathway.

2) Purpose

- a) The purpose of this briefing is to:
 - i) to seek feedback on the Governance and Management split of the Policy and Guidelines
 - ii) provide an update on the proposed review pathway; and
 - iii) to seek approval to proceed to the July AF&R Committee meeting.

3) Outcome/Action required from ELT

a) ??

4) Summary

- a) Logically, the Policy should remain a Council/Governance policy and again focus on principles, but with clearer alignment to NZ Government Procurement's Principles, Charter and those mandated GRS (note - we must follow some, but all of the rules, and are encouraged to have regard for the others).
- b) However, also having the Guidelines as a Governance tool seems contrary to the accepted Governance / Management split in accountabilities.
- c) The key change is the recommendation that the ownership of the Guidelines be transferred from Governance to Management responsibility.
- d) The Guidelines would then be the Management tool that enables the Policy.
- e) The key benefit is that this would better provide for a model of continuous improvement and the agility to change our procurement focus, processes (including technology) and language as our procurement maturity increases.

f) Review Pathway [x months]

Insert Gantt

- i) ELT 17/6
- ii) AF&R
 - Reports due 18/6
 - Mtg 2/7
- iii) Research other LA approaches to:
 - Policy
 - Guidelines
- iv) Draft
- v) Engage
 - Leadership Group
 - [MM] Industry ?????? which one ?????
 - AF&R
 - Council Workshop
 - Adopt

5) Recommendation

That ELT:

- a) Endorse the Governance and Management split of the Policy and Guidelines
- b) Approve the proposed review pathway; and
- c) Approve the approach to July's AF&R Committee meeting.

6) Financial Implications

- a) Nil, at this stage.

Notes:

Now or post AF&R

General Procurement Updates – Deal with Separately

Changes language – PP to PDR

OAG – may paper

- Gov
- Planning
- Col
- Emergency
- Policies & training
- Contract mgmt.
- Broader outcomes

Stdisation

FAF

Links to Govt docs

1. **TechOne –**
 - a. **Advanced Sourcing Modules (Aug / Sept)**
 - b. **Contracts (incl a Contracts Register) – RISK link w Finance**

2. **FAF**
 - a. **Pan-Org rollout of current forms – comm’s, use of**
 - b. **FAF-R2 business need, eg**
 - i. **Conflict of Interest Forms & Register (OAG)**
 - ii. **Changes to liability & insurance provns – Ulvi / Guilio Chapman**

3. **Procurement YODA page**
 - a. **FAF links**
 - b. **Stdised contracts**
 - c. **RFP suite etc. – T1**



Commercial & Procurement at QLDC Observations & where to from here...

Six months in:
Observations, Risks & Opportunities
(4/19)

Procurement Principles

Procurement Policy:	<ul style="list-style-type: none"> • Quality & Value for Money • Transparency & Fairness • Accountability & Integrity • Sustainability
Plan, Source, Manage	
Safeguarding (Conformance)	GSR: procurement ... fair, effective and attractive to all suppliers
Shaping (Performance)	Value Add
Customer of Choice (not just need)	SRM
Act & Be Seen as One Organisation	SRM
Change Management: <ul style="list-style-type: none"> • Need for Structured Approach • Cross Group Support • Smart Working 	Ensure close alignment with: <ul style="list-style-type: none"> • GM's & Key L3 Managers • Legal, Finance, Knowledge Mgmt, HR

Policy Context

Policy	Observation	Risk / Opportunity
Procurement Policy (Procmt Policy)	<ul style="list-style-type: none"> Covers the basics 	<ul style="list-style-type: none"> Governance Policy Externally Facing Opportunity for tidy-up
Procurement Guidelines	<ul style="list-style-type: none"> Expands on Procmt Policy Provides allowable procurement methods by \$ thresholds 	<ul style="list-style-type: none"> Management Guideline? Change Internally Facing? (Probably) cant / don't want to audit compliance See Key Risks
Engagement of Contractors & Consultants	<ul style="list-style-type: none"> Linking Consultants to the HR policy on Contractors 	<ul style="list-style-type: none"> Creates ambiguity Queried intent with HR (tbc)
Sensitive Expenditure	<ul style="list-style-type: none"> AF&R happy 	<ul style="list-style-type: none"> N/C

