

Taranaki Regional Council
Procurement Framework
for Yarrow Stadium

November 2019

Document 2352030

Introduction	2
Purpose and Scope	3
Background	4
Our Procurement	5
Caring for our Place	6
Supporting a Prosperous, Vibrant and Sustainable Regional Community	7
Our Objectives	8
Procurement Principles	9
Government Rules for Sourcing	11
Emergency Procurement	12
Compliance	13
Health and Safety	14
Relevant Legislation	15
Financial Delegations	16
Procurement Manual	17
Probity	18
The Procurement Lifecycle	19
Stage 1 – Initiate the Project (Plan)	20
Stage 2 – Identify Needs and Analyse the Market (Plan)	23
Stage 3 – Specify Requirements (Plan)	28
Stage 4 – Plan Approach to Market and Evaluation (Plan)	30
Stage 5 - Approach to Market & Selecting the Supplier (Source)	37
Stage 6 - Negotiate and Award Contract (Source)	40
Stage 7 – Manage Contracts and Relationships (Manage)	43
Stage 8 – Contract Review (Manage)	45
Glossary	48

Introduction

1. The term procurement covers all aspects of acquiring and delivering goods, services and works (refurbishment and new construction). It starts with identifying the need and finishes with either the end of a service contract or the end of the useful life and disposal of the asset. This is called the procurement lifecycle.
2. Procurement can range from relatively simple and low risk activities to those that are complex and high risk. For procurement, which is high risk or high value, a strategic approach will usually result in better outcomes. A strategic approach ensures you meet the five principles of Government procurement:
 - plan and manage for great results
 - be fair to all suppliers
 - get the right supplier
 - get the best deal for everyone
 - play by the rules.
3. A strategic approach to your procurement —taking the time to plan, research and analyse adds significant value. Good scoping, planning and understanding of your requirements will mean less time spent on resolving avoidable issues throughout the process, and achieving great outcomes in terms of delivery and cost.
4. Value for money is not always cheapest price. Value for money means using resources effectively, economically, and without waste, and taking into account:
 - the total cost and benefits of a procurement (total cost of ownership); and
 - its contribution to the results you are trying to achieve.
5. The principle of value for money is achieving the best possible outcome over the whole of life of the goods, services or works. Selecting the most appropriate procurement process that is proportionate to the value, risk and complexity of the procurement will help achieve value for money. Good procurement is about being risk aware and managing risk, not necessarily risk averse.
6. This procurement framework is based upon the procurement strategies and plans of the New Plymouth District Council and the Waipa District Council. Their support in allowing the Council to use their resources is acknowledged and appreciated. Waipa District Council is a member of the Waikato Local Authority Shared Services (WLASS). The member councils have developed and agreed on a regional approach to their procurement.

Purpose and Scope

7. The purpose of this procurement framework is to provide guidance to suppliers and staff of Taranaki Regional Council to achieve the outcomes of the repair and refurbishment of Yarrow Stadium. This framework provides clear intentions to suppliers, contractors and the community on the key areas the Council will consider throughout the procurement process.
8. This framework outlines the strategic approach that the council will take to planning, sourcing and managing its procurement activities. The Council is committed to negotiating with suppliers in a fair, open and transparent manner, while ensuring maximum value for the procurement of goods, works and services.
9. The Yarrow Stadium repair and refurbishment project is unique for the Council and not "business as usual". The Council's existing procurement strategy and policies are not fit for purpose for the Yarrow Stadium repair and refurbishment project. Most of Council's procurement strategy and policies are not based upon significant capital repair/construction projects. Hence, this project specific procurement framework.

Background

10. In the 2019/2020 Annual Plan, the Council adopted a repair and refurbishment programme for Yarrow Stadium which included the repair/refurbishment of the two stands and the delivery of a range of essential updates at a total budget not to exceed \$50m.
11. Further, the Council reconfirmed the vision for Yarrow Stadium as:
 - The best regional stadium in New Zealand that regularly hosts national and international sports and entertainment events.*
 - A stadium for both major events and community events and the premier outdoor field for team sports codes.*
 - A stadium that is loved by sports fans and the local community.*
 - A stadium that is a quality experience for event promoters, participants and spectators, which is achieved through superior event facilities, presentation and management and through the early adoption and smart use of technology.*
12. The repair/refurbishment project includes the following:
 - repair the East and West Stand to ensure they are no longer earthquake prone buildings noting that this involves the relocation of the gym and office facilities to a separate location
 - improve levels of pitch 1, upgrade drainage and provide a new hybrid reinforced turf system
 - replace sports lighting with new LED system
 - create additional space and provide additional food and beverage outlets and one toilet block to the south west corner
 - provide a dedicated goods lift to all levels of the East Stand
 - provide for technology upgrades to include WiFi solution with captive portal, IPTV system, improved PA, and audio visual equipment to hospitality spaces
 - provide tar seal, better lighting and improve the sense of arrival to the west car park
 - improve east car park (and entry) for parking, team drop off and to avoid mixing with pedestrians
 - extend pathway from Field 2 to Gate 3 and beyond to Gate 4
 - provide new maintenance and grounds storage sheds
 - install canopies, weather protection and a general upgrade at the entry gates
 - replace the seats on the southern terraces
 - replace end of life catering equipment.

Our Procurement

13. Procurement covers all the business processes associated with purchasing the goods/services/works the Council will need to use to deliver the repair and refurbishment programme for Yarrow Stadium. Procurement starts with identifying the needs, then planning the effective and efficient way to meet them; continuing through to sourcing the goods/services/works then managing the contract; and ends with the expiry of either the contract or the assets useful life. This also includes the relationship management and review of suppliers involved.
14. The approach to procurement will be dependent on the value, complexity and the risks involved. Each individual act of procurement will be in alignment with the Council's objectives.

Caring for our Place

15. The Council has a responsibility to understand the impacts of their procurement decisions and how they affect the environment and local infrastructure. Procurement has a key role in getting the right supplier, the right level of service and the right community support.

Supporting a Prosperous, Vibrant and Sustainable Regional Community

16. The delivery of the Yarrow Stadium vision (see above) through the repair and refurbishment programme for Yarrow Stadium is an important component of Taranaki's ongoing vibrancy and prosperity.
17. The procurement framework actively seeks a reliable and efficient customer focused service delivery. The strategic approach to procurement in the early stages of planning and using accurate data allows the optimisation of local suppliers for goods, works and services.

Our Objectives

18. The delivery of the Yarrow Stadium vision through the repair and refurbishment programme for Yarrow Stadium involves the procurement of significant goods and services that impact on the local community. The Council's commitment to delivering a consistent procurement service will facilitate the overall benefits of the long-term plan, annual plan and the wellbeing of its community. The procurement policy objectives are –
- ethical and fair dealing – The Council is committed to applying impeccable ethical considerations and provide standards based on honesty, integrity and transparency.
 - achieve the vision for Yarrow Stadium – Ensure procurement activities, principles and processes are in alignment with the Yarrow Stadium vision, outcomes and priorities.
 - environmental procurement – Long-term environmental costs and benefits will be considered as part of any procurement decision-making process. Environmental sustainability is recognised to benefit the business, customers and society.
 - local recognition – The Council recognises the innovation and resourcefulness of local companies. The procurement operations identifies that procurement planning should be fair and transparent to local suppliers to provide them with an opportunity to become an efficient and cost-effective provider.
 - opportunity and innovation – procurement will identify opportunities in the planning stage to be flexible and allow for innovative ideas. This will maximise the chance to review the current market for alternative solutions and prototypes to achieve value for money.
 - sustainability – procurement sustainability is about meeting the needs of today without compromising the ability of the future generations to meet their requirements. Social environmental and economic context all impact on sustainability. When procuring goods, works and services considerations include:
 - a. strategies to avoid unnecessary consumption and manage demand.
 - b. whole-of-life environmental impacts of the goods, works and services.
 - c. supplier socially responsible practices.
 - d. value for money over the procurement life cycle, rather than just the initial cost.

Procurement Principles

19. The Council will apply the principles of government procurement and government rules of sourcing when planning, sourcing and managing procurement, as these set the standard for good practice (including financial thresholds and procedures for advertising procurement opportunities).
20. The Council will apply the approach best suited to the individual purchase, within the framework of the principles and the rules – encouraging competitive tendering whenever possible.

Principles of Procurement

21. The Yarrow Stadium Repair and Refurbishment Procurement Core Principles are:

- get best value for money
- plan and manage success
- fit for purpose procurement
- keep the integrity through controls
- play by the rules.

Get Best Value for Money

- account for all costs and benefits over the lifetime of the goods, services and/or works.
- make sure that public funds are utilised effectively.
- be clear on the scope of the requirements to avoid disappointment or dispute.
- make sure all risks, not just commercial, are considered before making any final commitment.
- be clear in how the bids are evaluated so that the process is fair and transparent.
- be fair to all suppliers throughout the full procurement lifecycle.
- work with the supplier to develop opportunities to make savings and improvements.
- be responsible for the outcomes of the deal that is agreed.

