

WAIMAKARIRI DISTRICT COUNCIL PROCUREMENT STRATEGY

July 2019

VERSION CONTROL

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GLOSSARY OF TERMS

AoG = All of Government

CCO = Council Controlled Organisation

CIPS = Chartered Institute of Procurement and Supply

ECI = Early Contractor Involvement

GETS = Government Electronic Tender System

KPI = Key Performance Indicator

KRA = Key Result Area

LTP = Long Term Plan

LPC = Lowest Price Conforming

MBIE = Ministry of Business, Innovation and Employment

PNP = Purchaser Nominated Price

PQM = Price Quality Method

QBM = Quality Based Method

RFI = Request for Information

RFP = Request for Proposal

RFT = Request for Tender

RFQ = Request for Quotation

RFx = Request for (either Proposal, Quotation or Tender)

ROI = Registration of Interest

SME = Subject Matter Expert

SQP = Supplier Quality Premium

SRMP = Supplier Relationship Management Plan

SSRM = Strategic Supplier Relationship Management

TET = Tender Evaluation Team

WDC = Waimakariri District Council

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STRATEGIC OVERVIEW

WHO WE ARE AND WHAT WE DO

The Waimakariri District Council (the "Council") is a territorial local authority with obligations to its ratepayers and the public, defined under the Local Government Act 2002 as: "to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses" (1).

Waimakariri District has a population of c60,000. The largest towns are Kaiapoi, Rangiora, Woodend/Pegasus, situated in the eastern part of the district, with Oxford being the largest town in the west.

There are also a large number of people living in villages and on small holdings in the rural zone, with 3,500 lots of between 0.4 and 4 hectares in rural areas.

Due to the proximity of Christchurch and the country environment, Waimakariri is an attractive location for those who are looking for the best of both country and city living. This is expected to drive a population increase to approximately 74500 by 2028 and almost 100,000 by 2048.

The vision of the Council is to make Waimakariri a great place to be in partnership with communities guided by our outcomes, through the following:

- As a service provider;
- As a funder of activities by others;
- As an advocate on behalf of our community;
- As a regulator under legislation,

The Council has formed a Long Term Plan (LTP) covering the next 10 years which is refreshed every three years. This Strategy lays out the response to changing community priorities and the issues that face the District.

The Waimakariri District has been one of the fastest growing Districts in the country over the past thirty years, more than doubling its population in that time. Accordingly, the average age of its infrastructural assets is relatively new. While wastewater systems in the larger settlements were laid from the 1930s onwards, the majority of the underground infrastructure has been laid within with the last thirty years. As a result, a significant increase in underground infrastructure replacement is not forecasted until about 2070, with a steady rise from then until the peak in about 2120. Peak expenditure is forecast to be nearly 2.5 times the current renewals expenditure.

The Council's main focus for the next 30 years is on catering for growth, ensuring the renewal of assets is supported by an appropriate funding strategy, and that the Council is addressing increasing community expectations of the standard of services provided.

OUR MISSION AND VALUES

Our mission statement

To pursue with the community a high quality physical and social environment, safe communities, and a healthy economy.

Our values statement

This is our service promise to you:

- We'll keep you informed
- We'll do better every day
- We'll take responsibility
- We'll act with integrity, honesty and trust
- We'll work with you and each other (2)

HOW WE ARE GOVERNED

The Council has overall responsibility and accountability for the proper direction and control of the Council's activities. This responsibility includes, but is not limited to:

- Formulating the District's strategic direction in conjunction with the community - the Long Term Plan (LTP) and Annual Plan;
- Determining the services and activities to be undertaken and the levels of service for those activities and how service performance will be measured;
- Managing principal risks;
- Administering various regulations and upholding the law;
- Monitoring the delivery of the LTP and Annual Plan;
- Ensuring the integrity of management control systems;
- Safeguarding the public interest;
- Reporting to ratepayers;
- Appointing the Chief Executive;
- Acting as a good employer.

In fulfilling its purpose, the Waimakariri District Council exercises powers and fulfils responsibilities conferred on it by various Statutes.

Chief among these are: the Local Government Acts of 1974 and 2002; Local Government Act 2002 Amendment Bill (no.2); the Local Electoral Act 2001; Local Government Borrowing Act 2011; the Local Government (Rating) Act 2002; the Local Government Official Information and Meetings Act 1987, and the Resource Management Act 1991. Following earthquakes in 2010 and 2011, the Canterbury Earthquake Recovery Act 2011 was a significant piece of legislation that the Council must take account of, however, this has been superseded by the Greater Christchurch Regeneration Act 2016.

The Local Government Act 2002 (section 14) details the principles relating to local authorities. The principles most relevant to the Council's procurement activity are:

In performing its role, a local authority must act in accordance with the following principles:

a local authority should—

- 1) conduct its business in an open, transparent, and democratically accountable manner; and*
- 2) give effect to its identified priorities and desired outcomes in an efficient and effective manner:*

A local authority should undertake any commercial transactions in accordance with sound business practices; and

- 1) a local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interests of its district or region, including by planning effectively for the future management of its assets; and*
- 2) in taking a sustainable development approach, a local authority should take into account— (i) the social, economic, and cultural interests of people and communities; and (ii) the need to maintain and enhance the quality of the environment; and (iii) the reasonably foreseeable needs of future generations.*

This Procurement Strategy reflects these principles as they relate to the Council's procurement activity. In particular, the broader community wellbeing impacts are explicitly recognised. (3)

The nature of the Local Government Act 2002 means that the Council must work with neighbouring local authorities (i.e. Christchurch, Selwyn and Hurunui), the regional council (Environment Canterbury) and other bodies engaged in community services (e.g. Police and Fire). The Council may consider joint working, syndication of contracts and/or partnering agreements, where appropriate, in order to introduce synergy of process and commonality of scale.

COUNCIL CONTROLLED ORGANISATIONS

The Council has direct and indirect shareholdings in, or control over, a variety of Council Controlled Organisations (CCOs) and Council Controlled Trading Organisations (CCTOs). This control is either through ownership greater than 50%, or the ability to appoint more than half of the board. These Organisations all operate on a commercial basis at arm's length from the Council:

- (a) Enterprise North Canterbury.
- (b) Te Kōhaka o Tūhaitara Trust.
- (c) Transwaste Canterbury Limited - The Waimakariri District Council is one of six councils in the Canterbury region which between them own 50% of the shares in Transwaste Canterbury Limited. The organisation operates a regional landfill at Kate Valley and associated transport services in a joint venture with Canterbury Waste Services.

The Council also has non-controlling interests in numerous Council Organisations, by virtue of appointing one or more board members or trustees such as Canterbury Museum.

STRATEGIC DRIVERS FOR WAIMAKARIRI DISTRICT COUNCIL

With the majority of the earthquake recovery programme completed, essential infrastructure improvements in our main town centres well underway and flood mitigation and protection works progressing, the focus of the WDC spending is now on:

- Catering for growth.
- Responding to increasing community expectations and national standards especially in respect of water quality and environmental standards.
- Ensuring the District has facilities and services in place which make Waimakariri a great place to be.

However it is also recognised that the required infrastructural response to Climate Change is not yet understood, and it is expected that this will play an increasing part in the Council's infrastructure spend over the coming decades.

Importantly, it is critical that the Council's stewardship over the assets and services it is responsible for is demonstrated to be sound and robust, and it is done in a financially prudent manner for current and future residents.

Procurement plays a vital role in the delivery of Council outcomes, with a significant variety of goods, services and works being purchased from third party suppliers.

The Council recognises that rigorous procurement and contract management practices:

- a) Ensure the Council delivers value for money and quality outcomes for the community.
- b) Underpin the performance and delivery of the Council's strategic and business objectives.
- c) Provide opportunities for business sustainability, strategic growth and improvement.

We acknowledge the MBIE Government Procurement Rules (4th Edition 2019) containing the Rules for sustainable and inclusive procurement and will adopt the supporting processes and procedures provided by MBIE where suitable and appropriate.

OUR STRATEGIC PLANNING FRAMEWORK

DOCUMENTS THAT GUIDE US

ANNUAL PLAN

The purpose of the Annual Plan is to describe the activities of the Council and provide a basis for accountability of those activities to the community. The Annual Plan is a continuation of decisions agreed to in the Long Term Plan (LTP), which outlines the use of the Council's resources for the next ten years.

The Local Government Act 2002 stipulates in Section 95(5) that the purpose of an Annual Plan is to:

- a) contain the proposed annual budget and funding impact statement for the year to which the Annual Plan relates;
- b) identify any variation from the financial statements and funding impact statement included in the local authority's long-term plan in respect of the year;
- c) support the long-term plan in providing integrated decision making and coordination of the resources of the local authority;
- d) contribute to the accountability of the local authority to the community.

LONG TERM PLAN

The Council's 10 year Long Term Plan (LTP) is refreshed every three years, it responds to and considers changing community priorities and issues being faced within the District.

With the majority of the earthquake recovery programme completed, essential infrastructure improvements in our main town centres is well underway and flood mitigation and protection works progressing. This LTP cycle thereby focuses on our spending goals as outlined above:

- Catering for growth.
- Responding to increasing community expectations and national standards especially in respect of water quality and environmental standards.
- Ensuring the District has facilities and services in place which make Waimakariri a great place to be.

Importantly, the LTP demonstrates Council's stewardship over the assets and services it is responsible for, and that it does so in a financially prudent manner for current and future residents. Figure 1 below highlights the linkages between the LTP and our core strategic reports and plans.



Figure 1 Long term plan linkages with other documents

DISTRICT DEVELOPMENT STRATEGY

The District Development Strategy (DDS), is a high- level, long-range strategic document that provides a spatial framework to guide the anticipated growth in our District over the next 30 years. The DDS outlines directions for growth management and is designed to act as a broad statement of direction to inform more detailed decision-making within the context of a long- term view.

It is projected that up to 15,000 more houses may be required to accommodate growth, together with business, infrastructure and public facilities requirements, under the most likely growth scenario out to 2048. That is, a resident population of approximately 100,000 by 2048 based on the Waimakariri District Council medium/high variant population model. To prepare for growth, we need to ensure it is well planned, integrated and sustainable for current and future generations.

The DDS influences the timing and location of growth and makes sure it is achieved in an integrated way. This has allowed us to plan for expected growth, rather than react to change, and provide a clear direction for public and private investment.

KEY LEGISLATION AND POLICY

In developing our Procurement Strategy, we have ensured consistency with our internal Procurement and Contract Management Policy and external requirements of:

- The Local Government Official Information and Meetings Act 1987.
- The Local Government Act 2002.
- The Land Transport Management Act 2003 and Amendment Act 2013.
- The Official Information Act 1982.
- The Public Finance Act 1989.
- The Electronic Transactions Act 2002.
- The Public Records Act 2005.
- The Local Electoral Act 2001.
- Local Government Borrowing Act 2011.
- Resource Management Act 1991.
- Greater Christchurch Regeneration Act 2016.
- The Office of the Auditor General: Procurement Guidance for Public Entities (2008).
- The NZ Government Rules of Sourcing (fourth edition 2019).
- The Ministry of Business, Innovation and Employment (MBIE) Mastering Procurement Guide (2011).
- National policy statement (NPS) (Urban development).
- RPS.
- Our Space.

PROCUREMENT OPERATING MODEL

WHAT WE ARE TRYING TO ACHIEVE

“Procurement is all of the business processes associated with purchasing, spanning the whole cycle from the identification of needs to the end of a service contract, or the end of the useful life and subsequent disposal of an asset” (4)

Our
Aim



To harness the purchasing power of the Council for the realisation of its strategic and business objectives, as well as the benefit of the local community

We will achieve this by implementing a Procurement Framework that supports Waimakariri District Council in achieving its mission “To pursue with the community a high quality physical and social environment, safe communities, and a healthy economy.” Procurement supports this mission through its objective of “sustainable value through smart buying.”

Our Procurement Operating Model supports our aim by ensuring the Council delivers public value and quality outcomes for the community by underpinning the performance and delivery of the Council’s strategic and business objectives, whilst also providing opportunities for business sustainability, strategic growth and improvement.

PUBLIC VALUE MEANS ACHIEVING THE BEST POSSIBLE RESULT FROM A PROCUREMENT. FOR INSTANCE, PROCUREMENT OFFERS THE OPPORTUNITY TO SUPPORT NEW ZEALAND BUSINESSES, INCLUDING MAORI BUSINESSES AND PASIFIKA BUSINESSES. PROCUREMENT CAN ALSO CONTRIBUTE POSITIVELY TOWARDS ACHIEVING ENVIRONMENTAL OUTCOMES BY SUPPORTING NEW ZEALAND’S TRANSITION TO A LOW EMISSIONS ECONOMY OR REDUCING WASTE.

Through the use and development of innovative procurement solutions, we will leverage procurement opportunities to give economies of scale. This will, however, be balanced with the requirement to maintain a sustainable and competitive supplier market.

