

Procurement and Outsourcing

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City West Water

Points of discussion

- Delegation of authority
- Procurement principles
- Procurement policies and procedures
- Strategic sourcing options
- Different methods of procurement
- Types of goods and services procured
- Major contracts outsourced
- How CWW educates staff about procurement



Background

- City West Water procures a wide range of goods and services.
- Its capex budget for the year ended June 2013 was \$182 million.
- Some of the goods and services are necessary for the everyday running of the organisation, others are project specific one-offs.



Controls around procurement and outsourcing

- CWW has a delegations policy that governs which employees of CWW are authorised to enter into agreements for and on behalf of CWW.
- To ensure the proper administration of public funds, there are also a number of policies and procedures relating to procurement in place.
- Regular audits are conducted.



Delegation of Authority

- Only persons appointed by the Board of Directors under Power of Attorney can sign documents for and on behalf of CWW.
- The CWW Delegations Manual lists all of the people with financial delegation and authority.
- The MD, GMs and various 'Responsible Officers' have the necessary authority.
- Different financial thresholds apply to each category of 'Responsible Officers'



Financial limits of delegation

Procurement	Cost	Delegated Authority Financial spend/signing	Special Note
Budgeted operating & capital expenditure included in the Company's Corporate Plan, except for specific types identified in Schedule 9 General Financial Delegations in POL-1	>\$2,500,000	Board of Directors	MD can authorise and sign contracts where expenditure is contemplated by an approved business case
	\$250k - \$2.5m	MD	
	<\$250k	GM's	
	<\$50k	Level 1 Mgr	
	<\$10k	Level 2 Mgr	
	<\$1k	Level 3 Mgr	
Consultancies	Any	"	Must be approved by MD before Consultant is engaged.



Procurement Principles

- Value for money
- Probity – open, fair, transparent
- Manage risk
- Sustainability



Procurement policies and procedures

- There are a number of policies and procedures in place to ensure that the organisation conducts procurement activities in accordance with the CWW Procurement Policy.
- To assist the business, we have developed checklists which set out the step by step process for procurement and also act as a record of the procuring officer's compliance with the procurement policy.



Strategic sourcing options

- Establish and procure goods and services from Preferred Supplier Panels
- Buy off standing offer agreements (i.e. in place for a particular term or dollar value)
- Go to market using a quotation, proposal, tender or expression of interest process.



Methods of procurement

- ^ \$0 - \$25,000 – required to obtain **one** written quote
- ^ >\$25,000 – required to obtain **three** written quotes
- ^ >\$200,000 – required to go out to public tender



Exceptions

- ^ Multi stage procurements (usually used for large, complex projects) may need to go through an EOI process before inviting shortlisted tenderers to tender
- ^ In some cases there is little advantage to going to public tender. In this case it is appropriate to go to closed tender.



Types of goods and services procured

- ^ There is no limit to the types of goods or services that CWW outsources
- ^ We use many different kinds of consultants and temporary labour, depending on the organisation's needs
- ^ All of the maintenance and construction of CWW's network is outsourced



Maintenance Contract

- ^ CWW's biggest operational contract relates to the planned and responsive maintenance of its network
- ^ This is profit and risk sharing alliance arrangement and has been in place for some time
- ^ CWW has a very close relationship with its Maintenance Contractor



Business Transformation Project

- ^ CWW is currently in the midst of a business transformation project
- ^ This requires the provision of a wide range of expert IT services
- ^ It would be impracticable to undertake such a project internally
- ^ Outsourcing this project offers significant benefits to CWW



Employee buy-in

- ^ CWW does not have a designated procurement department
- ^ With the exception of the call centre, nearly everyone working here will at some point be involved in a procurement activity
- ^ It is therefore important to conduct regular training sessions and have all procurement policies and checklists easily accessible by all



Procurement 'champions'

- ^ We have set up a group of Contract Administrators to assist with compliance across CWW
- ^ In each department there are a couple of people that can answer questions about procurement, practically and in relation to our finance system
- ^ Regular meetings are held to discuss procurement issues
- ^ These meetings can result in changes to policy and procedures



Questions?



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Thank You



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