

I hereby give notice that an ordinary meeting of the Tenders and Procurement Committee will be held on:

**Date:** Tuesday, 28 July 2015  
**Time:** 9.30am  
**Meeting Room:** Level 26, Room 1  
**Venue:** 135 Albert Street  
Auckland

---

## Tenders and Procurement Committee

### OPEN AGENDA

---

#### MEMBERSHIP

<b>Chairperson</b>	Cr Dick Quax
<b>Deputy Chairperson</b>	Cr Denise Krum
<b>Members</b>	Cr Anae Arthur Anae Cr Cameron Brewer Cr Sharon Stewart, QSM Cr Sir John Walker, KNZM, CBE
<b>Ex-officio</b>	Mayor Len Brown, JP Deputy Mayor Penny Hulse
<b>Ex-officio (without voting rights)</b>	All other councillors

(Quorum 3 members)

Quorum must include at least 2 named voting members.

**Katherine Wilson**  
**Democracy Advisor**

**21 July 2015**

Contact Telephone: (09) 890 8133  
Email: [katherine.wilson@aucklandcouncil.govt.nz](mailto:katherine.wilson@aucklandcouncil.govt.nz)  
Website: [www.aucklandcouncil.govt.nz](http://www.aucklandcouncil.govt.nz)



## TERMS OF REFERENCE

### Responsibilities

The Committee is established to assist the Chief Executive to undertake the management procedure of ensuring sound probity procedures are followed in relation to procurement of goods and services necessary to deliver on the work programme and operations outlined in Council's adopted Annual plan.

It will ensure that reasonable purchasing procedures have been followed in awarding contracts and will provide an efficient mechanism for documenting the approvals for those contracts.

Within a framework where contracts are an operational matter delegated to the Chief Executive, this Committee will consider all tenders beyond the Chief Executive's financial delegations. The Chief Executive may refer contracts within his financial delegations which are sensitive or may impact on the reputation of the Council.

The Chief Executive has power to award contracts up to \$20 million alone and the power to award contracts up to \$22.5 million jointly with the mayor and relevant committee chair.

The Committee will have responsibility for:

- Awarding of contracts greater than \$22.5 million; and
- Awarding of contracts less than \$20 million which are sensitive or may impact on the reputation of the Council where the Chief Executive refers the matter to the Committee;
- Oversight over the tendering and procurement process and procedures of the Governing Body and local board; and
- Developing a tendering and procurement strategy as policy for recommendation to the Governing Body for adoption.

From time to time the Committee may advise the Chief Executive and Council on changes to the Procurement and Contracts probity procedures.

### Powers

All powers necessary to perform the Committee's responsibilities.

#### Except:

- (a) powers that the Governing Body cannot delegate or has retained to itself (section 2)
- (b) where the Committee's responsibility is limited to making a recommendation only
- (c) where the Committee's responsibility sets out financial limitations

## **Exclusion of the public – who needs to leave the meeting**

### **Members of the public**

All members of the public must leave the meeting when the public are excluded unless a resolution is passed permitting a person to remain because their knowledge will assist the meeting.

### **Those who are not members of the public**

#### General principles

- Access to confidential information is managed on a “need to know” basis where access to the information is required in order for a person to perform their role.
- Those who are not members of the meeting (see list below) must leave unless it is necessary for them to remain and hear the debate in order to perform their role.
- Those who need to be present for one confidential item can remain only for that item and must leave the room for any other confidential items.
- In any case of doubt, the ruling of the chairperson is final.

#### Members of the meeting

- The members of the meeting remain (all Governing Body members if the meeting is a Governing Body meeting; all members of the committee if the meeting is a committee meeting).
- However, standing orders require that a councillor who has a pecuniary conflict of interest leave the room.
- All councillors have the right to attend any meeting of a committee and councillors who are not members of a committee may remain, subject to any limitations in standing orders.

#### Independent Māori Statutory Board

- Members of the Independent Māori Statutory Board who are appointed members of the committee remain.
- Independent Māori Statutory Board members and staff remain if this is necessary in order for them to perform their role.

#### Staff

- All staff supporting the meeting (administrative, senior management) remain.
- Other staff who need to because of their role may remain.

#### Local Board members

- Local Board members who need to hear the matter being discussed in order to perform their role may remain. This will usually be if the matter affects, or is relevant to, a particular Local Board area.

