

Transportation Procurement Strategy

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Strategy Owner	Director Infrastructure
Owner Department	Infrastructure
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1 Introduction

This Procurement Strategy provides direction to decision making relating to the procurement of Transportation related goods, services or works to deliver on the objectives of Napier City Council (NCC) in a manner that is consistent with legislation governing Local Authorities in order to maximise long term value for money.

Waka Kotahi New Zealand Transport Agency (Waka Kotahi) requires Council to adopt a procurement strategy that documents NCC's long term integrated approach to the procurement of transport sector activities funded under section 25 of the Land Transport Management Act 2003 and its amendments.

Council is currently developing a high level procurement strategy covering all Council activities, including consideration of securing broader outcomes for the community. The Transportation Procurement Strategy will be reviewed to align with and form part of this wider strategy. The revised Strategy will then be resubmitted to Waka Kotahi for endorsement.

This strategy covers the procurement of Transportation activities, including professional services, funded from the NLTP. The Long Term Plan 2018-2028 budgets Council Transportation expenditure at \$121.1 million including \$14.5 million for 2020-21. These funds are invested in achieving community outcomes to meet the current and future needs of the Napier City community for good quality local infrastructure, local public services, and performance of regulatory functions.

The purpose of this Strategy is to document how Council will:

- Support the delivery of Council's strategic priorities;
- Improve public value for money;
- Address the challenges and opportunities identified;
- Improve the efficiency and effectiveness of procurement procedures, including increasing capability;
- Develop effective relationships with suppliers;
- Manage procurement risk and reputation; and
- Improve project procurement planning

When procuring services Council will seek opportunities to have a positive impact on the social, environmental and economic aspects of sustainability for our City and the region. It is important to have a long term value for money vision by combining cost with quality and sustainability to meet our community's requirements, rather than basing procurement on lowest price. A value for money approach considers all costs that Council is likely to incur throughout the entire lifecycle of the goods or services being procured. It is important that investment delivers the appropriate outcome which is fit for purpose and sufficient to meet our community's long term requirements.

Sustainability has a wide range of impacts on the community with aspects such as:

- The enhancement of the quality of life to our community
- Maximising the efficient use of natural resources
- Reducing Council's reliance of diminishing energy sources
- Stimulating growth in the district's economic output
- Improving local employment opportunities.
- The minimisation of waste, pollution, noise or traffic

Professional services are primarily carried out using Council's in-house resources with individual engagements with external consultants backing up the Design and Projects team when required.

The in-house Design and Projects team current approved staffing levels have been modelled on delivery a \$40m/year capital works programme across council who are engaged to deliver services to the whole of Council. The team provides the design services for professional services for the design, project management and contract administration of transportation capital projects.

Network maintenance management functions are delivered by Council's transportation operations team in collaboration with Council's maintenance Contractor, Downer NZ, on a 5 + 2 + 2 term maintenance and renewals contract (2019-2024).

Generally asset management and capital project design and management are undertaken in house. Specialist services and work load beyond the base capabilities of the team are contracted out.

Waka Kotahi has approved the use of Council's in-house design team in accordance with Section 26 of the Land Transport Management Act 2003.

The procurement environment within which Napier City Council operates presents a range of challenges and opportunities including:

- Provincial location and relatively small value contracts limiting interest from contractors from out of the region;
- Local contractor resource shortages;
- Close proximity to four other local government authorities with similar procurement demands and programmes;
- High demand for infrastructure and commercial construction services;
- Increasing skill shortages in asset management, procurement, project management and contract management (impacting on both capability and capacity);
- Responding to Governments expectations on how Napier City Council should conduct its procurement activities to achieve public value and broader outcomes;
- Responding to changes to Health and Safety legislation and Worksafe guidelines and rules; and
- Encouraging the local supply chain to increase participation with Council, while maintaining quality of work delivered.

How Council procures services can have far reaching impacts for the Napier community. The quality of these services will influence the durability, reliability and long term life expectancy of infrastructure assets. Even marginal gains, such as extending asset lives by 1% can create net present value of several million dollars across the asset portfolio. The value for money achieved through Council's procurement activities will affect the affordability of core council services and therefore have a significant impact on the level of rates revenue required. NCCs procurement practices can impact on employment and the local economy given that supply chain partners are also be members of the Hawkes Bay community.

This Strategy complements the various strategies, plans and policies of Council to assist with the delivery of the Long Term Plan. In particular, this Strategy shows how Council intends to procure the work identified in the Long Term Plan and provides information on:

- the importance of procurement to achieving its overall goals and business strategy;
- delivering economic, social, cultural and environmental outcomes through procurement;

- the policy context within which this strategy exists;
- the types of procurement Council undertakes;
- the value and risk associated with procurement;
- the current Hawkes Bay procurement environment;
- Council's approach to delivering the procurement programme; and
- the implementation of this Strategy.

There are a number of key guiding documents which set the scene and direction of Council's procurement activities. These include:

- The Government Policy Statement (GPS) produced by Central Government the GPS sets out the Government's priorities, objectives and funding levels for land transport;
- The National Land Transport Programme (NLTP) produced by Central Government the NLTP contains all the land transport activities that the Transport Agency anticipates funding of the next three years;
- The Long Term Plan (LTP) produced by Napier City Council which identifies the projects and services the council will deliver for its rate payers and how they will be funded;
- The Regional Land Transport Plan (RLTP) produced by Regional Council, the RLTP is a 10 year plan that details the transport activities to be delivered in the next 3 years, in prioritised order. It also provides the basis for requests for Government Funding through Waka Kotahi;
- Napier City Council Long Term Community Plan;
- Napier City Council Annual Plan;
- Napier City Council Transportation Asset Management Plan 2018;
- Napier City Council Essential Services Development Plan 2000;
- Napier City Council Urban Growth Strategy 1999;
- Napier City Council Urban Growth Strategy Review 2008 ; and
- Heretaunga Plains Urban Growth Strategy

The previous Transportation Procurement Strategy was published in 2010 and since that time there has been significant change both within NCCs Infrastructure Teams and supplier markets. This strategy reflects these changes and supports the continuing improvement of NCCs procurement practices and capabilities.

The Strategy will be reviewed annually, or whenever a material change to Council's procurement programme, policies, or environment occurs or there are changes to legislative requirements set by Government.

Jon Kingsford

DIRECTOR INFRASTRUCTURE

Approvals

This Procurement Strategy was reviewed and approved by the Napier City Council [**Council, Mayor or CEO**]

Name	
Position	
Date	

Council recommends that Waka Kotahi endorse Napier City Council's Procurement Strategy

Name	Jon Kingsford
Position	Director Infrastructure
Date	

2 Policy Context

In undertaking procurement activities, Council must operate within a policy framework which includes wider Council strategic objectives and outcomes, Ministry of Business, Innovation and Employment (MBIE) and Waka Kotahi procurement rules, and a legislative and regulatory framework. This section will provide an overview of these policy areas, as outlined in the framework below.

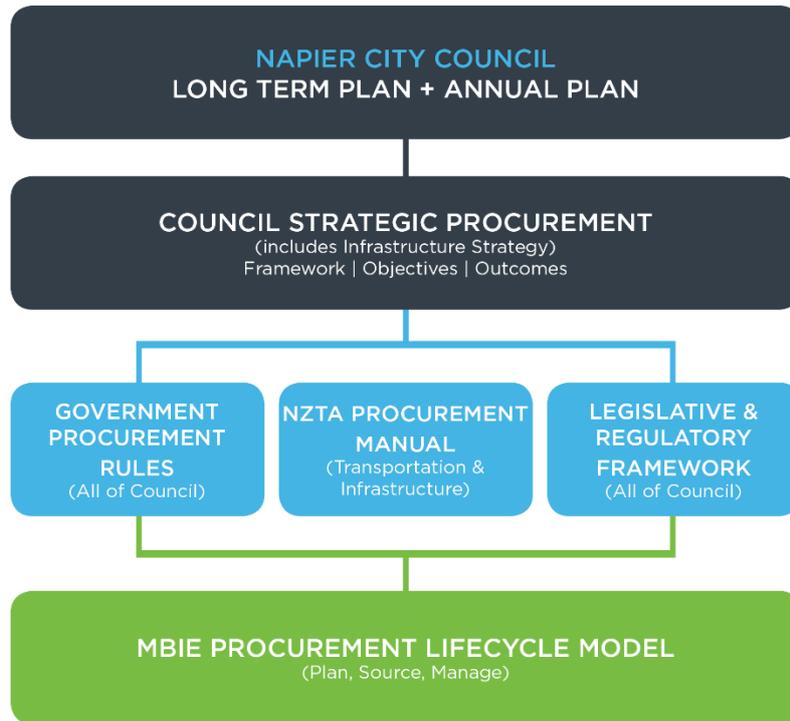


Figure 1 Procurement Policy Framework

2.1 Council Strategic Objectives and Outcomes

The Local Government Act 2002 requires Council to develop a Long Term Plan (LTP) every three years. The LTP sets out the activities and services Council intends to provide for a period covering a minimum of 10 years. This allows Council to take a long-term view of its responsibilities while enabling it to adjust for changing financial factors and keep its budgets up-to-date. The LTP is the basis for the Annual Plan for each financial year and is the basis upon which the Council sets rates.

The LTP also defines specific strategic objectives and priorities, many of which directly influence Council’s procurement activities.

The Annual Plan is the Council's budget for each and every financial year. It explains how the Council intends to finance the activities and services it provides during that year as directed by its LTP. It focuses on the adjustments the Council needs to make in light of the previous year's financial performance, updated financial figures, cost increases and inflation.

This Procurement Strategy addresses how the activities and services that have been identified through the LTP and Annual Plan processes will be delivered. It addresses both the major capital projects that have been planned and also the operational ‘business as usual’ procurements which are required.

Council’s City Vision has established six broad areas of focus, as outlined in the Long Term Plan 2018-2028 that define the priority areas for investment, as shown in Figure 2.

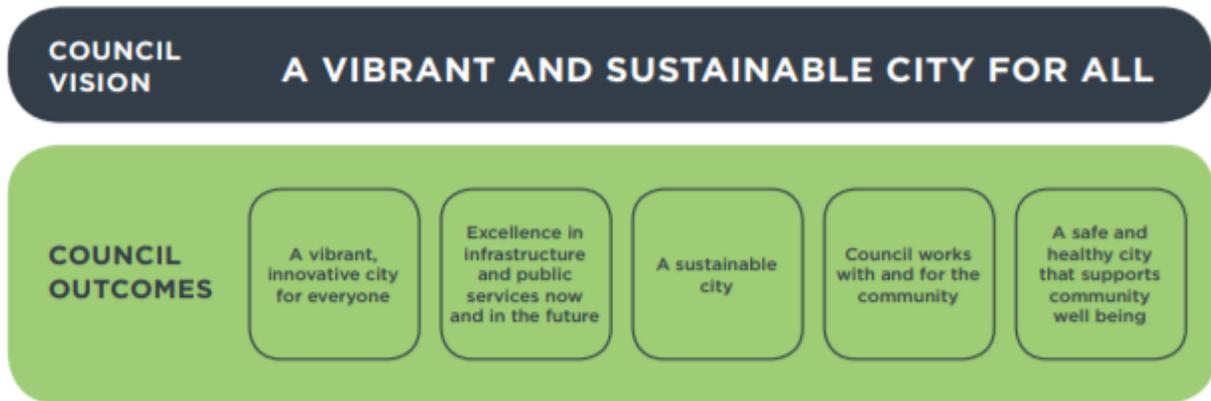


Figure 2 Council Vision - Long Term Plan 2018-2028

These themes are woven through the community outcomes Council aims to achieve as shown in Figure 3:

Outcome	Goals
1. A vibrant innovative city for everyone	1.1. Napier is a vibrant city through excellent strategy and planning 1.2. Social cohesion is achieved for all ages and ethnicities 1.3. Innovative services are provided using technology whilst protecting the environment 1.4. Technology connects Napier to the rest of New Zealand and the world 1.5. Napier is an appealing tourist destination 1.6. Business-friendly economic development is encouraged
2. Excellence in infrastructure and public services for now and in the future	2.1. Facilities and infrastructure will support community and visitor needs, focussing on excellent service and accessibility 2.2. Napier’s transportation system is safe and affordable 2.3. All transport choices are catered for: cars, cycles, pedestrians and disabled users
3. A sustainable city	3.1. Our natural resources are renewed and enhanced. We act as steward for our environment for future generations 3.2. Napier values its character and history 3.3. Napier is an affordable city to live in
4. Council works with and for the community	4.1. Council guides the city with effective leadership 4.2. Council encourages community consultation and collaboration to assist in shaping the future direction of the city
5. A safe and healthy city that supports community well-being	5.1. Services and facilities support social and recreation opportunities 5.2. Community safety is supported and improved 5.3. Social services are supported

Figure 3 Napier City Council Community Outcomes - Long Term Plan 2018-2028

The Long Term Plan 2018-28 defined the priority areas for investment in Transportation as:

- Develop a strategy to guide future development of the transport network;
- Undertake an assessment of bridges and retaining structures;
- A review of road services looking at maintenance, stormwater runoff and new roading; and
- Promoting sustainable transport is also a key focus area for the strategy.

2.2 Infrastructure Strategy

In developing the Long Term Plan 2018-2028, Council identified key challenges that would need to be addressed through the development of the Council’s Infrastructure Strategy. Infrastructure accounts for a significant proportion of the Council’s operating and capital expenditure and encompasses roads, walking and cycle paths, drinking water, stormwater, wastewater, solid waste, marine facilities and community infrastructure such as parks, laneways and significant community buildings. This expenditure is essential to transport, safety and health and has a significant impact on the physical environment. The Infrastructure Strategy will help the Council and community to make informed decisions in the next three to ten years, that position the Council to deal with long-term decisions and investments that will occur in the next 10 to 30 years.

Transportation asset management is guided by Council’s adopted Asset Management Plan. Council’s Asset Management Policy requires that the management of assets be a systematic process to guide planning, acquisition, operation and maintenance, renewal and disposal of the required assets.

The provision and management by Council of the community’s infrastructure assets is to support the delivery of Council’s agreed strategic objectives, the service outcomes, and the regulated requirements.

