



## Meeting of the Hawke's Bay Regional Council

**Date:** Wednesday 24 June 2020  
**Time:** 11.00am  
**Venue:** Council Chamber  
Hawke's Bay Regional Council  
159 Dalton Street  
NAPIER

### Attachments Excluded From Agenda

ITEM	TITLE	PAGE
<b>8.</b>	<b>Strategic Plan Adoption</b>	
	Attachment 1: HBRC 2020-25 Strategic Plan	2
<b>16.</b>	<b>HBRIC Ltd 2020-21 Statement of Intent for Adoption</b>	
	Attachment 1: HBRIC Ltd 2020-21 Statement of Intent	18
<b>18.</b>	<b>Procurement Policy Amendments and Activity Report</b>	
	Attachment 1: June 2020 Amended Procurement Policy	31
	Attachment 2: Revised Procurement Manual June 2020	44
	Attachment 3: Procurement Outcome Management Plan Template	72
	Attachment 4: Riparian Planting Contract Evaluation	90
<b>19.</b>	<b>Hawke's Bay Region Water Security Economic Impact Assessment</b>	
	Attachment 1: HB Region Water Security Economic Impact Assessment	104



Item 8

Attachment 1

## Our Mission Statement

Te whakapakari tahi  
i tō tātau **taiao**.

Enhancing our  
**environment**  
together.

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HBRC Publication Number 5394





Item 8

Attachment 1



## Our Vision and Values

### Our Vision

**We want** a healthy environment and a resilient and prosperous community.

### Our Purpose

**We work** with our community to protect and manage the region's precious taonga of rivers, lakes, soils, air, coast and biodiversity for health, wellbeing and connectivity.

### Our Focus

#### **We prioritise:**

**Water quality, safety and climate-resilient security.**

Te kounga o te wai, te haumarutanga me te mārohirohi ā-āhuarangi o te whakamarutanga.

**Climate-smart and sustainable land use.**

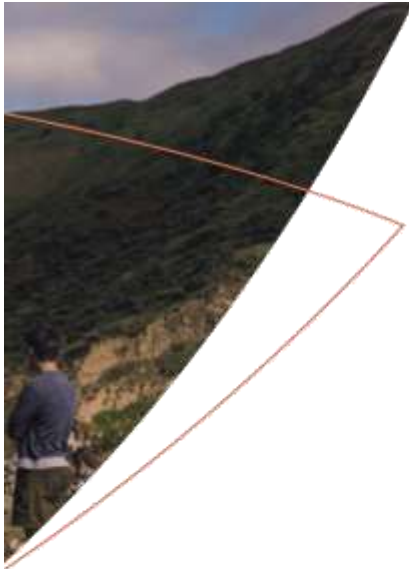
Kia koi, kia toitū hoki te whakamahinga o te whenua.

**Healthy, functioning and climate-resilient biodiversity.**

Kia ora, kia āhei, kia mārohirohi ā-āhuarangi hoki te rerenga rauropi.

**Sustainable and climate-resilient services and infrastructure.**

Kia toitū, kia mārohirohi ā-āhuarangi hoki ngā ratonga me ngā hanganga ā-whare.



**“Climate Change is at the heart of everything we do.”**

## Our Values

### We believe in:

#### Partnership and Collaboration

We work with our community in everything we do.

#### Accountability

We hold ourselves accountable to deliver results, be responsive to community expectations, and the best use of ratepayers' funds and assets.

#### Transparency

We report on what we do and the value this delivers for our community.

#### Excellence

We set our sights and expectations high, and never stop striving to do better.

## Our Organisation

### We are:

- Outcome and result focused
- Agile and forward looking
- Open and outward facing
- Data driven and science informed
- In tune with the community we serve
- Committed to continuous improvement
- An employer of choice
- Committed to health and safety
- Passionate about our work.

## Our Approach

### We will:

#### Inspire

Provide inspirational and inclusive regional leadership that addresses difficult issues, motivates and mobilises action.

#### Collaborate

Develop our skills and capacity to partner with Tāngata Whenua, communities, councils, central government, businesses, farmers and growers for collective action.

#### Prioritise

Clearly identify the core business priorities for our communities and target our resources and capabilities for tangible results, alongside the resources of partners.

#### Invest

Drive environmentally sound and sustainable regional growth to leverage Hawke's Bay's comparative advantages, regional provenance and values.

#### Monitor, Learn and Adapt

Track and transparently report our progress and performance, use 'systems thinking' and adaptive management to address complex issues and causes.

#### Innovate

Adopt new technology and data to deliver more effective and efficient services.



## Strong Leadership

*This document was first adopted in August 2017 to help re-orientate the organisation to achieve priorities set by the elected Council for its term and beyond.*

**Our strategy still reflects a desire by the current Council to:**

- Deliver strong, visible and connected regional leadership
- Protect and enhance Hawke's Bay's remarkable environment and
- Focus on achieving real results in areas of core business.

Core business refers to the unique functions, skills and resources provided by the Regional Council that are 'mission critical' to the region's wellbeing. The Regional Council has significant roles and responsibilities required by law, particularly in natural resources (land, water, air, coast and biosecurity), hazard management and transport. Many of Council's activities and services need to be managed at a regional scale, and/ or call for specialist expertise not available elsewhere.

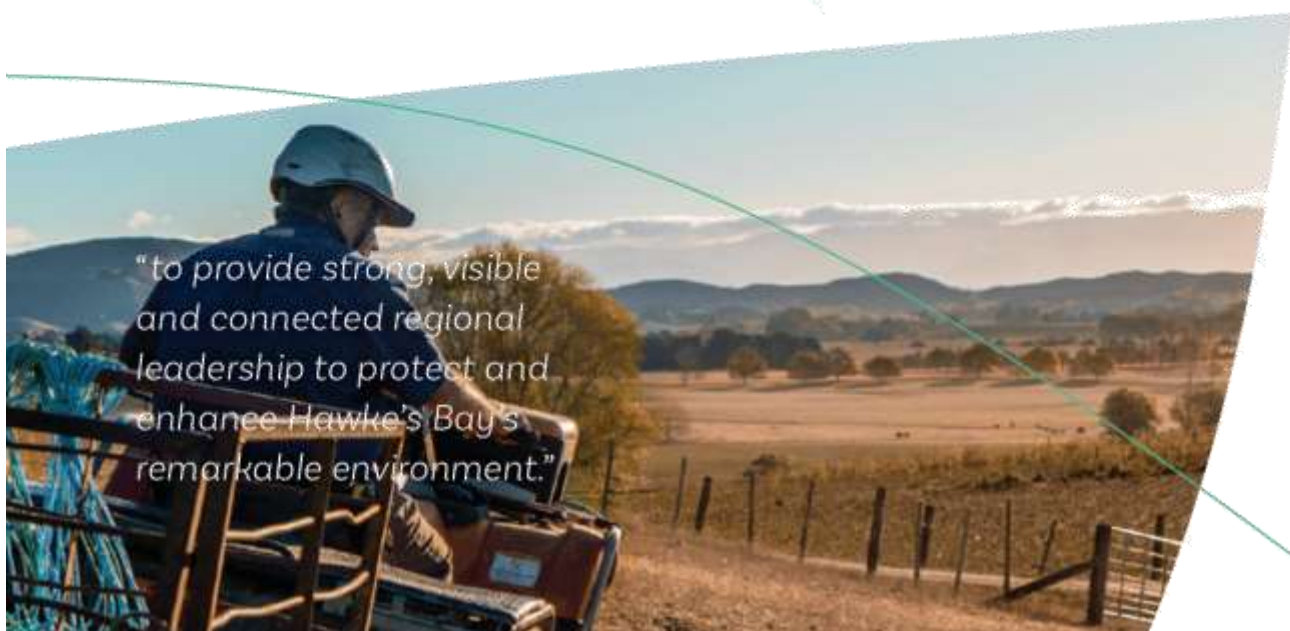
## 2020 Refresh

The focus areas, outcomes and time bound goals that were set have been workshopped and reviewed by the Council and Māori Committee elected in 2019 with a small number of amendments to reflect current circumstances and new priorities. In particular, climate change is now reflected in the vision and focus areas as well as targets realigned to national timeframes.

As the ink dries on this document, the real effects of COVID-19 and the region's worst-ever drought remain to be felt. A conscious effort has been made to ensure each response we make to the COVID-19 recovery is carefully considered and aligns to our vision, values and priorities. The direction of travel set in this plan remains on track with a focus on a Climate Smart Recovery.



**James Palmer**  
Chief Executive  
Hawke's Bay Regional Council



*"to provide strong, visible and connected regional leadership to protect and enhance Hawke's Bay's remarkable environment."*

## Times are changing

*Hawke's Bay Regional Council operates in a dynamic environment.*

The starting point for this refresh of the Strategic Plan was to see what has changed in the macro-environment that impacts on the Regional Council's business, since the Strategy was first adopted in 2017.

Three key changes include accelerating community and political expectations around climate change action, economic conditions and freshwater reform.

### Climate change action

On 26 June 2019 the Hawke's Bay Regional Council declared a climate emergency, recognising climate change to be an urgent and pervasive threat to human and ecological wellbeing.

The Council has reviewed both what we are doing to mitigate and adapt to climate change and how we communicate it. This iteration of the Strategic Plan further strengthens our commitment to a climate-smart future. We have included a field in the matrix on the following pages that speaks to the impact of climate change in the four focus areas.

### Economic outlook

Like other organisations, the Council is susceptible to income 'shocks' - most recently a forecast drop in investment income due to the financial effects of COVID-19. These shocks impact on the Council's ability to fund its work programmes and achieve its strategic outcomes.

Since 2017, the Council has improved its financial resilience by diversifying income streams through the sale of shares in Napier Port, and will look at other ways to strengthen financial resilience in light of increased uncertainty.

Central government co-funding is prioritised for environmental projects that contribute to the region's economic recovery, with sensitivity to community hardship through the Council's approach to rates.

### Freshwater reform

New government regulations aim to clean up rivers, lakes, streams and wetlands. The new National Policy Statement for Freshwater Management 2020 will require councils to accelerate efforts to improve freshwater and enable stronger, more prescriptive management.



## Four Focus Areas

*To deliver stronger leadership on behalf of our region's remarkable environment, Hawke's Bay Regional Council has identified four areas of focus for the next five years and beyond.*

These four pillars complement the other "business as usual" work we do, and signal where more attention is needed in the short to medium term. Each pillar has equal weighting.

### Water



#### Water quality, safety and climate-resilient security.

Te kounga o te wai, te haumarutanga me te mārohirohi ā-āhuarangi o te whakamarutanga.

### Land



#### Climate-smart and sustainable land use.

Kia koi, kia toitū hoki te whakamahinga o te whenua.

### Biodiversity



#### Healthy, functioning and climate-resilient biodiversity.

Kia ora, kia āhei, kia mārohirohi ā-āhuarangi hoki te rerenga rauropi.

### Infrastructure & Services



#### Sustainable and climate-resilient services and infrastructure.

Kia toitū, kia mārohirohi ā-āhuarangi hoki ngā ratonga me ngā hanganga ā-whare.

## Outcome and result focused

A number of time-bound and measurable strategic goals have been identified in support of these focus areas. These demonstrate a desire by Council to shift from reporting activity or outputs to managing for and reporting on outcomes – the things that matter to the community. Typically, the Council does not have full control over whether these outcomes are achieved, but it has a clear statutory role in achieving them, along with others. Focusing on the outcome will enable our Councillors to track progress better and also allow more agile and adaptable delivery.

Wherever possible, the outcomes, goals and objectives in this strategy align with either a national target or an existing Hawke's Bay strategy or plan. Refinements were made in 2020 to reset targets to match national targets related to the Essential Freshwater Reform package and carbon neutrality. Further work is needed to set milestones for longer term goals and build Mātauranga Māori (Māori knowledge) into our monitoring and reporting activities.

## Working together

Fostering good working relationships is fundamental to the successful achievement of all of these strategic goals. We know we can't achieve change without our community. As expressed in our purpose statement, we work with our community in everything we do. This is particularly relevant to our relationships with Tāngata Whenua in terms of co-governance and co-management. Successful relationships involve building trust, which in turn enables us to support each other to respond to new challenges as they arise.

There are a range of possible interventions available to the Council to achieve its goals and objectives. These range from provision of goods and services directly to controlling activities through regulation and enforcement. The Council needs to decide on the best mix of these to get results in a desired timeframe. This does not mean that we will always take the lead on an issue. A regional leadership role means proactively identifying regional issues and working with others to deal with these.

## Assumptions

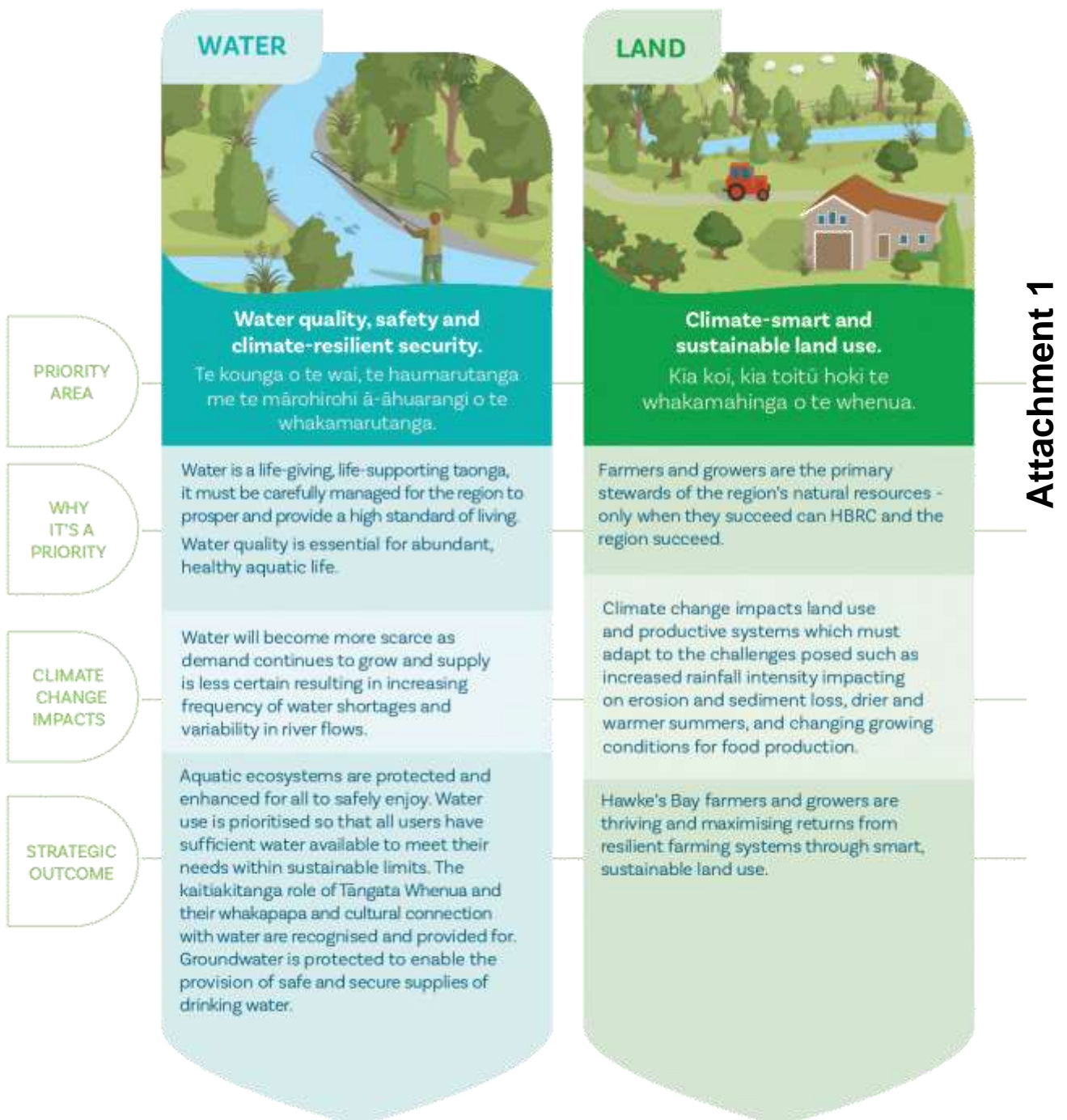
The table on the following pages shows the link between a desired strategic outcome and the actions needed to achieve it, in each of the four priority focus areas. A number of assumptions underpin the link between the action and the desired outcome. There are too many to mention here but it is worth noting that these assumptions will directly impact whether the outcomes are achieved in the manner assumed.

## Interconnectedness

The strategic priorities and goals are connected to one another, so success in one area cannot be at the expense of another. Equally the priorities have been grouped into four separate domains but could just as easily be grouped in other ways, for example land and water together. The key point is that the Council needs to design the way in which it organises its resources and its activities so these are aligned and mutually reinforcing.



## Our Strategic Outcomes, Goals and Actions



**BIODIVERSITY****Healthy, functioning and climate-resilient biodiversity.**

Kia ora, kia āhei, kia mārohirohi  
ā-āhuarangi hoki te rerenga rauropi.

Healthy, functioning ecosystems - from our mountains to sea ki uta ki tai - underpin the vitality of our region. This includes habitat restoration alongside plant and animal pest control, and attention to the sensitive coastal marine environment.

With many of our lowland ecosystems reduced to small, fragmented remnants with poor connectivity they are particularly vulnerable to the effects of climate change such as drought and heavy rainfall. This includes all the biodiversity that lives within them.

Working together, Hawke's Bay's biodiversity is enhanced, healthy and functioning.  
*Source: HB Biodiversity Strategy, 2015-2050*  
Agricultural and environmental pests are managed and eradicated through the Regional Pest Management Plan.

**INFRASTRUCTURE & SERVICES****Sustainable and climate-resilient services and infrastructure.**

Kia toitū, kia mārohirohi ā-āhuarangi hoki  
ngā ratonga me ngā hanganga ā-whare.

High performing regional infrastructure enables the region's natural and human resources to deliver goods and services that underpin the prosperity and wellbeing of the Hawke's Bay community.

The climate assumptions that underpin our infrastructure investments and decisions are changing rapidly - we must ensure our assets and services are future-proofed for climate change impacts in the future.

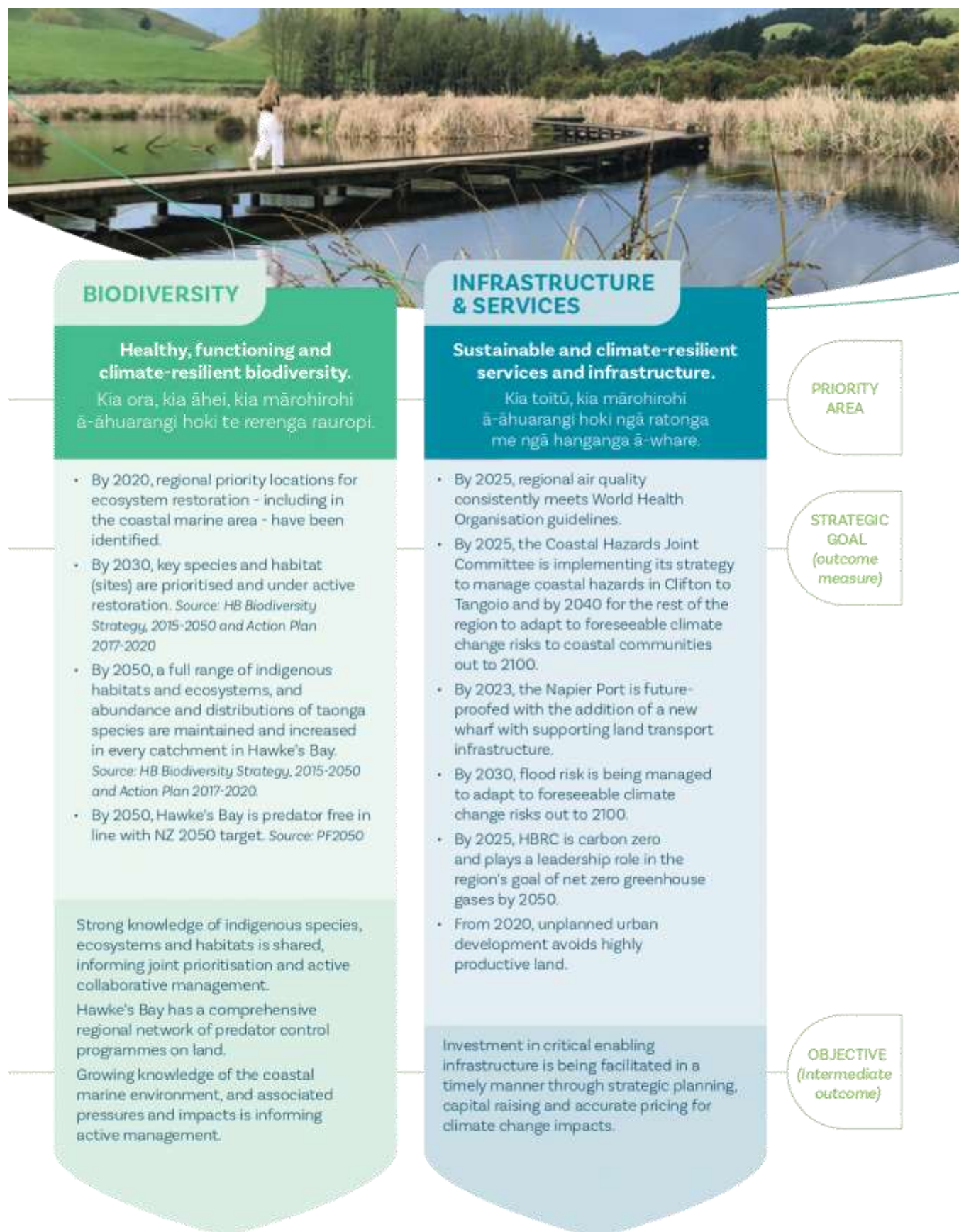
The region has resilient physical, community and business infrastructure to unlock potential growth and prosperity from our natural resource base.  
*Source: Matariki HB Regional Economic Development Strategy and Action Plan 2016*

PRIORITY  
AREAWHY  
IT'S A  
PRIORITYCLIMATE  
CHANGE  
IMPACTSSTRATEGIC  
OUTCOME



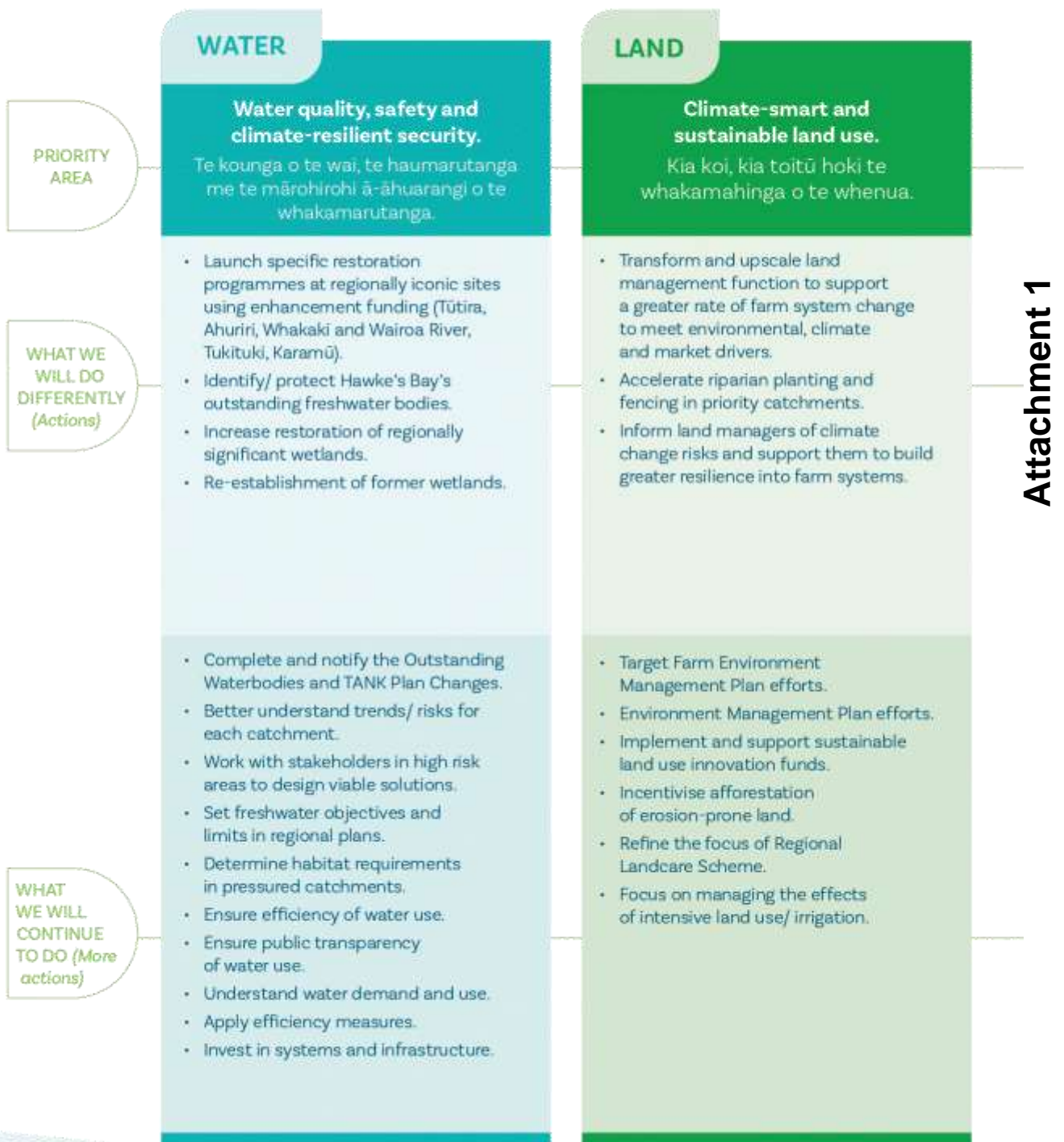
## Our Strategic Outcomes, Goals and Actions – continued







## Our Strategic Outcomes, Goals and Actions – continued



*"On 26 June 2019 Hawke's Bay Regional Council declared a climate emergency."*

## BIODIVERSITY

### Healthy, functioning and climate-resilient biodiversity.

Kia ora, kia āhei, kia mārohirohi ā-āhuarangi hoki te rerenga rauropi.