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

- 1 • Plan and manage for great results
- 2 • Be fair to all Suppliers
- 3 • Get the right Supplier
- 4 • Get the best deal for everyone
- 5 • Play by the rules

With these principles in mind, we will take into consideration where appropriate the whole of life costs, risks and/or benefits associated with procurement from design through to decommissioning and disposal. Contracts will clearly

identify functional, performance and/or technical deliverables and key performance indicators to generate 'SMART' (Specific, Measurable, Achievable, Relevant and Time-bound) deliverables for the monitoring of contracts.

***Whole of life thinking:** an assessment of the total costs and/or benefits of purchasing goods or services from concept to disposal. This includes purchase outcomes, operating costs spanning the useful life of the good or service, as well as any impacts associated with (product) manufacture, transport, delivery and disposal. Consideration may also be given to sustainable procurement (4)*

This will be supported by sustainable procurement principles wherever possible.

SUSTAINABLE PROCUREMENT

The Council recognises that procurement and contract management practices provide a key opportunity to maximise value for money and quality service delivery, as well as deliver tangible benefits for the local community, economy and environment – as articulated in the Council's Strategic Planning Framework.

Whenever practicable, the Council shall give conscious consideration to sustainable procurement principles, including when undertaking cost-benefit analyses or weighted attributes assessments of potential goods and service Suppliers. (4)

As such, and in accordance with our Procurement and Contract Management Policy, the principles of sustainable procurement shall be recognised whenever possible in the assessment of the costs and benefits of procurement on a whole of life basis, as follows:

(a) Think Local: The Council shall consider those Suppliers that can evidence a positive economic footprint in the region. This includes contributing to the vibrancy and sustainability of the local economy, supporting job or market growth, as well as fostering opportunities for small and medium-sized enterprises.

(b) Think Environmental: The Council shall consider procurement decisions that have a positive impact on the natural environment and biodiversity, including the prudent use of natural resources, the minimisation of waste or hazardous substances, and efforts to reduce carbon or Greenhouse Gas (GHG) emissions.

(c) Think Social: The Council shall consider procurement decisions that maximise community benefits in terms of personal wellbeing, social cohesion, capital and inclusion, equal opportunities and participation.

Figure 2 above illustrates the interdependencies between Social, Environmental and Economic considerations.

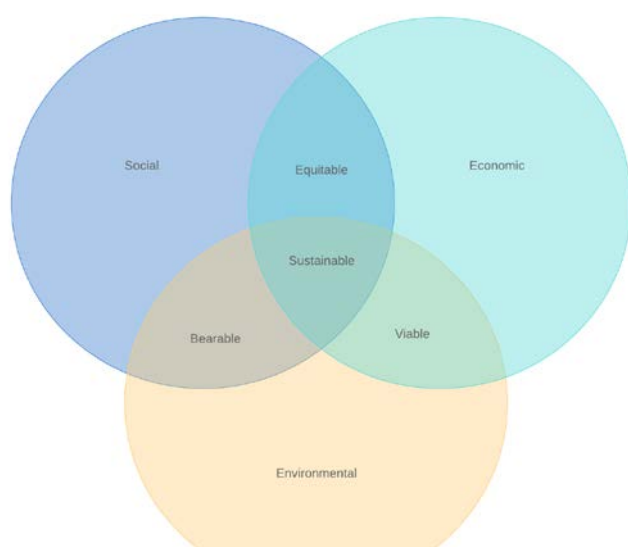


Figure 2 The triple bottom line of sustainability

Waimakariri District Council Procurement Strategy

It is recognised that Cultural sustainability also plays a role in Council's procurement and as such, where appropriate, Council shall consider procurement decisions that have a positive impact on maintaining cultural beliefs, cultural practices, and heritage conservation.

Our aims and principles are fulfilled using the Waimakariri District Council's values, as represented in our procurement house shown below:

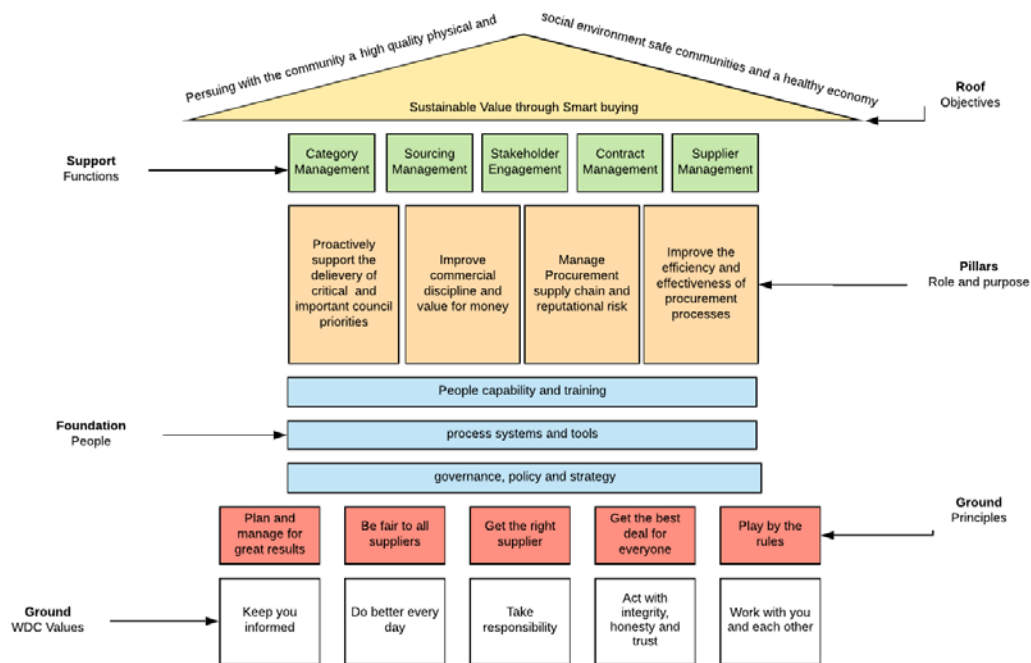


Figure 3 Procurement house

OUR CAPABILITY AND CAPACITY

Our procurement function is centre led and has a functional responsibility to the Manager Finance and Business Support who is responsible for the governance of the function. The team is made up primarily of the Project Delivery Unit (PDU), the Water Unit (WU) and various buyers (champions) across the organisation which aims to implement the procurement and contract management goals of the Council within the relevant council wide business units. The Procurement Manager role is fulfilled by the Project Delivery Manager and is responsible for developing the unit as a centre of excellence and toward procuring as one organisation.

The structure of the procurement function is detailed below.

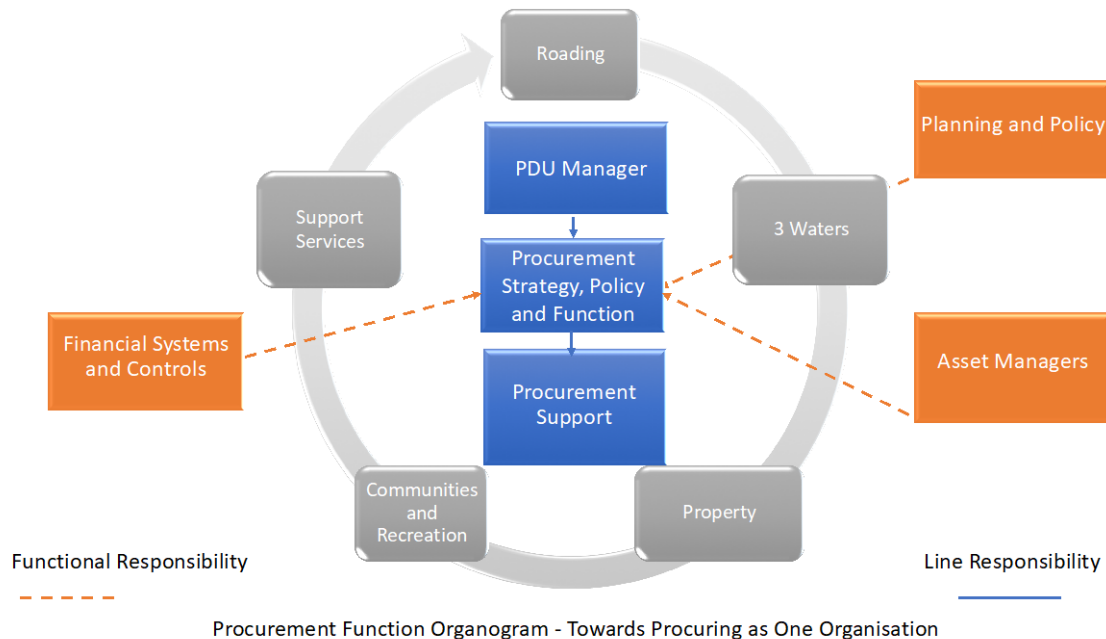


Figure 4 Organisational structure for the WDC Procurement Function

Our procurement model has been developed to support the upcoming work reflected in the Waimakariri District Councils Long Term Plan (LTP). This covers the next ten (10) years planned activities which are outlined in Section 3 of this document. In order to deliver this plan successfully a highly effective procurement function will be required – they will need to understand the Supplier markets, implement strategies for engaging, and manage the risks alongside determining the Supplier performance within those markets.

Given the Council’s procurement budget in the region of \$80 million to \$100 million p.a, which reduces in future years to approximately \$60 million p.a., we are a significant influencer in the Canterbury market. To ensure that value for money is achieved, the Procurement function, procurement support champions, and any other staff undertaking procurement activities will have an appropriate level of expertise, experience and resource levels. This is supported by the Management Team who will ensure that we have access to sufficiently qualified and/or experienced professionals to undertake key procurement tasks. This also includes having sufficient numbers of qualified tender evaluators available throughout the business.

Targeted learning, development and mentoring of our procurement staff is encouraged through individual personal development plans. For the purposes of standardisation with best practice we will align our procurement practices where appropriate with:

- The Ministry of Business, Innovation and Employment (MBIE) as the lead agency in the NZ Government Procurement Reform Programme.
- The Chartered Institute of Procurement and Supply (CIPS) as the leading international representative body for the procurement profession.
- Other Local Council bodies in the Canterbury area.
- NZTA as a funder of some activities.
- The IPWEA and Engineering NZ.

- Good practice both from New Zealand and international sources.

IN HOUSE PROFESSIONAL SERVICES AND ADMINISTRATION

The Council has previously determined that it wishes to maintain a strong and viable in house professional services capability, with civil engineering design and project management, utilities engineering design and project management, network planning, subdivision and land development expertise. It is not the purpose of this Strategy to review that, but rather to look at ways of assisting the Council structure to achieve the outcomes noted above.

In-house professional service and administration activities are largely centred in the Council's Project Delivery Unit, but to a lesser extent will be undertaken across all of our business units delivering or supporting the delivery of our outputs. Professional services shall be defined as below:

Professional services – Services specific to the activity. For funding purposes these are treated as an input and the cost is charged directly to the activity. They are provided by a person/s skilled in the particular field for which they are engaged.

Administration – Costs are not integral to an individual activity but must be provided to support the delivery of activities. Administration is an overhead cost incurred in the delivery of activities.

We will deliver value for money by engaging staff with the appropriate skill sets for the roles they are employed for. We will continually review our in house capacity and, where appropriate, adjust our structure to ensure public value is maintained.

In general, discussions about the delivery of professional services begin at or before the start of the financial year with planning meetings with the in-house consultant Project Delivery Unit (PDU). This focusses on the type and extent of work that can be delivered internally, while still meeting the project objectives. This results in an agreed PDU work programme, with budgets, timeframes and key resources agreed. The remainder of the works is then considered in terms of being available to the wider external professional services market.

Similarly, discussions about water and wastewater physical works projects take place with the Council's business unit, the Water Unit (WU) in accordance with the Service Level Agreement between 3 Waters and the WU. Agreement is reached on which projects can and should be delivered by the WU, and agreement reached on timeframe and cost. The remainder of the works is then considered in terms of being available to the external market.

Decisions around whether to in-house or outsource a particular activity will be made by management on the basis of resources and available skills at the time of the project. Our preference is to resource in house but there may be a situations where we outsource projects due to project specific requirements, peaks in workload or technical capability. Should it be deemed appropriate by the PDU Manager and/or the Asset Managers to outsource projects, part of the engagement will be to develop the skills in-house to ensure future capability is maintained and developed. The benefits of maintaining this capability include:

- Stronger ownership and a longer view of activities.
- Greater flexibility and responsiveness.
- Strong relationships are developed with the WU, contractors and other service providers.
- Risk is easier to manage.

As each financial year progresses, the procurement approach will be reviewed regularly. Where the risk to delivery is increasing beyond an acceptable point, and alternative procurement approach will be applied.

