



GREAT LAKE TAUPŌ
Taupō District Council

**Taupō District Council
Procurement Strategy**
December 2022 – December 2025

Foreword

Purpose of the Procurement Strategy

Taupō District Council's (Council) overarching Procurement Strategy provides direction for procuring goods, services or works to deliver the objectives of Taupō District Council consistent with legislation governing Local Authorities

The purpose of this strategy is to guide how Council will proactively support the delivery of business priorities, broader outcomes and public value, manage procurement reputation and risk and improve the effectiveness and efficiency of the procurement process.

The Procurement Strategy for roading works is required by Waka Kotahi's Procurement Manual (Amendment 6 April 2022). However, this document targets all of Councils Procurement activities.

Daniel McKay

Contracts and Procurement Specialist
Taupō District Council

Why do we have a strategy?

The Auditor General in its Guidance for Public Entities sets the expectation that an organisation should develop a procurement strategy if procurement is integral to achieving its overall business strategy.

Waka Kotahi requires us to have a procurement strategy that documents our long-term integrated approach to the procurement of transport sector activities funded under Section 20 of the Land Transport Management Act and Amendment Act 2013.

Taupō District Council designs, builds, maintains, operates and upgrades Taupō District's infrastructure. This involves spending public money. We need to say how we will undertake our procurement activities and deliver value.

Revision Information

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Taupō District Council Procurement Strategy 2022 - 2025
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Revision History

Version	Author	Date	Details
1.0	David Middleton	August 2022	First Draft
2.0	David Middleton	September 2022	Draft for submission to Waka Kotahi
3.0	Daniel McKay	October 2022	Final submission to Waka Kotahi

Reviewed By

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Approvals

This Procurement Strategy was reviewed and approved by the Taupō District Council Executive Team on the 28th of September 2022.

The Procurement Strategy has also been endorsed by Waka Kotahi on the 22nd of December 2022.

Further Reading

- Procurement - A Statement of Good Practice (Office of the Auditor - General, 2007)
- Procurement - Good practice guidelines for public entities (Office of the Auditor - General 2007)
- Managing Conflicts of Interest: Guidance for Public Entities (Office of the Auditor-General, 2007)
- Sustainable Procurement in Government – NZ Business Council for Sustainable Development
- An Introduction to Public Procurement – Office of Government Commerce (UK)
- New Zealand Transport Agency Procurement Manual
- New Zealand Transport Agency Programme and Funding Manual
- Waka Kotahi NZ Transport Agency Procurement Manual Amendment 6 (2022)
- Waka Kotahi NZ Transport Agency National Land Transport Programme (2021-24)
<https://www.nzta.govt.nz/assets/planning-and-investment/nltp/2021/NLTP-2021-24.pdf>
- The Construction Sector Accord (2019) - <https://www.constructionaccord.nz/the-accord/>
- Local Government Procurement (Office of the Auditor - General, 2020) - <https://oag.parliament.nz/2020/local-govt-procurement/local-govt-procurement-article>
- Introducing our work about Procurement (Office of the Auditor - General 2018)
<https://oag.parliament.nz/2018/procurement>
- Managing Conflicts of Interest: A Guide for the Public Sector (Office of the Auditor-General, 2020) - <https://oag.parliament.nz/2020/conflicts>
- NZ Government Rules of Sourcing 4th Ed (MBIE 2020) - <https://www.procurement.govt.nz/procurement/principles-charter-and-rules/government-procurement-rules/>
- Mastering Procurement: A Structured Approach to Strategic Procurement (MBIE 2011) - <https://www.procurement.govt.nz/assets/procurement-property/documents/guide-mastering-procurement.pdf>
- The Three Waters Reform Programme - <https://threewaters.govt.nz/>
- Taupo District Council Long Term Plan 2021-2031 – <https://www.taupodc.govt.nz/repository/libraries/id:25026fn3317q9slqygym/hierarchy/Council/Plans%20and%20strategies/LTP/Taupo%20District%20Council%20Long-term%20Plan%202021-31.pdf>

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Definitions

Term	Definition
All of Government (AOG) Deal	A supply arrangement established by the Crown for selected common products and services purchased across Government.
Broader Outcomes	The secondary benefits that are generated from the procurement activity. They can be environmental, social, economic, or cultural benefits.
Closed Competition	Where a limited number of known suppliers are invited to respond to a contract opportunity. The invitation is not openly advertised.
Direct Procurement	Where a single supplier is approached and engaged to provide products, services or works. The contract opportunity is not advertised.
ET	Executive Team
Framework Agreement	An umbrella agreement which governs the relationship between TDC and the supplier(s). It sets out the terms and conditions which the parties agree to contract on in the event that the supplier is allocated a contract for supplying the covered goods, services or works.
GETS	Government Electronic Tendering Service
KRA	Key Result Areas
Market Engagement Approach	A formal process of inviting potential suppliers to make a submission to supply Council with products, services or works. Submissions sought from suppliers are typically in the form of tenders, quotes, proposals or registrations of interest. The process used in the market engagement includes Open Competition, Closed Competition or Direct Appointment.
Open Competition	A competitive procurement process where all potential suppliers in a market are offered an opportunity to respond to a supply opportunity.
Panel / Preferred Suppliers	A list of suppliers which AOG or Council has pre-approved, via an open competitive process to supply particular goods, services or works. Council has a number of local 'preferred supplier' panels.
Procurement	All aspects of acquiring and delivering products, services and works.
Procurement Plan	The detailed plan outlining how the procurement activity will be carried out.
Public Value	Public value means the best available result for the money spent. It includes using resources effectively, economically, and responsibly, and taking into account the purpose of local government and the total costs and benefits of a procurement (total cost of ownership). The principle of public value when procuring goods, services or works does not mean selecting solely based on lowest price but rather the best possible outcome for the total cost of ownership (over the whole-of-life of the goods, services or works).
RFx	A generic abbreviation that covers all 'Request for' "processes" (Request for Quotation, Request for Expression of Interest, Request for Proposal or Request for Tender). Specifies what the Council wishes to purchase, the terms and conditions plus instructions on how to bid and respond.

Term	Definition
Supply Arrangement	An arrangement between Council and a supplier for the provision of products, services or works.
Sustainable Procurement	Securing products, services, or works in a way which recognises the whole of life costs, benefits of the goods or service and delivers broader outcomes for the local Taupo district and greater Waikato community, economy and environment.
Syndicated Procurement Contract	Syndicated procurement is where a group of organisations with common needs have aggregated their requirements under a single contract with a supplier on behalf of other entities. This can lead to economy of scale advantages for Council. Council is party to a number of syndicated arrangements.
TDC	Taupō District Council
Total Value	The value of the Supply Arrangement over its entire term, including all renewal periods (where applicable). Where the Supply Arrangement is governed by separate contracts, the total value of the supply arrangement is the combined value of all the contracts.
Variation	An authorised change to the value and/or scope of a contract.

1 Executive Summary

This strategy covers procurement issues throughout all of Councils activities, including procurement of physical works and professional services for projects funded by Waka Kotahi.

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

- Local contractor resource constraints.
- Close proximity to other local government authorities with similar procurement demands and programmes.
- High demand for infrastructure and commercial construction services.
- Increasing skill shortages in procurement and contract management (impacting on both capability and capacity).
- Responding to Governments expectations on how Council should conduct its procurement activities to achieve public value and broader outcomes.
- Changing Health and Safety legislation and Worksafe guidelines and rules.
- Responding to pending Government legislative changes in the management of Three Waters.

The purpose of this Strategy is to demonstrate how Council procurement will:

- Support the delivery of Council's strategic priorities.
- Improve public value for money.
- Improve the efficiency and effectiveness of procurement procedures and processes, including increasing capability.
- Continuation of effective relationships with suppliers.
- Manage procurement risk and reputation.
- Improve strategic procurement planning.

This Strategy sits alongside the various strategies, plans and policies of Council to assist with the delivery of the Long-Term Plan. In particular this strategy is concerned with:

- 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
- Council's approach to delivering the procurement programme, and
- the implementation of this Strategy.

As an approved organisation, Waka Kotahi contributes 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.

It is recommended that the Waka Kotahi endorses this Procurement Strategy, including the following exceptions from the Waka Kotahi Procurement Manual:

- Approves the continued use of in-house professional services by Taupō District Council, in accordance with s26 of the Land Transport Management Act.
- Approves the continued use of a variation to Procurement manual, section 10.21 Maximum term of a term service contract for infrastructure or planning and advice allowing Taupō District Council to use a term of five years and nine months for the road maintenance and reseals contract.

Procurement sees a clear separation of the three distinct documents being beneficial to overall strategy development:

- 1) Procurement Policy
- 2) Procurement Strategy
- 3) Procurement Guidelines

This Procurement Strategy is owned by the Executive Team (ET).

2 Strategic Overview

2.1 Who we are and what we do?

The Council is a body corporate established under the Local Government Act 2002. Through democratic decision making by the Taupō District community, the Council exists to meet the current and future needs of the community to develop and maintain local infrastructure, public services and performance of regulatory functions in the most cost-effective manner for ratepayers.

