

19 November 2020

Ministry of Business, Innovation & Employment
15 Stout Street, Wellington 6011
PO Box 1473, Wellington 6140
Email: NZGPPpolicy@mbie.govt.nz

Christchurch City Council submission on the 'Extending the Government Procurement Rules to government entities in the New Zealand public sector'

Introduction

1. Christchurch City Council (the Council) thanks the Ministry of Business, Innovation & Employment for the opportunity to provide comment on 'Extending the Government Procurement Rules to government entities in the New Zealand public sector'

Submission

2. The Council, as city leader, vehemently opposes the potential mandate of the Government Procurement Rules to local government organisations. The Council has had the opportunity to consider the draft submission prepared by the Society of Local Government Managers (SOLGM) and wholeheartedly endorses it.
3. The Council notes some of the perceived opportunity stipulated by MBIE for the change, but is unclear on the rationale for the proposed change in terms of what issue or problem MBIE would like to mitigate.
4. As one of the Christchurch's largest businesses and a significant contributor to the local economy, the Council has a strong commitment to robust procurement processes. The ratepayers of Christchurch already benefit from the Council's existing procurement processes and the decision-making framework these sit within. The Council's Procurement Policy focuses on procurement as a force for good that enhances the environment and advance the social and economic wellbeing of the people of Christchurch. The policy requires the Council to engage with the market to ensure value, quality, timeliness, ethical behaviour and fair dealing, as well as sustainability.
5. Alongside the Procurement Policy, the Council has adopted Procurement Rules. Many of these rules are the same or similar to the Government Procurement Rules. There are some significant departures to reflect the needs of the local community

such as our own governance and delegation processes, procurement planning, specific tender documentation including sustainability criteria and performance measures, processes and documentation in terms of contracts. The Council has already invested significant resource into ensuring the procurement processes align to the Council's strategic priorities.

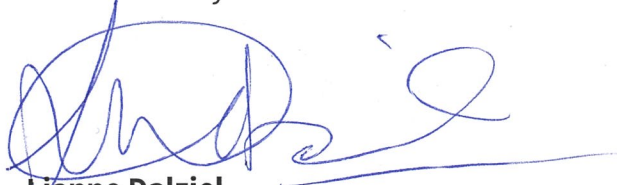
6. The Comptroller and Auditor General has stipulated concern in regards to good procurement practices including contract management in the public sector. As part of the Council's Procurement Framework, it has implemented full end to end contract management rules, tools and templates. The Council has been complemented by the Audit New Zealand through its last audit and notes the Government Procurement Rules do not cover contract management. Removing this from the Council would remove consistency of good contract management practices.
7. In this current economic climate, the Council applauds that MBIE states it wishes to ensure that taxpayer money is spent appropriately and competently. However, it does not understand what problem this proposal is trying to solve. The Council considers that if it is required to adopt the Government Procurement Rules that this would add no qualitative improvement to the processes that the Council has already adopted. In addition, the Council is concerned that the adoption of the Government Procurement Rules could cause significant impact on the local economy and the resources of the Council itself.
8. The Council emphasises the following:
 - a. The requirement to use the All of Government Contracts (AoG) rather than the local market is likely have a significant and measurable impact on Christchurch's economy as some of our existing local suppliers will not have the capacity to be eligible to apply to be included. The absence of an impact assessment on the local economy is particularly concerning.
 - b. It is unclear if the requirement to use the AoG will mean that the Council can direct award to its own council controlled organisations and/or council controlled trading organisations.
 - c. The removal of the Council's ability to make its own decisions does not sit easily with the current legislative framework for local government organisations. In particular, if certain contracts and processes must be approved by MBIE and/or Cabinet, then this would lessen the ability for the Council to decide the manner in which it meets the activities it undertakes.
 - d. There will be a significant resource impact if the Council is required to adopt the Government Procurement Rules in terms of the additional reporting requirements to MBIE. Many processes will also take significantly longer particularly if MBIE or Cabinet approval is required.

9. For example:
- a. The Council uses local suppliers for ordering specific furniture for a multitude of different buildings, which provides the community boards choice in design and allows small quantity orders with short lead times. The Council notes AoG have five higher tier suppliers that do not include Small and Medium Enterprises.
 - b. The Council has a panel of property consultant services, 3 of which are local supplies and not on the AoG. These specialist suppliers have specialist knowledge of the local challenges, including earthquake related issues.
 - c. The Council is currently reviewing several major services such as Facilities Management, Cleaning and Roading. These suppliers fit the strategy as a Council, removing the opportunity to re-negotiate or retender these services (potentially removing them from the incumbent) could have a serious effect on the local market in these challenging times.

Conclusion

10. In conclusion, while it is apparent that MBIE have good intentions with the proposal to extend the requirement to use the Government Procurement Rules, it is the Council's view that its existing Policy and Rules ensure the ratepayer receives good value and that the Council is better placed to set the parameters for procurement to ensure that it supports the wellbeing of the local communities of Christchurch.
11. For any clarification on points within this submission please contact jane.otoole@ccc.govt.nz

Yours faithfully



Lianne Dalziel

Mayor of Christchurch