PROCUREMENT DELIVERY

HOW WE PROCURE

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

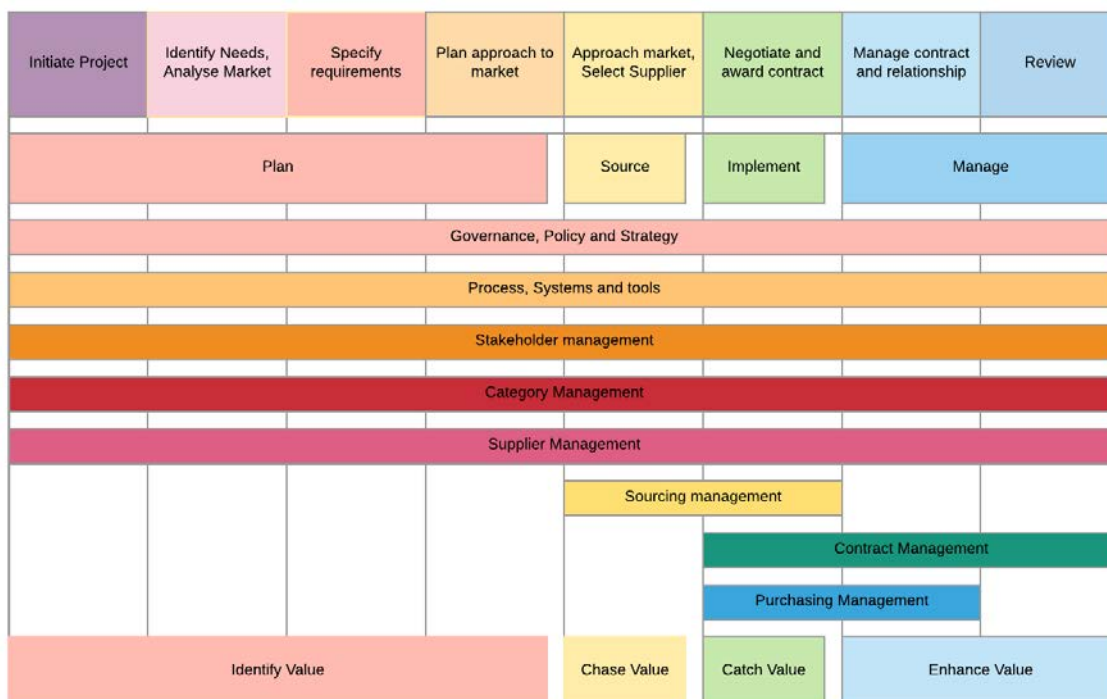
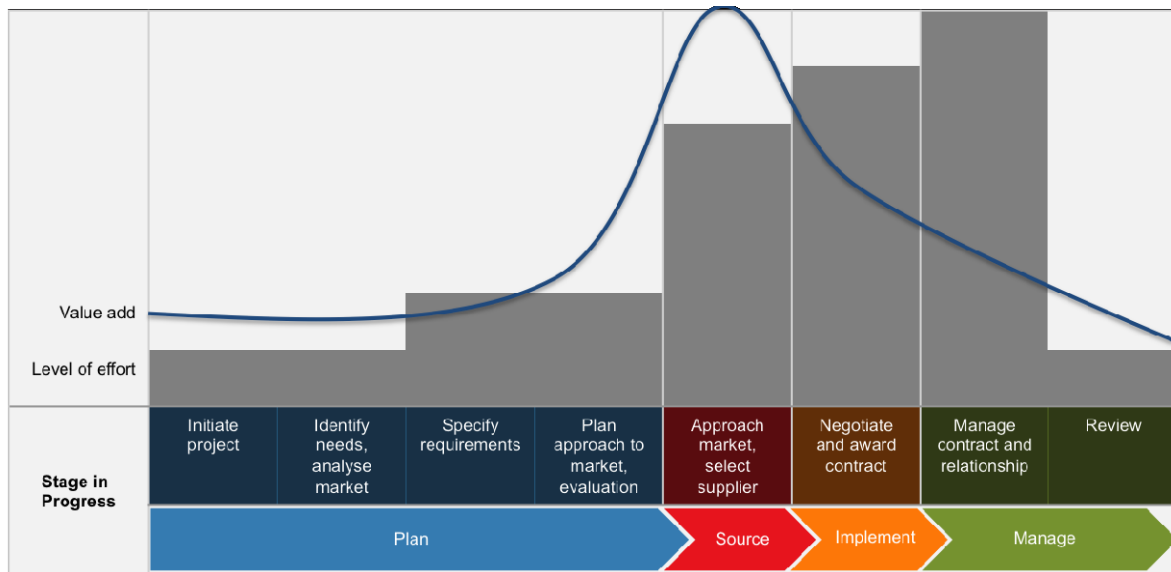


Figure 5 Procurement Lifecycle

TRADITIONAL VS STRATEGIC PROCUREMENT

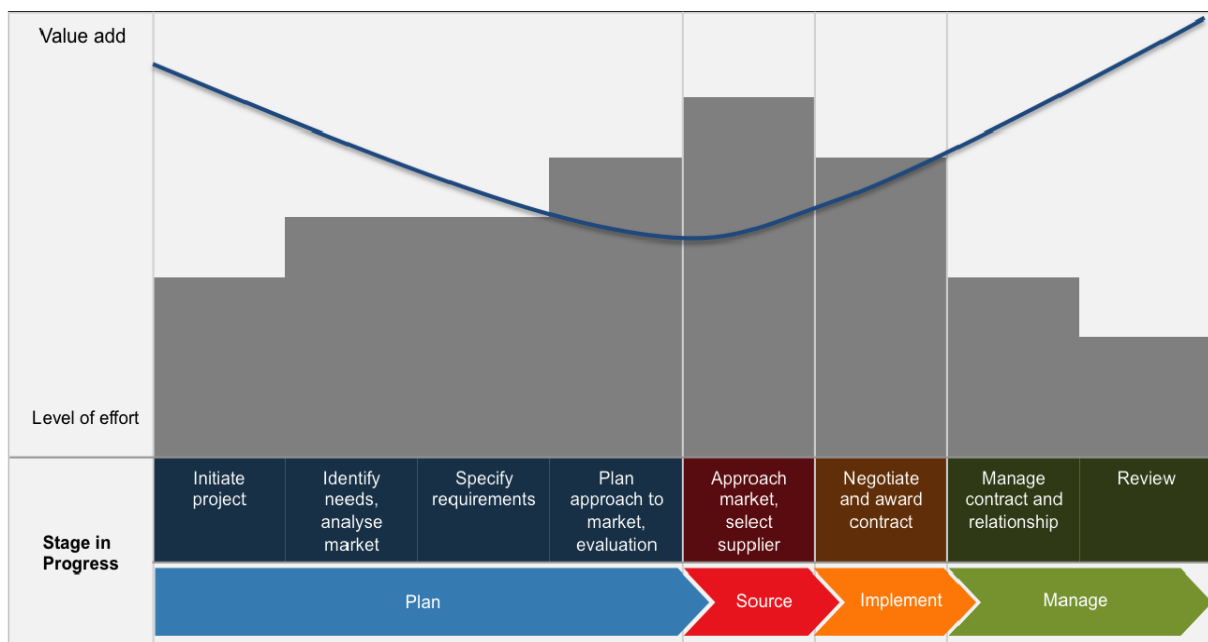
We are moving away from a traditional approach to procurement and towards an approach which is more strategic with a focus on planning, which is supported by robust and objective analysis that informs the best methodology to approach the market to give optimal outcomes and public value.

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



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

Figure 6 Traditional Approach to Procurement



This diagram illustrates a **strategic approach to procurement**, which methodically works through each stage in the procurement process. The time taken to plan, research and analyse add significant value to identifying solutions that will meet the needs. A focus on relationship development and management means that less time is spent resolving issues and more time applied to assessing quality in delivery and identifying opportunities for cost savings and benefit gains. A strategic approach delivers greater value.

Figure 7 Strategic Approach to Procurement

OUR PLANNED MAJOR PROJECTS

The LTP outlines the capital and operational projects planned to be delivered in Waimakariri over the next ten years. The outcomes by which this list was developed is based on:

Waimakariri District Council Procurement Strategy

- Catering for growth.
- Responding to increasing community expectations and national standards especially in respect to water quality and environmental standards.
- Ensuring the District has facilities and services in place to make Waimakariri a great place to be.

Key areas of expenditure over the remainder of the current LTP are:

- Multi-use Sports Facility (\$27.85m)
- District Regeneration(\$11.2m)
- Water UV treatment (\$4m)
- Strategic drainage solutions (\$8.0m)
- Sewer capacity improvements (\$20.0m)

OUR PLANNED LTP PROCUREMENT SPEND

Table 1 Planned Procurement Over Next 3 Financial Years

ACTIVITY	2018/19 (\$,000s)	2019/20 (\$,000s)	2020/21 (\$000's)
Roads and footpaths	9743	17280	11092
Water supply	4270	3626	3876
Sewerage and the treatment and disposal of sewage	7771	4019	312
Stormwater drainage	3866	1843	6585
Refuse and Recycling	27	103	1660
Recreation	10438	24632	7851
Libraries and museums	453	474	490
Community Development	350	408	418
Property	2300	1722	
Earthquake recovery	15182	5237	752
Miscellaneous	2349	2140	808
TOTAL	56749	61484	36659

OUR PROCUREMENT FORECAST

o improve the levels of service

Figure 8 Infrastructure Forecasts

We will facilitate a series of Contractor Briefing sessions in order to inform the stakeholder community of our capital expenditure intentions and to socialise on how we can do better in our procurement process, improve public value and engage in a planned approach to Strategic Supplier Relationship Management (SSRM).

DELIVERY MODELS WE USE

A delivery model is the relationship between WDC and our Suppliers to enable the purchase of the output that is required to deliver an activity.

Activity assessment criteria for delivery model selection
<ul style="list-style-type: none"> • Complexity • Risk profile • Stakeholder requirements • Innovation potential • Timing and urgency • Uncertainty • Scale • Supplier market • Level of our involvement

Figure 9 Assessment Criteria

We use a variety of delivery models to procure goods and services as described below.

STAGED

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

DESIGN AND CONSTRUCT (TRADITIONAL)

A traditional design and construct delivery model (also commonly referred to as Design and Build) uses a single contract to complete the detailed design and construction. This usually involves a lump sum price arrangement where more risk is accepted by the Supplier. It is best suited where there are clear areas where the industry can add value through the design, but the underlying requirements can be clearly articulated.

DESIGN AND CONSTRUCT (ECI)

An Early Contractor Involvement (ECI) approach engages the contractor after the initial investigations and seeks to maximise the value that can be achieved from a design and construct model. Under design and construct individual stages are generally awarded as separable portions, conditional on the successful completion of the previous portion. The exact number of separable portions will be dependent on how far the project has been developed prior to the design and construct delivery model being implemented. These approaches are best suited for medium to large projects with innovation potential. Although we have not often used this delivery model in the past, it is anticipated that this model may be used more in the future depending on the size and complexity of the design and construct project.

SHARED RISK

Under a shared risk model, an integrated team consisting of the buyer, consultants, contractors and material Suppliers is used. The team members are incentivised to work collaboratively and impartially to deliver what is best for the project and to achieve high-performance standards. Successful collaboration demands that all parties' commercial interests be aligned. Risk is shared by all parties with only two possible outcomes to working together – either all parties succeed or all parties fail. No team member can win at the expense of another. An Alliance is an example of the Shared Risk delivery model and is best suited to large, complex and high-risk projects. It is unlikely that the Council will be involved in projects that are large and complex enough to warrant a shared risk model.

SUPPLIER PANEL

Under a supplier panel delivery model, a group of Suppliers is appointed as a panel, to offer the best combination of skills and experience to deliver a specified group of outputs. The supplier panel model uses two-stage process. In stage one, Suppliers are appointed to the panel through a competitive process. In the second stage, provision of services are allocated to panel members. Services may be allocated to a preferred panel member by either direct appointment, or through a competitive process involving two or more panel members.

COLLABORATIVE

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

Note: Shared risk and Supplier Panel are considered advanced delivery models by the NZ Transport Agency. Use of these models for Transport Agency funded activities will require specific approval by the Transport Agency.

PRACTICAL APPLICATION OF DELIVERY MODELS

The diagram below shows the main differences between the Staged, Design and Construct, ECI, and Shared Risk models from the point of view of a conceptual construction. It can be seen that as the model increases in complexity the number of contracts decreases, which creates an opportunity to increase the speed of delivery for the project.