- Protect high priority ecosystems through partnerships to protect and restore these and identify synergies with land and water management initiatives.
- Expand 'Cape to City' in a network of predator control initiatives across Hawke's Bay.
- Partner with funders and communities to scale up effort using new technologies and techniques.
- Promote the co-ordination of marine pest management between regions.
- Actively identify and control pests that pose a direct threat.
- Develop a Coastal Marine Monitoring and Management Plan, supported by the stakeholder led Coastal Marine research strategy.
- Restore and enhance the region's estuaries.
- Investigate the establishment of a Marine Institute.
- Marine and coastal state of environment monitoring.
- Continue to minimise pest impacts.

## INFRASTRUCTURE & SERVICES

### Sustainable and climate-resilient services and infrastructure.

Kia toitū, kia mārohirohi ā-āhuarangi hoki ngā ratonga me ngā hanganga ā-whare.

- Develop a capital investment strategy for regional infrastructure.
- Promote low-impact transport and energy reductions solutions.
- Strategically plan for future coastal erosion and sea-level rise with Napier City, Hastings District Councils and in partnership with Tāngata Whenua.
- Increase flood protection levels to provide practical and affordable protection to our communities.
- Emissions are baselined and climate change inventories demonstrate improvement toward the goal of net zero greenhouse gases.
- Work with others to implement the Matariki Hawke's Bay Regional Economic Development Strategy and Action Plan.
- Manage flood scheme assets affordably.
- Continue to use scheme assets for environmental and amenity enhancement.
- Continue to build community resilience through civil defence, well designed plans, sound investment and infrastructure provision.
- Review CDEM Group Plan.
- Review 30-year Infrastructure Strategy and Asset Management Plans.
- Identify and manage risks arising from climate change.
- Plan for and prioritise roading investment.
- Connect urban communities via public transport and cycle networks.
- Provide regional leadership and enhance relationships and partnerships.

PRIORITY AREA

WHAT WE WILL DO DIFFERENTLY (Actions)

WHAT WE WILL CONTINUE TO DO (More actions)



Te whakapakari  
tahi i tō tātau  
**taiao.**

Enhancing our  
**environment**  
together.

[hbrc.govt.nz](https://hbrc.govt.nz)

Item 8

Attachment 1



**DRAFT**  
**Statement of Intent**  
**For the Year Ending 30 June 2021**

Item 16

Attachment 1



## Directory

**Postal Address:**

Private Bag 6006, Napier 4142

**Registered Address:**

159 Dalton Street, Napier South, Napier 4110

**Board:**

Mr Dan Druzianic (Chair)

Cr Rick Barker

Cr Neil Kirton

Cr Craig Foss

**Contact:**

Email – [comms@hbric.nz](mailto:comms@hbric.nz)

**Item 16****Attachment 1**

### Table of Contents

1. Introduction .....	1
2. Mission Statement .....	1
3. Objectives .....	1
4. Nature and Scope of Activities to be Undertaken .....	2
5. Corporate Governance.....	3
6. Ratio of Shareholders' Funds to Total Assets .....	5
7. Performance Targets and Measures .....	5
8. HBRIC Ltd to be Periodically Valued .....	9
9. Reporting and Information to be Provided by HBRIC Ltd.....	9
10. Acquisition/Divestment Policy .....	9
11. Activities for Which Compensation is Sought From Any Local Authority .....	10
12. Commercial Value of Shareholder's Investment .....	10
13. Accounting Policies .....	10



## 1. Introduction

This Statement of Intent (SoI) is prepared in accordance with Section 64(1) of the Local Government Act 2002.

The SoI specifies for Hawke's Bay Regional Investment Company Limited (HBRIC Ltd) and its subsidiaries the objectives, the nature and scope of the activities to be undertaken, and the performance targets and other measures by which the performance of the group may be judged in relation to its objectives, amongst other requirements.

The process of negotiation and determination of an acceptable SoI is a public and legally-required expression of the accountability relationship between the company and its shareholder, the Hawke's Bay Regional Council (Council).

The SoI is reviewed annually with Council and covers a three year period.

HBRIC Ltd is a council-controlled trading organisation (CCTO) for the purposes of the Local Government Act 2002.

## 2. Mission Statement

HBRIC Ltd's mission is:

*To optimise the financial and strategic returns to Council from its allocated investment portfolio to assist Council achieve its vision of "a healthy environment, a vibrant community and a prosperous economy".*

## 3. Objectives

The objectives of HBRIC Ltd are to:

- Actively manage its allocated investment portfolio and any new investments it makes, including its shareholding in Napier Port Holdings Limited (Napier Port), to ensure:
  - growth of shareholder value
  - increased financial and strategic returns
  - investments are secure and sustainable over the long term.

#### 4. Nature and Scope of Activities to be Undertaken

HBRIC Ltd will:

- Own and manage the investment assets and liabilities transferred to it by Council from time to time.
- Encourage and facilitate subsidiary and associated companies to increase shareholder value and regional prosperity through growth, investment and dividend payments.
- Ensure that best practice governance procedures are applied to the key regional infrastructure and financial investments that are under HBRIC Ltd's ownership.
- Monitor the performance of each subsidiary and associated company against their stated economic, environmental and social performance objectives and against relevant benchmarks, ensure that they have proper governance procedures in place, and promote sustainable business practices.
- Advise Council on strategic issues relating to its investments including, but not limited to, ownership structures, capital structures and rates of return.
- Perform financial, custodial and other functions required by Council which may include:
  - Enabling diversification of the Region's income streams for the benefit of ratepayers.
  - Enhancing Council's capability to manage an active investment policy.
- Comply with the LGA provisions requiring a special consultative process, and with Council policies, in regard to any disposal or part-disposal of shares in any Strategic Asset, for example by way of part sales of shares in Napier Port
- Advise Council of any material capital expenditure projects by HBRIC Ltd or via its subsidiaries.
- Only invest in, or dispose of, investments, and use all income derived from these activities for Regional Council purposes and functions consistent with Council's Investment Policy.

#### Napier Port Holdings Limited (Napier Port)

Napier Port is the leading international port in central New Zealand. Its East Coast location close to New Zealand's main international shipping lane together with excellent road, rail and coastal transport links enables the most efficient pathway to market for an increasing range of exports in an expanded central New Zealand catchment.

HBRIC owns 55% of the shares in Napier Port following a successful public listing (IPO). Council's strategic objective is for HBRIC Ltd to continue to beneficially hold control of Napier Port as a key means of assisting economic development of the region. The investment is expected (via dividends from HBRIC) to be an ongoing source of non-rate revenue for Council and has long-term prospects of growth and development.

HBRIC Ltd and Council will be bound by the provisions of the Port Companies Act 1988 in respect of the shareholding in Napier Port.

### **Future Investment Funds**

Following the Napier Port IPO, all tax free distributable proceeds were passed through to Council. Currently approximately \$60m of funds remain with HBRIC, invested in managed funds with Merecr and Jarden. The investment profile for these funds is set by Council, to match funds invested by Council in its own managed funds.

Income from the managed funds will be distributed to Council or retained by HBRIC, by agreement with Council, subject to the seed capital in the funds remaining in tact and HBRIC's ability to pay.

## **5. Corporate Governance**

This section gives readers an overview of the company's main corporate governance policies, practices and processes adopted or followed by the HBRIC Ltd Board.

### **Role of the Board of Directors**

The Board of Directors is responsible to Council for the direction and control of HBRIC Ltd's activities. The Board is to guide and monitor the business and affairs of HBRIC Ltd in accordance with its mission and objectives as set out in this Statement of Intent.

Management has been delegated responsibility for the day to day management of the company. HBRIC Ltd may make use of external advisers from time to time.

All directors are required to comply with a formal Code of Conduct, which is based on the New Zealand Institute of Directors' Principles of Best Practice.

Following a biennial Board and Director evaluation of skills and competencies required for the Board of HBRIC Ltd, the Chairman will report to Council on the results of each evaluation. With a largely new board this year, an evaluation is scheduled for 2021.

### **Responsibility to Shareholder**

#### *Statement of Intent*

In accordance with the Local Government Act 2002, each year by 1 March HBRIC Ltd will submit a draft Statement of Intent for the ensuing year to Council for its consideration. The SoI sets out HBRIC Ltd's overall objectives, intentions and financial and performance targets. Having considered any comments on the SoI by Council, the final operative Statement of Intent is then delivered to Council (as shareholder) for its approval on or before 30 June each year.



### **Board Composition and Fees**

Appointments to the HBRIC Ltd board are made directly by Council.

Fees for the HBRIC Ltd Board will be set triennially in accordance with Council policy. HBRIC Ltd will effect an appropriate directors' and officers' liability insurance cover at the expense of HBRIC Ltd.

The Board meets regularly as required.

### **Expense Reimbursement**

HBRIC Ltd will reimburse Council for the ongoing cost of management, accounting and administrative services incurred by Council in providing these services to HBRIC Ltd. HBRIC Ltd will also reimburse Council for specialist advisory, technical and management services it provides to HBRIC Ltd for particular investments. Other services will be contracted between Council and HBRIC Ltd for other investment management and operation as required.

### **Subsidiary Companies**

All subsidiary companies (not including Napier Port Holdings) are required to submit an annual Statement of Intent to HBRIC Ltd, which will evaluate them and suggest changes as considered necessary, before finalisation by the company concerned. In the event of a new subsidiary company being established the first statement of Intent of the subsidiary company will be referred to the Council for comment. Subsequently, if any material changes are proposed by subsidiaries, HBRIC Ltd will consult with Council on such changes.

Representatives of the subsidiary board and management will meet with HBRIC Ltd at least twice each year, to discuss the company's strategic direction and any significant issues that arise. The Board also receives such other reports as are necessary to perform its monitoring function. However, HBRIC Ltd does not involve itself in the operational management of the subsidiary companies.

#### *Board appointments*

All directors of subsidiary companies (and associate companies, if any) are selected through an open, professionally managed process, for their appropriate relevant expertise and aptitude in accordance with Council's Appointments Policy, and approved by Council. A different process applies for Napier Port in accordance with NZX guidelines.

#### *Financial results*

Directors receive and review HBRIC parent company financial and other reports regularly, and provide formal group and parent company financial statements to the shareholder twice annually – for the half year to 31 December and for the year ended 30 June.

### **Joint Ventures**

Joint ventures not established as company entities will adhere to the reporting requirements specified for subsidiary companies above.

## 6. Ratio of Shareholders' Funds to Total Assets<sup>1</sup>

The forecast ratio of shareholders' funds to total assets, and capital structure for the next three years is:

Table 1

Parent Company	Opening 19/20	20/21	21/22	22/23
Shareholder's funds/total assets	>90%	>90%	>90%	>90%
Net debt (\$000)	Nil	Nil	Nil	Nil
Shareholders' funds (\$000)*	347,000	347,000	347,000	347,000

## 7. Performance Targets and Measures

### Financial

The key performance targets of HBRIC Ltd are to achieve or better the financial results set out in the tables below.

Table 2

HBRIC Ltd Parent			
PERFORMANCE TARGETS			
Performance Indicator	2020-21 Target	2021-22 Target	2022-23 Target
Net debt to net debt plus Equity	<10%	<10%	<10%
Interest cover (EBIT/Interest Paid)	>3x	>3x	>3x
EBITDA/Total Assets	>3%	>3%	>3%
Return on Shareholders' Funds	>3%	>3%	>3%
Ordinary Dividends	\$6-9m	\$6-9m	\$6-9m
Notes: EBIT = Earnings Before Interest and Tax EBITDA = Earnings Before Interest, Tax, Depreciation and Amortisation TBA – to be advised			

<sup>1</sup> Shareholders' funds are defined as the sum of paid up capital, capital reserves and revenue reserves of the parent company. Total assets are defined as the total book value of all assets of the parent company as disclosed in the statement of financial position.

Table 3

<b>Consolidated</b>			
<b>PERFORMANCE TARGETS</b>			
<b>Performance Indicator</b>	<b>2019-20 Target</b>	<b>2020-21 Target</b>	<b>2021-22 Target</b>
Net debt to net debt plus Equity	<40%	<40%	<40%
Interest cover (EBIT/Interest Paid)	>3x	>3x	>3x
EBITDA/Total Assets	9%	9%	9%
Return on Shareholders' Funds	5%	5%	5%
Notes: EBIT = Earnings Before Interest and Tax EBITDA = Earnings Before Interest, Tax, Depreciation and Amortisation			

#### *Distributions to Shareholder*

HBRIC Ltd will pay dividends to the shareholder after taking into account its profitability, future investment and cash management requirements. The dividends payable to the shareholder will be determined by the Board after consideration of the company's funding requirements and the requirement to meet the solvency test under the provisions of the Companies Act 1993. Dividends are forecast to be paid in two instalments in December and June of each financial year.

In addition, HBRIC Ltd may make distributions of capital reserves and/or repurchase its shares from Council, as agreed between Council and HBRIC Ltd from time to time.

#### **Other Performance Measures**

In addition to the financial performance measures, the HBRIC Ltd Board will use the following measures to assess its performance over the 2020-21 financial year.

#### **Governance**

<b>Objective</b>	<b>Performance target</b>
1. HBRIC Ltd maintains a strategic direction that is consistent with that of 100% shareholder Hawke's Bay Regional Council (Council).	<p>HBRIC Ltd develops and maintains appropriate communication lines with Council to ensure HBRIC Ltd remains aware of Council's strategic priorities.</p> <p>By 1 March each year (unless otherwise agreed), HBRIC Ltd will submit a draft SoI for the forthcoming year for review and approval by Council.</p>



Objective	Performance target
2. HBRIC Ltd keeps Council informed of all significant matters relating to HBRIC Ltd and its subsidiaries, within the constraints of commercial sensitivity.	<p>HBRIC Ltd submits quarterly written reports to Council in the financial year and presents seminars to Councillors when appropriate (minimum twice per annum).</p> <p>Major matters of urgency are reported to Council at the earliest opportunity.</p>
3. Corporate governance procedures are appropriate, documented and reflect best practice.	The company's policies will be developed and reviewed in accordance with a schedule approved by the Board, and the company will work with and assist Council to ensure that there is alignment between Council and company policies.
4. Directors make an effective contribution to the HBRIC Ltd board, and their conduct is in accordance with generally accepted standards.	<p>The Board will conduct a formal biennial performance evaluation for each HBRIC Ltd director.</p> <p>The Board will review the training needs of individual HBRIC Ltd directors, and ensure training is provided where required.</p>
5. HBRIC Ltd's process for the selection and appointment of directors to the boards of subsidiary and monitored companies is rigorous and impartial.	The process followed for each appointment to a subsidiary or monitored company board is transparent, fully documented and in line with Council's approved policies and procedures.
6. Subsidiary companies complete, on a timely basis, Statements of Intent that meet best practice standards.	<p>HBRIC Ltd will engage with applicable subsidiary companies prior to the SoI round in each year regarding the structure and content of their SoIs.</p> <p>In each year, subsidiary companies submit draft Statements of Intent to HBRIC Ltd in sufficient time for HBRIC Ltd to submit a Final SOI by 30 June</p> <p>HBRIC Ltd will review Statements of Intent and respond to the subsidiaries and make recommendations to Council, including on any material changes that are proposed, within six weeks of receipt.</p>

Objective	Performance target
<p>7. Subsidiary companies that are CCTOs comply with the Local Government Act's requirements that their principal objectives be:</p> <ul style="list-style-type: none"> <li>• achieving the objectives of its shareholders as set out in the SoI;</li> <li>• being a good employer;</li> <li>• exhibiting a sense of social and environmental responsibility; and</li> <li>• conducting their affairs in accordance with sound business practice.</li> </ul>	HBRIC Ltd will review the companies' performance in the context of these statutorily required objectives.

#### Group strategic, financial and sustainability objectives

Objective	Performance target
1. Subsidiary companies adopt strategies that are compatible with the strategic direction of HBRIC Ltd and Council.	HBRIC Ltd will engage with subsidiary companies prior to the 2020/21 SoI round regarding key shareholder strategies and, subsequently, review their SoI's for compatibility with those strategies. There are currently no applicable subsidiaries.
2. Subsidiary companies adopt strategies that contribute to regional growth.	HBRIC Ltd will encourage subsidiary companies to seek opportunities that are both commercially sound and are capable of enhancing regional growth, and actively engage them with regard to specific opportunities that may arise.

#### Parent company financial objectives

Objective	Performance target
1. HBRIC Ltd financial and distribution performance meets the shareholder's expectations.	HBRIC Ltd pays a dividend for the 2020 financial year that meets or exceeds the forecast dividend, and achieves the other budgeted key performance measures set out in section 7.
2. HBRIC Ltd's investments provide an appropriate return in relation to their business risk, and against external benchmarks.	HBRIC Ltd will periodically review the performance of subsidiary companies and other investments against external benchmarks, and assess the value of the investment in the individual company in relation to its inherent business risk and community benefits.

## 8. HBRIC Ltd to be Periodically Valued

Council and HBRIC Ltd undertook an independent assessment of the market value of the HBRIC Ltd group as at 30 June 2019, valuations will be done thereafter on 30 June at three yearly intervals.

HBRIC Ltd will monitor its own market value at 30 June in each financial year by undertaking an internal assessment of its ongoing capital value (including valuation of subsidiaries and associates). This will be used to assist management of capital, debt and revenue and expenditure streams to achieve the returns set out in Section 7 of this Statement of Intent.

## 9. Reporting and Information to be Provided by HBRIC Ltd

### *Statutory information requirements*

The company will provide an annual Statement of Intent in accordance with Section 64(1) of the Local Government Act 2002. The directors will include any other information they consider appropriate. Where appropriate, revised forecasts will be submitted to the shareholder.

HBRIC Ltd will submit an annual report to the shareholder. The annual report will include audited financial statements and such other details as are necessary to permit an informed assessment of the company's performance and financial position during the reporting period, and to comply with the requirements of the Companies Act and Financial Reporting Act.

The company will also prepare unaudited interim group and parent company financial statements to 31 December, and a review of the period, that comply with NZ IAS 34 "Interim Financial Reporting" by 28 February in each financial year.

### *Other information to meet the needs of Council*

The company will provide regular reports to Council on its activities and the results of its subsidiary companies. It will operate on a "no surprises" basis in respect of significant shareholder-related matters, to the fullest extent possible in the context of commercial sensitivity and confidentiality agreements.

## 10. Acquisition/Divestment Policy

HBRIC Ltd will comply with Council's Investment Policy as set out in the Long Term Plan 2018-28 for acquisitions and divestments.

HBRIC Ltd will periodically review its investments to ensure that continued ownership represents the best option for HBRIC Ltd and Council, and will consult with Council prior to any divestment or major restructuring of a subsidiary company.



**11. Activities for Which Compensation is Sought From Any Local Authority**

Currently there are no activities for which compensation will be sought from any local authority.

**12. Commercial Value of Shareholder's Investment**

The Council's investment in HBRIC Ltd as at 30 June 2019 was independently valued at \$340 million.

**13. Accounting Policies**

HBRIC Ltd will adopt accounting policies that are consistent with New Zealand International Financial Reporting Standards, generally accepted accounting practice and the policies adopted by the Hawke's Bay Regional Council group.



Hawke's Bay Regional Council

# Draft amendments Procurement Policy

Updated in May-JULY 2019-2020

## Document Control

### Purpose of this document

The Procurement Policy is a formal statement of principles that outline how the Hawke's Bay Regional Council (HBRC) will manage the procurement life cycle.

Item 18

Attachment 1



The Procurement Policy is supported by the Procurement Manual which details how to apply the policy principles. The revised procurement policy and procurement manual are consistent with national procurement principles and guidelines and are compliant with relevant legislation. The Policy details what HBRC is required to do to meet national guidelines and the Manual details of how to apply the policy principles to deliver benefits of best practice procurement.

#### Intended Audience

This document is intended for internal HBRC staff who administer and manage procurement. Communications information will be developed and made publicly available for external audiences, anticipating a launch following policy approval, in July 2020~~19~~. Following the relaunch, this policy may be refined in the light of experience over time with any changes to be approved by Council before implementation. The next scheduled review is 2022.

#### Document Information

Name	Position
Document Owner	Jessica Ellerm – Group Manager
Issue Date	14.5.19
File Name	Procurement Policy – Revised May 2019

#### Document History

Version	Issue Date	Changes
VO1	13.5.19	Add environmental principle
<a href="#">V02</a>	<a href="#">16.6.20</a>	<a href="#">Add amendments from 20th May 2020 meeting with Council</a>

#### Document Review

Name	Role	Review Status
Mark Heaney	Manager, Client Services	Draft Complete

#### Document Sign-off

Name	Role	Sign-off date
Jessica Ellerm	Group Manager – Corporate Services	<del>15.5.19</del>



## 1. Introduction

The HBRC procurement policy was last reviewed in 2019<sup>5</sup>. In September 2018 OAG and MBIE made new recommendations for best practice in procurement. HBRC commissioned a review in 2018 by Crowe Horwath to evaluate our existing policy and make recommendations to align with current best practice guidelines. This policy and the accompanying procurement manual reflect HBRC progress to adopt those and other recommendations to achieve best practice.

### 1.1 Context and alignment

Procurement covers all the business processes associated with buying the goods, services and works we use to run our business, and deliver our organisational objectives. It starts with identifying our needs, then planning the best way to meet them, continues through sourcing the goods, services and works, then managing the contract, and ends with expiry and evaluation of the contract or the end of the assets life.

The purpose of this policy is to establish and document the principles and practices that should guide and inform Hawke's Bay Regional Council (HBRC) and its employees when making procurement decisions and undertaking processes for the purchasing of assets, goods, works and services.

This procurement policy gives a high level view of the rules and guidelines governing HBRC procurement. It is meant to be read in conjunction with HBRC's procurement manual and the approved list of financial delegations. Together, these documents will assist HBRC and its employees undertaking procurement activities in the following ways:

- **Procurement Policy** – provides the grounds and principles for making procurement decisions.
- **Procurement Manual** – provides direction on the processes to follow and tools to use when undertaking a procurement or purchase.
- **Financial Delegations** – list of those in the organisation with authority to make procurement decisions or approve expenditure and to what level. Please refer to:  
<https://herbi.hbrc.govt.nz/site/corpmgt/Lists/FinancialDelegations/AllItems.aspx>

## 2. Procurement governance, capability and oversight

Governance of the HBRC procurement policy is provided by the Corporate Services Group Manager, responsible for the oversight and high-level management. They will provide the strategic direction, resources and the decision making necessary to support and deliver the policy.

Monitoring will be reported through the Finance Audit and Risk Committee.

HBRC will assign appropriately experienced employees to manage its procurement activities. HBRC will provide training and supervision to employees to support good practice in procurement and purchasing activities. Where required for specific procurement activities, additional specialist expertise may also be employed by HBRC. Any specialist experts employed must also comply with the HBRC's procurement policy.