Plan and Manage for Success

- make sure that you need to undertake the procurement and then plan how to get the best outcome.
- make sure you follow the right procurement process - if in doubt go for the higher-level approach.
- get advice early to create the best outcomes.
- consider the sustainability of the region, social responsibility and value to the community.
- take time to understand the market.
- be responsible for managing the health and safety requirements throughout the life of the contract.
- support the suppliers through right-sized contract management and support.

Fit for Purpose Procurement

- make sure that the process and the contracts are fit for purpose in both content and size.
- consider the benefits of national, regional or local procurement dependant on the value it will bring and the availability of each.
- make sure you understand the ethical nature of the procurement.
- seek support if proposed contractual changes materially change the contract.

Keep the Integrity Through Controls

- the controls within the procurement process are there to protect employees, supplier and the public.
- the Procurement Framework is not stand-alone - ensure you understand your requirements in other policies as well (e.g. delegated authorities).
- always ensure there is appropriate segregation of responsibility.
- highlight any conflicts of interest so that everyone has transparency on any relationships.
- always keep a record of the procurement activity undertaken so that there is clarity, ownership and accountability.

Play by the Rules

- adhere to and own the Procurement Framework.
 - make sure everyone acts responsibly, legally, ethically and with integrity.
 - stay impartial throughout the procurement process.
 - protect suppliers' commercially sensitive information and intellectual property.
 - be respectful of the process, the people and the outcomes.
 - strive to ensure everyone wins.
22. These principles apply to anyone (employee or third party) committing funds on behalf of the Council for the Yarrow Stadium repair and refurbishment project regardless of how big or small; complex or straight forward; or open or closed the transaction(s) may be.
23. The total cost of ownership considers all costs that the organisation is likely to incur throughout the entire lifecycle of the goods or services being procured.

Government Rules for Sourcing

24. The Council's procurement of goods, works and services are governed by the government rules of sourcing 3rd edition. Representatives of the Council involved in procurement must be mindful of the fact the Council is subject to and should comply with, all applicable legislation - www.procurement.govt.nz/procurement/principles-and-rules/government-rules-of-sourcing/

Emergency Procurement

25. In the event of an emergency, the Council will need to be flexible in how they procure goods and services that are required for their response. In these situations, rapid procurement may mean it is not possible or prudent to satisfy all requirements of this framework.
26. When making emergency procurement decisions, the Council will act lawfully and with integrity.
27. The Council will endeavour to document and account for all emergency procurement activity to safeguard against the risk of corruption.

Compliance

28. Procurement activity must be conducted in a manner that ensures the Council maintains a reputation of being fair, transparent and equitable towards suppliers and evidenced through sound and robust record keeping.
29. Representatives of the Council undertaking procurement activities must declare any perceived or actual conflicts of interest to the procurement group as soon as practicable.
30. Prior to any procurement activity being undertaken internal processes must be followed and should be completed. The budget must be identified and approved, procurement plans must be prepared for purchases over \$25,000 (including two levels of sign off).
31. Compliance with this framework is required for all procurement activity undertaken by the Council's temporary and permanent employees, consultants and contractors. Any departure from this approach must be approved by the Chief Executive.

Health and Safety

32. Council has a low appetite for health and safety risks for employees and anyone working on our behalf. Council requires all contractors and consultants who do physical work for us, and/or visit hazardous worksite(s) i.e., consultants, to be prequalified prior to commencing works.
33. If you are aware of any significant health and safety issues related to your procurement, you must note these issues for your contractor. As a person conducting a business or undertaking, it is your responsibility to have a discussion with your contractor about the health and safety aspects of the site and document the discussion. The Health and Safety at Work Act 2015 is very clear that all parties must contribute to and have full discussion on health and safety.
34. If you are awarding a tender to a tenderer who is not already H&S prequalified, the award must be subject to the successful tenderer achieving prequalification.
35. In addition to the prequalification of your contractor, you must still consider what site and task specific information you require from your contractor for every job you are engaging them to do.

Relevant Legislation

36. The following pieces of legislation are relevant to the procurement framework for Yarrow Stadium:

- Commerce Act 1986
- Contract and Commercial Law Act 2017
- Fair Trading Act 1986
- Health and Safety at Work Act 2015
- Local Authorities (Membership Interests) Act 1968
- Local Government Official Information and Meetings Act 1987
- Local Government Act 2002
- Public Records Act 2005
- Goods and Services Tax Act 1985
- Construction Contracts Act 2002
- Public Works Act 1981
- Principles of Government Procurement
- Government Rules of Sourcing

Financial Delegations

37. The Council has a Delegations Register, which notes the delegation of financial and procedural delegations for positions within Council. The Delegations Register for staff can be found on the intranet.
38. When you are raising a purchase order or seeking approval for an exemption, contract award or anything that has a financial component, you must get approval from the role that has the appropriate level of financial delegation for the total spend and for that budget area. No staff member is permitted to sign or approve a document, which exceeds his or her delegated financial level.
39. The Delegations Register relating the Chief Executive's operational delegations from Council are noted in the Delegations Register. In relation to procurement, this includes delegations around transferring budget, acquisition and disposal of assets signalled in the long-term plan/annual plan, exempting of calling for tenders, approval of contracts, and delegations related to expenditure in a civil defence emergency.
40. In relation to Yarrow Stadium, the Council approved the following:
 - the delegation to the Chief Executive to approve variances of up to +10% of budget for each component of the project provided the total budget of up to \$50m is not exceeded
 - that variances in excess of +10% of budget for each component of the project will be referred to the Executive, Audit and Risk Committee for consideration.

Procurement Manual

41. The rest of this framework provides the procedures and processes that assist the Council with its procurement operations. This framework is a set guidance on how each procurement activity should be approached and what is expected of staff, consultants and contractors engaging in procurement activities.
42. Procurement activity must be conducted in a manner that ensures the Council maintains a reputation of being fair, transparent and equitable towards suppliers, and evidenced through ethical and robust record keeping. Representatives of the Council undertaking procurement activities must declare any perceived or actual conflicts of interests to the procurement, before entering into agreements or being selected on procurement projects as soon as practicable.
43. Prior to any procurement activity being undertaken, internal processes must be followed and should be completed. The budget must be identified and approved, procurement plans must be prepared for purchases over \$25,000 (including two levels of sign off). The Council's delegation list must also be adhered to, to ensure levels of financial authority are not exceeded.
44. Compliance with this framework is required for all procurement activity undertaken by the Council's temporary and permanent employees, consultants and contractors. Any departure from this approach must be approved by the Chief Executive.

Probity

45. Probity in relation to procurement means that all transactions must be underpinned by the principle of fair and open competition. The full process of procurement must be recorded, notes and evidence supporting decisions must be retained.
46. As a Council, we must be aware that the procurement activities of a public sector organisation are heavily regulated and we must be mindful of laws and legislation. This framework details the expectations of the procurement operations and where suitable these operations are applied. We are also mindful that not all procurement activities require a similar approach.

The Procurement Lifecycle

Procurement Methodology

47. The following section will provide details of the procurement approaches considered suitable to all types of procurement. Throughout this section, the overriding guidance will be formed by the procurement lifecycle.
48. Each step of the procurement lifecycle (process) will be appropriate to the value and risk of the procurement projects. This approach is in alignment with the procurement lifecycle as published by Ministry of Economic Development within their March 2011 publication, "Mastering Procurement. A structured approach to strategic procurement. A guide for government agencies".
49. The procurement lifecycle relies heavily on the planning of each procurement project. The procurement process map will help establish what is required through each stage of your procurement actions. These detailed steps are to be used as guidance through the entire procurement lifecycle.

Stage 1 – Initiate the Project (Plan)

50. When starting out on the procurement lifecycle we should already have an understanding of what we are trying to achieve. Through the lifecycle, there are options and flexibility enabling us to develop our understanding into an effective and efficient procurement operation that adds value to the Council.

Justification for Renew, Extension or Variation of Contract

51. Is the procurement action a simple renewal, extension or variation of an existing contract? In many cases, the supplier's performance is sufficient that a change of supplier is not necessary and would create unnecessary cost to change, or there is a need to extend a contract due to the timeframes of current projects, or, we have a variation in terms, requirements or services. In all these cases, in the interest of fairness and transparency a justification form will need to be completed. It is important to highlight that this would only be prevalent for contracts under \$75,000 and must be accompanied by a justification statement and cost breakdown.

Under \$1,000

52. Is the value of your procurement less than \$1,000? In this instance, purchases can be done by purchase orders with sufficient delegation sign off. It is again important to note that Council holds a number of contracts that provide the best pricing the market has to offer. Please check before proceeding.
53. One-off suppliers are sometimes used but this is only with the sign-off within your delegated authority. In the interest of transparency and visibility, one-off suppliers will be limited to unique cases.

Consolidating or Existing Contracts

54. In some cases, another department may already have an existing contract for the goods, works or services you are looking to procure. This creates an opportunity to consolidate into an existing contract. This will put the Council in a stronger position with the current supplier but also in the market for future procurements.

Council Yarrow Stadium Vision

55. Through all our procurement actions, we are aiming to provide value for our ratepayer's money. The Council's Yarrow Stadium vision is also aligned to the same purpose. Therefore, it is apparent that all our procurement actions must be also in line with the Council's values, long-term plan and the best outcomes for our community. In the larger contracts that Council agree, it is important that each contract take into account the social, economic and environmental impacts.