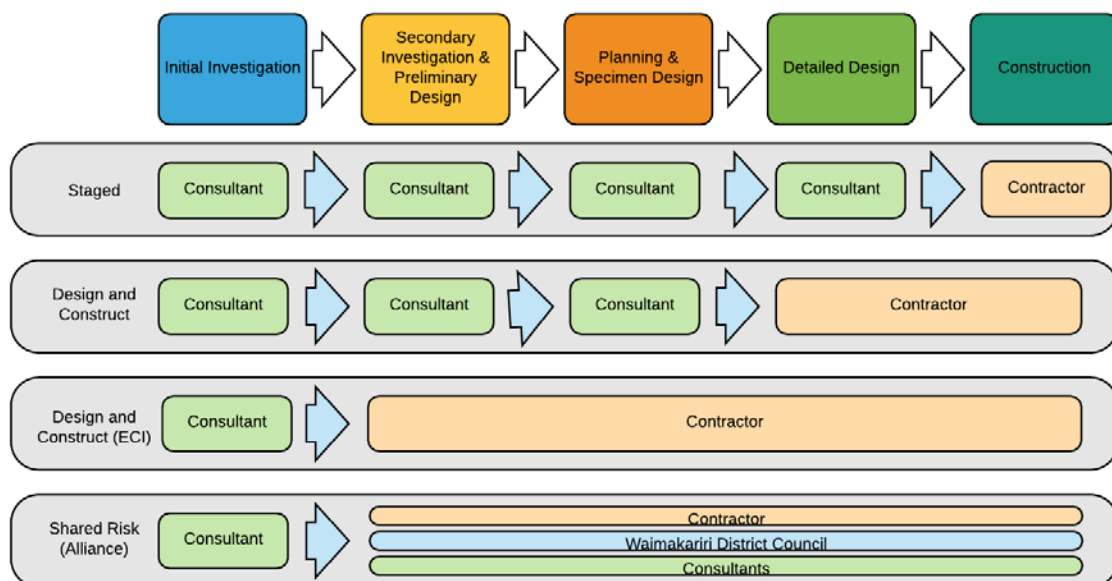


Figure 10 Procurement delivery models

MAXIMUM CONTRACT TERMS

The length of time that a specific contract operates is referred to as the term of the contract. This includes any allowable extensions after the initial term.

We will apply the following maximum contract terms to our contracts. The use of longer contract terms may be applied only with the specific approval of the Management Team, but in no circumstance will this be greater than ten years in its entirety, including rights of renewal. An “evergreen” or indefinite length of contract will not be entered into.

Table 2 Maximum Contract Terms

Contract Type	Maximum Term
Capital Expenditure	The time to complete the works
Operational expenditure (Except Leases)	5 years
Operational Leases	Based on Value for Money

CATEGORY MANAGEMENT

OUR CATEGORY APPROACH

Due to a combination of organisational structure, the uniqueness of individual category requirements, and Supplier markets, we will adopt a category management approach to procurement. This will help our focus on an all of business cross-functional approach to procurement rather than a siloed approach. Our planned Panel Contracts are deemed as strategic procurement initiatives and will supplement the discrete categories identified below.

It is envisaged that the procurement categories below will form the basis for the development of Procurement Category Plans and the reporting of spend data.

Table 3 Procurement Categories

Indicative Annual Waimakariri District Council Category Profile	
Category	
Vertical Infrastructure	
Asset Construction (VAC)	
Facilities Maintenance (VFM)	
Horizontal Infrastructure	
Asset Construction (HAC)	
Road Corridor Maintenance (RCM)	
Facilities Maintenance (HFM)	
Services	
Professional Services (PS)	
Technology	
Business Technology (BT)	
Corporate	
Corporate goods and services (CG)	

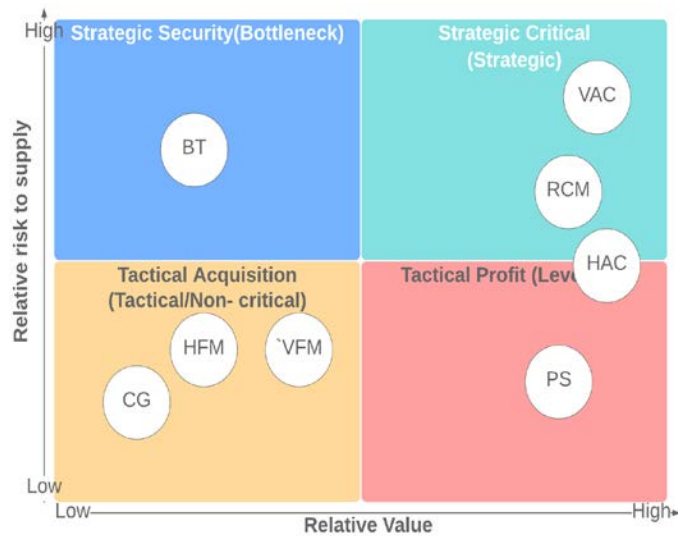


Figure 11 Procurement Category Positioning Model

The procurement category positioning matrix assesses the business impact and risk in delivery against relative value. It is a useful tool to help inform the approach to take to market, the type of relationship to be developed with the Supplier and the amount of time and resources used in the procurement process.

Table 4 Procurement Category Approach

Supply Position	Description	Value/Risk	Approach	Potential Arrangements
Strategic Critical	Specialist services/Good A limited number of Suppliers	High/High	Manage Suppliers	Medium to long term contracts Contingency planning
Strategic Security	Strategically important Shortage of reliable Suppliers	Low/High	Ensure supply	Long term contracts Consider Alternatives
Tactical Profit	Many potential Suppliers	High/Low	Drive savings	Short term contracts On-going active sourcing for competition
Tactical Acquisition	Routine purchases Many potential Suppliers	Low/Low	Minimal attention	One-off contracts/purchase orders E-purchasing/purchasing cards

SOURCING MANAGEMENT

SOURCING PRINCIPLES

Suppliers must be treated fairly, impartially and equitably at all stages in the procurement process. In order to stimulate competitive tension and in turn generate better value for money while stimulating innovative ideas and solutions, a default commencing position of an open competitive contest is needed. All potential Suppliers will be given fair opportunity to compete.

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

No matter the process and methodology to be followed, a statement outlining the value for money contest and the impact on the Supplier market will be required to be documented in the procurement plan or Supplier selection recommendation.

PRECONDITIONS AND NON-PRICE ATTRIBUTES

PRECONDITIONS

Prequalifying criteria (or preconditions) are the prerequisite requirements that must be met. Their purpose is to eliminate Suppliers who do not have the minimum capacity or capability to deliver the contract. This is not intended to be used to limit competition within the market.

Preconditions will be stated in such a way which ensures an easy determination of the Supplier ability to meet or not meet the precondition. Failure to fully meet any precondition will result in the Suppliers' offer being rejected and removed from any further evaluation.

For our capital works projects, the ability of the Supplier to meet the required WDC Health and Safety minimum standards will be a precondition of contract acceptance.

NON-PRICE ATTRIBUTES

We will evaluate proposals using the following non-price attributes for all Supplier selection methods.

Mandatory:

- Capability – The Supplier's capability in areas relevant to the outputs being purchased.
- Skills – The competence of the personnel that the Supplier proposes to use in areas relevant to the outputs being purchased.
- Methodology – The procedures the Supplier proposes to use to achieve the specified end result.

Optional

- Track record – The Supplier's record of delivering works or services to the quality standards required, on time and within budget.
- Resources – the equipment, including facilities and intellectual property that the Supplier proposes to use to deliver the outputs.
- Functional Requirements – the ability of the Supplier's solution to meet the functional or technical specifications required.
- Project Specific Requirements – other requirements specific to the project based on workshopping specific objectives of the works or services.
- Health and Safety* – the ability of the Supplier to meet the required WDC Health and Safety standards
- Financial Viability* – The Supplier's ability to access the financial resources required to deliver the outputs to be purchased.

**Note – Health and Safety and Financial Viability will be assessed on a pass/fail basis only.*

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

SUPPLIER SELECTION METHODS

The determination of which Supplier selection method will be used will depend on the relative importance of price and quality:

- Focus on price – the Suppliers are ranked by price. The preferred Supplier will be the Supplier with the lowest price that meets all the quality requirements.
- Focus on both price and quality – the quality attributes of the Suppliers are graded and the preferred Supplier is selected by balancing the price and quality.
- Focus on quality – the preferred Supplier is selected on the basis of quality, with the price being negotiated afterwards.

Appropriate price and quality weightings for Supplier selection will be determined by the need to obtain the best value for money. Where the scope of the work is well defined, the resources available in the market place are well matched and an accurate estimate of cost can be provided, the price may be sufficient to distinguish suppliers. As the complexity of the activities increases, or where the achievement of standards becomes more important, the emphasis on quality over price will become more pronounced.

The diagram below shows factors which will influence the Supplier selection method and in turn, the attribute weightings used.

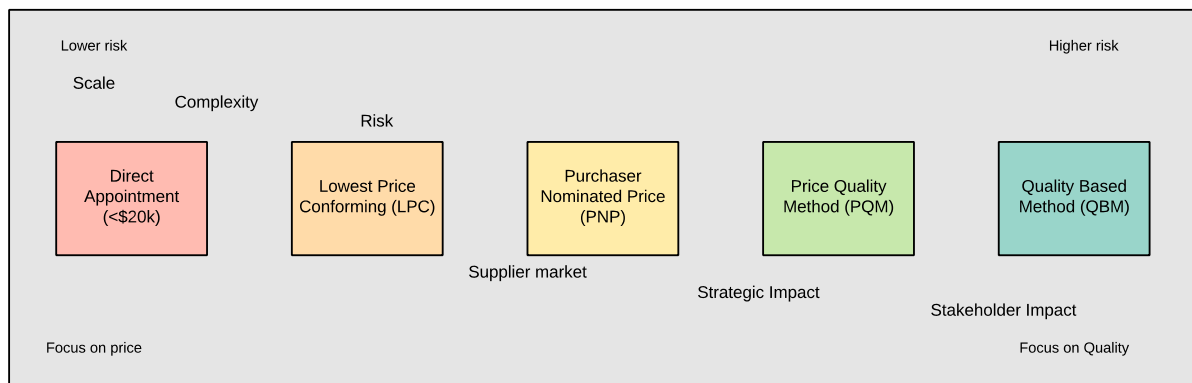


Figure 12 Supplier evaluation methods

Deviation from the Council's procurement and contract management processes may be necessary due to circumstances beyond the control of Council. Such instances include:

- A limited number of suppliers available in the market
- A different procurement methodology or process is stipulated by legislation or a professional/ regulatory body
- An exceptional, urgent or emergency situation where immediate Council decision-making is required and is in the best interests of ratepayers

In such instances, two members of the Management Team shall authorise the deviation prior to adoption, and if appropriate the decision ratified retrospectively by the CEO.

Procurement Plans will be developed for each project that will identify the procurement approach, the evaluation criteria and weightings, the anticipated procurement risk and mitigations and the envisaged timeframes for the procurement process.

The method of evaluation of Suppliers will be based on the factors as outlined in more detail in the sub-section below.

DIRECT APPOINTMENT

This is the simplest of all Supplier selection methods. A single Supplier is selected and subsequently, commercial terms are directly negotiated with that Supplier for an agreed scope of works or services.

This Supplier selection method is normally reserved for contracts with low value and low risk – those in the tactical acquisition window, but specifically where there is a limited Supplier market or level of expertise, or there is a case for significant public value in direct appointing.

Direct Appointment is only used if:

- The contract is low value (<\$20k), or
- The supplier selection process commenced as a competitive tender, but only one conforming tender was received, or
- A monopoly supplier situation exists, or
- The contract is an emergency reinstatement or to address a serious Health and Safety issue, or
- It is determined that there is only one practical supplier, or
- It is determined that competition will not deliver value for money

Notes:

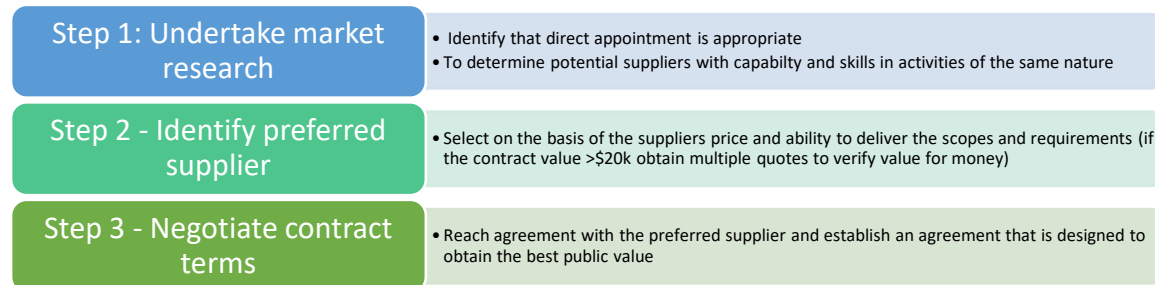
1. Where a Supplier Panel is in place the value limit for direct appointment of a panel member will be detailed in the Supplier Panel Contract.
2. Where the contract value is >\$5k and <\$20k, value for money should be supported by obtaining multiple quotes through a request for quotation (RFQ) process, however, this is at the Contract Owner's discretion under the procurement policy where some situations will not make it viable to obtain 3 quotations. In all cases the contract owners shall ensure that good value is obtained.
3. Where the contract value is >\$20k value for money will need to be supported by obtaining multiple quotes through a request for quotation (RFQ) unless one of the above conditions apply.

