

Procurement Policy

POWER AND WATER CORPORATION'S
PROCUREMENT FRAMEWORK





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1 Introduction

In December 2013 Cabinet approved a number of procurement reforms, including that Power and Water implement its own procurement policy and framework in accordance with the requirements of the *Government Owned Corporations Act 2011*.

Cabinet added that ‘a new procurement policy framework would allow Power and Water to operate outside of the requirements of the *Procurement Act*, providing a more efficient, least-cost model and a move towards full commercial operation’.

1.1 Procurement profile

Power and Water is one of the largest buyers of goods and services in the Northern Territory and its procurement activities play an important role in the health of the local economy.

1.2 Purpose of the Procurement Policy

The purpose of the Procurement Policy is to set the approach to procurement at Power and Water. This policy document will be supplemented by the Procurement Sourcing Rules, procurement delegations and guidelines which together make up the ‘framework’ of documents.

The policy establishes the overarching principles for undertaking procurement. The Procurement Sourcing Rules, delegations and guidelines set out the ‘how to’ and mandatory procedures for various procurements.

1.3 Establishing the Procurement Policy Framework

Under Section 36 of the *Government Owned Corporations Act 2011*, Power and Water must develop a procurement policy and have the policy approved by the Shareholding Minister.

The Chief Executive of Power and Water may make supplementary procurement policy documents including procurement rules, guidelines and delegations.

1.4 Strategic procurement outlook

Power and Water provides power, potable water and sewerage services to customers throughout the Northern Territory. To deliver these services, Power and Water requires fit for purpose, efficient and well maintained assets.

Power and Water is an asset management business - assets are constructed, acquired, deployed, managed and operated in order to deliver these essential services in accordance with customer expectations and statutory or regulatory requirements at the most efficient cost achievable – and each of these steps requires a ‘procurement’ activity of one sort or another.

Power and Water is included in the Northern Territory Government’s initiatives to improve the overall financial position of the economy through the reduction of annual deficit and accumulated debt levels. Power and Water and other agencies have completed an internal review to ensure all possible efficiencies are identified and resources used effectively while maintaining service delivery standards. With an annual procurement spend of around \$600 million there are potentially significant efficiency and cost savings available from improvements in Power and Water’s procurement programs.



1.5 Procurement objectives

The objectives of the Procurement Policy promise to deliver the best commercial outcomes for Power and Water. Priority is based on what is likely to produce the best result in terms of best value for Territory with an emphasis on those areas of the business where the annual procurement investment is greatest.

The procurement objectives are as follows:

1. compliance to processes and procedures including the Power and Water Procurement Policy and framework as well as government legislation where appropriate and audits
2. assist business units with better procurement planning
3. review and streamline procurement and contract process, to provide consistency and efficiencies throughout the procurement process
4. rationalisation of internal processes and removal of duplicative steps
5. achieving strategic and operational outcomes by aligning procurement with Power and Water's corporate goals
6. training to all officers involved in procurement matters to ensure common understanding and compliance
7. work with local industry to improve and develop their capabilities so that Territory Enterprises can compete for work on an equal footing
8. to foster a continuous improvement culture in procurement.

1.6 Continuous improvement

This policy and supporting documents that make up the procurement frameworks suite of documents are designed to support an environment of continuous improvement and provide support to the ongoing procurement transformation within Power and Water.



Figure 1: The Procurement Cycle



2 Application of this Procurement Policy

This Procurement Policy is made and approved by Power and Water's Shareholding and Portfolio Ministers in accordance with Section 36 of the *Government Owned Corporations Act 2011*.

The Procurement Policy is intended to apply to all of Power and Water's procurements.

The Shareholding Minister may, in writing, exempt Power and Water from the need to comply with:

- specified requirements under this Procurement Policy (or under supplementary procurement policy documents approved by the Chief Executive under section 1.3 of this Procurement Policy Framework)
- all requirements of this Procurement Policy (including any requirements under supplementary documents).

While an exemption issued under this section remains in force, Power and Water is not required to comply with the requirements or specified requirements.

The Chief Executive of Power and Water may make supplementary procurement policy documents including procurement rules, guidelines and delegations.

3 Key procurement principles

There are six fundamental principles that should be applied to every procurement activity, irrespective of the value and complexity involved or the location of the procurement. These six key procurement principles are:

- best value for Territory
- ethical and fair treatment
- probity, accountability and transparency
- sustainable and skilled industry partners
- environmental protection
- promotion of Power and Water's objectives.

3.1 Best value for Territory

Best value for Territory is the principle underlying all procurement activity at Power and Water. Procurement activity that delivers best value for Territory is the expected outcome of a planned procurement process, when all key requirements are considered.

In procurement, best value for Territory is the optimum combination of quality, quantity, risk, timeliness and cost, which should be determined on a whole-of-contract and *'whole-of-asset-life basis'*, with consideration given to a suppliers capacity to contribute to the Northern Territory Government's broader strategic and policy outcomes.

Risk includes environment and sustainability, health and safety, environment, quality, fitness for purpose, Indigenous employment and other measures specific to particular procurement activities.

Best value for Territory can only be achieved if a whole-of-life perspective is adopted, including evaluating quotations and tenders with reference to whole-of-life maintenance, spare parts and the responsiveness of ongoing services. Local development is a component of best value for Territory as local businesses are usually more agile and able to respond to requirements for provision of whole-of-life maintenance, spare parts and the responsiveness of ongoing services.