Stakeholder Engagement

56. To ensure we are aligned with the Council in our procurement actions we are encouraging early stakeholder engagement. This provides an opportunity to consider both internal and external stakeholders and what interests and influences on the project they may have. Conducting a simple RASCI analysis is the most effective way to identify key stakeholders, by asking the following –
- Responsibility - who is the person ultimately responsible for delivering the project and/or task successfully.
 - Accountability - who is the person ultimately accountable for authority of the project; they are the person to whom 'R' is accountable.
 - Supportive - the person or team of individuals who are needed to do the 'real work'.

- Consulted - someone whose input adds value and is essential for successful implementation or from whom you need 'buy in'.
- Informed - the person or group who need to be notified of actions taken or results achieved but do not need to be involved in the decision making or delivery.

57. From your analysis, the key stakeholder will have been identified and recorded with the appropriate action for their involvement.

Establishing a Project Team

58. From your RASCI analysis, it will begin to come clear the experience and expertise you will need on your project team. This is essentially a team of stakeholder representation who will devote enough time and be prepared to think openly and creatively about solutions. During this stage, take time to assemble a cross-disciplinary project team, the size and composition will depend on the nature, scope, value, level of risk and complexity of each procurement.
59. A team that possess an appropriate mix of skills and experience is recommended. It is important to consider technical, financial, policy and market knowledge to gather multiple perspectives from the business when building a project team. Ideas for team members maybe subject experts, procurement specialist, commercial/finance expert, legal advisor or project sponsor.
60. Once a team is established, it is then advantageous to complete each procurement stage as a team so the quality and consistency of the project is not compromised. However, before any activity can commence the project team individually must complete a Conflict of Interest Declaration. This obligation extends to any other persons involved in the procurement that maybe engaged in financial approvals or accepting an evaluation panel's recommendation.

Project Budget

61. Throughout initiating the project there will be a number of discussions surrounding the financial budget for the project. This may have been highlighted originally through the Council's long-term plan or annual plan. It is important to remember, at this stage, the whole of life cost is not visible due to market and requirements knowledge. The budget for the project will need to be maintained, and on occasion adjusted.

Probity

62. As public servants we must comply with 5 interrelated principles of the probity in procurement, as per the Government's commitments to –
- act fairly, impartially and with integrity.
 - being accountable and transparent.
 - being trustworthy and acting lawfully.
 - managing conflicts of interest.
 - securing commercially sensitive and confidential information.
63. Procurement must be conducted with probity in mind to enable purchases and suppliers to deal with each other based on mutual trust, respect and enable business to be conducted with integrity. We must ensure our actions establish accountability and are able to withstand public scrutiny, which preserve private sector confidence in our process. For major, complex and high-risk projects, you may consider appointing an independent probity auditor at the outset of the procurement project.

Procurement Plans and Business Case

64. A procurement plan will help develop the justification for the project and goods, works and services that are needed. A simple guide to follow in order to establish which procurement plan is suitable would be –
- Contract renew, extension or variation: No plan required
 - \$0 - \$1,000: No plan required
 - \$1,000 - \$25,000: X-lite procurement plan
 - \$25,000 - \$75,000: Lite procurement plan
 - \$75,000 onwards: Full procurement plan
65. These plans are a general guide and template to aid your approach to market. A procurement plan provides the methodology, process and project management structure for implementation of the activity. The purpose of the plan is to –
- provide detailed plans for the approach to market, evaluation of offers and identification of the preferred supplier.
 - ensure the best supplier is selected for the right reasons and at a price that represents value for money over the life of the contract.
 - assign roles and responsibilities in the cross functional team.
 - set a realistic timeframe.

Stage 2 – Identify Needs and Analyse the Market (Plan)

Statement of Needs

66. At this stage, it is established that a procurement plan needs to be completed for full visibility of the requirements, the best approach to market and justification. With that in mind, we need to develop a statement of needs with stakeholder consultation. Keys areas to address are –
- what is the purpose of the procurement?
 - who will be impacted by the procurement?
 - what are the stakeholder's expectations?
 - who are the major internal clients and what are their highest needs?
 - who are the major external clients and what are their highest needs?
67. You should ensure –
- stakeholder's constructively engage and have 'buy in'.
 - stakeholder's are able to self-identify their current, predicted and emerging needs.
68. It is important to –
- distinguish 'needs' from 'wants' and 'desires'.
 - remove ambiguity, achieve clarity and obtain consensus.
 - bundle needs into related groups.
 - develop an articulate, clear and comprehensive high-level statement of needs.
69. Once there is an agreed suitable statement of needs in the procurement plan this can be used to later inform –
- type and extent of market research and analysis.
 - sustainability, opportunities, issues, risks – linking social, economic and environmental goals better.
 - identification of a range of solutions.
 - development of specification of requirements detailing the nature and scope of the goods, works and services that will be required to satisfy the need.
 - development of evaluation criteria and key attributes.

Internal Market Analysis

70. It is important to acknowledge any existing information within the Council. This can be from previous procurements or similar projects. This utilises the knowledge and information the Council records and underpins the need to record all procurement movement. This exercise allows the user to review previous supplier performance feedback, results and lessons learned.
71. There is also an opportunity to seek feedback from anyone involved in the previous procurements to again identify lessons learned. It is then down to the project team to see how these lessons can inform and add value to the procurement going forward.
72. It is considered good practice to review the spending from previous contracts on similar procurement projects. Annual costs can be reviewed from the previous contracts to quantify the whole of life costs, spends and trends. These costs can be compared to the forecasted budget of the project. If they do not collate the budget may need to be reviewed or reconsider the level of needs that can be met.

External Market Analysis

73. The need to research the external market is so we develop a thorough understanding of the nature of the relevant market, how it works and how this affects our approach to market and overall procurement strategy. A thorough analysis supports strategic thinking, informed decision-making and adds value to the process and outcomes.

Request of Information

74. On occasion, the Council may not be able to gather the information required to fully understand the market and options available when procuring goods, works and services. In this instance, we have the option to approach the market with a request for information. An ROI is a very useful approach that can be utilised by going to market to alert suppliers of an opportunity and possibly prepare their bid in advance. With early supplier contact, we create the opportunity for new players and new solutions in the market to be recognised.

Market Analysis

75. There are other methods to consider when analysing the markets. The market analysis approach depends on the level of risk and procurement value to proportion the scale of the analysis needed.

Market structure

76. To establish the market structure the following should be considered:
- define the relevant market segment.
 - define market size.
 - identify key suppliers and market share.
 - identify any supplier dominance.
 - determine the supplier ownership structures.
 - assess supplier profitability.

Nature of competition

77. Is the competition based on price, quality, level of support/service, product types/range, distribution, delivery time, brand image, barriers to entry?

Supply chain dynamics

78. An understanding of the supply chain will enable the following questions to be answered:
- are there any interdependencies in the supply chain?
 - is the supply chain sustainable?
 - where is the best place to buy in the supply chain?

Availability of substitute goods and services

79. Are there alternative markets that can supply the business needs?

Industry impact assessment

80. Council spend may have an important impact on the market. The consequences of moving that spend should be considered in terms of the potential effect on competition or viability of the market.

Spend Analysis

81. The purpose of a spend analysis is to understand the total spend in a particular category so that an appropriate procurement strategy can be formulated. This should reflect the true importance of the category to the council.

Supply Risk Analysis

82. An analysis of the risk to supply shall be undertaken.

Competition

83. A sound understanding of how suppliers compete in the market provides essential information about market dynamics, including the availability and pricing of goods, works and services now and in the future. The common ways most competitors compete are price, quality, and level of service, product types and range, distribution, delivery time and brand image.
84. Market competition can depend on the type of barriers that effect the market i.e. expensive manufacturing costs, long lead times, limited resources or expertise. Those areas can make the barriers high, meaning fewer suppliers, less competition and higher costs. Where barriers are low there will be more suppliers and reduction in costs.
85. Market changes also alter the dynamics of competition. For instance, technology is rapidly changing and alternative suppliers are faced with opportunities of new solutions or more reliable, and in some cases cheaper product. This is beneficial to consider when future proofing long-term contracts.

Supplier Chain Dynamics

86. Our supply chain includes the movement of materials or services as they flow from the source to the end customer. It is made up of the people, activities, information and resources involved in maintaining goods/services from their supplier to customer. Through our procurement plan, we are examining our supply chain environment. This is to ensure each area of the procurement is adding value and is worth the related cost
87. Sustainability impacts of goods, works and services occur throughout the procurement lifecycle. Development of the procurement plan identifies the relevant players and sustainability risks as well as the opportunities.

Risk Assessments – PESTEL

88. A risk assessment is a vital part of procurement, we need to identify and appropriately manage any risk to our procurement activity. A simple and relevant method to adopt is a PESTEL analysis. This takes a simple scan of the market environment and will help with our approach. Here are some potential factors of PESTEL –
- Political - policies and strategies.
 - Economic - renewable energy, carbon reduction or local growth.
 - Social - local transport, roadworks or sustainability.
 - Technological - lack or extensive knowledge or lack of data.
 - Environmental - promotion of green working or recycling demands.
 - Legal - laws and legislation.
89. This is a brainstorming exercise were each element of the PESTEL is considered and recorded. After the brainstorming, the project team should consider the findings and what they mean to the procurement activity. Identify the positive and negative factors.

