

# Procurement in Papaioea

6<sup>th</sup> September 2023

# Purpose

The purpose of today's session is:

1. Update Elected Members on the progress of the draft Governance Procurement Policy
2. To get further guidance from Elected Members on some key details within the draft Policy
3. To provide information to Elected Members on procurement

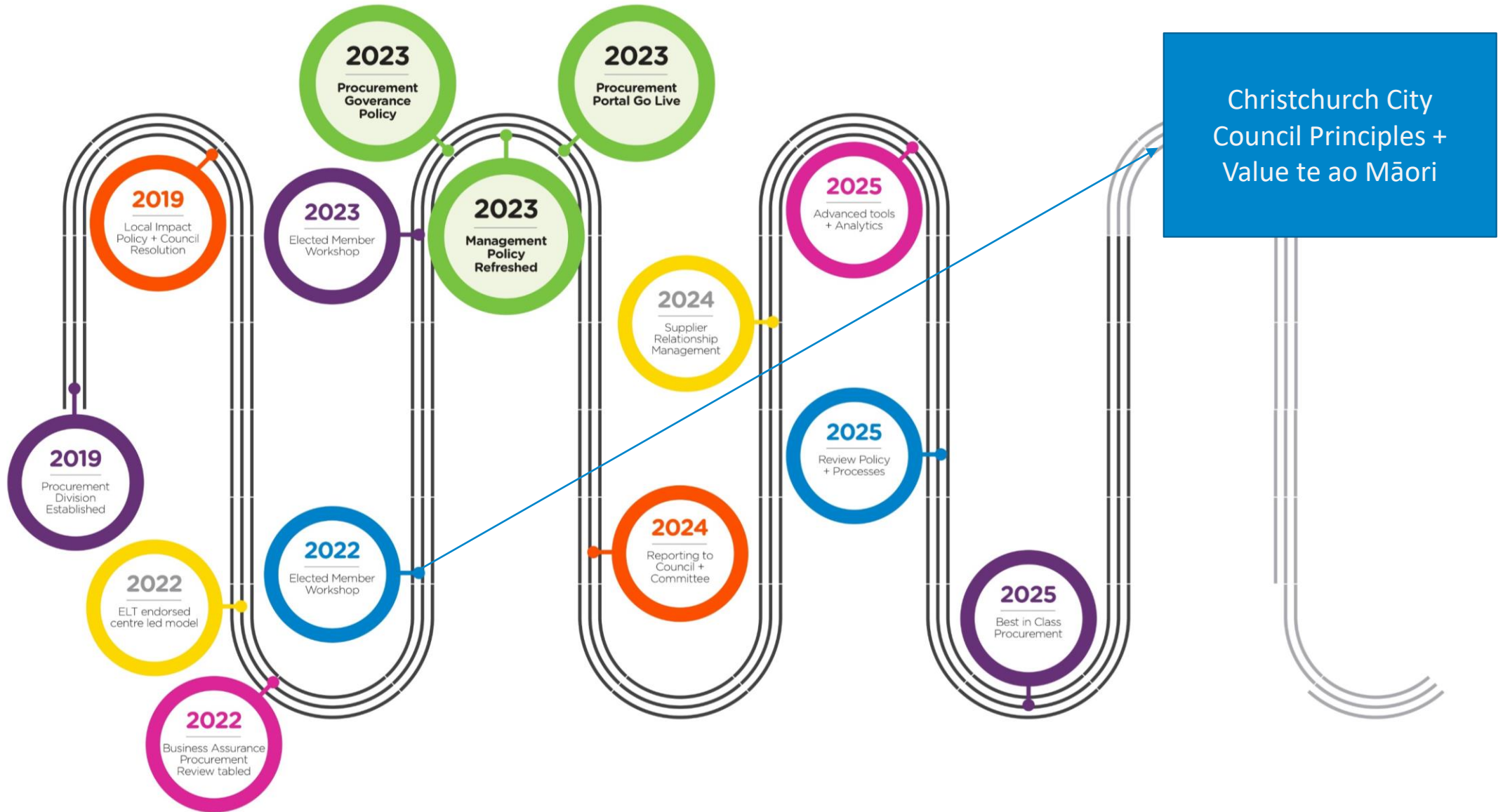
# Agenda

- Journey to date
- Draft Principles
- Procurement within Council
- Next Steps



# THE JOURNEY

---



# Draft Principles

# Strategic Procurement Principles



**Open and effective competition**

What does this look like alongside Panels and Strategic Platforms

**Fostering local business**

How are we lifting local capability?