#### Council Controlled Organisations

- Representatives of a Council Controlled Organisation can remain only if required to for discussion of a matter relevant to the Council Controlled Organisation.

<b>ITEM</b>	<b>TABLE OF CONTENTS</b>	<b>PAGE</b>
1	Apologies	7
2	Declaration of Interest	7
3	Confirmation of Minutes	7
4	Petitions	7
5	Public Input	7
6	Local Board Input	7
7	Extraordinary Business	8
8	Notices of Motion	8
9	Procurement Strategy Implementation Update, July 2015	9
10	Professional Services Category Strategy, July 2015	11
11	New process for Unsolicited Proposals, July 2015	15
12	Consideration of Extraordinary Items	



**1 Apologies**

Apologies from Mayor LCM Brown and Member PA Hulse have been received.

**2 Declaration of Interest**

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as a member and any private or other external interest they might have.

**3 Confirmation of Minutes**

That the Tenders and Procurement Committee:

- a) confirm the ordinary minutes of its meeting, held on Tuesday, 16 June 2015, including the confidential section, as a true and correct record.

**4 Petitions**

At the close of the agenda no requests to present petitions had been received.

**5 Public Input**

Standing Order 7.7 provides for Public Input. Applications to speak must be made to the Committee Secretary, in writing, no later than **one (1)** clear working day prior to the meeting and must include the subject matter. The meeting Chairperson has the discretion to decline any application that does not meet the requirements of Standing Orders. A maximum of **thirty (30) minutes** is allocated to the period for public input with **five (5) minutes** speaking time for each speaker.

At the close of the agenda no requests for public input had been received.

**6 Local Board Input**

Standing Order 6.2 provides for Local Board Input. The Chairperson (or nominee of that Chairperson) is entitled to speak for up to **five (5)** minutes during this time. The Chairperson of the Local Board (or nominee of that Chairperson) shall wherever practical, give **one (1)** days notice of their wish to speak. The meeting Chairperson has the discretion to decline any application that does not meet the requirements of Standing Orders.

This right is in addition to the right under Standing Order 6.1 to speak to matters on the agenda.

At the close of the agenda no requests for local board input had been received.

## 7 Extraordinary Business

Section 46A(7) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

“An item that is not on the agenda for a meeting may be dealt with at that meeting if-

- (a) The local authority by resolution so decides; and
- (b) The presiding member explains at the meeting, at a time when it is open to the public,-
  - (i) The reason why the item is not on the agenda; and
  - (ii) The reason why the discussion of the item cannot be delayed until a subsequent meeting.”

Section 46A(7A) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

“Where an item is not on the agenda for a meeting,-

- (a) That item may be discussed at that meeting if-
  - (i) That item is a minor matter relating to the general business of the local authority; and
  - (ii) the presiding member explains at the beginning of the meeting, at a time when it is open to the public, that the item will be discussed at the meeting; but
- (b) no resolution, decision or recommendation may be made in respect of that item except to refer that item to a subsequent meeting of the local authority for further discussion.”

## 8 Notices of Motion

At the close of the agenda no requests for notices of motion had been received.

## Procurement Strategy Implementation Update, July 2015

File No.: CP2015/14023

### Purpose

1. To provide the Tenders and Procurement Committee an update on the Procurement Strategy implementation at Auckland Council.

### Executive Summary

2. In 2014 a new Procurement Strategy and Policy was developed and approved by the Governing Body. In February 2015, a new General Manager of Procurement was appointed to lead the implementation of the changes.
3. A presentation will be provided at the Tenders and Procurement Committee meeting which details the approach, progress to date and roadmap for the next 12 months.

### Recommendation/s

That the Tenders and Procurement Committee:

- a) receive the Procurement Strategy Implementation report and presentation.

### Attachments

There are no attachments for this report.

### Signatories

Author	Sara Hay – General Manager Procurement
Authorisers	Kevin Ramsay - General Manager Finance Warren Ure - Manager, Sourcing



## Professional Services Category Strategy, July 2015

File No.: CP2015/14244

### Purpose

1. To provide the Tenders and Procurement Committee an overview of the procurement approach for the Professional Services Category including the internal and external stakeholder engagements, spend, business needs and supplier market analysis, proposed market approach and benefits.