2.3 Strategic Procurement Framework

In setting its procurement strategy, policies and procedures, Council applies ‘The Five Principles of Government Procurement’ and takes into consideration the Government Procurement Charter and rules, as set out in the Government Procurement Rules (4th Edition) 2019, published by MBIE. Council recognises this publication as providing a best practice framework to guide Council in the delivery of the best ‘public value’ through its procurement, and to drive innovation and performance. Council is also guided by the Government Procurement Rules for sustainable and inclusive procurement.



Figure 4 Linking NCC Strategic Objectives to the Strategic Procurement Framework

2.3.1 Procurement Principles

Council will reference the five overarching MBIE procurement principles in managing its approach to procurement:



Figure 5 MBIE Procurement Principles, adopted by NCC

2.4 Procurement Strategy

2.4.1 Objectives and Outcomes

The major focus for this Procurement Strategy is achieving ‘public value’, ensuring the optimum utilisation of Councils financial resources. This approach recognises that cost alone is not the only indicator of value.

This Procurement Strategy has been developed to achieve the following strategic procurement objectives, in line with the strategic directives set out in the Long Term Plan:

1. **Optimise public value** – maximising the benefits and outcomes generated by Council’s procurement activities, through ensuring broader outcomes are considered as part of the procurement evaluation.
2. **Support delivery of Council objectives through efficient and effective procurement** – ensure all procurement activities are conducted in line with Council’s Procurement Principles, including the development and maintenance of competitive supply markets.
3. **Build procurement capacity and capability** – develop Council’s procurement knowledge, systems, processes, and resources to support efficient and effective procurement to meet and exceed industry best practice.

2.4.1.1 Public Value

When assessing procurement options, Council will use ‘public value’ as a means of determining the best outcome from funds to be spent. The principle of public value is not solely focused on price but is about getting the best possible result over the whole-of-life of the goods, services or works. This includes using resources effectively, economically, and without waste, and taking into account the total costs and benefits (total cost of ownership), and its contribution to the results Council is trying to achieve (such as social or environmental outcomes).

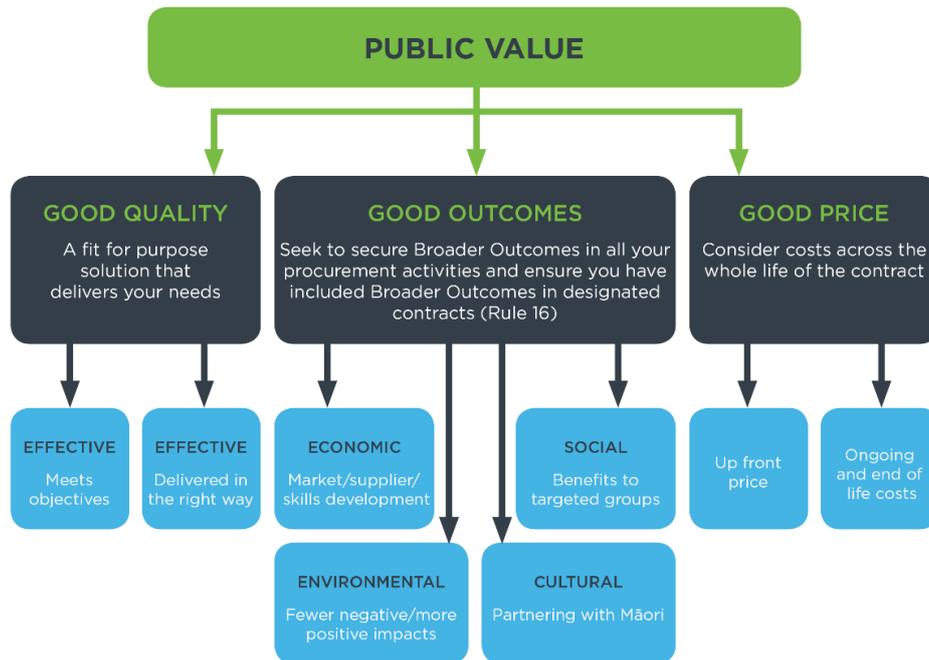


Figure 6 Public Value (Government Procurement Rules (4th Edition) 2019)

The concept of public value does not minimise the importance of achieving a good price (costs across the whole of life of the contract) but encourages employees to consider a broader range of benefits that can be achieved through the procurement of goods and services.

2.4.1.2 Procurement Lifecycle

To achieve the procurement outcomes, Council through this strategy will adopt the Government Procurement Lifecycle model. The Lifecycle includes three key phases for best practice (Plan, Source, Manage) with eight distinct but interrelated stages.



Figure 7 Procurement Lifecycle Model - (Recoloured from MBIE).

2.4.2 Strategic Procurement Approach

Council takes a strategic approach to procurement, recognising the importance of this function in achieving its broader outcomes, sourcing suppliers and managing relationships to successfully deliver against LTP and Annual Plan objectives and business needs, whilst delivering overall public value.

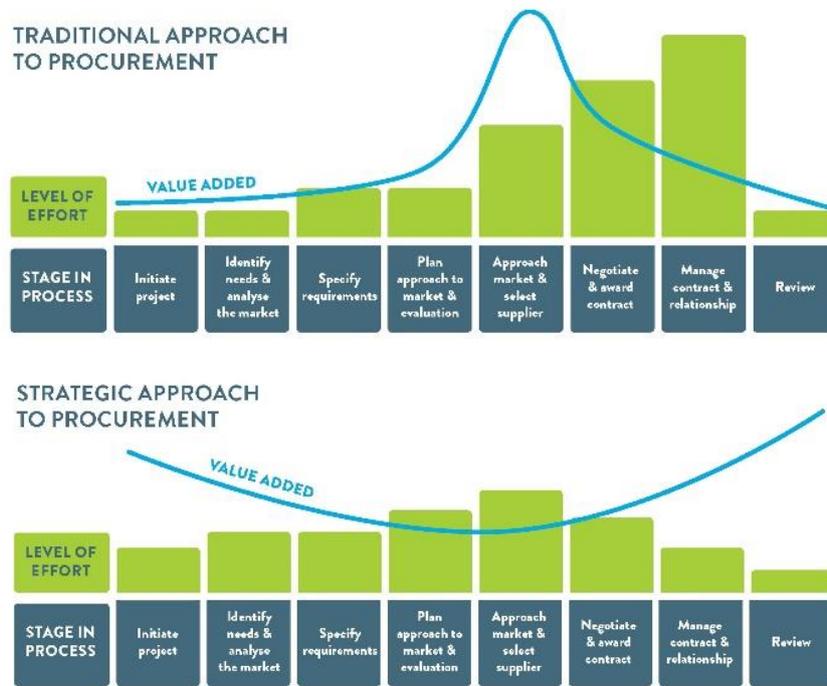


Figure 8 Approaches to Procurement (MBIE)

This approach ensures greater emphasis on the planning and review stages (see Figure 9). This can reduce the risk of issues (and associated costs) in the management of the contract and relationship stage. By placing a higher emphasis on the Review phase, this also provides benefits by providing both Council and the supplier the opportunity to share and benefit from feedback, risk analysis and lessons learned. This also supports a focus on continuous improvement, and ultimately, potential improvements in public value from future procurements.

Traditional approach to procurement - Little time is spent on planning. Effort is generally brought to bear when it comes to approaching the market. As a consequence of insufficient analysis in the planning stages increasing levels of effort are required through contract and relationship management. If the procurement is not reviewed there is little opportunity to benefit from lessons learned.

Strategic approach to procurement - Methodically work through each stage in the procurement process. The time taken to plan, research and analyse procurement choices add significant value to meeting the needs of the community. A focus on relationship development and management means that less time is spent resolving issues and more time applied to assessing quality in delivery and identifying opportunities for cost savings and benefit gains. A strategic approach delivers greater value.

2.4.3 Waka Kotahi Procurement Outcomes

As an approved organisation, Waka Kotahi pay funds from the National Land Transport Fund (NLTF) to Council for activities approved for funding in the National Land Transport Programme (NLTP). To maintain its status as an approved organisation, Council must meet requirements under s20 of the

[Land Transport Management Act 2003](#). The relationship between Waka Kotahi and Council is further explained under [Section 2.5 – Legislative and Regulatory Framework](#).

In addition to Council’s objectives, this procurement strategy is required to achieve the procurement outcomes required by Waka Kotahi, as documented in the [NZTA Procurement Manual Amendment 5](#) (2019). By meeting the requirements of the Waka Kotahi Procurement Manual, Council will also meet the applicable requirements of the Government Procurement Rules (4th Edition).

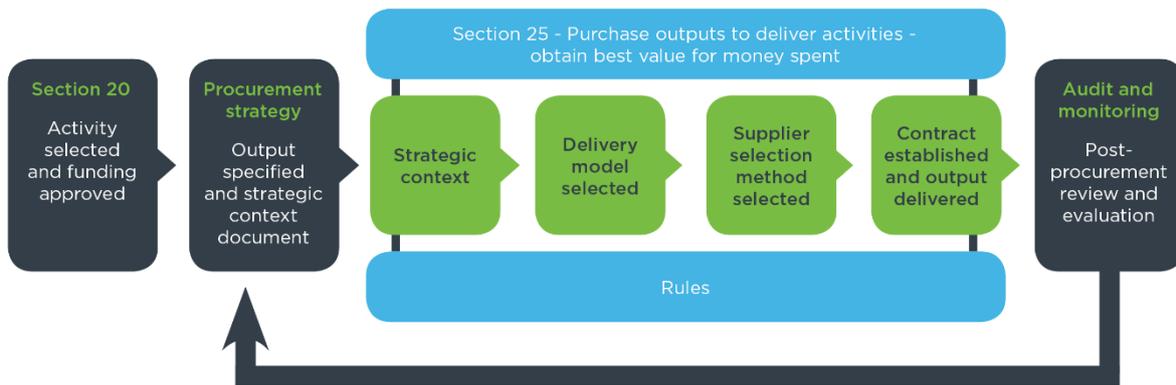


Figure 9: Overall procurement process – from activity selection to output delivery (Recoloured, from Waka Kotahi)

2.5 Legislative and Regulatory Framework

Council procurement is governed by a range of guidance and statutory requirements covering both subsidised and unsubsidised work. Those of most significance are outlined below.

2.5.1 Government Procurement Principles, Charter and Rules

The Government procurement policy framework, [NZ Government Procurement Rules \(4th Edition\) 2019](#), sets the Government’s expectations for how government agencies should approach procurement activities. It includes procurement principles, charter, rules and best practice guidance.

The Government Procurement Rules (4th Edition) states that Council, as a public sector agency, should have policies in place that incorporate the Five Principles of Procurement and the Procurement Charter. Council is also encouraged to apply the rules as good practice. Council acknowledges this broad framework supports accountability for spending, sound business practice and better results. By aligning with the Government Procurement Policy Framework, Council strives to be more attractive to suppliers, engage with businesses in a more productive manner, encourage competitive and efficient markets, and build greater trust with the Napier City community that expenditure of rate payer funds is well planned, sourced and managed.

The Government Procurement Rules have two compliance levels when considering the Waka Kotahi Procurement Manual requirements:

1. Council must comply with the rules for Waka Kotahi-funded projects.
2. Council should comply with the rules for wider Council applications as good practice.

2.5.2 Office of the Auditor General (OAG)

Council’s procurement policies should be consistent with the principles laid out in [Procurement Guidance for Public Entities](#), published by the OAG. This defines good practice such as legal implications, ethical standards and accounting for whole of life costs.

2.5.3 Local Government Act 2002 (LGA)

Under the [Local Government Act 2002](#), Council must ensure its procurement activities are carried out in an open, transparent and democratically accountable way. The decisions it makes should be robust and defensible, and ethical and legal considerations must always be taken into account.

2.5.4 Land Transport Management Act 2003 (LTMA)

The [Land Transport Management Act 2003](#) sets out the requirements for Waka Kotahi to approve activities for funding (s20) from the NLTF by approved organisations. All expenditure must be made with an approved procurement procedure (s25), unless exempt (by or under s26). Section 25 of the LTMA requires that these procedures are designed to obtain best value for money spent. Figure 9 above illustrates that procurement, through an approved procurement procedure under s25, delivers the activity approved for funding.

2.5.5 National Land Transport Programme (NLTP)

The 2018-2021 National Land Transport Programme is a three-year programme that sets out how Waka Kotahi, working with its partners, invests national land transport funding to create a safer, more accessible, better connected and more resilient transport system to keep New Zealand moving.

The NLTP sets out activities that can receive funding from the NLTF under the LTMA. The NLTP must give effect to the Government Policy Statement on Land Transport (GPS). Regional Land Transport Plans (RLTPs), developed by local government, must also align with the GPS.

Council is now entering the preparation phase for the 2021-2024 NLTP.

2.5.6 Te Tiriti o Waitangi/Treaty of Waitangi

In undertaking its procurement activities Council will comply with its responsibilities under the Te Tiriti o Waitangi/Treaty of Waitangi.

2.5.7 Other legislation

Other legislation that may apply to Council procurement activities includes, but is not limited to:

- Commerce Act 1986
- Construction Contracts Act 2002
- Contracts and Commercial Law Act 2017
- Health and safety at Work Act 2015
- Fair Trading Act 1986
- Local Authorities (Members' Interests) Act 1968
- Local Government Official Information & Meetings Act 1987
- Official Information Act 1982
- Public Audit Act 2001
- Public Bodies Contracts Act 1959
- Public Finance Act 1989
- Public Records Act 2005
- Trade (Anti-dumping and Countervailing Duties) Act 1988

2.6 Health and Safety

Council recognises its obligations under the Health and Safety at Work Act (HSWA) 2015 and as such requires all of its suppliers to take practical steps to ensure safe work practices are employed. Council requires all of its suppliers to comply with these requirements also recognising that in a contracting chain there are shared responsibilities under HSWA to consult, cooperate and coordinate activities with supplier and contractors.

Council requires all of its suppliers to actively explore ways to promote best practice health and safety throughout the procurement lifecycle, in particular ensuring the key principle of 'health and safety by design' is considered and met.