Above values assume it is not practical to aggregate purchases to form a greater value. Where possible orders should be aggregated and the total value used.

In all cases, the rationale behind the selection of the Supplier will be documented within the Procurement Plans. Where appropriate such as for long-term contracts, maintenance contracts, and panel agreements, we will

introduce formal performance management regimes, including KRA and KPI criteria to assess and monitor supplier performance against contract expectations.

When selecting a Supplier using direct appointment we will use the following evaluation process:



Note: Where a supplier register, prequalification or Supplier panel has been established for a particular discipline, Step 1 will not be required, as the selection will be made from the register or panel.

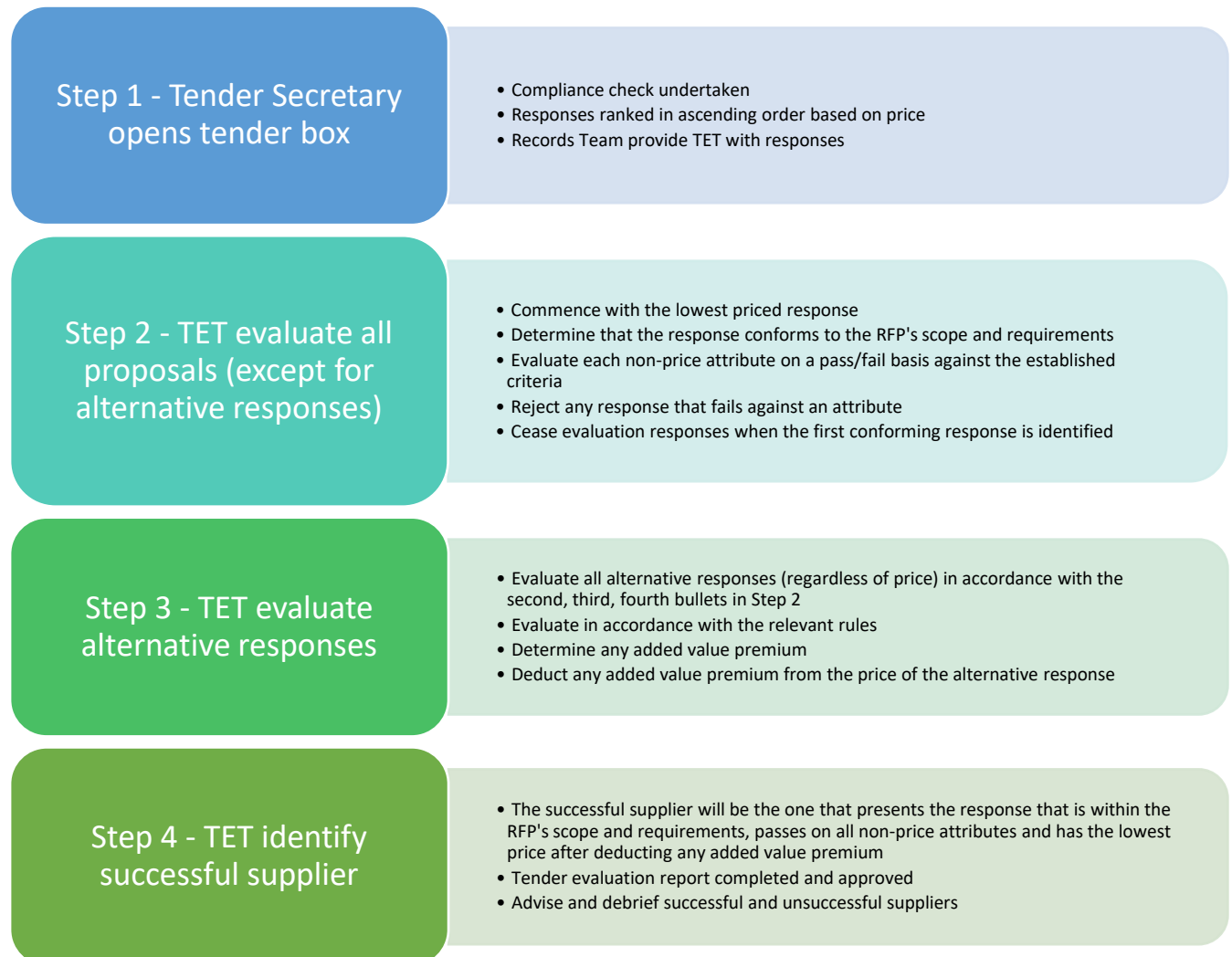
COMPETITIVE TENDERING PROCESSES

Where the value or requirement is to procure through tendering, competitive processes will be employed to demonstrate public value in the procurement process. Competitive tendering promotes competition between Suppliers, provides transparency, and enables all potential suppliers to have equal access through the open and contestable processes. There are several types of competitive tendering processes we will use, where appropriate, which are described in the following sections.

LOWEST PRICE CONFORMING (LPC)

LPC will be used where it is determined that the best value for money will be achieved by having Suppliers compete on price alone and there is no desire to pay a premium for additional quality. In this case, the preferred Supplier will be the one that offers the lowest price while meeting all the minimum requirements, including quality, as set out in the tender.

This method should only be used for contracts with low-value low risk that are fully specified (Tactical Acquisition/Tactical profit) or those that have gone through an EO/ROI process.

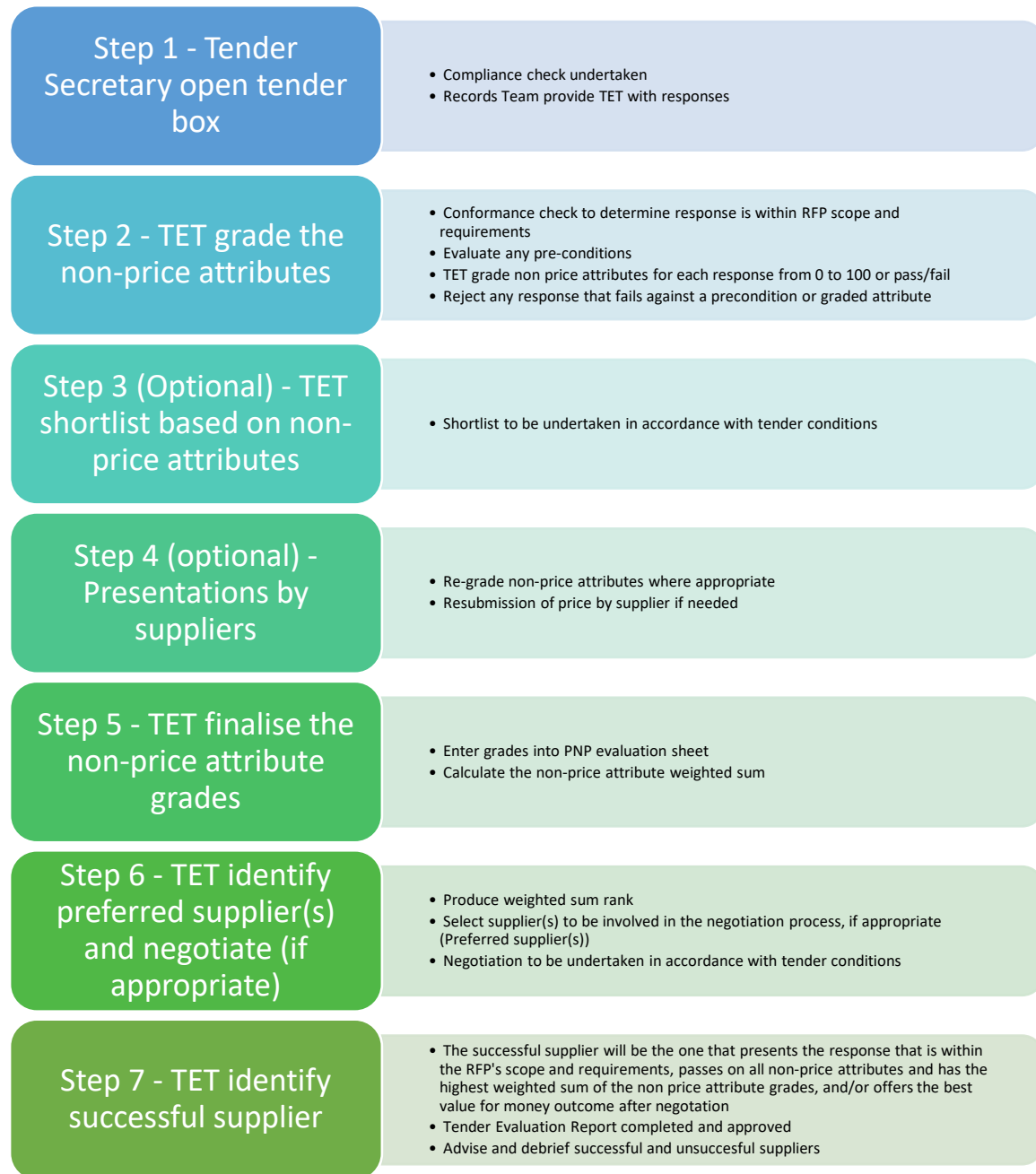


PURCHASER NOMINATED PRICE (PNP)

Where outputs are difficult to specify or may be completed to a varying degree, and the price to be paid has already been determined PNP will be used.

The value for money will be obtained by selecting the Supplier that provides the best proposal for the price set out in the tender. The best proposal will be determined on the basis of the non-price components and any differences that the competing Suppliers offer in terms of quantum of output.

A typical use for PNP will be in activities such as strategies, studies, and investigations. The process is outlined below:



PRICE QUALITY METHOD

PQM is a Supplier selection method where the quality attributes of Suppliers who meet the tender's requirements are graded and the preferred Supplier is selected by balancing price and quality through the use of a formula.

Where it is determined that the best value for money will be obtained through competition on both price and quality, PQM will be used to select the Supplier that offers the best combination of the two. The process to determine the value of additional quality (i.e. attribute weightings) will be clearly stated in the tender. This is a two-step process where non-price attributes are submitted separately from price attributes (commonly called a two envelope process). Below is the evaluation procedure for PQM.

Step 1 - Tender Secretary opens tender box	<ul style="list-style-type: none"> • Compliance check undertaken • Records Team provide TET with non-price responses
Step 2 - TET grade the non-price attributes	<ul style="list-style-type: none"> • Conformance check to determine the response is within RFP scope and requirements • Evaluate any preconditions • TET grade non-price attributes for each response from 0 to 100 or pass fail • Reject any response that fails against a precondition or graded attribute
Step 3 (optional) - TET shortlist based on non-price attributes	<ul style="list-style-type: none"> • Shortlist to be undertaken in accordance with tender conditions
Step 4 (optional) - Presentations by suppliers	<ul style="list-style-type: none"> • Re-grade non-price attributes where appropriate • Resubmission of tender response and price by supplier if needed
Step 5 - TET finalise the non-price attribute grades	<ul style="list-style-type: none"> • Enter grades into PQM evaluation sheet • Records Team to provide TET with lowest conforming price if using for determination of SQP (below) • Engineer's estimate or lowest conforming price used as estimate for Supplier Quality Premium (SQP) Calculation • Review SQP (Consider scaling)
Step 6- TET Calculate the added value premium	<ul style="list-style-type: none"> • Price attribute envelope is opened. • Calculate the added value premium for any alternative tender • Calculate any added value premium applicable to the alternative response • TEP confirm (lock in) SQP including any added value premium
Step 7 - TET undertake price evaluation and due diligence	<ul style="list-style-type: none"> • Records Team provides price responses to TET • Conformance check to determine response is within RFP scope and requirements • TET performs price evaluation (if lowest price changes TET recalculate SQP)
Step 8 (optional) - Refine scope and seek Best and Final Offer	<ul style="list-style-type: none"> • Non price attribute scores may be adjusted if impacted by the scope (if lowest price changes and this was used as basis for calculating the SQP, TET recalculate SQP)
Step 9 - TET identify preferred supplier(s) and negotiate	<ul style="list-style-type: none"> • Produce combined price quality rank • Select supplier(s) to be involved in negotiation process, if appropriate (Preferred supplier(s)) • Negotiation to be undertaken in accordance with tender conditions
Step 10 - TET identify successful supplier	<ul style="list-style-type: none"> • The successful supplier will be the one that presents the response that is within the RFP's scope and requirements, passes on all non-price attributes and has the lowest price after deducting the SQP and any added value premium and/or offers the best value for money outcome after negotiation • Tender Evaluation report completed and approved • Advise and debrief successful and unsuccessful suppliers

Steps 1-6 will be completed prior to the TET receiving price responses.