### Executive Summary

2. Professional Services is one of the five top category spends across the council family accounting for \$325.2m in 2014 Financial Year (Auckland Council - \$115.2m; Auckland Transport - \$153m; WaterCare - \$57m). Currently there are variable project outcomes driven by a lowest cost approach to procurement that typically leads to significant variations to contracts (over 70 per cent during 2014 Financial Year).
3. A Category Strategy has been developed to build and establish an appropriate, consistent and managed approach for engaging the market, tendering work and delivering Professional Services contracts in an efficient and timely manner that is focused on achieving better outcomes for rate payers and delivering a better Auckland.

### Recommendation/s

That the Tenders and Procurement Committee:

- a) endorse the proposed approach for the Professional Services Category;
- b) approve the market approach detailed in paragraph 14 below for Technical and Engineering and Project Management Services;
- c) delegate to the General Manager of Procurement to approve the final Procurement Plan; and
- d) note that the outcome of the market approach will be submitted to the Tenders and Procurement Committee for their approval prior to contracts being awarded.

### Comments

4. Auckland Council organisations that the category strategy covers are:
  - Auckland Council
  - WaterCare
  - Auckland Transport
  - And other Council Controlled Organisations (CCOs).
5. The problems the category strategy aims to resolve are:
  - Inefficient procurement
  - Poor market engagement
  - Significant variations (70 per cent) to Professional Services contracts
  - Lowest cost driven procurement – drives variations behaviours
  - Lack of procurement consistency across council
  - Contract form and conditions variability.
  - Poor quality scope of works and council tender documentation

6. The way to increase performance, add value, maximise results and unlock cost savings is:
- Via a coordinated programme managed approach to council procurement of Professional Services activity
  - Publication of the council's forward work programme (transparency to the market)
  - Segment programme by size of project, complexity, region and specialisation (UNSPSC)
  - Consistent form of contract and associated conditions used
  - Develop tighter scopes of works with suppliers to reduce current high level of variations
  - Measure and benchmark performance, incentivise innovation
  - Develop streamlined tender processes that are simple for project managers and suppliers to engage with and navigate through
  - Improve the quality of tender documentation.

### Market Analysis

7. The following information is known about the market:
- Construction is a \$30bn plus industry per year (6.3 per cent of GDP) and growing
  - It is the 6th largest sector in the New Zealand economy
  - Construction Services is 40 per cent of total revenue
  - Professional services accounts for \$2.4bn per year (ACENZ)
  - Council spend is over \$350m per year – 15 per cent of total NZ Market
  - Thirty-seven per cent of firms are self employed
  - Sector is highly cyclical and subject to boom/bust.

### Internal Stakeholder Analysis

8. Workshops held with council and CCO staff and data analysis revealed:
- No strategic approach to professional services procurement
  - There are currently very limited established commercial channels which results in inefficient and inconsistent market engagements that are not leveraging the council's position.
  - Lowest cost driven procurement results in significant contract variations to professional services agreements (70 per cent)
  - Variability of contract form and conditions used
  - Poor quality scope of works and tender specifications
  - No formal or consistent approach to supplier performance management.

### Supplier Analysis

9. Interviews with our suppliers revealed:
- Market perceives council as expensive to do business with: \$78m contracted work vs \$10m tender costs and only 15 per cent success rate
  - Strategically deciding not to tender for council projects
  - Tender costs disproportionately high especially for \$100k projects
  - Variable engagement – depends on council Project Managers

- Poor communications throughout tenders, timescales not adhered to and suppliers kept at arm's length
- Poor documentation, scope of works quality variable.

## Business Objectives

10. The results the category strategy aims to achieve are:
  - Benefit from significant procurement savings, particularly on transaction costs
  - Reduce procurement time
  - Enable more effective planning, coordination and resourcing
  - Secure discounted rates as tender and transaction costs are reduced
  - Achieve a 10-15 per cent saving on Professional Services bought by council and CCOs
  - Support local economy and boost employment.
11. It is important to achieve these results to:
  - Focus on securing better project outcomes rather than focusing on lowest cost
  - Demonstrate value to rate payers
  - Improve the capability of council project managers
  - Enable cross-council coordination and leverage scale of council spend
  - Improve market engagement and reduction of tender and transaction costs.

## Consideration

### Local Board views and implications

12. Local Boards are being engaged at a broader level to ensure procurement at council delivers on local as well as regional outcomes. The proposed procurement approach for the Professional Services Category will enable a broad spectrum of suppliers to be engaged for the services by segmenting activity based on size, complexity, risk and location. It will also remove a number of current barriers that smaller suppliers face when trying to engage with council i.e. the high overheads of multiple, onerous tender processes.