Key activities:

- Maintaining and developing Taupō Districts key infrastructure including Transport, Wastewater, Water, Solid Waste, Stormwater and Construction of new community facilities.
- Maintaining and developing Taupō Districts community facilities including cycleways, community halls, cemeteries, Great Lake Centre, Libraries, Museum, Public Toilets, Playgrounds, Parks and reserves, Owen Delany Park, swimming pools, Taupō Event Centre, Housing for elderly, Landfills.
- Delivering services for the community including animal control, building compliance, emergency management, noise control, regulatory services, recycling, food safety, speed management, and road safety.
- Providing the community of the Taupō District with a democratic voice through consultation and community engagement.

Recognising that from 1 July 2024 3-waters may not be delivered by TDC.

Partnerships:

We work closely with a wide range of partners, including: our CCO's (Taupō Airport Authority and Destination (Great) Lake Taupō Trust), Lake Taupō Protection Trust, New Zealand Local Government Funding Agency, Bay of Plenty Local Authority Shared Services, and Waka Kotahi these partnerships help to offer our community a sustainable, efficient experience of being able to fully enjoy the district and helps in looking after the place we love.

2.2 What we are mandated to solve

Taupō has an interesting population dynamic; whereby during the summer period the population swells significantly from around 40,100 to over 80,000². The districts infrastructure needs to cater for this exponential population surge, while continuing to deliver to the community's expectations.

The Procurement environment at the Council is evolving. It is intended to drive the best value for the ratepayer through effective definition of scope and robust selection methodology. The Contractor market is, in general, dynamic. Established Contractors are in high demand, and it is getting harder to assume that they are always hungry for work.

Taupō's population

1968: 8,500
1981: 13,700
1996: 20,000
2018: 37,200
2022: 40,100
2030: 43,900 (predicted)

Adopting the right Procurement methodology is becoming more and more important in this landscape.

2.3 Our vision

Vision: To be the most prosperous and liveable district in the North Island.

Transport's Strategic Vision: Making it easier to get to the people and places we want, safely and sustainably.

2.4 How we are governed

Taupō District Council is a democratically elected body. The Councilors and wards that they represent at any one time can be found here:

[Mayor and Councillors - Taupō District Council \(taupodc.govt.nz\)](http://taupodc.govt.nz).

The meetings and committees that the Council holds at any one time can be found here: [Council meetings and workshops - Taupō District Council \(taupodc.govt.nz\)](http://taupodc.govt.nz).

The Council's responsibilities include, but are not limited to:

- Actively reviewing and directing the overall strategy, policies and delegations.
- Identifying, evaluating and mitigating controllable risk factors.

Providing leadership in relationships with key stakeholders.

Our relationship with Waka Kotahi

The Government's Policy for transport is set out in the Government Policy Statement on Land Transport Funding (GPS). As the delivery agency, Waka Kotahi invests in the country's transport system through the National Land Transport Fund (NLTF). One of the Waka Kotahi requirements is to produce a Procurement Strategy. This document fulfills this requirement.

The procurement objectives of Waka Kotahi include:

- The land transport system must be affordable, integrated, safe, responsive and sustainable.
- Enabling fair competition and encouraging competitive and efficient markets for the supply of outputs.
- Except for minor and ancillary works, which are undertaken by an internal business unit, outputs must be purchased from external providers. These minor and ancillary works will not be co-funded by Waka Kotahi.
- The lowest price proposal received for the provision of any output does not always equate to the best value for money spent.
- Whole of life best value for money.

A key focus is to work with the Council to ensure funds from the NLTF are prioritised and that Taupō has efficient and effective transport activity and infrastructure.

2.5 Procurement Considerations

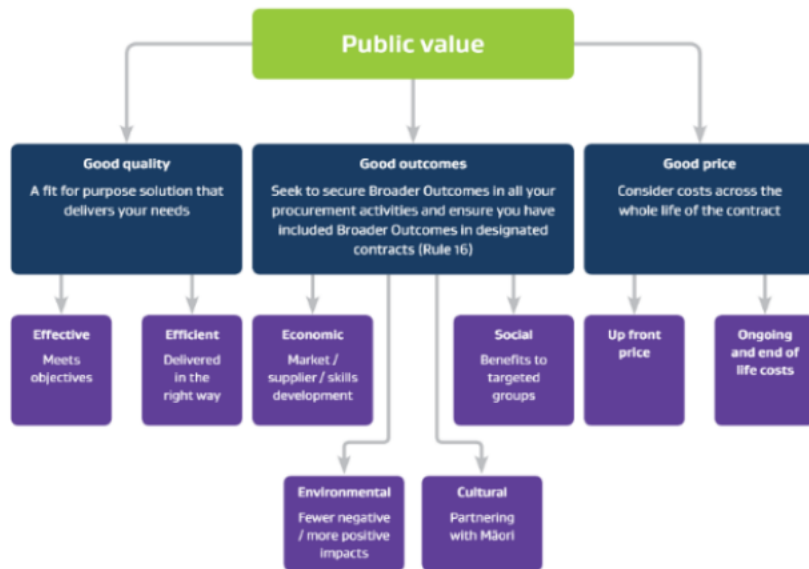
The Council has developed the below fundamental Procurement Considerations which will drive our Procurement Strategy. These are considered alongside our Procurement Policy.

- A healthy local economy with healthy competition must be maintained. The Council is one of the largest organisations within the Taupō District; we must be mindful that we have the power to dramatically influence the market due to our relatively large spending power. Where it's appropriate, the total work may be shared between Contractors of strategic importance to Taupō District (note that Waka Kotahi co-funded work needs to always demonstrate best value and cannot be shared in this way).
- Procurement solutions should be sustainable. Opportunities for positive social, community, environmental and cultural outcomes that will benefit current and future generations should be preferred.
- The supply of goods and materials should be standardised. This standardisation should ensure consistency in output, lower training costs and lower operational costs.
- Risk needs to be considered and mitigated before the market is approached. All Contractors are to have Site Safe accreditation at a minimum. The appropriate commercial protections should be present within the Contract. Also, the appropriate Contract should be raised with the Contractor.
- Public value should always be sought. This does not mean that the lowest cost will always be selected, but rather the solution that best meets the requirements of the community. To ensure that this value can be obtained, thought should go into the appropriate evaluation methodology before the market is approached.
- The power of leveraging spend should be utilised where it does not conflict with any other Procurement Consideration. That is preference should be given in order of precedence: All of Government Contract; Waikato LASS Contract; Taupō District Council Contract.

The appropriate Procurement mechanism should be put in place to offer the best value to the Council whilst considering how to approach the market. This may be an isolated job by job market approach; it may be the engagement of a panel; this may be an exclusive Contract with the intention of awarding the work to the same Contractor over the Contract period; etc. Every sourcing situation is different, as market factors are different for every category of spend. This can be achieved through an analysis of our spend categories so that we can determine the optimal market approach.

2.6 Broader Outcomes

The Council is committed to achieving public value through Good Quality, Good Outcomes and Good Price.



Broader outcomes are the secondary benefits that are generated by the way a good, service or works is produced or delivered. These outcomes can be social, environmental, cultural or economic, and will deliver long term public value for New Zealand. Broader outcomes require consideration not only the whole-of-life cost of the procurement, but also the costs and benefits to society, the environment and the economy.

To achieve the best public value, the Council defines its Broader Outcomes as per the below table:

Describe how your proposal will create or maintain local employment.
Describe where you are planning to have your materials/supplies provided from including the use of local Taupō District suppliers?
Will your proposal be utilising local Taupō District sub-contractors? If yes for what role?
Describe how you will include training of local Taupō District residents?
Describe any other ways that your proposal will benefit the Taupō Districts economy.
Describe how your solution supports waste minimisation.
Describe how your solution contributes to the reduction of carbon emissions.
Describe any other ways that your proposal will benefit the Taupō Districts environment.
Does your proposal utilise any Māori/Pasifika owned businesses in delivering your solution? If so, please list.
Describe any other ways that your proposal will benefit the Taupō Districts iwi.

These Broader Outcomes are to be measured by the Contractor in accordance with the Contract KRA. On occasion these KRA's will be collated and reported to the ET and/or Elected Members. It is the responsibility of the Project Manager to monitor and agree to the Broader Outcomes being realised.

