

Procurement Policy

August 2020



Mackenzie
DISTRICT COUNCIL

Procurement Policy

Adopted 2020-08-25

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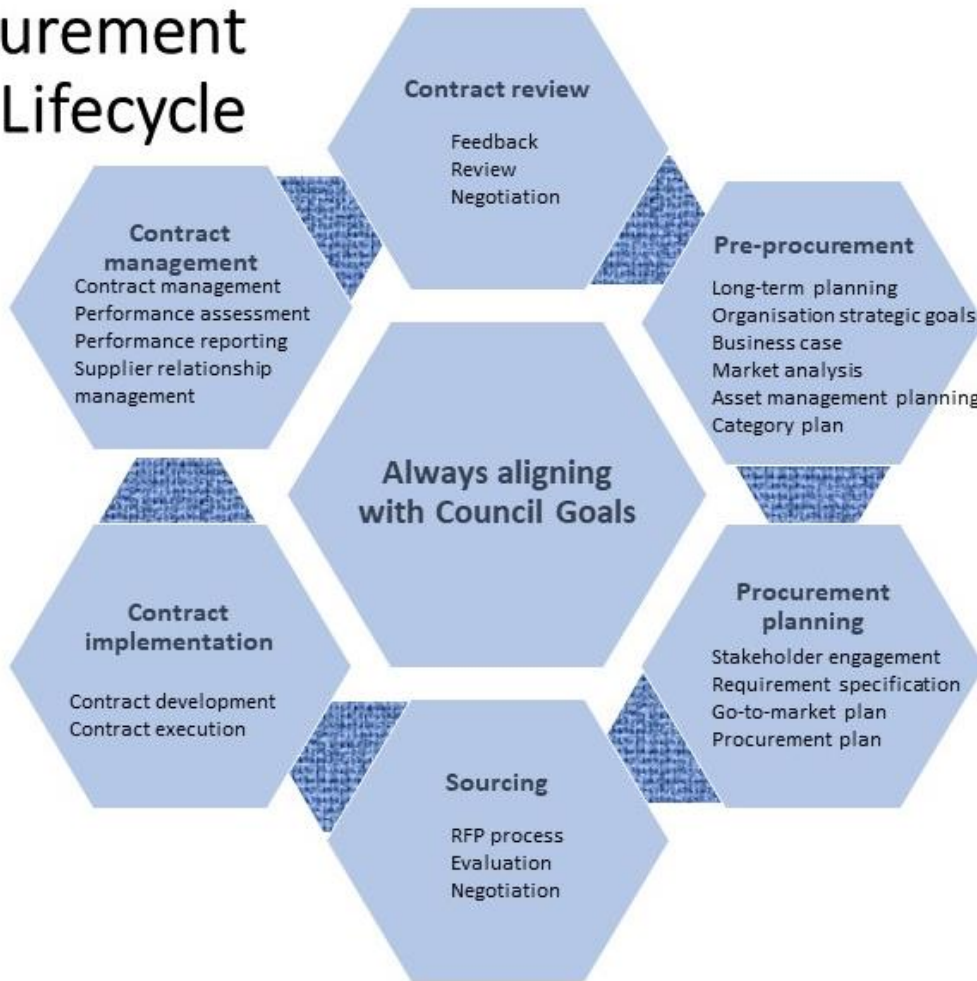
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1. Introduction to Procurement Policy

1.1. Purpose

This policy is to provide a standardised set of requirements to be met when purchasing all goods and services. This policy also forms a key part of the procurement lifecycle and must be understood in this context.

Procurement Lifecycle



1.2. Key Points

Procurement is defined as the process of acquiring goods, works and services. The process spans the whole cycle from identification of needs through to the end of a service contract or the end of the useful life of an asset. This strategy outlines the approach to be taken by buyers within the Council in

order to obtain maximum value for money from everything we buy and all the services we provide to the community.

The key points are:

- To inform employees and those acting on behalf of the Council of the principles, behaviours and expectations when conducting procurement.
- To understand procurement practice as a lifecycle process.
- To encourage a common understanding and consistent management practice.
- To promote transparency and fairness.

1.3. Scope

This policy outlines the approach that Council will take to planning, sourcing and managing its procurement. It must be followed by all elected members and employees. Any departure from this policy must first be approved by relevant delegated financial authority.

The overall procurement process includes the six procurement lifecycle stages:

- Pre-procurement
- Procurement planning
- Sourcing
- Contract implementation
- Contract management

1.4. Date of Issue

This policy was first adopted on 13 August 2019. The following amendments have been made:

- Added 2.1 Definitions section
- Added 5.6 Validating New Suppliers section
- Added 5.10 Approved Contractors section
- Change 5.6 Local Suppliers section
- These changes adopted 2020-05-12
- Full annual revision adopted 2020-08-25

1.5. Policy Retention

Stored in Laserfiche: Mackenzie\Corporate\Corporate Policies\Organisational.

1.6. Date Policy to be Reviewed

Review due August 2021.

Related Documents / Websites

Mackenzie District Council Preferred Supplier Register

Mackenzie District Council Conflict of Interest Policy

Mackenzie District Council Delegations Manual

Mackenzie District Council Asset Management Policy

Mackenzie District Council Asset Disposal Policy

Mackenzie District Council Fixed Asset Accounting Policy

Standards New Zealand Conditions of Contract for Building and Civil Engineering Construction

Procurement guidance for Public Entities - <https://www.oag.govt.nz/2008/procurement-guide/docs/procurement-guide.pdf>

Mastering Procurement – Structured Approach to Strategic Procurement - <https://www.procurement.govt.nz/assets/procurement-property/documents/guide-mastering-procurement.pdf>

Government Procurement Rules - <https://www.procurement.govt.nz/procurement/principles-and-rules/government-procurement-rules/>

2. Purpose and Scope



The Procurement Policy states the principles governing all transactions that commit the Council to expenditure for the provision of goods, services and works. It aims to:

- Inform employees, and those acting on behalf of the Council, of the principles, behaviours and expectations when conducting procurement and contract management activities
- Encourage a common understanding and consistent management practices across the Council
- Promote transparency in how the Council conducts its procurement activities
- Ensure procurement activities are always consistent with legislation
- Provide a framework of common understanding of the Council's procurement practices for potential suppliers

This policy outlines the approach that Council will take to planning, sourcing, and managing its procurement. It must be followed by all elected members and employees. Any departure from this policy must first be approved by relevant delegated financial authority.

This policy excludes:

- Procurement for roading infrastructure services, a separate Strategy applies to Roothing Infrastructure Services which has been consulted on with NZTA
- Employment agreements; and
- Purchases and procurement of services required for Civil Defence emergencies.

2.1. Definitions

The following definitions are based on those contained in the Glossary of the Office of the Auditor-General's (OAG) Procurement Guidance. While not all of the following terms may appear elsewhere in the text of this Procurement Policy statement, it is important nonetheless that they be understood as being common to the procurement process:

Approved Contractors: These are Suppliers approved by Council to carry out and control authorised work on Council's current and future infrastructure with approved health and safety certifications and insurances.

Approving authority is the person or persons responsible for approving different types and levels of procurement.

Best value (also known as Value for money) means the best possible outcome for the whole of life costs, to meet the community's requirements. Best value does not necessarily mean selecting the

lowest price. Rather, it means achieving the right quality, quantity and cost at the right time and place, and for the right reasons.

Cluster refers to a group of public sector entities that collaborate before going to the market and approaching the market collectively (that is, they aggregate their requirements). This arrangement is used in syndicated procurement (definition below).

Commercial in confidence (CIC) is a description applied to confidential information provided for a specific purpose that is not to be used for any other purpose.

Common use provision (CUP) clause is a clause included in procurement and contract documents to enable eligible public entities to join the contract during its term. The clause is used in syndicated procurement arrangements.

Contract value means the sum named in the contract documents as payable for the completion of the contract subject to such adjustments as are provided for in the contract documents.

Council means the Mackenzie District Council (MDC).

Expression of interest (EOI) is similar to a registration of interest (ROI) in that it is used to identify suppliers interested in, and capable of, delivering the required goods or services. Potential suppliers are asked to provide information on their capability to do the work. It is usually the first stage of a multi-stage tender process.

Local Supplier: "Local" means a ratepayer of the Mackenzie District Council and/or an organisation that employs Mackenzie District residents.

Market, in the context of this Policy, means the sellers of a good or service who are potentially available as suppliers to a public entity.

Panel contracts are a contractual arrangement with a group of suppliers to provide goods or services as and when required, under a schedule of rates for each supplier or on a quotation basis.

Partnership is an arrangement or agreement between two or more partners where the risks and rewards related to the project are shared between the partners. A Council organisation is specifically excluded from the definition of partnership as applied in this policy.

Private Sector is the part of the country's economy that consists of privately owned enterprises.

Procurement covers the process of acquisition of goods, works and services from third parties. There are no dollar limits (either minimum or maximum) on the definition of procurement as it applies in this Policy.

- Procurement is all 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.
- Procurement does not include the making of grants or investments in community development.

Project is any series of activities, other than routine processes or operational tasks, which possess all of the following characteristics:

- Has a specified objective to be completed within certain specifications, and
- Has defined start and finish dates, and
- Utilises resources (money and/or people and/or equipment).

Public entity and entity have the same meaning as in section 5 of the Public Audit Act 2001. This includes schools, State-owned enterprises, government departments, Crown entities, and local authorities, as well as any subsidiary or other controlled entity of the principal entity.

Public sector means, collectively, all public entities in central and local government.

Public/Private Partnership (PPP) for the purpose of this Policy, a PPP is an arrangement between a public sector entity or entities (including Council) and a private sector entity or entities for the purpose of jointly or co-operatively undertaking a project for mutual benefit.

Registration of interest (ROI) is similar to an expression of interest (EOI) in that it is used to identify suppliers interested in, and capable of, delivering the required goods, works or services. Potential suppliers are asked to provide information on their capability to provide the goods, works or services. It is usually the first stage of a multi-stage tender process.

Request for information (RFI) is a formal request for information to gain a more detailed understanding of the supplier market and the range of solutions and technologies that may be available.

Request for proposal (RFP) is a formal means of seeking proposals from the market for goods, works or services where the public entity is open to supplier innovation – that is, where the outputs and outcomes are important, rather than the process the supplier follows to deliver them.

Request for quotation (RFQ) is a formal means of seeking quotations from the market for goods or services where price is the main selection criterion, the requirement is for “stock standard” or “off the shelf” goods, works or services, and the procurement is low risk.

Request for tender (RFT) is a formal means of seeking tenders from the market to provide goods, works or services where the public entity’s specification or requirements are clearly defined and there is little room for flexibility or innovation.

Staff means all members, trustees, office holders, managers, and employees of a public entity.

Syndicated procurement involves groups of public entities aggregating their procurement requirements to achieve improved outcomes through greater purchasing power and reduced procurement costs. The two most widely used syndicated procurement models are the ‘common use provision’ (CUP) and ‘cluster’. Syndicated procurement is not limited to other local authorities only.

Sustainability refers to meeting the needs of today, without adversely affecting the needs of tomorrow. In a business sense, the key messages of sustainability tie in with what are considered sound business practices, such as building efficiency, minimising waste, and maximising resources.

Tender Process means an appropriate tender process for the contract being tendered. It commonly includes a Request for Tender (RFT) but does not include an Expression of Interest (EOI) or a Request for Interest (RFI) process. An EOI and an RFI may be used to gather information in the supplier selection process but do not qualify as an appropriate tender process for the purposes of this Policy. A Request for Proposal (RFP) may qualify as a tender process if a price is supplied as part of the RFP.

Value for Money: Value for money means using resources effectively, economically, and without waste, with due regard for the total costs and benefits of an arrangement, and its contribution to the outcomes the entity is trying to achieve.

Whole of Life Costs of a procurement option may include any or all of the following:

- One-off costs, such as the purchase or contract price
- On-going costs, such as maintenance and administration costs
- Asset ownership costs, such as debt servicing and depreciation
- Opportunity costs; and
- Non-financial costs, such as environmental or social costs.

3. Policy Statements

The Procurement Policy establishes a decision-making framework that aligns with these statements:

- To achieve Council's procurement objectives and to enhance professional integrity, accountability, and probity, all purchasing activity within Council shall be undertaken in accordance with the policy, principles, and procedures.
- The Executive Team, in consultation with the senior management team, shall oversee procurement practice within the Council.
- The Council will undertake its purchasing activities in the most effective and efficient manner to minimise the administrative costs associated with purchasing and will ensure that appropriate practices and procedures of internal control and risk management are in place for its purchasing activities.
- Council has a commitment to sustainability and environmental protection. This will be pursued by promoting purchasing practices which conserve resources, save energy, minimise waste, and will protect the environment and human health whilst maintaining environmental safety and quality wherever possible.
- The Council will achieve the best value by adopting the procurement policies and procedures contained in this Procurement Policy.
- The Council officers will act within their delegation in undertaking procurement and contracting activities.

3.1. Procurement Approach

Council commitment to suppliers is by way of written agreement. We address simple procurement to long-term relationships by the following:

- Simple low value, low-risk procurement:

Our agreement may be in a simple transaction using petty cash, reimbursement, corporate credit card purchase or purchase order. In these cases, our transaction is embraced by normal commercial structures e.g. Consumer Guarantees Act, Fair Trading Act; where a Council purchase order is used our Council Terms and Conditions of purchase and acceptance of the quotation precede.
- Medium to high value with similar risk profile:

These are supported commercially with our standard terms and conditions of purchase via the issue of a purchase order and as applicable by mutual agreement by written contract.

Contracts refer to legislative background, procurement process, offer and the suppliers' commitment associated with goods and services, and warranties.
- The term of contract reflects:
 - The Asset/construction/utilities/maintenance being procured.
 - A reasonable assessment of time required to complete the program of work e.g. construction of a works pipeline.

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- That Council utilise industry standard contracts as the basis of our agreement.
- The term for the provision of services. In general, Council will look to secure a term of 3 years with rights of renewal for a further 1 or 2 years. A moderate term (3 years) provides certainty for Council and Supplier and avails Council of leverage of price.
- Contract terms are conditional on satisfactory performance based on service level agreements.

4. Objectives

4.1. Value for Money

The Council has an overarching responsibility to manage its resources in an effective and efficient manner. The Council will seek the best possible outcome from the total cost of ownership over the whole of life of the asset. This will be achieved by:

- Ensuring that the overriding criteria for procurement decision making is the total cost of ownership over the whole of life of the asset.
- Including an appropriate balance of financial and non-financial (e.g. technical, performance, sustainability, functional, risk, quality, service) selection criteria in procurement decision making.
- Subjecting proposals and tenders to robust evaluation processes, including benchmarking and/or comparison between proposals or tenders.
- Selecting procurement methods and forms of contract that consider the scale (complexity and/or comparison between proposals or tenders).
- Undertaking benchmarking on a regular basis during the duration of a contract to ensure value for money is being achieved.

4.2. Transparency and Accountability

The Council is accountable for the use of public money through procurement and must be able to give a complete and accurate account of how public funds have been used and contracts awarded. This will be achieved by:

- Following consistent processes and procedures that are in line with accepted good public sector procurement practices
- Maintaining appropriate records relating to procurement activities that allow for subsequent review of decision making.
- Conducting procurement activities in a fair, consistent, accurate and unbiased manner, acting with integrity and good faith.
- Ensuring procurement decisions are made in accordance with the financial delegations outlined in the Delegations Manual
- Not accepting gifts or gratuities from prospective suppliers who are actively tendering or negotiating for contracts.

4.3. Fairness and Lawfulness

The council have an overarching obligation to conduct all procurement activities consistent with the relevant legal obligations and to act fairly and reasonably when dealing with the supply market. This will be achieved by:

- Ensuring that all procurement activities are compliant with relevant legislation

- Ensuring employees do not disclose confidential information that would prejudice legitimate commercial interests of a particular supplier, or might prejudice fair competition between suppliers, without written authorisation of the supplier that provided the information.

4.4. Contract and Supplier Relationship Management

The council recognises the value of effective relationships with suppliers. Developing long-term and mutually beneficial relationships with key suppliers supports the Council's strategic objectives and contributes towards the achievement of best value for money. This will be achieved by:

- Ensuring all contracts are recorded, managed, and monitored through a centralised contract register (including any subsequent contract variations)
- Ensuring that key performance indicators and/or service levels are agreed with key suppliers and form an integral part of the contractual agreement
- Actively managing contractual agreements and relationships, to sustain and increase supplier performance through the full contract term.