NON PRICE WEIGHTING

We allow a combined non-price weighting of between 30% and 80% to be applied to the non-price attributes under PQM. When using PQM we will:

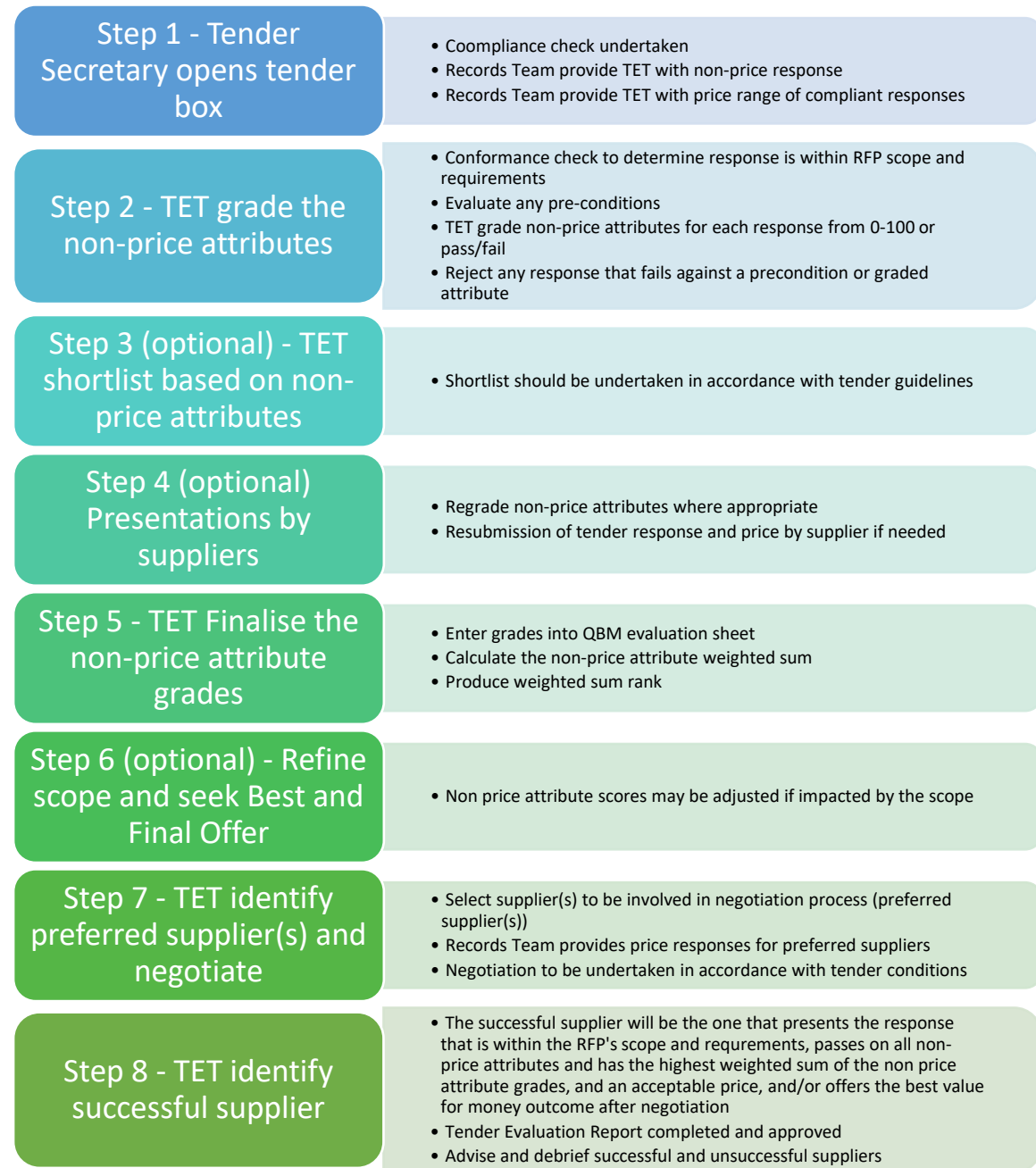
- Undertake a sensitivity analysis to ensure that the weightings set will result in a realistic Supplier Quality Premium (SQP)
- Ensure there is an awareness of the potential SQP prior to the outset of the tender process
- Consider the use of LPC where low price non-price weightings (below 30%) are planned to be used
- Consider the use of QBM to remove the potential price risk of a high SQP when high non-price weightings (greater than 70%) are planned to be used
- Consider scaling the SQP's where a non-price evaluation results in what is considered an unrealistic SQP. This should only be undertaken in exceptional circumstances and reasons will be fully documented in the Tender Evaluation Report.

QUALITY BASED METHOD (QBM)

QBM is a Supplier selection technique used when the quality attributes of Suppliers whose proposals meet the tenders' requirements are graded and the preferred Supplier is selected solely on that basis. Under this approach, Suppliers usually provide a price with their tender in a separate envelope which is only opened for the preferred tenderer, which forms the starting point for subsequent price negotiations.

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

Traditionally, this approach has been limited to professional services contracts, but in addition, it may be used on some technology contracts or construction, ECI and Alliance contracts where the scope of the outputs cannot be fully described or would be difficult to price. When selecting a Supplier using QBM, we will use the following evaluation procedure:



Steps 1-5 will be completed prior to the TET receiving price responses

SYSTEMS SUPPORTING SUPPLIER SELECTION

Highlighted within this section is an overview of the procurement methodologies that we use to support the selection of suppliers. Note that the presence of a Supplier or Prequalification Register does not:

- Create a contractual or legal relationship with the Supplier.
- Remove the need to follow normal procurement processes.
- Guarantee the award of any work to the Supplier.

SUPPLIER REGISTERS

A Supplier register gives potential Suppliers the opportunity to indicate their interest and capability in particular work categories. The use of a Supplier register also mitigates some of the negative perceptions that closed contests and direct appointment can create in an open and competitive market and provides business units with an indication of the market within a particular work category.

The principles of Sustainable Procurement will be employed, where appropriate, in Supplier registers. In alignment with the Procurement and Contract Management Policy, local Suppliers may be encouraged to participate in recognition of their contribution to the vibrancy and sustainability of the local economy and support of job or market growth.

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

We will consider implementing a supplier register for categories located in the Tactical Profit and Tactical Acquisition quadrants of the category positioning matrix.

PREQUALIFICATION REGISTERS

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

Suppliers are assessed over a range of quality criteria, and then registered for specific types and sizes of work under the prequalification register. Tenders covered by prequalification will specify the minimum prequalification level required as a precondition for a Supplier to submit a tender. Generally, a Supplier will not be required to resubmit information assessed as a part of the prequalification process in their tender responses.

Suppliers will be monitored for compliance against their prequalification level as a part of the Supplier performance management system. Their performance may cause the level to rise, fall or remain unchanged.

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

SUPPLIER PANELS

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

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

We will introduce Supplier Panel Agreements for the following technical services during the term of this strategy's time horizon:

- Minor Capital Works.
- Trade Services.

- Professional Engineering Services.
- Property Management.

STAGED SUPPLIER SELECTION

Staged Supplier selection involves breaking the procurement process into two or more stages. This is done to deliver better value for money by reducing administration costs, however, the reduced cost needs to be balanced against the additional time required to undertake the tender.

MARKET RESEARCH

Requests for Information (RFI) are useful tools to formally seek information from Suppliers when there is limited knowledge of the products or solutions in the market, or the Supplier market. This allows the formal gathering of information from Suppliers as to the types of goods and services currently available. An RFI is a market research tool and will not be used to select or shortlist Suppliers. If it is decided to proceed with the purchase the RFI will be followed with a tender.

SHORTLISTING

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

When shortlisting is used we will use the following as guidance:

- The number of shortlisted Suppliers will vary with the specific work to be tendered and will be considered in the procurement planning phase.
- Expectations of the shortlist (number of tenderers) will be communicated in the ROI documentation.
- Include an indicative methodology attribute at the ROI stage, to encourage innovation.

The parameters for shortlisting will be detailed in the ROI in all cases, along with the way in which the attributes evaluated will be carried forward, if applicable to the RFP evaluation.

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

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

Overuse of this shortlisting process can, however, have potential disadvantages, including:

- Decreasing the overall market sustainability and competitiveness.
- Creating a barrier to entry for some Suppliers.
- Increasing the time and cost associated with the procurement process.

As such, market considerations, such as likely supplier resource and capacity for example, will be undertaken before deciding to use a shortlisting process.

COMPETITIVE TENDERING

Competitive tendering is the default method under which we will procure goods and services above the value of \$100k. Depending on the value of the purchase we will conduct either a closed or open tender process as detailed below:

Table 5 Competitive Tendering Processes

Contest type:	Purchase Value:	Tender Available to:
Closed	\$20k to \$100k	Minimum three willing and able Suppliers
Open	>\$100k	All willing Suppliers

Notes:

1. Where a Supplier register or prequalification register has been established for a particular category, selection of Suppliers to participate in a closed contest will be made from the register.
2. An open competitive tender process can be used for purchase values less than \$100k where appropriate.

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

Conditions for competitive tender
<ul style="list-style-type: none"> • Suppliers must be technically competent and must actually want the work. • There must be an adequate number of suppliers. • Suppliers must know their costs of delivery. • Scope must be clear to all parties. • There must be sufficient time for tendering.

If all of these conditions cannot be met then tendering may not deliver a value for money solution and direct appointment may be considered in accordance with our Procurement and Contract Management Policy.

ELECTRONIC TENDERS

We are committed to leveraging the efficiencies and cost benefits, both to us and our Suppliers, of electronic tendering. We will use:

- The tenderlink.com/Waimakariri portal or the Government Electronic Tendering Service (GETS) to publish all tenders and subsequent addenda, and receive responses to tenders.
- The Tenderlink or GETS question and answer functionality to receive and respond to tender queries.

In all cases, the tender documents will detail a point of contact for the tender process and detail the method for submitting queries and tender responses. Non-price and price responses may be required to be submitted in separate files depending on the evaluation methodology selection.

MINIMUM TIME FOR TENDERS

We are aware that responding to a tender takes time, and that insufficient timing given to complete this task can result in an impact onto the quality of the responses and add risk to the evaluation process. To allow for this we will apply the following minimum time periods for responding to tender

Table 6 Minimum Time for Tenders

Contest Type	Tender Type	Minimum Time Period
One stage process	Request for Quotation (RFQ)	8 working days
	Request for Proposal (RFP)	8 working days
	Request for Tender (RFT)	
	<\$300k using LPC	
	Request for Proposal (RFP)	15 working day
	Request for Tender (RFT)	
Two-stage process	Registration of Interest (ROI)	10 working days
	Request for Proposal (RFP)	15 working days
	Request for Tender (RFT)	

Note: the minimum time periods are minimums and should not be considered normal. The actual time in the market will be dependent on the size and complexity of the purchase and there may be situations that require an accelerated minimum time period.

SUPPLIER QUESTIONS

We encourage questions during the tender process. In addition to the Tenderlink and GETS functionality, all tenders will specify a Tender Information Contact Person. This person is the only person authorised to discuss the tender once published until the award of the contract, with the exception of the interactive tendering process meetings.

Questions should be made on and will be responded to using the Tenderlink or GETS question and answer functionality for all electronic tenders. In the case of a hard copy, tender publication questions should be addressed to the Tender Information Contact Person. Unless the question contains information that the Supplier identifies as commercially sensitive, questions and answers will be made available to all tenderers.

When, as a result of a question there is a requirement to change or add to the published tender documents, a tender addendum will be issued either via Tenderlink or GETS.

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

INTERACTIVE TENDERING

Interactive tender meetings provide a useful means of assuring that the expected project outcomes will be delivered. In particular they are useful for larger more complex projects, or projects where the risk profile, contractual approach or client expectations are different from standard practice. The meetings will be commercial, in confidence and non-contractual in nature. We may use an interactive tender process for high value and/or high-risk procurement activities (Strategic Security), or where it is determined that best value for money will be obtained by using the process. Where an interactive process is to be used, the process will be documented in the tender documents. An interactive tender process may consist of one or more of the meetings shown in the following diagram. Either group meetings or individual meetings can be planned as below. The advantage of group meetings are that they are efficient for sharing the Council's views.

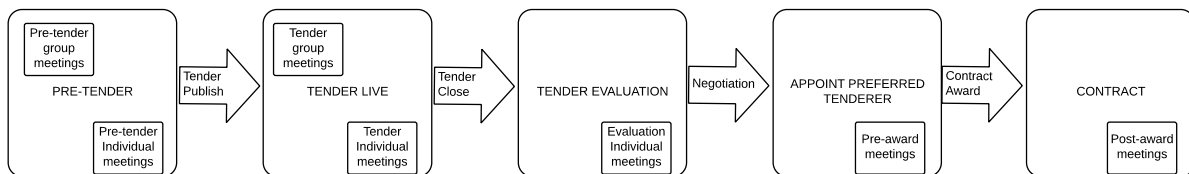


Figure 13 Interactive tendering meetings

Key purposes of interactive tenders

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

When interactive tendering is used we will always ensure that the process is conducted in fair manner and that no Supplier will receive an unfair or biased advantage over another.

TENDER RECEIPT

The physical and electronic tender box will be opened in public by the Tender Secretary who has been appointed by the Chief Executive.