2.7 Health and Safety

The Council takes Health and Safety seriously throughout the delivery process. All Procurement should consider the following:

- All Contractors need to be pre-qualified to a standard of 75% site wise or equivalent. This is the minimum standard that Council will accept before awarding any work.
- All Contractors need to sign up to the Council’s Health and Safety Agreement: <https://www.taupodc.govt.nz/repository/libraries/id:25026fn3317q9slqygym/hierarchy/our-services/a-to-z/documents/contractor-health-and-safety-handbook-2018-2019/Appendix%20%20-%20Health%20Safety%20and%20Environmental%20Agreement.pdf>
- The below table outlines how Council manages Health and Safety through our delivery process

Plan	Source	Manage
<ul style="list-style-type: none"> • Consultants will always be asked to prove Safety in Design • Traffic Management will be considered, where appropriate 	<ul style="list-style-type: none"> • Pre-qualification • Council’s Health and Safety Agreement 	<ul style="list-style-type: none"> • Audits, both by Project Managers, and Councils Health and Safety Officers

2.8 Our strategic planning framework

Documents that guide us

There are also a number of key guiding documents which set the scene and direction for the future of our procurement activities. These include:

- The **Long Term Plan (LTP)** – Our long term plans set the Council’s strategic direction for a 10 year period.
- **Procurement Policy** – The policy that details the rules of Procurement for the Council.
- **Procurement Guidelines** – Guidelines that detail how to go about procurement processes for the Council.
- **Annual Plans** – The Annual Plan details the activities we intend to carry out over the coming financial year.
- **Annual Reports** – A key document that compares our performance for the year against the forecast in the Annual Plan.
- The **Government Policy Statement on Land Transport (GPS)** – produced by Central Government, the GPS sets out the Government’s priorities, objectives and funding levels for land transport. It establishes funding ranges for land transport activity classes and identifies the results expected from this investment.
- The **National Land Transport Programme (NLTP)** – produced by Central Government, the NLTP contains all the land transport activities, such as public transport services, road construction and maintenance, that Waka Kotahi anticipates funding over the next three years.
- **Procurement Guidance for Public Entities** – produced by the Office of the Auditor General, this document provides good practice guidance for public entities to procure goods or services.
- **District Plan** – The District Plan sets out the policies and rules to manage the use of land in the area.
- **District Strategies** – A high level plan of action to achieve a goal for a specific topic.
- **Structure Plans** – Detail our vision for particular areas.
- **Reserve Management Plans** – A plan that sets out how we intend to develop, maintain and protect our reserves.
- **Infrastructure Strategy** – Councils overarching infrastructure strategy.
- **Transport Strategy** – Council’s transport strategy.

3 Procurement Operating Model

3.1 What we are trying to achieve

“Procurement is all of the business processes associated with purchasing, spanning the whole cycle from the identification of needs to the end of a service contract, or the end of the useful life and subsequent disposal of an asset”¹.

We will achieve this by implementing a Procurement Framework that supports the Council in achieving its vision of being the most prosperous and liveable district in the North Island. Procurement supports this vision through its objective of obtaining sustainable value through smart buying by:

- Proactively supporting the delivery of critical and important business priorities.
- Improving commercial discipline and value for money.
- Managing procurement supply chain and reputational risk.
- Improving the efficiency and effectiveness of the procurement process.

Our Procurement Framework

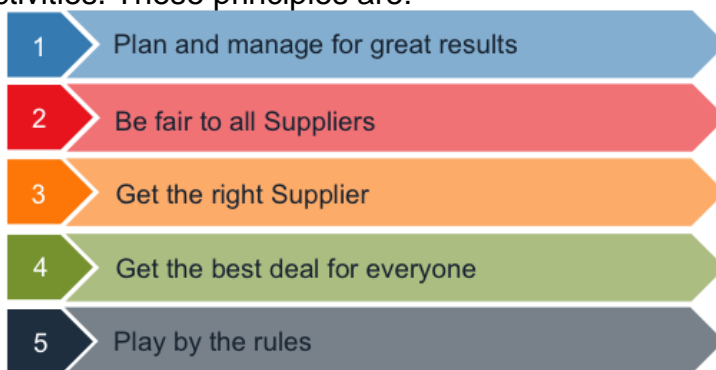
- Procurement Policy
- Procurement Strategy
- Procurement Guidelines
- Procurement Templates
- Procurement Reports and Contract KPIs

Procurement supports the Council’s business in the delivery of efficient output focused solutions underpinned by considered buying principles. We will seek to leverage the procurement opportunities as an intelligent buyer to obtain economies of scale through the use and development of innovative procurement solutions. Such principles will however be balanced with the requirement to maintain a sustainable and competitive supplier market.

This Strategy is also intended to assist suppliers by:

- Providing visibility and transparency of our procurement function and how we will undertake our procurement activities.
- Making it easier for suppliers to do business with us through smarter procurement practices.
- Implementing alternative and innovative procurement models and driving professionalism with our dealings with suppliers to enable us to become a customer of choice.

We will apply the five principles of Government Procurement in all of our procurement activities. These principles are:



¹ Source: Office of the Auditor General: Procurement guidance for public entities – Good practice guide June 2008

3.2 Our capability and capacity

The Council has a Contracts and Procurement Specialist to ensure oversight in the procurement space. This is a strategic role, overseeing the procurement process and ensuring that the procurement strategy is being upheld, as well as offering specialist assistance when the organisation requires it.

Our procurement model supports our programme of work working alongside the asset managers to ensure compliance and value. It acknowledges that the successful delivery of our programme will require a highly effective procurement function that understands its supplier markets, implements strategies for engaging with those markets and manages risks and supplier performance within those markets.

Goals for maintaining the procurement function in the coming years are:

- Support the Procurement Planning process and ensure that the strategies promoted in this document are adopted
- Using Tenderlink and GETS as appropriate
- Review/implement AoG Contracts where appropriate
- Supplier spend analysis
- Contract management system to be maintained and kept current

For purposes of standardisation and best practice we will continue to align our procurement processes where appropriate with:

- The Ministry of Business, Innovation and Employment (MBIE) as the lead agency for NZ Government Procurement.
- Waka Kotahi as a key funder of our Transport activities.
- Good practice both from New Zealand and international sources.

Sustainable procurement

Sustainability is about meeting the needs of today without compromising the ability of future generations to meet their needs. Sustainability should be viewed from a social, environmental and economic context.

Sustainable procurement means that when buying goods and services we will consider:

- Strategies to avoid unnecessary consumption and that manage demand.
- Minimising environmental impacts of the goods and services over the whole of life.
- Our suppliers' socially responsible practices including compliance with legislative obligations to employees.
- Value for money over the whole of life, rather than just the initial cost.

Issues that impact sustainability will be considered in all procurements, these may include;

- Optimising the use of natural resources.
- Climate change.
- Minimising the use of hazardous substances.
- Waste minimisation.
- Job creation.
- Health and Safety.
- Equality.
- Fair pay for suppliers' staff.
- Economic regeneration.
- Building sustainable markets.
- Public image protection and enhancement.

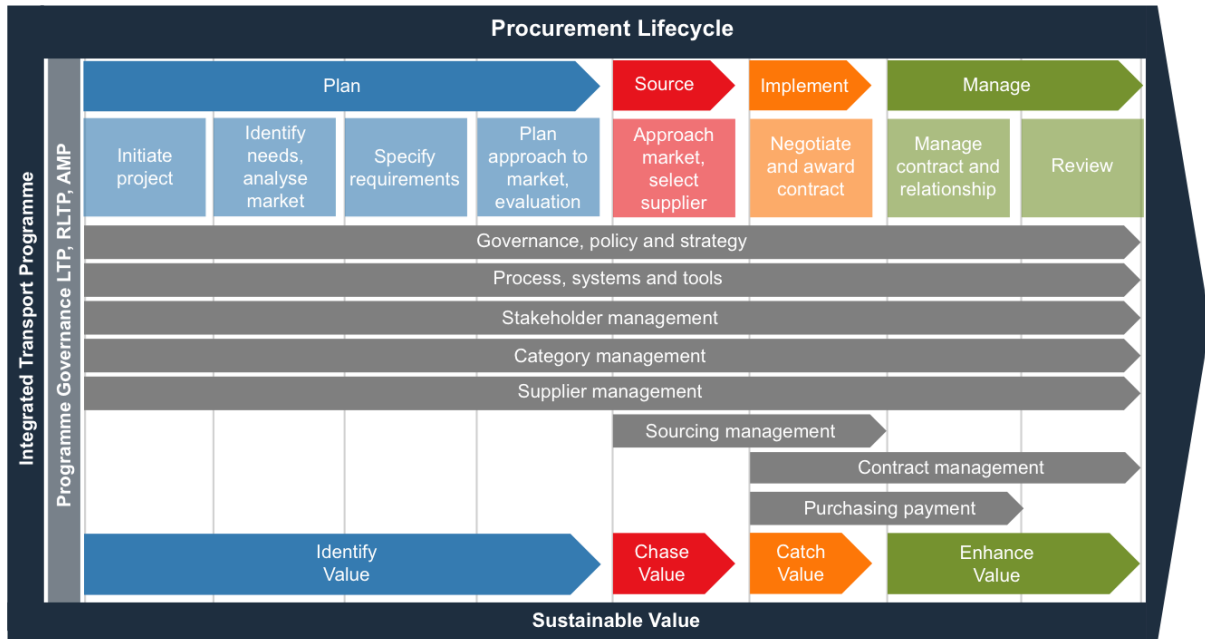
As part of our procurement process we will be interested in our suppliers:

- Environmental management systems.
- Employment practices.
- Corporate social responsibility practices.
- Sustainability improvements already achieved.

4 Procurement Delivery

4.1 How we procure

Our Strategy is based on a staged strategic procurement process consistent with the MBIE Procurement Lifecycle, which divides our four key procurement processes into eight distinct but interrelated sub-stages. These processes which are shown in the Procurement Lifecycle image below, are underpinned by the four key procurement functions: **Planning, Sourcing, Contract/Implement and Supplier Management** which are covered in the following sections of this Strategy.