## 3. Policy Principles

The Office of the Auditor General (OAG) established a set of principles in September 2018 that provide guidance for the conduct of local government organisations and its employees while exercising procurement activities. HBRC recognises that these principles underpin best practice procurement. HBRC has adopted the principles as part of its procurement policy.

1. **Environmental considerations** – HBRC will as part of its product procurement and supplier selection consider minimising the impact on the environment, reflecting the organisation's role and responsibilities to the community it serves. *Climate Smart Recovery is at the forefront of HBRC's purchasing and aligns with the national procurement objective to introduce Broader Outcomes*

Purchasing across the public sector. The Government Procurement Rules require HBRC to “consider, and incorporate where appropriate, broader outcomes when purchasing goods, services or works”. The rules define broader outcomes “as the secondary benefits that are generated from the procurement activity. They can be environmental, social, economic or cultural benefits.”

2. **Transparency** – *Procurement processes, from developing a procurement strategy to signing a contract, should be well defined and documented.* Without compromising commercial confidentiality, HBRC will be transparent in its administration of its external expenditure and supplier agreements. This supports HBRC’s accountability to its ratepayers and community and ensures that the roles and obligations in agreements between HBRC and its suppliers are clear and well understood by all parties.
3. **Fairness and impartiality** – *All interested suppliers should be encouraged to participate in a tender, without advantage or disadvantage. Processes should be applied lawfully and consistently, without fear or favour. Unfair advantages, including those arising from incumbent arrangements, should be identified and addressed.* HBRC and its employees will act fairly and reasonably and will be visibly impartial in their decision-making.
4. **Honesty and integrity** – *Individuals and organisations should act appropriately and professionally. Public sector standards of conduct must be met.* HBRC will support, always encourage and expect its employees to conduct themselves with the utmost integrity. HBRC will act within the law, to meet its legal obligations when procuring assets, goods, works and services. When HBRC enters into any agreement with a supplier, it will communicate clearly the appropriate standard of integrity that is expected from the supplier. This standard will apply to both the supplier’s transactions with HBRC and as a representative of HBRC in the public domain.
5. **Managing conflicts of interest** – *Expectations about conflicts of interest and how they are managed should be clearly understood by all parties. Conflicting interests and roles, and the associated perceptions, should be identified, declared, and managed effectively.* Suppliers affiliated in any way to elected members or employees of HBRC can still be considered for funding. Impacted elected members or HBRC employees are required to note any possible conflict of interest (or perception of a conflict of interest) and will not be involved in any assessment or decision making related to either funding or supplier selection where a conflict may exist.
6. **Confidentiality and security** – *Confidences should be respected and information should be held securely and safeguarded from wrongful or inadvertent disclosure.* HBRC will endeavour to keep commercially sensitive information confidential while undergoing procurement activities. (See 5.4 for more detail)
7. **Accountability** – *There should be strong, but proportionate, project governance and reporting system in place.* HBRC is accountable for its performance and will keep complete and accurate accounts of its external expenditure, including the reasons and justification for committing to the expenditure. Suitable governance and management arrangements will be in place to oversee procurement decisions, processes and the performance of any subsequent supplier agreements.
8. **Value for money** – HBRC will use its resources effectively, economically and without waste. HBRC will be focussed on the outcomes it is trying to achieve and will apply its resources in such a way to best achieve those outcomes, having due regard for the ‘whole of life’ costs of the purchase.

#### 4. Practical Considerations

HBRC and its employees will refer to the following practical considerations when undertaking procurement activities:

1. Procurement decisions should reflect the HBRC's policies and objectives for the provision of services to its ratepayers and community.
2. Assets, goods, works and services to be purchased should be fit for purpose and meet HBRC's requirements.
3. HBRC should be flexible in its use of procurement processes and supplier agreements and those used should be appropriate to the type and scale of the procurement and specific requirements of HBRC.
4. Procurement strategies, planning and processes should aim to keep the process costs of procurement as low as possible for HBRC and its suppliers, without compromising the legality and thoroughness of the procurement.
5. As part of procurement planning, risks involved with the activities should be identified and measures put in place to manage the risks effectively.
6. HBRC's wider commitments and obligations must be considered, including purchasing locally, whole of life costs, environmental sustainability, health and safety and compliance with other HBRC agreements. Where practical and relevant, supplier agreements must align with and reflect HBRC's wider commitments and obligations.
7. Good practice should be followed, and HBRC employees should be aware of, and comply with current government and industry guidelines for purchasing (OAG, Ministry of Business, Innovation and Employment, NZ Construction Industry Council etc).
8. Procurement decisions should take into account section 17A of the Local Government Act 2002 which states that a local authority must review the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region for good-quality local infrastructure, local public services, and performance of regulatory functions. A review of these arrangements must be undertaken when there are any significant changes to relevant services levels, within two years of the expiry of any contract or binding agreement relating to infrastructure, service or regulatory functions or at any other time the local authority considers desirable, but not later than 6 years from the last review. For more information refer directly to the Local Government Act 2002

#### 5. Purchasing Ethics

##### 5.1 Communications

HBRC will communicate information openly and fairly to all participants in HBRC procurement processes. An appropriate representative of HBRC will be appointed to be responsible for managing communications for each contract. All participants in any procurement that are unsuccessful in becoming a supplier will be given the opportunity to be briefed on the reasons why they were not successful.

##### 5.2 Conflicts of interest

HBRC have procedures for managing conflicts of interests. HBRC will ensure its employees, suppliers and potential suppliers declare any conflict of interest and that appropriate action is taken when a conflict is identified.

*Please refer to Staff Policy 28 – amended 2018*

<https://herbi.hbrc.govt.nz/site/hr/pol/SP028%20Conflict%20of%20Interest.doc#search=conflict%20of%20interest%20policy>



### 5.3 Conflicted suppliers

In some cases, it may be practical or beneficial if both HBRC and an applicant, submitter or adversary can purchase a specialty service or product from a single supplier. HBRC may in these circumstances agree to both parties using the services or product, notwithstanding the existence of any real or perceived conflict of interest of the supplier - e.g. *An engineering consultant has undertaken a significant study with respect to an issue. Both HBRC and an applicant wish to make use of the study for the purposes of a consent hearing and engage the consultant for that purpose.*

### 5.4 Confidentiality

Please note that all information collected and held by HBRC is public information under section 2 of the Local Government Official Information and Meetings Act 1987 (LOGIMA), as such any and all information may be requested by a third party. Access to information held by Council is administered in accordance with LOGIMA and the Privacy Act 1993. These Acts means that Council is not able to give suppliers comprehensive assurances about the protection of sensitive information.

All employees and consultants that may have access to confidential information will be required by HBRC to sign and abide by a confidentiality undertaking. Any breaches of confidentiality HBRC becomes aware should be dealt with immediately and appropriately.

### 5.5 Gifts or Inducements

HBRC employees must not accept gifts or inducements from suppliers or potential suppliers that might be perceived as influencing any purchase decision made by the employee in favour of the supplier or potential supplier. HBRC employees must advise their Group Manager of any gift received from an external organisation as to the appropriate course of action to take. Gifts or inducements include entertainment, travel, tickets to events and the like.

*Please refer to Staff Policy 18 –[Offer of Gifts or Winning Prizes](#)*

### 5.6 Expert Advice

HBRC employees should ensure that professional advice from individuals or firms is procured on the basis of the expert nature of the advice. Individuals or firms should not be selected based on their willingness to advocate for HBRC's position on the matter in concern. This should include legal advice, where non-standard clauses could be introduced to contract terms and conditions.

### 5.7 Buying Local

HBRC is committed to purchasing from local suppliers based on the benefits this provides the local community and economy. HBRC employees will always consider the availability and capability of suppliers in the local market. However, HBRC will balance the benefits of buying locally with ensuring that HBRC and its ratepayers and the community will receive optimal value. The weighted criteria for local provision is variable between 5% and 15% with quality, experience, price, etc, making up the majority balance to 100%

A decision to purchase goods, works or services from a supplier where the locality of the supplier is the determining factor (rather than price and/or quality factors) should consider one or more of the following.

- The importance of the goods or service being available locally (due to factors such as time constraints or availability of key personnel to respond to requests for service from HBRC).
- The importance of local knowledge of the Hawke's Bay regional environment.
- The importance of supplier knowledge and understanding of HBRC's operational practices, processes and systems.

Where the locality of the supplier is the determining factor in a purchase, HBRC will document this and include the justification for approving the purchase on this basis.

In a Major Procurement that may include several interested suppliers (local and non-local) via a competitive process, the importance of local presence and/or knowledge should be clearly highlighted in HBRC's procurement documentation and submissions should be evaluated accordingly.

#### 5.8 'Whole of Life' Costs

When planning for and undertaking a procurement activity, HBRC employees should consider the potential whole of life cost of the purchase, otherwise known as the total cost of ownership.

The whole of life cost includes costs that are not the direct acquisition costs of assets, goods, works or services. The whole of life cost might include maintenance costs, management costs and disposal costs. NZTA states additional costs for consideration as quality, design integrity, innovation, health and safety practices and capital invested as well as training and development opportunities. There might be other costs to consider in the whole of life cost, such as environmental, economic and social impacts.

HBRC will make procurement decisions based on the assessment of whole of life costs involved in a purchase. Appropriate analysis, planning and evaluation prior to and during procurement is necessary for HBRC to make the best procurement decisions based on the whole of life costs. Whole of life costs assessments should be in proportion to the potential size, value and duration of the investment by HBRC.

#### 5.9 Sustainability and the living wage

Sustainability is about meeting the needs of today, without compromising the ability of future generations to meet their needs. HBRC gives preference to suppliers adopting the living wage as an alternate to minimum wage, and HBRC will use the living wage in the supplier selection process.

HBRC is committed to purchasing goods, works and services that are environmentally sustainable. HBRC will endeavour to select suppliers that will promote sustainability and will commit to HBRC's sustainability principles. Where it is appropriate to do so, HBRC will ensure that its procurement and purchases serve to minimise the consumption of resources and energy, reduce waste and prevent pollution.

#### 5.10 Health and Safety

Health and safety are an important considerations for HBRC and its suppliers must meet health and safety requirements as a part of any procurement. HBRC's health and safety expectations should be clearly communicated to suppliers and be appropriate for the type of goods, works or services being purchased and comply with the Health and Safety Reform Bill 2015. Suppliers of services are required to be SiteWise registered (or equivalent industry standard) and performing (as assessed by external audit) to appropriate Health and Safety standards and practice suited to the work environment.

HBRC will address health and safety through procurement by:

- Approving and inducting suppliers into HBRC's health and safety regime prior to engagements.
- Requiring suppliers to provide health and safety plans, where appropriate.
- Including the monitoring and auditing of health and safety practices as conditions of contracts and agreements.

#### 5.11 Intellectual Property

HBRC will consider its position on intellectual property that might be provided or created out of any supplier agreement. Once it has considered its position, HBRC will agree with the supplier and document how intellectual property will be treated. HBRC will:

- Make every effort to ensure it values and protects its own intellectual property.
- Seek appropriate licences to use supplier intellectual property.
- Respect the intellectual property of its suppliers.
- Treat suppliers fairly with the use and protection of supplier provided intellectual property.

Where procurement involves the purchase of intellectual property rights, such as computer software development, staff need to determine whether the intellectual property rights should belong to Council or to the supplier. Relevant factors may include the effect on the price of the contract and the ongoing ability of the parties to develop innovations. Staff must:

- Identify all intellectual property likely to be developed or created in a project
- Determine who should own any intellectual property.

The State Services Commission has developed guidelines around the approach to take with intellectual property in ICT contracts. Although intended for Central Government contracts staff should consult the following document when addressing Intellectual Property issues: Guidelines for Treatment of Intellectual Property Rights in ICT Contracts, State Services Commission, 2008.

#### 5.12 Sensitive Expenditure

Sensitive expenditure is expenditure that might appear to convey a private benefit to an individual employee or elected representative over and above the benefit to HBRC. Expenditure on travel, accommodation, hospitality and vehicles are examples of sensitive expenditure.

HBRC must maintain a list of reasonable costs for the reimbursement of individual employees and elected representatives covering categories of sensitive expenditure and reimburse expenditure with reference to that list.

When making purchases that could be deemed as sensitive expenditure, employees should consider whether the expenditure:

- Has a justifiable business purpose.
- Is moderate in terms of level of expenditure.
- Is accompanied by sufficient proof of purchase.
- Is appropriate in all other ways.

Please refer to Staff Policy 024 [Controlling Sensitive Expenditure](#) amended February 2019

#### 5.13 All of Government (AoG) supply contracts

The Ministry of Business, Innovation and Employment is responsible for a programme of procurement of single supply agreements between the Crown and approved suppliers for the supply of selected common goods and services called All of Government (AoG) supply contracts. Local Government organisations are eligible to purchase goods or services under these AoG supply contracts.

HBRC has already committed to AoG supply contracts for some categories of expenditure and recognises the benefits that can be realised under AoG supply contracts. HBRC is committed to saving on transaction costs and will continue to review its requirements against the availability of goods or services under AoG contracts or similar bulk purchasing schemes.

HBRC employees must comply with the AoG supply requirements when purchasing goods or services in the categories where HBRC has committed to an AoG supply contract.

#### 5.14 Reimbursements

HBRC may sometimes be required to cover costs of works or services that are procured by another party. In these circumstances, HBRC must approve and agree with the other party the scope of the works or services and the maximum cost HBRC will be incurring prior to any works or services commencing. The costs should be fair and reasonable giving regard to the nature and extent of work undertaken and the applicable market rates.



### 5.15 Loan/Subsidy Schemes

HBRC may take part in schemes where HBRC provides loans or subsidies to qualifying parties for purchasing goods or services. Where HBRC selects and provides a list of approved suppliers under those schemes, those suppliers will be included on the list based on pre-condition qualification criteria set by HBRC. The approved suppliers will be subject to audit to ensure that the standard of goods supplied, or work being undertaken consistently meets those criteria.

## 6. Procurement Processes

### 6.1 Competitive Procurement Processes

A significant portion of HBRC's external expenditure will be with suppliers who have been selected via a competitive process. A competitive process will be the default for selecting a supplier, unless there is good justification for deviating from a competitive process for a particular purchase. HBRC will maintain a framework of competitive procurement processes through its procurement manual. This framework will provide guidance to employees on:

- The appropriate methods to employ when undertaking a competitive procurement process
- The criteria for deciding which method to use given the specific purchase requirements.

### 6.2 Deviations from Competitive Processes

HBRC recognises that some of its requirements will be best met through a direct approach to existing suppliers or Niche Suppliers (a supplier of goods, works or services not readily available from a number of competitive suppliers in the market). Sometimes there will be a clear benefit to HBRC from procuring assets, goods, works or services in this way.

Where justification for a deviation from a competitive procurement process is documented and approved at the appropriate level within HBRC, it will be open for HBRC to directly negotiate with a supplier and not be bound by its competitive procurement processes and corresponding financial thresholds.

The procurement manual will provide guidance to HBRC employees on the appropriate considerations and methods to use when deviating from competitive processes.

### 6.3 Panels or List of Preferred Suppliers

For some types of purchases, HBRC will engage suppliers on a panel, or maintain a list of approved suppliers. HBRC favours this approach to help reduce the cost of procurement, particularly where:

- Suppliers provide goods or services of relatively small value on an 'as required' basis
- Suppliers are Niche Suppliers and HBRC is not easily able to procure the specific goods or services elsewhere.

HBRC will regularly review its [lists of approved suppliers](#) (at least every three years), and in particular the prices and quality of the suppliers on the list. One of the primary objectives of these reviews will be for HBRC to consider the need for a fresh procurement process, or price negotiation with suppliers. Supplier agreements with suppliers should contain terms and conditions that permit regular reviews.

## 7. Procurement Manual

### 7.1 Purpose of Procurement Manual

HBRC will maintain a procurement manual to document HBRCs procurement processes and support employees responsible for managing procurement activities. The procurement manual will provide employees with guidance on:

- Procurement strategy and planning
- Procurement processes
- Supplier evaluation and selection
- Procurement documentation and forms of contract
- Negotiation.

The procurement manual will be consistent with HBRC's procurement policy and list of financial delegations.

### 7.2 Contents of Procurement Manual

The procurement manual will contain information to enable documentation, processes and methods to be selected that are in proportion to the value and risk involved with a particular purchase. Where there are a variety of options available, the procurement manual should provide detailed selection criteria that allow the employee to select the most appropriate option for the particular type of procurement.

The procurement manual will cover:

- Purpose of the Manual
- Procurement life cycle
- Procurement Strategy
- Procurement Planning
- Tender Administration and Probity including
  - Selection process
  - Supplier Evaluation and Selection
- Contract Forms and Types
- Managing contracts including
  - Mobilisation
  - Evaluation.

## 8. Financial Delegations

HBRC will maintain a list of financial delegations that clearly identifies:

- HBRC individual officers delegated with financial authorisation to commit HBRC to external expenditure
- The level of expenditure authorisation delegated to those officers
- Any definitions of expenditure required for council officers to understand their financial delegation (for example: how expenditure for services provided on an as required basis under an ongoing service agreement with a supplier should be treated)

The list of financial delegations should not limit or impede an HBRC employee from undertaking their role and responsibilities, particularly with respect to authorising payments under a supplier agreement or managing an emergency.

Note that delegations are GST exclusive.

Financial Delegations – where provision is made in the LTP / Annual Plan (Operating & Capital)	
CE	Authority to implement the LTP / Annual Plan as approved by Council
Group Manager – Office of the Chair and Chief Executive	Up to \$200,000 for any one commitment
All Other Group Managers	Up to \$150,000 for any one commitment
Emergency Management – Group and Local Controllers	Up to \$100,000 for any one commitment
All Other Staff	Delegations provided by their Group Manager up to a level of \$100,000 for any one commitment

Operating Expenditure – where no provision is made in the LTP / Annual Plan
Any material operating expenditure that is outside the provisions of the LTP / Annual Plan should be raised with Council as soon as practical to obtain their agreement to proceed with the expenditure and to confirm how this will be funded. If it is agreed to fund through reductions in other budgets this will be reported on to Council through the quarterly operations report. Other options may include loan borrowing or letting the cost hit the bottom line. The Regional Council contingency budget will only be used once confirmed by the Council. This will usually occur in the 9-month reforecast exercise each year

Capital Expenditure	
CE	Up to \$50,000 for any one commitment if funded via the asset replacement reserve.
Group Managers	Up to \$20,000 for any one commitment if funded via the asset replacement reserve.
Council	Any capital expenditure outside of these delegations must go to Council for approval.

*The above delegations were adopted by Council resolution 27 March 2019 - Please refer to [financial delegations](#)*

## 9. Emergency Procurement

An emergency is as defined under the Civil Defence Emergency Management Act 2002, as amended or superseded by other legislation. In an emergency, departures from normal procurement and payment process will be acceptable if it is necessary for HBRC and the Hawke's Bay CDEM Group to respond the emergency effectively.

In an emergency, the following financial delegations will apply:

All CDEM related expenditure during an emergency is incurred by the territorial authority in which the expenditure occurs. Certain expenditure can then be claimed from central government, such as welfare related expenditure. During an emergency, controllers who are council employees may use the delegations that they hold for their local authority. However, there may be occasions where controllers are not council employees or have been deployed from other local authorities. Financial delegations are therefore required to cover this situation and provide for an effective response to an emergency. The following financial delegations shall apply for persons appointed to the position of group or local controller, where appropriate local authority delegations have not been approved previously for the area concerned.



**Local Controllers:** Empowered to enter commitments up to \$100,000 for any one commitment within the area they are local controller.

**Group Controllers:** Empowered to enter commitments up to \$100,000 for any one commitment.

The Group Controller has the authority to delegate this expenditure to any emergency response individual as is required to effectively respond to the emergency.

Where emergency expenditure is required above the emergency limit for single item or service, approval for emergency expenditure must be provided by either the Chair of the Joint Committee or the Chief Executive of the Hawke's Bay Regional Council or their respective Hawke's Bay CDEM Group delegates.

Where practicable to do so prior to expenditure being incurred, the Group Controller will seek assurance from the Ministry of Civil Defence and Emergency Management that expenditure by HBRC in an emergency will be eligible for reimbursement by Central Government.

For oil spill response the Maritime Transport Act 1994 should be followed, and the On-Scene commander will have the authority to have delegated authority up to the level stated in our oil spill procedures.

**Urgent Procurement** may include when life, property, or equipment is immediately at risk; or standards of public health, welfare, or safety need to be re-established without delay, such as disaster relief.

## 10. Record Keeping

HBRC should be able to demonstrate that it has conducted procurement fairly and appropriately. It is essential that records are kept of procurement activities by HBRC describing the background and reasons for procurement decisions. Records should be maintained for each procurement that document:

- That HBRC's procurement processes have been followed.
- That enough budget has been allocated for the purchase.
- That approval has been given for the purchase from the relevant holder of delegated financial authority.
- Any conflicts of interest have been identified and managed.
- Any risks have been identified and managed.
- The supplier agreement(s) that have been entered.

HBRC will maintain adequate systems and processes for managing its procurement documentation and supplier agreements. All employees responsible for purchasing activities and contract management should be trained in the correct processes for managing documentation.

Every new contract should be recorded under the Procurement Hub in HerBi which will allocate a specific contract number and will enable the collation of all information under each contract.

Please refer to HerBi / for [archived contract information](#).

## 11. Application of Policy

### 11.1 General Application

This procurement policy applies to HBRC and all its employees, consultants and advisors undertaking procurement activities on behalf of HBRC.

### 11.2 Council Controlled Organisations

This procurement policy does not apply to any council-controlled organisations in which HBRC has any interest.

### 11.3 Council Business Units

This procurement policy applies to HBRC business units with respect to the business units procuring assets, goods, works and services from suppliers.

Where an HBRC business unit is a supplier or potential supplier to HBRC:

HBRC will not invite any HBRC business unit to tender or submit for any work in any competitive process where it will be in direct competition with the open market.

Where HBRC has work which is able to be undertaken by a business unit and the Council wants the business unit to potentially undertake the work, it may either:

- Approach the business unit directly and solely to price the work as an alternative to engaging the market in a competitive process; or
- Having already undertaken a competitive process with the market and not being satisfied with the value it will receive, request the business unit to price and undertake the work.

## 12. Review

This procurement policy and the procurement manual will be reviewed in 2022. Changes may be made to the procurement policy and/or the procurement manual in the interim if there are significant developments in procurement best practice.

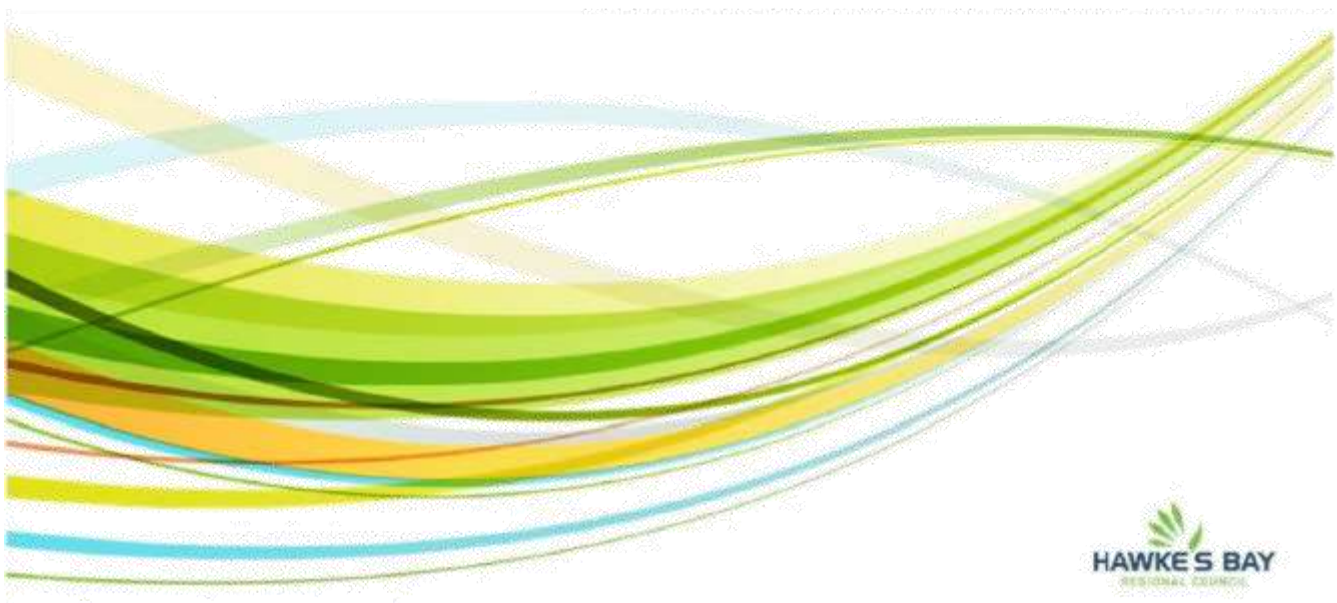
Hawke's Bay Regional Council

# **Draft** revisions to Procurement Manual

July 2020

Item 18

Attachment 2





**Document Control****Purpose of this document:**

The Procurement Manual supports the Procurement Policy and details how to apply the policy principles.