The Tender Secretary is responsible for the management and security of physical and electronic tenders as well as the tender box and the tenders deposited therein. The tender secretary has responsibility for opening the tenders received, either electronically or hard copy and recording the tender prices at the conclusion of the tender process.

All tenders shall close at a time nominated in the tender documents and must be received either electronically or physically in the tender box by the closing time. The tender box is fixed in one place in the foyer of the Rangiora

Service Centre and shall remain locked until the closing time for tenders. Electronic tenders will only be received via tenderlink.com/Waimakariri. or GETS - Government Electronic Tenders Service www.gets.govt.nz

Tenders will be opened in public. All tenders with an expected price of \$100,000 (GST exclusive) or less shall be opened in the presence of the tender secretary and at least one member of the management team. Tenders with an expected price over \$100,000 shall be opened in the presence of the tender secretary and two others from the management team or Council. An elected representative should be present for tenders expected to exceed \$500,000.

Council is accountable to the community through the Long Term Plan and Annual Plan. All purchases (including tenders) of any goods and services which commits expenditure from the current year's Annual Plan shall be accepted by an officer with sufficient contractual authority as described in the delegations manual S-DM 1044. Monitoring of the procurement process will be undertaken by the Audit Committee and management team.

As a part of the opening process, all responses will be checked for compliance with the requirements of the tender. Any compliance issues will be dealt with prior to any evaluation commencing. This may involve the requesting of additional information omitted from the initial response. In such cases, the omitted information will be requested to be submitted in such time that the Supplier obtains no unfair advantage over other Suppliers.

All tender documents will be held securely until they are required for evaluation.

RECORD KEEPING

All procurement and contract document management processes shall adhere to relevant statutory and regulatory obligations, including the Public Records Act 2005.

Clear and comprehensive written records of all procurement and contract management activity shall be retained in accordance with Council document management policies and protocols. This includes market, tender and evaluation material, contracts and variations, performance reporting, correspondence and associated service records, generated both by ourselves, and contractors on our behalf.

EVALUATION OF TENDERS

Tender evaluation is the process which enables the selection of the most appropriate tender that achieves the best value for money. The method of evaluation will be documented in both the Procurement Plan and the tender documents. A separate Evaluation Plan will be used for all purchases above \$2m, or that are considered high risk. A good evaluation will assist in the objectives of the project being achieved.

Generally, the evaluation will be carried out by following the eight stage process:

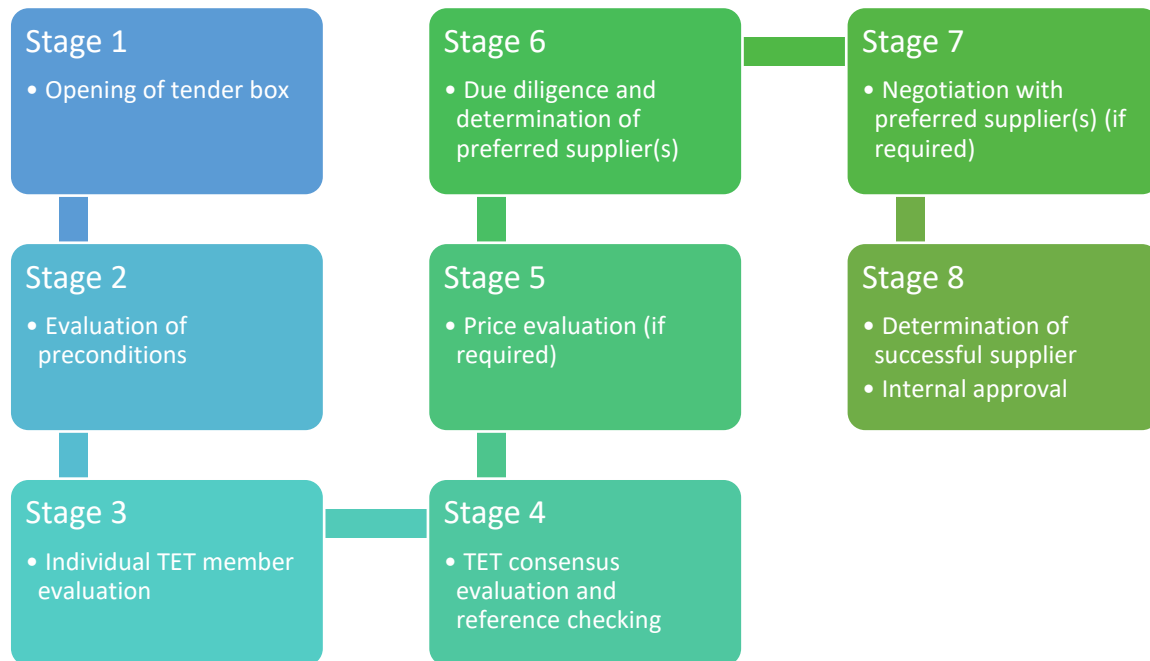


Figure 14 Tender Evaluation Process

TENDER EVALUATION TEAMS (TETS)

The makeup of the TET will be dependent on the value, complexity and risk of the purchase. The TET will be managed by a suitably qualified and experienced TET chair and may be supplemented by Subject Matter Experts (SMEs). SMEs will not participate in evaluation meetings but will be available to answer questions of the TET via the TET Chair. The makeup of the TET will be outlined in the Procurement Plan for approval by the authoriser with relevant contractual delegations. The authoriser will ensure that the TET comprises relevant personnel with suitable experience and qualifications required to perform the evaluation.

For high value and complex purchases, it may be considered to use a TET Chair that does not score and will generally be a member of the procurement function, who understands the rules of the evaluation and ensures that the evaluation process is managed in a fair, robust and defensible manner. In addition to this a separate commercial evaluation panel, or external advisers, may be used to evaluate complex price schedules, undertake financial viability and due diligence checks and assist with commercial negotiations if required.

The TET will not be named in the tender documents to ensure the TET members cannot be influenced by potential Suppliers. The table below describes the minimum requirements of a TET:

Table 7 Minimum Requirements of a Tender Evaluation Team

Purchase Value	Scoring Evaluators (minimum)
<\$250k	Two
>\$250k	Three

External evaluators may also be used on specific high risk or high value purchases. However, when using the collaborative delivery model staff of the other organisation(s) will not be considered external evaluators.

On high-value high-risk procurement a separate price/commercial evaluation team may be used to evaluate price responses.

Variation to the above will require specific approval by the Management Team on the Procurement Plan.

Responsibilities of the TET Chair

- Reviewing the Procurement Plan and tender documentation.
- Ensuring all evaluators understand their obligations as an evaluator, and in particular with respect to confidentiality and probity.
- Ensuring all evaluators and SME's sign a Conflict of Interest and Confidentiality Form prior to evaluation. Where an evaluator or SME indicates a conflict or potential conflict, ensuring the appropriate mitigation is undertaken.
- Acting as the single point of contact for the TET, including managing all questions from and to the TET.
- Ensuring no individual supplier is unfairly advantaged or disadvantaged.
- Ensuring the correct process is followed for the supplier selection method being used and that at the end of the evaluation a Tender Evaluation Report is completed and approved.
- Ensuring that all suppliers are advised of the outcome of the tender, and are offered the opportunity for a debrief.

PROBITY:

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

1. Acting fairly, impartially and with integrity.
2. Being accountable and transparent.
3. Being trustworthy and acting lawfully.
4. Managing conflicts of interest.
5. Securing commercially sensitive and confidential information.

By applying these principles sensibly, we can demonstrate that we are spending public money carefully through a properly managed process.

We consider probity of the process to be of the utmost importance. All tenders will state a specific contact should Suppliers have a probity concern with regard to a particular procurement activity.

We may also appoint an independent Probity Auditor for significant high risk or complex purchases. The need for an independent Probity Auditor will be identified in the Procurement Plan. Where an independent Probity Auditor is appointed, we will reference the appointment within the RFx documentation.

An independent hotline will be established for both staff and the public to report issues of concern. Calls will be reviewed by Waimakariri District Council and all complaints and allegations passed on to the Independent Reviewer.

GRADING SCALE FOR NON-PRICE UPDATES

We will use the following grading system to assign values between 0-100 when evaluating tenders:

90-100	Excellent (significantly exceeds the criterion)	Exceeds the requirement. Exceptional demonstration by the Supplier of the relevant ability, understanding, experience, skills, resource and quality measures required to provide the goods/services. Response identifies factors that will offer potential added value, with supporting evidence.
75-85	Very Good (Exceeds the criterion in some aspects)	Satisfies the requirement with minor additional benefits. Above average demonstration by the Supplier of the relevant ability, understanding, experience, skills, resource and quality measures required to provide the goods/services. Response identifies factors that will offer potential added value, with supporting evidence.
60-70	Good (Meets the criterion in full)	Satisfies the requirement. Demonstration by the Supplier of the relevant ability, understanding, experience, skills, resource, and quality measures required to provide the goods/services, with supporting evidence.
50-55	Minor Reservations (Marginally deficient)	Satisfies the requirement with minor reservations. Some minor reservations of the Supplier's relevant ability, understanding, experience, skills, resource and quality measures required to provide the goods/services, with little or no supporting evidence.
40-45	Serious Reservations (Significant issues that can't be addressed)	Satisfies the requirement with major reservations. Considerable reservations of the Supplier's relevant ability, understanding, experience, skills, resource and quality measures required to provide the goods/services, with little or no supporting evidence.
≤ 35	Unacceptable (significant issues not capable of being resolved)	Does not meet the requirement. Does not comply and/or insufficient information provided to demonstrate that the Supplier has the ability, understanding, experience, skills, resource & quality measures required to provide the goods/services, with little or no supporting evidence.

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

ALTERNATIVE RESPONSES AND ADDED VALUE PREMIUMS

Innovation is encouraged from the Supplier market and as such we support the submission of alternative responses where a complying submission is also received. The added value premium may be a positive value (in the case where the response adds value) or a negative value (should the response add cost). When submitting an alternative response, Suppliers should clearly quantify the added value they believe their alternative response provides.

REFERENCE CHECKING

We will carry out reference checking to assist in determining the Supplier's ability to deliver the output described in their tender response. Reference checking will be carried out after the tender has been evaluated on its own merit. Reference checking will include:

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

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

NEGOTIATION WITH PREFERRED SUPPLIERS

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

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

When negotiation is to be undertaken, we will prepare a Negotiation Plan.

Note – negotiation will only take place with one preferred tenderer at any one time. If the negotiation is unsuccessful, then the Council may move on to negotiating with the next preferred tenderer.

Negotiation Plans ensure:

- All negotiations are conducted ethically and we do not use our position in a manner that might be considered unfair.
- That the negotiation does not solely focus on reducing bottom line prices.
- That the negotiation does not disadvantage other suppliers by forming an agreement that is materially different in scope from what was described in the tender.
- That the negotiation and results of the negotiation are fully documented.
- That the negotiated agreement is sustainable and does not inappropriately compromise quality.
- That when, and if, negotiating with multiple preferred suppliers, particular care is taken to ensure they remain fair and individual suppliers are not played off against each other (Dutch Auction).

DUE DILIGENCE

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

We may undertake independent due diligence of the preferred tenderer(s) in contracts that are considered high risk, or where there are specific concerns identified at the evaluation stage about a particular tenderer. Where particular financial records are requested for this purpose, we will request that these be provided in a separate file in the tender response.

NOTIFICATION OF TENDER RESULTS:

In accordance with the RFx documentation, all Suppliers will be notified in writing of the tender outcome and will be offered the opportunity for a debriefing. This is an important part of the evaluation process to support future market competition. No details of any tenderers scores will be provided until the end of the evaluation process i.e.

after tender acceptance or contract award has occurred, however, tenderers will be notified during the evaluation process if:

- Their response has been excluded from evaluation due to non-conformance, failing to meet any prequalification, failing a pass/fail attribute or failing to score above 35 in any non-price attribute.
- They have been shortlisted (or not) after the first stage of two-stage (EOI/RFP) tender.
- They are a preferred (or not a preferred) Supplier.

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

UNSOLICITED PROPOSALS

From time to time, Suppliers may wish to approach us with a proposal to meet a perceived need, without being asked to do so. This is considered an unsolicited proposal. Suppliers are encouraged to put forward good ideas and we will treat all unsolicited proposals in a way that is transparent and fair to everyone.

Any unsolicited proposal must contain at least one of the below attributes to be considered:

Attributes for unsolicited proposals

- Unique elements
- Demonstrates innovation
- Provides a solution to a need that is otherwise not available in the market
- Supports the long term market development and needs of Waimakariri District Council
- Aligns with Waimakariri District Council's plans, objectives and strategic direction

PUBLISHING OF CONTRACT AWARDS

Award notices will also be published on Tenderlink and/or GETS for all tenders advertised publicly.

CONTRACT MANAGEMENT

CONTRACT MANAGEMENT PRINCIPLES

Contract management is the process which enables the Waimakariri District Council and its Suppliers to meet the obligations in order to deliver the objectives of the contract on time, to the quality and specification required and within budget.