Traditional vs. Strategic procurement

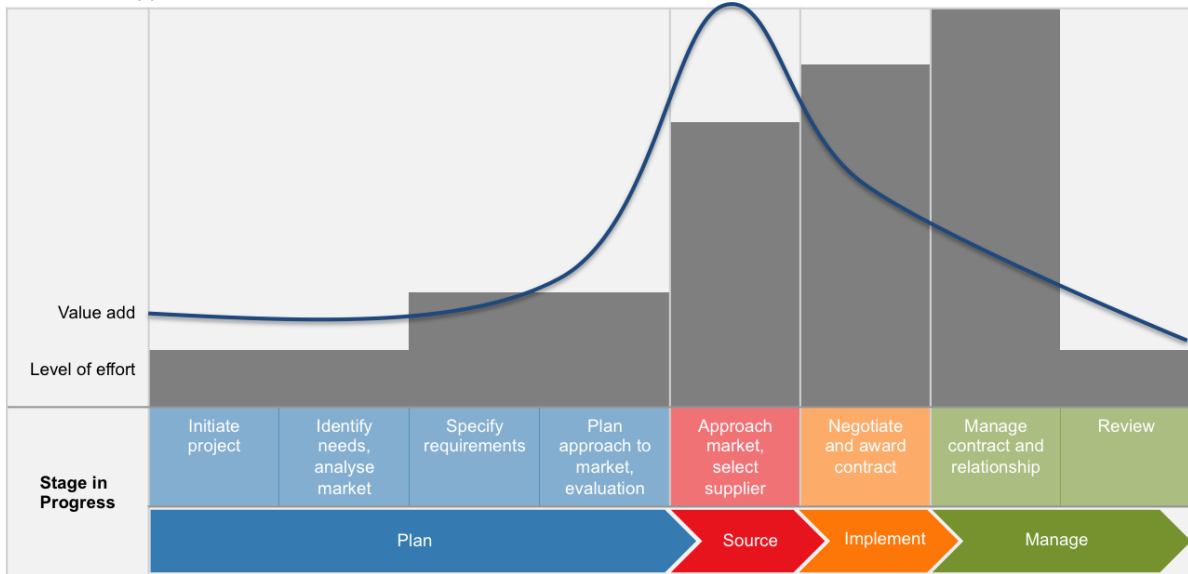
The Council is in the process of moving to procurement which focuses on the planning and managing phases of the lifecycle. By taking a more structured strategic approach, with a focus on planning, supported by robust and objective analysis that informs the best methodology to approach the market, optimal procurement outcomes will be achieved.

There are several differences in the methodology and execution between the traditional and strategic approaches to procurement. A traditional approach views procurement as an administrative function for buying goods and services. A strategic approach involves understanding the importance of procurement to the Council achieving its strategic goals, by sourcing suppliers and managing relationships, to successfully deliver against organisational objectives and business needs, whilst delivering overall value for money.

Whole of life thinking

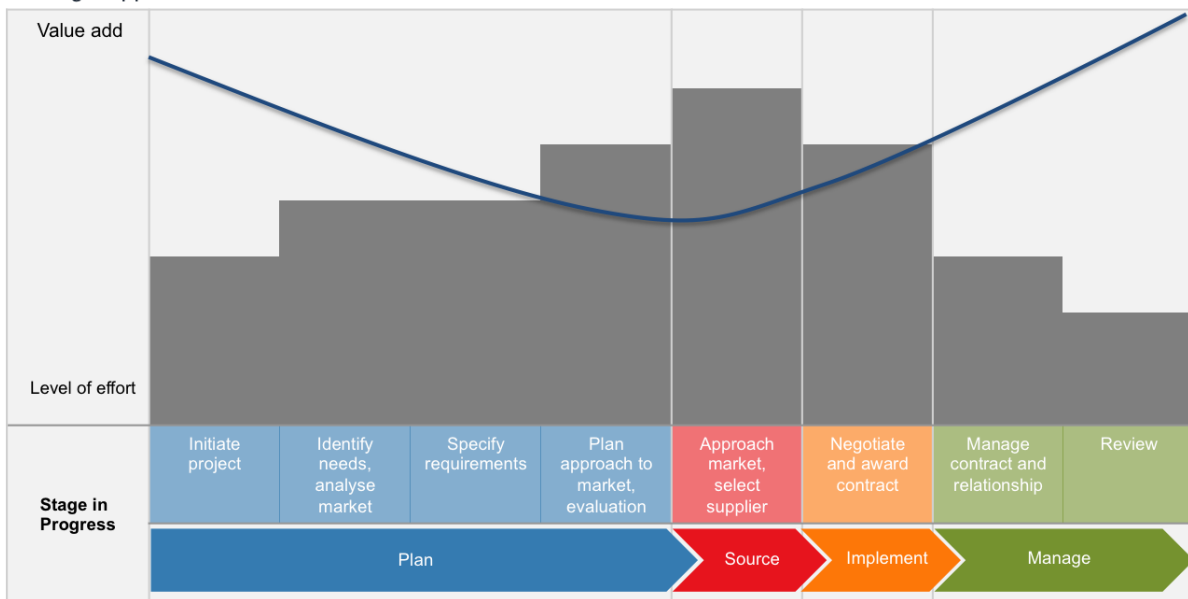
Whole of life thinking requires taking a long term view of the total cost attributable to an activity and not simply the initial purchase cost. A whole of life cost assessment will consider the social, environmental and economic impact of the outputs, any on-going maintenance and operation costs of the asset or service, and any costs associated with its disposal.

Traditional Approach to Procurement



This diagram illustrates a **traditional approach to procurement** where 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



This diagram illustrates a **strategic approach to procurement**, which methodically works through each stage in the procurement process. The time taken to plan, research and analyse add significant value to identifying solutions that will meet the needs. 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.

4.2 Our planned major projects

The Taupo District Council LTP outlines the projects planned to be delivered in Taupō in the next 10 years.

Major Capital Projects detailed in the Council's LTP 2021-2031 are shown in the table below:

Project	Year/s	Cost	Delivery Model	Selection Process
TAUPŌ WASTEWATER SOUTHERN TRUNK MAIN UPGRADE	2021/24	\$10.2 million	Staged	PQM
EXPANSION OF IRRIGATION AREA FOR TAUPŌ WASTEWATER	2027/28 and 2030/31	\$17.5 million	Staged	PQM
TURANGI WASTEWATER DISPOSAL SYSTEM IMPROVEMENTS	2026/31	\$20.6 million	Staged	PQM
POIHIPI ROAD SEAL WIDENING	2021/27	\$2.7 million	Staged	PQM/LPC
WHANGAMATA ROAD IMPROVEMENTS	2021/24	\$2.7 million	Staged	PQM/LPC
TURANGI RECREATION AND EVENTS CENTRE	2021/25	\$15.9 million	Panel	PQM
OWEN DELANY PARK UPGRADES	2023/24	\$3.5 million	Staged/Panel	PQM
BROADLANDS ROAD LANDFILL GAS FLARE AND LINER COVER	2021/31	\$4 million	Staged	PQM
BUILD NEW CELLS AT THE BROADLANDS ROAD LANDFILL	2021/23 and 2026/28	\$2.2 million	Staged	PQM
WAIORA HOUSE REBUILD 2021/23 \$6 million	2021/23	\$6 million	Panel	PQM
Civic Building Fitout	2022/24	\$4 million	Staged	PQM

Major Operational spend detailed in the LTP 2021-2031 is shown in the table below:

Operation	Cost per annum	Contract Initiation	Contract Expiry	Delivery Model	Selection Process
LANDFILL	\$1.25 million	July 2013	June 2024	Staged	PQM
WASTE COLLECTION	\$0.85 million	July 2013	June 2023	Staged	PQM
SOUTHERN RTS	\$0.35 million	March 2021	September 2024	Staged	PQM
HARVESTING	\$0.1 million	August 2019	July 2025	Staged	PQM
3-WATERS MAINTENANCE	\$2.5 million	July 2016	June 2025	Shared Risk	PQM
ROAD MAINTENANCE	\$4.5 million	October 2018	September 2024	Staged	PQM
WASTE SLUDGE CARTAGE	\$0.6 million	August 2019	August 2026	Staged	PQM

Our Term Service Contracts for Transport are highlighted in the below table:

Contract Name	Contract No.	Approx. Value (\$)	Term (yrs)	Comments	Maintenance/ Renewal/ Creation	Delivery Model	Selection Process
Reseals and Rehabilitation	Varies	Varies	Per year	Contract gets put out every year	Renewal	Staged	PQM
Road maintenance & reseals 2018-2024 ²	TDC 1718/219	\$26,634,455	69 months	Inframax to commence new contract on 1 October 2018	Maintenance Renewal Creation	Staged	PQM
Pavement Marking	TDC/1718/228	\$739,520	3+1+1	Roadrunners commenced 01/07/2018	Creation Renewal	Staged	PQM
Streetlight Maintenance	TDC 1718/236	\$1,016,414	3+1+1	Horizon Networks 01/07/2018	Maintenance Renewal Creation	Staged	PQM
Streetlight – LED upgrade	TDC/2021/354	\$2,500,000		Tender has closed	Renewal	Staged	PQM
Electricity Supply Contract	TDC/1314/116		3 Years	Meridian Commenced 01/07/2019	Maintenance	Collaborative	Direct Appointment
Passenger Transport	WRC contract		9 years – extended for 3 years	This has been renewed and	Operations	Collaborative	Direct Appointment