**Environmental Management**

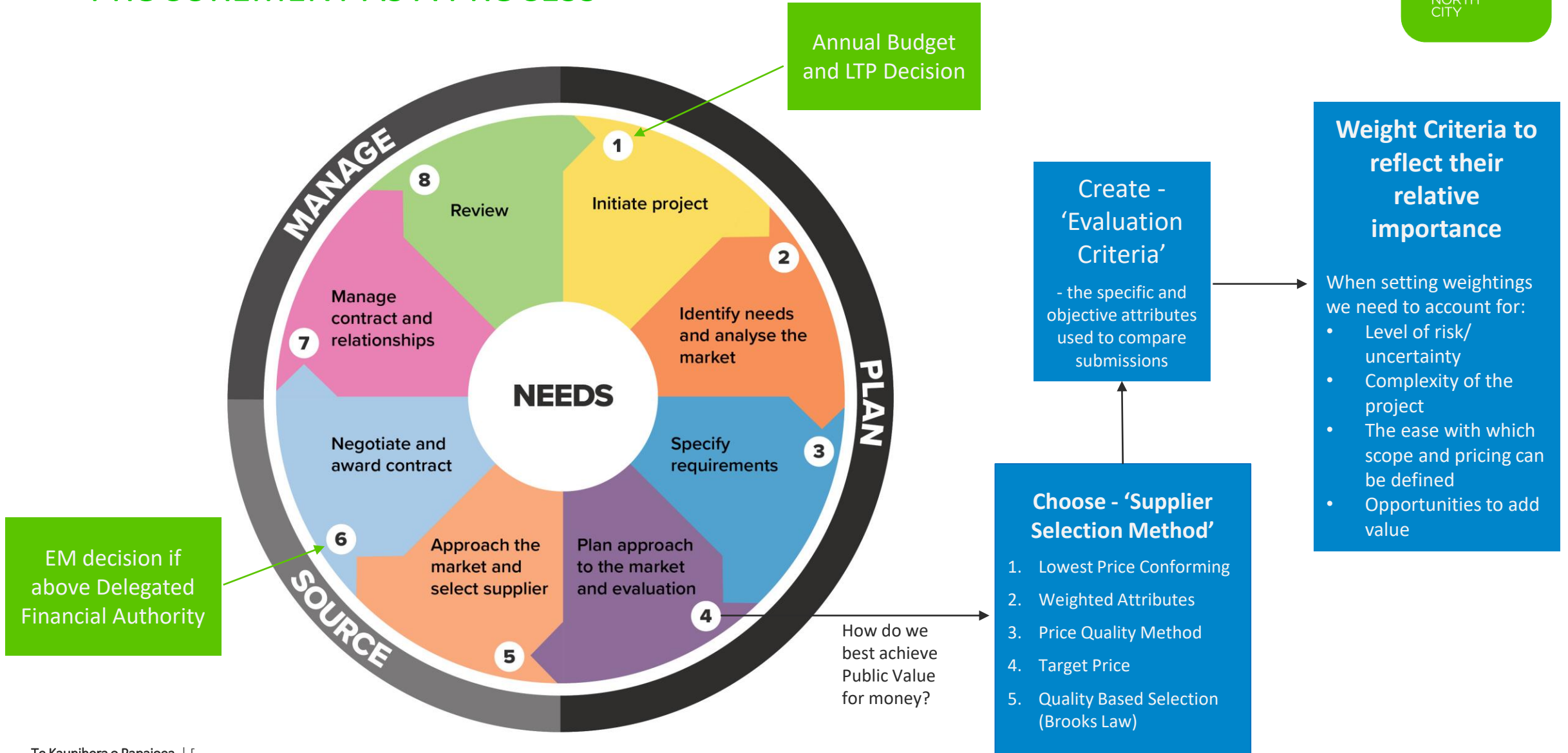
Definitions?

**Social equity**

**Value te ao Māori**

# Procurement within Council

# PROCUREMENT AS A PROCESS







**Next Steps**

# Next Steps

---

- Bring back to Finance Committee for adoption
- Begin reporting post adoption



Thank you



# Appendix A – Strategic Procurement Principles



## Open and effective competition

Open and effective competition maximises the prospect of Palmerston North City Council getting the best procurement outcome. We will ensure that suppliers who want to do business with us are given a reasonable opportunity to do so and that the procurement and relationship management processes used ensure that suppliers look to continue to do business with us.

## Environmental Management

Palmerston North City Council's procurement will be proactive in the ways that it produces better outcomes for the environment in every project delivered and every decision made. We are committed to long-term sustainability through procurement that conserves resources, minimises waste, protects human health and enhances environmental quality and safety. In a procurement sense, this includes a focus on improving material and water efficiency, reducing, re-purposing and recycling waste wherever we can; minimising greenhouse gas emissions and enhancing the quality of the natural environment.