It is a requirement of Council that contractors undertaking work on behalf of Council are SiteWise Green accredited.

Council's Health and Safety team provide advice on procurement including the procurement planning stage, tender document preparation, contractor health and safety plan reviews, and audits as appropriate.

A comprehensive health and safety training programme is provided to staff by the Health and Safety team and external providers.

2.7 Risk Management Framework

Council is committed to managing risk to the organisation and community in an on-going and proactive manner. Effective risk management enhances the ability of Council to achieve intended objectives and meet statutory obligations.

Council applies an Enterprise Risk Management (ERM) approach as an integral part of its management philosophy. Within the Council our framework is aligned to AS/NZS ISO 31000 Risk Management Principles and Guidelines.

Risk is managed in order to:

- Improve decision making.
- Identify innovations.
- Clearly document risk exposure.
- Appropriately communicate and report on risks.
- Integrate risk management culture into our business.

Risk management should be embedded throughout the procurement process and contribute to creating a comprehensive understanding of significant threats and explore opportunities. This enables the minimisation of risk, maximising opportunities for innovation, and the fair and transparent allocation of risk.

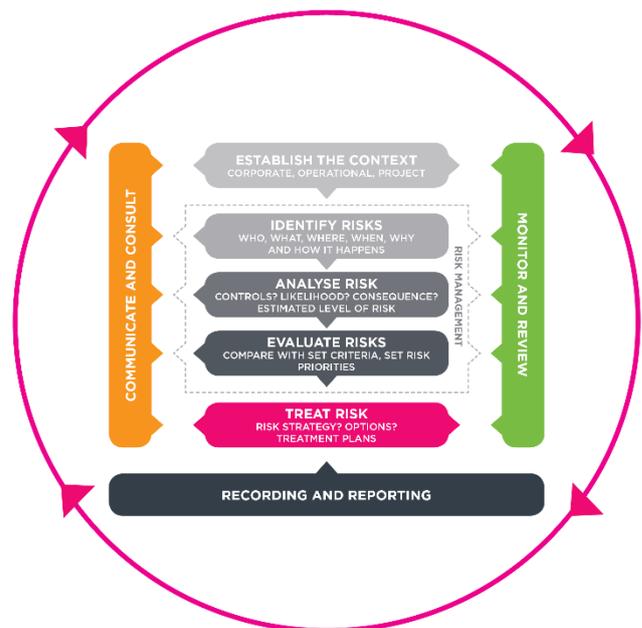
To be effective, risk management must begin at the procurement planning stage and continue throughout the process until delivery of goods or end of service contract – a full life cycle approach.

More information can be found in the Corporate Risk Management Framework and Risk Management Strategy

The application of risk management relating to construction procurement is in line with the New Zealand Government Procurement [Risk Management Construction Procurement Guidelines \(Oct 2019\) V2.0](#).

2.7.1 Risk Assurance Controls

Council uses an internal risk assurance role to undertake reviews of business practice. The reviews are performed to an internal audit standard, and also provide consultancy to business units to strengthen the internal control environment designed to provide reasonable assurance that risk is adequately managed.



2.8 Sustainability Considerations

Sustainability is of strategic and statutory importance to Council. The Local Government Act 2002 requires Council to take a sustainable approach by taking into account the social, economic, environmental, and cultural wellbeing of people and communities, the need to maintain and enhance the quality of the environment, and the needs of future generations. Sustainability must therefore be considered throughout the entire procurement process. This is in line with a shift in the Government Procurement Rules (4th Edition) 2019 to focus on the ‘broader outcomes’ of procurement as shown in Figure 13.



Figure 10 Examples of Broader Outcomes - NZ Govt. Procurement Rules (4th Ed) 2019 (recoloured).

Sustainable procurement means that when buying goods or services, Council will consider:

- strategies to avoid unnecessary consumption and manage demand,
- minimising environmental impacts of the goods/services over the whole-of-life of the goods or service,
- suppliers' socially responsible practices including compliance with legislative obligations to employees,
- value over the whole-of-life, rather than just the initial cost.

Issues that impact on sustainability include:

- | | |
|--|---|
| <ul style="list-style-type: none"> • climate change • optimising use of natural resources • minimise use of hazardous substances • waste minimisation • job creation • health & safety compliance • equality • fair pay for suppliers' staff | <ul style="list-style-type: none"> • economic regeneration • building sustainable markets • legal compliance • public image protection and enhancement • engagement with iwi and hapū organisations, Māori businesses and social enterprises |
|--|---|

2.9 Social Procurement

With an annual transportation capital programme of approximately \$12 million per year (exclusive of internal staff costs) plus Council's other activities, Council recognises that procurement of these works

may have a marked effect on the local economy and the wellbeing of its community. In undertaking procurement, Council has the ability to deliver additional benefits to the community and/or meet other strategic objectives through its supply chain. For example reducing unemployment rates, enhancing the skills of the local workforce, or enabling the growth of local markets or suppliers.

A Transportation Strategy is currently being established and this includes consideration of broader outcomes in its development of a strategic direction for transport in Napier. Community gains achieved through implementation of the Transportation Strategy can be augmented through the application of appropriate procurement principles in programme delivery.

3 Procurement Programme

The city’s transportation network provides accessibility for Napier residents and visitors through a safe, clean and aesthetic environment. The activities within this group include the installation and maintenance of the roads, footpaths, traffic and pedestrian bridges and structures, street lighting, drainage, traffic services and safety.

The total quantity of assets managed by the Transportation team is summarised in the following table

Asset Details
301km of urban roads and footpaths
56km of rural roads
45km of cycle paths
15,607 streetlights
3,400 amenity lights
8 vehicle bridges
10 pedestrian bridges
61 Culverts larger than 900mm in diameter
480km of kerb and channel
5,441 sumps and manholes
1,369 culverts less than 900mm in diameter
15,822m of traffic islands
6,374 safety barriers and railings
5,902 street trees
6,885 street signs
24 bus shelters

Table 1 Transportation Assets – LTP 2018-28

Council’s 10 Year capital programme is defined within the 2018 to 2028 LTP. The Transport section of the LTP gives an overview of the major planned projects for this period and the budgeted spend for the next three years in order to provide some context to the procurement strategy.

As part of the Long Term Plan, the Infrastructure Strategy identified key challenges for the next 10-30 years, which are:

- Ageing transportation and three waters infrastructure.
- Modest levels of forecast population and economic growth.
- An aging population that may place different demands particularly on transport infrastructure and park space.
- Likely change in the transport sector via the advancement of non-petrol vehicle alternatives and self-drive technology.
- Predicted effects of climate change – particularly severity of rainfall events and impacts near our coastline.
- Increasing environmental standards, particularly in relation to stormwater quality and road runoff.

3.1 Planned Major Projects

For the period of 2018-2028, the LTP identified key areas of investment, with budgets set to 2028 breakdown of the key projects identified in the Long Term Plan are given in the table below:

Project	Reasons	Principal Alternatives	Assumptions	Cost (2018)	Year(s)
Stormwater Quality / Ahuriri Master Plan - Thames Severn Stormwater Management	To achieve Compliance with Stormwater discharge consents	Various design options and locations will be considered when determining how best to achieve outcomes	Effective solutions can be installed in existing road reserve.	\$500,000	2021 - 2024
Ahuriri Master Plan - Ahuriri Laneways	Delivery of projects to implement the vision defined in the Ahuriri Estuary Master Plan.	Projects are defined to outcome level. Alternative means of delivering these outcomes will be assessed during project development.	Dependent upon West Quay land purchase / Third party developments	\$980,000	2028 - 2031
Ahuriri Master Plan - Bridge Street Pedestrian facilities			NZTA and KiwiRail support the implementation of improvements within their corridors.	\$4,230,000	2025 - 2028
Ahuriri Master Plan - Meeanee Quay Upgrade			The transport function of this corridor can be reduced in favour of amenity without significant displacement of effects elsewhere on the network.	\$120,000 \$1,200,000 \$1,200,000	2022/23 2024/25 2026/27
Ahuriri Master Plan - Pandora Road Upgrade					Outside 10 years
Ahuriri Master Plan - Pandora Bridge Gateway				\$60,000 \$900,000	2026/27 2027/28
Ahuriri Master Plan - West Quay Upgrade				\$45,000 \$750,000	2019/20 2020/21
Ahuriri Master Plan - West Quay Car Park			Provide safe public parking facilities for Ahuriri growth.		Land is released by OTS and is available for purchase.
CBD Development	Rejuvenation of the CBD to remain competitive for business and visitors.	Retain and maintain existing streetscapes.		\$13,265,000	2019 - 2025
Puketitiri Road	To improve user safety and cater for growth in heavy and light traffic	Retain current LoS and continue reactive maintenance.		\$8,625,000	2019 - 2024
Walking & Cycling	Improve accessibility and modal choice			\$8,590,000	All Years

Table 2 - Programme of Significant Transportation Investment

Note: This table is a summary of investment highlights and excludes business as usual and routine renewal. It includes projects not funded through the NLTF.

Council is also implementing a streetlight upgrade programme replacing existing lights with LED technology and intends to develop a programme for the renewal of aging street light columns with the potential to use composite materials which will significantly increase the lifespan of the street lights.

3.1.1 Indicative Annual Spend

The Long Term Plan 2018-28 indicated a Transportation capital spend for the period of 2020-23 as:

Year	2020-21	2021-22	2022-23
Value	\$10.90 M	\$10.03 M	\$13.82 M

The following shows projected annual capital expenditure associated with the roads and footpaths for the first 10 years followed by the average annual spend for each 5-year period from 2028 to 2048.



Figure 11 Asset Management Forecast Spend

MINOR PROJECTS				
PROJECT	VALUE	CONTRACT DURATION	FINANCIAL YEAR	SUMMARY
Intersection safety improvements	\$0.2m	3 months	2019/20	Intersection splitter islands and pedestrian improvements
Pirimai LATM	\$0.2m	2 months	2019/20	Traffic calming
Douglas McLean Av LATM	\$0.2m	2 months	2019/20	Traffic calming
Bay View to Whirinaki link cycleway	\$0.25m	3 months	2019/20	Cycleway from Ferguson St to boundary
Marine Parade Traffic Calming	\$0.25m	1 month	2019/20	Raised crossings for pedestrian connectivity and lower vehicle speeds
Main St Retaining Wall	\$0.3m	4 months	2020/21	Retaining wall replacement and road widening
Meeanee Rd / Guppy Rd traffic signals upgrade	\$0.2	1 month	2020/21	Improvements to sightlines, phasing and pedestrian and cyclist provisions
Main St Retaining Wall	\$0.3m	4 months	2020/21	Retaining wall replacement and road widening
Thames Severn Stormwater Management	\$0.25m	3 months	2020/21	Improvements to the water runoff quality from industrial area.
Cross country Drain pathway	\$0.25m	2 months	2020/21	Off road pathway from Harold Holt Av to Te Awa Av
Gloucester Rd / Springfield Rd intersection improvements	\$0.5m	2 months	2021/22	

Tamatea LATM	\$0.2m	2 months	2022/23	Traffic calming
Marine Parade - Munroe St to Sale St traffic calming	\$0.5m	2 months	2022/23	Traffic calming
Marine Parade - Vautier to Sale St traffic calming	\$0.5m	2 months	2023/24	Traffic calming
In addition, various low-risk, minor works where formal project processes would not be cost effective may be undertaken by Council's Road Maintenance contractor, subject to an acceptable estimate. Such works will comprise individual traffic islands; kerb build-outs; signage/markings upgrades; minor traffic calming features and the like.				

Table 3 Minor projects breakdown

MAJOR PROJECTS				
PROJECT	VALUE	CONTRACT DURATION	FINANCIAL YEAR	SUMMARY
Kennedy Rd Cycleway	\$0.5m	4 months	2019/20	Off road cycle connection from Georges Drive to CBD
Kennedy Rd Safety Improvements – Marewa Shops	\$1.0m	4 months	2019/20	Improvements to cycling facilities including new elongated roundabout to control movements
Pandora Rd / Thames St Roundabout	\$1.0m	4 months	2020/21	New roundabout
Severn St Roundabout	\$1.5m	4 months	2020/21	New roundabout to service the new commercial developments
SH51 / Marine Parade Intersection Improvements	\$1.5m	4 months	2020/21	Priority improvements
Te Awa Av Upgrade	\$1.2m	4 months	2021/22	Road upgrade to improve pedestrian and cycle facilities with traffic calming
Puketitiri Rd upgrade	\$7.0m	3 years	2021-24	Road realignment with provision for vulnerable users
Te Awa Structure Plan Outcomes	\$1.4m	6 months	2020/21	Infrastructure upgrades to accommodate new developments in Te Awa
Western Gateway Improvements	\$2m	6 months	2021/22	Transformation of the western gateway to the CBD from a vehicle centric corridor to a vulnerable user friendly environment
CBD Upgrade (unsubsidised)	\$13m	3 years	2021-24	Upgrade of the CBD from Marine Parade to Clive Square
Ahuriri Masterplan - West Quay Car Park & Laneways	\$2.5m	6 months	2021/22	Activation of vacant area to accommodate businesses and improved access
Ahuriri Masterplan - Meeanee Quay Upgrade	\$2.4m	24 months	2024/25	Upgrade of Meeanee Quay to enhance recreational activities and improving road safety
Ahuriri Masterplan - Bridge Street Pedestrian facilities	\$4.2m	24 months	2025-28	Improving connectivity across SH51 for vulnerable users

Table 4 Major projects breakdown

TERM MAINTENANCE CONTRACTS		
CONTRACT	PA VALUE	CONTRACT RENEWAL DATE
Road Maintenance inc. Road Marking and Traffic Services	\$5m	October 2024
Street Lighting and Traffic Signal Maintenance	\$1m	September 2020

Table 5 Term Maintenance Contracts

INTERNAL EXPENDITURE					
PROJECT	2016-17	2017-18	2018-19	3yr Average	NOTES
Professional Services	\$999,627	\$743,188	\$1,107,041	\$949,000	In house resources are used with the approval of Waka Kotahi in accordance with Section 26 of the Land Transport Management Act 2003. Figure includes Transport Operations staff. SLA for Professional Services under development at time of issue (May 2020)
Physical Works (not funded through NLTF)	\$2,103,234	\$2,410,113	\$2,310,869	\$2,271,000	Works include maintenance of street trees; street beds and gardens; cleaning; minor works. SLA for Professional Services under development at time of issue (May 2020)

Table 6 Internal Expenditure

3.2 Procurement Programme Overview

3.2.1 Procurement Positioning

The supply positioning matrix (Figure 12; Table 7 - below) shows transportation investment to be high risk, high strategic value procurement. However, individual procurement activities will fall within each of the sectors and it is therefore necessary to consider the most appropriate procurement approach at a project level. Consistent value will only be achieved by following a right-sized procurement, based on project complexity, risk and scale in the context of the current supplier market. Procurement planning will utilise structured processes based on NZ Government Procurement templates to ensure consistency of approach. The supply positioning table, below, will guide the selection of Procurement Plan templates and the identification of procurement method.