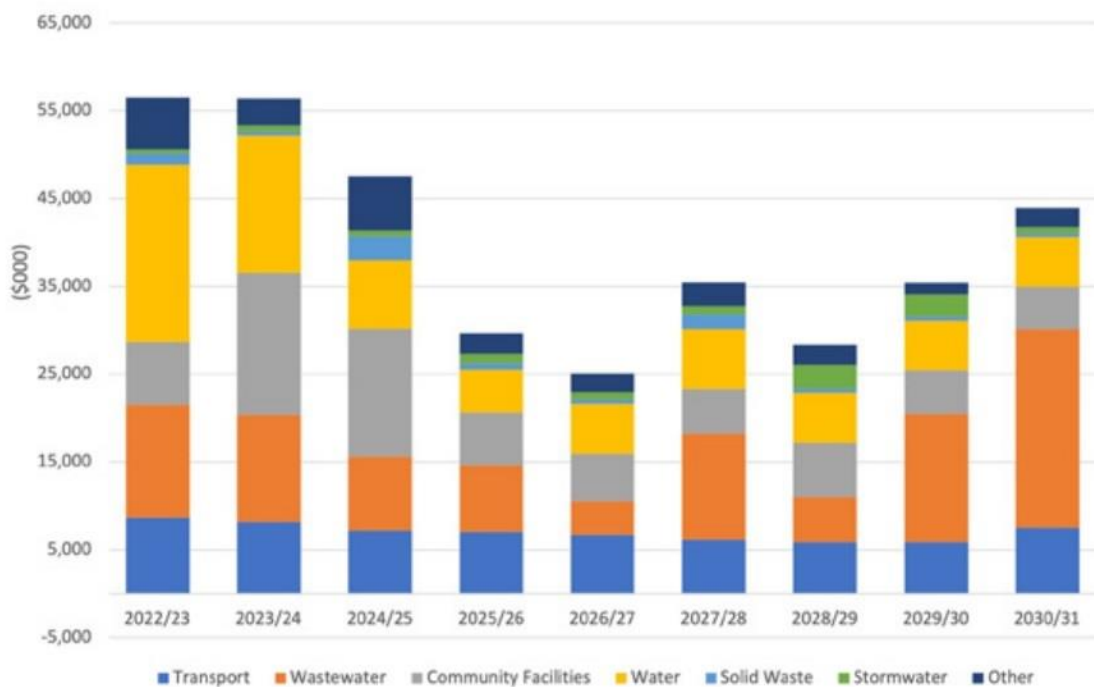
² Chip reseals are included in the term contract. Asphaltic resurfacing is tendered separately as demand dictates.

Contract Name	Contract No.	Approx. Value (\$)	Term (yrs)	Comments	Maintenance/ Renewal/ Creation	Delivery Model	Selection Process
				started on 31 October 2022.			

Table 6 - Table 14.2 TDC Maintenance and Renewal Contracts as of July 2020
 (Notes: *Energy supply only – does not include network charges)

Please note that all LCLR projects and pavement renewals/seal extensions are tendered on an annual basis.

The forecast spend as proposed in the 2021-31 LTP is shown in the following chart:



4.3 Delivery models we use

A delivery model is the relationship established between the Council and a supplier to enable the purchase of the output required to deliver an activity. In selecting the appropriate delivery model, we will assess the activity against the following criteria:

- Complexity
- Innovation potential
- Scale
- Risk profile
- Timing and urgency
- Supplier market
- Stakeholder requirements
- Uncertainty
- Level of our involvement

We will utilise a range of delivery models to procure goods and services, these are described below. The justification for the model that we will use will be commented on in the Procurement Plan.

4.4 Procurement Models

Staged

Under a staged approach, activities are delivered through a staged series of separate contracts (e.g. investigation only, design only or construction only). This is a well understood and widely used approach to procurement and is often described as the 'Traditional' approach. It is best suited to small, simple and low risk projects.

Supplier panel

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. The supplier panel model uses a two-stage process. In the first stage, suppliers are appointed to the panel through a competitive process. In the second stage, tasks are allocated to panel members. Tasks may be allocated to a preferred panel member by either direct appointment, or through a competitive process involving two or more panel members. Any works that requires co-funding with Waka Kotahi that are proposed to be delivered through a panel will need to have the Procurement Plan and RFP pre-approved by Waka Kotahi.

Once a panel has been established through an open process, the suppliers can be sourced directly from the panel without openly advertising, using a secondary procurement process, which involves:

- Deciding how many suppliers you will approach – you don't have to approach everyone on the panel unless you think it would be worthwhile.
- Make the process as streamlined as possible and proportionate to the value and risk of the contract.
- Only ask for information you need to decide who is best able to deliver the contract. Basic supplier information should have been provided when the panel was established.
- Evaluate responses, determine a winning bid and notify all respondents of the outcome. You should provide suppliers with a debrief if requested.
- You do not need to publish a contract award notice once the secondary procurement process has been completed, although it is good practice to do so.

4.5 Contract Models

Design and build

A traditional design and build delivery model uses a single contract to complete the detailed design and build. This usually involves a lump sum price arrangement where more risk is accepted by the supplier. An Early Contractor Involvement (ECI) approach engages the contractor after the initial investigations and seeks to maximise the value that can be achieved from a design and build model. Under design and build individual stages are generally awarded as separable portions, conditional on the successful completion of the previous portion. The exact number or separable portions will be dependent on how far the project has been developed prior to the design and build delivery model being implemented. These approaches are best suited for medium to large projects with innovation potential.

Shared risk

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. Successful collaboration demands that all parties commercial interests be aligned. Risk is shared by all parties with only two possible outcomes to working together: either all parties succeed, or all parties fail. No team member can win at the expense of another. An Alliance is an example of the shared risk delivery model and is best suited to large, complex and high risk projects. At Council, it is proposed that this approach is applicable only for the 3-waters maintenance Contract.

Collaborative

Under a collaborative delivery model, activities are delivered by leveraging arrangements already put in place by other organisations, including MBIE, WLASS, BOPLASS and the Council's CCO's. Common collaborative arrangements include All of Government (AoG) contracts and Syndicated contracts. We will look to utilise these contracts where appropriate as it is expected that these contracts will offer direct savings as well as a reduction in procurement overheads.

4.4 Procurement Resourcing

TDC has a Contracts and Procurement Specialist, supplemented by a Professional Services Panel procurement consultant. The ET is responsible for procurement oversight within TDC; providing specialist advice where required and ensuring that the framework conforms to best practice in the public sector. The Contracts and Procurement Specialist is also responsible for ensuring good probity and process to obtain the optimal value for TDC. However, for certain large risk projects, specialist procurement expertise is outsourced.

An in-house business unit is used to deliver those works including procurement that receive funding assistance from Waka Kotahi. The unit is supported by TDC's procurement specialist.

Within the business we have qualified Waka Kotahi tender evaluators (NZQA Procurement Qualification).

4.5 Risk Identification

Risk is identified through the TDC Risk Management Charter and the use of our Risk Management Tools. Risk identification and mitigation plans are important considerations that are to be addressed in the creation of the Procurement Plan.

Some specific procurement risks have been identified:

Risk Description	Mitigation
Conflict of Interest	Fill in conflict of interest forms on MBIE website, and where a conflict of interest is identified put in place the appropriate mitigation.
Few tenders	TDC Business Support team will load all tenders, ensuring consistency of market engagement. Furthermore, the Contractors will be informed of our forecast works, so that they can adequately prepare to receive our tenders.
Longer term contracts	Long term contracts will have escalation clauses to control any future pricing exposure. There will also be regular Contract Management meetings to ensure that the originally negotiated value is still being realised.
Contractors moving out of the district if they lose long term contracts	It is in TDC's best interests to maintain a healthy contracting community. Any potential risk of losing a Contractor will be assessed within the Procurement Plan before going to market.

4.6 Maximum contract terms

The term of a contract describes the length of time a particular contract is operational. This includes any allowable extensions after the initial term.

We will typically apply the following maximum contract terms to our contracts.

Contract Type	Maximum Term
Capital expenditure	The time to complete the works
Operational expenditure	9 years ³ & between 15-20 years for landfill contracts only ⁴

³ For Waka Kotahi Contracts, anything over 5 years will need approval from Waka Kotahi

⁴ There is an expectation of major investment into our Landfill operations. To this end, a long term may incentivise the required investment from our Landfill operations supplier.