4.5. Thinking Strategically

The council will take a strategic approach to its procurement activities by considering the long-term benefits, economic impacts and consequences of procurement decisions to the Council. The Council will act to leverage requirements and achieve best value for money. This will be achieved by:

- Forward planning procurement requirements and contract expires to ensure the sufficient time and resources are available to optimise the outcome from procurement activities
- Ensuring that employees with responsibility for managing and overseeing procurement activities are appropriately skilled and experienced, and external advice and capability is utilised where appropriate.
- Ensuring that All of Government and syndicated agreements are considered where they represent value for money and are fit for purpose.

4.6. Managing Risk

The Council recognises the need to balance risk with the expected benefit of the procurement activity. This will be achieved by:

- Ensuring procurement risks and mitigating strategies are identified and documented as part of the procurement process.
- Ensuring a risk-based approach based on a combination of likelihood and consequence is considered.
- Ensuring that suppliers enter into the Council's standard terms and conditions at all times.

5. Policy

5.1. Procurement Planning

Purchases may only be made when there is an approved, allocated budget, and if the purchase is within delegated financial authority. Where a purchase exceeds an officer's delegated financial authority, the approval of the relevant delegated financial authority must be obtained. Current expenditure delegations can be found in the Delegations Manual¹.

If tendering procedures are required, the appropriate planning mechanisms must be followed. For any given tender project, the Council retain the right to reject all tenders provided the principles of value for money, transparency, accountability, lawfulness, and fairness are upheld.

5.2. Purchase Orders

A purchase order with Council's standard terms and conditions attached, must be raised for all goods and services prior to purchase. This requirement may be waived in exceptional circumstances. Where possible, suppliers should include the relevant purchase order number on the invoice rendered.

5.3. Contract Requirements

All contractual relations entered into by Council must meet industry guidelines, standards, and best practice.

No orders shall be placed, or tenders or quotations accepted unless all the following three criteria are met:

- Financial approval for those goods or services has been provided for in the current budget
- Financial approval has been provided for by Council resolution
- The signatory has been delegated the required financial authority under the Delegations Manual

Variations and Extensions

When the additional costs of a service or project are small in comparison to the costs of undertaking a discrete tender process, a contract extension or variation may be used in accordance with 'Standard Procurement procedures' Table. When extension and variations are not specifically provided for within an existing contract, the extension or re-definition of a contract that increases the originally approved contract value must be approved by the Chief Executive.

¹ Delegations Manual – available internally on the intranet:

<http://intranet/Delegations%20Manual%20effective%20from%207%20May%202019.pdf>

For Contracts over \$150,000, when the additional sum is beyond 10% of the total value of the contract, the contract variation must be presented to Council for approval. The refining of service delivery contracts to more closely reflect the amount of work required to maintain services does not need to be openly tendered but can be managed directly by the appropriate Council officer.

5.4. Procurement Procedures – Standard

The method of purchasing goods or services shall be dependent on the estimate of the cost to be incurred, in accordance with the following schedule, but at all times to ensure the Council receives the best value for its money. Officers purchasing goods on behalf of the Council should be familiar with the extent of purchasing services and the quality of goods available. Local suppliers/contractors must be given every opportunity to obtain Council contracts by way of local advertising. The following definitions are provided to ensure consistent interpretation:

- **Value** – means the total potential value of the procurement (including any extensions). For example, if a contract is valued at \$50,000 per year and is for a length of three years, the procurement value is \$150,000
- **Method** – refers to the way a purchase can be made. The methods outlined are subject to the existence of an approved, unallocated budget and the delegated financial authority of the officer making the purchase
- **Exceptions** – Situations in which a departure from the method outlined in the Standard Procedure Table is permitted. Where an exception is used, a record must be kept of the approval obtained and the reason for the exception's use.

For contracts over \$50,000, open tender procedures must be used except for some purchases of specialised services, equipment and materials or in the case of construction work where, because of a shortage of contractors and/or the specialist nature of the work, some contractors may decline to price an advertised tender.

In the case of selective tendering for amounts in excess of \$350,000 at least three contractors shall be invited to tender, the list to be approved by the General Manager Operations and/or the General Manager Corporate Services. Approval to use selective tendering is delegated to the Chief Executive and this approval must be confirmed in writing by the Chief Executive.

Procurement by Elected Members

A purchase order must be raised and written approval from the relevant delegated financial authority obtained prior to any elected Council, Committee or Board member committing to purchase goods or services on Council's behalf.

5.5. Procurement Procedures – Non-Standard

The following are instances where the Standard Procurement Procedures may not apply. All other provisions of this policy remain applicable.

5.5.1. 5.5.1 Emergency Procedures

In Civil Defence Emergencies, the standard procurement procedures may be suspended.

5.5.2. 5.5.2 Joint-Procurement Arrangements

The Council may participate in collective buying schemes that offer value for money, such as All of Government supply contracts or joint supply agreements with other territorial authorities, in which case competitive procurement will be undertaken by the group as a collective.

It is appropriate for these arrangements to be established outside the Standard Procurement Procedures, provided the approval of the relevant financial delegated authority is obtained.

5.5.3. 5.5.3 Standing Arrangements

Standing arrangements are agreements where Council can purchase goods or services directly from a supplier for a fixed period of time. These may be established through competitive processes.

Standing arrangements are suitable for purchases that are high value but low risk. Examples include fuel, stationery and air travel.

5.6. Suppliers

5.6.1. 5.6.1 Preferred Suppliers

The Council will establish and maintain a Preferred Supplier Register. Note that this is different from Approved Suppliers who are Health and safety accredited.

No legal or contractual relationship between the Council and the supplier is created by the Preferred Supplier Register, nor is the Council under any obligation to use a Preferred Supplier for any procurement. Where necessary, a supplier identified on the Register may be required to meet other evaluation or performance criteria as part of the procurement process.

5.6.2. 5.6.2 Local Suppliers

Local suppliers are businesses that operate premises or employ staff based in the Mackenzie District.

Council officers will ensure local suppliers are given fair opportunity to compete for all Council Business.

5.6.3. Local suppliers will be given a price and/or non-price advantage in any tender process (up to a maximum of 15% of contract value). Note that evaluation of proposals will still have to ensure that the overall best solution is selected, and local suppliers will not automatically be selected.

5.6.4. 5.6.3 Supplier Privacy

The council may retain the details of any supplier for internal use only. These details will not be made public without the authorisation of the supplier unless required by law.²

5.6.5. 5.6.4 Validating New Suppliers

Requests to approve the addition of a new Suppliers must be made formally to the Accounts Payable position in the Finance team aligning with the following steps:

- The staff member (the Requestor) requesting the new Supplier sends them the New Supplier Form (see 7. Appendix 2 – New Supplier Form TEMPLATE) to complete and return. Note that this Form template is located on Laserfiche: Mackenzie\Finance\Accounts Payable\Suppliers;
- The Requestor then sends that to Accounts Payable to complete these checks:
 - Are the form details correct (check with Companies Office website to validate limited liability companies)?
 - Is the new Supplier already approved in the Accounts Payable system?
 - Does the request comply with this Procurement Policy?
 - Are the banking details valid?
- Accounts Payable then send the New Supplier Form to the Finance Manager for authorisation;
- Finance Manager authorises the new Supplier, signs the form and returns it to Accounts Payable;
- Accounts Payable scan the form into Laserfiche (Mackenzie\Finance\Accounts Payable\Suppliers) and set up the Supplier in the Accounts Payable system.

5.7. Procurement Records Management

Appropriate records of deals with all suppliers must be saved electronically in Laserfiche (destination to be confirmed).

Filing will be consistent with the processes outlined in the – Records Management Manual.

5.7.1. 5.7.1 Contracts Register

Relevant details of all contracts entered into by Council must be uploaded into the Electronic Contracts **Register line with the Contract and Commercial Law Act 2017**, located in Laserfiche here: Mackenzie\Contracts & Records Registers\Contracts\Agreements Register.

² For example: a request under the Local Government Official Information and Meetings Act 1987.

All contract milestone dates, performance records and variations and/or extensions will also be recorded in the Contracts register.

5.7.2. 5.7.2 Exceptions to the Standard Procedure

Where an exception to the standard procurement is required, a proposal must be presented to Council for approval. The proposal must include:

- evidence documenting the reason for the exception
- a procurement plan developed and submitted with the request for exception
- confirmation that estimated contract costs are over the \$50,000 threshold.

Note that application for approval of exceptions can only be sought for estimated contract costs over \$50,000.

5.8. Asset Management Disposal

Guidance for registering and managing asset lifecycles is provided in the Asset Management Policy, the Asset Disposal Policy, and the Fixed Asset Accounting Policy.

5.8.1. 5.8.1 Asset Registers

Following purchase, all Council-owned assets will be recorded with the relevant details in the appropriate register. The registers are: RAMM (Roading), Assetfinda (3-waters), Fixed Asset Register (Magiq).

5.9. Employee Responsibilities

5.9.1. 5.9.1 Conflicts of Interest

Conflicts of interest can arise at any time during the Procurement process. Examples may include an employee being offered a gift by a potential supplier or an employee participating in the decision to award a tender when that employee has a connection to a person/organisation that submitted a tender.

To maintain public confidence in Council processes, employees must be (and be perceived to be) impartial. Where a conflict of interest arises during a procurement process, employees will follow the Council's Conflict of Interest policy.

5.9.2. 5.9.2 Confidentiality

Employees and Council agents will maintain the confidentiality of a procurement process at all times.

5.9.3. 5.9.3 Staff Purchasing

Employees may use group buying privilege schemes entered into by the Council (on behalf of its employees) to purchase goods or services at a discounted rate. All such transactions must be paid for by the employee personally.

The application of Council funds to purchase items for personal use is prohibited.

5.10. Health and Safety

Health and safety risks associated with goods and/or services will be considered prior to purchase via a health and safety risk assessment. Any officer procuring goods or services will conduct a risk assessment proportionate to the size, scale and nature of the procurement. The steps required for the risk assessment are as follows:

1. Identify any risks/hazards associated with the procurement
 - a. For 'off the shelf' items: the supplier should have safety information
 - b. For de novo or original construction: risk/hazards should be discussed with the (potential) supplier.
2. Evaluate acceptability of risks/hazards.
3. Apply and document controls in order of elimination or minimization in procurement decision, and ongoing use of the item or service.
4. Identify training needs, approvals and supplementary items such as Personal Protective Equipment requirements.
5. Any documentation will be recorded as outlined in Records Management Process Sheet.

Suppliers of goods or services are required to inform Council of any health and safety risks/hazards associated with using the goods or services prior to purchase. Suppliers of goods or services must take all reasonably practicable steps to detail control measures to eliminate or minimize any health and safety risks/hazards to prevent harm to staff and others.

All goods and/or services purchased will comply with the requirements of the Health and Safety at Work Act 2015, relevant best practice safety standards and other statutory requirements subject to the reasonable constraints of budget resources available.

5.10.1 Approved Contractors

Suppliers who carry out and control authorised work on Council’s current and future infrastructure must complete a Health & Safety pre-qualification process and achieve Approved Contractor status prior to contractual agreement.

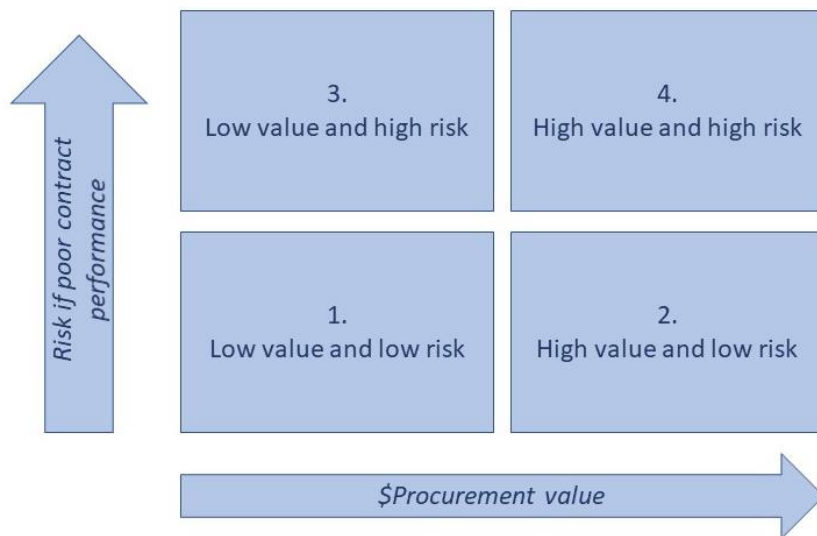
6. Procurement Risk Management Strategy

6.1. Assessing risk

Council recognises that early and systematic identification, analysis and assessment of risks and the development of plans for mitigating risk are necessary to achieve best value procurement practices.

Council’s procurement practices will seek to allocate the risks of procurement to the party best placed to manage those risks. To this end, a project specific risk register shall be prepared, recording all risks associated with the procurement process for the project and showing the steps needed to eliminate, mitigate, or manage the risks.

A formal Risk Register is needed for procurement of all goods, works or services over \$50,000. For goods, works or services under this value, risk shall be assessed in accordance with the matrix below (based on the Office of the Auditor General (OAG) procurement guidance). Where the project is determined to be a Quadrant 3 (Low value and high risk) project, the risks shall be formally assessed.



The following table summarises the procurement approach for each of the above quadrants.

Characteristics	Basic Procurement Strategy	Issues to consider
Quadrant 1. Low value and low risk		
<p>Goods or services in this category are usually low value. These goods or services can be routinely procured or procured as required. They are generally goods or services for which demand cannot be aggregated to establish standing offers.</p> <p>The transaction costs associated with procuring them may be of greater cost than the items themselves.</p> <p>Generally, there are competitive local supply markets for goods or services in this category, even at the local level. The skills required for these types of transactions are generally administrative.</p>	<p>Keep procurement simple to minimise procurement and transaction costs.</p> <p>Devolve procurement and associated budgets to the lowest practical geographic level where competitive local markets exist.</p> <p>Establish efficient local procurement arrangements to minimise processing costs.</p> <p>Document the administrative procedures for procuring goods or services in Council’s procurement policies and procedures.</p>	<p>What are the goods or services procured in this category?</p> <p>For the different goods, services, or groups of items in this category, what procurement methods will minimise processing costs and deliver value for money?</p> <p>How will the number of competitive offers needed to deliver value for money, probity, and accountability be determined?</p> <p>Who will be doing procurement activities in this category?</p> <p>What skill levels are required to do the various types of procurements?</p> <p>What expenditure and procurement authorities/approvals are needed for management control and to ensure probity and accountability?</p> <p>What other procedures, documentation and records are needed to manage the procurement function in this category?</p>
Quadrant 2. High value and low risk		
<p>Many goods and services procured by Council are in this category, they have no special quality, safety, reliability, or environmental implications,</p>	<p>Aim to ensure that total costs, including the costs of processing large numbers of low value transactions, are reduced.</p>	<p>What are the goods or services purchased in this category?</p>

<p>they are simple to specify, and they have common standards.</p> <p>Procurement of these items is often in high volumes but with sometimes low value individual transactions.</p> <p>There are often whole-of-entity or syndicated arrangements for supply of these goods or services.</p> <p>Buying is usually an administrative task (for example, booking travel).</p> <p>However, high level procurement skills are required to establish and manage these arrangements (for example, setting up travel arrangements).</p>	<p>Consider using standing offer arrangements with electronic ordering and transaction processes.</p> <p>Aggregate procurement to increase the attractiveness of buying the goods or services, thus increasing the competitiveness of the pricing.</p> <p>Document the administrative procedures for buying in Council's procurement policies and procedures.</p> <p>If there is a need then also address environmental issues about disposal, waste management recycling, handling, or storage.</p>	<p>Where are the competitive markets for these goods or services?</p> <p>Does the aggregation of procurement at the local level for particular product types warrant a full-service provider with regional delivery capability?</p> <p>Where is it practical to establish standing offer arrangements or other methods of supply?</p> <p>Are processes such as electronic ordering/paying or other processes available to reduce processing costs?</p> <p>How will the buying strategies to deliver value for money, probity and accountability be determined?</p> <p>What skills are needed to establish and buy from standing offer arrangements?</p> <p>What skills are needed for the other buying methods used in this category?</p> <p>What expenditure and procurement authorities/approvals are needed for management control and to ensure probity and accountability?</p> <p>What systems and supporting procedures, including expenditure and procurement authorities/approvals, are needed for management</p>
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		control and to ensure probity and accountability?
Quadrant 3. Low value and high risk		
<p>Goods or services in this category are usually highly specialised.</p> <p>There are often very few potential suppliers. There are relatively few transactions in this category.</p> <p>High-level procurement and technical skills are required to establish and manage these arrangements.</p> <p>Price may not be the principal factor in the procurement.</p>	<p>Reduce exposure to limited sources of supply. This can be done through actively identifying alternative sources of supply and/ or changing Council’s demand requirements.</p> <p>Prepare individual strategies or procurement plans for each procurement project in this category.</p>	<p>An individual procurement strategy/plan needs to be developed for each item in this category. Council’s procurement policies and procedures need to provide an efficient mechanism to do these procurement projects.</p> <p>What organisational systems and procedures need to be in place to do procurement and contract management in this category?</p> <p>How will the required procurement, technical and other expertise be identified for each project?</p> <p>How will procurement project managers be identified and what responsibilities and authority will they have?</p> <p>How will projects be integrated into the public entity’s other business activities?</p> <p>What systems and supporting procedures, including expenditure and procurement authorities/ approvals, are needed for management control and to ensure probity and accountability?</p>
Quadrant 4. High value and high risk		
<p>Goods or services in this category are often a complex “bundle” or “package” of</p>	<p>Focus on ensuring that the successful supplier has the ability, availability, and</p>	<p>Develop buying strategies for each item in this category. Council’s policies and</p>

<p>services and associated goods that are critical to the service delivery of the public entity.</p> <p>Long-term relationships with suppliers are common. Supplier attitudes to the Council, as a customer, are often critical to the value the entity will derive from the delivery of the goods and/or services. High-level purchasing and technical skills are required to establish and manage the procurement process.</p>	<p>resources needed to work with the public entity.</p> <p>Manage the relationship with the supplier to obtain value for money.</p> <p>Have a detailed understanding of what is required, how the arrangement should be managed, and the market characteristics.</p> <p>Develop individual procurement strategies or plans for each procurement project in this category.</p>	<p>procedures need to provide an efficient mechanism to do these procurement projects.</p> <p>What organisational systems and procedures need to be in place for doing purchasing and contract management in this category?</p> <p>How will the required purchasing, technical, and other expertise be identified for each project?</p> <p>How will procurement project managers be identified and what responsibilities and authority will they have?</p> <p>How will the projects be integrated into Council's other business activities?</p> <p>What systems and supporting procedures, including expenditure and procurement authorities, are needed for management control and to ensure integrity and accountability?</p>
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7. Legal Guidance

7.1. Compliance with legislation

Compliance with legislation is mandatory in all procurement activity.