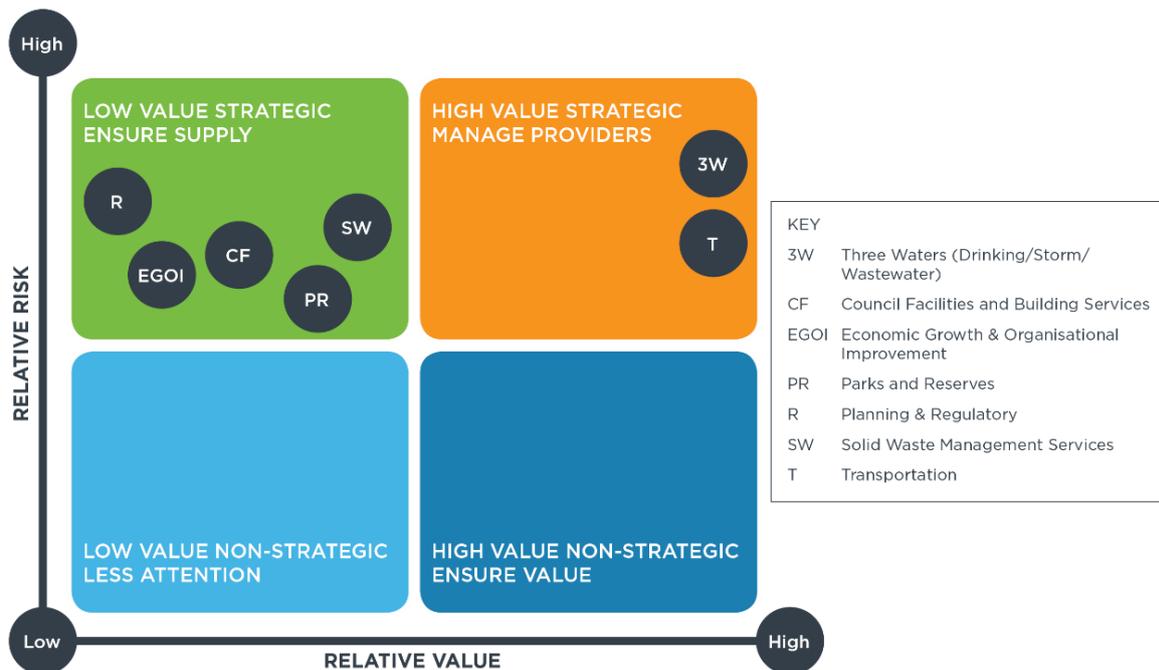


Figure 12 Supply Positioning Matrix (Source: MBIE)

Type of Relationship	Agency priority	Description	Approach	Arrangement
Low value strategic	Security of service	Low cost services Strategically important Shortage of providers	Ensure supply	Long term contracts support security of supply Consider developing additional capacity in the supplier community. Maintain a closer relationship to manage problems proactively
High value strategic	Security of service at a good price	High cost services Limited number of suppliers, maybe a single supplier scenario	Manage providers	Med/long term contract to support security of supply Contingency planning Maintain a closer, more collaborative relationship
Low value non-strategic	Maximise efficiency in sourcing services	Low-value/low-risk services Many potential suppliers	Less attention	Standard outcome agreements of shorter term Standard measures, monitoring and reporting Closer monitoring of those suppliers falling below average standards, volumes or outcomes
High value non-strategic	Improving value through actively working with suppliers to seek efficiencies	High-cost/low-risk services Many potential suppliers	Ensure value	Shorter term contracts enable change to achieve better value On-going active sourcing for competitive price Less common for contracts for social services

Table 7 Explanation of the Supply Positioning Matrix (Source: MBIE)

3.3 Planned High Risk or Unusual Procurement Activities

The transportation capital and operational programmes comprise solely of activities typical for local government.

4 Procurement Environment

4.1 Analysis of Supplier Market

Total Council expenditure is heavily weighted towards the Infrastructure Group, which comprises Transportation, Three Waters, Solid Waste, and Public Spaces & Building Assets.

Trends in expenditure are influenced by individually significant projects or programmes such as long term maintenance contracts.

Core functions of the programme can be undertaken by the local supplier market with specialist expertise sourced nationally. For asset management, the suppliers are a mix of small to medium-size suppliers and larger multinationals who have a strong presence in Hawke's Bay. The larger companies can draw on their national expertise to undertake technically specialised projects with regards to both physical works and professional services.

Council has experienced an increasing programme of work and the capacity and capability of the market to deliver the programme is a concern. This increase is planned to continue and requires a greater emphasis on procurement planning.

The region continues to experience a vibrant market with a continued high level of residential, commercial and industrial development which is affecting the capacity of professional service providers and contractors.

The national skill shortage in the construction industry is evident in Hawke's Bay and Council is experiencing an increase in construction costs due to the combination of this shortage and current local market conditions.

There are four other Territorial Local Authorities (TLA) in the region (Hastings District Council, Central Hawke's Bay District Council, Wairoa District Council and Hawke's Bay Regional Council) and Waka Kotahi. All have similar procurement demands, which can limit the number of tenders/responses and increase costs. Further, major asset owners such as the Port of Napier and Hawke's Bay Airport place additional demand on contracting resource in civil, road and pavement construction.

The establishment of Hawke's Bay Local Authority Shared Services (HBLASS) has enabled Council to derive greater value through their procurement across some areas of the organisation such as IT services and fuel. While the Councils do attempt to coordinate procurement for asset management projects, the nature of the programmes of work can limit the opportunity for this to occur (e.g. complexity, flexibility restricted by seasonality/weather, funding constraints, the nature of the project and impact on the community).

The relative geographical isolation of Hawke's Bay limits the range of suppliers with the resources and expertise to handle large programmes of work. The region has not seen many variations in supplier numbers from year to year. The relatively small value physical works contracts limit the interest in contractors from outside of the region to either tender for work or to establish a base in Hawke's Bay.

It is through a combination of term and project-specific contracts that Council encourage a competitive environment. Project-specific contracts are procured either through invited or open tenders.

Council will continue to assess the impact of the procurement approach selected on the local market by thorough procurement planning and continuous engagement with suppliers, to ensure the best opportunity is made available for suppliers to tender.

4.2 Analysis of Current Procurement Spend and Profile

Over the previous three years, Council has spent an average of \$18 million on procuring goods and services externally, roughly a quarter of Council's total expenditure with suppliers.

TRANSPORTATION – TOP EXTERNAL SUPPLIERS (LAST 3 YEARS: Average >\$200,000)				
Contractor	2016-17	2017-18	2018-19	3-Year Average
Higgins	\$6,083,647	\$4,560,112	\$5,444,223	\$5,362,660
Nathan Pope Electrical	\$1,061,425	\$1,124,772	\$1,415,669	\$1,200,622
Waka Kotahi ¹	\$303,735	\$1,283,607	\$1,097,164	\$894,863
Fulton Hogan	\$173,530	\$2,382,366	\$59,520	\$871,805
Genesis Energy	\$686,948	\$764,604	\$692,108	\$714,553
Downer NZ	\$94,139	\$714,901	\$630,244	\$479,761
WSP	\$499,956	\$358,934	\$270,767	\$376,552
OrangeTek	-	-	\$1,015,440	\$338,480
Orsborn Roadmarkers	\$250,604	\$322,400	\$322,024	\$298,343
Combined Road & Traffic Services	\$255,406	\$295,710	\$269,719	\$273,612
Ian Dick Concrete	\$474,848	\$163,815	\$50,046	\$229,569
Stantec	\$217,758	\$331,986	\$80,897	\$210,214
Total - Transport Spend	\$17,227,919	\$20,525,989	\$17,484,435	\$18,429,448
<i>Total - NCC Spend²</i>	<i>\$78,417,000</i>	<i>\$74,774,000</i>	<i>\$76,949,000</i>	<i>\$76,713,330</i>
% of NCC Spend on Transportation	22%	27%	23%	24%

Table 8 Transportation – Top External Suppliers (Last 3 Years)

4.3 Analysis of Procurement Programme Impact on other Entities

Through HBLASS and senior executive level engagement within the four other TLA's and Waka Kotahi, the District Health Board and the Port of Napier, Council has an appreciation of the forward works programme of works of the respective organisations and the demand on the suppliers.

Hastings District Council Asset Management Group host an annual civil contractor meeting where all the TLA's and Waka Kotahi present to the contractors their upcoming annual programme and other significant issues they face. The contractors also present or raise issues. This process sees a high level of engagement from suppliers of all tiers.

As noted in section 4.1 there are constraints to integrating the programmes of regional agencies, and this will not always be possible. Council is committed to considering opportunities for coordinated procurement where sustainable benefits to the region, the supplier market or community can be achieved.

¹ Waka Kotahi expenditure relates to payments to multi agency Capital project.

² Total "Application of operating funding (less Staffing Costs)" and sum of "Capital Expenditure" as published in NCC Annual Reports

An example of efficiency gains realised, was the collaboration on the issuing of a joint Request for Tender for Refuse and Recycling services by Napier City Council and Hastings District Council to minimise tendering costs and increase the efficiency of the tendering process.

The five TLA's recognise the impact their combined procurement programmes have on the region, and have moved to create a role "to lead, develop and implement a strategic and sustainable procurement model to support the councils to meet their regional collective objectives and deliver a positive impact on economic, environmental, social and cultural wellbeing for our communities".

The HBLASS role (Director, Regional Strategic Procurement) has recently been appointed. This role is responsible for developing strong and effective cross-council strategic procurement leadership, business partner relationships with external service providers as well as key stakeholders, and integrate with business leaders to form on-going strategic partnerships. Council will work alongside the role to implement improvements including the action noted in the implementation plan (section 6.1) to work with suppliers, neighbouring TLAs and Waka Kotahi to better coordinate long-term work programmes.

5 Approach to Delivering the Work Programme

This section provides a high-level overview of how Council delivers its procurement programme.

5.1 Delivery Models

Council uses a range of models to deliver goods and services in the achievement of outcomes across the organisation. In selecting the appropriate service delivery model, Council will assess the activity against:

- Complexity
- Risk profile
- Innovation potential
- Timing and urgency
- Scale
- Size of supplier market
- Uncertainty
- Stakeholder requirements
- Level of Council involvement (including capability and capacity)
- Contract value

The range of delivery models that Council may use to procure goods and services are:

Delivery Model	Description
Staged <i>(Most commonly used)</i>	<p>Under a staged approach, activities are delivered through a staged series of separate contracts (e.g. Investigate, design or construct only, sequential staged where full design completed before construction commences, and accelerated staged where construction starts with design partially completed). This is a traditional approach and widely used.</p> <p>Best suited to: small to medium projects where Council wishes to maintain some form of involvement/control over the activity. Complexity, uncertainty and risk are low. Scope is well defined and the opportunity for innovation is low.</p>
Design and Construct	<p>A traditional design and construct (also known as Design-Build) model uses a single contract to complete the detailed design and construction phases. This may also incorporate an Early Contractor Involvement (ECI) approach, whereby the supplier engages the contractor after the initial investigations and seeks to maximise the value that can be achieved from a design and construct model. The design and construct model generally awards contracts as separable portions, conditional on the successful completion of the previous stage.</p> <p>Best suited to: medium to large projects where complexity, uncertainty and risk are correspondingly higher as well. More opportunity for supplier to innovate during delivery. Council wishes to transfer some of the risk to the supplier.</p>
Shared Risk	<p>A shared risk delivery model uses an integrated team comprising of the buyer, consultants and contractors and material suppliers. The team members are incentivised to work collaboratively and impartially to deliver what is best for the project and to achieve high performance standards. Risk is shared by all parties – no party can win at the expense of another. An alliance is an example of a shared risk delivery model. Council will require the necessary capabilities and resources to organise and manage a shared risk model.</p> <p>A shared risk delivery model is defined by Waka Kotahi as an advanced delivery model and as such can only be used with the Transport Agency’s prior written approval under s25 of the LTMA.</p> <p>Best suited to: medium to large projects where complexity, uncertainty and risk are high.</p>

	A single supplier is unlikely to be able to undertake the contract alone. Innovation potential is high.
Supplier Panel	<p>A supplier panel delivery model appoints a group of suppliers that, as a panel, offer the best combination of skills and experience required to deliver a specified group of outputs. Suppliers are appointed to the panel in the first stage of this process, before the allocation of tasks to each appointed supplier in a second stage. This second stage may be by direct appointment or a competitive process with two or more of the panel members.</p> <p>A supplier panel delivery model is defined by Waka Kotahi as an advanced delivery model and as such can only be used with the Transport Agency's prior written approval under s25 of the LTMA.</p> <p>Best suited to: programmes with a succession of similar or related activities and/or the volume of work may be too large for one supplier* to undertake, or where supplier consistency and establishing a longer term relationship with suppliers provides value. This method is also valuable where specialist skills or equipment are required; there are a number of suppliers who can provide the required outputs; and/or there is an advantage in having a choice of suppliers to select from at reasonably short notice. *This can apply to consultants, contractors or suppliers.</p>
Collaborative	Under a collaborative delivery model, activities are delivered by leveraging agreements already put in place by other organisations, including MBIE. Common collaborative arrangements include All of Government (AoG) contracts, Common Capability Contracts and Syndicated Contracts, and are expected to provide direct savings as well as reduce demand on Council's procurement capacity.