4.7 Key Performance Indicators

Key Performance Indicators should be included with each Contract. As a starting point the Key Performance Indicators should include the below (to be modified as appropriate):

	Aspect	Specification	Period of measurement
1.	Delivery	100% of Goods arrive on time to the correct delivery address	Monthly
2.	Goods	100% of Goods meet the requirements of this Agreement	Monthly
3.	Services	100% of Services meet the requirements of this Agreement	Monthly
4.	[Name]	[Performance Specification]	Monthly
5.	Reporting	100% of reports arrive on time	Monthly
6.	Reporting	100% of reports meet requirements of this agreement	Monthly
7.	Relationship management	All issues communicated by the Supplier Representative to TDC Representative as soon as possible	6 monthly
8.	Relationship Management	The Supplier takes all reasonable steps to resolve 100% of issues communicated by TDC Representative to the Supplier Representative and requiring action.	6 monthly

5 Sourcing Management

5.1 Sourcing principles

Every procurement opportunity must be commenced from a default position of an open competitive competition, in which all potential suppliers have a fair opportunity to compete. This encourages competition which leads to better value for money and stimulates innovative ideas and solutions.

Notwithstanding this, there are occasions where value for money will best be achieved through a closed contest or direct appointment selection, this is discussed later in this section.

In all instances the process and methodology to be followed, a statement outlining the value for money context, and the impact on the supplier market will be required to be documented in the Procurement Plan or Supplier Selection Recommendation.

Value for money

The principle of 'value for money' is about getting the best possible outcome over the whole of life of the goods, services or works. Selecting the most appropriate procurement process that is proportionate to the value, risk and complexity of the procurement will help achieve 'value for money'. Good procurement is about being risk aware, not necessarily risk averse.

5.2 Current Supplier Market

The central north island has a limited pool of suppliers. A significant determining factor in awarding works is to have oversight on the continued long-term viability of our contracting community. A healthy contracting community ensures ongoing prosperity in the district, as well as ongoing potential to extract value for the district.

Council should also consider the wider region, and the demand that other Councils and organisations are putting on our potential Contractors. There is potential for collaboration with other Councils and Waka Kotahi. In some instances, it may be of benefit to align our Contract expiry dates with other Councils in our area. Further to this, in the future there maybe opportunities arising through our Local Area Shared Services relationships.

At the time of writing the contracting environment is in flux. The marketplace is not as competitive as it has been over the past few years, as inflation and supply chain uncertainty are impacting multiple Procurements. Simultaneously, whilst busy in the short term, in the medium term a lot of private sector work is currently being put on hold, moving the power dynamic more towards Council. Therefore, consideration must be given to the appropriate supplier selection method, to ensure that we are going to extract the right value from any given job.

In this environment, it may make sense to change our approach for certain works by doing things such as: pre-order materials where appropriate, ensure we maintain good payment terms for our Contractors, work with other Councils and/or Waka Kotahi to try to gain efficiencies, concentrate on developing good supplier relationships, etc.

5.3 Current Roding Contractors

The current local roading Contractor Market involves the below Contractors:

Tier 1 (national Contractors):

Downer
Fulton Hogan
Higgins
HEB

Tier 2 (Regional Contractors):

Inframax
Camex
Waiotahi
Schick

Tier 3 (Local Sub-Contractors):

TR Construction
Lakeland Excavators
Tarrants
Denos
Grove
Dempsey
GGL

5.4 Supplier selection methods

The determination of which supplier selection method will be used will depend on the relative importance of price and quality. The methods are:

- Focus on price – the suppliers are ranked by price. The preferred supplier will be the supplier with the lowest price that meets all the quality requirements.
- 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 price being negotiated afterwards.

The appropriate price and quality weightings in supplier selection will be determined based on the characteristics of the project. Where the scope of work is well defined, the resources available in the marketplace are well matched and an accurate estimate of cost can be provided, price may be sufficient to distinguish suppliers. As the complexity of the activities or the level of risk transferred to the supplier increases, or where achievement of standards becomes more important, the emphasis on quality over price will become more pronounced.

Based on these factors we will evaluate and select suppliers using one of the supplier selection methods outlined in the following paragraphs.

Direct Appointment

Direct appointment is the simplest of all the supplier selection methods. It involves the selection of a single supplier and the negotiation of commercial terms directly with that supplier for an agreed scope of works or services.

This supplier selection method is normally reserved for contracts with low value and low risk contracts, where there is a limited supplier market or level of expertise, or

where there is significant value for money benefit in direct appointing. Any Direct Appointment over \$10,000 must have a documented exemption that is signed off by an Executive Team member.

Lowest Price Conforming (LPC)

LPC may be used where it is determined that best value for money will be obtained by having suppliers compete on price alone and there is no desire to pay a premium for additional quality. The preferred supplier is the one that offers the lowest price and meets all the minimum requirements, including quality, as set out in the tender.

This supplier selection method should only be used for low-risk contracts that are fully specified.

Purchaser Nominated Price (PNP)

PNP or Target Price is a supplier selection method where the Council fixes the price to be paid and advises this through the RFP. Proposals must meet the requirements of the RFP and are evaluated on the basis of quality only.

This approach should be used where outputs are required that are difficult to specify, but a price that the Council is willing to pay has been determined.

Price Quality Method (PQM)

PQM is a supplier selection method where the quality attributes of suppliers who meet the tenders requirements are graded and the preferred supplier is selected by balancing price and quality through the use of a formula.

PQM may be used where it is determined that best value for money will be obtained by having suppliers compete on both price and quality and selecting the supplier that offers the best combination of the two. The process that we use to determine how additional quality is to be valued (i.e., the attribute weightings) will be clearly stated in each tender.

Quality Based (QB)

QB is a supplier selection method, or Brook's Law method applies when the scope of the project is unclear and/ or it is difficult, time-consuming or simply not possible to estimate the price of carrying out a contract. It is also useful when the relationship between the client and the supplier will need to be extremely cooperative to deliver the project successfully (for example, many Alliance or Public-Private Partnership projects are procured this way). The quality attributes of suppliers whose proposals meet the tenders' requirements are graded and the preferred supplier is selected solely on that basis. Under this approach, suppliers may provide a price with their tender, which forms the starting point for subsequent price negotiations.

This method may be used where it is determined that best value for money will be obtained by selecting the supplier on the basis of quality alone. There is no competition on price.

Traditionally, this approach is limited to professional services contracts, but this approach may also be used on some technology contracts or construction contracts where the scope of the outputs cannot be fully described or would be difficult to price. Preconditions and non-price attributes

The focus of the evaluation is then on the quality, quantity and outcomes of the services to be provided rather than price.

This methodology is solely for procuring Professional Services. QB is not to be used for Waka Kotahi co-funded work without prior approval from Waka Kotahi.

5.5 Tender Attributes

Preconditions

Preconditions, sometimes called prequalifying criteria, are prerequisite requirements that must be met. The purpose of preconditions is to eliminate suppliers who do not have the minimum capacity or capability to deliver the contract, not to limit market competition.

Preconditions will be stated in such a way that it can be easily determined whether the supplier meets or does not meet the precondition. Failure to fully meet any precondition will result in the suppliers' offer being rejected and removed from any further evaluation.

Non-price attributes

We will evaluate proposals using the following non-price attributes for all supplier selection methods:

Mandatory	Relevant Skills	The competence of the personnel that the supplier proposes to use in areas relevant to the outputs being purchased.
	Relevant Experience	The supplier's record of completing similar types of work.
	Methodology	The procedures the supplier proposes to use to achieve the specified end result.
	Health and Safety*	The ability of the supplier to meet the required Health and Safety standards.
Optional	Track Record	The supplier's record of delivering works or services to the quality standards required, on time and within budget.
	Capability	The supplier's capability in areas relevant to the outputs being purchased.
	Resources	The equipment, including facilities and intellectual property that the supplier proposes to use to deliver the outputs.
	Broader Outcomes	The secondary benefits that are generated from the procurement activity. They can be environmental, social, economic or cultural benefits.
	Financial Viability	The supplier's ability to access the financial resources required to deliver the outputs to be purchased.

Note*: Health and Safety may be assessed on a pass/fail basis only.

We will ensure that the evaluation of tenders is structured, robust and transparent by describing in the tender documents which attributes will be evaluated, the weighting to be applied to each attribute, or whether the attribute will be assessed as a pass/fail.

Non-price weighting for PQM tenders

We allow a combined non-price weighting of between 30% and 90%(as per the Waka Kotahi guidelines) to be applied to the non-price attributes under PQM. PQM

can still be considered for non-Waka Kotahi projects as well. When using PQM we will:

- Undertake a sensitivity analysis to ensure the weightings set will result in a realistic Supplier Quality Premium (SQP).
- Ensure there is an awareness of potential resultant SQP prior to the outset of the tender process.
- Consider the use of LPC when low price non-price weightings (less than 40%) are planned to be used.
- Consider the use of Quality Based (QB) to remove the potential price risk of a resultant high SQP, when high non-price weightings (greater than 70%) are planned to be used.

Consider scaling the resultant SQP's where a non-price evaluation results in what is considered an unrealistic SQP. This should only be undertaken in exceptional circumstances and reasons will be fully documented in the Tender Evaluation Report.

5.6 Systems supporting supplier selection

Prequalification registers

Prequalification is a joint buyer and supplier value for money initiative aimed at simplifying the tender process, reducing tendering costs and encouraging on-going supplier performance.

Prequalification involves suppliers being assessed over a range of quality criteria and then being registered for specific types and sizes of work. Tenders covered by prequalification would then specify the minimum prequalification level required as a precondition for a supplier to submit a tender. Generally, a supplier would not be required to resubmit information assessed as part of the prequalification as part of their tender response.