Council's governing legislation, particularly the Local Government Act 2002, include obligations to consult with the community or key stakeholders on significant issues. If a tender (or other procurement process) may result in significant changes to the content or level of services being delivered to the community by Council (e.g. Library Services), Council may need to consider the relationship between the procurement process and community consultation obligations.

7.2. Public law considerations

As a public body, Council's tendering process can be scrutinised by judicial review. Judicial review is the mechanism used by the Court to ensure that public bodies adhere to higher standards of decision making than private organisations. Officers should always take account of the risk that its procurement actions and decisions could be subject to judicial review, or a complaint to an Ombudsman, or to the Office of the Auditor-General.

Council's fundamental public law obligation is always to act fairly and reasonably, and in accordance with the law. This imposes a higher standard of conduct than that which applies in the private sector.

Public law obligations could apply to any aspects of a procurement process – including the pre-selection of potential tenderers. The Council, as a public body, must meet the legitimate expectations of prospective tenderers. An example of a breach of such an expectation would be where a prospective tenderer, who is a current supplier and has relevant experience and expertise, has not been invited to submit a tender.

This means that:

- When deciding whether or not to tender, Council may have an obligation to consult with affected or interested persons. For example, existing suppliers may have reasonable expectations in relation to continuity
- Each decision in the overall process may have legal significance. Particular attention may need to be paid to how decisions are communicated to potential suppliers
- Care must be taken:
 - With the selection of evaluation criteria and decisions on how they will be weighted
 - With the decisions on the level of detail to be disclosed to potential suppliers

- When advising suppliers who have provided quotes, tenders, proposals or the like on the outcome of the selection process, and details of the successful or other unsuccessful participants in the process.

An incomplete understanding of limitations or exclusions of liability, indemnities, warranties, and intellectual property and the resulting risks can lead to unnecessarily conservative contractual positions, which reduce the opportunities that may evolve from a contract.

7.3. Getting legal advice

Legal advice will often be required in a procurement process, particularly for high risk, complex, or strategic procurements. This needs to be considered early in the planning stage, since specific documentation may need to be developed, including a draft contract, to accompany the procurement documents. Council has formal relationships with several law firms specialising in different areas of law. Access to legal advice is provided on application to the General Manager – Corporate Services.

The following table provides guidance regarding seeking legal advice for procurement

Procurement Strategy Quadrant	Advice
Quadrant 1. Low risk and Low value	Use standard contract documentation that has been previously been legally checked, and follow standard procedures
Quadrant 2. High value and low risk	Use standard contract documentation that has been previously been legally checked, and follow standard procedures
Quadrant 3. Low value and high risk	Based on assessment of risk, consider engaging legal advice as part of the tendering process
Quadrant 4. High value and high risk	Engage legal advice as part of the tendering process

7.4. Process contracts

A process contract is a contract that binds the parties, specifically the principal to the terms of the process outlined to bidders. Essentially it is a contract that 'process' will be followed. If Council fails to follow its own processes it can, potentially, be held liable by disadvantaged bidders. For example, if a Request for Proposal document explicitly invites three bidders to respond, and Council then decides to invite another bidder, this could breach the implicit process contract.

Based on the risk assessment and the place of the procurement on the Procurement Strategy Matrix (see Section 6 above) legal advice should be sought for wording in tender documents to limit process contract liability. A common inclusion is clauses such as:

- No contract comes into existence until the contract to deliver services is signed
- The Request for Proposal process creates no legal liability

However, excluding Council from process contract liability must be weighed against the strategic requirement to be fair.

7.5. Intellectual property and copyright

The risks associated with the development of intellectual property in the course of procurement must be considered. Evaluating the value of any intellectual property ownership and whether it would be more cost effective to leave ownership with a supplier in return for a lower priced contract must be considered early in the procurement process.

These steps must be followed:

- Identify all intellectual property likely to be developed or created in the course of a procurement and any background intellectual property
- Seek legal advice on how to secure its continuing right to use intellectual property as required – including in the event that a contract is placed with a different supplier in future
- Be clear about the difference between what is intellectual property and what is said commercially in confidence.

There may be differences between the way in which pre-existing intellectual property ownership and subsequent use rights might be managed compared with new intellectual property created through the delivery of services or works. Similarly, intellectual property which is created jointly by Council and its supplier working together will need to be managed carefully so as not to exclude Council from having unfettered access to it – and its use – in future.

There are also issues relating to “embedded” intellectual property. This relates to intellectual property that is itself part of the deliverable. Examples are embedded software or algorithms and design features in a building.

8. Sustainable Procurement

Procurement activities will wherever possible support Council's sustainability objectives.

Council is committed to providing leadership that ensures that the Mackenzie District becomes a more sustainable district. All procurements of goods, works, and services must support these objectives.

Sustainability involves thinking broadly about objectives, considering long-term as well as short-term effects, assessing indirect as well as direct effects, and taking extra care when changes brought about through procurement might be irreversible or uncertain.

While sustainability is included as an overriding consideration, given the growing strategic importance of sustainability within Council, considerations of sustainability may occur throughout the entire procurement process.

In particular, procurement activities will aim to support:

- the reduction and management of waste
- the increased use of recyclable products
- the minimisation of packaging
- the minimisation of greenhouse gas emissions, particularly vehicle emissions
- the use of 'green' building techniques
- water and energy saving measures
- compliance with relevant occupational health and safety and environmental regulations
- verifying suppliers' sustainable management practices
- rating supplier performance against sustainability criteria
- sustainability improvement targets for suppliers
- the improvement in the sustainability performance of suppliers
- the encouragement of sustainable innovation in the supply of goods and services

9. Procurement functions, roles and responsibilities

Throughout this policy document and the appendices references are made to different functions, roles and responsibilities through the procurement process. These are described in the following table.

Procurement function	Position in Council	Description
Procurement Policy Owner	Property and Commercial Manager	Overall responsibility for the policy, policy reviews and education across Council.
Advises on conflicts of interest and confidentiality		
Assists with selecting the evaluation model and the evaluation process		
Ensures tender advertising and process is appropriate for the specific project		
Owner of GETS platform		
Manages the process for recording and filing contract and tender documentation	Property and Commercial Administrator	Responsible for ensuring contract documentation is correctly recorded and filed.
Manages all the contract, tender, and evaluation document templates		
Procurement Project Manager	Appointed by the relevant Business Unit Manager for the duration of the procurement process.	As part of the Procurement team manages the procurement project
Contract Manager	Tier 3 manager in the relevant Business Unit	Responsible for ensuring ongoing management of the contract – may be delegated to specialist.
Contract Administrator	The administrator within the specific business unit running the specific procurement project.	Day to day administration of the requirements of any specific contract.

		GETS administration for relevant tenders.
Procurement Team	Appointed by the relevant Business Unit Manager for the duration of the procurement process. It will usually consist of: <ul style="list-style-type: none"> • BU Manager • BU Administrator • Subject Matter Expert • Procurement Project Manager • Probity Auditor (if required) 	Develops the procurement plan and runs the procurement process. Advertises tenders.
Evaluation Team	Minimum of at least three: <ul style="list-style-type: none"> • Procurement Project Manager • Contract Manager • Procurement Expertise • Financial Expertise • Subject matter expertise • Qualified External Evaluator (if required) 	Evaluates tender responses
General Manager	The relevant General Manager for the specific procurement project.	
Notify for any work on Council property	General Manager – Corporate Services	Must be notified for any work on Council property to ensure insurance cover is provided.
Advice on contract insurance or referral to appointed insurance advisor	The relevant General Manager for the specific procurement project.	
Approval of written notification to accept a late tender		
Decisions regarding breach of tender conditions		

<p>Advice regarding cancelling a competitive tender process</p>		
<p>Signing off procurement plan for projects in excess of \$50,000 prior to any approach to market.</p>		
<p>For projects in excess of \$5m appoints an independent probity advisor.</p>		
<p>Approves the appointment of external consultants and/or legal advisors</p>		

10. Appendix A – Standard Procurement and Contract Table

The following table summarises procurement process and cost thresholds. Note that any decision-making is still under the authority of the Delegations Manual guidance.

Value\$	Costs up to \$2,000	\$2,000 to \$10,000	\$10,000 to \$50,000	\$50,000 to \$350,000	Over \$350,000
Procurement plan needed	No	No	Yes	Yes	Yes
Procurement plan approval	-	-	Business Unit Manager	GM	CEO
Market approach	Competitive 2 verbal quotes Can be sourced from Preferred Suppliers Can use direct negotiation	Competitive 3 written quotes Can be sourced from Preferred Suppliers Can use direct negotiation	Competitive 3 written quotes	Open and competitive RFx process – with at least three tenderers required for costs over \$350,000.	
Probity	According to process outlined in Procurement Policy appendices			Addressed in Procurement plan or as required by advisor or audit	Consider engaging probity advisor

Payment Method / Contract Type	Petty cash Corporate Credit Card Reimbursement Purchase Order with T's and C's Additional insurance generally not required	Purchase Order with T's and C's Additional insurance generally not required	Purchase Order with T's and C's And / or full written contract documentation		
Evaluation Team needed	No	No	No	Evaluation team needed over \$100,000	
Supplier Management needed	No	No	No	No	Supplier management plan needed
Risk Register needed in procurement plan	No	No	No	Yes	Yes

11. Appendix B – New Supplier Form TEMPLATE



Mackenzie
DISTRICT COUNCIL

MACKENZIE DISTRICT COUNCIL SUPPLIER APPLICATION FORM

Please enter your supplier information

Enter Details Below			
Company Name			
Trading As			
NZ Company Number			
Website			
Number of Staff Total		Number of Staff NZ	
Annual Turn-over Total		Est. Annual MDC Billing	
Total Number of Customers		Average Contract Size	
Liability Insurance Cover (\$)			
Accounts contact Name			
Accounts contact Email			
Accounts contact Phone			
Sales contact Name			
Sales contact Email			
Sales Contact Phone			
Bank Account Details <small>(please also provide copy of deposit slip or online banking screenshot)</small>			

Office use only:

Requested by (name)			
Checked by (name)			
Authorised by (name)		Date	

12. Appendix C – Procurement methods

This Appendix describes the methods council uses for procurement of good and services.

12.1. Ordering of goods or services using a purchase order

Council requires that all purchases, including those made under contract, be initiated by purchase order. There should only be one Purchase Order issued per quotation.

The Council's terms and conditions of purchase apply to all Purchase Orders. The purchase order must reference the applicable quotation/estimate or contract.

A purchase order does the following:

- documents Council's request to supply
- recites a unique reference number that must be referred to by the supplier in all accompanying documentation
- is a written legally binding document and provides suppliers with proof that services or products were ordered
- provides confirmation of quoted price so it can be matched to invoices and delivery notes
- assists accounts payable by giving the ability to track expenditure and alerts them to committed/forecasted spend
- sets out the time and manner of delivery
- sets out the payment terms
- evidences the persons who raised and approved it and therefore who must take responsibility for the procurement
- is the foundation authority to check against when the goods arrive and before making payment.

12.2. Completing a procurement plan

For procurement activity to be fully effective and achieve best value, it needs to be planned. Once planning is completed, the procurement plan serves as the foundation document for the procurement process and ensures that the procurement has appropriate controls in place.

The procurement plan should take into account the benefits of competitive bidding and the cost of the process to Council and prospective suppliers.

A procurement plan is a mandatory requirement for all:

- competitive tender/proposal processes
- high/very high-risk procurements
- procurements exceeding \$50,000

Procurement plans are expected to be thoughtfully prepared as support for business cases before undertaking a particular project.

While the budget may have been allocated in the Annual or Long Term Plan, the procurement plan provides a final opportunity for management to determine if and how that budget should be spent.

Procurement plans must also detail:

- the budget source and General Ledger cost centre code
- the identity of the evaluation team
- whether the expenditure is Capex or Opex
- what consideration has been made of and what capability exists within the local supplier market.

The procurement plan must be approved by the Business Unit Manager (for costs up to \$50,000), General Manager (for costs up to \$350,000) or Chief Executive Officer (for costs in excess of \$350,000) prior to any approach to the market.

Below is a description of the headings and detail required within the procurement plan. The level of detail must be tailored to the value and risk of the procurement:

Document headings	Description
Statement of requirements	The statement of requirements section must describe how the supplier will be selected, detail how value for money and a competitive price will be achieved, as well as who will manage the supplier. There should be a clear, concise, accurate and complete description of the goods, services or works. It is important that the specifications are not prepared for the purpose of excluding potential suppliers.
Risk management	Describe the key risks to the procurement, assess each risk and outline the ways to manage these risks.
Procurement strategy	The strategy section must summarise and give the reasons for the decisions made on the procurement method.
Conflict of interest	In this section, you must note any conflicts of interest (real or perceived) and how these will be managed.
Budget	Enter the funding source for the procurement.
Evaluation: Benefits/disadvantages	Summarise and give the reasons for the decisions made on the evaluation team selection, the evaluation methodology, the evaluation process and evaluation screening steps, i.e. ranking, weighting or pass/fail requirement for the evaluation criteria, as well as any conflicts of interests (real or perceived).
Contract	Describe what provisions will be made for the management of the contract to ensure the deliverables are met.

The Procurement Checklist provided in Appendix 6 should be used to consider the various issues, questions and generic risks of not achieving good procurement practice and value for money.

12.3. Selecting a procurement process

It is important to ensure that the process/method is reasonable for the overall cost of the procurement. Open and effective competition should be promoted throughout the process.

The first step in finding the right supplier is to determine the range of prospective suppliers. An appropriate level of market research should be carried out in order to ensure an informed decision is made. Once you determine your prospective supplier range, you need to determine how you will invite them. It can be a single stage or a multi-stage process, and open or closed.

12.3.1. 12.3.1 What is a competitive process?

A competitive process is an invitation involving more than one prospective supplier. A contract can be awarded to the supplier evaluated as providing best value for Council. Depending on the value and risk of the procurement, competitive processes can involve verbal quotations, written quotations, formal written tenders or proposals.

Council endorses an open and competitive approach to the market and will ensure full and fair opportunities for all suppliers. Where a closed or non-competitive process is chosen there needs to be a compelling and strategic business reason such as:

- a lack of suppliers in the market
- a sole supplier in the market
- Council has a requirement for a selective procurement of goods, services or works.

Note: The procurement process described in the tender or proposal documentations must be followed. If weightings or 'pass or fail' requirements are included in the competitive process documentation, these should not be changed before submissions close.