Table 9 Council Delivery Models

The diagram below illustrates the main differences between the staged, design and construct, and shared risk delivery models. As the complexity of the delivery model increases, the number of contracts decreases, which in turn creates an opportunity to increase the speed of delivery of the project.

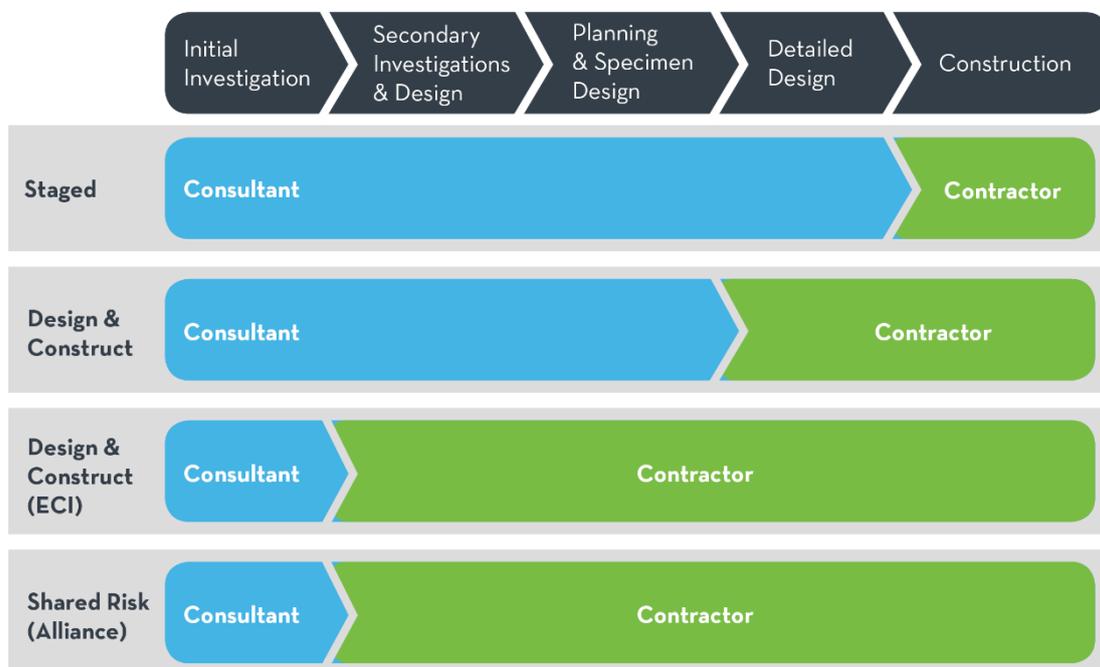


Figure 13 Service Delivery Model Comparison

5.2 Term Contracts

See Section 7 Appendix 1 for a list of current Transportation Long Term, Maintenance, Operations and Renewals Contracts.

5.2.1.1 Transportation Term Maintenance Contracts

The transportation team currently manages two term maintenance contracts; Road Maintenance and Renewals Contract and Street Lighting and Traffic Signals Maintenance. These contracts were competitively tendered through an open tender process and are for a fixed term with possible extensions through mutual agreement based on contractor performance and at the sole discretion of the Principal.

Contract “C1215 Road Maintenance and Renewals” has a term of 5 + 2 + 2 which was awarded in October 2019.

Contract “C1072 Street Lighting and Traffic Signals Maintenance” has a term of 3 + 1 + 1 which was awarded in September 2017.

The benefit of term contracts such as these is that a collaborative long-term working relationship can be established that provides Council with continuity of supply and the ability for the contractor to add value to problem solving through the option identification, design and delivery processes.

5.2.1.2 In-house Delivery Agreement

Council utilises their in-house design and projects team to provide engineering professional services related to the development and delivery of capital projects. This includes support for options development, estimating, design and project management. Procurement considerations are defined in each project’s scope agreement.

It is a requirement to provide the necessary skills to deliver the provided scope of works including the use of specialist sub-consultants if in-house capability or capacity is unavailable.

The services cover transportation (Waka Kotahi-subsidised and unsubsidised), three waters, solid waste management and parks.

The benefit of the in-house delivery agreement is that a collaborative long-term working relationship is established that provides Council with technical skills to deliver the programme of works.

A Service Level Agreement covering professional services is currently being developed to formalise the relationship between the asset management/network operator functions and professional services/delivery function.

5.3 Approaching the Market

Council chooses its approach to market based on complexity and uncertainty, scale, timing and urgency, innovation potential, risk management and the supplier market.

Broadly there are two categories of methods – Competitive Approaches and Direct Approaches. The tables below provide an overview the methods used by Council within these two categories.

5.3.1 Competitive Approaches

	Used for	Methods
Open Invitation for all interested suppliers to tender.	Higher-value, higher risk goods and services.	<ul style="list-style-type: none">• Request for Tender (RFT)• Request for Proposal (RFP)• Request for Quote (RFQ)
Closed Invitation to suitable suppliers to tender.	Low- value, low-risk goods and services.	<ul style="list-style-type: none">• Verbal quote• Written quote• Request for Tender (RFT)• Request for Proposal (RFP)• Request for Quote (RFQ)

Multi-stage Open invitation for all interested suppliers to respond. Council then assess all responses and invites shortlisted suppliers to submit tenders.	Higher value, higher risk, complex or unique goods and services, seeking innovation.	<ul style="list-style-type: none"> Open call for registrations / expressions of interests (ROIs / EOIs) Closed request to shortlisted suppliers for proposals or tenders (RFT or RFP) e.g. the Prequalification system
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Table 10 Competitive Approaches to Market

5.3.1.1 Electronic Tendering

Council uses Tenderlink to advertise tenders and manage the tender process. The Tenderlink system is used for managing all supplier questions and answers relating to tender queries. The alternative to Tenderlink, the Government Electronic Tendering Services (GETS) may be used in future. There is no plan to move away from online, electronic tendering.

5.3.1.2 Minimum Time Periods for Tendering

The following minimum time periods are applied to the following types of procurement processes. Days are expressed in clear business days.

Process Type		Minimum Time Period	
One Step Process		RFQ	12 days
		RFT/RFP	22 days
Multi-Step Process	Step 1	ROI/ITP	17 days
	Step 2	RFT/RFP	20 days

Table 11 Minimum Time Periods for Tendering

5.3.2 Direct Approaches

	Used for	Methods
Buy directly from any suitable supplier	Very low value, low risk purchases (typically goods). One-off purchases.	<ul style="list-style-type: none"> Three competitive quotes Electronic Purchase Order (EPO) Emergency situation
Buy directly from a pool of suppliers through a standing arrangement	High value, low risk goods or services.	<ul style="list-style-type: none"> Syndicated contract Panel contract Standing offer Collaborative or cluster arrangement
Buy selectively from a specific supplier	Higher value, higher risk procurements where there are special circumstances (typically specialised professional services such as planning, valuation, legal etc.).	<ul style="list-style-type: none"> Contract with individual supplier

Table 12 Direct Approaches to Market

5.3.2.1 Waka Kotahi-Funded Projects

For transportation projects funded by Waka Kotahi, direct appointment is permitted where the contract cost estimate is less than or equal to the limits set out in the table below as outlined in the Waka Kotahi Procurement Manual Amendment 5, Rule 10.9. However, Napier City Council will only employ direct appointment for specialist works where the supplier market is limited.

Contract for	Physical works	Professional services
Direct appointment	\$100,000	\$100,000
Closed contest	\$200,000	\$200,000

5.4 Supplier Selection

In determining the supplier selection method, Council considers the relative importance of price and quality. Quality outcomes may include broader outcomes (environmental, social, economic and cultural). Considerations are:

- Focus on price – all participants must meet quality requirements and the supplier is then chosen on the basis of price.
- Focus on both price and quality – the quality attributes of the suppliers are graded and the preferred supplier is selected by balancing price and quality.
- Focus on quality – the preferred supplier is selected on the basis of quality, with the price being negotiated afterwards.

Evaluation Methods

The following methods are used when selecting suppliers.

Evaluation Method	Considerations
<p>Lowest Price Conforming</p> <p>The preferred supplier meets all the requirements set out in the RFT/RFP/RFQ and offers the lowest-priced proposal.</p>	<p>Physical Works</p> <p>Used for tenders falling within the low to low/medium risk.</p> <p>Professional Services</p> <p>Only be used in circumstances where the output can be very clearly specified, and where it can be shown to both deliver best public value and meets the requirements as set out in the RFT/RFP/RFQ.</p>
<p>Price/Quality method</p> <p>The quality attributes of suppliers whose proposals meet the RFP's requirements are graded, and the preferred supplier is selected by balancing price and quality through the use of a formula.</p> <p>Supplier quality premiums are influenced by:</p> <ul style="list-style-type: none"> • The price estimate • Chosen non-price attributes • How the non-price attributes are graded (the spread of grades) • Weights given to the non-price attributes • Weight given to price. 	<p>Physical Works</p> <p>Used for tenders where there are specialised levels of expertise required to manage the risks or complexity.</p> <p>Professional Services</p> <p>Used where the specified outputs can be priced by the supplier and where Council determines that best public value will be obtained by selecting the supplier that offers the best combination of price and quality requirements as defined in the RFT/RFP/RFQ.</p>
<p>Purchaser Nominated Price (Target Price)</p> <p>A supplier selection method where the Council fixes the price to be paid and proposals are evaluated on the basis of quality (non-price attributes) only.</p>	<p>Physical Works</p> <p>It is not recommended for physical works or routine professional services engagements.</p> <p>Professional Services</p> <p>This method is typically used for such activities as strategy studies, feasibility studies transportation studies and investigations.</p>
<p>Weighted Attributes</p> <p>A supplier selection model that seeks to balance the trade-off between price and quality. Under this model, the price and non-price attributes are weighted and graded to reflect their relative importance and the preferred supplier selected by balancing price and quality through the use of a weighting formula.</p>	<p>Physical Works</p> <p>This method is suitable for physical works but is not used when purchasing outputs for activities funded under section 20 of the LTMA.</p> <p>Professional Services</p> <p>This method is suitable for Professional Services, however this method is not used when purchasing outputs for activities funded under section 20 of the LTMA.</p>
<p>Direct Appointment</p> <p>A supplier selection method in which the purchaser selects a single supplier and negotiates the contract terms, including price.</p>	<p>Physical Works</p> <p>Direct appointment, and a closed contest involving at least three suppliers can only be used where:</p> <ul style="list-style-type: none"> ▪ There are specific risks that limit available suppliers , and/or ▪ It can be demonstrated that an open tender would not add value for money. ▪ An emergency situation exists. ▪ There are not enough suppliers for a competitive process. <p>Professional Services</p> <p>Direct Appointment of a supplier for Professional Services can be used where the value of the work is less than \$25,000. However this method should only be used in circumstances noted above.</p>
<p>Quality based (Brook's Law)</p>	<p>Physical Works</p>

Where the scope of the outputs (works or services) cannot be fully described, and the best public value will be obtained by selecting the supplier on the basis of supplier quality alone. There is no competition on price.	This method is not to be used for physical works. Professional Services This method is generally used for high value/high risk professional services contracts, and/or where Council has determined that best value can be obtained by selecting the best quality supplier and then negotiating the price with that supplier. Note, in this context, this method does not constitute an 'advanced' mechanism in Waka Kotahi terms.
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Table 13 Evaluation Methods

5.4.1 Tender Pre-conditions

Pre-conditions (or prequalifying criteria) are prerequisite requirements that must be met to be considered for the contract opportunity. The purpose of pre-conditions is not to limit market competition, but to ensure suppliers have the minimum capability and capacity to deliver the contract.

Suppliers who meet all of the pre-conditions are then eligible to be assessed against the scored evaluation criteria.

Pre-conditions will always be clearly identified in the RFP/RFT/RFQ.

5.4.2 Non-price Attribute Evaluation

In evaluating a proposal or tender, Council uses the following non-price attributes:

Required	Relevant Experience	The supplier's previous experience in technical areas relevant to the outputs being purchased.
	Relevant Skills	The competence of the personnel the supplier proposes to use, with particular regard to their skills and experience in areas relevant to the outputs being purchased.
	Methodology	The procedures or processes the supplier proposes to use to achieve the specified end result.
	Health & Safety	The supplier's ability to maintain Health & Safety standards as required under the Health & Safety at Work 2015.
Optional	Track Record	The supplier's record of performance relating to delivering required outcomes on time, to budget and to quality standards.
	Resources	The equipment, facility or intellectual property the supplier proposes to use in delivering the outcome.
	Technical Requirements	The ability of the supplier to meet specific technical or functional outcomes required.
	Financial Viability	The supplier's ability to fund the delivery of the outputs being purchased.

5.4.3 Non-price Weighting

Non-price weightings are to be determined for each specific contract and, for Waka Kotahi subsidised transportation works, must also comply with Waka Kotahi rules. Weightings may be a combination of percentages or on a pass/fail basis. Weightings are agreed by the tender evaluation team and project owner according to the project risks and outcomes sought.

5.4.4 Alternative Responses

In some cases, Council may invite alternative responses to an RFP/RFT/RFQ. The RFP/RFT/RFQ must clearly state whether alternative tenders or proposals are permitted and if an alternative must be accompanied by a conforming tender or not. When submitting an alternative response, suppliers should clearly quantify the added value they believe the proposal offers.

5.4.5 Tender Evaluation Team (TET)

To assess tenders, Council will establish a team with a minimum of three evaluators which may include individuals with technical, cultural, financial or legal expertise, depending on the project requirements. The TET team may request additional expert advice from outside of the team during the evaluation process. All team members are required to complete a Conflict of Interest declaration and sign a Confidentially Agreement.

For Waka Kotahi-funded projects over \$200,000 the TET will include a certified Waka Kotahi Tender Evaluator.

5.4.6 Negotiation with Suppliers

Where appropriate, Council will negotiate with the preferred supplier(s) prior to tender acceptance or contract award. Negotiation may be used to clarify aspects of the proposal or tender, test underlying assumptions, or to achieve an improvement in value.

5.4.7 Due Diligence

Council undertakes due diligence to independently verify the ability of the supplier to fully deliver the outcomes required over the duration of the contract.