Suppliers will be monitored for compliance against their prequalification level as part of our supplier performance management system. Supplier prequalification levels may rise, fall or remain unchanged depending on performance.

Where a particular work category is covered by a prequalification system it is mandatory to select suppliers from the system when undertaking a procurement using the direct appointment or closed contest tender.

Supplier panels

Supplier Panels are put in place when a buyer wants to establish a relationship with a group of suppliers to deliver a series of like activities for a specified period of time. In all cases supplier panels will be put in place through an open competitive process.

Where a particular procurement is strictly covered by the scope of an established supplier panel, the panel should be used to deliver that work in all cases.

Supplier panels are not to be used for Waka Kotahi funded work in excess of \$200,000.

Currently TDC operates the below Supplier Panels (this list may be added to at any time):

- Professional Services Panel
- Water Reticulation Panel
- District Plan Review Panel

5.7 Staged supplier selection

Staged supplier selection involves breaking the procurement process into two or more stages. Undertaking a staged process can deliver better value for money by reducing administration costs, however this needs to be balanced against the additional time required to undertake.

Market research

When there is limited knowledge of the supplier market, or products and solutions in the market, a Request for Information (RFI) can be a useful tool to formally seek information from suppliers as to the types of goods and services currently available. It should be noted that an RFI is a market research tool and will not be used to select or shortlist a supplier. If it is decided to proceed with the procurement the RFI will be followed with a tender.

Shortlisting

Where appropriate, we will shortlist by undertaking a two-stage tender process by conducting a Registration of Interest (ROI) followed by a Request for Proposal (RFP) or a Request for Tender (RFT). At the end of the ROI evaluation suppliers will be advised whether or not they have been shortlisted. Suppliers who fail to make the shortlist will be offered feedback at the conclusion of the second stage RFP or RFT evaluation.

For guidance when shortlisting is used, we may:

- Shortlist between two to four suppliers for contracts valued up to \$5m.
- Shortlist at least three suppliers for contracts above \$5m.
- Include an indicative methodology attribute at the ROI stage, to encourage innovation.

In all cases the ROI will detail the parameters used for shortlisting and how attributes evaluated in the shortlisting process will be carried forward, if applicable, into the RFP or RFT evaluation.

Shortlisting prospective suppliers has the ability to promote value for money by:

- Reducing the costs of tendering by reducing the number of full submissions called for.
- Ensuring only high quality suppliers are selected to tender for the work.
- Reducing the administrative burden of evaluating tenders.

However, we recognise that overuse of a shortlisting processes could have potential disadvantages, including decreasing overall market sustainability and competitiveness, creating a barrier to entry for some suppliers, or increasing the time and cost associated with the procurement process. As such, appropriate market considerations will be undertaken before deciding to use a shortlisting process.

5.8 Use of direct appointment

Direct appointment may only be used to select a supplier and establish a contract when:

- The contract is of low value (<\$10k)⁵, or
- The supplier selection process commenced as a competitive tender, but only one conforming tender was received, or
- A monopoly supplier situation exists, or
- The contract is for an emergency reinstatement or to address a serious Health and Safety issue, or
- It is determined that there is only one practical supplier, or
- It is determined that competition will not deliver value for money.

Further direction of how to proceed with a direct appointment (also known as direct negotiation) is provided within the procurement guidelines.

5.9 Competitive tendering

Competitive tendering⁶ is the default method under which we will source goods and services above the value of \$100k. Depending on the value of the procurement we will conduct either a closed or open tender process.

In addition to the value of the procurement we may also consider the following when planning to undertake a competitive tender process:

- The scope must be clear to all parties and suppliers must be able to reasonably estimate their costs of delivery.
- There must be an adequate number of suppliers.
- The suppliers must be technically competent and must actually want the work.
- There must be sufficient time for tendering.

If all of these considerations are not met, then tendering may not deliver a value for money solution and direct appointment may be considered.

Electronic tendering

We are committed to leveraging the efficiencies and cost benefits, both to us and our suppliers, of electronic tendering. We will by default utilize the Tenderlink & GETS Services to publish all tenders and subsequent addenda and receive responses to tenders.

⁵ Where a Supplier Panel is in place the value limit for direct appointment of a panel member will be detailed in the Supplier Panel contract.

⁶ Tendering in this context refers to either an RFT or an RFP or a staged ROI/RFT or ROI/RFP process.

In all cases the tender documents will detail a point of contact for the tender process and detail the method for submitting queries and tender responses. In all cases non-price and price responses will be required to be submitted in separate files.

Minimum time periods for tenders

We acknowledge that responding to a tender takes time and that if sufficient time is not given to suppliers that this can impact the quality of responses and add risk to the evaluation process. All tenders will give suppliers an appropriate timeframe to respond that is consistent with the policy and the guidelines, especially for design and build contracts.

Supplier questions

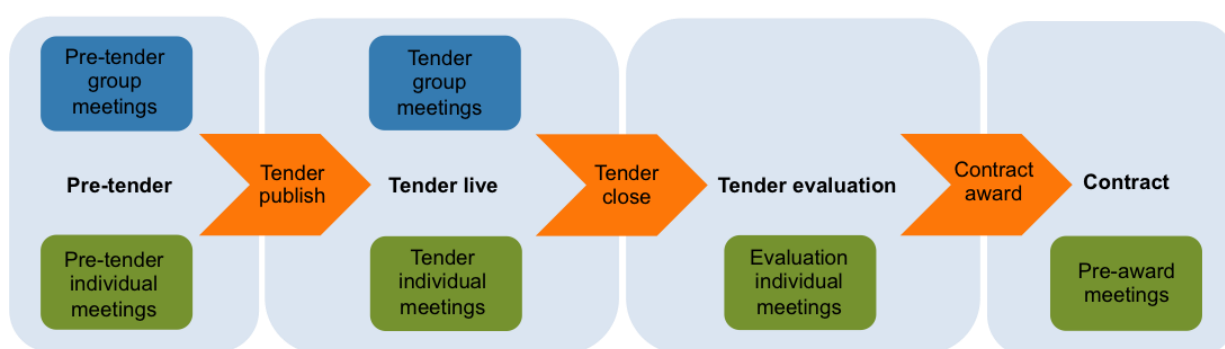
We encourage questions during the tender process. Questions should be made on and will be responded to using the tenderlink question and answer functionality. Unless the question contains information that the supplier identifies as commercially sensitive the questions and answers will be made available to all potential suppliers.

If we are unable to promptly respond to a question or the change or addition to the tender documents is material to the supplier's response, we will consider extending the deadline for responses.

In addition to the tenderlink functionality all tenders will specify a Tender Information Contact Person, this person is the only person authorised to discuss the tender once published until the award of the contract.

Interactive tendering

Interactive tender meetings provide a useful means of assuring that expected project outcomes will be delivered. The meetings will be commercial in confidence and non-contractual in nature. We will use an interactive tender process where it is determined that best value for money will be obtained by using the process. Where an interactive process is to be used, the process will be documented in the tender documents. An interactive tender process may consist of one or more of the meetings shown in the following diagram:



The key purpose of the interactive tender process is to:

- Clarify the intent and improve the standard of the tender by ensuring all tenderers are aligned on the specified requirements.
- Provide a forum for an open exchange of information and ideas.
- Allow additional information transfer to more clearly identify risk, so it can be better managed.
- Allow the supplier to put forward conceptual ideas, or alternate proposals and for the Council to provide feedback on the acceptability of these.

In all cases when interactive tendering is used we will ensure that the process is conducted fairly and no supplier receives an unfair advantage over another.

Record keeping

Under the Public Records Act 2005, all public organisations are required to create and maintain full and accurate records in accordance with normal, prudent business practice. This includes activities carried out by contractors on our behalf. For procurement this means that all records relating to the planning, approach to market, supplier selection, negotiation, award of contract, contract management and review must be retained.

5.10 Customised Procurement Procedures

All procurement should follow the approved processes as outlined above. Any exceptions to the approved procurement processes needs to be authorised by the ET.

5.11 Evaluation of tenders

Tender evaluation is the process that enables the selection of the most appropriate tender that achieves the best value for money. The method of evaluation will be documented in both the Procurement Plan and the tender documents. A good evaluation will result in the objectives of the procurement being achieved.

Tender Evaluation Panels (TEPs)

Where it is appropriate to have a TEP, the make-up of the TEP will be dependent on the value, complexity and risk of the procurement. The TEP may be managed by a suitability qualified and experienced TEP Chair (Contracts and Procurement Specialist, or suitably qualified third party) and may be supplemented by external Subject Matter Experts (SMEs). SMEs will not have voting rights in evaluation meetings but will be available to answer questions. The makeup of a TEP is discussed in the Procurement Guidelines.

For high value or complex procurements, the TEP Chair will not score and will generally be a member of the procurement function, who understands the rules of the evaluation and ensures that the evaluation process is managed in a fair, robust and defensible manner.

The TEP will not be named in the tender documents to ensure TEP members cannot be influenced by potential suppliers.