The revised procurement policy and procurement manual are consistent with national procurement principles and guidelines and are compliant with relevant legislation. The Policy details what HBRC is required to do to meet national guidelines and the Manual details of how to apply the policy principles to deliver benefits of best practice procurement.

**Intended Audience:**

This document is intended for internal HBRC staff who administer and manage procurement. Communications information will be developed and made publicly available for external audiences, anticipating a re-launch following policy revisions, in July 2020.

Following the relaunch, this policy may be refined in the light of experience over time with any changes to be approved by the Finance Audit and Risk Sub-committee before implementation. The next scheduled review is 2022.

**Document Information**

	Position
Document Owner	Jessica Ellerm – Group Manager
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**Document History**

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**Document Review**

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**Document Sign-off**

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## Contents

### Document Control

#### 1 Purpose of the Manual

#### 2 The procurement life cycle - plan, source, manage

#### 4 Procurement Strategy

#### 6 Contract Forms and Types

#### 8 Evaluation Methodologies and Procedures

#### 9 Tender Administration and Probity

#### 10 Supplier Evaluation and Selection

#### 11 Mobilisation

**Item 18****Attachment 2**

## 1 Purpose of the Manual

The purpose of this manual is to provide guidance for HBRC employees responsible for managing procurement activities.

The processes to follow, and the tools to use when undertaking procurement of goods, works or services to comply with Hawke's Bay Regional Council's procurement principles, policy and national guidelines.

The manual details how to apply policy principles that deliver the benefits of best procurement practice.

The manual provides guidance on the overall procurement process including:

- Purpose of the Manual
- Procurement life cycle
- Procurement Strategy
- Procurement Planning
- Tender Administration and Probity
- Selection process
- Supplier Evaluation and Selection
- Contract Forms and Types
- Managing contracts
- Mobilisation
- Evaluation.

The procurement manual aligns with HBRC's procurement policy and financial delegations.

Every procurement activity is different and the considerations for sustainable procurement will vary depending on the goods, service or works HBRC is buying, the size, scale and, risks involved in the procurement, and the outcomes we want to achieve.

To do this well, HBRC needs people with the right skills to advise, manage, and make decisions about what to buy, how to buy it, and how to make sure they are getting what they have paid for. Resource is available to support those with procurement responsibilities to adopt a consistent approach to procurement across the organisation. This will be delivered using a hub and spoke model.





## 2 The procurement life cycle - plan, source, manage

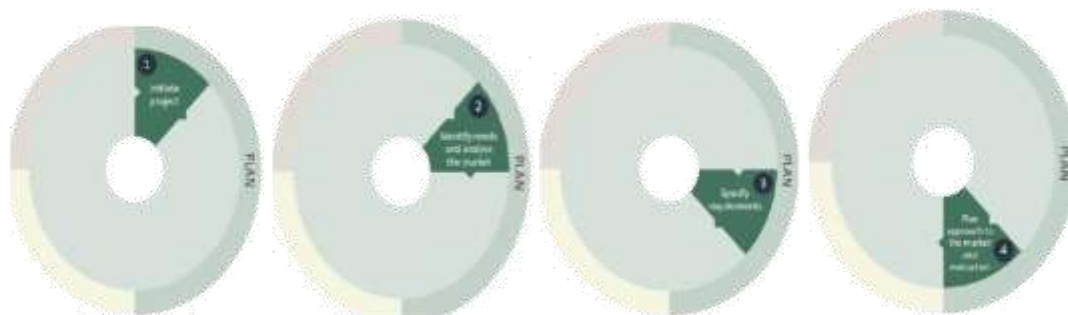


Effective procurement can save money and ensure that more projects are delivered on time and budget, with reduced exposure to commercial risk, and less cost in doing business. It can lead to productivity gains and support innovation by suppliers. For a procurement to be successful, it is important for HBRC to consider each of the eight stages in the procurement life cycle.

Procurement guidance, such as *Government Rules of Sourcing* and the Office of the Auditor General (OAG) 2008 good practice guide, *Procurement guidance for public entities*, has been available to the public sector for the last 10 years. These documents are available at [procurement.govt.nz](http://procurement.govt.nz).

There are three stages of the procurement life cycle that HBRC can improve: the strategic analysis, which should be done at the start of the procurement life cycle; contract management; and checking that intended benefits are realised.

Procurement begins with HBRC determining what goods and services it needs to achieve its goals. Procurement includes planning for the purchase, the purchase process itself, and any monitoring to ensure that the contract has been carried out and has achieved what it was meant to.



### 3 Initiation, needs identification and specification

The early stages of planning for a procurement are critical to success. The first stage of a procurement life cycle is initiating the project. In this stage, it is important that HBRC takes a strategic approach, with proposed procurement aligning with the organisation's priorities and business objectives. For a procurement to be successful, HBRC needs to clarify roles, responsibilities, and processes for decision-making, ownership, and oversight, at the start of the procurement life cycle. At an early stage, HBRC needs to take a strategic view of their procurement and determine how it fits with their broader objectives.

The second stage in the procurement life cycle is identifying needs and analysing the market of suppliers that provide goods and services. It is important that HBRC consults stakeholders at an early stage, use the best possible information and understand the supplier market.

The third stage in the procurement life cycle is specifying requirements. HBRC needs to have a clear understanding of what it wants to purchase and a plan of how they will measure supplier performance, before agreeing to a contract.

The fourth stage in the procurement life cycle is planning how the procurement will be carried out and justifying these decisions. This is called the procurement plan. How much detail is needed in the plan will depend on the value and risk associated with a particular procurement. It can include project scope, the procurement method, whether the approach will be open or closed or multi-staged, how HBRC will work with the market, and the form of contract. Planning should also include selecting the evaluation model (including evaluation criteria) and process.

#### 3.1 Purpose of the Procurement Plan

The procurement plan provides the means for HBRC to consider and decide upon the appropriate strategy for procuring services. The plan will also be a reference for staff throughout the process and provides an auditable record of how the procurement proceeded.

A procurement plan should only be developed if the business need for the procurement is established and approved and there is available budget for the supply or project to be undertaken. For routine purchases this will be a simple process as part of HBRC's normal planning cycle. For one off, extraordinary purchases, a business case for the procurement will need to have been established and approved.

#### 3.2 When is a Procurement Plan Required?

The procurement plan should be to a level of detail that is suitable for the particular service taking in to account factors such as estimated value, complexity, risk, market capability and other service specific issues.

The following table indicates the expected requirements based on estimated value. Where services are complex and/or high risk a Detailed Procurement Plan should be considered even if the estimated value is below the \$50,000 threshold.

Estimated Value	Procurement Plan Requirements	Approved by
Up to \$10,000	Not required	Staff with Financial Delegation
\$10,001 to \$50,000	Basic Procurement Plan	Manager / Group Manager
> \$50,000	Detailed Procurement Plan	Manager / Group Manager / CE

The procurement plan should be included with the other contract information in the contract library. If the procurement only requires a purchase order then the procurement plan should be attached to the final invoice and scanned into the accounts system.

### 3.3 *Contents of Basic Procurement Plan*

A basic procurement plan should contain appropriate information about the scope, process, risks and procurement team. The exact level of detail is determined by the Manager given the value and risks involved.

### 3.4 *Contents of Detailed Procurement Plan*

The Group Manager is responsible for ensuring a project or service specific procurement plan is developed and contains the appropriate level of detail for the services to be purchased. The detailed procurement plan should contain the following information:

- The goods, works or services ("the services") to be procured and any relevant background information including prior approvals.
- A brief statement of the scope of the services required and summarised special technical or performance requirements (including where relevant special requirements that minimise the whole of life costs of the services which may attract a price premium). This should be provided by a person expert in the specification of the particular services.
- The total budget including:
  - The expected full cost of the services (over the entire contract length for term contracts)
  - Any contingency allowances for risk
  - The cost of the procurement process
  - The cost of managing and administering the supply contract
  - The cost of related or consequential commitments that are outside the cost of the service supply (e.g. the costs of a consent that HBRC must obtain to enable the service supplier to perform).
- Any risks that might impact on the procurement process or the services including the strength and number of potential suppliers in the market and how these may be mitigated.
- The term of the contract for repetitive services (e.g. bus services or asset maintenance) or for one off supply contracts.
- The type of contract and a summary of key contractual conditions that are intended to be used and why.
- The procurement strategy including how potential participants will be invited, the conditions of tender, the evaluation method and any proposed process deviations.
- The timeline to complete the process.
- The procurement team – including the procurement project manager, procurement administration manager, the evaluation team members, any probity personnel required and the authority responsible for approving the award of a contract.

For procurement of services that are less complex lower value judgment is required as to the level of detail required. This will be determined by the responsible Group Manager.

### 3.5 *Procurement Risk*

Risk can often be difficult to anticipate or describe however there are risks that are common to many procurement processes. These risks should be considered, and measures taken to mitigate them through careful planning and good management of the procurement process. Some of the key procurement risks are:

- Participants in the process are not treated equally and fairly leaving the process open to challenge – mitigated by auditable and rigorous processes that ensure even handed dealings with all participants.
- A supplier is selected who is not suitably qualified, experienced or capable of delivering the goods, works or services – mitigated by a robust selection process.
- The tendered price of the goods, works or services is significantly more than expected or budgeted for. If significant, and there is no further funding available, there may be a need to review the technical specification, quantum of work, time for completion or amount of risk the tenderer is being expected to take. Minor changes can often be negotiated with the preferred tenderer but if changes are significant it may be prudent to go back to all tenderers and request a retender for the contract.



- The tendered price is significantly lower than expected. This can be due to the estimate being too high but can mean that the tenderer has misinterpreted the quantum or difficulty of supply to the quality standards required. Such cases need to be explored with care. A contract that is priced too low usually results in poor performance and at worst contractor default. The contract also becomes expensive and time consuming to administer and resolve disputes.



<b>Low value strategic</b>	A service that is relatively low cost, but that is likely to have a significant impact on the outcomes for which HBRC is responsible, the relationship with the provider is likely to be collaborative, open, and have a strong personal element. It will have a strategic focus, with risk management generally being one of the key drivers.
<b>High value strategic</b>	A service of a higher cost and likely to have a significant impact on HBRC outcomes. Such relationships should be very collaborative and open, with a strong strategic focus from both sides. You are likely to engage frequently and in depth, with correspondingly higher levels of trust in the relationship. There will be multiple levels of engagement, including operational and executive level. Considerable focus should be applied to the development and maintenance of relationships in this quadrant.
<b>Low value non-strategic</b>	A service that is relatively low cost and mostly transactional in nature; such as a single local provider offering a service; or a national subject matter expert producing a report. While such services contribute to outcomes, they tend to be lower impact and also lower risk. The relationship will be focussed on the service delivery. You and the provider will have less frequent communication and little, if any, discussion or engagement at a strategic level.
<b>High value non-strategic</b>	A service of a higher cost, but still mostly transactional in nature. Most relationships in this quadrant tend to be for more commercial services, such as air travel to all of government. While you will have more meetings and more contact than with relationships in the <i>lower value</i> non-strategic quadrant, your approach from a relationship perspective is more 'business' than 'personal'.

### 3.6 *Services Risk*

Once the contract is awarded both the contractor (supplier) and the client are legally bound to fulfil their respective obligations as set out in the contract documents. A successful contract is founded on good quality specifications and contract conditions. Some of these are specifically designed to limit the risk to the client of poor or non-performance by the contractor. Some common examples of risks that give rise to contract disputes that need to be responsibly managed are:

- The client does not fulfil its contract obligations or does so in an untimely manner e.g. slow responses to contractor queries
- Unforeseen (by the client) variations arising from factors outside the contractors control or from actual quantities being more than that in the contract payment schedule
- The contract does not contain suitable protection for the client in the event of failure or negligence of a supplier during the performance of contract.

### 3.7 The Term of Contracts

- In any supply situation consideration needs to be given to what is a reasonable time for the completion and delivery of the required goods, works or services. While every situation is different it is useful to consider the following.
- Are the goods available locally, off the shelf or must they be custom made elsewhere?
- Is there specialised equipment required.
- Will performance be affected by the seasons/weather.
- Is the delivery date critical to the client or can a more generous time be allowed (what is the likely cost to the client of a later delivery?).

It is noted here that often the time becomes critical purely because the client has been late in tendering the work. If so this is a pointer to improving the client's internal processes.

- Remember that as a rule delivery times that are too tight are likely to result in:
  - Higher prices being tendered
  - Higher risk of contractor default
  - Higher risk of poor quality.

## 4 Procurement Strategy

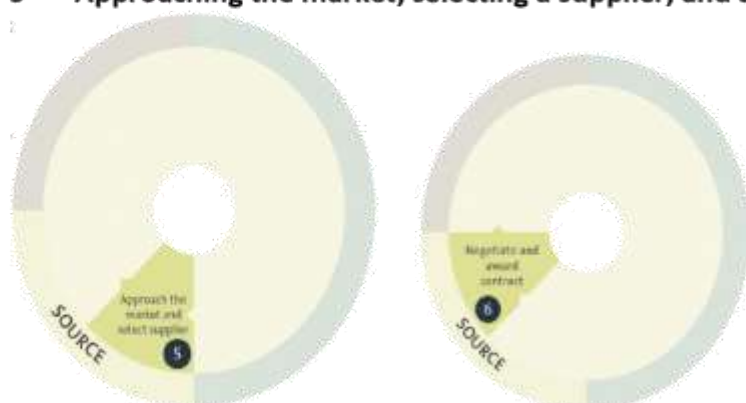
The procurement plan / strategy should be about achieving the best value outcome for the client. Best value generally needs to balance the needs for fit for purpose quality, delivery time and cost. In order to obtain best value (assuming the deliverables are well specified) from the procurement process the following should be considered:

- Is there a competitive supplier market or is the service highly specialised with limited or possibly only one supplier?
- Is a local supplier able to match quality and cost criteria?
- For low value goods, works and services should the simplified (say) three verbal or written quotes be used?
- What procurement process is appropriate for the value or complexity for the goods, works or services required?
- How should potential participants be invited to tender?
- What conditions of tender should be used?
- What evaluation method should be used?
- When is the best time of the year to call for tenders?

Procurement decisions should take into account section 17A of the Local Government Act 2002 which states that a local authority must review the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region for good-quality local infrastructure, local public services, and performance of regulatory functions. A review of these arrangements must be undertaken when there are any significant changes to relevant services levels, within two years of the expiry of any contract or binding agreement relating to infrastructure, service or regulatory functions or at any other time the local authority considers desirable, but no later than 6 years from the last review.

For more information refer directly to the Local Government Act 2002.

## 5 Approaching the market, selecting a supplier, and awarding a contract





The fifth stage in the procurement life cycle involves initiating the procurement process in the supplier market, providing information to potential suppliers, answering any questions they might have, and selecting a preferred supplier.

The sixth stage in the procurement life cycle is negotiating the terms and conditions of a contract, establishing and agreeing to levels of service with the supplier, and providing feedback to both successful and unsuccessful suppliers.

### 5.1 Competitive Procurement Processes

Competitive procurement provides the advantage of being able to compare and assess the relative quality and price of various suppliers. Because suppliers must compete to be successful, there is greater likelihood of achieving the best value for the goods, works or services being procured. Competitive processes also enhance the transparency of the procurement process and decision to select a particular supplier.

A competitive procurement process should be used wherever possible and practical and is consistent with good governance principles applying in the public sector. A competitive process will be appropriate when there are a number of potential suppliers with the right product or capability in the market.

**Note:** Where a prequalified supplier panel exists (either through an All of Government (AoG) contract or a panel or list of suppliers managed by HBRC) it is still possible to obtain competitive submissions from a number of the listed suitable suppliers. Depending on the nature of the deliverables their submissions may be expected to cover methodology, delivery time and cost. Caution should be exercised in selecting suppliers from a list that has not been the subject of a robust selection process.

There is a range of processes and associated documentation that can be used for a competitive procurement. The most appropriate process to use will depend on a number of factors such as:

- The value of the service
- The cost and resources required for the suppliers to take part in the process
- The level of detail of HBRC's requirements and technical specification of the goods, works and services
- The urgency of the procurement
- The number of available suppliers assessed through market research.

The following are the most common types of competitive process and when they should be used.

Type of Process Used	Type of Market	Engagement
<b>Quotation Based</b>	Verbal quotation	For simple procurements for low value and low risk goods, works or services. Verbal quotations should only be used when the value of the procurement is less than \$10,000.
Seeking quotations requires HBRC to effectively communicate its requirements. HBRC must take care to ensure all potential suppliers receive the same information regarding the requirements. Where there is a large market, three quotes should be sufficient for ensuring a competitive price. Quotations received and procurement decisions should be appropriately documented as with other procurement processes.		
<b>Quotation Based</b>	Written Quotation	For simple procurements of low risk, but with a value below \$50,000.
Best practice requires HBRC to document its requirements. A Request For Quotation (RFQ) document ensures that all potential suppliers are provided with the same information. Where there is a large market, at least three quotes should be obtained.		

Type of Process Used	Type of Market	Engagement
<b>Proposal Based</b>	Request for Proposal (RFP)	<p>To be used when HBRC knows <i>what</i> outcome it wants from the procurement but is not certain <i>how</i> this outcome is best achieved. Proposal processes are useful in the following scenarios:</p> <ul style="list-style-type: none"> <li>• Goods, works or services are not able to be clearly defined</li> <li>• A detailed specification cannot be provided</li> <li>• Requires a solution to an existing problem where there is potentially a number of solution options</li> </ul> <p>For procurement of medium to high value and risk. For procurement values above \$25,000 a proposal process should be considered*. Above \$50,000 a proposal or tender process is mandatory except where approved otherwise by the Chief Executive.</p>
<p>Proposal processes are useful if HBRC does not have a detailed scope and specification of the goods, works or services. However, wherever there are essential requirements, RFP documents should include enough detail of these for participants to cover the requirements in their proposals.</p> <p>Proposal processes will likely involve negotiation with the preferred participant to confirm the exact scope and specification of the final contract and basis for payment.</p> <p>Often used for professional services contracts.</p>		
<b>Tender Based</b>	Request For Tender (RFT)	<p>Tender processes should be used when HBRC knows exactly what it requires for the goods, works or services and how it wants those goods, works or services delivered. Tender processes are useful in the following scenarios:</p> <ul style="list-style-type: none"> <li>• Goods, works or services are clearly defined</li> <li>• Detailed specification, methodology or processes can be provided</li> <li>• For procurement of medium to high value and risk.</li> </ul> <p>For procurement values above \$25,000 a tender process should be considered*. Above \$50,000 a proposal or tender process is mandatory except where approved otherwise by the Chief Executive.</p>
<p>Tender processes are appropriate where there is a clear and defined scope and/or detailed specification for the goods, works or services being procured. Tender documents must provide tenderers with certainty and clarity of the requirements.</p> <p>Tender processes are focused on tenderer capability, resources and price and allows all of these to be compared to determine who will be the successful supplier.</p> <p>Tender processes may involve negotiation with the preferred participant to confirm the exact scope and specification of the final contract and the price.</p> <p>Often used for major supply, works or services contracts.</p>		

*\* The decision to use quotes over a proposal or tender process will be based on the analysis of requirements of HBRC in the preceding procurement plan. If factors such as well-defined requirements, lower risk procurement category, known and established suppliers favour a quotation process, there may be justification for pursuing this lower cost route of procurement.*

HBRC must comply with above procurement value thresholds when making decisions about the type of process to be used, with the exceptions of the following circumstances:

- Emergency procurement (competitive processes do not have to be complied with in an emergency situation).
- Transport procurement (to be undertaken in accordance with an approved NZTA procurement strategy).
- Approved deviations.

**Note:** It is very important that the conditions for any proposal or tender invitation are carefully prepared. Proposal and tender processes can create a contract between HBRC and a participant that meets the requirements set out in the proposal or tender documents. Proposal or tender documentation should be drafted to allow HBRC to alter the process or make procurement decisions where necessary to achieve the best outcome without the risk of HBRC acting unlawfully. For major procurements, professional and/or legal advice should be sought before proposal or tender documents are issued to the market.

## 5.2 Multistage Processes

In some circumstances, it may be appropriate for HBRC to undertake a multistage procurement process. Multistage processes usually consist of two stages:

**An initial stage** – where HBRC has identified a need for goods, works or services but is not clear about the availability or the capability of suppliers in the market. An initial stage can also be useful for HBRC to refine its requirements for goods, works or services based on the responses it receives.

Registration of Interest (ROI), Expressions of Interest (EOI), and Requests for Information (RFI) are all options for undertaking this initial stage. The most appropriate procurement documentation will depend on the outcome HBRC is looking for from the process. Essentially the different document types will all service the purpose of indicating who is interested in supplying the goods works or services. What differentiates them is the amount of additional information that is requested about:

- The capability of the supplier
- The possible services or solutions that could be provided by the supplier

Price is generally not considered at this stage of a multi-stage process.

This initial stage may be used to shortlist preferred participants who are then invited to submit a proposal or tender in the second stage.

**A second stage** – where HBRC is certain enough of its requirements and the market based on the initial stage to undertake a more detailed procurement process of the goods, works or services. The second stage will involve issuing Request for Proposal (RFP) or Request for Tender (RFT) documents to participants short listed in the initial phase.

Because multistage processes can be expensive and time consuming, HBRC should only use a multi stage process for higher value procurement.

Short listing in the initial stage can be a useful aspect of a multistage process. Where there might be numerous participants in a procurement process, the cost of pricing a full tender in a single stage process may discourage some parties from participating. An initial stage that clearly states the intention to short list may increase the level of interest in the market. This will provide HBRC with a greater understanding of the capability of suppliers in the market before having to decide on the final supplier.

## 5.3 Open and Closed Procurement

An open procurement process is when offers from potential suppliers are requested from the market by public advertisement of the procurement. Open procurement processes will usually be conducted when HBRC wants as many high-quality participants to take part in the process as possible.

Open procurement processes should be used wherever possible by HBRC as this increases the likelihood of HBRC receiving offers from all potential suppliers. This means that:

- No supplier is disadvantaged by being excluded from the process
- HBRC has more opportunity to receive an offer from a participant that represents the best possible value.

A closed procurement process is when a select number of suppliers are identified by HBRC prior to the procurement and only those suppliers are approached to take part in the process. A closed procurement process will often benefit HBRC by decreasing the time and cost to undertake the procurement process. However, there is the risk in a closed process that HBRC will not be provided with the best possible offer and that it could be challenged by a party that was not invited to take part in the process.

Closed procurement processes should only be used when:

- HBRC has adequately assessed the market with respect to its requirements and will invite all the suppliers to participate it believes can meet its requirements
- HBRC is conducting a multi stage process and has short-listed a number of participants through an open process to proceed to a subsequent closed stage of the procurement.



The following table provides an indication of when it is appropriate to use open or closed processes.

Contract Value	Process	Open or Closed
Up to \$10,000	Verbal or written quotations	Closed
\$10,001 < \$50,000	Written quotations	Closed or Open
>\$50,000	Written quotations, Proposal or Tender	Closed * or Open

\*Where a closed tender is proposed for procurement over \$50,000, this must be approved by the General Manager and documented in the procurement plan.

#### 5.4 Deviations from Competitive Processes

There will be circumstances where it is appropriate for HBRC to deviate from a conventional competitive process and procure goods, works or services directly from a supplier. Direct purchasing will likely result in significant cost savings to HBRC with respect to the procurement process.

The type of situations where direct purchasing may be considered are:

- The number of suppliers in the market is extremely limited.
- A supplier has knowledge of HBRC's environment and/or requirements that other suppliers do not have (Note: This may be open to challenge by other suppliers).
- The goods, works or services being procured are of a specialist type or nature or must match existing service or assets.
- The goods, works or services are associated with or dependent on other goods, works or services already purchased from a current supplier (e.g. a software upgrade to an existing HBRC system).
- HBRC can and must purchase the goods, works or services under an AoG contract.

HBRC must in the first instance undertake enough investigation and analysis to determine that a direct purchase is appropriate.