SWOT Assessment

90. Once the PESTEL analysis has been completed, we can move on to a SWOT analysis, which will help us, continue to move forward and identify the real risk. Again, a SWOT analysis keeps things simple and easy to follow, while achieving effective results. The identification of weaknesses and threats will help assess the risks involved. Strengths and opportunities will inform the project team of the solutions and approach to manage the risk.
91. The Council has a Risk Management Policy and a Risk Management Strategy that outlines the risk management approach and staff roles and responsibilities for managing risk.
92. Ways that risk can be dealt with:
- avoid it — eliminate the threat by eliminating the cause.
 - mitigate it— reduce the probability of the event occurring by specifying particular requirements on the part of the supplier/contractor. Ensure that appropriate insurances and levels of insurance are in place.
 - manage it— often you need to accept the fact that the event may occur; put appropriate contingencies in place to deal with it should it occur.
 - transfer it— shifting risk from one party to another, e.g. insurance.
 - accept it— if you accept this risk there needs to be no financial implications for the Council.
93. Once the specific threats and risks have been recognised, a rating of the risk can be assigned to highlight the probability and severity of the impact. A common and effective risk assessment framework is set in the following guidance –
- Step 1: What is the likelihood of this risk happening?
 - Step 2: Apply the consequence agreed rating of the risk materialising?
 - Step 3: Use these ratings to plot the risk, each risk receives an overall rating ranging from green to red. Focus should be given to any risk rated red!

Likelihood of risk happening	Almost certain	Amber	Amber	Red	Red	Red
	Likely	Yellow	Amber	Amber	Red	Red
	Possible	Yellow	Yellow	Amber	Amber	Red
	Unlikely	Green	Yellow	Yellow	Amber	Amber
	Rare	Green	Green	Yellow	Yellow	Amber
	Negligible	Low	Moderate	High	Extreme	
		Consequence if the risk happens				

Likelihood	Consequence	Risk Rating
Rare	Negligible	Green
Rare	Low	Green
Unlikely	Negligible	Green
Unlikely	Low	Yellow
Rare	Moderate	Yellow
Rare	High	Yellow
Unlikely	Moderate	Yellow
Possible	Negligible	Yellow
Possible	Low	Yellow
Likely	Negligible	Yellow
Rare	Extreme	Amber
Unlikely	High	Amber
Possible	Moderate	Amber
Possible	High	Amber
Likely	Low	Amber
Likely	Moderate	Amber
Almost certain	Negligible	Amber
Almost certain	Low	Amber
Unlikely	Extreme	Amber
Possible	Extreme	Red
Likely	High	Red
Likely	Extreme	Red
Almost certain	Moderate	Red
Almost certain	High	Red
Almost certain	Extreme	Red

94. The task is to identify measures to mitigate the likelihood and minimise the consequence if the risk eventuates. There may be a number of solutions that are recognised, but these approaches are subject to budgets and approvals. The key to risk management is continually reviewing the risk by evaluating the management of them on a regularly basis unless, you have been able to remove the risk completely.

Stage 3 – Specify Requirements (Plan)

95. Using the statement of needs and with the knowledge gained from the market analysis and procurement strategy the requirements specification can be written.

Specifications

96. At this stage, having defined the needs, suppliers, and the market, it is appropriate to clearly, concisely and articulately state the requirements. Requirements can be written in various formats, often the nature of the format will depend upon the type of procurement. Examples of specification formats include:
- terms of reference.
 - description of services.
 - scope of work.
 - service specification.
 - technical specifications, drawings and diagrams, test conditions, standards.
 - statement of work.
 - functional specification.
97. The following questions may help in developing the specification of requirements –
- why are we doing this?
 - what results do we need to achieve?
 - how will the goods/services be delivered?
 - how well what quality or volume is required?
 - where will the goods/services be delivered?
 - when will the goods/services be delivered – terms of contract?
 - who will be involved in the delivery supplier/contract manager etc.?
98. Some key characteristics of a good statement of requirements are complete, unambiguous, consistent, current, feasible, traceable and verifiable. To under pin a good statement we can also test this against the 5 rights –
- right quality.
 - right quantity.
 - right place.
 - right time.
 - right price.

Technical Specifications

99. Where technical specifications are prescribed they must:
- be specific in terms of performance and functional requirements, rather than design or descriptive characteristics.
 - be based on international standards, where applicable, or national technical regulations recognised by national standards or building codes.
 - not refer to a particular trademark, trade name, patent, design or brand. If there is no other way of describing the requirements and you refer to a trademark then you must include the words 'or equivalent'
 - be prepared without seeking or accepting advice from someone who may have an interest in the procurement concerned.

100. The specification should be peer reviewed by suitably qualified person/s not involved in the preparation of the specification. The name of the person/s performing the peer review is to be recorded on the document

Contract Deliverables

101. The specification will lead to the identification of a deliverable or set of deliverables. A deliverable is a tangible output. One, or several, deliverables may result in an outcome. Examples of deliverables include a provision of a specified product, delivery of a report, delivery of a training session, the installation of software or the completion of some specified work.
102. Milestone completion dates may be incorporated into the contract and payment to the supplier can be tied to the successful completion of each milestone. This allows for implementation to be tracked and monitored against budget.

Sustainability

103. Sustainability considerations should be addressed as an important component of the overall procurement strategy and where appropriate, detailed in the specification and as deliverables. The sustainability impacts will have been identified during the business needs analysis.

Stage 4 – Plan Approach to Market and Evaluation (Plan)

104. There should now be a clear expectation of requirements that are essential to delivering the project. This next stage involves deciding upon an appropriate approach to the market, evaluating the responses from the market, a process plan and realistic timeframes, taking into account the information formed from the market analysis and risk assessment. This will result in a completed procurement plan.
105. There are several processes to procuring the right goods and finding the right supplier, this is dependent on the level of budget for the project. In this stage, we will identify these methods and help simplify the process.

The Approach to Market Processes

- Justification for Renewal, Extension or Variation of Contract
- Purchase Order
- Direct Supplier Engagement
- Preferred Supplier List
- 3 Emailed Quotes
- AOG Contract
- RFX Documents (ROI, EOI, RFT or RFT)

Process Levels

106. Next we will determine the levels of cost at which these processes should be applied. An exception to the rule is the Justification for Renewal, Extension or Variation of Contract form, this can be used at the procuring officer's discretion. It is advised this should only be used for contracts not exceeding \$50,000.

Justification for Renewal, Extension or Variation of Contract

107. The justification form is used when there is fair and present reason to make variations, extensions or renew a supplier's contract. Full justification must be giving for the reasons of the decision, which must be authorised by the budget owner, contract owner, delegated financial authority and the procurement department.

\$0. - \$1,000. Purchase Order (No Procurement Plan needed)

108. Where a credit agreement exist with a preferred supplier, a purchase order can be created by the delegated authority for the supplier to be paid for goods, works or services.

\$1,000 - \$75,000

109. In many cases, your analysis of the supplier market will have identified some already suitable suppliers. There are some cases when it is clear there is only one suitable supplier capable of meeting needs and completing the project. There are a number of processes and approaches we can employ to ensure we are using the right supplier. We are not restricted to these approaches, if we still do not have a full understanding of the market or suppliers available we can use the option of an ROI, RFP or RFT.

Direct Supplier Engagement (Xlite procurement plan)

110. Direct supplier engagement means that we are certain that there is only one viable supplier option in the market for the procurement project.
111. Sufficient evidence for this must be recorded in an evaluation statement formed from the supplier market analysis in the procurement plan. Review your procurement plan and seek guidance from the procurement department.

Preferred Supplier (X-lite procurement plan)

112. Council currently holds a list of existing preferred suppliers where competitive pricing has been agreed for Council officers to use. These suppliers are already prequalified and ready for use in your procurement projects.

Three Emailed Quotes/Request for Quote

113. In this approach, the market analysis may have provided us with significant evidence that there are only a short number of suppliers able to meet our project needs. Other eventualities such as time restrictions, emergencies or available information may also indicate the three emailed quotes approach is acceptable.
114. In this process, we email a minimum of three suppliers to request quotes for the projects goods, works or services that are required. This is a common approach where technical and strategic skills are not relevant.
115. In this approach, the cheapest price is most relevant, so we simply accept the cheapest quote and award the contract to the lowest conforming supplier. A statement detailing the evidence for this approach will be needed to rationalise our findings and decision-making process.

AOG Contracts

116. Local authorities have an option to sign up to national agreements created by New Zealand's Central Government and managed by the Ministry of Business Innovation and Employment. These contracts represent best pricing options in a number of defined areas and in many cases require no obligation to enter into long-term contracts. This allows the Council to be flexible in the approach to procuring goods, works and services when facing tight deadlines or specific needs for the project. A list of contracts available can be found at <https://www.procurement.govt.nz/contracts/typesof-contracts/>.