Probity

Ensuring probity of action is everyone's responsibility when conducting procurement activities. We apply the following basic principles of good practice when buying goods and services:

- Accountability.
- Openness.
- Value for money.
- Lawfulness.
- Fairness.
- Integrity.

By applying these principles sensibly we can demonstrate that we are spending public money carefully and properly managing the process for spending it.

Grading scale for non-price attributes

We will use the following 0 to 100 grading system when evaluating tender responses:

90, 95 or 100	Demonstrates exceptional compliance or ability to convey exceptional provision of the requirement
75, 80 or 85	Requirements are fully covered in all material aspects
60, 65 or 70	Requirements are adequately covered
50 or 55	Adequate, with some deficiencies that are not likely to have any adverse effect
40 or 45	Barely adequate and would need considerable improvement in this attribute, if selected
35 or less	Total non-compliance or inability to convey provision of the requirement

Note: Failing to fully meet any precondition, scoring a fail on any attribute assessed on a pass/fail basis, or failing to score above 35 on any weighted attribute, will result in the supplier's offer being rejected and removed from any further evaluation.

Reference checking

We may carry out reference checking to assist in determining whether the supplier can deliver the output described in their tender response. Reference checking will be carried out following the tender being evaluated on its own merit. Reference checking will include:

- Checking with referees provided in the response.
- Internal checking of prior performance on our projects.

Reference checking responses will inform the TEP and may result in adjusted scores for non-price attributes.

Due diligence

Due diligence is about independently verifying the ability of the supplier to fully deliver over the term of the contract. It is an opportunity for both parties to test their expectations and understanding of the deliverables and the contract. During this phase assumptions will be checked and roles and obligations clarified. If serious issues arise during due diligence that cannot be resolved the supplier will be removed from further consideration and the next ranked supplier promoted to preferred status.

Negotiation with preferred suppliers

Where appropriate we will negotiate with the preferred supplier(s) prior to tender acceptance or contract award. We view negotiation as an effective risk management tool which, when used correctly and fairly, can add value to the procurement process. The primary objectives of negotiation are to:

- Test the understandings and underlying assumptions that have influenced the supplier(s) in preparing their response(s).
- Achieve a reduction in costs or an increase in value, where appropriate.

When a negotiation is to be undertaken it will be consistent with the direction provided within the procurement guidelines.

Notification of tender results

We will notify all suppliers in writing of the tender outcome and offer all suppliers the opportunity for a debriefing. This is seen as an important part of the evaluation process as it helps ensure future market competition. No details of any suppliers scores will be provided until the end of the evaluation process (after tender acceptance or contract award has occurred), however suppliers will be notified during the evaluation process if:

- Their response has been excluded from evaluation due to non-conformance, failing to meet any prequalification, failing a pass/fail attribute or failing to score above 20 in any non-price attribute.
- They have been shortlisted (or not) after the first stage of a two stage (ROI/RFP or ROI/RFT) tender.

They are a preferred (or not a preferred) supplier. For Waka Kotahi spend the following should be provided as a minimum:

- name of the successful supplier
- price of the successful proposal (where the supplier selection method was other than quality-based)
- the number of conforming proposals received
- range of grades for each non-price attribute (where attributes are graded) and, for each supplier, their individual non-price attribute grades
- when the price quality supplier selection method is used, the margin between the proposal submitter's supplier quality premium and the supplier quality premium for the preferred supplier.

Open competition

The opportunity to put forward unsolicited proposals must not be used as an opportunity to get around the requirement for open competition.

If there is doubt about the uniqueness of a proposal an RFI should be issued to the market to verify the uniqueness of the proposal.

Our tender debriefings will focus on the strengths and weaknesses of the supplier's response against the evaluation criteria, rather than a comparison to other responses received. Commercially sensitive information relating to other supplier proposals will not be disclosed as part of the debrief process.

6 Contract Management

6.1 Contract management principles

Contract management is the process that enables us and our suppliers, to meet the objectives required from our contracts: on time, to the quality and specification required and within budget.

This means ongoing tracking and monitoring of delivery and costs, managing risks and actively managing the relationships between us, the supplier and key stakeholders. This process continues throughout the life of a contract and involves managing proactively to anticipate future needs as well as reacting to situations that may arise.

Health and Safety

The Council recognises its obligations as a Principal under the Health and Safety in Employment Act 2015. As such we are required to take all practicable steps to ensure safe work practices are employed by all of our suppliers. We require all suppliers we engage with to comply with these requirements and actively explore ways of promoting best practice Health and Safety throughout the procurement lifecycle.

Insurances, Bonds and Retentions

The use of Insurances, Bonds and Retentions are all methods that we use to protect ourselves from the risks associated with supplier performance. The level of protection will be determined by assessing the risks involved in delivering the services. We are mindful of the need to exercise caution when setting limits, as excessive limits will deter from the objective of obtaining value for money.

Key activities

Contract management activities can be broadly grouped into three areas:

- **Performance management** ensures that the service is being delivered as agreed, to the required level of performance and quality.
- **Relationship management** keeps the relationship between the two parties open and constructive, aiming to resolve or ease tensions and identify problems early.
- **Contract administration** handles the formal governance of the contract and changes to the contract documentation.

All three areas must be managed successfully if the arrangement is to succeed.

6.2 Contract templates

Our Procurement Framework contains Contract templates that are based on standard form contracts and will have been through a legal review by the Council's Legal Department. Where a standard contract template exists the expectation is that it will be used when engaging with suppliers. Standard contract templates that we use include:

- NZS3910:2013 – Conditions of contract for building and civil engineering – Construction.
- NZS3916:2013 – Conditions of contract for building and civil engineering – Design and Construct.
- NZS3917:2013 – Conditions of contract for building and civil engineering – Fixed Term.
- NZS3915:2005 – Conditions of contract for building and civil engineering – Construction (where no person is appointed to act as engineer to contract).
- ACENZ– Short form agreement for consultant engagement.
- CCCS – Conditions of Contract for Consultancy Services
- GMC Form 1 Goods
- GMC Form 1 Services

6.3 Contract performance and review

Contract performance incentives/disincentives

Where appropriate, we will include performance-based incentives/disincentives into contracts. This will be particularly visible in strategic relationship based collaborative contracts.

Contract reviews

Contract reviews are an important part of the overall procurement process. An effective review process can improve procurement management and demonstrate public accountability by providing an honest appraisal of the procurement, the delivery of the contract and the outcomes achieved. We expect to undertake formal contract reviews on all contracts.

Key questions to be considered in any contract review process include:

- Have the anticipated benefits been received?
- Does the initiative represent best value for money?
- Are there opportunities for further improvements?
- What lessons can be learned and how can these be implemented?

Performance criteria

These performance criteria may be included in our KPI's specific to the services procured:

- **Management:** Skill levels and competency, risk management, creating a 'no surprises' environment, responsiveness, creating innovation and proactiveness.
- **Production:** Ability to meet programme, timely outputs, achieve the specified standard, accurate outputs to required standards and defect management systems.
- **Health and Safety:** Safe work practices and traffic management control.
- **Administration:** QA documentation, monthly reporting, financial and handling of variations.

7 Implementation and Improvement

7.1 Implementation

Ownership of the Procurement Strategy

The ownership of the Procurement Strategy rests with the ET.

Monitoring

Monitoring is key to implementation, ensuring the objectives of the Procurement Strategy are achieved through the way in which we procure, as well as guaranteeing all improvement initiatives are developed in the right areas and align with the overall Procurement Strategy intentions. The purpose of all monitoring is to gauge the value for money received and continually look for further efficiency gains.

As part of our ongoing monitoring, we will continually review and make changes to our strategy where appropriate. We see this as a natural process as our business continues to evolve to meet the demands of our customers and stakeholders.

Consultation

We are committed to obtaining supplier feedback into our Strategy and wider procurement framework. We value transparency in our procurement process and are open to listening and discussing with suppliers any concerns they have or envisage with relation to our supplier engagement and procurement practices.

7.2 Improvement

Due to the maturing nature of our procurement function, it is appropriate that we will be subject to periodic internal and external reviews. Lessons learnt will be used to improve future procurement activities and initiate changes to the Procurement Policy, Strategy, and/or Guidelines as appropriate.

Our procurement performance will also be benchmarked against similar organisations to demonstrate that our processes:

- Proactively support the delivery of critical and important business priorities.
- Improve commercial discipline and add value for money.
- Manage procurement supply chain and reputational risk.
- Improve the efficiency and effectiveness of the procurement process.

At the time of writing we have identified a number of different areas that need to be investigated, developed and improved during the term of the strategy. These include:

- Perform an in-depth Supplier Spend Analysis
- Standardise the method of going to market
- Review/Implement AoG Contracts across the organisation

7.3 Distribution

This Procurement Strategy will be available on the Council website. It will also be distributed to Waka Kotahi Waikato System Management.

The website link will be sent to neighbouring Councils, and key local Contractors.

8 Appendix One: TDC Smart Buyer

A Road Efficiency Group (REG) self assessment was released in September 2022. This identifies Procurement Opportunities for improvement across the organisation. Whilst this is specifically aimed at the roading sector, it provides a good oversight as to potential areas of improvement across Council's procurement function.