Due diligence may include:

- Reference checks
- Analysis of ownership
- Qualification checks
- Analysis of Delivery
- Analysis of Finances
- Site visit (to supplier)
- Site visit (customer)
- Reputation research
- Security checks

If a serious issue arises during due diligence that cannot be resolved by the supplier, they will be removed from further consideration and the next ranked supplier promoted to preferred status.

5.4.8 Notification of Tender Results and Contract Awards

Council will notify all suppliers in writing of the tender outcome. All suppliers are offered the opportunity to received feedback on their response. This is recognised as an important step for improving the quality of submissions and supporting a competitive market.

5.5 Professional Services

Council procures professional services to support its full range of activities, however the most significant spend relates to professional services for asset management (Transportation, Three Waters, Solid Waste Management and Public Spaces & Building Assets).

Civil design, contract and project management services are provided through Council's in-house Design & Projects Team. More specialist professional services are typically procured from external consulting engineers, including strategy/policy development, master planning, business case development, structural design. Projects are assigned to external providers through a mix of direct appointment to those with current knowledge, capacity and capability, and through traditional tender procedures.

5.6 Approach to Contract Management

Council adopts the MBIE approach to Contract Management. This methodology bases the achievement of successful contract management outcomes on three 'pillars'; relationship management, service delivery management and contract administration. The methods associated with each pillar vary based on the nature of the relationship with the supplier as per the procurement positioning matrix (refer Section 3.2.1_Figure 12 Supply Positioning Matrix (Source: MBIE)).



Figure 14 Approach to Contract Management – Sourced from MBIE

5.6.1 Relationship Management

Relationship management is a critical aspect of contract management, as it is important to develop and maintain effective working relationships with suppliers. The nature of the procurement helps define the level of relationship that is required, as described in the Relationship Matrix diagram below.



Figure 15 Relationship Matrix Diagram (MBIE)

5.6.2 Service Delivery Management

Council monitors service delivery through regular meetings with providers, site visits and observations and reporting, to manage the supplier's performance against the contracted requirements.

These activities are used to discuss the standard of delivery, identify actionable improvements, identification and management of risks, monitoring of health & safety management, analysis of performance against objectives, and to recognise excellence in delivery.

5.6.3 Contract Administration

Contract administration includes records management, change control, management reporting and asset management.

Records management

The Public Records Act 2005, requires that Council:

- Creates and maintains full and accurate records in accordance with normal, prudent business practice. These include records of activities carried out by contractors on Council's behalf. Records must also be accessible in the future.
- Disposes of records appropriately through destruction or transfer to archives.

All contracts for asset management are recorded in the Contract Register, with contract-related documentation and reports saved to Council's content management system.

Change control

Contracts should include change-control procedures that clearly identify the parties' roles and responsibilities, along with the procedures for raising, evaluating, costing and approving change requests.

Management reporting

Performance reports and management information should be defined before and during contract negotiations and recorded in the contract.

5.6.4 Risk Management

While Council drives a culture of risk management at all phases of procurement, there are significant risks relevant to the successful delivery of the procurement outcomes that need to be monitored during the contract management phase (relationship management, service delivery management and contract administration). The following table provides an example of how the Council Risk Management Framework can be used.

CATEGORY	RISK DESCRIPTION	CONSEQUENCES	MITIGATION
PEOPLE SAFETY	<ul style="list-style-type: none"> • Health and Safety requirements not followed 	<ul style="list-style-type: none"> • Serious injury • Prosecution and fines 	<ul style="list-style-type: none"> • Audit/monitor activity against Health and Safety plan • Monitor regular reporting from Contractor
FINANCIAL	<ul style="list-style-type: none"> • Unauthorised increase in scope of work 	<ul style="list-style-type: none"> • Unanticipated cost increases • Contract disputes 	<ul style="list-style-type: none"> • Ensure contract amendments are in writing • Record discussions and negotiations • Confirm instructions in writing.

SERVICE DELIVERY	<ul style="list-style-type: none"> Inadequately administering the contract 	<ul style="list-style-type: none"> Cost increases Failure of contract Full benefits not achieved Delivery of unsatisfactory product Contract/supply disputes 	<ul style="list-style-type: none"> Maintain up-to-date procedures and practices Ensure staff are trained & in contract planning and management
LEGAL COMPLIANCE	<ul style="list-style-type: none"> Commencement of work by the supplier before contract is exchanged or letter of intent is issued 	<ul style="list-style-type: none"> Potential liability to pay for unauthorised work Possibility of legal action for perceived breach of contract 	<ul style="list-style-type: none"> Confirm verbal acceptance of contract with written advice Accept all contracts in writing Ensure approvals are received before allowing work to start
REPUTATION	<ul style="list-style-type: none"> Key personnel not available 	<ul style="list-style-type: none"> Progress disrupted Less expertise 	<ul style="list-style-type: none"> Include requirement in specification and ensure compliance Accept risk and manage possible delay

Table 14 Examples of Risk Mitigation by Category

6 Implementing the Strategy

6.1 Capability and Capacity

Council recognises that a critical factor in achieving best public value is having the capability and capacity to successfully deliver the procurement programme.

Whilst procurement is devolved across Council, a Procurement Lead has been appointed to provide specialist support and guidance to staff members, and grow capacity and capability. The Procurement Lead is supported by specialist areas from across the organisation (for example, Risk Management, Finance, and Health and Safety) with contracted expertise as required.

6.1.1 Summary Analysis

Council is currently analysing the procurement capacity across Council to be able to understand the capability for each stage of the procurement lifecycle.

6.1.1.1 Organisational Capacity & Capability

Council have, until recently, had limited capability across all departments to undertake the procurement planning and management to a level that is necessary in providing a robust and transparent process.

Significant improvements have been achieved through the creation of the Procurement Lead who has initiated a roll-out of in-house training and support the various teams. Continuous training is planned across all Council Groups on the tools and processes.

6.1.1.2 Procurement planning

In order to enhance the procurement planning across the region stage Council is currently working with other TLA's, Waka Kotahi and suppliers to develop a coordinated asset management work programme. Suppliers would benefit from a longer-term view of upcoming work to allow them to scale their operations to meet demand.

At a project level, procurement planning will be undertaken at the programming stage, utilising structured plan templates.

6.1.1.3 Contract management

Council has recently moved all contract management, data management and contract record management to Sytle which provides transparent management of all contracts in a single platform.

6.1.1.4 Staff Capability and Capacity

Council's Procurement Lead will be monitoring staff capability as part of the development of the Council wide Procurement Strategy, creating a matrix matching positions against procurement requirements, and tracking of staff who have attended training relative to their required knowledge level. The team will be working with the departmental managers to ensure that any staff member that undertakes procurement understands the rules set out in the strategy and have the relevant support to undertake the required their work. The procurement strategy will include a skills database linking the following proficiency levels to the skills required to carry out procurement on behalf of Council.

Level	Skill requirements
Novice	No formal training, basic familiarity with some knowledge of procurement practices
Basic	Developing skills, basic training, good knowledge of procurement practices
Intermediate	Competent skills, reasonably regular in role, able to work unassisted, very good experience and knowledge of procurement practices
Advanced	Highly skilled, regular in role, procurement specialist, provider of mentoring/support/training, excellent knowledge of procurement practices and procedures

Table 15 Proficiency Levels (including in house delivery team)

6.1.1.5 Enhancing Capability

To enhance long-term in-house capability, the Procurement Lead, with senior technical staff, is developing and delivering in-house training for staff relevant to their role and related procurement programme. Council schedules relevant training for staff who require specialist procurement capability as part of their role, including the Level 6 NZ Certificate in Infrastructure (Procurement Procedures) qualification, required for evaluating tenders for work programmes funded by Waka Kotahi.

Council also receives procurement and contract management expertise through its consulting engineers. This includes assessments and reviews of Council processes, systems and capability, as well as day-to-day support of procurement function.

6.2 Internal Procurement Processes

Council's procurement processes are currently under development, and it is expected that all procurement activities will align to the guidelines and procedures within this manual. Service Level Agreements are being developed to cover in-house professional services and in-house physical works.

6.3 Performance Measurement and Monitoring

6.3.1 Gathering and Analysing Data on Procurement Activities

Procurement forms a significant function of Council's activities, therefore it is important information on procurement is gathered and analysed in order to:

- Provide evidence of how well the procurement procedures are meeting the guidelines and requirements of the OAG, NZ Government Procurement Rules, and the Waka Kotahi Procurement Manual.
- Provide evidence of how well the procurement procedures are meeting section 25 of the Land Transport Management Act 2003, in particular:
 - enabling fair competition
 - encouraging competitive and efficient markets
- Monitor performance against Council procurement objectives (see Section 2.4).
- Improve decision making and facilitate continuous improvement in procurement practice and procurement policy.
- Determine how well procurement procedures are being followed.
- Gain an understanding of what contractual obligations Council has at any one time.

The primary objective of gathering and analysing this data is to help continuously improve Council's procurement strategy, policy and procedures.

An important source of data is feedback from the suppliers on issues that affect their ability to deliver effectively and efficiently. This is a key element of the procurement review process.

The Delivery Team maintains a database to track the status of contracts within this group, and there is a separate database for other Council term contracts.

Council's Performance Management System for Civil Construction is aligned to the Waka Kotahi Performance Assessment by Coordinated Evaluation (PACE) System.

6.3.2 Performance Measurement and Monitoring

Asset Management maintains a number of KPIs for physical works contracts some of which are required by Waka Kotahi. These include

- Number of contract tenderers
- Estimated/Actual price
- Expected/actual start and duration
- Contractor performance assessment

6.4 Communication Plan

The communication plan is an important phase in ensuring all stakeholders are aware of Council's procurement strategy and how it impacts them.

Council has identified the following stakeholders and is developing a plan to communicate the appropriate level of information and detail relevant to their role in the procurement environment.

STAKEHOLDER	KEY MESSAGE	CHANNELS/TOOLS
INTERNAL STAKEHOLDERS		
Lead Team	<ul style="list-style-type: none"> - Overview of strategy, key elements. - Drivers behind the update (MBIE, process improvements). - Relevance to Group activities (e.g. Waka Kotahi-funded work). - Communication and implementation plan. - Resources available. - Actions for implementation/monitoring within their teams. 	<ul style="list-style-type: none"> - Presentation. - Intranet.
Asset Strategy Team & targeted roles	<ul style="list-style-type: none"> - Drivers behind the update (MBIE, process improvements). - General overview plus refresher training on key elements (Procurement Programme, Planning, Environment and Delivery). 	<ul style="list-style-type: none"> - Presentation & Training. - Intranet
Council (Elected Members)	<ul style="list-style-type: none"> - Overview of strategy, key elements. - Drivers behind the update (MBIE, process improvements). 	<ul style="list-style-type: none"> - Information paper.
Council employees	<ul style="list-style-type: none"> - Overview of strategy, key elements. 	<ul style="list-style-type: none"> - CE regular staff updates. - All staff email. - Intranet.

	<ul style="list-style-type: none"> - Drivers behind the update (MBIE, process improvements). - Resources and support available. 	
EXTERNAL STAKEHOLDERS/ENTITIES		
CCOs	<ul style="list-style-type: none"> - Overview of strategy, key elements. 	<ul style="list-style-type: none"> - Email summary with link to document.
HBLASS	<ul style="list-style-type: none"> - Drivers behind the update (MBIE, process improvements). 	<ul style="list-style-type: none"> - Document published on Council website.
Waka Kotahi	<ul style="list-style-type: none"> - Relevance to Group activities (e.g. Waka Kotahi-funded work), - Resources and support available. 	<ul style="list-style-type: none"> - Submission of strategy to Waka Kotahi for endorsement.
SUPPLIER MARKET		
Strategic Suppliers including:	<ul style="list-style-type: none"> - Introduce document, purpose. - Drivers behind the update (MBIE, process improvements). - Why it is relevant to our procurement relationship. - Overview of Council's procurement strategy, outcomes and principles. - Explanation of Broader Outcomes and Public Value, and what this means for suppliers. - Information/resources available. - Receipt of supplier feedback. 	<ul style="list-style-type: none"> - Meeting with key stakeholders. - Email summary with link to document. - Document published on Council website. - Supplier feedback through contract review process.
<ul style="list-style-type: none"> - Engineering Professional Services. - Asset Strategy Group suppliers. - Targeted groups. 		
Non-Strategic Suppliers	<ul style="list-style-type: none"> - Introduce document, purpose. - Drivers behind the update. - Information/resources available 	<ul style="list-style-type: none"> - Email summary with link to document - Document published on Council website

6.5 Implementation Plan

Napier City Council is developing a procurement and contract management framework to improve organisational capability.

The scope has been defined and will include policy, strategy, a toolkit and training. The implementation plan to support the changes is currently in development. The aim is to have this implementation plan approved in Quarter 3 2020.

6.6 Corporate Ownership and Endorsement

This procurement strategy was developed in 2020 to align with the release of the Government Procurement Rules (4th Edition) 2019, and the revised Waka Kotahi Procurement Manual which reflects the key themes of this document.

The projects sponsors for the re-development of the Procurement Strategy, Policy and Procedures are the Director Infrastructure, Director Corporate Services and the Chief Financial Officer. The Procurement Strategy has been approved by the Chief Executive before being submitted for endorsement to Waka Kotahi.

Council maintains regular communication with the Hawke's Bay branch of Civil Contractors New Zealand, consultants, neighbouring authorities and Waka Kotahi on all significant land transport, solid waste and water services procurement matters. By providing high quality information and early advice of pending work programmes, including information on Council's website, Council will assist local businesses (small and medium-sized enterprises in particular) to build their capacity to encourage them to compete for Council contracts.

7 Appendices

7.1 Asset Management Maintenance and Long Term Contracts

The following table provides details of the current maintenance and long-term contracts for asset management.