12.3.2. 12.3.2 Competitive process methods

Depending on the complexity of your procurement, you will either use a single or multi-stage and an open or closed process which will include one or more of the following invitation methods:

Document headings	Description
Request for quotation (RFQ)	A formal means of seeking quotations from the market for goods or services. RFQ is a closed direct approach to the market, to at least three suppliers whom we believe may be able to provide the goods. An RFQ is best used where price is the main selection criteria, the requirement is for "stock standard" or "off the shelf" goods or services at a procurement value below \$50,000 and where the risk is low.
Registration of interest (ROI)	Similar to an Expression of interest (EOI) in that it is used to identify suppliers interested in, and capable of, delivering the required goods or services. Potential suppliers are asked to provide information on their capability to do the work. It is usually the first stage of a multi-stage tender process. Information from the respondents should be supplied in a clear format and be limited to a few pages.

Request for information (RFI)	A formal request for information to gain a more detailed understanding of the supplier market as well as the range of solutions and technologies that may be available. It is not a request for offers from the market and must not be used as the basis for the selection of a supplier.
Expression of interest (EOI)	An EOI is an optional first stage in a multi-stage procurement process and is used to reduce the number of interested suppliers in order to minimise costs to all parties. It identifies suppliers interested in and capable of delivering the required goods or services. Price information is generally not requested at the EOI stage. The only time indicative price information might be requested would be where the project had a limited budget and suppliers with solutions over the budget would not be considered.
Request for proposal (RFP)	A formal means of seeking proposals from the market for goods, services or works where the Council is open to supplier innovation and seeks a solution to a problem or process. Use an RFP when you know the outcomes, but you are not clear how best they can be achieved.
Request for tender (RFT)	A formal means of seeking tenders from the market to provide goods, services or works where Council's specifications or requirements are clearly defined and there is little room for flexibility or innovation. This method is often used for construction projects. Price normally plays a significant role within an RFT.

Note: It must be made clear in the procurement documentation that there is no commitment by the Council to purchase goods or services or to proceed to an RFP or RFT as a result of issuing an ROI, RFQ, EOI or RFI.

The cost of the process (including advertising, providing documents and evaluating tenders or proposals) should be realistic for the size and complexity of the procurement and be balanced against the benefits received.

12.3.3. 12.3.3 Open competitive process

An open competitive process is the Council's preferred mechanism to approach the market as it promotes open and effective competition and gives all potential suppliers an opportunity to participate. However, the open competitive process should not be used where:

- there is only one source of supply
- an emergency situation exists
- the cost of an open competitive process will exceed any direct savings that might be made.

12.3.4. 12.3.4 Closed competitive process

In a closed competitive process, invitations are issued to a predetermined list of suppliers without an open pre-selection or procurement process. This method does not allow equal access to all suppliers

in the market, meaning that a better source of supply may be missed. Limited use should be made of this process.

Note: The closed competitive process must not be used to limit the number of potential participants. If you wish to limit the number of potential participants for a procurement, a multi-stage method should be used. The use of a closed competitive process must be justified and approved in the procurement plan.

Examples of when to use a closed competitive process:

- a limited number of suppliers are known to have the capability to supply
- there is a genuine limited time for the procurement process which is not due to the lack of planning
- the cost of conducting an open competitive process outweighs the benefits so a closed competitive process is more efficient.

12.3.5 Methods to determine potential supplier market include:

- making use of knowledge and experience within the Council (or someone known to it) across a category of service / goods
- construction sector knowledge
- knowledge from allied agencies
- canvassing the market using a variety of sources of information such as Google.

Document the method used in the procurement plan and keep sufficient records to show that you have followed the method and that you have addressed any risks.

12.3.5. 12.3.6 Single stage procurement

In a single stage procurement, an RFP or RFT is issued to the market without a pre-qualification process and all responses received as a result of the RFP or RFT are evaluated.

12.3.6. 12.3.7 Multi-stage procurement

A multi-stage procurement allows for the pre-qualification of suppliers or to establish a list of potential suppliers. This will be based on an initial assessment of their capacity to fulfil the potential contract by inviting suppliers to participate in an EOI, ROI or an RFI. These processes are used to provide a shortlist of suitable suppliers to whom an RFP or an RFT can be offered. A multi-stage process should be used where the market is large. It may also be worth considering using a multi-stage process if the Council is not sure about the state of competition in the market.

The multi-stage process saves non-suitable suppliers the costs associated with the tender or proposal process. However, it is a time-consuming process and therefore also costly to the Council. This method can be used where the market is large and when you wish to reduce the cost of the competitive process by restricting the issue of formal tenders or proposals to those suppliers with demonstrated capability. It also can be used where the goods or services being procured are complex and difficult to specify.

Stage 1: Issue an EOI or RFI to find out more about the goods or services, the market, and the capability of suppliers to satisfy the procurement need.

Stage 2: After reviewing the EOI/RFI responses, an RFP or RFT is issued requesting suppliers to submit an offer for goods or services or to propose a solution.

Stage 3: The responses received from the RFP or RFT are then evaluated. Negotiations are undertaken and a contract is awarded to the successful supplier. There may be more than one supplier identified through the process

Prior to awarding the contract or contracts, potential suppliers can be invited to provide a presentation or submit their final bid (called "the best and final bid") to assist in determining whom the contract(s) should be awarded.

12.4. Evaluation planning

In a competitive process, identify the evaluation team in the procurement plan. The team should be nominated early enough so that they will have sufficient time to assist in the evaluation criteria and weightings when creating the competitive process documentation. Early nomination will also allow the procurement project manager or facilitator to ensure that the evaluation team members can set aside sufficient time for the duration of the project to perform their role and responsibilities. It is critical that once confirmed that all members of the evaluation team see the whole procurement through to completion.

12.4.1. 12.4.1 When is an evaluation team required?

An evaluation team is required when:

- supplier selection will not be based solely on price
- a competitive process has been undertaken
- the value of the work is significant (exceeding \$100,000)
- for high/very high-risk procurements.

12.4.2. 12.4.2 Evaluation team responsibilities

The evaluation team is responsible for:

- supporting the Procurement Project Manager in choosing the evaluation model and weightings
- evaluating the submissions received
- identifying the supplier who offers best value for money for Council
- maintaining high levels of Probity throughout the project.

The Procurement Project Manager and evaluation team need to agree on the evaluation model before the competitive process documentation is published.

12.4.3. 12.4.3 Evaluation team selection

The size and membership of the evaluation team will depend on the value, complexity and risk of the procurement. For all procurements, at least three evaluation team members are required. The team may include non-voting external advisors.

It is good practice to have a selection of the following people on the evaluation team:

- the Procurement Project Manager
- a person with commercial or financial expertise
- a person(s) with appropriate subject matter technical expertise
- a person with procurement process experience.

For procurement projects in excess of \$350,000, an independent probity advisor should be considered. For costs in excess of \$5m an independent probity advisor must be appointed to the project team at the inception of the process. Contact the General Manager – Corporate Services for the appointment.

It is mandatory all team members, advisors, and the Procurement Project Manager to complete and sign the confidentiality and conflicts of interest declaration associated with the project and to advise any change to this status throughout the project. If using external consultants to manage the competitive process, the same rules apply. The use of external consultants to manage the competitive process must be approved by the relevant General Manager.

The Procurement Project Manager will manage any conflict of interest or confidentiality issues that may arise. Assistance associated with these issues is available from the Property and Commercial Manager.

Team members must be selected on the basis of providing the knowledge and skills required to ensure that submissions can be properly assessed with regard to:

- outcomes required
- technology that might be employed
- existing supplier market
- best value outcome for Council.

12.4.4. 12.4.4 Evaluation criteria

Evaluation criteria are the specific and objective attributes used to compare submissions. They must be identified and described in terms of:

- differentiating submissions
- relative weightings or pass or fail
- a balance between price and non-price attributes.

Evaluation criteria will normally consist of:

- compliance checks or mandatory criteria scored as a pass or fail (or yes or no);
- non-mandatory criteria that participants are evaluated against.

To assist the participants in understanding what is required, you must provide a description of each of the evaluation attributes. It is best to discuss and agree on the description with the evaluation team. This will ensure each member has a good understanding of what is required and will be marking on the same criteria.

12.4.5. 12.4.5 Weightings and pass or fail requirements

The weightings chosen for non-price attributes must reflect their importance. The balance between price and non-price attributes should reflect the potential variability in the quality of goods, services or works likely to be offered by participants and best value for Council.

Pass or fail requirements may be used when criteria are critical for the successful implementation or management of the contract.

12.5. Evidence of probity

Evaluation ratings and selections must be made on the basis of the material requested and included in the response, together with information obtained through meetings, presentation and clarification.

12.6. Supplier selection methods

The main objective of any procurement process is to achieve best value for money for Council by selecting a supplier with the capability to deliver the required goods, services or works without incurring excessive contractor tender and supervision costs. Selecting the most appropriate evaluation model will help the evaluation team achieve this objective.

The chosen evaluation model should provide the evaluation team with a methodology to assess the relative strengths and weaknesses of each participant's submission. Within the proposal and tender documentation, the evaluation process described should disclose the evaluation criteria unless good reason exists to withhold that information.

The 'Lowest Price Conforming' and 'Weighted Attributes' models are the most commonly used evaluation models in local government. However, NZTA has now replaced the Weighted Attributes model with the 'Price Quality' model, citing greater transparency in the evaluation process as the reason for this decision.

The Price-Quality model and the 'Quality Based' model (also referred to as the 'Brook's Law' model) will generally be limited to evaluating proposals for professional services for transport projects. They will be used only by staff competent in the use of these tender processes.

In a two-envelope evaluation (e.g. price and non-price attributes), the non-price attributes will be evaluated in isolation and signed off by the evaluation team prior to opening the pricing envelope. It is important when asking for pricing information in a submission that the information received is comparable across the submissions. This is achieved by developing and providing to prospective tenders a costing template sometimes known as a Schedule of Pricing.

The nature of the procurement and the outcomes you require will determine which evaluation model is most appropriate. The guidance given here is very basic. The Property and Commercial Manager can assist you in selecting the most appropriate evaluation model and in the evaluation process.

More detailed information on supplier selection methods is provided in Appendix 3.

For New Zealand Transport Agency (NZTA) subsidised activities, the Council is obliged to follow the NZTA methods and procedures to ensure funding approval.

12.7. Source and select the supplier

12.7.1. 12.7.1 Quotations

Quotations are the preferred procurement method when procuring low value, low/medium risk goods and services. The objective is to achieve value for money. There are three different types of quotations that can be used, and your selection will be determined by the procurement value and level of risk.

12.7.2. 12.7.2 Types of quotations

For purchases where the cost is expected to be under \$2,000, staff will where possible, utilise existing preferred suppliers.

Types of quotations	Description
Verbal quotations	<p>Where possible utilise and existing preferred supplier.</p> <ul style="list-style-type: none"> • Verbal quotations provide a quick and convenient way of exploring the market and determining availability, and price for low value, low/medium risk goods or services. In summary: <ul style="list-style-type: none"> • Ensure you are consistent in the description of goods/services required. We are wanting like-for-like quotations. • Two verbal quotes may be obtained for procurements up to a value of \$2,000. • It is important to have a clear, written statement of the requirements and any questions to ask before speaking to suppliers. This will help to gather the same information from across the suppliers to properly compare the goods and services. • Records of quotes obtained and decisions, including the reason for recommending and deciding on the offer selected, must be documented in Objective. • Be careful when talking to suppliers to avoid inadvertently making a verbal promise to purchase from that supplier.
Written quotations Request for Quotation (RFQ)	<p>Where possible utilise and existing preferred supplier. Written quotations follow the same principles as verbal quotations. As the value and risk of these goods or services are higher, the process and documentation must be more comprehensive. In summary:</p> <ul style="list-style-type: none"> • Three written quotes are required, where practicable, for procurement between \$2,000 to \$50,000. • The process and documentation must be more comprehensive than verbal quotations. Records of decisions,

	<p>including reasons for the selection and rejection of offers, must be documented in Objective.</p> <ul style="list-style-type: none"> • Be careful when talking to suppliers to avoid inadvertently making a verbal promise to purchase from that supplier. • Use RFQ template and response template.
Request for Tender (RFT) Request for a proposal (RFP)	<p>An RFT is a formal means of seeking prices from the market for goods or services. In summary:</p> <ul style="list-style-type: none"> • Use an RFT or RFP for procurement above \$50,000. • The item being procured must be clearly scoped and described. • Records of decisions, including the reason for the selection and rejection of offers, must be documented in Objective. • Use RFT template.

Purchases of less than \$10,000 shall be sourced from suppliers designated as ‘preferred suppliers’ where preferred supply relationships have been established.

12.7.3. 12.7.3 Direct negotiations

The term "direct negotiations" refers to exclusive negotiations entered into with a prospective supplier without first using a competitive process. As a general rule, negotiating directly with a supplier must be avoided because there are very few circumstances in which it can be assured it will result in the best value being obtained. Even for low dollar value and low/medium risk procurements, the Council procurement guidelines require staff to obtain quotes before negotiating directly with a supplier. This is to test the market and ensure the best possible value is obtained unless clear and unambiguous circumstances indicate that direct negotiations are appropriate.

Situations where direct negotiations may be appropriate include:

- the contract is a low dollar value contract (less than \$10,000), or
- the supplier selection process commences but only one potential supplier is identified, or
- a monopoly supplier situation exists
- the proposed suppliers track record and relationship with Council is acceptable.

Depending on the value and complexity of the procurement, the process of direct negotiations should include the following:

- Completion of a procurement plan. The procurement plan must record:
 - the reasons why direct negotiations were chosen
 - the manner in which the meetings, negotiations, decisions, staff liaison and progress reports were managed
 - allocation of any negotiation costs and/or responsibilities
 - dispute resolution methodologies
- supporting material such as market research, benchmarking information and cost-benefit analysis that confirms best value for money is being obtained
- ensure individual parties to the negotiation sign the confidentiality and conflicts of interest declaration

- analysis of the supplier's intellectual property, local and project knowledge and the quality of any current relationships they may have.

Before commencing negotiations and signing the contract, the Council must be satisfied that the price paid is consistent with market values. Any estimates of fair price must not be disclosed until after the supplier being negotiated with has put forward their own estimate. Larger projects require a steering committee for overseeing the key decisions with the ability to challenge fundamental aspects of the project.

A post-implementation review to assess "overall value for money" may also enhance control.

When is it appropriate to negotiate directly with a supplier?

- when the value and risk of the procurement is low and the purchase of these goods or services are on an "as-required" basis
- for low dollar value and low/medium risk procurement when you are negotiating to extend an existing contract for a period longer than originally envisaged, or to include substantially different goods or services
- where there is only one possible supplier of the goods or service (e.g. rare books for the Library)
- when an appropriate competitive process has not produced a good enough offer and the next best option is to negotiate with the party who made the best offer (or any party who has expressed serious interest if no best offer was made). Direct negotiations must not be used in these circumstances if the original process was inadequate. The negotiations should not be conducted in a way that coerces the participant with the best offer to reduce the price without commensurately reducing the scope of the contract
- when it is without a doubt that there is only one supplier who can meet the Council's well-defined and justified needs. Where there is any doubt and there has been no demonstration of the lack of alternative suppliers, the market must be tested. It is often prudent to test the market by calling for expressions of interest, to avoid partiality or the perception of partiality
- when there is an unforeseen need to alter the scope of the project in a minor way and the cost of re-entering the market will outweigh the potential benefits. In these circumstances, you must be confident that an objective and appropriate delegated approval has been received.

When is it not appropriate to negotiate directly with a supplier?

- when negotiation excludes legitimate or anticipated variations to a contract, which falls within the scope of the goods, works or services. Negotiations conducted with a preferred participant in a properly run competitive process are not considered direct negotiations
- when a contract is nearing completion and the market has not been tested for in excess of three years, even if the contracted supplier was the only participant in a previous process. Do not assume that there are no alternative suppliers
- when following a tender process in which one tender is accepted, and subsequently the project specifications are changed so significantly that in effect it is a different project.

12.8. Contract selection and basis of payment

A purchase order is a contract. Where we have commercial relationships that require extended Terms and Conditions or there is higher than normal risk a written contract will be required.

In general, a contract provides a summary of what has been agreed between Mackenzie District Council and the supplier. The contract documents:

- identify the parties to the contract
- describe the parties' basic obligations
- define which documents are included in the contract
- form the basis for administering the contract.

Documents usually included (if relevant) in a contract are:

- general conditions of contract
- special conditions of contract
- schedule of prices
- basis of payment
- specification
- successful supplier's submission/tender
- letter of acceptance
- site/project specific health and safety plan
- insurance confirmation
- notices to tenderers
- tender correspondence
- minutes of meetings
- maps and drawings.

Some of these documents are further elaborated in the next sections.