## Value te ao Māori

There is a commitment to recognising the principles of Te Tiriti o Waitangi and acknowledging the importance of partnering with local iwi, as well as recognition of tangata whenua through localised partnering.

Palmerston North City Council will continue to focus on participation through our growing relationships with regional iwi. Through partnerships, we aim to work together with iwi for agreed outcomes that benefit the region. We will ensure protection is a priority focus by incorporating te reo and tikanga across our projects and programmes, and through continued development of our cultural awareness, as well as knowledge and understanding of the Principles of Te Tiriti.

## Fostering local business

Palmerston North City Council's procurement activity should contribute to having an efficient and cost-effective local supply base that supports a dynamic and innovative city economy. We will ensure that the advantages of local procurement are recognised and considered in procurement decisions. We'll also ensure that local businesses are encouraged to explore unique and innovative initiatives, that social procurement initiatives are progressed to provide economic and employment opportunities, and that tenders are free from requirements that could limit opportunities for local suppliers (where practicable).

## Social equity

Palmerston North City Council is committed to promoting diversity, acceptance, fairness, compassion, inclusiveness and access for people of all abilities. A focus is placed on citizens who are under-represented and people with less opportunity. Social equity contributes to building stronger and more resilient communities. Depending on the nature of the procurement, we will explore opportunities to engage social enterprises to provide works, goods and services.

# Appendix B – Supplier Selection Definitions

Supplier Selection Method	Definition
Lowest-Price conforming model	<p>Lowest-price conforming (LPC) is the most basic procurement model and should be used where the Council determines that best value for money will be obtained by having suppliers compete on price alone and no premium for additional quality is warranted. The preferred supplier is the supplier that offers the lowest price and meets all the minimum requirements, including quality, as set out in the RFP/RFT. With this model, the lowest-priced tender or proposal is selected once a prerequisite level of quality is met. It is applicable where additional quality over and above a minimum threshold is not important (that is, it does not offer greater value for money).</p>
Weighted-attribute model	<p>The weighted-attribute model is the most common procurement model used in public sector procurement. This model seeks to balance the trade-off between price and quality, and it can be used for goods or services. Under this model, the criteria are weighted to reflect their relative importance. Each criterion in the tender or proposal is scored, and each is multiplied by the relevant weighting to give a weighted score. The weighted scores for each tender or proposal are added up to find the highest scoring tender or proposal. The quality attributes of suppliers whose tenders meet the RFP/RFT's requirements are graded, and the preferred supplier is selected by balancing price and quality through the use of a formula. This method is very effective in dealing with more complicated requirements and can greatly assist in the selection of a Preferred Supplier when the total scores are widely distributed. This method is also easily adapted to include consideration of risk and to provide additional differentiation of offers by calculating a value for money ratio, also known as the cost effectiveness ratio.</p>

# Appendix B – Supplier Selection Definitions



## Price Quality

The Price-Quality model is a supplier selection method where the quality attributes of suppliers whose tenders meet the RFP/RFT's requirements are graded and the preferred supplier is selected by balancing price and quality through the use of a formula. The Price-Quality method will generally be limited to evaluating proposals for professional services for transport projects. They will be used only by staff competent in the use of these tender processes. Price / Quality should be used where the specified outputs can be priced by the supplier(s) and where the purchaser determines that 'best value for money' will be obtained by selecting the supplier(s) that offer the best combination of price and quality as set out in the RFP.

## Brooks' Law model (Quality based)

The Brooks' Law (quality based) model assesses proposals on the basis of technical merit. The highest ranked supplier is invited to discuss the proposal, contract, terms, and fees. The terms of reference and the contractual and legal requirements are reviewed to ensure a mutual understanding. When agreement on fees is reached, the supplier is appointed. If no agreement on fees is reached, the second ranked potential supplier is invited to negotiate. The process continues until a satisfactory agreement is negotiated. A supplier, once rejected, should not be recalled for further negotiations.

## Target price

The target-price model is another model that is useful when it is difficult to define the scope of the work in the tender documentation or in situations where the budget that is available is the main constraint. In such instances, the public entity would likely receive a range of tenders or proposals and prices that are not easily compared, and that may exceed the available budget. The solution is for the public entity to make the potential suppliers aware of the available budget (the "target price") as a guide for defining the scope of the services desired, and then inviting potential suppliers to specify what they can do for that price. The focus of the evaluation is then on the quality and quantity of the services to be provided rather than price. Proposals must meet the requirements of the RFP/RFT and are evaluated on the basis of quality only.