Single Stage, Lowest Price and Closed Market

117. These process and approaches are considered as single stage or lowest price conforming approaches performed inside a closed market:
 - single stage – when there are limited or few suppliers available suitable for the project.
 - lowest price conforming – when the most relevant method of evaluation is the cheapest price that conforms to the requirements to complete the project.
 - closed market – a closed market is where the contract is offered to pre-selected potential suppliers only. Closed tenders or private are to be used only where:
 - a prequalified supplier panel has been established either previously, via a separate open tender process or as part of an open prequalification.
 - for practical purposes, all of the suppliers capable of undertaking the work are known.
 - where the time required for an open tender would restrict the ability to meet the required delivery or completion date.

Over \$75,000

118. High value or high-risk projects should be dealt with a RFT or RFP and result in a signed contract (with the exception of the AOG contract approach). Contracts over \$75,000 are subject to a full evaluation and contract management plan.

Open tenders/proposals

119. An open tender is where the tender is openly advertised and where any prospective supplier may submit a tender. Open tenders are the preferred tender method. Open tenders are to be used in all cases except where:

- a prequalified supplier panel has been established for practical purposes and all of the suppliers capable of undertaking the work are known
- where the time required for an open tender would restrict the ability to meet the required delivery or completion date
- where the value of the contract is less than \$75,000 and the risk low and the cost of going to open tender would be less than potential benefits.

Single or Multi-stage tender process

120. There are two situations where a multi-stage tender is to be used:

- where the number of suppliers responding is likely to be large, a multi-stage tender process should be used to prequalify suppliers. This reduces the time required for evaluation and saves suppliers that do not have the credentials to be considered the time involved in preparing proposals. In general, where there are more than six likely respondents to an RFP or RFT, a two stage tender process should be used and a Registration of Interest (ROI) advertised.
- where the requirements for goods or services are not well defined and a Request for Proposal is used, it may be desirable to prequalify suppliers on the basis of their proposals and then more precisely define the requirements in a Request for Tender (RFT) issued to some or all of the respondents to the RFP. To protect a supplier's intellectual property, care must be taken not to include information that might be considered proprietary in the RFT.

121. In all other cases, a single stage tender process shall be used.

RFX Definitions

122. There are a number of documents that are used for the approach to market these are collectively known as RFX documents. They define the process and are used as follows:

- a registration of interest (ROI) is generally used to request information from suppliers that may be used to identify potential suppliers before seeking tenders or proposals. Usually the information sought is high level and specific.
- a request for proposal (RFP) is a formal means of seeking proposals for goods or services where the public entity is open to innovation on the part of a supplier – that is, where the outputs and outcomes are important, not the process the supplier follows to deliver them. The RFP therefore, normally invites suppliers to make a proposal based on specifications, with scope for variety and innovation. This method is used to seek a solution to a problem or process.
- a request for tender (RFT) is a formal means of seeking tenders to provide goods or services. It is used where the public entity's specification or requirements are clearly defined and there is little room for flexibility or innovation. An RFT is often based on technical, highly prescribed specifications. This method is often used in the construction industry.

RFT – Request for Tender (full procurement plan)

123. An RFT is used when you wish to receive tenders for the goods, works and services being procured for the project. RFT's are commonly used when the requirements, solutions and methodology for the project are clear and fully understood.
124. In this process, the Council invites interested suppliers to submit their bids (tenders), giving evidence to the requested details of how they are able to meet the Councils requirements, along with price proposals.
125. An RFT can be completed from your procurement plan and agreed upon with the project team. It is important to add detail and illustrate in the RFT clearly the requirements and expectations. If the RFT lacks quality and clarity the chances of getting a suitable response is reduced. An RFT always end with a signed contract.

RFP – Request for Proposal (full procurement plan)

126. An RFP is used if you wish to receive proposals for the goods, works or services identified in the procurement plan. Typically, an RFP is used when the Council is open to innovation in the types of product or alternative solution or methodology's to how the services are delivered. In this process, the outputs and outcomes are the most important factors rather than price or the processes that the supplier follows to deliver requirements.
127. Interested suppliers are invited to submit proposals giving details of how their goods, works and services will deliver the outputs or outcomes the project requires, along with the price proposal. A significant difference to an RFT is that a proposal does not always end in a signed contract if no supplier is able to satisfy the needs of the project.

ROI, RFT & RFP Eliminators

128. In the open, tender RFX documents we have the option to apply a pass and fail criteria to be able to eliminate unsuitable suppliers early, allowing the use of resources effectively. This may also include some 'must have' essential characteristics. Non-conformance must be easily definable, here are a few examples:
- relevant up to date health and safety certificates.
 - individual or business qualifications.
 - available resource i.e. experience or plant equipment.
 - credit checks.

ROI, RFT & RFP Differentiators

129. Equally as important as being able to eliminate unsuitable suppliers, we also want to identify what sets each supplier apart and what will add value to the Council's business. This is done by identifying the project risks and opportunities. The following are simple rules to implement:

Project Risks

130. Prompt questions: What could go wrong? What could cause the project to fail? For example:
- lengthening the project
 - over-extending the budget
 - endangering people, property or the environment
 - negatively impacting the stakeholders
 - adverse social or economic effects short or long term.

131. Consider only the significant factors that will differentiate the bidders on their ability to deliver the project successfully.

Project Opportunities

132. Prompt Questions – What aspects of the project could bring extraordinary results or add value to the project?
133. Are there opportunities for potential suppliers to drive additional value (reduced costs, increased value, downstream financial benefits, shorter project, etc.) through this contract? Consider sustainability: Are social/environmental or wider economic benefits available?
134. Identifying these areas help manage risk and recognise and reward outcomes. The risk and opportunities are the basic framework for the questions you will ask and score in the RFT to differentiate the bidders.
135. Being able to differentiate the bidders response is key to ensuring we get the right supplier, the differentiators can be used to form an anchored scale that provides a guideline at which point each answer can be scored.

Advertising of open tenders

136. All open tenders are to be advertised on the Tender Link website, unless other methods are authorised by the Project Owner. The tender must be accessible on the Tender Link website during the entire period for tendering and submission of an application.

RFP/RFT Evaluation Methodology

137. All RFT and RFP documents will heavily rely on the evaluation method to ensure the right supplier is chosen. It is important that suppliers are chosen for the right reason and that the suppliers understand the requirements set out in the RFP/RFT to be able to complete a project successfully. In this section, we investigate the evaluation approaches for all eventualities.
138. The evaluation method should be discussed and agreed upon with the project team, an evaluation team should also be appointed. This can consist of as many people as you like with a minimum of three. Commonly, the whole project team will be on the evaluation panel to ensure consistency.
139. The information provided in an RFP/RFT must be clear and concise to be able to evaluate the responses. The information provided will be key for making the procurement valuable and determining if the project will be successful or not.

Evaluations

Lowest Price Conforming (always an RFT document)

140. This method is based on accepting the cheapest price that conforms to the requirements of the project. This is common where the project is simple, with a well-specified output, low risk, and low value or where the quality is not important.
141. The process follows a two-envelope method. The first envelope of the suppliers bid contains the quoted price and the second envelope identifies the answers for the criteria set in the RFT.
142. The evaluation process is done in five simple steps once the bids have been received and the tender response closing date has passed:
- open all the price envelopes – envelope 1.
 - list prices in ascending order and chose the cheapest.
 - check the attributes of the lowest price bidder – envelope 2.

- check they conform to requirements.
- award contract or move to next best price if attributes are non-conforming.

143. This is a simple process that looks to illuminate waste from evaluating all offers, all we are interested in is the price and bidders should be made aware of this.

Weighted Attributes (RFT or RFP)

144. This method takes into account two different types of criteria for evaluation, Price and Quality.

145. The process starts by identifying the weight of each evaluation criteria set, the more important the criteria, the heavier the weight should be. This is done in percentage form with the total weightings of the criteria adding to 100%. When we are evaluating the bids we are scaling and rating each offer against the criteria and requirements. A good way to do this is by identifying the differentiators (ROI, RFT & RFP Differentiators). Once we have the raw scores we can apply the scores to the weights to obtain the weighted scores, add the total weighted scores to each offer. The offer with the highest score is identified as the right supplier.

Criteria (Attribute)	Weighting	Raw Score out of 10	Weighted Score
Technical merit	30%	6	2
Sustainability	25%	7	1.75
Quality	45%	6	2.7
Total	100%		6.45

146. Price can also be a weighted attribute but a price weighting of 40% or over will commonly go to the lowest price. If your pricing is weighted 40% or over, then you should consider a lowest price conforming approach.

Price Quality Method (RFP or RFT)

147. PQM is a variation on the weighted attributes which provides for transparent trade-offs to assess the effects of the weights, before the RFP/RFT is finalised. Used correctly, this method achieves the same results as weighted attributes, but with a much higher level of transparency. It also provides the evaluators with the tools for a robust analysis before RFT's/RFP's go out, so we can tailor the process to deliver appropriate financial recognition for better quality solutions on a project.

148. Price Quality is the most useful and effective method in many procurement situations. It is most suitable where there is a degree of risk and complexity or innovation potential, and the potential effect of that warrants care in setting the weights for the attributes to deliver best value for money.