12.8.1. 12.8.1 Schedule of Prices

The purpose of the Schedule of Prices is:

- to provide such information as to enable tenders to be prepared efficiently and accurately
- to provide prices for the proper and convenient comparison and evaluation of tenders
- to form a basis for accurate project planning
- to be used for the calculation of progress payments
- to be used for the valuation of variations.

Items of work should be grouped together in their respective asset categories in the Schedule, generally in accordance with their respective trades, and the materials and labour related to the finished work.

The Schedule of Prices identifies or locates the items of work and is not intended to be a repeat of the Specification.

Provisional items may be inserted in the Schedule to cover possible variations or additions to the contract work. The purpose of these items is to obtain rates for such work should it be required. In lump sum contracts where the quantity of work that will be required is unknown, provisional quantities may be nominated for the purpose of obtaining unit prices. Such quantities should be described as provisional and subject to measurement and adjustment on completion of the work.

12.8.2. 12.8.2 Basis of Payment

A Basis of Payment outlines how and when the specific items or work from the Schedule of Prices are to be paid and should be included in all cases. It is important to choose the right contract payment type to ensure procurement success. The objective, when selecting a contract payment type, is to have a reasonable distribution of risk between the organisation and the supplier. It can also be used as an incentive for the supplier's efficient and economical performance.

Basis of payment	Description
<p>Fixed Price Also known as Lump Sum</p>	<p>This is the most common form of contract. This method is used when the scope of works is well defined and the level of cost certainty is commercially acceptable. One price is agreed on for all the work. Council has the least cost risk because the risk of higher costs is borne by the supplier. Therefore, the supplier is most concerned with the scope of work in this type of contract.</p> <p>Advantages are:</p> <ul style="list-style-type: none"> • less work for you to manage • the supplier has a strong incentive to control costs • the total cost is known at the start <p>Disadvantages are:</p> <ul style="list-style-type: none"> • the supplier may underprice the work and try to make up profits on change or variation orders • the supplier may not complete some of the scopes of work if they begin to lose money • defining the scope and deliverables takes significant effort to ensure that the potential for changes or variations is reduced or minimised • the supplier may add significant costs into the price for their exposure to risk • there is less incentive for a contractor to minimise schedule duration than is the case for reimbursable contracts • minimised quality management activities (in order to reduce costs) may result in quality problems • re-negotiation of the price may occur as fixed-price contractors are reluctant to proceed with any work associated with a change request before resolving the cost of the changes. This may have a negative impact on the schedule of the project. • Be careful when talking to suppliers to avoid inadvertently making a verbal promise to purchase from that supplier.
<p>Cost Reimbursement</p>	<p>The supplier's costs are reimbursed but the Council has the most risk because the total costs are unknown. Cost reimbursement is most often used when the Council can only describe what it needs rather than what must be done. In these cases, the supplier often writes the scope of work.</p> <p>Advantages are:</p>

	<ul style="list-style-type: none"> • simpler scope of work means less work to write the scope • the supplier tends to add in less to the price to cover risk <p>Disadvantages are:</p> <ul style="list-style-type: none"> • may need to audit the supplier's invoices • need to place more effort into managing the supplier and contract • supplier has a moderate incentive to control costs • the total price is unknown.
<p>Cost Plus Fixed Fee or Percentage Fee</p>	<p>The Council pays for all costs incurred by the supplier plus either a fixed fee or a fee based on a percentage of the costs incurred by the supplier. This is commonly used when it is too difficult to sufficiently define the scope of work for a fixed contract approach.</p> <p>The Council could use a fixed fee based upon an estimate of the value for goods and or services that may be included in the contract. This fee would only change when an approved change to the contract or variation occurs.</p> <p>Alternatively, they could use a percentage fee which is calculated by multiplying the agreed percentage times the actual cost of goods and/or services.</p> <p>Advantages are:</p> <ul style="list-style-type: none"> • requires less time for the procurement process activities that must be completed prior to signing a contract <p>Disadvantages are:</p> <ul style="list-style-type: none"> • one of the most difficult contracts to administer • requires extensive management of the contract • changes in conditions have little impact on reimbursable contracts because the contractor or supplier is reimbursed for any additional costs that are incurred in implementing a change.
<p>Cost Plus Incentive Fee</p>	<p>Pay suppliers actual costs plus either an agreed upon fee based on performance or a bonus for beating the incentive. In general, performance incentives are for schedule, cost or quality objectives. Incentive fees can also be combined with fixed fees.</p> <p>Advantages are:</p> <ul style="list-style-type: none"> • can be used to motivate the supplier to control costs and strive for outstanding technical or schedule performance • can be awarded faster than fixed-price contracts and are most frequently used for service contract work <p>Disadvantages are:</p> <ul style="list-style-type: none"> • it is very important that they are selected carefully, structured well and administered effectively to be able to achieve a good outcome
<p>Measure and Value Also known as Time and Materials or Unit Price</p>	<p>This is a combination of fixed price and cost reimbursement and is a common method of payment for civil works contracts.</p>

	<p>It should be used to schedule identifiable phases of the work that are measurable, such as earthworks volumes, base course volumes, seal areas etc.</p> <p>The time and materials component is generally applied to day works where scheduled items are not applicable. Price is on a per hour or per item basis and has elements of a fixed price contract (fixed price per hour or item) and a cost reimbursable contract (in the material costs and the fact that the total cost is unknown).</p> <p>The contractor is paid for in actual labour hours at hourly rates plus materials at cost. The rates typically include direct and indirect costs and profit. It is usually used for small value works.</p> <p>The Council bears most of the cost risk.</p> <p>The time and materials/unit price component is appropriate when the Council wants to be more in control, when the scope of work is not known or is incomplete, as well as for short-term services. This is appropriate when work can be well defined but the total quantities are uncertain.</p> <p>It can be used in an emergency to begin work immediately when a scope of work is not written or completed. It is not suitable for long-term projects as there is little incentive for the supplier to complete the work.</p> <p>Advantages are:</p> <ul style="list-style-type: none"> • when the work needed has to be started quickly it is quick to establish <p>Disadvantages are:</p> <ul style="list-style-type: none"> • the supplier's profit is in every hour billed • supplier has little incentive to control costs • appropriate only for small projects • requires day to day supervision.
<p>Target Price Also known as Purchaser Nominated Price</p>	<p>This is a fixed price contract where at the start of the contract the client and supplier agree to the scope of work for the target price.</p> <p>The supplier bears most of the cost risk though both parties need to be clear about the outputs/outcomes expected in return for the fixed price.</p> <p>This method is used when the client has a fixed budget and the scope of works is negotiated with the contractor to fit the budget (target price). Used when it is difficult to quantify the</p>

	<p>scope of works or service. A target price contract is used in a competitive tender where the price provides an indication to competing bidders of the scope of Council's expectations and they are able to tailor their offers to meet the Council's expectations.</p> <p>Target price is commonly used within Council for minor consultancy engagements when the Council is seeking innovation in the proposals.</p> <p>It is also used where investigations are possibly open-ended and may involve unspecified consultation as a component of the project or rainfall catchment (hydrology) survey where the quantity of the outcome is a function of the input. The procurement project manager has to be able to define the outcome of the project.</p> <p>It is never used for procuring standard materials, engineered materials or equipment</p> <p>Advantages are:</p> <ul style="list-style-type: none"> • does not require as much detailed specification of the scope of work • can put onus on consultant to deliver <p>Disadvantages are:</p> <ul style="list-style-type: none"> • may not provide strong incentives for performance.
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12.8.3. 12.8.3 Specification

The Specification is the written technical description of the work, which is complementary to (but not conflicting with) the pictorial descriptions and notes given on the drawings.

When writing the Specification it is customary to divide the work into distinct sections or trades (e.g. scope of work, list of drawings, preliminaries, drainage, pavements, concrete, joinery, fencing etc.) with clauses written to cover the materials to be used, and if necessary the method of work to be used, the tests to be satisfied, how defective work should be remedied, and the method of measurement and payment. Reference can be made to other documents (such as New Zealand Standards), but this should not be done indiscriminately.

The Specification is an integral part of the design, as are the drawings. This is often overlooked with the result that inappropriate or outmoded specifications are selected or replaced by a few brief notes on the drawings. Sufficient time should be spent specifying the quality of the work, as it is not possible to price, build, test or measure the work correctly unless this is done.

12.8.4. 12.8.4 Special Conditions of Contract

The special conditions are restricted to modifications and qualifications of the general conditions such as type of contract, completion date, bond and insurance requirements.

13. Appendix D – Tender process

13.1. The invitation to tender

When preparing your invitation package, you should consider what information is required to ensure that the prospective suppliers understand your requirements in terms of both the outcomes to be achieved and the procurement process.

Tender documents must be developed in consultation with the Property and Commercial Manager. This ensures adequacy, consistency, completeness and transparency in Council's approach to the market.

13.1.1. 13.1.1 Contents of the invitation package

Depending on the procurement method you follow, you will have different requirements to include in your invitation package. The following documentation is required for competitive tender or proposal processes:

- covering letter to all prospective suppliers (invitation to tender or proposal)
- proforma contract
- the competitive process documentation (outlined below).

13.1.2. 13.1.2 Competitive process documentation

Wherever possible, the format of the documentation is to be standardised in accordance with the documents referred to in this manual, though the content of contract documents will vary depending on the value, type and form of contract. Below is a description of the different competitive process documents.

The contract documents begin with the 'Request' documents. The quality, accuracy and completeness of this documentation will set the tone for the entire procurement process.

For the more formal Request for Proposals (RFP) and Request for Tenders (RFT) processes officers must ensure that every RFP/RFT contains, at a minimum:

- a clear statement of the scope of the procurement activity and intended outcome
- a description of the delivery model to be used
- the supplier selection method to be used
- the attributes against which proposals will be assessed, including (where applicable) the weights for price and non-price attributes
- a description of how price will be used in the proposal evaluation process (where applicable), including a description of how any proposal price may be modified
- whether alternative proposals are permitted and, if not, why
- whether a conforming proposal is required when an alternative proposal is submitted
- a statement about how variations to the contract will be managed
- proposed contract terms and conditions, including (where applicable) the proposed standard form of contract
- a statement that personnel listed in any proposal must be available to provide the services

- a statement about the quality assurance system requirements
- any proposed arrangements for bonds and retentions and for testing the financial viability of participants in a supplier selection process
- a statement about the proposed limit on the liability of the supplier(s) (only where professional services are being sought)
- a statement about the process to be followed in the event of errors or omissions in proposal documents
- the policy on late proposals
- a proposed schedule for the process, including contract award and contract commencement dates
- a description of the method (if any) for contract price adjustment for cost fluctuations.

Council and officers acting on behalf of the Council must not, during a supplier selection process, act in a manner that is materially inconsistent with the process set out in the RFP. Nor must Council let a contract that is materially different from that described in the RFP.

Having set out these details in the RFP, the Council must then select the supplier and let the contract in accordance with the process described in the RFP.

To encourage competition and innovation, the RFP should generally avoid specifying the methods to be used to achieve the outcomes. Specifying outcomes sets the non-negotiable boundaries such as resource consent conditions, client-imposed conditions and conditions related to land and allows room for alternative proposals within these boundaries.

Specifying outcomes allows RFP respondents to decide how the outcomes will be achieved. For example, an RFP may specify 'No potholes to remain unfilled for more than x hours' but would not specify how the contractor should go about achieving that outcome.

Requirements for the other 'request' processes are as follows:

Request process	Description
Request for quotation or tender (RFQ)	<p>A request for quotation may be made by letter, phone or fax. If by phone, file notes should be kept of the conversation. If the requirement is simple, a formal statement of requirements may not be needed. A project brief may be completed to identify the scope of the goods, services or works required.</p> <p>In an RFQ, detailed conditions of submission should not be required, since quotations should be evaluated based on price only. However, you should stipulate how you wish the price to be presented and ensure adequate specification of the requirements.</p>
Registration of interest (ROI)	<p>A registration of interest advertisement or letter will:</p> <ul style="list-style-type: none"> • request all necessary details of the prospective supplier (e.g. name, title, organisation, address, email) • identify the general areas of interest or experience.

<p>Request for information (RFI)</p>	<p>A request for information will:</p> <ul style="list-style-type: none"> • identify the general area of interest • communicate the broad outcomes envisaged • specify any key constraints. <p>The RFI will seek information relating to specific outcomes that might be possible or technology that might be used. Information can be sought through written submissions or through feedback meetings.</p>
<p>Expression of interest (EOI)</p>	<p>An expression of interest advertisement will communicate:</p> <ul style="list-style-type: none"> • background information • the specific outcomes required • the types of outputs or inputs required • any key constraints • the qualifications required. <p>Enough detail must be given for prospective suppliers to decide if they are interested and to enable them to communicate their capabilities and experience on similar activities.</p> <p>Written submissions are always required.</p>

The objective when publishing invitations is to target the invitation range identified in the procurement plan or procurement strategy. The type and extent of advertising should be in keeping with the value and risk associated with the goods, services or works.

13.1.3. 13.1.3 Contract numbers and advertising

Approaches to the market that will ultimately form a contract must have a unique contract number. This is allocated by Contract Administrator. This system is used Council wide and forms the basis for the creation of the formal contract file.

Where procurement methods are governed by legislation (e.g. the Land Transport Management Act 2003 or the Construction Contracts Act 2002), or where external funding organisations such as New Zealand Transport Agency (NZTA) may require a particular procurement process to be followed in order for their funding to be available to the Council, the Council should use the required process.

13.1.4. 13.1.4 Guidelines on advertising and distribution of the invitation package

- Property and Commercial Manager will ensure advertising for the competitive tender or proposal process is appropriate for the target market.
- Ensure the cost of advertising does not outweigh the expected benefits of advertising no participant should get an undue time advantage or disadvantage.
- Any changes during the tender or proposal process, including extension of time, suspension or cancellation must be communicated to the market and registered tenderers writing.
- A supplier register is kept of all participants who request a copy of the tender or proposal package.
- An acknowledgement is required from each participant as soon as they have received the invitation package.

- Ensure all responses to any queries are provided to all participants on an equal basis except where the enquiry is commercially sensitive. The response may be regarded as "commercial in confidence" and should be limited to the particular participant.
- Ensure the advertising tool used can identify suppliers that have downloaded the documents thus enabling any subsequent amendments to be sent to them.

In order to allow adequate time for tender submission preparation thereby encouraging competition to obtain best value for money, a period of at least 21 business days must be available to allow interested suppliers sufficient time to prepare and submit a tender or proposal. This timeline may be extended depending on the nature and complexity of your procurement.

13.1.5. 13.1.5 Contents of advertisements and letters of invitation

The contents should include:

- Contract name and number
- Type of invitation
- The target market
- A description of the goods, services or works required
- The form of submission required
- The conditions and process that suppliers must fulfil to participate and any limitations on contractual obligations
- The time limits for submitting tenders or proposals
- Where the invitation package can be obtained
- How to submit
- The contact person and their contact details for any enquiries or clarifications
- The closing date and time for submissions

13.1.6. 13.1.6 Advertising

Advertising of tenders is to be conducted by the Procurement Team. The extent of advertising shall be determined by the scope of the project. Please allow two days for the necessary document compilation, final check and uploading.

Advertising options	Description
Government Electronic Tenders Service (GETS)	GETS is a free government online portal allowing the public sector to publish information with the following key features: <ul style="list-style-type: none"> • to advertise procurement opportunities and related information • meets all requirements associated with 'open' public consultation and probity • receive GETS activity reports on suppliers who have reviewed or downloaded the attachments of respective tenders or proposals. • GETS is the preferred method of advertising.
Newspapers	The extent of advertising shall be determined by the scope of the project. There is limited use of this media.

13.1.7. 13.1.7 Bonds

A contractor's performance bond is normally required for all New Zealand Standard Contracts (NZ 3910, 3916, 3917). The bond shall be 10% of the contract value or other amount as specified by the appropriate General Manager upon consideration of the related risk. Nonetheless, no bond shall be greater than the reasonably expected loss in the event of the contractor defaulting.

When required Bonds shall be in the form specified in the third schedule of the Conditions of Contract for Building and Civil Engineering Construction by Standards New Zealand (NZS: 3910:2003 Third Schedule). The surety shall be a bank, insurance company or recognised lending company. Alternatively, the contractor may provide a cash bond. Where the bond is not required, or the basis of the bond calculation is other than 10%, the engineer must agree and have the manager with suitable delegation approve the rationale for such.

Only contractor performance bonds, which comply fully with the requirements of the Council standard Form of Contractor's Performance Bond, should be accepted from contractors. These can only be discharged upon satisfactory fulfilment of the requirements of the contract as evidenced by the issue of the Defects Liability Certificate. Performance bonds with expiry dates should be rejected.

