



25 AUG 2017

s 9(2)(a)

Dear s 9(2)(a)

On 10 July 2017 you emailed the Ministry requesting, under the Official Information Act 1982, the following information:

- *The current tiers at which you require various procurement activities to take place, by dollar amount.*
- *The number of contracts you commissioned in each of tiers in (1); for each of the last three financial years. If one contractor or company completed several contracts, please count each individual contract.*

The Ministry employs almost 7,000 staff who work at more than 230 locations in New Zealand. The Ministry constantly seeks ways to provide more efficient and effective services to meet changes in demand and provide value for taxpayer money.

The Ministry, like all government agencies, is accountable for how it spends public money. The Ministry therefore complies with the Government Rules of Sourcing which exist to ensure the delivery of the best value for money, meet agreed international standards, and build high-performing public services. These rules can be found on the Ministry of Business, Innovation & Employment's New Zealand Government Procurement website at: www.procurement.govt.nz/procurement/for-agencies/key-guidance-for-agencies/the-new-government-rules-of-sourcing.

The procurement goods and services must also follow certain processes as set out in the Government Rules of Sourcing. Depending on the estimated cost of the commercial good or service being sourced, procurement will fall into one of a number of tiers, with increasingly strict and competitive processes for higher cost tiers. Please refer to the table below for the tiers and associated processes.

Tier	Procurement Process
\$1-\$9,999	Direct: Direct source.
\$10,000-\$49,999	Direct: Get one written quote.
\$50,000-\$99,999	Competitive: Get three written quotes.
\$100,000+	Competitive: Where the expected whole-of-life costs is expected to exceed \$100,000: <ul style="list-style-type: none"> • Approval from Procurement Board to conduct a procurement process • Approval from Procurement Board for exemptions from open market engagement The Procurement Board will base all decisions on these exemptions against the Rules of Sourcing, applicable legislation and Ministry policies.

Notes:

- The tier is determined by the estimated whole-of-life cost of the goods or services being procured (excluding GST).

Information regarding those contracts where the estimated value is less than \$100,000 is not centrally collated. In order to provide the number of contracts in these tiers, Ministry staff would have to manually review thousands of individual contracts, purchase orders, and invoices held across the Ministry. As such your request is refused under section 18(f) of the Official Information Act. The greater public interest is in the effective and efficient administration of the public service.

I have considered whether the Ministry would be able to respond to your request given extra time, or the ability to charge for the information requested. I have concluded that, in either case, the Ministry's ability to undertake its work would still be prejudiced.

Prior to 2016, only those contracts for which an exemption from the open tender process was sought were centrally recorded by the Ministry. In the 2014 to 2015 financial year, 12 contracts valued at \$100,000 or over were commissioned. In 2015 to 2016, this figure was 18. Information regarding those contracts for which no exemption was sought in these years is not centrally collated. In order to provide this information, therefore, Ministry staff would have to manually review thousands of individual contracts, purchase orders, and invoices. As such this part of your request is refused under section 18(f) of the Official Information Act. The greater public interest is in the effective and efficient administration of the public service.

In 2016, however, the Ministry introduced the Procurement Board. Since this policy change, all contracts valued at \$100,000 and over are required to go through the Ministry Procurement Board, including those for which no exemption to the open tender process is sought.

In the 2016 to 2017 financial year, 53 contracts valued at \$100,000 and over were commissioned by the Ministry.

Please note that the number of contracts commissioned in each tier is known to vary considerably from year to year as a result of government initiatives, policy changes, and new projects. In the 2016 to 2017 financial year, for example, the Ministry established the Investing in Children Strategic Partner Panel, furnished four new service delivery sites, and conducted research into better ways to engage all New Zealanders in the support of vulnerable young people.

The Ministry also procures social services. Procurement in the social sector differs from other forms of procurement, in particular in their complexity, their focus on client outcomes, and the differing nature of the Ministry's relationship with a social service provider in comparison to the Ministry's relationship with a commercial business. Furthermore, the procurement of these services is often the result of a commissioning process. More information on the different nature of social service procurement is available on the New Zealand Government Procurement website at: www.procurement.govt.nz/procurement/for-agencies/buying-social-services/guide-to-understanding-procurement-in-the-social-services-sector/how-procurement-in-the-social-services-sector-is-different.

For these reasons, the procurement of social services may not necessarily be carried out in accordance with the above tiers. However, non-commercial procurement for services costing over \$100,000 are still likely to be listed on GETS for an open tender process unless specific approval from the Ministry Procurement Board is sought and granted, for example for trials or when a single supplier in the market is identified. The Ministry's closed GETS-listed tenders can be found on the GETS website at: www.gets.govt.nz/ExternalTenderSearching.htm?SearchingText=MSD.

The principles and purposes of the Official Information Act 1982 under which you made your request are:

- to create greater openness and transparency about the plans, work and activities of the Government,
- to increase the ability of the public to participate in the making and administration of our laws and policies and
- to lead to greater accountability in the conduct of public affairs.

This Ministry fully supports those principles and purposes. The Ministry therefore intends to make the information contained in this letter and any attached documents available to the wider public shortly. The Ministry will do this by publishing this letter on the Ministry of Social Development's website. Your personal details will be deleted and the Ministry will not publish any information that would identify you as the person who requested the information.

If you wish to discuss this response with us, please feel free to contact OIA_Requests@msd.govt.nz.

If you are not satisfied with this response regarding the Ministry's procurement processes, you have the right to seek an investigation and review by the Ombudsman. Information about how to make a complaint is available at www.ombudsman.parliament.nz or 0800 802 602.

Yours sincerely



Bruce Simpson
Chief Financial Officer