If the goods, works or services can be purchased under an AoG supply contract, then HBRC will be required to use that channel. HBRC must follow the correct process for this type of purchase as dictated by the Ministry of Business, Innovation and Employment (MBIE) on the <https://www.procurement.govt.nz/> website

If the goods, works or services are to be purchased directly because of the limited market, speciality type and/or are from a supplier with which HBRC has an existing relationship, then the reasons for purchasing directly must be documented appropriately and approved by the delegated financial authority for the purchase. Procurement of middle to high value should have an approved procurement plan, as outlined in Section 3.2, which sets out the justification for this procurement approach.

The plan for direct procurement should confirm that:

- The rates are reasonable and consistent with the market rates for items of a similar nature
- HBRC does regular reviews to ensure the reasonableness of prices, including randomly inviting quotations at appropriate time intervals
- The required goods or services are not split into components or a succession of orders to enable orders to be placed without seeking competitive prices
- and fairness and equity are assured.

#### 5.5 Panels/Supplier Lists

##### 5.5.1 Panels

A Supplier Panel allows HBRC to set up contracts for a defined term with a group of preferred suppliers to deliver goods, works or services as and when required during the term of the contract. All the Supplier Panel members should have been selected for their capability. Supplier Panel contracts limit the cost of the procurement process to that required to set up the panel. Individual purchases of goods, works or services are simply made through the panel with simple documentation. This makes panels more efficient for some goods, works or services.

HBRC should consider setting up panel contracts for types of goods, works or services when:

- HBRC cannot be certain of the amount of the goods, works or services it will require
- The goods, skills or knowledge being purchased are specialist

- Suppliers have limited capacity, so a panel ensures several suppliers can be called upon at short notice
- Suppliers might have a conflict of interest in acting for HBRC from time to time.

Panel contracts are most used for professional services where there is an ongoing need for services to be supplied on an ad hoc basis. An important aspect of panel contracts is that no one supplier is guaranteed a certain amount of work. HBRC is open to instruct any supplier on the panel on whatever basis it decides.

Panel contracts are set up via a competitive process where participants are asked:

- To demonstrate their capability to provide the services.
- Provide a schedule of rates for providing the services.

When a panel of suppliers is set up, HBRC needs to consider and implement methods and processes for:

- Allocating work to different panel suppliers – This should be on an equitable basis taking into account availability, specialist skills and knowledge, performance, cost or division of work across the suppliers (or a combination of these criteria). Often suppliers on a panel can be required to provide a competitive estimate/quote for each project based on the rates already tendered or otherwise.
- Managing the performance of suppliers – this includes methods for reviewing and comparing the quality of work received from different panel suppliers and removing suppliers from a panel (if necessary).

Panels should be reviewed on a regular basis according to HBRC's procurement policy and from time to time, a new competitive process should be undertaken to re-establish the panel. This will ensure that suppliers in the market receive a fair opportunity to supply HBRC and that prices are tested on a regular basis so HBRC can be assured they are receiving good value for money.

### 5.5.2 Supplier Lists

A supplier list is a register of suppliers that HBRC has determined are suitable for providing goods, works or services. Suppliers on the list must be assessed on standard criteria for their inclusion on the list. Criteria such as specialist skills and knowledge, track record of supply, financial stability and health and safety record can be used to include suppliers on the list.

Because suppliers on a list do not have a contract with HBRC, a procurement process will need to be undertaken every time goods, works or services are required. However, the list may make it more efficient for HBRC to seek quotes from suitable suppliers or undertake more complex procurements, because the suppliers on the list have already met criteria that they would be required to demonstrate and be evaluated on through a competitive procurement process.

## 6 Contract Forms and Types

### 6.1 Contract Terms and Conditions

There are many forms of contract that HBRC can use to contract with a supplier. There are several appropriate standard forms of contract to use for different types of goods, works and services. The form of contract to use for a procurement will depend on the nature of the deliverable, value of the contract and the risk involved. In general, HBRC must use the following type of contract, based on contract value.

Contract Value	Contract
Up to \$10,000	Purchase order or basic contract for provision of goods and or services
\$10,001 < \$50,000	Purchase order or detailed contract for provision of goods and or services
>\$50,000	Detailed contract for provision of goods and or services

When HBRC is undertaking a competitive proposal or tender process, the intended contract terms and conditions should be specified as part of procurement documentation. For smaller quotation-based procurement, the supplier's terms of trade may be sufficient, provided HBRC reviews these prior to committing to the purchase and the level of risk is determined to be low.

## 6.2 Standard Forms of Contracts

There are several standard forms of contract that can be used by HBRC. These are generally well understood by suppliers who use them regularly and should be used to save the cost of drafting bespoke terms and conditions. Some examples of standard forms of contract are:

Contract Name	Used
<b>Physical Works Contract (NZS3910)</b>	For construction contracts, physical works contracts or on-going maintenance contracts.
A standard form of contract that is well understood in the contract industry, particularly the payment process, risk allocation and dispute resolution provisions. Uses a third party 'Engineer to the Contract' (typically a consultant professional engineer) to oversee the contract on behalf of the Principal. Primarily designed for construction projects, but can be adapted easily for other operations or maintenance contracts.	
<b>Physical Works / Maintenance Contract (NZS3915)</b>	Also used for construction contracts, physical works contracts or ongoing maintenance contracts where the relationship is directly between the Principal and the Contractor.
Similar to 3910 but uses a technical "expert" to determine disputes and does not use an Engineer to the Contract. Requires a sound contract management experience and capability within HBRC.	
<b>New Engineering Contracts (NEC)</b>	Also used for construction contracts, physical works contracts or on-going maintenance contracts where the relationship is collaborative in nature and usually addresses risk sharing.
Based on a UK model. Not yet as widely used in New Zealand as NZS3910 or NZS3915 and therefore lacks market familiarity but is an international standard contract that can be a viable alternative and that has some desirable features.	
<b>Conditions of Contract for Consultancy Services (CCCS)</b>	Used for consultancy and professional services contracts.
Widely used by councils and NZTA across several professions and covers important conditions such as intellectual property ownership, professional standards and duty of care.	
Contract Name	Used
<b>Conditions of Contract for Provision of Transport Services</b>	HBRC Standard conditions used for the purchase of public transport services.
Widely used by Regional Councils in NZ.	

Whatever form of contract is used in procurement, HBRC should ensure that the conditions of contract, particularly any amendments or confidentiality provisions are adequately reviewed for contract risks by legal advisors before the contract is tendered.



### 6.3 Pricing Models for Contracts

There are a few different pricing models of contract that can be used. The appropriate contract model for a circumstance will depend on:

- What the nature of the goods, works or services are, and
- The size of the contract, and
- The outcome sought by HBRC.

Some examples of contract models and when they should be used are set out below.

Model	Description	When used
<b>Purchase Order (generally, with a lump sum price)</b>	An order for goods, works or services with the quoted price issued to the supplier.	For simple low value quotation-based purchases where there is limited ongoing risk to HBRC.
<b>Lump Sum Contracts</b>	A higher value contract where the contract price is agreed and fixed prior to the contract being undertaken.	Used for works or services contract where the scope and specification are well defined. The overall contract costs can therefore be estimated by the supplier and the supplier takes the risk. Useful where HBRC has a defined budget and wants cost certainty for the duration of the contract.
<b>Unit Price Contracts</b>	A contract where the supplier prices a defined unit of work or good supplied and is paid a variable amount depending on quantity.	Used where the volume of quantity of work or goods required cannot be accurately specified prior to the contract. Is applicable where the contract is for a repetitive unit of work.
<b>Cost Plus Contracts</b>	A contract where HBRC and the supplier have an open book arrangement with respect to direct costs and agree and additional fee for overheads and profits. Often used with a pain/gain sharing of financial risk. Often used in alliance type contracts.	Used for works or services contract where the scope and specification could be variable. Useful where the quality of work or services is more important than overall cost. The supplier does not take on the price risk of a lump sum contract so standards or resource levels are less likely to decline. Requires a high level of contract management/participation by the client.
Model	Description	When used
<b>Performance Based Contracts</b>	A contract where the supplier is provided with incentives to perform to a particular standard.	Useful where HBRC can define targets to be set and measured for the costs and quality of works or services provided. Providing costs savings to HBRC can be incentivised by sharing those savings with the supplier, once the amount of savings has been determined or by offer of an available extension of the contract term (if provided for in the contract).

It is important to note that a combination of the above pricing models can be used in larger contracts for different portions of the contract. For example, a lump sum maintenance contract could contain some works that have unit prices attached to them while other routine maintenance activities are lump sum.



#### 6.4 Contract Models

For major procurements involving significant amounts of management and/or design as well as large expenditure, HBRC should consider what the best management model for the contract will be. The traditional model is most used and is where HBRC instructs and manages the supplier and provides all inputs required by the supplier for the supplier to undertake the works or services. However, this requires HBRC to clearly communicate its requirements and expectations to the supplier and means HBRC takes a lot of the risk if its instructions or inputs are unclear or incorrect.

Other models to consider for major procurements, depending on the works or services, are:

*Collaborative model* – this is where a supplier is selected as per the Procurement Plan based on capability and then HBRC and the supplier jointly share the setting of outcomes and the management of resources to achieve the outcomes. The contract is undertaken co-operatively and requires a high level of input from both HBRC and the supplier. For this reason, it is generally only useful for long term contracts. This is the basis of most alliance type contracts. This is a specialist area and professional advice should be sought.

*Design and build model* – this model is often used where for capital construction works which are likely to benefit from contractor innovation in construction methods and final design. For significant works a professional peer review of the design is normal practice. Design and build contracts allow HBRC to require the supplier to organise and provide all design as well as the works, meaning the supplier is ultimately responsible for the adequacy of the design. This is also a specialist area and professional advice should be sought.



## 7 Managing contracts and relationships

The seventh stage in the procurement life cycle is actively managing the supplier's performance, including contract management planning and supplier relationship management; involving senior management in overseeing contracts; and ensuring that risks are managed.

### Outcome agreement management plans (OAMP)

Outcome agreements benefit from a documented approach to contract management, particularly when they are of long duration, high value or complexity (e.g. multiple stakeholders and relationships).

It supports the planned, effective and efficient management of outcome agreements by HBRC and helps to ensure good practice, even if contract managers change.

HBRC should be able to demonstrate that it has conducted procurement fairly and appropriately. It is essential that records are kept of procurement activities by HBRC describing the background and reasons for procurement decisions. Records should be maintained for each procurement that demonstrate:

- That HBRC's procurement processes have been followed
- That enough budget has been allocated for the purchase
- That approval has been given for the purchase from the relevant holder of delegated financial authority
- Any conflicts of interest have been identified and managed
- Any risks have been identified and managed
- Any supplier agreement(s) that have been entered.

HBRC will maintain adequate systems and processes for managing its procurement documentation and supplier agreements in the Procurement Hub.



Every new contract should be set up in the Procurement Hub in HerBi which will allocate a specific contract number and will enable the collation of all information under each contract. Processes will be automated wherever possible, from contractor registration, to evaluation.

### 7.1 *Protecting against Contract Risks*

HBRC must protect itself against the risks of a supplier not performing under its contract or causing damage while performing its contract.

The table below outlines some of the key types of protection HBRC can specify as a requirement in its contracts to protect against loss or damage caused by a supplier of goods, works or services. HBRC should specify or use the forms of protection that are appropriate to the size of the contract, the type of goods, works or services and the risk that the contract represents.

Sometimes it will be more cost effective for HBRC to take out its own cover, such as for some contract works, as the supplier will need to build in the costs of the cover in its tender price. For local government the marginal change in the cost of it covering the contract works is usually insignificant. If concerned about the cost, HBRC can ask for the cost to be separately itemised in the procurement documents.

HBRC should also be careful to ensure that contract terms and conditions indemnify HBRC against the acts or omissions of a supplier.

Where HBRC is unsure what protection it should have in place for a specific contract, legal advice should be obtained prior to the contract being tendered.

Type of Protection Required in the Contract	Description	Type of Contract
<b>Public Liability Insurance</b>	Protects HBRC against liability for damage or injury caused to a third party by the contractor.	All works or services contracts.
<b>Motor Vehicle Liability Insurance</b>	Protects HBRC against liability for damage or injury caused to a third party by the contractor operating a licensed motor vehicle.	All works or services contracts involving the use of licensed motor vehicles.

Type of Protection Required in the Contract	Description	Type of Contract
<b>Product Liability Insurance</b>	Protects HBRC against liability for damage or injury caused to a third party by a faulty product.	Supply of goods and products.
<b>Professional Indemnity Insurance</b>	Protects HBRC from liability for damage caused by negligent design or advice.	<ul style="list-style-type: none"> <li>Professional services contracts, including engineering, architectural, science, specialist</li> <li>Professional advisory contracts including legal and financial advice</li> <li>Design and build contracts where contractor is responsible for designing the works</li> </ul>
<b>Contract Work's Insurance</b>	Protects HBRC from loss or liability for damage caused to built or partially built structures. This is sometimes insured by the Client.	Contracts involving capital works construction.
<b>Contractor's All Risk Insurance</b>	Protects the Contractor from loss or liability for damage caused to plant and equipment thereby enabling the contractor to continue to fulfil its contract obligations.	Maintenance and capital works contracts.
<b>Warranties</b>	Provide HBRC with assurance that goods, works or services are fit for purpose for a defined period and will be rectified or replaced if not.	Generally only used for specialised or proprietary products (e.g. the performance of a waterproof membrane) or installed machinery.
<b>Performance Bonds</b>	A bond provided by a third party that is payable to HBRC on demand if supplier does not fulfil its obligations under the contract. Protects HBRC from the additional cost of procuring a replacement supplier if a supplier is unable to perform its responsibilities under the contract. The bond could be a cash bond lodged with the Council and held on trust however this is not usually favoured as it impacts the contractor's cash position.	Maintenance and capital works contracts and some service contracts. For maintenance and capital works contracts over \$100,000, bonds must be for 10% of contract value. For maintenance and capital works contracts over \$1,000,000, bonds must be for \$100,000 + 5% of value over \$1,000,000. The bond must be formally released once substantial completion is achieved.
<b>Bonds in Lieu of Retentions</b>	A bond that replaces contractual requirement for maintenance retention. This is very seldom used as it is expensive and the existence of the bond can limit the contractor's overdraft facility with its bank.	Capital works contracts. Usually 5% of contract fee withheld at each payment. Often 50% of retentions is released to the contractor at substantial completion of the works and the remaining 50% is paid at the end of the defects liability period.
<b>Maintenance Retentions</b>	Retention by HBRC of a percentage of contractor's payments. The requirement can be forgiven if a suitable bond in lieu of retentions is allowed and provided. Ensures that the works are properly maintained and problems rectified during the defects liability period. If not the client can use the available monies to engage another contractor to remediate any defects and deduct the actual cost of this up to the limit of the funds held.	Capital works contracts. Usually 5% of contract fee withheld at each payment. Often 50% of retentions is released to the contractor at substantial completion of the works and the remaining 50% is paid at the end of the defects liability period.



Type of Protection Required in the Contract	Description	Type of Contract
<b>Liquidated Damages</b>	Protects HBRC from the loss incurred if a supplier does not complete its responsibilities within a specified timeframe under the contract. Liquidated Damages do not protect against actual loss. The damages amount (usually \$\$ per day) is predetermined based on a realistic assessment prior to tendering.	Capital works contracts.
<b>Defects Liability Period</b>	Protects HBRC from defective works that arise within a specified timeframe under the contract (can vary widely depending on the works but often for one year). The contractor is required to make good any defects that are found in the defects liability period (or forgo any part of their retention monies use to engage another contractor to remedy defects).	Capital works contracts. Difficult to use with maintenance contracts without special provisions relating to major rehabilitation works.

## 8 Evaluation Methodologies and Procedures

The outcome of the procurement supplier selection process is determined by the evaluation of the submissions or offers received from the participants. Using the appropriate evaluation model will assist HBRC in making the right decision about who to select as a supplier. In order to achieve the best outcome, it is essential that the qualities HBRC are looking for in a supplier and a supplier's offer are reflected in the evaluation model used.

### 8.1 Evaluation Planning

It is essential that HBRC consider the evaluation model it will use prior to going out to the market and include it in:

- The procurement plan (summarised), and
- The procurement documents issued to the market.

This ensures that HBRC is clear about what criteria it will evaluate, and participants can understand how they will be assessed. Participants can then provide the appropriate information to allow HBRC to make meaningful comparisons between potential suppliers.

For more complex procurement processes, it is recommended that HBRC document the evaluation methodology in more detail in an evaluation plan that is issued to each member of the evaluation team with clear guidance on how to mark submissions and how the team will arrive at a decision to recommend a preferred supplier. Evaluation plans are also useful for audit purposes, as they provide documented detail on the decision-making process.

The evaluation plan must contain:

- The names and positions of the evaluation panel members
- Detail of the evaluation method
- A full description of the evaluation process on a step by step basis

**Note:** As best practice, procurement documentation provided to the market should make it clear to participants that HBRC reserves the right to depart from the stated evaluation process. Often clauses in procurement documentation will state that HBRC reserves the right to select the supplier that represents the best value for money for HBRC, irrespective of the evaluation process. This is important because it may become evident during the process that the evaluation model proposed will not result in an acceptable outcome for HBRC and the process needs to be modified. HBRC will need the flexibility to modify the evaluation process without taking the risk of acting unlawfully.

### 8.2 Evaluation Methods

Evaluating proposals and offers from potential suppliers is about assessing two core aspects – the prospect of receiving the right quality of goods, works and services and the price.

Depending on the circumstances of the purchase, the emphasis for HBRC may be on either the quality or the price or a balanced combination of both. The first step in deciding upon the method of evaluation will be to establish which of the



quality aspects or price of the purchase is more important to HBRC. This assessment must happen at the procurement planning stage.

### 8.2.1 Types of Evaluation Methods

There are number of methods and variations of those for evaluating submissions in a procurement process.

Focus	Example Evaluation method	When used	Key Aspects of Process
<b>Price</b>	Lowest Price Conforming	Minimum set of requirements in terms of the quality of goods, works or services to satisfy HBRC needs and conform. Price is then considered when quality conforms. Good process for non-specialised goods and low complexity physical works contracts.	Minimum requirements documented and included in procurement documentation. Non-price criteria marked as conforming or non-conforming according to whether they meet HBRC requirements or not. Lowest price of conforming submissions is awarded the contract so participants (who comply with basic requirements) are only competing on the basis of price.
This method works particularly well for procurement projects where the goods, works or services are well specified and capable of being provided adequately by a number of suppliers. (e.g. fleet vehicles). It should be noted that a long history of this being the preferred evaluation methodology resulted in the partial collapse of the construction industry, and this method is now superseded by a preference for Broader Outcomes Purchasing focussing on the environmental, social, economic and cultural benefits of a procurement rather than just price.			
<b>Quality and Price</b>	Weighted Attributes	HBRC is looking for high contractor and quality attributes in the delivery of goods, works or services. Likely to be a range of quality attributes across the participants. Price HBRC will pay is important but only one of the considerations. Good process for professional services, service contracts, high complexity physical works contracts and specialised goods	HBRC determines the important non-price attributes and relative weightings of nonprice and price attributes and includes this in detail in procurement documentation. Non-price attributes are scored and have a weighting applied. Once all non-price evaluation is complete, price scores are then calculated using a formula and weighting applied. The weighted price and non-price scores are added together and the participant with highest overall score selected as preferred supplier.
It is important that weightings reflect the importance of each attribute to HBRC in order for the right outcome to be achieved. For example, where it is important how works or services will be performed, greater weighting should be given to methodology attributes. HBRC can and should set a minimum score required for each attribute (usually 35%) and any participant scoring under this threshold may be excluded from further evaluation. Price should not be weighted too heavily or price will become the only determining factor between the participants. A further refinement of this is the Price/Quality method developed by NZTA and being quite widely used for larger professional services and maintenance contracts.			
<b>Quality</b>	Quality Attributes Method	HBRC is primarily looking for the best quality of works or services it can procure. Generally, only a process used for professional services.	Process is generally similar to weighted attributes, but price is not scored as part of the process. Participants are asked to provide a separate price. Only the price of the participant with the highest quality score is opened and used as the basis for negotiating a final price.
Because participants are only competing on quality, there is risk that HBRC will not receive the best value for money. Having said that it should be borne in mind that for design work most of the cost is in the construction and getting the best design will deliver better value overall than getting a cheaper price on the design.			

The two most commonly used methods were the 'lowest price conforming' method and 'weighted attributes' method. It is more than likely now that purchasing for 'broader outcomes' is the preferred methodology for selection using weighted 'sustainability criteria'. For HBRC the focus for determining purchasing outcomes will include *Climate Smart Recovery*. Suppliers will be required in proposals to demonstrate the ability to contribute to climate change mitigation.

A good example is contained in the NZTA procurement evaluation template, as recommended for national consistency of approach, by the Ministry for Business Innovation and Employment.

Outcomes Criteria are being developed in consultation across the five Hawke's Bay Councils, and it is intended that sustainability criteria used as part of HBRC evaluation processes be reviewed to reflect developments on an annual basis.

For this reason, using other methods should be considered carefully before being used for an evaluation process.

Health and Safety should be considered with the upmost importance for all of these methods. HBRC's health and safety expectations should be clearly communicated to suppliers and be appropriate for the type of goods, works or services being purchased and comply with the Health and Safety Reform Bill 2015.

HBRC will address health and safety through procurement by:

- Approving and inducting suppliers into HBRC's health and safety regime prior to engagements
- Requiring suppliers to provide health and safety plans, where appropriate
- Including the monitoring and auditing of health and safety practices as conditions of contracts and agreements.

In New Zealand local government, the NZTA procurement manual is often referenced when prescribing evaluation processes for procurement. HBRC staff seeking more detailed explanations of different evaluation processes should refer to the latest version of the NZTA procurement manual. The evaluation processes described in that document are not unique to transport procurement and will be able to be successfully followed and/or modified for any competitive procurement evaluation.

### 8.3 Evaluation Criteria

Selecting evaluation criteria should be based on what attributes are most important to HBRC in the given circumstances. This will differ depending on whether HBRC is purchasing goods, works or services and what the characteristic requirements of those goods, works or services are.

However, there are standard evaluation criteria that are consistently used in competitive procurement evaluation. These criteria consist of two types:

**Compliance based** – where the participant must meet the criteria or provide mandatory information but will not be scored on this relative to other participants in the evaluation process but is a go/no go gateway e.g. adequate insurance, Health and Safety.

**Attribute based** – where the participant will be scored on the attributes relative to other participants in the evaluation process.

HBRC should detail what information participants are required to provide in the procurement documentation that will be assessed under each evaluation attribute. Ideally, the information requested for participants should relate directly to a specific attribute. This will mean that participants focus on providing relevant information and the evaluation team will have no trouble scoring each attribute. It is often a good idea to ask participants to structure their submission in accordance with the list of evaluation attributes for this purpose.

HBRC is committed to purchasing from local suppliers based on the benefits this provides the local community and economy. HBRC employees will always consider the availability and capability of suppliers in the local market. However, HBRC will balance the benefits of buying locally with ensuring that HBRC and its ratepayers and the community will receive optimal value. The weighted criteria for local provision is variable between 5% and 15% with quality, experience, price, etc, making up the majority balance to 100%.

A decision to purchase goods, works or services from a supplier where the locality of the supplier is the determining factor (rather than price and/or quality factors) should consider one or more of the following:

- The importance of the goods or service being available locally (due to factors such as time constraints or availability of key personnel to respond to requests for service from HBRC).
- The importance of local knowledge of the Hawke's Bay regional environment.
- The importance of supplier knowledge and understanding of HBRC's operational practices, processes and systems.



Where the locality of the supplier is the determining factor in a purchase, HBRC will document this decision and the justification for approving the purchase on this basis. The Government Procurement Rules require HBRC to "consider, and incorporate where appropriate, broader outcomes when purchasing goods, services or works". The rules define broader outcomes "as the secondary benefits that are generated from the procurement activity. They can be environmental, social, economic or cultural benefits."

Other commonly used evaluation criteria are:

Compliance	Attributes - For goods/products	Attributes - For works and services
<ul style="list-style-type: none"> <li>Company structure</li> <li>Company financials and solvency</li> <li>Insurance cover</li> <li>Health and Safety information</li> <li>References</li> </ul>	<ul style="list-style-type: none"> <li>The level of compliance with technical specifications and ability to meet operational requirements</li> <li>The post purchase technical support and maintenance provision</li> <li>Warranties and guarantees offered</li> </ul>	<ul style="list-style-type: none"> <li>Management skills and capability</li> <li>The technical skills and experience of key personnel</li> <li>The relevant experience and track record of the supplier performing similar contracts</li> <li>The resources available for application to the contract</li> <li>The methodology for how the works or services will be performed</li> </ul>

In a multistage process, all required compliance criteria should be requested as part of the initial stage of the process to not waste the time of participants who do not meet these criteria.