13.1.8. 13.1.8 Tender and document deposits

Refundable tender deposits or document charge are not required.

13.1.9. 13.1.9 Insurances

Insurance is one way to transfer financial risks in a project. Certificates of Insurance are required to provide proof of insurance cover arranged by the contractor. It is important that the officer responsible for letting the contract understands the conditions requested in the Certificates of Insurance and the reasons for them. Officers should be aware that policies of insurance are contracts in their own right and they do not cover all risks.

Run any draft contracts of any size past the Property and Commercial Manager, or appointed insurance advisor for clarification on any matters or terms contained in the forms or contract insurance generally. Be very careful to ensure there are no 'hold harmless' (contracting out of all liability) clauses in standard contracts coming from suppliers.

For purchase orders or works contracts up to \$50,000, insurance is generally not required. However, proof of insurance is necessary where a small value contract affecting high-value existing works carries large risks. The decision as to whether insurance of the physical works is required is at the discretion of the officer letting the contract and in consultation with the Property and Commercial Manager.

All contractors shall provide evidence of General or Public Liability insurance (for a minimum amount of \$5,000,000) and all contractors or consultants providing professional advice or services to Council shall provide evidence of Professional Indemnity Insurance.

Where work is to be undertaken on Council property, General Manager – Corporate Services shall be advised via the Council’s insurance manager and an extension to Council’s insurance of the property shall be completed for the particular work. For those persons, other than independent contractors or consultants, who may be undertaking work at the direction of Council (not-for-profit organisations, seconders and volunteers are good examples), the work performed will be covered under Council’s public liability insurance.

13.1.10. 13.1.10 Health and Safety

Effective from October 2020, all suppliers and contractors undertaking work or services in medium to high-risk activities are required to hold SHE accreditation. SHE accreditation is to be covered in tender and contract documents.

13.2. Communication with tenderers

It is essential to ensure all communications within the proposal or tender submissions process:

- do not disadvantage any prospective supplier
- are able to show the reasons for any decisions made
- comply with the conditions of submission and require the same of prospective suppliers
- respect the privacy of prospective suppliers and the confidentiality of their submissions and intellectual property.

13.2.1. 13.2.1 Notices

The answering of enquiries during the tender period should be restricted to one person only, usually the Procurement Project Manager. All answers to enquiries are to be written and sent to all tenderers as a Notice to Tenderers. However, considerable care should be taken to ensure that the documents are sufficiently clear and informative to allow tendering without questions. Ideally, there should be no need for any verbal communications with tenderers prior to acceptance.

Every notice to prospective tenderers must:

- be consecutively numbered and approved by the Procurement Project Manager and Contract Administrator
- be immediately issued to all prospective suppliers by email, courier, or post
- have a distribution record kept
- be acknowledged in writing by each prospective supplier
- have a copy filed on the project or contract file
- be added to any invitation documents still to be issued.

If appropriate, prospective suppliers who have already submitted documents must be given the opportunity to submit an addendum to their original submission. If it is too late for prospective suppliers to adjust their submissions, then the submission time should be extended, or the issue should be resolved in the evaluation or negotiations period depending on the matter's significance. The conditions of submission should specify how these matters will be managed.

13.2.2. 13.2.2 Clarification meetings or site visits

Meetings with prospective suppliers should be held only when essential and prior to the tender submission. When a meeting is required, ensure that:

- an agenda is issued
- the meeting minutes note that the supplier decision has not yet been made
- other prospective suppliers and their submissions are not discussed.

Prospective suppliers may make site visits. If this is not specified in the conditions of submission and one prospective supplier wishes to visit the site, then you may at your discretion consent or decline the request. If you consent, a notice should be issued to all prospective suppliers inviting them to visit the site, to ensure fair and equal treatment.

13.2.3. 13.2.3 Participant briefings (site meetings)

Where participant briefings are a formal part of the procurement process, the competitive process documentation would normally include this requirement and how the participants will be advised of the briefing.

Participant briefings should be considered for complex or unusual procurements that are of strategic value to the Council's core business, or where the relationship plays a vital role and the Council need to explain their culture and strategic direction. The briefings could occur as part of the release of the competitive proposal documentation, after the release or as individual participant briefings.

Any briefing as part of the release of the competitive documents should be advertised. This process does not give the participants time to familiarise themselves with the requirements and should only be used when the procurement is straightforward and is easy to define.

A briefing after the release of the competitive documents is useful when the procurement has more complex requirements. It gives the participants an opportunity to review the requirements and arrange for the appropriate people to attend the briefing.

Individual participant briefings give the participants an opportunity to tailor their questions and ensure they have a clear understanding of the requirements. This can be a very time-consuming process and you need to ensure that all participants receive the same information on an equal basis so that no participant receives an unfair advantage. This approach should only be used when the requirements are very complex. Time should be provided before and after the briefing to ensure the participants can familiarise themselves with the requirements and respond to any issues raised.

13.2.4. 13.2.4 Briefing record keeping

Participant briefing records must include at least:

- the names and positions of the people attending
- the date, location and time (start and finish) of the briefing
- the presentation material
- a record of questions asked
- a record of answers
- any amendments to or clarification of the competitive process documents by way of a formal written addendum.

13.3. Tender process

The following section outlines the procedures to be followed during the various stages of processing tenders.

13.3.1. 13.3.1 Tender closing

Tenders will usually close at the Council main office at 53 Main Street, Fairlie on a Tuesday at 12.00pm, but this may be changed to suit the timing or other needs of the project. The tender box is located in the Customer Service Centre, 53 Main Street, Fairlie. The box is to remain locked at all times between the calling for tenders and the closing of tenders.

An approved estimate should be prepared for all work that is put to tender and placed on the contract file in objective.

13.3.2. 13.3.2 Late tenders or proposals

Although Council reserves the right to extend the tender period allowed for the submission of a tender, at its sole discretion the Council principle will be to disqualify late tenders unless there are exceptional circumstances where the tenderer is unable to deliver the tender on time. In this instance, the Procurement Project Manager will obtain Property and Commercial Manager approval with appropriate written notification to accept a late tender.

Late tenders or proposals should only be accepted when:

- there were circumstances outside of the control of the tenderer that prevented the achievement of receipt by closing time
- there is no possibility of unfair advantage
- the participant has no knowledge of the other tenders or proposals
- the late tender conforms in all other aspects to the criteria set out in the competitive proposal documents
- the tender is received into the Council tender box.

If late queries are significant, then special arrangements may include:

- extending the period for receiving submissions
- giving those who have already submitted documents the opportunity to submit an addendum to be read with their original submission as long as this does not create an unfair advantage over the other participants.

13.3.3. 13.3.3 Tender opening

Tenders will not be opened in public.

The tender box shall be opened at the time and place specified in the Conditions. Tenders must be opened in the presence of at least two of the following four persons:

- Property and Commercial Manager or nominee
- General Manager or nominee
- Procurement Project Manager
- Business Unit Manager.

All conditions of the tender and/or contract must be adhered to.

Where there is a significant breach of the tender conditions, the tender shall be invalidated. Where there is a doubt regarding the significance of the breach of the matter, refer it to the Property and Commercial Manager for a decision.

13.3.4. 13.3.4 Cancelling a tender or proposal process

Cancelling a competitive process should only happen in exceptional circumstances after seeking advice from the Property and Commercial Manager.

Below are some circumstances that may lead to cancellation:

- all tender or proposal documents received are non-compliant
- there has been an unforeseen and significant change to the goods or services being sought
- a significant probity concern has developed during the process which may create a risk of legal action.

13.3.5. 13.3.5 Confidentiality of tenders

As a general principle, Council has an obligation to tenderers to protect both commercial details and intellectual property contained in tenders. This obligation must be balanced against the responsibility for transparency of decision-making processes. No information relating to tenders received may be disclosed prior to award of a contract.

In responding to requests for information (either written or oral) on prices received, the name and price of the successful tenderer, and the other prices received, can be disclosed for lowest price conforming process once the tender process has been concluded. The following information can be disclosed once the tender process has been concluded for weighted attribute or two-envelope processes:

- Name and price of the successful tenderer; and
- The range of total indices; and
- The total index of the tenderer requesting the information.

13.3.6. 13.3.6 Storing submissions

For the duration of the evaluation period, submissions must be stored in a secure place which only the evaluation team can access.

This is required to ensure respect for:

- the privacy of prospective suppliers
- the confidentiality of their submissions and intellectual property.

If evaluation team members wish to take the submissions away to read, it is the responsibility of the procurement project manager to ensure the evaluation team keep the submissions in a secure place.

13.3.7. 13.3.7 General procedures to be followed for processing tenders

By the person or persons nominated by the relevant manager to undertake the evaluation process (including consultants):

1. Prior to commencing the evaluation process, all members of the evaluation team are to sign declarations as to any, actual, potential or perceived conflicts of interest. This is done by signing the standard conflicts of interest and confidentiality document. The manager of the evaluation process must ensure evaluation team members are aware they have an ongoing obligation to declare any subsequent conflict of interest that may arise.
2. Record opening details and comments.
3. Acknowledge by email the receipt of tender documents. See template document.
4. Scan tender receipt document and file in Laserfiche.
5. The evaluation team or person, shall then:
 - eliminate unrealistic tenders
 - check the tender has been properly completed
 - check that the tender conforms to the requirements of the Request for Tender documents
 - check on Tenderer's references, make a file note of all reference checks and ensure these are kept on the project file
 - check on Tenderer's credit rating (following the requirements of the Privacy Act 1993)
 - determine if alternative tenders have been allowed for in the Request for Tender document.

13.3.8. 13.3.8 Clarifying submissions

During the evaluation, it may be necessary to clarify aspects of the responses that are unclear or have errors and/or items that have been tagged. It is acceptable to contact the participants to do this, however, it is imperative that a record of all communications be kept ensuring fairness and to preserve the integrity of the evaluation process. It is expected that this process does not provide the participant with the opportunity to improve their offer in a way that they would gain an unfair advantage over another participant.

Where a flaw in the competitive process documentation is causing the error, uncertainty or tags, it is necessary to communicate this to all participants. It may require the process be restarted.

One person on the evaluation team (e.g. the procurement project manager) must be appointed to manage all communication aspects in the evaluation process. Questions from suppliers should only be asked to give clarification, not to provide them with the opportunity to improve their submission.

Where a submission is priced very low compared to others, the submission should be scrutinised to determine:

- whether the participant has included all costs associated with providing the goods or services
- whether the price is sustainable
- whether the participant has proposed a new or innovative way of meeting the requirements that enable the reduction of the costs.

13.3.9. 13.3.9 Checking references

The objective of checking references is to obtain factual information about prospective suppliers:

- technical expertise
- financial status

- management skills
- track record in delivering results and managing health and safety.

Reference check records must include:

- the name of the prospective supplier being checked
- the name and position of the person checking the reference
- the name, position and company of the referee
- the questions asked and the responses obtained
- confirmation that confidentiality has been assured.
-

The Procurement Project Manager will nominate one person to coordinate reference and due diligence checks.

13.3.10 Interviews and presentation

If interviews or presentations are to be held, it needs to be stated in the competitive process documentation. Consider whether presentations will be invited and the way the evaluations will be scored. All prospective suppliers must be given equal opportunities to clarify and provide additional information. A record should be kept of both the before and after presentation scores as well as the reason for the differences. After each interview or presentation is completed, the evaluation team should review the participants' score and agree on the final ranking.

All interviews or presentations should have:

- the same agenda
- the same time allowed
- questions which have been prepared in advance
- an audience for the presentation which has been made known to the participants.

No comments should be made during interviews or prospective supplier presentations that could be interpreted as:

- promises
- representations by Mackenzie District Council
- altering the meaning of the invitation package.

Interview and presentation records must include:

- the name and position of all people attending
- the date, location and time (start and finish) of the interview or presentation
- a list of the prepared questions asked in interviews
- a record of the prospective suppliers' answers to prepared questions
- any electronic media recordings created during the interview or presentation
- all presentation documents submitted by the prospective suppliers.

13.3.10. 13.3.11 Errors and omissions in the competitive process documentation

One of the most frequent difficulties in tender evaluation is how to deal with errors and omissions, especially when these occur in the price. Errors can arise from many sources:

- error in the extension of rate and quantity to price
- omission or double counting of schedule items

- omission of contingency
- typing, arithmetical or carry-forward errors
- misunderstanding or misinterpretation of schedule items.

Whatever the source, there are very few tenders or proposals that close without there being some error identified. If arithmetic errors are found in the prospective supplier's price or costing details, the prospective supplier must be given the opportunity to:

- confirm the total price or cost as stated in the submission
- withdraw its submission.

If the total price or cost is allowed to stand, then adjustments to the schedules of rates or lump sum prices making up the total must be agreed with the prospective supplier.

Another common problem arising with tenders is incomplete information. Often something specifically asked for in the competitive process documentation is not supplied or only partially supplied. Practices on handling this can vary. The evaluation team can make a judgment call on whether asking for the information will compromise the process. They need to consider if allowing extra information to be added later is unfair on the other participants, as the offending participant is effectively given extra time to complete their submission.

Asking for extra or missing information is not the same as seeking clarification of the information submitted. Clarification of the information provided is permitted. Care is required as the boundaries between the two issues are sometimes blurred. The test, which the evaluation team should always apply in marginal cases is: "does this unfairly advantage one participant over any or all others?"

13.3.11.

13.3.12 Evaluation

The procedure for evaluating tenders and proposals will vary depending on the nature of the procurement. In simple evaluations, it is possible for the evaluation team to meet and complete a team evaluation.

For high value and high/very high-risk procurements where a two-envelope method is being used the price envelope remains unopened and is securely stored to ensure that the price does not influence the evaluation of any non-price criteria.

In order for the process to have credibility, it is essential that all team members individually read and evaluate the tenders. They then grade the non-price attributes noting their overall rating for each attribute. Each team member should record the reason behind their attribute grade allocation noting exceptions rather than compliance. It should be noted that if the tender evaluation was to be challenged, the individual markings of each team member are not discoverable in court. Instead, the courts will check the robustness of the evaluation process used. The best evaluations come from a meeting of minds, not from an individual evaluation.

The objective of the evaluation exercise is to select the best supplier. Do this in a way that is repeatable, rational, transparent and auditable. Discussing the scores and reaching a team consensus is preferable to averaging the scores.

13.3.13 Alternative tender proposals

Note: Alternative tender proposals are not usually accepted unless specified in the tender documents.

1. Tenderers may submit alternative tenders provided that they submit a base or conforming tender. Alternative Tenders must be clearly labelled “Alternative Tender” and outline in what respect it differs from the original method, form or materials specified in the Tender Documents with sufficient detail to enable evaluation, and the Price must be “certain”.
2. Tenderers may submit alternative tenders based on alternative contract arrangements, propose different materials or methodologies, or a change in the processes or plant outlined in the tender documents. Alternative tenders are normally submitted when a Tenderer believes they represent a saving in price, or whole-life costs while achieving the same overall result.
3. Alternative tenders will be evaluated for design, construction and process acceptability and will be assessed for cost difference against the “best” conforming tender.
4. If the alternative is based on documentation provided by Council that has been made available to all tenderers, and it is considered to be acceptable in principle based on design, construction and process methods, then it may be treated as acceptable tender and ranked accordingly.
5. If, in producing an alternative tender, a tenderer has made assumptions which do not comply with the constraints specified in the tender documents but which upon review by Council are judged to be acceptable, then the Procurement Project Manager is to consider what effect the change in the constraints could have on the other tenders and whether it is appropriate for the other tenderers to be given the opportunity to submit revised tenders in accordance with the changes. Tenderers will only be requested to consider the impact on their bids where the change in constraint is considered to be significant and would not inadvertently disclose the other tenderer’s proposal. The approval of the submitter of the alternative tender to initiate this course of action is to be requested prior to contacting the other tenderers.

13.3.12. 13.3.14 Evaluation of tender tags

Submissions may become non-conforming for a number of reasons. The most common reasons are insufficient or missing information, unsatisfactory insurance arrangements, or tags. To reject all incomplete or tagged submissions is not always in the best interests of either party. Where a response is incomplete or tagged, the missing information can be requested, or the tag clarified as long as it does not create an unfairness or disadvantage to the other participants in the process.

The following are guidelines for evaluating tender tags:

- Tender tags, or conditions, are to be identified for each tender and categorised as either “contractual” or “financial”. Contractual tags will relate to a tenderer's concerns over the conditions of contract, contract period, liquidated damages, bond provisions, indemnity and insurance provisions and the like, and will generally have legal or risk implications and may be difficult to readily “price out”. Financial tags are generally able to be “priced out”.
- After identifying the apparent lowest tender, a detailed analysis of the effect of the tags on their respective tenders is to be carried out starting with the lowest tender.
- It is not necessary to carry out this detailed evaluation on the higher tenders provided the overall effect on the order of tenders can be identified. A summary schedule of tags is to be

prepared, including comment on the effect of each tag on the tender price and/or contract conditions, wherever possible.