Price Quality Process

149. Like weighted attributes, Price Quality method starts by setting weights for the attributes and the price. At that point, before the RFT/RFP is released, it is possible to review the Supplier Quality Premium (SQP) that is assigned to each attribute point. The SQP is a dollar value that corresponds to the amount that the Council is prepared to pay for each attribute point that one-bidder scores higher than another. It is a perfect 'reality check' for the Council to consider, alongside the potential material impact of risk on the project and/or the value that innovation might deliver to the project or the asset in the future.

150. It is good practice to test several scenarios for the attribute weights, until you are satisfied that the SQP is appropriate for the project.

151. At that point, the RFT goes to market and subsequently responses are received. Once we are ready to evaluate, the non-price attributes are then scored (ideally on the basis of an objective and anchored scoring system - anchored scoring).

152. Scores are entered in to the PQM/SQP template which calculates the SQP for each bidder. The lowest quality bidder receives zero, as their attributes are the baseline and the Council would not want to pay any extra for the quality of their solution.
153. The bidder's price is then recorded and the SQP of each bidder is deducted from the overall price. The lowest adjusted represents the winning bidder = the optimal weighted combination of highest quality attributes and the lowest price.
154. As a general rule, the greater the level of risk, complexity, uncertainty or potential for innovation, the higher the attribute weightings should be.

Target Price (Purchaser Nominated Price) RFP

155. This is a highly useful method when budgets are fixed, and the quality of the solution is the primary determinant in assessing the value you will receive for your spend. It is especially useful where a Request for Proposal is sought (in other words, the client knows the outcome they need, but they're relying on their suppliers to describe the best way to get there). Here's how it works:
 - the budget is set by the Council and made clear in the RFP. The outcomes sought are also described in appropriate detail.
 - set weight criteria on what the project is trying to achieve i.e. Innovative solutions.
 - suppliers are then asked to describe their proposed solution in relation to a list of weighted evaluation criteria.
 - the bids are then scored and the winner is assessed using the weighted attributes method (but with no need for a price score).
156. This is a simple and powerful method to achieve best value for a fixed budget.

Qualification Based Selection (Brook's Law)

157. Qualification Based Selection is useful where the non-price attributes are important and where the Council is in a strong negotiating position.
158. Offers are evaluated on their merits without price being disclosed to the evaluation team. Those suppliers who are clearly able to fully deliver against the non-price requirements are short-listed.
159. The highest ranked supplier is invited to negotiate the price. All other prices remain undisclosed to the negotiating team. The negotiation team negotiate the best price that they can. If the negotiated price is acceptable to the business and negotiation is successful the supplier is awarded the contract.
160. If no agreement is reached, the second ranked supplier is invited to negotiate. At this point, the price for that supplier is disclosed. All other prices remain undisclosed. The process continues until a satisfactory agreement is negotiated. A supplier, once rejected, should not be recalled for further negotiations.

Stage 5 - Approach to Market & Selecting the Supplier (Source)

Supplier Selection

161. Suppliers must be treated fairly, impartially and equitably at all stages in the procurement lifecycle. This means that ethical standards of behaviour must be demonstrated by all people involved in the procurement at all stages in the procurement.
162. Supplier selection must be based on the process and methodology set out in the procurement plan. You should not deviate from the plan as this can affect integrity of your process and may result in a legal challenge. If you must change any aspect of the process or methodology, you are obliged to notify all potential suppliers and give them sufficient time to respond to the change being made. What is sufficient will depend on the nature of the change.
163. When implementing the procurement plan here are some key points to remember:
- each offer must be carefully considered, on an equal basis, against the published evaluation criteria. Your process must follow the approach and methodology set out in the procurement plan and reflected in the RFX documents.
 - the evaluation panel must determine the best supplier based on the information provided by suppliers in their offer. The evaluation should take into account capability, capacity and value for money over the lifecycle of the procurement. Due diligence should be used to verify that the preferred supplier has the capacity and capability to successfully deliver against the specified requirements.
 - clear, succinct and comprehensive notes are to be taken of all evaluation panel discussions and findings. You should keep a full record of how each offer was assessed against the criteria and demonstrate that each received due and fair consideration. Where an offer is rejected, the reasons for the rejection must relate to the criteria, be justifiable, clearly explained and recorded in writing.
 - the panel recommendation must be documented with sufficient information to support the scores awarded and the ranking of offers. The rationale for the evaluation panel's recommendation must be based on the findings of the evaluation panel. The recommendation must be supported by clear, transparent and justifiable reasoning.

Supplier Questions

164. Always provide prompt responses to questions from suppliers. Where the answer provides more information than is published in the RFX, and the information is material and of value to other suppliers, this should be made available to all suppliers so that no supplier gains an unfair advantage. Usually the information relating to a listed tender.
165. If the nature of the suppliers query relates to information that is commercially sensitive the onus is on the supplier to make this clear. Any information that is commercially sensitive must be protected.

Insurance Levels

166. For non-physical works (this includes consultant contracts):
- public liability insurance, minimum limit of indemnity \$5,000,000
 - professional indemnity insurance, minimum limit of indemnity \$2,000,000, including continuation of coverage undertaking for up to (6) years.

167. For physical works (this includes consultant contracts):
- public liability insurance, minimum limit of indemnity \$5,000,000
 - motor vehicle third-party liability insurance, minimum limit of indemnity \$2,000,000, including principals liability.
 - professional indemnity insurance, minimum limit of indemnity \$2,000,000, including continuation of coverage undertaking for up to (6) years.
 - contract works insurance, including the Council as an insured.
 - contractors plant and equipment insurance.

Notice to Tenderers (NTT)

168. Notices to tenderers must:
- be consecutively numbered
 - be issued to all tenderers and the distribution of the notice recorded.

Site Visits, Clarification Meetings and Briefings

169. Site visits, clarification meetings and briefings are to be held in accordance with the requirements of the procurement plan and communicated to tenderers in the tender documents. Note that clarification meetings, site visits and briefings should be held only when essential, when other written ways of communicating the requirements are impracticable.
170. Where such meetings are held the Procurement Lead must ensure that:
- all tenderers are allowed the same opportunity to clarify information
 - an agenda is issued
 - the meeting minutes note that the vendor decision has not yet been made
 - specific tenderers and their submissions are not discussed.
171. If prospective vendors request a site visit or clarification meeting, and this is not specified in the conditions of the tender documents and if consent is given, a notice must be issued to all prospective vendors inviting them to visit the site or participate in a clarification meeting or briefing.

Receipt of Late Tenders

172. Where a submission arrives after the closing time for submissions, the submission should not be opened but the time of receipt must be recorded. Late tenders may be accepted for evaluation only if allowed for in the terms and conditions of the RFX documentation and where both of the following have been considered:
- the possibility of unfair advantage to the late tender
 - the likelihood of the late submitter having knowledge of other tenders or proposals.
173. The Project Owner is required to approve any late tender.
174. Where a late tender is accepted for evaluation, a record of the justifications upholding the above criteria shall be documented and attached to the evaluation records.

Opening of Tenders

175. Tenders from Tender Link are to be downloaded to the Council EDRMS where the access can be restricted (if requested) to only the Procurement Lead and those on the Tender Evaluation Team.
176. Where tenders are received in hard copy, they are to be opened by the Administration Manager in the presence of one other member of the procurement project team.

Evaluate Offers

177. Judge the financial, commercial and technical capacity of a supplier on the basis of both their global and New Zealand business activity.
178. Consider for award only those tenders which, at the time of opening, conform to the essential requirements of the RFX. Any tender failing to meet mandatory or prequalifying requirements must be eliminated from the process.

Presentations by Shortlisted Tenderers

179. If required by the Procurement Plan, presentations by shortlisted respondents shall take place so that shortlisted vendors have an equal opportunity to present their information. This is achieved by:
- allocating the same amount of time (recorded to the minute)
 - providing the same agenda to all vendors
 - asking the same questions of vendors, prepared in advance
 - ensuring that the same audience attends the presentation
 - advising tenderers of the audience.

Due Diligence

180. Due diligence checks shall be carried out in accordance with the Procurement Plan. However, the nature of the due diligence required may only become apparent during the tender process so a review of the due diligence requirement of the Procurement Plan should be done to ensure that any concerns are explored. Due diligence may include:
- financial sustainability of supplier (e.g. financial, credit or company checks)
 - reference checks (internal and external)
 - quality and/or safety audit to ensure submitted quality/safety system matches reality
 - demonstration of business continuity plan
 - site visits to check the adequacy of conditions and resources
 - qualifications or credentials of key personnel
 - demonstration or pilot to check the performance of the good or service.

Tender Evaluation Records

181. Records shall be held of the evaluation, the scores awarded to each participant in the tender and the rationale behind the final decision. It is the responsibility of the Evaluation Team Chairperson to ensure that a record of the evaluation is made. The record of the evaluation shall include and be limited to:
- the combined evaluation team scores of each criteria awarded to each participant in the tender
 - the rationale behind the final decision.
182. The Procurement Project Owner may challenge the recommendation of the project team but cannot alter or challenge the criteria and the weighting of the criteria.