This means tracking and monitoring delivery and costs, managing risks, and actively managing the relationships between the Waimakariri District Council and its Suppliers and key stakeholders on an ongoing basis. This process continues throughout the contract life and involves managing proactively to anticipate future needs as well as reacting to situations that may arise.

Key activities:

Performance management	Relationship management	Contract Administration
<ul style="list-style-type: none"> Ensuring that the service is being delivered as agreed, to the required level of performance and quality 	<ul style="list-style-type: none"> Keeping the relationship between the parties open and constructive, aiming to resolve or ease tensions and identify problems early. This is driven by; <ul style="list-style-type: none"> Openness and excellent communications Developing mutual trust and understanding A joint approach to managing delivery and any related problems 	<ul style="list-style-type: none"> The formal governance of the contract and changes to the contract documentation including: <ul style="list-style-type: none"> Maintaining documentation relating to the contract Regulating change control Monitoring charges and costs Checking invoices and authorising payment Reviewing reports and requesting information Asset management

HEALTH AND SAFETY

The Health & Safety at Work Act 2015 requires that an organisation must ensure the health and safety of workers (including contractors), and that organisations must consult, co-operate and co-ordinate activities with all other organisations who have health and safety duties in relation to the same matter (overlapping duties); so far as is reasonably practicable. WDC maintains contract health and safety management systems in order to achieve compliance with these requirements.

Suppliers for all contracts shall be required to meet a range of health and safety requirements throughout the life-cycle of the contract, which, depending on the nature of the contract, may include (but are not limited to):

- Health and safety pre-qualification.
- Site-specific safety plans.
- Hazard identification and management.
- Site inductions.
- Incident reporting.
- Site safety audits.
- Contract closeouts.

In particular, all Suppliers for contracts involving physical works shall be health and safety pre-qualified. This will mean that they are assessed at >50% via the SiteWise health and safety pre-qualification system as a minimum or meet the requirements of another externally-audited pre-qualification system of equivalent or superior standard (this will be approved on a case-by-case basis by the WDC Health & Safety Team. The >50% criteria may be increased subject to the WDC risk management process).

Suppliers can achieve health and safety prequalification before or during the tender period, but pre-qualification must be achieved prior to work commencing.

Where a decision is made to select a Supplier who is not health and safety prequalified as the preferred tenderer (or who has a SiteWise score lower than any minimum score indicated in the tender documents), approval must be

gained from the Management Team. The reasons for the decision shall be reported (such as emergency works, or a sole Supplier situation).

All further health and safety requirements for the duration of the contract shall be clearly defined within the contract documentation.

INSURANCES, BONDS AND RETENTIONS

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

CONTRACT TEMPLATES

Our Procurement Framework contains a range of standardised contract templates for use by our staff. These templates will be, wherever possible, based on standard form contracts and will have been through a legal review. Where a standard contract template exists the expectation is that it will be used when engaging with Suppliers. Standard contracts that we currently use include:

- NZS3910:2013 – Conditions of contract for building and civil engineering – Construction.
- NZS3916:2013 – Conditions of contract for building and civil engineering – Design and Construct.
- NZS3917:2013 – Conditions of contract for building and civil engineering – Fixed Term.
- NZS3915:2005 – Conditions of contract for building and civil engineering – Construction (where no person is appointed to act as engineer to contract).
- CCCS: Aug 2014 – Conditions of Contract for Consultancy Services.
- ACENZ/IPENZ: Mar 2012 – Short form agreement for consultant engagement.
- PTOM (Participation, Regional Partnering and Unit) agreements.
- WDC specific contract templates.

Recent years have seen a drive toward collaborative ways of contracting. Our general conditions of contract play a role in encouraging this collaborative behaviour, and we will continue to review these contracts with this in mind. We will also look at other contracting models, for example, NEC3/4 to ensure that the models we use are current and reflective of the best practice in the market.

CONTRACT PERFORMANCE AND REVIEW

CONTRACT PERFORMANCE ASSESSMENTS

The four main performance criteria are below:

Management	Production	Stakeholders, Safety and Environment	Administration
<ul style="list-style-type: none"> • Skill levels and competency • Creating a "no surprises" environment • Responsiveness • Creating innovation • Proactiveness 	<ul style="list-style-type: none"> • Ability to meet programme • Timely outputs • Achieve the specified standard • Accurate outputs to required standards • Defect management systems 	<ul style="list-style-type: none"> • Safe work practices • Traffic management control 	<ul style="list-style-type: none"> • QA documentation • Monthly reporting • Financial • Handling of variations

SUPPLIER MANAGEMENT

STRATEGIC SUPPLIER RELATIONSHIP MANAGEMENT (SSRM) PRINCIPLES

SSRM is the systematic enterprise-wide process assessing Supplier's assets and capabilities in order to strategically plan and manage interactions with our Suppliers. The focus of SSRM is to develop two-way, mutually beneficial relationships with strategic supply partners to deliver greater levels of innovation and competitive advantage than could be achieved by operating independently or through a traditional, transactional purchasing arrangement (5). This brings about a proactive relationship focused on looking for continuous improvements, not a cosy buyer-supplier relationship in which the status quo is allowed to prevail.

These collaborative relationships typically involve:

- Shared objectives.
- A mutual search for greater efficiency.
- Joint planning for the future.
- Each party understanding the expectations of the other and seeking to meet them.

Key factors for successful collaborative relationships are:

- Clear, open and honest communication.
- Mutual trust, respect and understanding.
- Collaboration and joint problem-solving.

BENEFITS OF SSRM

Commercial success often comes down to the relationship between buyer and Supplier. Our SSRM Framework aims to benefit this relationship by providing:

- Allocated resources focussed to ensure Suppliers deliver as expected.
- Clearly defined roles on both buyer and Supplier side.
- Regular governance meetings that drive access to new innovative approaches to business.
- Improved visibility of Supplier risks and development of appropriate risk mitigation strategies and control.

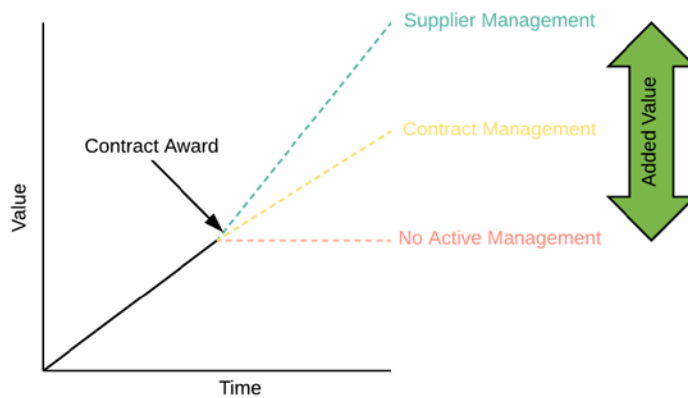


Figure 15 Added value gained using Supplier management

OUR SSRM FRAMEWORK

Our SSRM framework aims to focus on our key Suppliers and the relationship we have with them. Our Suppliers are segmented into four groups as described below

- Tier 1 “Alliance Suppliers” – These are our critical Suppliers who offer significant long term sustainable value. These Suppliers have the ability to deliver a significant step change in our overall performance and the delivery of our objectives.
- Tier 2 “Strategic Suppliers” – These Suppliers provide high value, specialised or unique goods and services that are core to the delivery of our objectives. It is expected that these Suppliers will be able to generate additional value to our organisation from both current and future business.
- Tier 3 “Tactical Suppliers” – These are our important Suppliers who provide high value but standardised goods and services to our organisation. It is expected that these Suppliers will be able to generate additional value from the current business.
- Tier 4 “Operational Suppliers” – All other Suppliers fit this category.

SUPPLIER SEGMENTATION

Segmentation of the Suppliers in the four key category areas of Corporate, Technology, Infrastructure and Services will be undertaken on an annual basis. This involves evaluating Suppliers who have a historical or expected spend in excess of \$1m per annum, or that are in the top ten Suppliers in an individual procurement category. The purpose of Supplier segmentation is to:

- Provide us with a preliminary risk assessment of our Suppliers, based on their criticality to our business performance.
- Help us allocate scarce time and resource most effectively with Suppliers, based on their value-add potential.

An example of the three steps is shown below:

Waimakariri District Council Procurement Strategy



Figure 16 Example of the steps in supplier segmentation

SUPPLIER ENGAGEMENT

Tier 1 to Tier 3 Suppliers will be actively managed within our SSRM framework under an agreed Supplier Relationship Management Plan (SRMP) which will capture the relationship objectives and scope of interaction with the Supplier. The SRMP will help both us and our Suppliers understand the current state and establish a plan to visualise what success looks like. This will cover three phases as shown in the diagram below:



Figure 17 Phases of Supplier Relationship Management Plan

SSRM GOVERNANCE

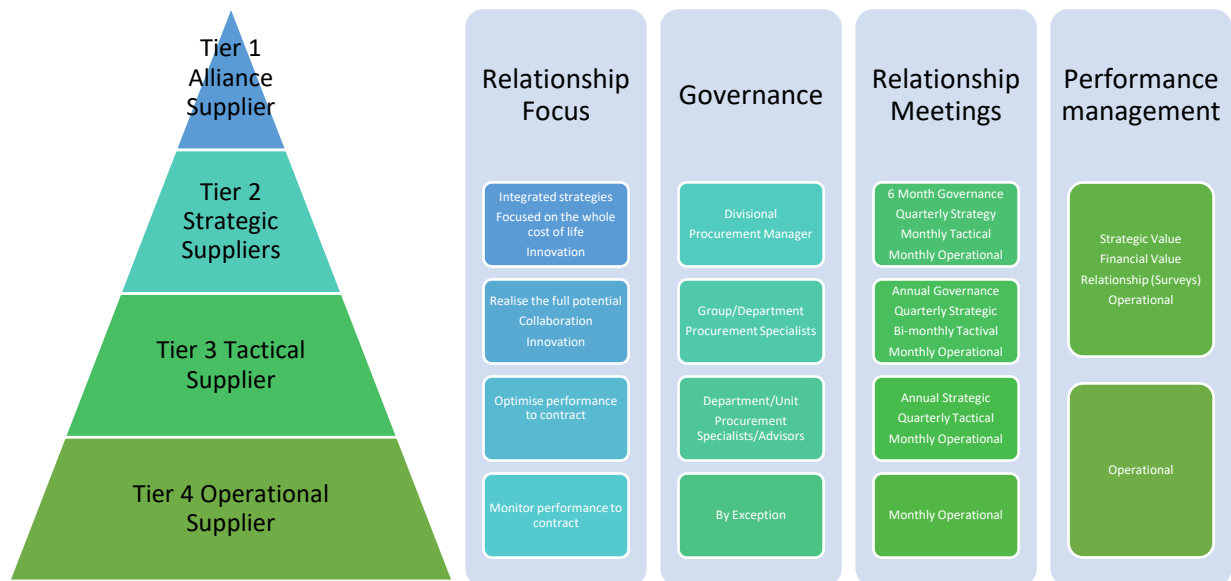


Figure 18 Strategic Supplier Relationship management governance

IMPLEMENTATION AND IMPROVEMENT

IMPLEMENTATION

OWNERSHIP OF THE PROCUREMENT STRATEGY

While the ultimate ownership of the Procurement Strategy rests with the Management Team, effectively the Procurement function is accountable for ensuring that the specific methods and improvement initiatives included within the Strategy are implemented and monitored.

MONITORING

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

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

CONSULTATION

We are committed to obtaining Supplier feedback into this Strategy and wider procurement framework. We value transparency in our procurement process and are open to listening and discussing any concerns Suppliers may have in relation to our Supplier engagement and procurement practices.

IMPROVEMENT

Due to the complex nature of our Procurement Strategy, it is appropriate that we will be subject to periodic internal and external reviews. Lessons learnt will be used to improve future procurement activities and initiate changes to the Procurement Framework.

Where appropriate, our procurement performance will also be benchmarked against similar organisations to demonstrate that our processes:

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

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

- Increasing our understanding of our procurement pipeline so we can more effectively plan our procurement activities.

- Increasing our understanding of our Supplier market and the impact that different delivery models have on the market.
- Ensuring a consistent Council wide procurement framework.
- Reviewing our existing prequalification system.
- Implementing our online “Procurement Toolbox” and Promapp processes.
- Identifying ways of reducing Supplier selection costs while maintaining a competitive process.
- Enriching our capability in contract and Supplier management.
- Implementation of our SSRM Framework and Contract Management Framework.
- Improving our reporting, both internally and externally, including how we debrief our tenders.
- An increasing focus on sustainable procurement.

TEMPLATES

Tender Evaluation Report

PQM Evaluation sheet

Tender Evaluation Plan <\$2m

Tender Evaluation Plan >\$2m or High Risk

PNP Evaluation sheet

QBM Evaluation sheet

Negotiation Plan

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