- Unless a tag is clearly based on valid reasons, the initial approach should be to request the tenderer to withdraw the tag without changing the tendered price. This approach may be made to any or all of the tenders as necessary. Should any tenderer decline to remove the tag or attach a price to its removal, then it should be documented as a tag, priced where possible, and put aside as a negotiating point in the event of that tender being selected as the lowest preferred tender.
- Any tags which result in the tender being adjudged non-conforming in terms of the Request for Tender documentation, and which the tenderer declines to withdraw, may result in the tender being excluded from further consideration. Prior to making this determination, the implications of rejecting the tender on the grounds it is non-conforming – having due regard for the conditions of tendering – should be discussed with the relevant General Manager who will make the final determination.

13.3.13. 13.3.15 Pre-acceptance meeting

A pre-acceptance meeting may be held with the recommended supplier to ensure that all aspects of the submission are clear. This is to ensure the critical elements of the submission are still valid and have not materially changed from the evaluated submission.

The matters to be discussed could include:

- personnel
- other resources
- timing and availability
- the supply of materials
- work methods to be employed
- completion of insurance or indemnity confirmation forms. The contract must not be signed until the required insurance confirmation forms have been received
- a contractor's performance bond. If the contract is for physical works and requires a performance bond, no contract payments can be made to the supplier until the supplier's contractor's performance bond is received and duly executed by the supplier's bank
- public relations requirements (if applicable);
- health and safety management.

You must ensure that:

- all the discussed points are recorded in writing
- there are no unresolved issues before you recommend authorisation of the final offer.

If the recommended supplier is no longer acceptable due to the outcomes of pre-acceptance discussions, this process should be repeated with other prospective suppliers in order of ranking according to the evaluation summary.

If acceptance of the recommended supplier is authorised, the pre-acceptance meeting points will become part of the final contract.

Do not refer to the recommended supplier as "the successful supplier" at this stage. You do not have the authorisation to make any commitment. The recommended supplier will become the successful

supplier only if the supplier recommendation report is authorised by the appropriate delegated authority.

13.3.14. 13.3.16 Negotiation

As a general rule, the Council will negotiate first with the highest ranked participant and, if the outcome is unsatisfactory, it will then negotiate with the next highest ranked participant until a satisfactory outcome is achieved. If negotiations are to be conducted, a negotiation plan should be prepared, and the participants should be advised of the possibility of post-evaluation negotiations.

The parts of the competitive document that will be negotiated may be identified. Staff involved in negotiating or establishing contracts must have appropriate knowledge of contract, delegation and legal requirements as well as be a skilful negotiator. For complex or high value and high/very high-risk procurements, a negotiation team may be required.

Post-evaluation negotiations are a good risk management tool to test the understanding and assumptions that have influenced a participant in preparing the costs. You may also be able to negotiate a reduction in costs where appropriate. It is important that the negotiations are fair and do not focus solely on reducing the bottom-line costs but also ensure that the agreement is sustainable and does not compromise quality. It is important that the negotiation does not materialise into an agreement that is different in scope from what was described in the proposal documents (which could disadvantage other participants).

By the end of the negotiation, all parties should have the same expectations about their obligations and how the contract will operate. All parties should agree on all issues that might have an effect on the price and performance monitoring before the contract is signed. The outcome of these negotiations should be in writing and included in the contract.

13.3.15. 13.3.17 General negotiation tips

Negotiating is an art of getting what you want from someone who has the power to give it to you. Getting the best price from a potential supplier is not always the best outcome. To build a long-term sustainable relationship, the negotiation should be a situation where both parties are working together to achieve the best outcome for all parties involved (e.g. a win/win situation).

Here are some helpful tips to assist you with your negotiations:

- set clear objectives before attending the negotiation so you know exactly what you want to achieve
- target the decision maker by confirming who will be attending from the supplier side and determine who will be the decision maker
- do relationship background checks, collate internal intelligence on the Council's previous dealings with this supplier
- identify the Council's most desirable outcome (MDO) - determine your highest expectation from the supplier or what you expect them to offer against each of your negotiation objectives

- identify the supplier's interests and MDO (e.g. to maintain price but offer other non-price incentives or to amend payment terms)
- determine your 'bottom line' - which areas you need and are not prepared to compromise on and vice versa (e.g. no compromise on delivery or quality to secure pricing)
- know your best alternative and have a contingency plan in the event of a deadlock.

13.3.16. 13.3.18 Tender recommendation

The results of the evaluation must be summarised. The documentation of the evaluation decision will depend on the nature of the invitation and the complexity of the evaluation process. Standard evaluation templates are available from the Property and Commercial Administrator.

The evaluation summary and recommendation will include:

- the names of prospective suppliers
- the prices received
- the evaluation criteria and weighting factors
- any pass or fail requirements
- a summary of the ranking or scoring
- the consensus decisions reached on exclusion, inclusion or selection depending on the nature of the invitation or the process.

Note: Any personal notes and individual score sheets created by the evaluation team members should not be kept, as they may not reflect the final consensus decisions of the evaluation team.

The recommendation summary is a mandatory document for all procurements that follow a competitive process. Staff should follow the financial delegations manual and procurement plan for sign-off approval of the report and the recommended supplier. This summary should provide the holder of the delegation with enough information on the evaluation process and the rationale for the recommendation to be able to make an informed decision whether it complies with the Local Government Act 2002.

13.3.17. 13.3.19 Accepting the successful offer

Acceptance of the successful offer or submission may be communicated when the recommendation report has been approved. The acceptance should be in writing with detail of the supplier's final offer, or acceptance of the submission for further negotiations should be confirmed. It is also important to confirm the process going forward. Ensure that there is a common understanding of the requirements, the conditions of contract and the supplier's final offer.

13.4. Contract Implementation

13.4.1. 13.4.1 Award and sign contract

The timing for the preparation and signing of contract documents is, for those contracts based on the NZ Standard Conditions of Contract for Building and Civil Engineering Construction (NZS 3910), set out in section 2.7 of that document.

For all other contracts resulting from a formal competitive process, the contract documentation should be prepared as soon as possible following contract award and be signed by the supplier, and by the appropriate signatory on behalf of Council (under the appropriate delegated authority).

Every page including drawings and schedules should also be initialled along with any pre-award clarification correspondence or meeting minutes or other addendum. Initialling of pages may be done by the appropriate Contract Administrator. An original of the final signed contract and any appendix documents must be filed in Laserfiche.

Any major contract let by the Council, a Council Committee, or an officer under delegated authority, is to be sealed with the seal of the Council and attested in the manner approved by the Council or under standing orders. The Contract Administrator will ensure that one set is retained in archives and the other is forwarded to the contractor either personally, by courier, or by registered mail.

If a contract is to be approved by the Council with changes made to the standard contract templates, Council's Property and Commercial Manager or delegate shall approve the contract documents before the offer is accepted.

The contract document should be finalised before any delivery of goods, services or works under the contract. There should be no issues at the time the contract document is signed. Ensure that the correct version of the contract and the schedules are presented for signing and that the documents are also dated as the terms may commence on the date of signing.

13.4.2. 13.4.2 Participant debriefs

After the procurement process is complete and the contract is awarded, it is important the unsuccessful/successful participants are given the opportunity to discuss their responses with a member of the evaluation team. This will benefit all parties to the process and provide opportunity for continuous improvement in participants' approach to the process.

The Procurement Team will provide a template of topics to be covered in the debrief. It is preferable the debrief is in-person. However, the details can also be provided by letter, email or phone. The debrief will:

- provide the reasons why the offer was or was not successful
- explain how the offer performed against the pre-conditions (if applicable) and the evaluation criteria
- indicate the offer's relative strengths and weaknesses
- explain in general terms the relative advantage/s of the successful offer
- address any concerns or questions from the participant
- seek feedback from the participant on the procurement process.

Care should be taken not to disclose any information that is likely to reveal another supplier's market strategy in a competitive market, or any other confidential or commercially sensitive information.

13.4.3. 13.4.3 Before the debrief

You must be able to justify information and any rationale that you give to the supplier.

- Assemble the RFx documents and evaluation material.
- Summarise how the offer was evaluated – scores, rankings strengths and weaknesses.

13.4.4. 13.4.4 At the debrief

- Allow 30–45 minutes for your debrief and the supplier's questions.
- Explain that debriefing is a way to help suppliers improve their competitive performance. Your constructive feedback aims to help the supplier in future opportunities.
- State that this is an informal discussion to explain how the supplier's offer performed against the evaluation criteria. Be clear that it's not a forum to re-litigate the evaluation process.
- If appropriate, clarify that the evaluation was carried out by a multidisciplinary panel and you will try to answer the supplier's questions on behalf of the panel.
- Be clear that commercial sensitivity and confidentiality (in relation to the other offers) place some restrictions on what you can say.
- State that you cannot provide detailed information on pricing. You can say where the supplier ranked on total cost.
- Say who the successful supplier was (as long as their name has been published on GETS).
- Do not show the supplier anyone else's offer, documents or evaluation material.
- Ask the provider for their feedback on the procurement process.

13.4.5. 13.4.5 After the debrief

- Write up the meeting and file it with the records.
- Follow up on any outstanding points with the supplier.
- Give the supplier a summary of your debrief if they ask for it.

13.4.6. 13.4.5 Managing the transition to a new supplier

A transition plan should be prepared when service delivery could be affected by the transition from one agreement or contract to the next. The Council should be aware of incumbent supplier issues such as information relating to confidentiality, bias or impartiality, as well as access to information. There needs to be a strategy to deal with these issues.

For complex procurements (high value and high/very high risk), the plan may need to address some or all of the following points:

- the timeline of activities and events
- required reports on progress
- additional resource requirements
- important roles and responsibilities
- training requirements
- communication requirements
- risk assessment management
- how to address any effects on customers

- any transitional arrangements that may need to be negotiated with the incoming or outgoing supplier
- managing the outgoing supplier's performance through to the conclusion of their contract
- situations where a contract could be terminated before its natural end date
- how to deal with the implications of an early termination.

For the effects on staff, the plan should address:

- the need for a staff communication strategy
- consultation to identify any staff or group needs during the transition period
- notification of any interim arrangements
- managing changes to staff and service delivery schedules.

All new suppliers must be created in NCS Magiq before they are engaged to provide goods or services. A New Vendor/Supplier Request form must be completed and provided to Finance.

14. Appendix E – Contract and supplier management

14.1. Managing the supplier relationship

This Appendix is a high-level summary of the contract and supplier management process. To achieve good contract performances, all parties to the contract must understand their respective obligations.

Contract management includes managing contractor performance, site issues, correspondence, contract variations, the project budget, meetings, all progress inspections, any health and safety inspections, as well as any practical completion inspections.

The management of a contract should only be undertaken by staff who have had experience in that type of goods, services or works. The management process should be confirmed at the outset of the procurement process.

Supplier relationship management is the ongoing strategic management of the contract. All contracts should have a relationship manager appointed as early as possible so that they gain a full understanding of the background and objectives of the procurement. For high value (\$350,000+) and high/very high-risk procurements, a supplier management plan should be prepared.

14.2. Principles of contract management

- Supplier performance should be managed pro-actively to achieve the right results on time, at the agreed cost and at the required quality.
- The supplier's management of health and safety should be monitored and managed.
- All communication that may have contractual significance must be documented.
- Records should be kept showing appropriate contract monitoring and management.
- The conditions and terms of the contract should be understood and adhered to by all parties to the contract.
- Contract risk, including business contingency and continuity, should be managed.
- Supplier invoices should only be authorised by those with the necessary delegated authority.
- All equipment, intellectual property and materials belonging to Council must be fully returned prior to contract completion.
- There should be formal acceptance that the product(s), service(s) or the work is acceptable.
- The learning points from the problems and successes experienced should be identified. These will be used to improve the management of the contract process throughout Council in future.
- A factual assessment of the supplier's competencies should be recorded and used as a reference in future contract activities.
- The supplier shall be advised of Council's evaluation of their performance so that they can have the opportunity to address any issues prior to future tender submissions.

14.3. Contract management documents

Documents that may be used during the term of the contract:

Document	Description
Instructions to contractor	Instructions to contractors are issued to convey contractual information or requirements to the supplier. They are numbered and recorded on file.
Variation orders	Variation orders confirm changes to the contract requirements or terms and conditions. They are numbered and recorded on file.
Quality control records	<p>Quality control records must be certified, recorded on file, and include the following:</p> <ul style="list-style-type: none"> • the results of any inspections or measurements • the procedure used • the required standard • certification of pass or fail.
Contract diaries	<p>Contract diaries should include a summary of the actions, observations and informal communications of the procurement project manager or supervisor. These diaries should be kept on the contract files.</p> <p>Contract diaries are official information and discoverable in the event of dispute. To avoid embarrassment and the possibility of comments being misconstrued, do not:</p> <ul style="list-style-type: none"> • keep intimate personal notes in the same document • make emotional or over the top comments in the documents.
File notes	<p>File notes should be kept for any informal communications that might possibly have contractual implications. If in doubt, keep a record.</p> <p>File notes should include the following:</p> <ul style="list-style-type: none"> • date, time and place • participants • topics and main points.
Plans, drawings and equipment records	Plans, drawings or equipment records may be required for contract implementation or subsequent maintenance. All such documents must be kept on the contract file.

<p>Minutes of meetings</p>	<p>Minutes should be kept for all formal meetings.</p> <p>The agenda should normally include:</p> <ul style="list-style-type: none"> • health and safety • progress during the period of review • variation orders issued • details of any claims to be submitted • details of any problems or opportunities anticipated • an action plan. <p>Generally, the minutes on these items should include:</p> <ul style="list-style-type: none"> • the reference numbers of any relevant documents issued • a brief description of the issue • the action taken or proposed, with an action number which remains in the minutes until the action is completed • who is responsible • when the action should be completed. <p>If there is nothing to report, then this must be documented in the minutes.</p>
<p>Visual records</p>	<p>Visual records include:</p> <ul style="list-style-type: none"> • photographs • videos. <p>They can be used either:</p> <ul style="list-style-type: none"> • proactively, to record the conditions before works start • reactively, to record the consequences of activities or events. <p>They need to be identified with the following:</p> <ul style="list-style-type: none"> • scene • reason for recording • date and time of recording • name and position of the recorder

	<ul style="list-style-type: none"> names and positions of any witnesses <p>Visual records should be numbered and these details kept on the contract file.</p>
Notifications regarding customer service	<p>In many cases, contract work will affect members of the public. It is important to ensure that the public are informed of all the aspects of the work. It is essential to work with the Communications and Customer Services staff when conveying information to the public. Keep these groups informed of all projects that will have an impact on the public.</p>

NOTE: All important contract information must be scanned and saved in the appropriate folder in Laserfiche.

14.4. Contract payments, variations, and extensions

14.4.1. 14.4.1 Supplier payments

The objective in processing supplier invoices or claims for payment is to:

- ensure that the goods, services, and works have been received
- ensure that they relate to a commitment that has been properly authorised by a purchase order or approved contract
- ensure that they are processed in accordance with the timeframes of the contract
- ensure that payments are made in line with the contract obligations. For construction works contracts, ensure that they are managed within the timeframes of the Construction Contracts Act 2002.

Once a contract has been approved, any payment to be made as the work progresses is managed through an administrative process.

No further delegation is required where:

- the payment is on the authority of an approved contract or purchase order
- payment does not exceed the specified payment for the amount of work completed.

Invoices will be paid on the 20th of the month following the invoice date, except where other arrangements were made.

All suppliers are to be advised to send their invoices quoting the contract or purchase order reference number to:

creditors@mackenzie.govt.nz

14.4.2. 14.4.2 Progress payments

It is usual for construction contractors to lodge a monthly progress claim. The contract or procurement project manager must review, check, and approve all progress payments. The supplier

for each progress claim should complete a Claim for Progress Payment (also known as a Pre-Invoice Payment Claim, or a Progress Payment Certificate).

This progress claim should:

- be received from the supplier within the timeframe specified in the contract documents
- provide the supporting details for either the tax invoice provided by the supplier or the buyer created tax invoice created by Council
- not purport to be a GST invoice.

Buyer created invoices can be issued in some circumstances. If a buyer created tax invoice is issued, the supplier must not issue an invoice. There must be only one invoice created. Council has Inland Revenue Department (IRD) authority to issue buyer created tax invoices for contract progress payments where:

- there is a signed agreement between the parties specifying the use of buyer created tax invoices
- the supplier will not issue a tax invoice for that contract.