Stage 6 - Negotiate and Award Contract (Source)

Post-evaluation negotiation

183. Where a Qualification Based Selection (Brook's Law) or similar process is used, as the tender evaluation method the negotiation is an integral part of the tender process. However, where other methods are used it may still be advantageous to enter post-evaluation negotiation with the favoured tenderer.
184. Post-evaluation negotiation can be used to:
- test the understandings and underlying assumptions that have influenced a participant in preparing the costs
 - achieve a reduction in costs, where appropriate
 - achieve agreement on the detail of effective KPIs
 - achieve agreement on the detail of guarantees and warranties and penalties.
185. Negotiation should proceed only after a preferred supplier is selected. Negotiation is not part of the evaluation process. If the outcome of the negotiation with the preferred tenderer is unsatisfactory, negotiation can take place with the next highest ranked tenderer but this should not occur until negotiations with the first ranked participant have been abandoned.

Probity - Contact with Potential Suppliers

186. The Negotiation Team must ensure that all communications with potential suppliers take place on a formal basis through the Contract Manager. Informal communication between other Negotiation Team members or any member of staff, and any vendor that was engaged in the tender process could prejudice the integrity of the negotiation. No gifts, favours or gratuities either of a personal nature or to the Council shall be accepted from a participant in a tender process.

Appoint a Contract Manager

187. The Project Owner shall select and appoint a Contract Manager that will coordinate the contract negotiation and manage the contract during the life of the contract.
188. The Contract should be recorded with the Administration Manager

Appoint a Negotiation Team

189. The Project Owner may select and appoint a negotiation team. This team will include the Contract Manager and others, such that the makeup of the team is appropriate to the value and risk of the contract.

Negotiation Plan

190. In order to be effective, the negotiation team shall plan for the process and identify clear goals for the negotiation.

Negotiation

191. The negotiation will proceed with one or more meetings between the Negotiation Team and the supplier. Note that where physical meeting with the supplier is impractical the negotiation may be conducted by email, telephone or video conference.

192. The negotiation team will ensure that:
- it conducts all negotiations ethically, and does not use its position in a manner that might be considered unfair.
 - it focuses on the best total cost of ownership result, with due regard to any strategic considerations outlined in the Procurement Plan.
 - it does not attempt to negotiate an agreement that is materially different in scope from what was described in the tender or proposal documents.
 - the negotiated agreement is sustainable.
 - it is clear to the supplier that points negotiated by the Council negotiating team are subject to legal approval and ratification by the appropriate delegated authority.
193. It should be noted that a verbal agreement can be regarded as legally binding when the elements of a legally binding contract exist. It is therefore, very important that before all negotiation meetings it is made clear to the other party and recorded in the meeting minutes that any points negotiated by the negotiation team are subject to legal approval and ratification by the appropriate delegated authority, and that no contract will exist unless and until a written contract is executed by the Council and the relevant party.
194. Minutes shall be kept for all meetings with potential suppliers. During the course of the negotiation the Contract Manager shall amend and update the draft contract and schedules to reflect and define agreed negotiated points.
195. The draft contract and schedules should be used to ensure that there is clarity in the points being negotiated and the wording of the contract should be agreed during negotiations subject to legal scrutiny. During the course of the negotiation and where appropriate, legal opinion should be sought to ensure that changes or additions to the contract being negotiated meet with legal requirements. The Contract Manager is tasked with keeping key stakeholders informed.

Completion of Negotiations

196. When agreement has been reached by the negotiating teams and legal approval of the contract has been obtained by both parties the negotiation phase is complete.

Approving the Award of Contract

197. The supplier recommendation should be noted in the procurement plan with justification of the recommendation and is amended to reflect any changes resulting from negotiations.
198. The recommendation should provide enough information to allow the business to understand the evaluation process and the rationale for the recommendation. The recommendation of the preferred participant should reflect the outcome of the evaluation process and post evaluation negotiation. The recommendation may include:
- a background of the project for which the contract is associated.
 - a summary of the evaluation of submissions.
 - an analysis of price and Total Cost of Ownership against the approved capex or budget.
 - an evaluation of the risks associated with the recommended contract.
 - justification of the preferred participant.
 - any exceptional details of the participant or contract.
 - the contract award recommendation.

199. If the Project Owner rejects the recommendation, they should clearly document the reason for not accepting the recommendation. There must also be a consultation meeting with the evaluation team to ensure that the reason is legitimate. This meeting must be minuted. If the Project Owner accepts the recommendation, then all documents must be signed by the Project Owner.

Signing the Contract

200. The timing for the preparation and signing of contract documents is, for those contracts based on NZS 3910.
201. The Contract Manager should ensure that insurance certificates / bonds and any other security conditions are obtained before proceeding to signing off the contract. All other contract documents should be prepared as soon as possible following contract award and within the timeframes detailed in the Procurement Plan.
202. Copies of the contract and supporting documents are made for each party to the contract. All copies of the contract and all drawings, schedules and other addendums should then be sent to the supplier where they are to be signed and each page initialled by their appropriate signatory. Then all copies of the contract are forwarded to the signing authority of the Council. Every page including drawings and schedules or other addendum should also be initialled.
203. The Contract Manager, supplier and the relevant member of the Council's Executive Leadership Team signs the original contract. The Administration Manager will then upload fully signed versions and all related documents in to the Council's document management system. The Contract Manager will ensure that one set is retained and securely filed. The other set or sets are forwarded to the other parties either personally, by courier, or by registered mail.

Debriefing Unsuccessful Participants

204. If feedback is requested this may be given in writing, verbally or via a de-brief meeting. The feedback may include:
- recap of the evaluation process and criteria (not results)
 - explain in broad terms why they were not successful (do not discuss specifics)
 - discuss their areas of strength/compliance
 - discuss their areas of weakness/non-compliance
 - provide feedback on how the vendor's response may have been improved.
205. The purpose of the feedback is to demonstrate The Council's commitment to open, transparent and competitive tending, and to enable unsuccessful tenderers to improve their business so as to increase competition.
206. Care should be taken that no information relating to other submissions is disclosed during this process, and that all feedback is consistent with the evaluation results.

Stage 7 – Manage Contracts and Relationships (Manage)

Managing the Transition

207. The Contract Manager in consultation with stakeholders is to prepare a transition plan detailing all of the activities required before the commencement of the contract and during the transition from the existing contract to the new contract. The amount of detail needed in the plan will depend on the goods or services being procured, and the plan should be proportionate to the scale, complexity, and risk of the transition.
208. The Transition plan should cover:
- a timeline of activities and events
 - roles and responsibilities associated with the transition
 - potential risks and mitigation of those risks
 - additional resources required to mitigate risks during transition e.g. increasing stock levels in anticipation of the transition, extra staff to cope with unexpected complexity
 - training requirements (internal and supplier)
 - communications requirements (internal and external)
 - any special transitional arrangements or changes to procedure
 - preparation/installation of machinery or technology required to carry out the work
 - the provision of any information that may be required by the supplier or from the supplier
 - any transitional arrangements that may need to be negotiated with the incoming or outgoing supplier
 - management of the outgoing supplier's performance through to the conclusion of their contract
 - the effect of the contract on land, facilities, equipment, or machinery
 - identifying and assigning responsibilities such as ownership, insurance, access, usage, and transfer
 - induction of supplier's staff that will be required to perform work on Council's premises
 - the provision of health and safety documentation in accordance with the Health and Safety at Work Act 2015 and contract requirements
 - the provision of traffic management plans, if required
 - the implementation of reporting, audit and performance appraisal requirements
 - the setting up of the supplier as a creditor
 - any other specific requirement of the contract or Council policy that requires action before the contract commences.
209. The Contract Manager shall implement or delegate the tasks in the transition plan as required.

Contract Management Plan

210. The Contract Manager is to prepare a Contract Management Plan. The purpose of the contract management plan is to ensure that the administrative procedures are communicated and agreed, and ensure that all parties to the contract understand who does what, when, and how. A contract management plan is required for relational supply contracts and contracts associated with works projects.

211. The extent of the plan shall depend on the value, complexity and risk associated with the contract. However, the following should be considered as a minimum:
- contact details, and responsibilities for all supplier and Council key contacts
 - communication channels and protocols to be adhered to
 - a timeline of deliverables and milestones
 - management reporting requirements and timing
 - quality issue reporting procedures
 - review meeting requirements and schedule
 - performance measures (from contract), how they will be measured and who will perform the measures
 - risk review and reporting procedures
 - invoicing and payment procedures
 - conflict resolution procedures
 - procedures for contract variations, including control of changes
 - procedures for charges and cost monitoring
 - business continuity/contingency plan testing time table and procedures
 - asset management procedures
 - health and safety hazard reporting procedures.
212. The Contract Management Plan shall be agreed with the supplier.
213. It should be noted that the frequency of performance review should reflect the nature and level of risk to the Council.

Contract Management

Communication with the Supplier

214. On a day-to-day operational basis, the supplier will need to communicate in writing and verbally with operational staff. However, where there are performance or contractual issues, communication must be via the Contract Manager. The communication channels should be outlined in the contract management plan.