### Māori impact statement

13. Reducing procurement lead times for projects will enable more engagement with suppliers, local communities and iwi to help identify opportunities to drive local outcomes where possible and conduct collaborative design processes that value te Ao Māori.

## Implementation

14. The proposed approach to the market is detailed below and it is recommended the Technical and Engineering and Project Management categories are focused on in the first tranche as they represent the majority of Professional Services spend:
  - Establish forward work programme and pipeline with council Project Managers and CCOs
  - Segment the pipeline by value, region, complexity and specialty with Council Project Managers and CCOs
  - Publish and share forward work programme to the open market inviting suppliers to pre-qualify
  - Run pre-qualification process for each segment and develop supplier lists

- Appoint suppliers to panel with standardised contract forms and conditions; formalised change variation process; formalised tender feedback process; formalised performance measurement, etc.
- Establish project call off process and tender methodology (combination of direct appoint and mini competition depending on size of project, complexity, region and capability required to deliver the project)
- Tracking delivery – benchmarking performance via established Key Performance Indicators.

### **Attachments**

There are no attachments for this report.

### **Signatories**

Author	Sara Hay – General Manager Procurement
Authoriser	Warren Ure - Manager, Sourcing

## New process for Unsolicited Proposals, July 2015

File No.: CP2015/14053

### Purpose

1. To provide the Tenders and Procurement Committee with an overview of the new procurement process for Unsolicited Proposals and received by Auckland Council.

### Executive Summary

2. Auckland Council's common purpose is to make Auckland the world's most liveable city and deliver Aucklanders great value for money. To achieve this, Auckland Council ("the council") wants to encourage the development of innovative ideas and solutions that will help realise the region's potential.
3. There are two methods to review information from the market;
  - i. **Council-initiated procurement processes**  
The primary form of procurement, this is based on a tendering process that delivers value for money in a fair and transparent manner. This form of procurement activity is driven by the Council's strategic and transactional planning processes.
  - ii. **Unsolicited proposals**, which are not initiated by the council and not solicited through channels related to the process described above. This includes proposals by private individuals, companies, not-for-profit entities and non-council agencies that are outside the council's normal planning and procurement processes but may offer opportunities for real value.
4. This Report is an overview of the new process for unsolicited proposals. The unsolicited proposals process is not a substitute for standard procurement practices by Auckland Council.
5. Auckland Council's approach to managing unsolicited proposals is based on review of best-practice public-sector processes, including references from NZ Treasury, NSW Government, South Australia Government, Australian Department of Defence, and Public-Private Infrastructure Advisory Facility.
6. In general, unsolicited proposals must demonstrate unique aspects that could not be delivered by normal procurement processes, and value for money for the council and Aucklanders. The Unsolicited Proposals Guide provides extensive guidance on the assessment criteria and advice on the types of proposals that are unlikely to be progressed.
7. The assessment criteria to be used by council is shown in the table below:

<b>Uniqueness</b>	Proposal includes unique characteristics – property, technology, financial arrangements, ability to deliver strategic outcome, other demonstrably unique characteristics.
<b>Value for money</b>	Proposal able to demonstrate best value for money over whole of life. Economic analysis should cover multiple aspects of social and/or economic outcomes and costs.
<b>Strategic alignment with council outcomes</b>	Proposal should demonstrate alignment with Auckland Council Plans (LTP, Unitary Plan, Auckland Plan outcomes).
<b>Return on investment</b>	Demonstrate that proposed ROI is proportionate to proponent and/or Auckland Council's risk.

<b>Capability and capacity</b>	Demonstrate experience, capability and capacity to deliver on the proposal.
<b>Affordability</b>	Demonstrate clear funding approach – where council funding is required, is this available and budgeted for?
<b>Risk allocation</b>	Demonstrate that associated proposal risks have been quantified and allocated to the party best positioned to mitigate the risk.

## Recommendation

That the Tenders and Procurement Committee:

- a) receive the report and presentation on Auckland Council's unsolicited proposals process.

## Attachments

There are no attachments for this report.

## Signatories

Author	Sara Hay – General Manager Procurement
Authoriser	Warren Ure - Manager, Sourcing