One copy of the buyer created invoice is sent to the supplier and another is retained in Council files. Progress Payment Certificates and Pre-Invoice Payment Claims from suppliers should include the following:

- the contract name and number
- the date of submission
- an estimate of the percentage completion (as appropriate)
- the estimate or measure of the quantities of materials provided (as appropriate)
- the hours worked.

Progress Payment Certificates and Pre-Invoice Payment Claims from suppliers should also include:

- the value of retentions to be withheld
- the total value of physical works completed
- the value of physical works previously certified and paid.

14.4.3. 14.4.3 Authorising claims

When claims are authorised for payment, they must be:

- matched to a commitment made to the supplier
- certified to confirm that the goods, services or works described in the claim have been received
- authorised by an appropriate authorised signatory.

Payment should not be withheld unless there is a valid contractual reason for doing so.

14.4.4. 14.4.4 Late claims

Late claims are payments outside the timeframe within which a cheque or direct credit is normally issued. Whether the claim will be paid at all, depends on whether agreement was reached, and a commitment given to the supplier.

For the supplier to be paid on time, the claims should be received before the date prescribed in the conditions of contract. If claims are not received on time, they must wait for the next cheque run unless there are exceptional circumstances. If any leeway is given, Council must reserve its rights to enforce the procedure in the future.

14.4.5. 14.4.5 Timeframes imposed by the Construction Contracts Act 2002

The Construction Contracts Act 2002 covers new building contracts entered into after 1 April 2003. The Act imposes an increased duty on those who certify payments, particularly in terms of timeframes.

It should be noted that the definition of construction is very broad and may include contracts other than construction contracts (e.g. maintenance contracts if there is a construction component). In general, the timeframe for the issue of payment schedules and Certificates of Progress Payment is that:

- the Council understand and follow the requirements for management of the payment process as described in the contract (NZS3910:2013 imposes specific timeframes which need to be followed)
- the Council makes a payment to the supplier within the timeframe set in your contract documents.

The consequences if a payment is not made in time (or you make a reduced payment less than the amount specified certified) are that:

- the original claim by the supplier (or the outstanding amount) becomes a debt due enforceable in court together with actual and reasonable costs of recovery
- in addition, the supplier is entitled (after giving 5 days' notice) to suspend work and claim an extension of time, place a charging order over the land or to put the matter to adjudication or other dispute resolution process.

14.4.6. 14.4.6 Contract variation

From time to time, it may become apparent that the contract requires amendment either to meet requirements or due to a change in circumstance. Some changes will be anticipated and provision for that change made in the contract (e.g. regular reviews of price or key performance indicators). Not all variations will be anticipated. Unanticipated variations should be carefully considered before being accepted.

Unanticipated variations may be needed during contract implementation for one or more of the following reasons:

- External or environmental reasons
These include changes in legislation, unexpected physical conditions or suppliers experiencing problems with quality or delivery.
- Errors or omissions

Errors or omissions may be found in the statement of requirements (e.g. incorrect information may have been provided or the boundaries of the scope have not been properly defined).

- Opportunities to add value
The scope may be changed to take advantage of new technology or other opportunities that may add functionality or save costs.

The objective when managing any variations (changes or extensions) is to balance the right of the supplier to be fairly compensated for difficulties or additional costs that were unanticipated and yet also ensure Council does not end up paying for anything it is not contractually liable for.

It is also important to ensure that:

- contract implementation is not delayed by anything foreseeable
- the supplier is not unfairly disadvantaged by issues that they could not reasonably have foreseen
- all variations are properly considered and fully documented.

A variation approval does not apply to contracts which allow the contract price to be increased by following a cost index or other quantifiable adjustment mechanism.

Claims for variations should include the following:

- the contract name and number
- the variation order number
- date of submission
- a description of the variation
- the name of the authorised signatory who approved the variation
- the value of the claim
- supporting documentation
- the name and signature of the supplier submitting the claim.

14.4.7. 14.4.7 Form of variation

Whether anticipated or not, all variations must be formally documented in writing as they form part of the contract. The variations, once documented in writing and accepted by both parties, are legally binding.

A variation may take the form of:

- a Variation Agreement or Deed (appropriate for changing legal conditions such as term);
- an exchange of letters confirming the variation
- a replacement schedule
- a contract extension
- for physical works contracts, a variation order signed by both parties.
-

When managing variations, it is important to consider:

- the impact of the variations on related procurements or projects
- any authorisation requirements.

14.4.8. 14.4.8 Contract extension

A contract extension may be granted providing the terms of the original contract and delegations permit such extensions. In addition, the contractor must be willing to continue. The original signatories, or appropriate delegated authorities, should approve the contract extension.

The benefit and cost of an extension to a contract should be considered before agreeing on the extension. All contract extensions that exceed the originally approved contract price must be reported to Council.

14.5. Contract completion and closeout

14.5.1. 14.5.1 Process of contract completion (Goods or Works)

It is important to ensure the process of completion allows for maintenance, defects liability or a guarantee period, if appropriate. Projects involving goods or works often require maintenance, defects liability or a guarantee period.

The contract completion process may include some or all of the following steps:

Steps	Description
Pre-handover inspection	A pre-handover inspection confirms whether the goods or works meet all the requirements of the contract.
Handover of operating manuals, drawings and equipment records	Upon completion of the contract works, the supplier must provide to the procurement project manager manuals, drawings and other equipment records required under the terms of the contract. Documentation or information to handover can include: <ul style="list-style-type: none"> • operating manuals • as-built/records of what was built in specific format • specific product information for materials used • intellectual property.
Confirmation of operational and maintenance guarantees	Upon completion of the contract works, the supplier must provide to the procurement project manager any operational or maintenance guarantees required under the terms of the contract.
Certification of code of compliance for building consent	Projects that require a building consent also require a code of compliance certificate from the Council. This is issued on completion of the physical works.
Practical completion	The practical completion stage involves the following: <ul style="list-style-type: none"> • Practical Completion Certificate • release of supplier's performance bond • operational handover of project deliverables.
Final inspections	When a defects liability period is completed, a formal inspection or site walkover of the project works must be conducted.

Final Completion Certificate	When a contract provides for a defects liability period, the Final Completion Certificate is known as a Defects Liability Certificate. The issue of a Final Completion Certificate signifies: <ul style="list-style-type: none"> • the end of the supplier's contractual obligations, apart from any exceptions allowed by the contract and subject to any dispute procedures • the transfer of all maintenance responsibility to the Council • that all remaining retentions should be released according to the contractual terms and conditions of payment.
Approving the release of retentions	All outstanding retentions should be released at completion according to the contractual terms and conditions of payment. For contracts with a defects liability period, it is common practice to release 50% of retentions when the Practical Completion Certificate is issued, and release the final 50% when the Defects Liability Certificate is issued.
Close out process	Complete the contract close out procedure.

14.5.2. 14.5.2 Projects involving services only

Projects involving services generally only require steps such as:

- a review of the work to ensure that it is complete and meets quality requirements
- handover of manual documents (e.g. operating manual)
- a handover of all equipment and intellectual property belonging to the organisation, including detailed specifications and computer hardware
- formal acceptance of the work. A formal sign-off by all parties concerned that identifies that the outcome of the work is acceptable to the organisation
- files, letters and other correspondence records documenting what was done and not done. Documentation needs to be retained in an organised manner so that it can be used to protect the Council and supplier in case of arguments, queries or legal action
- identification of lessons learned, to serve as a historical basis for future working practices and supplier management
- monitoring of the warranty period
- approval for final payment.

14.5.3. 14.5.3 Contract close out

When a contract or procurement ends, the close out process needs to be followed. This is to assess how well the procurement objectives have been achieved as well as determine future improvements.

It is important that a supplier fulfils all their obligations under the contract before the contract ends and before the supplier is released from their commitments. For some contracts, completion may be in stages (e.g. when the work is completed or when the maintenance period has finished).

Depending on the nature of your contract, you will have different close out requirements. It is important that the learning points from the problems and successes experienced are identified and

used to improve the management of contracts and the supplier relationship process. The review process may include a debrief meeting or relational and contractual analysis. After completing the review, and where appropriate for high value and high/very high-risk procurements, it is recommended that a close out report be completed.

At the end of a contract, where a competitive process has been followed or where there are known learning points, it is good practice to carry out a formal documented contract completion process by completing a close out report.

A close out report should be written whenever:

- the contract is of significant value
- it is known that there are useful learning points
- the supplier may compete again for Council business.

It is also important that the supplier relationship manager remains aware of the contract's future provision well before the contract end date. This may include communicating with the current or other possible suppliers of a re-tender or a new proposal process. In some circumstances, warranty commitments and obligations or insurance liabilities will continue for a period.

Confidentiality requirements and intellectual property obligations may continue to apply after the end of the contract. It is important that a process exists to monitor these obligations until they no longer apply.

14.6. Consultant selection and engagement

14.6.1. 14.6.1 Establishing the requirement for a consultant

The engagement of a consultant is mainly due to one of the following reasons:

- internal resources or experience is unavailable
- to provide an independent or second opinion
- there is a legislative requirement
- it is a cost-effective option
- flow-on effect from another engagement.

14.6.2. 14.6.2 Unavailable internal resources or experience

This may arise from any of the following situations:

- lack of technical or specialised knowledge or expertise
- lack of quality resources
- to augment or enhance the capacity of existing resources
- insufficient resources
- to enhance the expertise of internal resources
- one-off or irregular peaks requiring urgent resolution
- lack of available time to complete
- training requirements.

14.6.3. 14.6.3 Provision of an independent or second opinion

There will arise from time to time, requirements to obtain:

- an unbiased and totally objective viewpoint
- the provision of a second and independent opinion
- an audit, peer review or special study.

14.6.4. 14.6.4 Legislative requirement

Where there is a statutory requirement to obtain external services, then procedures specified in this manual apply unless specifically excluded by such legislation.

14.6.5. 14.6.5 Cost effective option

Where it can be shown that the engagement of a consultant is the lowest cost alternative available, then a request for services may be presented for consideration.

A business case for all professional services engagement proposals must be formally documented in the procurement plan. Engagement proposals must relate to discrete and specific projects and must not be part of a larger or continuing project. Individual consultant requirements for large or continuing projects must be included as part of an overall request approval.

A consultant is defined as an independent individual, firm, company or other legal body providing information, advice or service to the Council. Project management and design services also fall within the definition of Consultant Services. The definition excludes the provision of temporary staff who are paid through the payroll system (and who are the subject of other approval procedures) but does include engagement of those who are paid through the creditor's system. The definition also excludes the provision of legal services.

All requests for the engagement of a consultant must be approved by a Council officer with the appropriate financial delegation as stated in the Delegations Policy.

When making recommendations, officers must satisfy themselves that:

- the request is justifiable from a business perspective
- the request represents an efficient and cost-effective use of Council funds
- all necessary information is provided in support of the request
- the engagement is required to meet both departmental and Council objectives, and
- the cost is covered by an appropriate budget.

It is expected that the Contract Administrator will maintain a central file and record of all consultant engagements and require specific General Manager sign-off prior to a consultant engagement being actioned.

All consultancy agreements should, as a minimum, be in the form of the Contractor Contract template and have a Corporate Contract number for the establishment of a specific records file.

14.6.6. 14.6.6 Implications for other groups

Details of implications for other divisions need to be identified. Consultancy engagements that have systems implications, for example, may require consultation with the Information Technology and/or Finance Managers.

14.6.7. 14.6.7 Post assignment performance evaluation

A performance review should be undertaken by the Council officer responsible for the assignment within two weeks of completion of each consultant engagement, and the report provided to the relevant General Manager. Matters to be reviewed include:

- whether the original objectives and deliverables were achieved
- if results complied with the contract or agreed terms of reference
- if further action is required and why
- whether completion of the assignment was on a timely basis, within budget, and whether value for money was received
- other general comments.

15. Appendix E – Procurement Checklist

Before undertaking any significant procurement activity, officers are required to consider the following issues, questions, and generic risks of not achieving good procurement practice and value for money.

The following table provides an indicative list of the issues to be considered

Consideration	Specific issues
Strategic context	<ol style="list-style-type: none"> 1. Is there a clear statement of the outputs to be purchased? <ul style="list-style-type: none"> • Have all elements of the output been clearly specified? • Do you have a good understanding of the expected price that you will have to pay for the outputs? 2. Is there clear alignment to the objectives as stated in the procurement strategy? <ul style="list-style-type: none"> • Does your approach to this procurement activity still align with your strategic priorities? • Is your proposed approach to aggregation and bundling (where relevant) consistent with your procurement strategy? • Is there any reason why this procurement activity should no longer proceed? • Are the identified economic, environmental and social considerations still relevant? 3. Is there appropriate procurement capability (either internal or external) to undertake the activity? <ul style="list-style-type: none"> • Do you have the capability to undertake the procurement activity? • If not, where are the gaps and how is the required capability to be resourced? • Do you have the necessary resources to deliver and monitor the contract? • Are the risks associated with the procurement activity understood and quantified? • Who is best placed to manage this risk? 4. What is the status of the supplier market? <ul style="list-style-type: none"> • Have there been any significant and relevant changes to the supplier market (i.e. number of suppliers, competitiveness of the market) that will affect your intended approach to the procurement activity?

	<ul style="list-style-type: none"> • Are any other approved organisations purchasing similar goods and services? • Is the proposed timing of your procurement activity able to be accommodated by the supplier market? <p>5. What are the risks and opportunities?</p> <ul style="list-style-type: none"> • Are the identified risks and opportunities still relevant? <p>6. Where the particular circumstances in which the activity is to be undertaken have changed since the procurement strategy was prepared and there is potential to enhance value for money through an alternative approach to the procurement activity, this should be taken into account.</p> <p>For example, consistent with organisational priorities identified in the Corporate Plan there may now be opportunities to:</p> <ul style="list-style-type: none"> • Aggregate activity with BOPLASS or bundle a number of procurement activities into one larger procurement activity in order to obtain a pricing advantage through scale. • Take advantage of innovation. • Change the timing for the procurement activity.
Financial context	<p>7. Can you justify that goods/services are a good fit with business need?</p> <p>8. Can you justify the decision to contract out rather than provide in-house decisions (i.e. consultant)?</p> <p>9. Is funding available in budgets?</p> <p>10. Have you considered the whole of life costs e.g. acquisition costs, delivery costs, installation costs, servicing & maintenance costs, storage & accommodation costs, disposal costs, insurance and liability costs, financing costs, training costs, OSH, etc.?</p> <p>11. Is the purchase best value for money?</p> <p>12. Has approval been obtained to plan the purchase?</p> <p>13. Has delegated authority been given to make purchases?</p> <p>14. Has the financial stability of the supplier been assessed?</p> <p>15. Who carries the financial risk?</p>
Operational	<p>16. Can you confirm that there is no chance of delays in delivery/non-delivery/errors/defects and/or contract termination?</p>
Quality/Design/ Technology	<p>17. Is continuity of services available?</p> <p>18. Have warranties/guarantees been given? Are they required?</p> <p>19. Has the quality of the goods/services been detailed?</p> <p>20. Are the goods/services fit for purpose?</p> <p>21. Will the technology and/or designs meet current standards?</p> <p>22. Has the solution been future-proofed?</p> <p>23. Have intellectual property issues been addressed?</p>



Reputation/ Publicity	24. Have you identified any chance of negative political or media comment around the purchasing/procurement process or decision?
Legal/Ethical	25. Does the purchase comply with legislation/public law? 26. Have you ensured that there are no ethical or probity issues associated with the tender or contract processes, including: <ul style="list-style-type: none"> • conflict of interest declarations • confidentiality of information • consistency and fairness of the selection process?
Natural Environment/ Sustainability	27. Have you considered all environmental consequences/impacts and completed all requirements? 28. Has Council's objectives of sustainability been met?
Contract	29. Have all supplier responsibilities been clearly defined in the RFP document e.g. warranties, supply timeframes, insurance and indemnity requirements, bonds, extent of services etc.? 30. Is there a need to include the Spatial Data Supply specifications as a quote? 31. Has intellectual property ownership been clearly defined? 32. Has adequate documentation/record keeping been established e.g. invoices, quotations, tendering docs, etc. 33. Is it clear who carries the risks?
Supplier Integrity	34. Have you checked the financial registration and professional accreditation of the contractor/consultant? 35. Has insurance confirmation been provided by the contractor/supplier/consultant?
Consultation and Consents	36. Consultation requirements - have you considered the need to consult with others e.g. iwi, property-owners, community groups? 37. Consents - have you considered the need for new or modified consents? 38. Have you considered the local economic impact of the project



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