Variations

215. From time to time, it may be necessary to vary the scope, timing or value of the contract. These variations are, whenever possible, to be based on the scheduled rates in the contract, or at an agreed rate or price before the work is commenced. Contract variations must be in writing and the appropriate procurement delegations must be obtained before committing the Council to the variation.

Disputes

216. Should a dispute arise during a contract, where agreement cannot be reached over a claim between the supplier and the Council, dispute proceedings may result. In such cases, the process set out in the contract and contract management plan shall be followed.

Contract Performance

217. The Contract Manager or the procurement department shall ensure that the performance of the supplier is monitored and reported in accordance with the Contract Management Plan.

Records of Contract Management

218. The Contract Manager shall ensure that records of all aspects of contract management as outlined in the contract management plan shall be recorded.

Stage 8 – Contract Review (Manage)

Purpose

219. The contract shall be reviewed before it is due to expire or be renewed in accordance with the terms of the contract. The review shall be used to prepare and plan for a further procurement cycle. A contract review is required before the conclusion of both relational supply contracts and contracts associated with works projects.
220. The review also allows for planning the conclusion of the contract and to provide insight for improvement of similar contracts in the future. (Note that the contract review is distinct from Post Implementation reviews associated with the management of the project.)

Notification of Expiry

221. The Contracts Register is monitored by the Contract Manager/Administration Manager periodically to identify contracts where the term is about to expire so as to initiate the contract review. The Contract Manager/Administration Manager must allow enough time to enable the review to take place and actions, in preparation for going to market to take place.

Review of the Contract Performance-Review Requirements

222. During the course of the contract, the requirements of the stakeholders may have changed. It is therefore necessary to review the requirements of the contract with the stakeholders.
223. The contract manager shall determine whether:
- there is an on-going need for the goods or services
 - there are any change in requirements for the existing goods and services
 - there are new goods or services that should be included or specified that would better match the requirements of the stakeholders.
224. Changes to requirements could involve the quantity, quality, specification or timing of what was delivered and the aim should be to raise standards rather than simply looking for continuation of the status quo.

Review Supplier Performance

225. The performance of the incumbent supplier shall be reviewed over the life of the contract. The key questions to ask stakeholders include:
- were the goods and services delivered of the required quality?
 - were the goods and services delivered in a timely manner?
 - were other terms of the contract complied with?
 - were costs within budget?
 - was any corrective action needed, in order that the supplier delivered what it was required to?
 - did the supplier bring any improvements or innovation to their delivery over the course of the contract?
 - was the supplier easy to work with?
 - should the supplier's contract be renewed or extended?

226. Where regular performance reporting and reviews undertaken, performance detail will have been recorded during the course of the contract - this will provide a gauge of whether the supplier met agreed delivery standards. Even with this detail though, key stakeholders should be contacted to confirm the assessment and get views on supplier performance that the records do not necessarily reflect.
227. Where there has not been regular performance reviews, the assessment of supplier performance may be dependent on stakeholder feedback.

Analyse the Market

228. The Category Owner is required to maintain and keep up to date the market analysis and procurement strategy for the category. When the contract is due for review the Contract Manager shall consult with the Category Owner in order to understand any changes that may have occurred in the market and determine what alternatives now exist to the current supplier. Consideration should also be given as to what alternative technology may now be available.
229. The extent of market analysis required should be proportionate to the value, risk and complexity of the contract.

Contract Renewal or Go to Market Decision

230. The contract terms must be reviewed to establish whether there are contractual requirements to extend or renew the contract. If, and only if, all of the following can be established:
- the existing and future requirements can be met by the incumbent supplier
 - over the contract term the supplier met the agreed performance standards and can continue to do so
 - there are no other suppliers or technologies capable of providing better goods or services.
 - there are no other suppliers or technologies capable of providing the goods or services at a reduced cost
 - the costs of transitioning to a new contract with the current supplier are not excessive
 - there are no impediments to renewal or extension contractually
 - renewal will not infringe any Government Rules (refer to Government Rules of Sourcing (Ministry of Business Innovation and Employment 2013))
 - there are no strategic reasons to change suppliers.
231. Then the contract manager may wish to consider renewal or extension of the contract rather than going to market. If this is the case the contract manager shall prepare a Justification for Contract Renewal.
232. The Justification for Contract Renewal is to be sent to the Director or Manager with the appropriate level of delegated authority.
233. If the Director or Manager with appropriate delegated authority approves the Justification for Contract Renewal, a new contract (or contract extension) can be prepared.
234. Note that renewal of the contract is an opportunity to renegotiate and to obtain better commercial terms. Renewal of the contract is a powerful negotiation tactic.
235. Should the decision be made to not renew the contract and to go to market the process outlined in this framework shall be followed.

Contract Completion

236. The contract terminates at the end of the term of the contract or if terminated earlier in accordance with termination clauses in the contract.
237. The following steps are to be undertaken upon termination of the contract:
- ensure all outstanding payments and credits have been made
 - comply with any contract conditions relating to the expiry or termination of the agreement
 - ensure that any warranty or guarantee obligations that might survive the end of the contract are documented.
 - ensure that the relevant Council operations and the supplier are aware of any warranty or guarantee obligations that might survive the end of the contract and that the process to follow if a warranty or guarantee needs to be honoured is documented
 - ensure all loaned items are returned
 - ensure that any unused material is returned
 - amend asset management data and documentation as appropriate
 - prepare final performance reports
 - conduct a contract debrief with the supplier; and
 - issue formal notification of completion.

Glossary

Closed Tender	Means a tender process that is not a publicly advertised competitive process. In a closed tender the number of participants in the tender is restricted in some way. Approval by the chief executive is required for values up to \$250,000 and by the standing committee of the council for values greater than \$250,000.
Contract	Means an agreement (enforceable by the court) under which each party assumes obligations to the other for valuable consideration and that. To prove that a binding contract has been formed under New Zealand law, the parties must establish the following elements: <ul style="list-style-type: none"> • The parties intended to create legal relations when they entered into the agreement; • One party to the contract made an offer; • The other party or parties accepted that offer; • The promises contained in the contract were made for valuable consideration; and • The terms of the contract must be certain.
Contract Management Plan	Means the document outlining the administration and communication requirements and procedures, for the on-going relationship with the supplier.
Contract Manager	Means the staff member who is responsible for the contract management phase of the Procurement Lifecycle.
Contracts Register System	Means the database of contracts that lists key contract details such as Supplier name, contract value, expiry date etc.
Contract Transition Plan	Means the plan to manage the change from one contract to the next.
Delegated Authority	Means the staff member who is authorised to approve expenditure and contracts up to a specified financial limit as contained within the Financial Delegations.
The Council	Means Taranaki Regional Council.
Cost Analysis	Means analysis of data held to obtain information such as: <ul style="list-style-type: none"> • What goods, service, works are bought? • Who purchases? • How many Suppliers does The Council purchase from?
OAG	Means Office of the Auditor-General. The context of its use in the Procurement Manual is its reference to the OAG Procurement Guidance for Public Entities, dated June 2008.
Open Tender	Is a publicly advertised, competitive tender process.
Preferred Supplier	Means a supplier(s) in a particular category from which all purchases must be made unless the Supplier is unable to provide the goods or services. A Preferred Supplier has been appointed as a result of an open, competitive process and for which a supply agreement has been negotiated.
Procurement Lead	Means the person appointed by the business owner who is responsible for the procurement planning and sourcing phases of the Procurement Lifecycle.
Procurement Project	A project relating to the procurement of goods or services and where it is necessary to go to market with a tender process.
Preferred Supplier	Means a supplier approved by the procurement team.
Request for Proposal (RFP)	A request for proposal (RFP) is a formal means of seeking proposals for goods or services where the public entity is open to innovation on the part of a supplier – that is, where the outputs and outcomes are important, not the process the supplier follows to deliver them. The RFP therefore normally invites suppliers to make a proposal based on specifications, with scope for variety and innovation. This method is used to seek a solution to a problem or process.

Request for Quotation (RFQ)	Is an invitation to a supplier to submit an offer for goods, works or services. Used where the specification is precise and only price is required. May be used in a single or multi stage tender process.
Request for Tender (RFT)	A request for tender (RFT) is a formal means of seeking tenders to provide goods or services. It is used where the public entity's specification or requirements are clearly defined and there is little room for flexibility or innovation. An RFT is often based on technical, highly prescribed specifications. This method is often used in the construction industry.
Request for X (RFX)	Means a generic abbreviation that covers the various request for documents sent to Vendors and also used to refer to the various tender processes e.g. RFP (Request For Proposal), RFI (Request For Information).
Supplier	Means the person or organisation supplying of goods, services to the Council. This may also be a contractor.
Stakeholder	Means those parties who are actively involved or whose interests may be positively or negatively affected.
Tender	Means a generic term used to describe making an approach to market ('going out to tender').
Tenderer	Means a potential supplier who provides a response to an RFX.
Tender Link	Is a website that provides a tender management service.
Whole of Life Cost	Means the total lifetime cost elements and activities directly and indirectly associated with the provision of specific goods, services or works (Administration, Use, Disposal, Price etc.).
Vendor	Is a current or prospective supplier. (Refer Supplier).