Table 16 NCC Maintenance & longer term contracts

	Contract Name (number)	Period	Contractor	Approx./ Indicative Annual Value	Conforming Tenders received	Supplier selection method	Price Range
1	Road Maintenance and Renewal Contract (C1215)	Oct 2019 - 5yrs (+2 + 2 option)	Downer	\$6,000,000	3	PQM	\$36m – \$40m
2	Street Lighting and Traffic Signal Maintenance 2017 - 2020 (C1072)	Sept 2017 – 3 yrs (+ 1 + 1 option)	Pope Electrical	\$700,000	2	PQM	\$2.1m - \$2.4m

Project Name	Project Spend Year1 2018/19	Project Spend Year2 2019/20	Project Spend Year3 2020/21	Project Spend Year4 2021/22	Project Spend Year5 2022/23	Project Spend Year6 2023/24	Project Spend Year7 2024/25	Project Spend Year8 2025/26	Project Spend Year9 2026/27	Project Spend Year10 2027/28	Total 10yr Spend
Roading Renewals (Subsidised)	3,876,988	2,077,518	1,608,674	2,253,968	2,282,619	2,692,756	2,484,120	2,651,906	2,100,675	1,974,458	24,003,682
Roading Renewals (Non-subsidised)	1,035,000	1,105,000	875,000	1,285,000	1,235,000	885,000	1,155,000	1,105,000	1,005,000	1,005,000	10,690,000
Roading Vested Assets	1,175,000	1,175,000	1,175,000	1,175,000	1,175,000	1,175,000	1,175,000	1,175,000	1,175,000	1,175,000	11,750,000
West Quay Upgrade	0	45,000	750,000	0	0	0	0	0	0	0	795,000
West Quay Car Park	0	0	1,000,000	1,500,000	0	0	0	0	0	0	2,500,000
CBD Development	150,000	2,500,000	4,000,000	4,595,000	1,100,000	120,000	800,000	0	0	0	13,265,000
Bridge Street Pedestrian facilities	0	0	0	0	0	0	0	130,000	2,300,000	1,800,000	4,230,000
Meeanee Quay Upgrade	0	0	0	0	120,000	0	1,200,000	0	1,200,000	0	2,520,000
Pandora Road Upgrade	0	0	0	0	0	0	0	0	60,000	900,000	960,000
Associated improvements	100,000	100,000	100,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	1,350,000
Awatoto to Expressway Link Improvements	0	0	0	0	0	0	0	0	0	500,000	500,000
Capacity Improvement Projects	0	0	0	0	0	0	0	0	0	100,000	100,000
Ground stabilisation and retaining wall	250,000	300,000	350,000	350,000	350,000	350,000	350,000	250,000	250,000	250,000	3,050,000

Intersection Improvement Projects	1,000,000	0	50,000	0	200,000	1,600,000	1,100,000	1,000,000	0	0	4,950,000
Intersection Improvement Projects	25,000	250,000	0	50,000	500,000	50,000	1,400,000	20,000	1,250,000	1,575,000	5,120,000
Intersection Safety Improvement Projects	1,055,000	630,000	230,000	202,000	402,000	1,802,000	2,102,000	1,252,000	602,000	252,000	8,529,000
KiwiRail - Level Crossing	180,000	180,000	180,000	150,000	100,000	50,000	20,000	20,000	20,000	20,000	920,000
LATM Projects	550,000	200,000	0	0	400,000	240,000	400,000	0	25,000	220,000	2,035,000
Marine Parade Safety Improvements	50,000	200,000	0	0	575,000	500,000	0	0	0	0	1,325,000
New Cycle and Walking Tracks	700,000	1,050,000	750,000	425,000	125,000	300,000	160,000	2,710,000	1,410,000	760,000	8,390,000
Public transport infrastructure	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	500,000
Puketitiri Road Upgrade	300,000	300,000	2,500,000	3,000,000	2,000,000	0	0	0	0	0	8,100,000
School Zone Safety work	50,000	300,000	0	0	0	0	0	0	0	0	350,000
Severn St roundabout	0	0	500,000	750,000	0	0	0	0	0	0	1,250,000
Urban Corridor Improvement Projects	210,000	370,000	135,000	110,000	610,000	710,000	35,000	10,000	535,000	760,000	3,485,000
Thames Severn Stormwater Management	0	0	250,000	0	0	250,000	0	0	0	0	500,000
TOTAL	10,756,988	10,832,518	14,503,674	16,045,968	11,374,619	10,924,756	12,581,120	10,523,906	12,132,675	11,491,458	121,167,682

7.2 Procurement Plan Templates (unmodified from NZ Government Procurement)

Procurement plan lite template

Between \$50,000 and \$100,000 and above

Agency instructions

- This template is intended for procurements valued between \$50,000 to \$100,000.
- Your agency may customise this template to reflect its practice and requirements – especially the approvals section.
- When customising, consider including user instructions like the example given below. Note that the yellow highlighted areas specify where to customise.

Example of user instructions

- A procurement plan describes the process used to approach the market, evaluate bids and identify the recommended supplier. This template is designed to be used for low-value low-risk procurements between \$50,000 to NZ\$100,000. For procurements valued between \$5,000 to \$50,000, use the *Procurement plan xtra-lite template*. Procurements valued less than \$5,000 do not need a procurement plan. However, you must ensure that you have written approval for the scope, delivery date and budget.
- This template covers the common elements usually included in procurement. However, you will need to tailor it to your needs. Keep it simple – the level of analysis and detail you include should be proportionate to the nature, scope, value, complexity and risk of the procurement.
- A procurement plan [choose: should / must] be completed and approved before initiating your tender process (e.g. advertising on GETS). You will need approvals from:
 - e.g. project sponsor gives authority to proceed to market
 - e.g. delegated financial authority holder gives authority to spend (if different from sponsor).
- If you would like assistance in preparing the agency's plan or a constructive peer review of the draft, please contact [enter contact details for the procurement team].

[Insert agency logo]

[Name of agency]

Procurement plan lite

[Name of procurement project]

Approvals

Project sponsor	
Approval to:	Proceed to tender and identify the preferred supplier.
Name:	
Position / title:	
Date:	

Holder of delegated financial authority	
Total budget approved:	[insert: total cost over whole-of-life \$]
Budget type:	Opex / Capex
Budget code:	
Name:	
Position / title:	
Date:	

What this agency is buying and why

- This plan relates to the purchase of [insert]. A summary of our requirements is [insert]. The key objective of this procurement is [insert].
- An estimate of the total cost over the whole-of-life of the contract, exclusive of GST is [\$ insert]. We require the contract to commence by [insert date].

Tendering process

There is currently no All-of-Government, syndicated or other collaborative contract that can meet this requirement. The recommended approach to market is a [choose: one-step open competitive tender / two-step open competitive tender / one-step closed competitive tender / two-step closed competitive tender]. The tender team will comprise non-voting and voting members.

Tender team: non-voting members

Role	Name	Organisation
Chair of evaluation panel:		
Administrative support:		

Tender team: voting members

Representative/s	Name	Organisation
Business group/owner:		
User group/beneficiary:		
Subject matter expert:		

Indicative timeline (single-stage tender)

Action	Indicative date
Pre-procurement	
Procurement plan approved	
Tender documents developed	
Tender documents approved	
Pre-procurement market engagement	
Advance notice published on GETS	
Tender	
Tender advertised on GETS	
Supplier briefing/s	
Last date for supplier questions	
Last date for agency to answer questions	
Tender closing date	
Evaluation	
Panel confidentiality & conflict of interest declarations signed	
Evaluation panel meets – short lists suppliers	
Panel minutes and recommendation	
Recommendation accepted / rejected	
Post-evaluation	
Advise bidders of outcome	
Debrief unsuccessful suppliers	
Due diligence & contract negotiation	
Contract Award Notice published on GETS	
Contract start date	

Evaluation methodology

The evaluation model that will be used is weighted attribute as per the table below. Price will not be a weighted criterion. Instead price will be taken into account in determining overall value for money over the whole-of-life of the contract. A two-envelope process will be used and suppliers' pricing will only be opened once the criterion scoring is completed.

Evaluation criteria

Criterion	Weighting
Technical merit (fit for purpose)	
E.g. Degree to which good/services meet or exceed requirements	30%
E.g. Quality of goods/services	10%
Capability of the supplier to deliver	
E.g. Supplier's size, structure and annual turnover	5%
E.g. Track record in delivering similar goods/services	15%
E.g. Understanding of the requirements	25%
E.g. Operational and financial systems to manage delivery	15%

Total weightings	100%
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Rating scale

The panel will use this rating scale to evaluate suppliers' bids against the criteria.

Description	Definition	Rating
Excellent	Exceeds the requirement. Exceptional demonstration by the supplier of the relevant ability, understanding, experience, skills, resource and quality measures required to provide the goods/services. Response identifies factors that will offer potential added value, with supporting evidence.	9-10
Good	Satisfies the requirement with minor additional benefits. Above average demonstration by the supplier of the relevant ability, understanding, experience, skills, resource and quality measures required to provide the goods/services. Response identifies factors that will offer potential added value, with supporting evidence.	7-8
Acceptable	Satisfies the requirement. Demonstration by the supplier of the relevant ability, understanding, experience, skills, resource and quality measures required to provide the goods/services, with supporting evidence.	5-6
Minor reservations	Satisfies the requirement with minor reservations. Some minor reservations of the supplier's relevant ability, understanding, experience, skills, resource and quality measures required to provide the goods/services, with little or no supporting evidence.	3-4
Serious reservations	Satisfies the requirement with major reservations. Considerable reservations of the supplier's relevant ability, understanding, experience, skills, resource and quality measures required to provide the goods/services, with little or no supporting evidence.	1-2
Unacceptable	Does not meet the requirement. Does not comply and/or insufficient information provided to demonstrate that the supplier has the ability, understanding, experience, skills, resource and quality measures required to provide the goods/services, with little or no supporting evidence.	0

Contract

The short listed supplier will be offered a [choose: contract for services / supply agreement / contract for goods and services] based on the agency's standard terms and conditions. The proposed contract term is three years with options to extend [insert: i.e. 3+1+1]. The [choose: quality standards/key performance indicators] for measuring the supplier's performance are [insert]. The timeframes for delivery are [insert]. Specific reporting requirements are [insert]. Payment will be based on the supplier's successful completion of milestones as detailed in the contract. New intellectual property arising as a result of the contract will be the property of [insert].

Risk

Overall this procurement is deemed low-value, low-risk.

Key risks to be managed

Risk	Mitigation action	Responsible
1.		

2.		
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Probity

Probity in this procurement will be managed by:

- acting fairly, impartially and with integrity, acting lawfully, and being accountable and transparent
- ensuring compliance with the agency's code of conduct is complied with
- ensuring that financial authority for the procurement is approved before proceeding to tender
- identifying and effectively managing all conflicts of interest
- protecting the supplier's commercially sensitive and confidential information
- providing each supplier with a comprehensive debrief at the end of the tender process.

Procurement plan template

\$100,000 and above

Agency instructions

- This template is intended for procurements valued from NZ\$100,000 upwards.
- Your agency may customise this template to reflect its practice and requirements – especially the approvals section.
- When customising, consider including user instructions like the example given below. Note that the yellow highlighted areas specify where to customise.

Example of user instructions

- This template is intended for any procurement valued from **NZ\$100,000** upwards.
- A procurement plan describes the process used to approach the market, evaluate bids and identify the recommended supplier. This template is designed to be used in conjunction with a business case. Where there is no prior business case you should consider using the combined business case / procurement plan template instead.
- This template is intended for any procurement valued from **NZ\$100,000** upwards. For procurement less than this, use the *Procurement plan lite template*.
- This template covers the common elements usually included in a procurement. However, you will need to tailor it to your needs. Keep it simple – the level of analysis and detail you include should be proportionate to the nature, scope, value, complexity and risk of the procurement.
- A procurement plan **[choose: should / must]** be completed and approved before initiating your tender process (e.g. advertising on GETS). You will need approvals from:
 - procurement manager confirming the plan meets your agency's requirements
 - project sponsor giving authority to proceed to market
 - delegated financial authority holder giving authority to spend.
- You may need approvals from:
 - subject-matter expert for the proposed evaluation criteria
 - legal advisor for the proposed contract.
- Parts of the document contain suggested solutions (e.g. estimated whole-of-life costs, indicative timeline and evaluation criteria). These are only examples. You should amend or substitute appropriate models to suit your procurement. Alternative models can be found in MBIE's *Mastering procurement guide*. For more information on procurement, visit www.procurement.govt.nz => For agencies.
- If you would like assistance in preparing your plan, or a constructive peer review of your draft, please contact **[enter contact details for the procurement team]**.

[Insert agency logo]

[Name of agency]

Procurement plan

[Name of procurement project]

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Prepared by:

Position / title:

Business unit: [Insert: business division or group]

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Acronyms

The following acronyms are used in this document.

Acronym	Term
[Insert: e.g. ROI]	Registration of interest
[Insert: e.g. RFP]	Request for proposal

Approvals

Approval of the plan

Procurement manager / procurement team leader	
Process type:	[Choose: open competitive / closed competitive / direct source / single-step / multi-step / panel supplier / if other please state]
Name:	
Position/title:	
Signature:	Date:

Authority to proceed to tender

Project sponsor	
Approval to:	Go to market and identify the preferred supplier.
Tender start:	[Insert: date the tender process will be initiated]
Contract start:	[Insert: date the contract will start]
Name:	
Position/title:	
Signature:	Date:

Approval of the budget

Delegated financial authority holder			
Total cost:	[Insert: estimated \$ total costs over whole-of-life] GST excl	Cost code:	[insert]
Financial year:	Financial year	Amount	Funding type
	2014/15	[\$amount] GST excl	Opex / Capex
	2015/16	[\$amount] GST excl	Opex / Capex
	2016/17	[\$amount] GST excl	Opex / Capex
Name:			
Position/title:			
Signature:		Date:	

Approval of the evaluation criteria and methodology

Subject matter expert	
Name:	
Position/title:	

Subject matter expert		
Signature:		Date:

Approval of the proposed terms and conditions of contract

Legal advisor		
Contract type:	[Choose: for services / goods & services / supply agreement]	
Contract term:	[Insert: the term (anticipated duration) of the contract e.g. 3+1+1]	
Name:		
Position/title:		
Signature:		Date:

Background

Business case

- This procurement plan builds upon the business case dated [insert] (document reference [insert]).
- The business case contains details of how the:
 - procurement aligns with agency business objectives
 - helps achieve long-term strategies and goals
 - fits with government policy objectives.