It is also good practice not to duplicate the attributes participants are scored on in subsequent stages of a multistage process. This can lead to inconsistencies and provides grounds for HBRC to be questioned on the fairness of the process. It is reasonable however to require higher level attributes of the participants capability in the initial stage and then if shortlisted request more project specific attribute information (e.g. specific methodology). Where HBRC wants to consider scores of attributes in a preliminary stage in subsequent stages, it can carry those scores over from the preliminary stage.

#### 8.4 Evaluation Team

Evaluation panels comprising at least three individual evaluators should be used for more complex evaluations over \$50,000 procured through a proposal or tender process. It is not necessary for an evaluation panel to be used for evaluating quotation-based procurements.

The Tenders committee is mandatory to be the evaluation panel for procurement over \$400,000.

The evaluation panel must consist of:

For all proposal or tender processes	
<b>At least two of:</b>	Chief Executive A Group Manager Works Group Business Unit Manager
<b>And including one of the appropriate:</b>	Second or Third Tier Manager Technically qualified Staff Member

For lowest price conforming evaluations, it is enough for the evaluation panel to review the prices and an Assessment Report prepared by an appropriate staff member or consultant confirming those submissions that have met the requisite non-price criteria.

For other quality based evaluations, it might be appropriate to consider the inclusion of an independent technical expert on the evaluation panel who has experience/expertise in the goods, works or services being procured.

For NZTA subsidised transport contracts an Accredited NZTA Evaluator needs to be on the evaluation panel.

## 9 Tender Administration and Probity

### 9.1 Advertising

Advertising of the procurement should be appropriate to the goods, work or services being procured. Advertising channels should include newspaper advertising and the Government Electronic Tendering System (GETS). For more specialist procurement, it is also appropriate to approach industry specific associations and organisations who can alert their members to the procurement. For access to GETS please contact the Corporate Accountant or IT Manager.

Once the procurement has been advertised, HBRC is open to alert prospective participants that the procurement documents are available. It is best to direct these participants to GETS for them to download the documents themselves rather than issuing them directly.

An important principle is that procurement information is disseminated to all interested parties at the same time and that there is no early release of documentation.

### 9.2 Tender Administration Personnel

The Group Manager is responsible for nominating a single contact person as the tender administrator for the tender or negotiation process. All enquiries from potential participants must be directed to that person during the procurement process, and responses appropriately documented. Informal contact with participants during the process is discouraged and should be avoided.

The tender administrator should also be present at any group evaluation to keep records of the evaluation process.

### 9.3 Probity Auditor

For more complex evaluations over \$50,000, HBRC should consider appointing a probity auditor to oversee the evaluation process. The probity auditor will ensure the process is undertaken correctly, and any risks are managed appropriately. The probity auditor will be available to any tender participant with concerns about the tender or evaluation process.

### 9.4 Confidentiality and Conflicts of Interest

The tender administrator will be responsible for managing the conflict of interest and confidentiality documentation for the procurement process. Every staff member involved in the procurement and evaluation panel member must sign relevant confidentiality and conflict of interest documentation.

The information provided by participants in a proposal or tender process must always be kept confidential during and after the process. Any breaches of confidentiality must be reported to the probity auditor and / or the Group Manager immediately upon an HBRC staff member becoming aware of the breach.

### 9.5 Tender Communications

Communications to and from participants involved in a tender or proposal process must be through the named tender administrator.

Where information or clarification is requested by a participant that in any way modifies or clarifies information contained within the RFP or RFT documents, then HBRC through the tender administrator must issue a notice with the modification or clarification to **all** participants. This notice then becomes part of the RFP or RFT documentation to be included in the eventual contract.

Notices that are issued to participants should be consecutively numbered (so participants can record which notices they have received in their submission).

### 9.6 Closing and Opening Tenders

All proposals and tenders are to be deposited either in the Tenders Box at Council's Napier Office or, if specified as an electronic process, by uploading into the specified electronic tender box (e.g. via GETS). Any proposal or tender received after the prescribed closing time must be excluded from the process. It is advisable that all proposal or tender processes require both hard copies and soft copies of tenders or proposals to be submitted. The procurement documentation must be extremely clear about the closing details of the tender or proposal.

Where proposals or tenders are called for where a two-envelope process will be conducted (with a non-price and price envelope) HBRC must instruct participants to separate both the information into the respective envelopes and clearly indicate on each envelope the following.



- The contract name and number to which the proposal or tender refers.
- The participant organisation's name.
- The contents of the envelope (price or non-price).

All proposals or tenders are to be opened in the presence of at least two senior management staff, one of whom must be one of Council's Executive. All proposals or tenders received are to be identified and recorded to be kept on file, which must be signed by all those present at the opening of the proposal/tender box.

Where the proposal or tender is a two-envelope process, envelopes containing the price must be separated and held by the Executive Team Member attending the opening.

In any process:

- Where selection is made on quality-based attributes alone, or
- A participant or participants submissions do not conform with the non-price attribute requirements, the Executive Team Member must return the price envelope of unsuccessful participant(s) unopened.

## 10 Supplier Evaluation and Selection

### 10.1 Evaluation Process

The evaluation process will be dependent on the number of evaluation team members and the complexity of the process being undertaken. However, the outcome of any evaluation process should be an evaluation team consensus score for each participant.

For simple proposals or tender processes, the evaluation team may be able to meet and evaluate proposals or tenders together. More typically, individual team members will initially score proposals or tenders separately initially. The team will then meet to discuss the individual scores and agree on a group consensus score.

It is important to keep a complete record of the group consensus scores on to demonstrate that a robust process has been followed. The tender administrator should be present at any evaluation team meetings to record the scoring. At the end of the scoring process, all evaluation team members should sign the final group scoring.

Any personal notes and individual score sheets created by evaluation team members must not be kept, as they may not reflect the final consensus of the evaluation team. The tender administrator should be responsible for collecting individual scores and destroying these following the evaluation meeting. This applies equally to personal and individual electronic notes.

### 10.2 Interviews/Presentations

As part of a proposal or tender evaluation, participants can be invited to attend an interview or deliver a presentation to provide additional information or clarify any outstanding questions or issues. For interviews, the HBRC evaluation team must:

- Prepare questions in advance and provide to participants
- Allocate the same amount of time to each participant.

The evaluation team might wish to revise a participant's score after an interview or presentation. All participants' scores must be reviewed and any adjustments to the total score made that the evaluation team think are necessary.

If scores are adjusted following an interview or presentation, the final consensus result is the only copy to be retained and signed.

### 10.3 Supplier Recommendation

The conclusion of any procurement process should be a supplier recommendation. The purpose of a supplier recommendation is to achieve approval for a contract with the preferred supplier from the appropriate delegated financial authority. For simple quotation based procurement up to \$25,000, a memo will be sufficient for approval by the appropriate manager.

For tender and proposal processes, once evaluation is complete, the tender administrator must compile a supplier recommendation that, as a minimum:

- Summarises the evaluation
- Identifies and recommends the preferred supplier
- Indicates the budget and the price of the successful bid.

For lowest price conforming evaluations, it is sufficient for the supplier recommendation that the Assessment Report to be used for this purpose with an appended preferred supplier and price.

The supplier recommendation must be forwarded to the appropriate level of delegated financial authority for approval.

If the price of the preferred supplier exceeds the level of delegated authority anticipated during the planning of the procurement, then the Manager responsible approving the procurement process and / or procurement plan must review and approve the supplier recommendation in the first instance. It should then go to the Manager or Council Executive Committee with delegated financial authority for final financial approval.

#### 10.4 **Negotiation**

Following the evaluation and supplier recommendation process, HBRC may have an opportunity to negotiate with the preferred supplier before it enters any contract. Some contracts provide specifically for this and some do not. In the majority of procurement situations, HBRC should consider negotiating with the preferred supplier to achieve the best value possible. However, negotiation must be considered if:

- The proposed price is substantially more than expected
- Some aspects of the proposal or tender could be changed or improved to better meet HBRC's requirements
- The preferred supplier is offering (or have tagged) contractual terms and conditions that are not acceptable to HBRC (note that there are established protocols for dealing with the acceptance or removal of tags and these normally are documented in the conditions of Tendering).

The HBRC Manager(s) or staff member responsible for negotiation must have knowledge of the procurement and the goods, works or services being procured and have negotiating experience. Care should be taken at this stage to ensure that the preferred supplier is aware that the negotiations do not obligate either party to enter into a contract with one another.

#### 10.5 **Awarding and Finalising the Contract**

HBRC will only award a contract to a preferred supplier once the supplier recommendation has been approved. Under most contracts an award letter will form a binding legal agreement. A letter to award a contract should therefore only be sent when HBRC is absolutely certain that it intends to enter into a contract with the preferred supplier and all terms and conditions have been agreed.

The award letter must specify the tender sum and state who the HBRC's representative will be in the administration of the contract and advise the name and qualification of the Engineer to the Contract if one is being appointed.

All details of a procurement process must remain confidential until this stage.

In order to record the detail of the contract two original and identical copies of the documents should be prepared for signing by the parties. Signees must have the authority to execute the contract agreement. For Major Procurements requiring the approval of Council, the contracts should be signed by the Chief Executive and an elected member representative under the HBRC seal.

The final documents should then be provided to the supplier for signature. The supplier should be requested to sign and return one copy to HBRC. HBRC must scan a copy of the contract and file this electronically.

#### 10.6 **Post Process Feedback**

After a successful supplier's offer has been formally accepted the unsuccessful participants must be notified in writing of the outcome of the procurement process. Unsuccessful participants should be given the opportunity to receive feedback on their tender submission. Feedback in the form of a debrief helps participants to improve their offers and ensures that participants will continue to bid in the future. Constructive feedback also demonstrates that a fair process has been undertaken and should prevent participants from challenging HBRC on the process and decision.

In feedback sessions, HBRC must not provide information on other participants' submissions. All information provided should be consistent with the evaluation and should cover the following.

- A recap of the evaluation process and criteria.
- Explanation of why the participant was not successful.
- Areas of demonstrated strengths and weaknesses and how the submission might have been improved.

## 11 Mobilisation

The activities will vary depending on the type of contract, but HBRC must ensure that appropriate actions are undertaken prior to the commencement of supply of goods, works or services:

- Pre-start meeting(s) are held. In this meeting HBRC must discuss with the supplier its performance expectations and agree how the contract will be managed and performance will be measured. Minutes of these meetings must be documented.
- Where relevant, the supplier is allowed access to sites and has appropriate security clearance and access.
- HBRC must confirm all insurance arrangements are in place.
- Ensure the supplier's health and safety measures are in place.
- Any transition activities from an outgoing supplier are overseen by HBRC.



## 12 Evaluating and reviewing the procurement

The final stage in the procurement life cycle is assessing whether the intended benefits from a procurement have been realised and whether any lessons can be learnt from the process.

Contractor performance evaluation has been included in an automated process (utilising Nintex workflow), to coincide with the expiry date of the contract. This automated process will ensure contract manager feedback is captured and stored in the contract file. The contracts administrator will notify Accounts Payable monthly with a report of expiring contracts, reducing the risk of fraud.

Benefits are the reason procurement is carried out and to successfully deliver any procurement, it is essential that the project managers and governors focus on realising the benefits of the procurement from the start of the procurement process.

Showing the benefits that resulted from a project is a way to show accountability. Reporting on what was achieved from a procurement is a way of being transparent about the procurement process and accountable for how the money was spent.

### Learning lessons

Staff contract management performance will be audited internally on a regular basis, as part of the planning, sourcing and managing procurement practice.

- Were the staff used in the procurement process appropriately trained?
- Were the prescribed criteria and procedures followed?
- Was the outcome satisfactory, and what lessons can be learned?

For significant procurements, it is particularly important that any lessons are recorded and shared. HBRC should not wait until the end of a procurement to learn from the process because by then, it might be too late.

Those staff in a role where procurement of goods or services is significant, will have it reflected as a requirement of that particular role and included as a performance measurement tool / metric. A manual summary is available to those staff with procurement responsibilities.

HBRC should be willing to learn "along the way" and improve the procurement process when they can.

This Manual will be amended to capture any improved processes, and formally reviewed in 2022 with the Procurement Policy, and financial delegations.





Item 18

## Template: Outcome Agreement Management Plan (OAMP)

### Introduction and Instructions (delete this page before you distribute the plan)

- Outcome agreements benefit from a documented approach to contract management, particularly when they are of long duration, high value or complexity (e.g. multiple stakeholders and relationships). This template will help.
- It supports the planned, effective and efficient management of outcome agreements by government agencies and providers. It helps to ensure good practice, even if contract managers change.
- It does not contain any contract obligations and is not legally binding.
- The OAMP is your tool. Edit the document and insert or remove content or sections. However, keeping the structure of relationship management, service delivery management and contract administration will mean the document will look familiar to all users.
- Review the Social Services Procurement Guidance on managing the contract before completing the OAMP.

*Delete this box when drafting.*

Attachment 3

Enhancing our environment together | Te whakapakari tahi i tō tātau taiao

06 835 9200 | [info@hbrc.govt.nz](mailto:info@hbrc.govt.nz) | 159 Dalton Street, Napier 4110 | Private Bag 6006, Napier 4142

[hbrc.govt.nz](http://hbrc.govt.nz)





## Outcome Agreement Management Plan

Item 18

Attachment 3

Contract name	
Contract number	
Provider name	
Name of purchasing agency (ies)	
Commencement date	
Term	
Expiry date	
Estimate of annual contract value (excl GST), if applicable	
Estimate of total contract value (excl GST) (if applicable)	

### OAMP owner(s)

	Name	Role/title	Signature
Purchasing agency			
Provider			

Last Updated:



## Table of contents

Introduction and Instructions (delete this page before you distribute the plan)

### WHAT THE OAMP IS FOR

1. Purpose of this document
2. Summary of services and outcomes
3. Summary of key events and activities

### RELATIONSHIP MANAGEMENT

4. Categorisation
5. Principles we will follow
6. Organisation / relationship manager contact details
7. Other key contacts
8. When we will meet, and why
9. Mechanisms for developing and implementing innovative ideas
10. Resolving disputes and issues, including establishing a remedy plan
11. How we will communicate with stakeholders

### MANAGING SERVICE DELIVERY

12. Evolving the service to improve outcomes
13. Managing confidential information
14. Monitoring and reporting
15. Audit coordination
16. How we will manage risk
17. Actions register

### ADMINISTERING THE CONTRACT

18. Payment approvals and processing
20. Future year budget planning
21. Management reporting (by the Purchasing Agency)
22. Contract variations agreed/in progress

Appendix One – Summary of Services

Appendix Two – Risk Register

Appendix Three – Actions Register



# What the OAMP is for

## 1. Purpose of this document

1.1. In this OAMP we outline how we will work together to deliver [service description]. A summary of the services is at Appendix 1.

1.2. This OAMP is not legally binding.

## 2. Summary of services and outcomes

Include here a short summary of the services and the outcomes we are working towards. This might be the executive summary from the business case or contract approval memo, which gives useful background and context for those who are new to the contract and/or need to understand it quickly.

*Delete this box when drafting.*

2.1.

## 3. Summary of key events and activities

[In this table, enter key events and activities such as contractual milestones and deliverables, meetings, audits, reviews with other agencies (if this is an integrated OA), decision points (around renewal or extension of an agreement) etc. If this table is longer than one page, make it an appendix.]

*Delete this box when drafting.*

Activity/Event	Date/Duration/Frequency	Outcome agreement reference





# Relationship management

Item 18

This section is about how the Hawke's Bay Regional Council (HBRC) and the supplier will work together, and how the relationship between them will be managed.

*Delete this box when drafting.*

## 4. Categorisation

The type of relationship we have with providers will vary from provider to provider and from service to service. It is important to recognise this is both normal and necessary. Factors that will influence these different relationships are not just personal factors, such as how well we know each other, but also broader factors such as:

- the level of risk or business impact of the supplier's service engagement on HBRC
- the vulnerability of the client group
- how much HBRC spends on the service engagement
- from the supplier perspective, HBRC's
  - attractiveness (e.g. how easy the agency is to do business with and how aligned is the activity with the supplier's vision and purpose)
  - level of funding (both in dollar terms and as a percentage of the supplier's overall revenue).

The relationship categorisation matrix below provides a pictorial view of the risk, client vulnerability and or strategic importance of the OA to the agency and its relative cost. This matrix provides a quick pictorial view of how we have categories the relationship and is a useful tool to inform our planning on:

- the approach to the relationship – level of openness and strategic focus
- meetings – agenda, frequency and attendees
- monitoring – frequency and scope
- other interactions – type and frequency e.g. workshops, support/participation the other parties planning sessions etc.

Move the star into the appropriate quadrant of the box below.

*Delete this box when drafting.*

Attachment 3

**Key**

<b>Low value strategic</b>	A service that is relatively low cost, but that is likely to have a significant impact on the outcomes for which the agency is responsible, or be working with a highly vulnerable client group; such as a high-health-needs residential programme. Your relationship with the provider is likely to be collaborative and open, and have a strong personal element. It will have a strategic focus, with risk management generally being one of the agency's key drivers.
<b>High value strategic</b>	A service of a higher cost and likely to have a significant impact on outcomes. Such relationships should be very collaborative and open, with a strong strategic focus from both sides. You are likely to engage frequently and in depth, with correspondingly higher levels of trust in the relationship. There will be multiple levels of engagement, including operational and executive level. Considerable focus should be applied to the development and maintenance of relationships in this quadrant.
<b>Low value non-strategic</b>	A service that is relatively low cost and mostly transactional in nature; such as a single local provider offering a series of quit-smoking seminars; or a national provider producing and distributing a booklet on healthy lunches for children. While such services contribute to outcomes, they tend to be lower impact and also lower risk. The relationship will be focussed on the service delivery. You and the provider will have less frequent communication and little, if any, discussion or engagement at a strategic level.
<b>High value non-strategic</b>	A service of a higher cost, but still mostly transactional in nature. Most relationships in this quadrant tend to be for more commercial services, such as air travel to all of government. An agency is less likely to have NGO/social services relationships in this quadrant. While you will have more meetings and more contact than with relationships in the <i>lower value</i> non-strategic quadrant, your approach from a relationship perspective is more 'business' than 'personal'.



## 5. Principles we will follow

Document the principles that underpin how you work together (supplier and HBRC) to set expectations and avoid misunderstandings.

See HBRC Procurement Policy and Manual

We have included example principles below and you are welcome to alter them based on your discussion with your provider.

*Delete this box when drafting.*

5.1. Our relationship recognises the [Kia Tutahi Relationship Accord](#) (The Relationship Accord between the Communities of Aotearoa New Zealand and the Government of New Zealand) and the [Code of Funding Practice](#).

5.2. We will:

- act honestly and in good faith
- practice open and timely communication
- work collaboratively and constructively – including to resolve problems and issues
- recognise each other's responsibilities
- encourage quality and innovation to achieve positive outcomes. They can be environmental, social, economic or cultural benefits.

## 6. Organisation / relationship manager contact details

6.1. Our contact details are listed below:

If there are multiple relationship managers (e.g. multiple funding agencies involved) or numerous contact people you may prefer to put these in an Appendix where they can be more readily updated.

*Delete this box when drafting.*

[Hawke's Bay Regional Council] *[Replicate if multiple Agencies party to the Outcome Agreement this OAMP relates to]*

Relationship Manager	Name and title
Phone:	
Email:	

[Provider]

Relationship Manager:	Name and title
Phone:	
Email:	



## 7. Other key contacts

7.1. Other key personnel are listed below:

Organisation	Name	Contact details	Role
HBRC			
Provider			

## 8. When we will meet, and why

In this section the template contains two examples of approaches you might find useful for capturing your meeting arrangements, including suggestions on levels of detail related to meetings such as; types, agenda items, attendees, frequency and ground rules. It is important the approach you take to meetings and other interactions matches the relationship category. For example, if the outcome agreement is categorised as *High Value Strategic* then you would expect your meetings to be:

- be more frequent
- include discussion on strategic direction and alignment
- involve senior personnel from both organisations for at least some of the strategic level discussions.

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### [OPTION 1]

8.1. We will meet at least [six] monthly to:

- review and discuss what has been achieved for clients
- explore the factors and the story behind the performance measurement data
- discuss priorities and decide actions
- review services
- review and confirm performance measures.

### [OPTION 2]

8.2. We have agreed to hold the meetings listed in the diagram below, which also summaries the meeting hierarchy. E.g





### Ground rules to ensure meetings are productive

8.3. We have agreed to ground rules for open discussion:

- openly express ideas and questions
- practice active listening at all times
- speak honestly and avoid surprises
- only one person should speak at a time
- keep an open mind.

We have agreed to ground rules for decision-making:

- focus on constructive solutions aimed at achieving the specified outcomes
- achieve a group consensus; silence is taken as consent.

### Description of scheduled meetings

8.4. Meeting Name [e.g. Executive Forum]

Meeting Owner	[Purchasing Agency's representative]
Frequency & expected Duration	Annual – 1 hour
Attendees	[HBRC]: – [Provider]: –
Objectives	
Input	
Outcomes	
Responsibility (to coordinate)	
Administration	
Agenda	

8.5. Meeting Name [you can replicate the table above for each meeting forum]

### 9. Mechanisms for developing and implementing innovative ideas

Enhancements to service delivery and better value for money often comes from developing and implementing innovative ideas and ways of delivering services. A useful way to ensure these ideas are not lost is to create a forum or specific meeting agenda point, for identifying and discussing them.

If you wish insert in this section any mechanisms you decide on to develop and implement innovation.

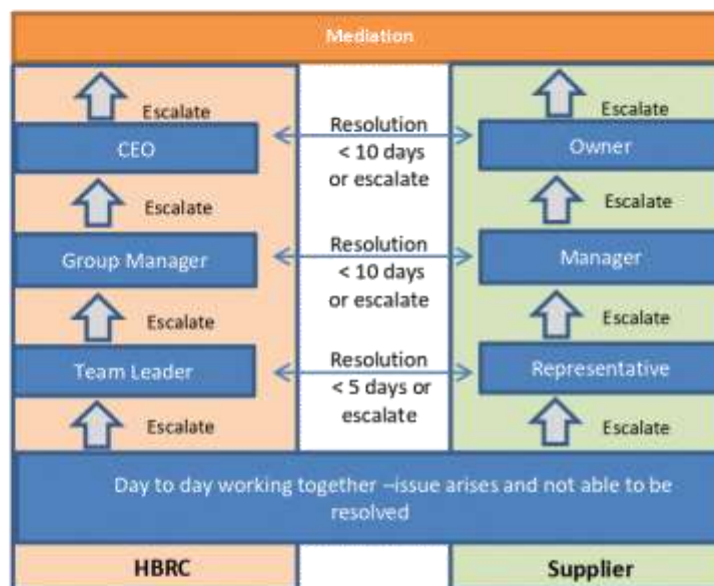
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### 10. Resolving disputes and issues, including establishing a remedy plan

The Framework Terms and Conditions detail the contractual process for dispute resolution. Namely, the parties should attempt to resolve the matter themselves before escalating it to mediation. This section of the OAMP is intended as a placeholder for developing further detail. Details about how the agreement partners will attempt to resolve the matter themselves, including development of a remedy plan (see clause 12.2b of the framework terms and conditions).

The diagram below can be edited to personalise the escalation model for resolution of an issue or dispute before the contractual mechanisms are applied.

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### 11. How we will communicate with stakeholders

Successful contract management includes the appropriate management of stakeholders throughout the lifetime of the outcome agreement. This section is a placeholder for a stakeholder engagement framework, which you can use for recording stakeholder's details and the requirements for managing communications to those stakeholders (we have included an example table below). This section is particularly relevant and useful for large multi-funder arrangements where you might have a wide range of stakeholders, from Ministers to media to client advocacy bodies.

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Stakeholder Name	Interested in	Concerns	Communication objectives (Outputs)	Targeted key messages (Rational & emotional)	Comms Channels How?
[Develop as a landscape table]					



## Managing service delivery

Item 18

This section is focussed on the service delivery aspects of the outcome agreement including background, reporting, monitoring, accreditation (auditing) and risk management.

*Delete this box when drafting.*

### 12. Evolving the service to improve outcomes

You may wish to copy the outcome measures from the contract to this space. The table below sets out some questions to discuss regularly to monitor and improve progress towards outcomes.

*Delete this box when drafting.*

#### 12.1.

How are we doing on the most important of the outcome measures?
What is working well or not working for customers, for the provider and for the agency?
How are we working together and with other partners?
What do we need to change or do more of, including no-cost and low-cost ideas?
Are there any opportunities for innovation?
Are there any process improvements which might free up resource for service delivery?
What do we propose to do?