Achieving best value for Territory under the procurement framework requires:

- *open competition* - no unwarranted barriers to the participation of potential suppliers. Best value for Territory is achieved if there is competition between a range of potential suppliers
- *an informed purchaser* - Power and Water staff have accurate information about the supplier market, and are open to the potential for different products and market approach models to meet Power and Water's needs



- *fair and objective tender and evaluation processes* - the tender and assessment of responses are based on fair and objective criteria and analysis of tenders, which recognises enhancement of industry and business capabilities in the Northern Territory

Best value for Territory means achieving the best return for Power and Water and the Northern Territory recognising that this may not necessarily be at the lowest price.

3.2 Ethical and fair treatment

Providing for ethical and fair treatment of all suppliers means conducting all dealings in an open, honest and impartial manner and respecting their rights as well as their obligations. Power and Water procurement practitioners can ensure this principle is reflected throughout their purchasing activities by:

- open and competitive tendering (where practicable and appropriate)
- providing suppliers with equal opportunity to supply Power and Water
- streamlined and user-friendly tender requests
- clear and easy to understand assessment criteria and methodology
- consistent supplier and contractor feedback on decisions and performance
- timely assessment of tender submissions and punctual decision-making
- timely and effective complaints process
- effective communication and provision of information to all suppliers and contractors
- appropriate risk allocation in contract documentation.

3.3 Probity, accountability and transparency

The principle of probity, accountability and transparency refers to ensuring the integrity of the procurement process and actions taken by Power and Water staff. All procurement activity should be undertaken in a manner that ensures:

- clearly established roles and responsibilities
- transparency of decisions made
- adherence to the Code of Conduct
- identification and management of actual or potential conflicts of interest
- confidentiality of all commercial information
- Power and Water staff are accountable for their actions.

3.4 Sustainable and skilled industry partners

The objectives of having sustainable and skilled industry partners include:

- development of existing and new business capable of supporting a multi-utility provider across the Northern Territory
- using Power and Water procurement activities as a driver for an improved business environment and increased competition in the Northern Territory
- raising the skills level, capability and capacity of industry and business to deliver the complex utilities supplies and services to meet Power and Water's evolving needs
- increased opportunities for business on the basis of best value for Territory
- promotion of industry and business awareness of its rights and obligations under Power and Water's procurement framework
- delivering projects at least cost to ensure enduring solutions that will benefit Power and Water consumers.



Sustainable and skilled industry partners means that Power and Water's procurement processes:

- result in procurement activities which do not disadvantage Territory Enterprises
- recognise and take account of measures taken to deliver least cost and sustainable solutions to ensure efficient Power and Water products and services for the Northern Territory community
- are effective in encouraging development of the right skill sets available to Power and Water
- provide competitive businesses with full, fair and reasonable opportunity to participate in the growth of the Northern Territory.

3.5 Environmental protection

Environmental protection supports Power and Water's objective of adopting best practices to promote and protect the environment and minimise environmental harm.

Environmental protection means that Power and Water procurement policies and processes will be implemented so as to minimise the risk of:

- breaching laws in force in the Northern Territory that are designed to protect the environment
- non-compliance with complementary policies, programs and strategies
- adverse impacts on the environment and wildlife arising directly or indirectly from the procurement of supplies by Power and Water
- endangering the public
- causing unnecessary waste, including but not limited to over-packaging or because of an unduly short useful life of supplies
- using materials derived from threatened species or from threatened environments.

Power and Water procurement policies and processes will be implemented to:

- maximise resource recovery by considering products with high reused, recycled or renewable content and products with high reusability and recyclability
- foster the development and production of products and processes of low environmental impact
- provide leadership and incentive to business, industry and the community by promoting the use of environmentally sensitive supplies where it is technically possible and represents best value.

3.6 Promotion of Power and Water's objectives

The ultimate objective of procurement is to add value to Power and Water in fulfilling its vision, goals and corporate objectives as defined by the Statement of Corporate Intent (SCI). To a large extent the other five principles also contribute to this but this principle includes concepts such as:

- maintaining the highest image and reputation of Power and Water through execution of the Procurement Policy Framework in full conformity with the rules, delegations and governance specified

4 Governance arrangements

Procurement governance refers to the delegations and reporting structure of procurement at Power and Water and includes the roles and responsibilities of staff, delegations, capability and purchasing practices.

Procurement governance also includes a compliance program that, at varying levels, is administered by the Board, the Chief Executive and the Chief Procurement Officer to ensure procurement is compliant with the *Government Owned Corporations Act*, the Procurement Policy, its six key procurement principles, other subordinate rules and guidelines and any other directions of the Board. Procurement governance arrangements include both internal and external bodies and organisations.



4.1 Capital investment and delivery

Procurement at Power and Water closely aligns with the Capital Investment and Delivery Framework. The Framework essentially commences in April for the following financial year based on the approved SCI. The SCI is the annual performance agreement between the Board, on behalf of the Corporation, and the Shareholding Minister representing the people of the Northern Territory as the owners of Power and Water.

4.2 Procurement management structure

The delegations and accountabilities are set out in the Procurement Sourcing Rules and the Procurement Delegations.

4.3 Auditing and compliance

There are several types of procurement audits and self-assessment reviews undertaken at Power and Water to ensure the principles of probity and transparency are being achieved:

- external audit – annual financial audit and specialist audits conducted by the Auditor General and reported to the Board
- internal audit - independent audit function reporting to the Board.

The internal audit program is based on consultation with senior management, consideration of Power and Water's risk profile, corporate strategy and changes to the operating environment.