What we are buying and why

- This plan relates to the purchase of [insert].
- The key objective of this procurement is [insert].
- The procurement's proposed outcomes are [insert].
- Details of the current supply arrangement are contained in the business case. OR
- We do not currently provide these [choose: goods / services / goods and services / works].

Importance to the agency

- Based on our analysis of supply positioning this procurement is [choose: tactical acquisition / tactical profit / strategic security / strategic critical].
- This means [insert].
- Strategies to address this include [insert].

Market analysis

The supply market

- The key suppliers and their market shares (supply) are [insert – include international as well as domestic if appropriate].
- The key buyers and their influence on the market (demand) are [insert].
- Competition is primarily based on [choose or insert other factors: price / quality / level of support services / product types and range / delivery time / brand image].
- The degree of competition is [insert].
- Existing pricing methodologies are [insert]. Factors affecting pricing include [insert].
- The availability of alternative or substitute goods/services is [insert].
- The nature and quality of the supply chain is [insert].
- In summary, current market behaviours are [insert] and these impacts on buyers by [insert].
- Future market behaviours that would better support successful delivery are [insert].
- The gaps between current and future behaviours are [insert]. Strategies to close these gaps are [insert].
- The likely impacts that this procurement will have on the market are [insert].

The agency's value as a customer

- The value of the agency’s account and the attractiveness of the account have been assessed.
- The agency is seen as [choose: nuisance / exploitable / development / core]. This means [insert].
- Strategies to address this include [insert].

Power and dependency

- An assessment of the levels of power and dependency between the agency and suppliers has been undertaken. This shows that [choose: the buyer and supplier are independent / the supplier is dominant / the buyer is dominant / the buyer and supplier are interdependent].
- This means [insert].
- Strategies to address this include [insert].

Desired supplier relationship

- Given the proposed length of the contract, the level of desired trust and communication with the supplier and the approach to managing risk the agency will seek a [choose: strategic collaborative / tactical competitive relationship with the successful supplier].
- This means [insert].

Requirements and costs

Our requirements

- In summary we need to procure [insert].
- A detailed statement of our requirements is contained in *Appendix 1*.

Key dates

- We require the contract to commence by [insert date].
- We estimate that the sourcing of the supplier and contract negotiations will take [insert weeks / months].
- This means that the tender must be initiated by [insert date].

Estimated costs

An estimate of the total cost over the whole-of-life of the contract, exclusive of GST is [\$ insert.]

Please check if the estimate has increased since the business case – if so you may need to obtain an increased financial authority.

Estimated whole-of-life costs (include this level of detail if available)

Pre-acquisition	Start-up cost			
Design and specification	\$			
Expert advice	\$			
Legal services	\$			
Acquisition		Year 1		
Initial purchase price		\$		
Delivery		\$		
Installation		\$		
Training		\$		
Operating costs		Year 1	Year 2	Year 3
Consumables		\$	\$	\$

Role	Characteristics	Stakeholders
Consulted	The person or people who needs to be consulted to add value or get 'buy-in.	
Informed	The person, people or group, groups that need to be kept informed of key actions and results, but are not involved in decision-making or delivery.	

Communications

- The agency will communicate with internal stakeholders by [insert method and timing of comms].
- The agency will communicate with external stakeholders by [insert method and timing of comms].

Tendering process

Type of tender

- There is currently no All-of-Government, syndicated or other collaborative contract which can meet this requirement. Other approaches to market, including collaboration, that were considered are [insert].
- The recommended approach to market is a [choose: one-step open competitive tender / two-step open competitive tender / one-step closed competitive tender / two-step closed competitive tender].
- The reason for this recommendation is [insert].
- This approach to market fits with the agency's procurement policies, the *Government rules of sourcing* and the New Zealand Government's procurement principles.

Market engagement

- This contract opportunity [choose: was / was not] published in the agency's annual procurement plan dated [insert].
- In developing the business case and analysing the market, the agency engaged with suppliers by [insert what engagement there was with suppliers e.g. supplier briefing / consultation with industry].
- The contract opportunity will be advertised on GETS. [Insert: additional advertising will be done through]. Before advertising on GETS, the agency will engage with the market through [choose: publishing an early notice on GETS advising of the intention to go to market / supplier briefing sessions to be held ...where and when / industry briefing sessions to be held ...where and when / or other communications...where and when].

Evaluation team

A cross-functional team will be involved in the evaluation of bids and recommending the preferred supplier.

Non-voting members

Role	Name	Organisation
Chair of evaluation panel:		
Administrative support:		
Financial analyst:		
Legal advisor:		
Probity auditor:		

Voting members

Representative/s	Name	Organisation
Business group/owner:		
User group/beneficiary:		
Subject matter expert:		

Proposed timeline

The proposed timeline for the procurement is as follows. Please note that this example is based on a one-step open tender.

Indicative timeline

Action	Indicative date
Pre-procurement	
Procurement plan approved	
Tender documents developed	
Tender documents approved	
Pre-procurement market engagement	
Advance notice published on GETS	
Tender	
Tender advertised on GETS	
Supplier briefing/s	
Last date for supplier questions	
Last date for agency to answer questions	
Tender closing date	
Evaluation	
Panel confidentiality and conflict of interest declarations signed	
Evaluation panel meets	
Interview short listed suppliers	
Supplier site visits/product testing	
Panel minutes and recommendation	
Recommendation accepted/denied	
Post-evaluation	
Advise bidders of outcome	
Debrief unsuccessful suppliers	
Due diligence and contract negotiation	
Contract award notice published on GETS	
Contract start date	

Evaluation methodology

Evaluation method

- The evaluation model that will be used is [choose: lowest price conforming / simple score / weighted attribute (weighted score) / target price / Brook's Law].
- Price will [choose:
 - be a weighted criterion. **OR**
 - not be a weighted criterion. Instead price will be taken into account in determining overall value for money over the whole-of-life of the contract. A two envelope process will be used and suppliers' pricing will only be opened once the criterion scoring is completed].

Evaluation criteria and weightings

Each supplier must meet the all of the following pre-conditions before its bid will be considered for evaluation on its merits.

Preconditions

1.	E.g. Supplier must hold a current practicing certificate from the New Zealand Law Society.
2.	E.g. Supplier must hold current professional indemnity insurance valued at \$5m.

Having met all of the preconditions qualifying bids will be evaluated on their merits using the following evaluation criteria and weightings.

Evaluation criteria

[Please note that this model includes price as a weighted criterion.]

Criterion	Weighting
Technical merit (fit for purpose)	40%
E.g. degree to which good/services meet or exceed requirements	
E.g. quality of goods/services	
E.g. degree of innovation	
E.g. level of risk	
Capability of the supplier to deliver	30%
E.g. supplier's size, structure and annual turnover	
E.g. track record in delivering similar goods/services	
E.g. understanding of the requirements	
E.g. operational and financial systems to manage delivery	
Value for money (based on whole-of-life cost)	30%
E.g. total costs over whole-of-life	
E.g. other benefits	
Total weightings	100%

The panel will use the following rating scale to evaluate suppliers' bids against the criteria.

Rating scale

Description	Definition	Rating
Excellent	Exceeds the requirement. Exceptional demonstration by the supplier of the relevant ability, understanding, experience, skills, resource and quality measures required to provide the goods / services. Response identifies factors that will offer potential added value, with supporting evidence.	9-10
Good	Satisfies the requirement with minor additional benefits. Above average demonstration by the supplier of the relevant ability, understanding, experience, skills, resource and quality measures required to provide the goods / services. Response identifies factors that will offer potential added value, with supporting evidence.	7-8
Acceptable	Satisfies the requirement. Demonstration by the supplier of the relevant ability, understanding, experience, skills, resource and quality measures required to provide the goods / services, with supporting evidence.	5-6
Minor reservations	Satisfies the requirement with minor reservations. Some minor reservations of the supplier's relevant ability, understanding, experience, skills, resource and quality measures required to provide the goods / services, with little or no supporting evidence.	3-4
Serious reservations	Satisfies the requirement with major reservations. Considerable reservations of the supplier's relevant ability, understanding, experience,	1-2

Description	Definition	Rating
	skills, resource and quality measures required to provide the goods / services, with little or no supporting evidence.	
Unacceptable	Does not meet the requirement. Does not comply and/or insufficient information provided to demonstrate that the supplier has the ability, understanding, experience, skills, resource and quality measures required to provide the goods / services, with little or no supporting evidence.	0

Innovation

Suppliers may have new and innovative ways to deliver against the specifications. The agency will accept alternative proposals on this basis.

Due diligence

The following verification matrix will be used as part of the evaluation and due diligence process. The table shows how elements of the criteria will be verified by the panel.

Verification table

Evaluation and due diligence options	Criteria		
	Fit for purpose	Ability to deliver	Value for money
Written offer/tender documents	✓	✓	✓
Buyer clarifications of offer	✓	✓	✓
Reference checks	✓	✓	✓
Interview	✓	✓	
Presentation	✓	✓	
Site visit	✓	✓	✓
Product testing	✓		
Audited accounts		✓	
Credit check		✓	
Companies office check		✓	
Accepts proposed contact conditions		✓	
Police/security check		✓	

Additional process

Following the evaluation of merits each short listed supplier will be invited to attend an interview with the panel.

In addition, the panel may request site visits to short listed suppliers' premises.

Contract type

- The short listed supplier will be offered a [choose: contract for services / supply agreement / contract for goods and services] based on [choose: the agency's standard terms and conditions / based on a bespoke set of terms and conditions drafted for this procurement].
- The proposed contract term is three years with options to extend (i.e. 3+1+1).
- The quality standards / key performance indicators for measuring the supplier's performance are [insert].
- The timeframes for delivery are [insert].

- Specific reporting requirements are [insert].
- Payment will be based on the supplier’s successful completion of milestones as detailed in the contract.
- New intellectual property arising as a result of the contract will be the property of [insert].
- The proposed contract terms and conditions are attached at *Appendix 2*.
- In addition to the agency’s standard terms and conditions, the following clause or clauses are required to manage the specific risk [insert].
- Variations to contract will be in writing and signed by both parties. Variations involving an increase in price must only be made within the limit of the financial authority.
- The strategy for exiting the contract at the end of its term is [insert].

Transitioning to new supplier

Add this section if applicable – modify to suit.

- In the event that this procurement results in the selection of a new supplier a transition plan will be developed to actively manage the changeover. Transition arrangements will also be addressed during the negotiations with the new supplier.
- The transition will have a [choose: minor / moderate / significant] impact on ongoing service delivery.
- Significant transition risks to be managed include:
 - e.g. strategy to provide a seamless transition without disruption to services
 - e.g. back-up plans in the event that services are affected].

Managing implementation

- The responsibility for managing delivery under the contract and supplier relationship management will pass to [insert: name, title and business unit] on the signing of the contract. This person will develop a contract and relationship management plan in consultation with the successful supplier.
- The supplier’s performance will be reviewed [insert how often and when].

Risk management

- Overall this procurement is deemed to be [choose: high / medium / low value] with [choose: high / medium / low risk].
- Key risks have been assessed against the risk framework detailed at *Appendix 3*. They have been assessed on the basis of likelihood (L) and consequence (C).
- The key for the following risk tables is:
 - likelihood (L): R = rare U = unlikely P = possible L = likely A = almost certain
 - consequence (C): N = negligible L = low M = moderate H = high E = extreme.

Key risks in the procurement process

Risk	L	C	Rating	Mitigation action	Responsible
•	U	L	Low		
•	P	M	Medium		
•	L	H	High		
•	A	E	Extreme		

Key risks in delivering the contract

Risk	L	C	Rating	Mitigation action	Responsible
•	U	L	Low		
•	P	M	Medium		

•	L	H	High	
•	A	E	Extreme	

Probity management

Please modify the following to suit your procurement.

It is essential that the agency demonstrates ethics and integrity in its procurements. This means:

- acting fairly, impartially, and with integrity
- being accountable and transparent
- being trustworthy and acting lawfully
- managing conflicts of interest
- protecting the supplier’s commercially sensitive and confidential information.

Probity in this procurement will be managed by:

- ensuring compliance with the agency’s code of conduct
- ensuring that financial authority for the procurement is approved before proceeding to tender
- ensuring everyone involved in the process signs a confidentiality agreement and declares any actual, potential or perceived conflict of interest
- identifying and effectively managing all conflicts of interest
- ensuring that all bids are opened at the same time and witnessed
- numbering copies of suppliers’ tenders and returning them to the panel chair once the tender process ends
- retaining one copy of each supplier’s tender and destroying the remaining copies once the tender process ends
- treating all suppliers equally and fairly
- providing each supplier with a comprehensive debrief at the end of the tender process.

Contract delivery

- The responsibility for managing delivery under the contract and supplier relationship management will pass to [insert: name, title and business unit] on the signing of the contract. This person will develop a contract and relationship management plan in consultation with the successful supplier.

Contract completion

End of term

Please delete if not applicable.

At the end of the original contract, there will be an option to extend the contract by [insert: e.g. 2+1 years], subject to good performance by the supplier and continued best value-for-money over the whole-of-life being delivered.

Exit strategy

Please delete if not applicable.

Our responsibility to deliver the [choose: goods / services / goods and services / works] is [choose:

- option 1: ends on the expiry of this contract **OR**
- option 2: will continue beyond the expiry of this contract].

Our strategy to exit from the contract is [choose the option used above:

- option 1 insert: consider what practical arrangements may be required to transition from the contract. How will you manage stakeholder expectations? What will happen to any assets or intellectual property purchased by the supplier – will ownership rest with the supplier or revert to your agency? What are the risks that will need to be managed? **OR**
- option 2 insert: what do you intent to happen at the end of the contract? Will you review the effectiveness of the delivery and go to market with an improved statement of requirements? How will you manage stakeholder’s expectations? What are the risks that will need to be managed?]

Appendix 1: Specification of requirements

Appendix 2: Proposed contract terms and conditions

Appendix 3: Risk register

Key risks have been assessed using this risk analysis framework.

You may use this standard framework or replace it with your agency's framework.

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						

Diagram: Risk analysis framework