### 13. Managing confidential information

Detail how confidential information will be managed on a daily basis including:

- agreement to mark confidential information
- agreement on supplier support to the government agency when it is responding to an Official Information Act (OIA) request
- government agency agreement to pay reasonable costs associated with that OIA support (where they can recover them).

As with all parts of the OAMP, these areas can be expanded or modified for the particular engagement.

*Delete this box when drafting.*

Attachment 3





One of the key drivers for the streamlined contracting initiative is to remove inefficiency caused by government agencies undertaking their monitoring and auditing without knowledge or consideration of other monitoring and auditing activity being done by other agencies. Government agencies are expected to coordinate these activities where practical and sensible to do so. These next two sections provide placeholders for recording those coordinated monitoring and auditing arrangements.

Remember to use the Social Sector Contract Register to identify outcome agreements other agencies might have in place with the provider and therefore opportunities for co-ordination.

*Delete this box when drafting.*

#### 14. Monitoring and reporting

Reporting: Capture any administrative details associated with the reporting, e.g. how to access on-line reporting tools, etc.

Monitoring: Capture the logistical and administration details associated with the monitoring activity (visits etc), including details of any coordinated monitoring. The scheduling of the monitoring is captured in the Outcome Agreement.

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##### 14.1. Reporting:

##### 14.2. Monitoring:

#### 15. Audit coordination

Capture the logistical and administration details associated with any coordinated audit, including MSD coordinated accreditations.

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##### 15.1

#### 16. How we will manage risk

16.1. The risk analysis and risk register is contained at Appendix 2. The parties will use the risk analysis and risk register to guide their consideration and management of identified risks.

#### 17. Actions register

17.1. The actions register is contained at Appendix 3 to record the action items identified and agreed in the course of the management of the Outcome Agreement.

## Administering the contract

This section covers administrative matters for the HBRC to manage. These matters are important to the effective operation of the OA but need not be shared with the provider. These include areas such as:

- management of contract variations
- budget management
- approval and processing of invoices and payments
- government agency management reporting (e.g. internal reporting related to the OA)
- maintenance of the OAMP itself.

*Delete this box when drafting.*

### 18. Payment approvals and processing

19. Detail information about delegation holders and procedures for payment approval and processing that is not standardised or immediately clear for any in-coming contract manager.

### 20. Future year budget planning

20.1. If the OAMP supports a multi-year agreement or there is a likelihood the OA will be extended into a new financial year, record any details of future year budget planning processes and applicable timelines that may not immediately be clear for an in-coming contract manager. Any applicable dates could also be included in the Summary of key events and activities schedule.

### 21. Management reporting (by the Purchasing Agency)

21.1. The table below records details of purchasing agency management or other internal reporting related to the OA. It is also useful to include links or file locations for these reports and any relevant templates.

Report name / Description	Report owner	Audience (Distributed to)	Frequency

### 22. Contract variations agreed/in progress

22.1. The following table lists all the agreed / in progress contract variations

Contract number	Variation description	Date raised	Status	Date Agreed/Rejected	Additional Comments

Appendix One – Summary of Services

Where there are multiple service lines under an outcome agreement it can be helpful to have a single page summary view of all the services. If the outcome agreement does not contain such a summary you may find value in using the example form below.

Delete this box when drafting.

Purchasing Agency	Purchasing Agency contact (name /DDI)	Contract Start Date	Contract End Date	Service Description	Practice Guidelines/ Service Specifications	Monitoring Frequency	Payment Frequency	Reporting Frequency	Audit Frequency	Approval Frequency	Volumes	Rate -if applicable	FY21/22 Contract Amount	FY 2 Proposed Funding	FY 3 Proposed Funding	Comment
HBRC	Anna Smith 09-202-0202	1/07/2020	30/06/2023	Re-settlement Services	<a href="#">www.mso/practiceguidelines/re-settlement</a>	Monthly	Monthly	Quarterly	Annual	annually	150		\$500,000	\$500,000	\$500,000	





## Appendix Two – Risk Register

If you do not have a centralised or on-line project risk register you may find value in keeping your risk register in the OAMP. If you have used the DST you can copy your risks from there directly into the template form below.



Appendix Three – Actions Register

The actions register is a place to record those actions agreed by the parties during various meetings and interactions. This is a useful tool that can be pulled out at formal meetings and reviews to keep track and monitor progress on miscellaneous agreed actions. This Appendix is a placeholder for the actions register.

#	Action	Allocated to	Expected Completion Date	Closed

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## Evaluation panel recommendation template

\$100,000 and above

### Agency instructions

- This template is intended for procurements valued from NZ\$100,000 upwards.
- Your agency may customise this template to reflect its practice and requirements – especially the approvals section.
- When customising, consider including user instructions like the example given below. Note that the yellow highlighted areas throughout this example and the remainder of the document specify where to customise.

### Example of user instructions

- This template is intended for any procurement valued from **NZ\$100,000** upwards.
- The evaluation panel recommendation records the panel's deliberations and is signed by all members of the panel. It:
  - lists the bids received
  - explains how bids were evaluated
  - records scores and the panel's critique of each bid
  - records due diligence findings
  - ranks bids in order of preference
  - identifies the recommended supplier.
- Completing an evaluation panel recommendation is part of informed decision making. It also:
  - provides assurance that the evaluation has been carried out as planned and to appropriate probity standards
  - is essential in demonstrating sound decision making
  - records important information that will be used in your supplier debriefs.
- An evaluation panel recommendation **[choose: should / must]** be completed and approved before initiating negotiations with the recommended supplier. You will need approvals from:
  - **E.g. procurement manager confirms the plan meets your agency's requirements**
  - **E.g. project sponsor gives authority to proceed to negotiations with a view to contract.**
- If you would like assistance in preparing your plan, or a constructive peer review of your draft, please contact **[enter contact details for the procurement team]**.

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## Hawke's Bay Regional Council Evaluation panel recommendation

Supply of Native Plants for HBRC Riparian Planting  
Material Programmes in 2020

Document development control	
Prepared by:	Lyn Fippard
Position / title:	Procurement Advisor
Business unit:	Client Services

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Document version:	1.0
Date of last revision:	
Status:	<del>draft</del> complete

Page 3 of 14

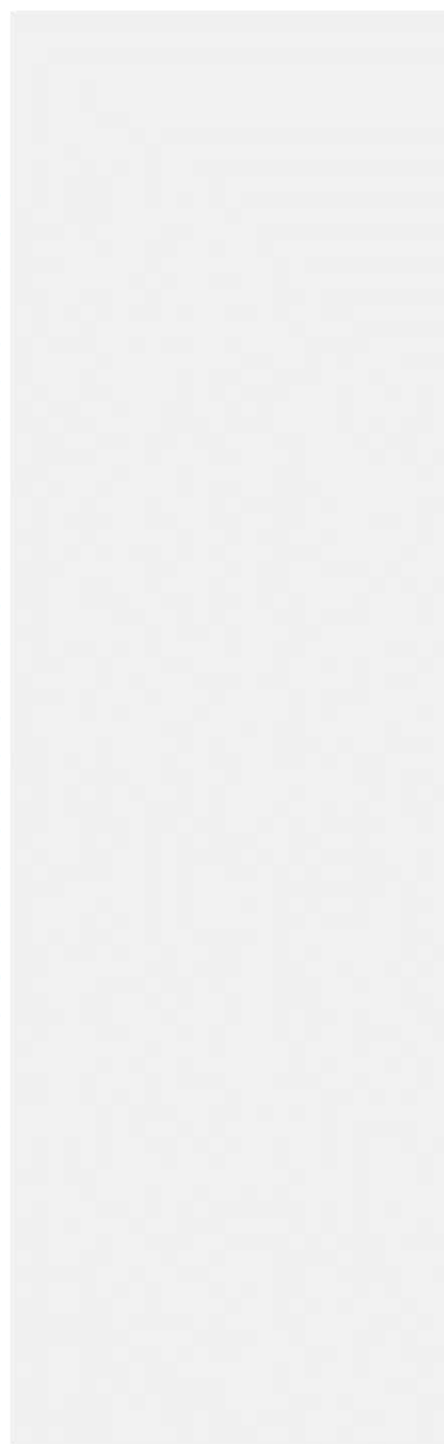
Item 18

Attachment 4

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## Contents

<b>Approvals</b>	<b>54</b>
<b>Summary</b>	<b>75</b>
<b>Requirements</b>	<b>75</b>
Our requirements	75
Contract dates	Error! Bookmark not defined.5
<b>Evaluation panel</b>	<b>75</b>
<b>Evaluation methodology</b>	<b>86</b>
Evaluation method	86
Evaluation criteria and weightings	86
Innovation	Error! Bookmark not defined.7
Due diligence	97
<b>Tenders from suppliers</b>	<b>98</b>
Tenders received	98
Summary of evaluation	Error! Bookmark not defined.8
<b>Due diligence</b>	<b>119</b>
Summary of due diligence	119
Additional process	119
<b>Panel recommendation</b>	<b>119</b>
Recommended supplier	119
Recommended supplier's contract price	119
Budget approval	1210
<b>Further recommendations</b>	<b>1310</b>
Appendix 1: Specification of requirements	1411
Add the tender document details.... Or link	1411
Appendix 2: Proposed contract terms and conditions	1411
Add the tender document details.... Or link	1411



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## Acronyms

The following acronyms are used in this document.

Acronym	Term
ROI	Registration of Interest]
RFP	Request for tender]
HBRC	Hawkes Bay Regional Council
RPP	Riparian Planting Programme
GD	The Garden Depot
KP	Kauri Park
TG	Totora Glen
Waimarama	Waimarama Native Plant Nursery
PHB	Plant HB – Marie Taylor

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## Approvals

Recommendation endorsement

The voting members of the evaluation panel			
Approval that all bids were evaluated as planned. Endorse the panel recommendation/s.			
Name:	Position / title:	Signature:	Date:
Warwick Hesketh	Senior Team Leader Catchment Advisor/Management		
Thomas Petrie	Project Manager Environmental Hotspots		
Russell Engelke	Team Leader Open Spaces		
Lyn Fippard	Procurement Advisor		

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Approval of the evaluation panel recommendation

Chair of the evaluation team	
<b>Approval:</b>	The evaluation of tenders has been carried out by Warwick Hesketh. The recommendations for supplier selection have been reviewed and are supported by the evaluation panel.
<b>Name:</b>	Lyn Fippard
<b>Position/title:</b>	Procurement Advisor
<b>Signature:</b>	<b>Date:</b>

Acceptance of the recommendation and authority to negotiate

Project sponsor / business owner	
<b>Approval to:</b>	Award the tender to successful supplier(s) based on recommendations from the tender review panel. Confirm quantities, prices and conditions of supply with the successful supplier(s). Accept the panel recommendation/s and proceed to negotiate with the recommended supplier with a view to contract. OR Reject the panel's recommendation/s.
<b>Name:</b>	Dean Evans
<b>Position/title:</b>	

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Signature:		Date: Aug 2019
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Page 6 of 14

Item 18

Attachment 4

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## Summary

### Background

The evaluation panel recommendation builds upon an assessment of the five tenders received (refer to Appendix III Tender Evaluation). As well as the tender price received, the evaluation takes into account the following:

- The supplier's ability to meet plant material and delivery specifications
- The genetic origin of plant material (i.e. ecological district)
- Previous dealings with the supplier including the quality of plant material supplied and working relationship
- The need to manage risk in meeting our supply requirements

As a result of the tender evaluation process, it is recommended that contracts be offered to five suppliers to grow and supply plant material. The variety and numbers to be supplied are specified in Appendix IV, Nursery Orders. the business case (insert name) dated (insert date) with document reference (insert) and procurement plan dated (insert date) with document reference (insert).

### What we are buying and why

- This Recommendation relates to the purchase of riparian plant native seedlings to meet the requirements of the Hawke's Bay Regional Council's 2020 planting programmes.
- The key objective of the procurement is meet the demand for native plants from the HBRC Open Spaces Team, the Works Operations Group and land owners (approved by a Catchment Advisor/Catchment Management Teams).
- The outcomes that the procurement aims to achieve is to ensure the right plant is delivered at the right time to the right place in accordance with the business needs.

## Requirements

### Our requirements

- In summary we require to procure a total of 93,725 plants to be delivered to depots in Napier and Waipukurau between Monday 8<sup>th</sup> June and Friday 12<sup>th</sup> June 2020.
- A detailed statement of our requirements is contained in Appendix 1.

## Evaluation panel

A cross-functional team of participants was involved in the review of the tender evaluation and recommendations of the selected suppliers.

### Voting members

Representative/s	Role	Department
Warwick Hensketh	Senior Team Leader Catchment Advisor	Land Management
Russell Engelke	Open Spaces Team Leader	Regional Assets
Thomas Petrie	Project Manager Environmental Hotspots	Biosecurity
Lyn Fippard	Procurement Advisor	Client Services

Page 7 of 14

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**Evaluation method**

- The evaluation model that was used is weighted score.

**Evaluation criteria and weightings**

Each supplier must meet all of the following pre-conditions before its bid was considered for evaluation on its merits.

**Preconditions**

1. ~~E.g. Supplier must hold a current practicing certificate from the New Zealand Law Society. Must be able to meet the plant specifications outlined in the tender document (Refer to Appendix I)~~
2. ~~E.g. Supplier must hold current professional indemnity insurance valued at \$5m. Must be able to deliver the plants to the depot locations, on the dates outlined in the tender document (Appendix I)~~

Having met all of the preconditions, qualifying bids were evaluated on their merits using the following evaluation criteria and weightings.

~~Please note that this model includes price as a weighted criterion.~~

**Evaluation criteria**

Criterion	Weighting
1. <del>Meet required plant specifications – as defined in the "Plant Supply Specifications" section of the Tender Document.</del>	20%
2.1 <del>Eco-sourced Material (Wherever possible plant material should be eco-sourced from the Heretaunga or Eastern Ecological Districts)</del>	<del>20</del> 30%
2.2 <del>Value for money (price) – will pay additional 15% for local supply where plants meet all other specifications</del>	<del>20</del> 20%
4.3 <del>Quality of plants (based on last previous year's supply history where available)</del>	20%
4. <del>Previous relationship with supplier (Previous working relationship i.e. Communication, plant delivery etc)</del>	20%
5. <del>Minimum nursery order (set at 1,000 plants)</del>	10%
6.5 <del>Risk management - orders split according to size, previous quality and new or existing suppliers</del>	10%
Total weightings	100%

In evaluating suppliers' bids against the criteria, the panel used the following rating scale.

**Rating scale**

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Description	Definition	Rating
<b>Excellent</b>	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.	9-10
<b>Good</b>	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.	7-8
<b>Acceptable</b>	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.	5-6
<b>Minor reservations</b>	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.	3-4
<b>Serious reservations</b>	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.	1-2
<b>Unacceptable</b>	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 and quality measures required to provide the goods / services, with little or no supporting evidence.	0

### Due diligence

The following verification matrix was used as part of the evaluation and due diligence process. The table shows how elements of the criteria were verified by the panel.

Evaluation & due diligence options	Criteria		
	Fit for purpose	Ability to deliver	Value for money
Written offer / tender documents	✓	✓	✓
Buyer clarifications of offer	✓	✓	✓
<del>Site visit - future</del>	✓	✓	✓
Accepts proposed conditions of contact	✓	✓	✓

### Tenders from suppliers

Tenders received

Suppliers that have tendered and have been subsequently shortlisted for evaluation

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Name of supplier	Met procedural requirements	Met mandatory conditions
1. The Garden Depot Hastings	Yes	Yes
2. Kauri Park	Yes	Yes
3. Totora Park	Yes	Yes
4. Waimarama Native Plant Nursery	Yes	Yes
5. Plant HB – Marie Taylor	Yes	Yes

Suppliers not shortlisted - none

## Summary of each short-listed supplier's relative strengths and weaknesses

Name of supplier	Strengths	Weaknesses
1. The Garden Depot Hastings	Local supplier. Very competitive pricing. Eco-sourcing. On the whole good quality plants. A good dispatch and delivery process. Easy to work with, flexible and accommodating	Unable to meet their kanuka order last year. Some lack of uniformity among some lines (e.g. flax and karo)
2. Kauri Park	A consistent supplier with strong uniform plants. Eco-sourcing. Competitive pricing. A very good system for delivering and handling plants. Very accommodating last season when some lines needed to be swapped late	Not a local supplier. Dubious about their ability to eco-source for some lines. Some plants not available for viewing at inspection. Some significant inaccuracies at delivery last season. Some older root-bound stock.
3. Totora Totara Park Gen	Competitive pricing. Eco-sourcing for most lines. Supplier is known to CMT and has a good reputation in the industry	Not a local or currently a supplier to HBRC therefore details around plant quality, delivery systems etc. are not yet known
4. Waimarama Native Plant Nursery	Local supplier. Good plants with high confidence in eco-sourcing. Very accurate with delivery numbers. Flexible and accommodating. Has been able to assist in the past when HBRC has been let down by other suppliers	Generally more expensive. Unable to meet full order for manuka last season. Small nursery not able to supply the full quantities required. Can only supply low numbers for some lines
5. Plant HB – Marie Taylor	Local supplier with a very good reputation. Good plants. Confidence with ability to eco-source. Has been able to assist in the past when HBRC has been let down by other suppliers	Generally the most expensive tender. Smaller numbers tendered. Small nursery not able to supply the full quantities required

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## Due diligence

### Summary of due diligence

#### Due diligence for shortlisted suppliers

Name of supplier	Nature of due diligence and results
1. <a href="#">Garden Depot Hastings</a>	Four years as a proven supplier. Seeds or cuttings sourced from within Heretaunga or Eastern Ecological District – advised by supplier.
2. <a href="#">Kauri Park Nursery</a>	Six years as a proven supplier.
3. <a href="#">Waimarama Native Plant Nursery</a>	Six years as a proven supplier.
4. <a href="#">Plant Hawke's Bay Nursery</a>	Six years as a proven supplier.
5. <a href="#">Totara Glen Nursery</a>	Although Totara Glen have not supplied previously, the tender was prepared by Philip Smith, previously of Taupo Native Plant Nursery. Taupo Native Plant Nursery had been a consistent supplier until it closed last year.

#### Additional process

- Initial recommendations were sent out to the Catchment Team Leaders and Advisors and feedback received has been taken into account as part of the selection process.
- The panel also requested reiterated the importance of viewing the plants well before the delivery date. Suppliers should be advised to have all plants on hand at the time of inspection.

• site visits to the selected suppliers' premises to reiterate

#### Recommended suppliers

- The panel recommended the following suppliers for the Riparian Planting Contract: [Garden Depot Hastings](#), [Kauri Park Nurseries](#), [Totara Glen Nursery](#), [Waimarama Native Plant Nursery](#) and [Plant Hawke's Bay Nursery](#).

<a href="#">The Garden Depot Hastings</a>	40,795 units
<a href="#">Kauri Park Nurseries</a>	31,555 units
<a href="#">Totara Glen Nursery</a>	15,775 units
<a href="#">Waimarama Native Plant Nursery</a>	4,250 units
<a href="#">Plant Hawke's Bay Nursery</a>	1,350 units

- This decision is based on the evaluation criteria as set out in the evaluation methodology above together with the experience and technical knowledge of the Catchment Advisor.

#### Recommended supplier's tender price

The recommended suppliers have offered a tender prices as per the following table (exclusive of GST).

#### Breakdown of proposed Riparian Plant Tender

Name of supplier	Total price
------------------	-------------

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1. The Garden Depot Hastings	\$100,160.85 GST excl
2. Kauri Park	\$100,836.75 GST excl
3. Totara Park Glen	\$43,432.50 GST excl
4. Waimarama Native Plant Nursery	\$15,187.50 GST excl
5. Plant Hawke's Bay - Marie Taylor Nursery	\$4,900.00 GST excl
<b>Total Tender Cost</b>	<b>\$264,517.60 GST excl</b>

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**Budget approval – all cost recovered through sales**

Budget approval for the total costs over whole-of-life has been given by [insert name of officer holding delegated authority who has approved the budget] on [insert date]. This approval is up to a maximum spend of [insert] over [insert number of years] one year.

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## Further recommendations

The panel recommended addressing various points ~~in the future relating in relation to the delivery of the riparian planting programme~~ riparian planting for the 2020 programme in 2020 and beyond. In particular:

- ~~That the d~~Delivery and dispatch process be re-evaluated.  
The panel recommends that the current process for delivery and subsequent collection of plants from the various depots needs to be reassessed. The points of concern were the availability labour; the coordination of deliveries to multiple locations and the collection of plants from the depot by the customers.
- ~~That p~~Plant quality expectations are reinforced prior to and at point of delivery.  
Post awarding of tenders, the Procurement Advisor needs to meet with suppliers to reiterate the requirements for the 2020 supply and provide feedback on the previous year's delivery.



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## Appendix 1: Specification of requirements

[https://herbi.hbrc.govt.nz/site/land/biodiv/prog/HBRC\\_Plant\\_Tender\\_Doc\\_July19.pdf](https://herbi.hbrc.govt.nz/site/land/biodiv/prog/HBRC_Plant_Tender_Doc_July19.pdf)

Add the tender document details.... Or link

## Appendix II: Proposed contract terms and conditions

Attach generic contract for supply

## Tender evaluation based on criteria

Attach tender evaluation (spreadsheet output)

## Appendix 2: Tender evaluation based on criteria

[https://herbi.hbrc.govt.nz/site/land/biodiv/prog/Plant\\_Tender\\_Breakdown\\_Nursery%20Orders\\_19\\_20.xlsx](https://herbi.hbrc.govt.nz/site/land/biodiv/prog/Plant_Tender_Breakdown_Nursery%20Orders_19_20.xlsx)

## Proposed contract terms and conditions

Attach generic contract for supply

Add the tender document details.... Or link

## Appendix IV: Nursery Orders

[https://herbi.hbrc.govt.nz/site/land/biodiv/prog/RPP\\_Nursery%20Orders\\_19\\_20.pdf](https://herbi.hbrc.govt.nz/site/land/biodiv/prog/RPP_Nursery%20Orders_19_20.pdf)

Attach nursery orders for each supplier

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# Hawkes Bay Region Water Security Economic Impact Assessment

Draft Executive Summary

Draft 17 June 2020

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research



# Hawkes Bay Region Water Security Economic Impact Assessment

Executive Summary Draft

Prepared for

Hawkes Bay Regional Council

Document reference:

Date of this version: 17 June 2020

Report author(s): Dr Garry McDonald, Dr Juan Monge, Dr Nicola McDonald

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## Contents

EXECUTIVE SUMMARY DRAFT .....	1
OBJECTIVE .....	1
BACKGROUND.....	1
METHODOLOGY .....	2
RESULTS .....	9
CONCLUDING COMMENTS.....	17
REFERENCES .....	17

Item 19

Attachment 1





## Executive Summary DRAFT

### Objective

The objective of this study is to provide a high-level economic impact assessment of the value of water security in the TANK (Tūtaekurī, Ahuriri, Ngaruroro and Karamū) and Tukituki catchments, including the flow-on impacts to the wider Hawke's Bay region and rest of New Zealand economies, associated with climate change. At present, Hawke's Bay Regional Council (HBRC) is most interested in understanding the economic consequences of a 'do nothing' scenario with climate change incorporated. It is expected that this rapid assessment will be coarse and preliminary, but that it would provide a foundation from which more informed and detailed investigations into water security options (e.g. storage, augmentation, aquifer recharge) may occur.

### Background

Previous economic work undertaken by AgFirst (2018), Nimmo-Bell (2018) and MEResearch (2018) for the TANK catchments, and by Butcher Partners (2013, 2016) for the proposed Ruataniwha water storage scheme (part of the Tukituki catchment), provides some insights into the economic value of water security. This work did not however explicitly consider the water-related impacts of climate change.

HBRC was recently awarded funding under the Provincial Growth Fund (PGF) for a water security programme. This programme acknowledges that, while not perfect, the current water allocation management regime is sustainable for both the TANK and Tukituki catchments. Nevertheless, recent assessments prepared for the Ministry of Primary Industries (NIWA, 2016), Ministry for the Environment (NIWA, 2018) and the Office of the Prime Minister's Chief Science Advisor (2017) have noted that the overall water supply and demand balance, under climate change, may significantly impact water supply over the longer term. As a first step in understanding the implications on water security of climate change, HBRC are therefore interested in examining the economic consequences of a 'do nothing scenario' with climate change accounted for.