Key Risks

Area	Detail	Fix
Compliance to Procmt Guidelines	If don't use Preferred Suppliers or Tender or Procurement Plan – then must have 3 x Quotes for everything above \$1	<ul style="list-style-type: none"> • Review Procmt Guidelines • Needs reality check on thresholds; plus • Greater clarity and reporting of “departures” • Smart Working / Knol. Mgmt support critical • Roll out “change”
No Single view of Our Contracts	Could not (easily): <ul style="list-style-type: none"> • answer LGOIMA for “what contracts have you entered into in last X years?” • identify all contracts awarded to Supplier Y 	<ul style="list-style-type: none"> • Set up and require use of a Contracts Register • Utilise / consider TechOne / ECM • Knol Mgmt support critical <p><i>Value add:</i></p> <ul style="list-style-type: none"> • <i>Big plus for our Legal Team</i> • <i>Increase ability to manage suppliers vs contracts</i> • <i>Transparency of on/off contract spend</i> • <i>Transparency of contract actual cost</i>
Purchase Orders	No reference to QLDC's “standard conditions” – likely regularly contracting under suppliers T's & C's.	<ul style="list-style-type: none"> • Develop “base level” T's & C's • Update TechOne and our www to reference these

Reporting & Use of Data/Information

Area	Detail	Fix
ELT	<ul style="list-style-type: none"> • Transparency of Departures • Key suppliers & concentration of contracts 	<ul style="list-style-type: none"> • Use of Smart Working Tools • WorkFlow (Sharepoint/ECM) for Sign-off & Reporting, eSignatures • Contracts Register
AF&R	<ul style="list-style-type: none"> • Outside Sensitive Exp – Governance reporting limited. • Gain better understanding of Procurement Risk that AF&R are seeking to manage 	<ul style="list-style-type: none"> • EY Governance Metrics (V/A from 3W's) • Stakeholder engagement - GM meet with Stuart McLachlan (June) on risk vs solution • Our Risk: TechOne reporting currently limited / prioritise improvement plan

Our Suppliers

Area	Risk / Opportunity	Fix
Supply Chain Mgmt	<ul style="list-style-type: none"> • Use of different contracts, rates(?) for same suppliers • Strategic Procurement, Category Management vs Silo / One-off's • Contract & Panel Management • Provide greater clarity of upcoming approaches to market • Procure as One (Pan Org), leverage buying power 	<ul style="list-style-type: none"> • Plan, Source, Manage: <ul style="list-style-type: none"> • Review, develop and communicate Pan Org Doc Suite & Tools • Understand Fwd View of Procmt • Consider options for further market engagement • Plan, Plan, Plan • Plan, Source, Manage: <ul style="list-style-type: none"> • Procure as One Org • Leverage: eg Legal: 3W Prog, Project Manawa & Legal Panel • Stdise Doc's, Tools • Plan, Source, Manage <ul style="list-style-type: none"> • Increase Contract Mgmt Capability • Validate Quantity & Quality Delivered by Suppliers • Share learnings • Panels / Sec. Procmt, VfM

ICR/Procurement Capability Index

Score 1.9/5: Summary Key Findings

1. Review Procurement Policy & Guidelines to enable compliance	2. Develop Procurement Strategy* [Consider Category Strategies, eg Transport (be another layer of detail after NZTA (funding), Professional Services...]	3. Review and formalise market engagement strategies
4. Develop, implement, embed benefits realisation*	5. Review need for value proposition for implementing internal audit	6. Investigate use of tech, eg TechOne
7. Review & standardise procurement processes and templates [& tools] including lessons learnt	8. Establish a single Pan Org Contracts Register	9. Establish procurement data standard to ensure T1 data is consistent*
10. Standardise the approach to procurement risk (T1?)	11. Ensure alignment between to be developed Procurement Strategy and as is procurement approach for 3W	12. Review how T1 can better support suppliers
13. Review and where applicable align reporting requirements for suppliers with multiple contracts	14. Undertake procurement based training needs analysis and develop targeted training programmes	15. Investigate how T1 may support capability building

Core Groups

Maintenance Contracts

Early Observations	Fix
<p>Custom and practice drifting away from contracts:</p> <ul style="list-style-type: none"> • Contract Auditing (Quantity & Quality) • Day works vs Contract rates • LoS Changes • KPI Models 	<ul style="list-style-type: none"> • Build Contract Management Capability • Increase understanding of “the Contract” • Formalise Variations
<p>Consider:</p> <ul style="list-style-type: none"> • Whether the wider contract meeting structure delivers accountability in the right places • Clarity on who owns / speaks to which sections of the “joint” report • One size fits all approach valid for different contracts (varied market maturity & risk)? 	<ul style="list-style-type: none"> • Geoff’s Role: CEO depute & ELT feedback <ul style="list-style-type: none"> • Be better informed - attend all Core Group Meetings over next two quarters • Review purpose: Ops/Mgmt/Governance • Managers: Ensure Agendas out in time • Managers: Where needed (particularly in performance mgmt situations) - pre-meeting to ensure “one voice” and no surprises.
<p>Varied Contract Management Capability</p>	<ul style="list-style-type: none"> • Cross Group Contract Mgmt Support