It is expected that this assessment will evaluate not only the direct impacts (i.e. the operation of farm systems dependent on water allocation), but also the flow-on impacts (so-called 'general equilibrium' effects) through the Hawke's Bay region and rest of New Zealand economies. This includes effects associated with changes in supply chains, changes in employee spending, and any associated price changes for factors of production (labour, capital) as well as for commodities and so on. Importantly, any analysis of the implications of climate change requires that alternative transition paths for the economy be considered over time i.e. between 2020-2060 in some detail, and 2060 onwards more generally.



## Methodology

The work was undertaken in four stages.

### Stage 1: Water-related impacts of climate change

The future water related impacts of climate change for the TANK and Tukituki catchments were extracted from NIWA's (2016, 2018) mid-century maps of water-flow reliability (supply side proxy, Figure 1) and soil-moisture-deficit (demand side proxy, Figure 2) forecasts under two of the four Representative Concentration Pathways (RCPs) climate change scenarios. Similar late-century forecasts were also obtained from the NIWA (2016). Each RCP represents a greenhouse concentration trajectory adopted by the Intergovernmental Panel on Climate Change (IPCC) – refer to Table 1 for details of the RCPs considered i.e. RCP2.6, RCP4.5, RCP6.0 and RCP8.5. Fig. 3 provides a generalised graphical representation of the RCPs expressed as CO<sub>2</sub>-equivalent concentrations over time.



Fig. 1: Mid-century water-flow reliability forecasts (absolute changes) for the Hawke's Bay region's TANK and Tukituki catchments under (a) RCP2.6 and (b) RCP8.5 (NIWA, 2016)

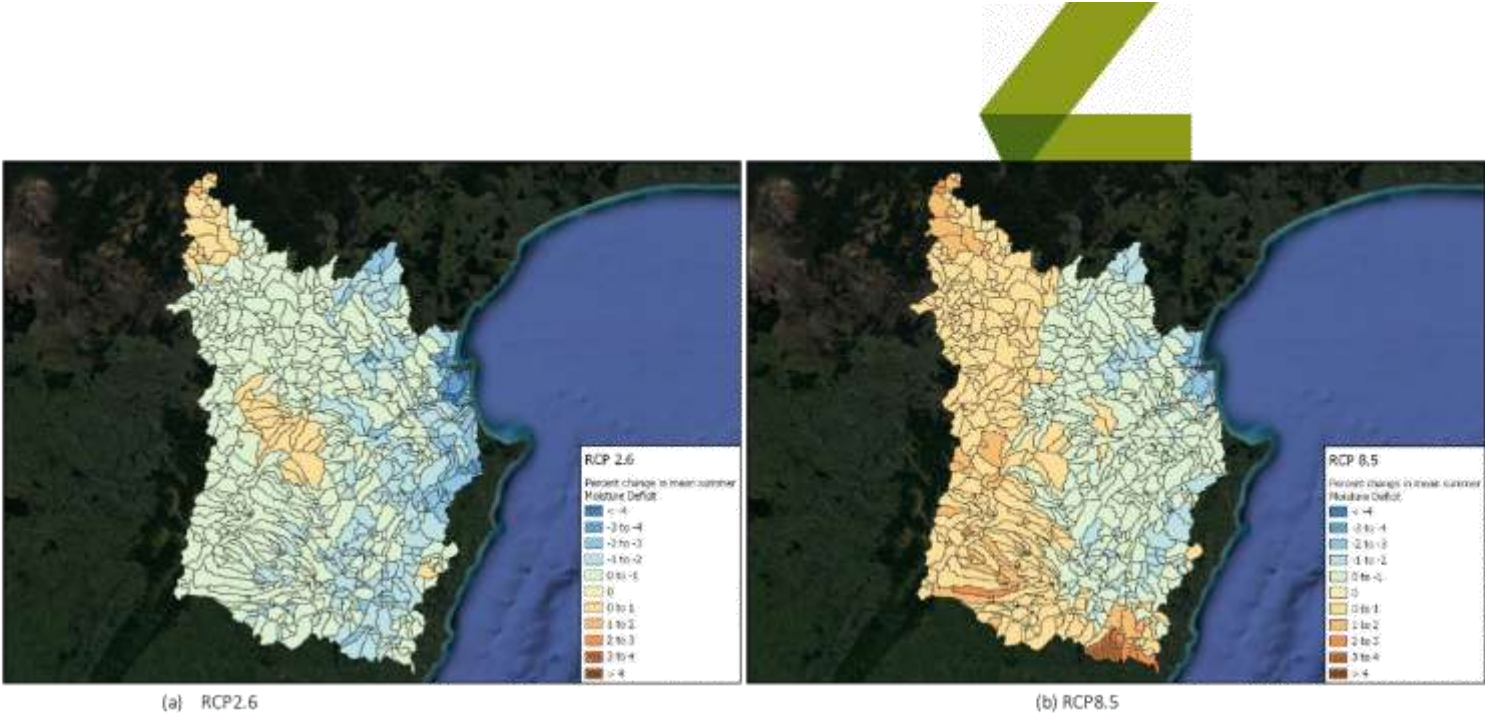


Fig. 2: Mid -century soil-moisture-deficit forecasts (percent changes) for the Hawke’s Bay region’s TANK and Tukituki catchments under RCP2.6 and RCP8.5 (NIWA, 2016)





Table 1: Representative Concentration Pathways (RCPs) adopted by Intergovernmental Panel on Climate Change (IPCC)

Scenario	Radiative Forcing	CO <sub>2</sub> -eq Concentration	Description
	(W/m <sup>2</sup> )	(ppm)	
<b>RCP2.6</b>	3.0	480-530	A strict reduction scenario that aims to keep global warming below 2°C above pre-industrial temperatures.
<b>RCP4.5</b>	4.5	580-720	A reduction scenario in which a significant GHG mitigation policy is implemented.
<b>RCP6.0</b>	6.0	720-1000	A normal reduction scenario in which an ordinary GHG mitigation policy is implemented.
<b>RCP8.5</b>	8.5	>1000	Very high GHG emissions. Scenarios without additional efforts to constrain emissions.

Note: The four RCPs use a common set of historical emissions data to initialise the integrated assessment models. The four RCPs were simulated in different Integrated Assessment Models to 2100.

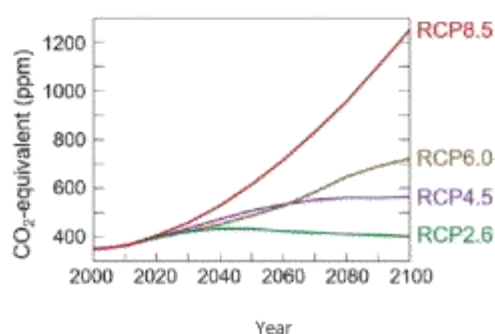


Fig. 3: Representative Concentration Pathways (RCPs) as adopted by the Intergovernmental Panel on Climate Change. Note: ppm = parts per million.

### Modelling Caveat: Water-related Impacts of Climate Change

The water supply forecasts under climate change reported by NIWA (2016, 2018) consider surface water only. The authors of the NIWA reports state that further modelling would be needed to account for fluctuations in groundwater sources

### Stage 2: Water-revenue curves and direct economic impacts

Water-revenue curves (Fig. 4) for key impacted industries within the TANK and Tukituki catchments were then derived from several sources: (1) the work previously undertaken by AgFirst (2018), Nimmo-Bell (2018) and MEResearch (2018) for the TANK economic assessment – covering irrigated grapes, pip fruit, summer fruit, kiwifruit and vegetables; (2) representative farm system modelling undertaken specifically for this project by AgFirst (AgFirst, 2020) – covering irrigated sheep, beef, deer, other livestock and grain farming; and (3) other studies undertaken elsewhere in New Zealand (e.g. Lieffering

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*et al.* (2012) and Kalaugher (2017)) – covering dairy cattle farming and non-irrigated sheep, beef, deer, other livestock and grain farming.

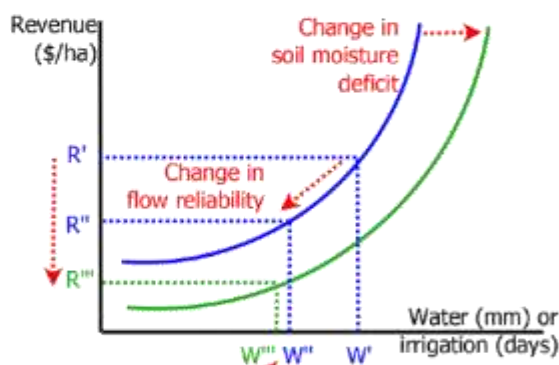


Fig. 4: A Theoretical Water-Revenue Curve and its Adjustment for Changes in Supply (Flow reliability) and Demand (Soil moisture deficit) Relationships.

Based on the TANK economic assessment ((1) in the preceding paragraph), for example, AgFirst (2018) estimated the total number of days when irrigation would be banned due to water supply restrictions and, in turn, the resulting loss in production for different types of crops. Nimmo-Bell (2018), in turn, used this information to produce per-hectare revenue estimates for each crop type under different water restriction scenarios (covering surface water, groundwater and surface-connected groundwater). In this study, we utilise Nimmo-Bell's (2018) per-hectare revenue and ban day estimates (for a 1998 historical baseline<sup>3</sup>) to develop a scatter plot, and in turn, create water-revenue curves, that relate crop revenue to irrigation days, where irrigation days are obtained by subtracting ban days from a full water year with no restrictions (estimated by AgFirst/Nimmo-Bell (2018) to be 336 days, 12 months of 28 days each). Note that the impacts of lesser water availability are simulated by moving the intercept down the blue curve in Fig.4 (i.e. a change in supply, represented by moving  $W'$  to  $W''$  producing  $R''$ ), while the impacts of a drier year resulting from climate change (i.e. a change in demand) is simulated in Fig. 4 by an outward shift (blue to green curve, represented by moving  $W'$  to  $W'''$  producing  $R'''$ ). The logic behind the demand side shift curve is that for the same level of revenues, the plant/farm/orchard will need more water as, according to the NIWA (2016) report, the soil moisture level will decrease as the climatic change intensity increases, e.g. less rainfall and higher temperatures. Hence, the demand for water will increase going into the future to meet higher soil moisture deficits (= field capacity – soil moisture). In other words, for the same amount of water, the plant/farm/orchard will produce less and receive less revenue.

<sup>3</sup> Most of the results reported by AgFirst (2018) and Nimmo-Bell (2018) were for the 1998 year as it was one of the driest years for which data was available.



### Stage 3: Direct economic impacts

The forecasted changes to water-flow-reliability and soil-moisture-deficit in the TANK and Tukituki catchments (from the NIWA maps developed in Stage 1) are then used to respectively simulate future changes in supply and demand for water, and the associated impacts on revenue (and also Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)) per ha (Fig. 4). This was performed for each crop type and farm type in the TANK and Tukituki catchments. These were in turn weighted by land areas (ha) to estimate production losses by economic industry (i.e. horticulture and fruit growing; sheep, beef, deer, other livestock and grain farming; and dairy cattle farming). Finally, these direct economic impacts were expressed as net changes in percentages from the 1998 historical baseline.

The core set of data developed from this process (Stage 1, 2 and 3 combined) is a set of scalars that describe, for each economic industry, at one year intervals, the percentage of industry commodity supply that can be achieved under the new climate conditions compared to current or 'normal' climate conditions. This data is then passed as an input to the multi-regional Dynamic Economic Model.

### Stage 4: Wider economic impacts

We then applied a Multi-Regional Dynamic Economic Model (DEM) of the wider Hawke's Bay region and rest of New Zealand economies to estimate the flow-on socio-economic impacts of changes to water availability resulting from climate change. This model has many of the features of a fully Dynamic Computable General Equilibrium (DCGE) model i.e. pricing dynamics, substitution/transformation effects, interregional/international trade and so on. It is however uniquely designed to understand the transition path through time of disrupted economies. This model is analogous to the dynamic economic model created within the Southland Economic Project for the analysis of freshwater management policies, and also draws on developments in dynamic modelling produced by MBIE research funding, and through the Resilience to Nature's Challenges National Science Challenge.

The DEM reports the socio-economic consequences for value added<sup>2,3</sup> (as measured in \$<sub>2019m</sub>) by: (i) location – the Hawke's Bay region and Rest of New Zealand, (ii) time – 3-day time steps, covering the period 2007 through to 2060 (with 2007-2019 used to calibrate the model), reporting annually, and (iii) industry – 23 aggregate economic industries comprehensively covering *all* market based economic activities. The wider economic impacts are presented in net economic terms for a range of 'reference futures' (see directly below).

<sup>2</sup> 'Value added' is a measure of the value added to goods and services by the contributions of capital and labour i.e. the value of output after the cost of bought-in materials and services has been deducted. It includes the National Account categories of 'gross operating surplus', 'compensation of employees', 'other taxes on productions' and 'subsidies'. Value added is equal to Gross Domestic Product (GDP) less taxes on products and import taxes net of subsidies. In New Zealand, total value added is thus approximately equal to 88% of GDP.

<sup>3</sup> The AgFirst (2018) report, undertaken for the TANK economic assessment, did not consider any changes in expenditure items (including labour) in response to water restrictions. For this reason, we have not been able to model potential employment impacts at this stage.



## Modelling Caveat: Wider Economic Impacts

Due to the restricted timeframes available for our analysis we have focused solely on the impacts felt directly in the TANK and Tukituki catchments by the primary sector of the economy (i.e. horticulture and fruit growing; sheep, beef, deer and other livestock and grain farming; dairy cattle farming) along with the associated flow-on (general equilibrium) economic impacts felt in the wider Hawke's Bay and rest of New Zealand economies. Water is also taken directly by industry and municipalities – the impact of these takes on water balances with the TANK and Tukituki catchments has not been assessed. Importantly, water also underpins the provision of ecosystem services which are critical to the life support of all habitats and species – for Māori communities a healthy environment is essential for a healthy people (Oranga Taiao Oranga Tāngata).

## Reference Futures

The future is inherently uncertain, both in respect to the nature and magnitude of regional climate change impacts that will be experienced as well as the way in which the regional/national/world economic systems will grow and evolve over time. Reflecting this uncertainty, we have not attempted to quantify a single 'best guess' of the climate change impacts that will result from changes in water supply-demand in the TANK and Tukituki catchments, but rather to report a range of results under differing assumptions regarding future conditions. The differing assumptions are broadly defined into two key groups:

1. *Future Climate Scenarios* – As outlined in the methodology, in the modelling we looked at four of the IPCC's potential climate futures (represented by different RCPs). Given the relatively extreme nature of the RCP2.6 scenario, requiring negative world emissions to be reached, and that globally we are not tracking to stay within this scenario, only the latter three scenarios were carried forward into the multi-regional dynamic economic modelling.
2. *World Economic Conditions* – There are a range of future economic conditions that are largely outside of the control of Hawke's Bay region, and which are largely uncertain, for example changes in international commodity prices, speed of technology change and productivity growth or level of environmental protection. To illustrate a range of different futures that may occur in these respects, five alternative 'reference futures' are implemented in the multi-regional DEM. These futures are explained in detail in Vergara *et al.* (2019), with a short summary of the key features of each scenario provided in Table 2.

Table 2: Summary of Reference Economic Futures

Reference Economic Futures	Economic growth	Global co-operation	Technological change	Environmental focus
<i>Baseline</i>	Medium/ Baseline	Medium/ Baseline	Medium/ Baseline	Medium/ Baseline
<i>Techno-global Future</i>	High	High	High	Medium/ Baseline
<i>Fragmented Future</i>	Low	Low	Low	Low
<i>Green-Oriented Future</i>	Medium/ Baseline	Medium/ Baseline	High	High





The Techno-global Future scenario is further separated into two sub-scenarios, 101 and 102. This reflects that in a future characterised by high technological and productivity change, there can be quite divergent impacts on labour and employment, depending on whether new processes and technologies are largely job replacing (102) or job augmenting (101). To analyse the impacts of the alternative climate scenarios in the Multi-Regional DEM, each 'reference future' is individually run in the model, with and without the climate change impacts incorporated.

## Results

### Direct economic impacts on Hawke's Bay Region's farming industries

The following graphs for the 'do-nothing scenario' shows the relative and absolute changes in revenue, with respect to the 1998 historical baseline, for irrigated crops in the region due to climate-related reductions in water supply and increments in water demand, under the four different RCP climate change scenarios. These impacts were also calculated for two time periods: mid- and late-century.



Fig. 4: Net Changes in Revenues (%) for Irrigated Crops and Pasture under Different Climate Change Scenarios (RCPs) and Time Horizons for the Do-nothing Scenario

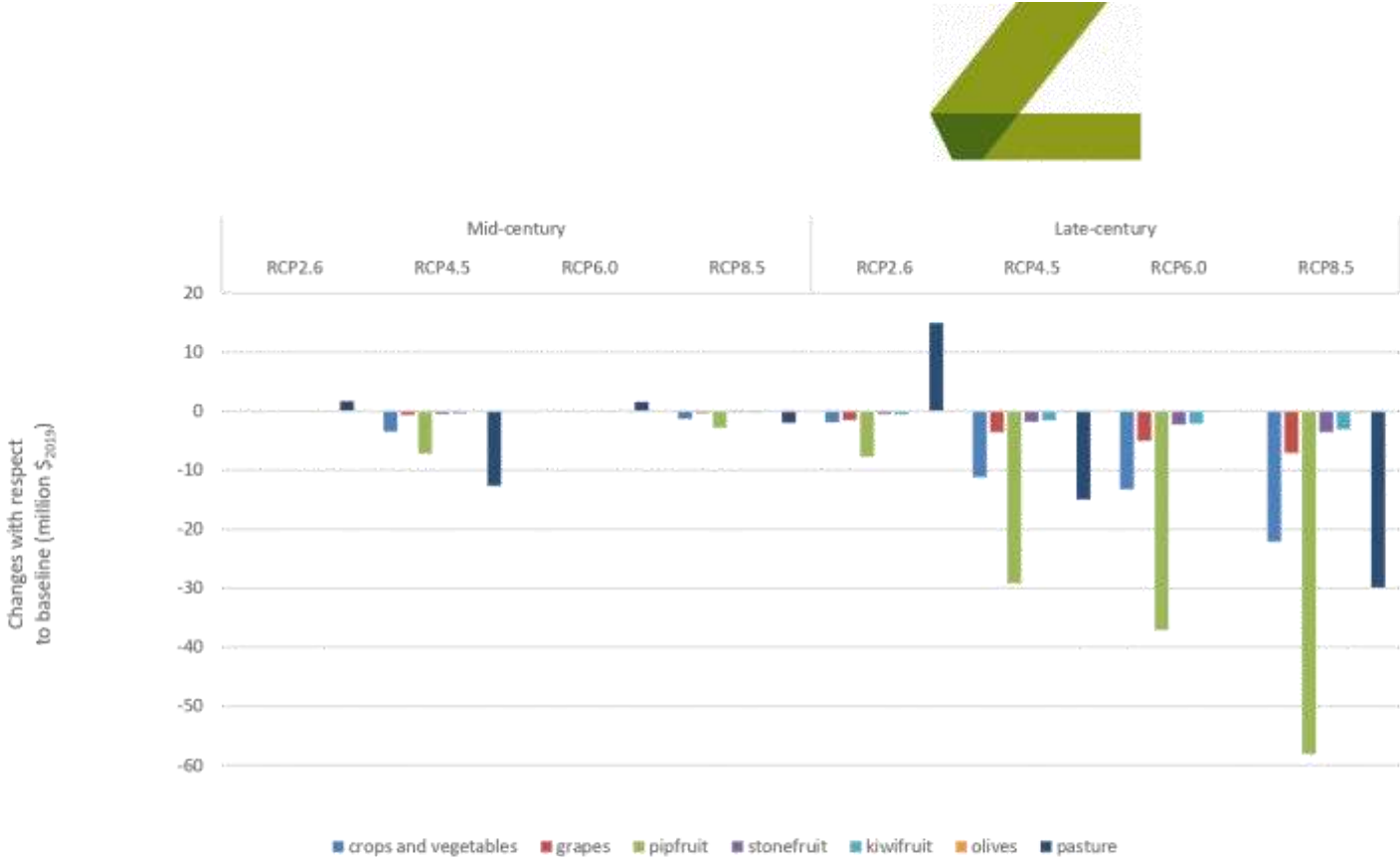


Fig. 5: Net Changes in Revenues (\$<sub>2019</sub>) for Irrigated Crops and Pasture under the Different Climate Change Scenarios (RCPs) and Time Horizons for the Do-nothing Scenario



As depicted in the previous figures, the main findings are (NB: all \$ are expressed in NZ\$<sub>2019</sub> terms):

- The late-century water-related climatic impacts on revenues are significantly more substantial than the mid-century impacts. This reflects the changes predicted by NIWA for water supply (i.e. water flow reliability) and demand (i.e. soil moisture deficit) under climate change. Under all four RCPs the mid-century impacts are relatively small – all less than 2.5% compared to the 1998 baseline, with pasture experiencing the largest impacts of approximately \$12million per year. Discussions with the authors of the NIWA (2016, 2018) reports confirmed that changes in climate, are not statistically differentiable from normal climate variability, until post-2050.
- In relative terms, crops and vegetables would be the most impacted agricultural activity in the region with an approximate reduction of 18% in revenues under the most extreme late-century climate scenario. These would be followed by pip fruit with an approximate reduction of 11% in revenues under the same scenario.
- In absolute terms, pip fruit would be the most impacted agricultural crop with an approximate annual loss in revenues of \$60 million within the Hawke's Bay region. Pasture-dependent dry-stock and crops and vegetables would be the next most impacted agricultural activities in the region with approximate annual losses of \$30 and \$20 million, respectively.
- It is important to note that our analysis considered not only revenue, but also EBITDA – a measure of the surplus or profit generated each crop type or farm system. Our analysis indicated that EBITDA for several crops would drop significantly and could become negative in the latter part of the century. There are several implications associated with this including *inter alia*: (1) it is likely that horticulture and fruit growing business owners would begin to consider other potential uses of their land – including uses that may be less profitable than presently; and (2) investors may consider moving capital outside of the region to more profitable locations.

## Wider Economic Impacts on the Hawke's Bay and rest of New Zealand Economies

### Headline Results

Top-line results are reported in terms of annual changes in annual Gross Domestic Product (GDP) in Table 3. The numbers reported in this table are the median result across the five separate 'reference futures' considered (i.e. Baseline, Techno-global Future 101, Techno-global Future 102, Fragmented Future, Green-Oriented Future).

Interestingly, the results for the RCP4.5 and RCP8.5 scenarios are reasonably similar, with a net change in annual GDP of \$<sub>2019</sub> 30-40million in 2030, escalating to an annual change in GDP of \$<sub>2019</sub> 470 million by 2060 for the RCP8.5 scenario and \$<sub>2019</sub> 500 million for the RCP4.5 scenario. The similarities in these results reflects that the greenhouse gas concentrations and estimated climate impacts are relatively consistent between these scenarios over the period that has been modelled: the RCP4.5 scenario has emissions peaking around 2040 and then declining while the RCP8.5 scenario has emissions rising over the entire century.





Table 3: Net Change in Annual Gross Domestic Product under Alternative Climate Scenarios (\$<sub>2019</sub>mil) as at 2030, 2045 and 2060

	2030	2045	2060
<i>RCP4.5</i>			
Hawkes Bay	-30	-70	-110
Rest of NZ	-10	-90	-400
Total NZ	-40	-180	-500
<i>RCP8.5</i>			
Hawkes Bay	-20	-60	-120
Rest of NZ	-10	-80	-370
Total NZ	-30	-160	-470

Note: (1) Values reported are the median across five alternative Reference Economic Futures Modelled (2) Results are rounded to nearest \$10 million.

We note that if it were possible to extend the dynamic multi-regional economic modelling out further in time, we would anticipate that the differences between the RCP4.5 and RCP8.5 scenarios would become substantial given that the emissions under RCP8.5 will significantly outstrip emissions under RCP4.5 by the end of the century. As evidence, the modelling undertaken on direct impacts on farm systems indicates that, assuming current methods of production and prices remained constant out to the later part of the century, grape production will have per hectare expenditures in excess of per hectare revenues (i.e. negative EBITDA) under both the RCP6.0 and RCP8.5 scenarios.

In Table 4 the modelled results have been converted into 'net present value' terms via application of discounting. Under the RCP4.5 scenario, for example, a discount rate of 4% per annum produces a net present value ranging between \$1.7 and \$2.3 billion (for the 2020-2060 period of our analysis), while a 6% per annum discount rate reduces this range to between \$1 and \$1.3 billion. Obviously, this should not be interpreted as the full climate change impacts, as the modelled results only go out to 2060. It should also be noted that there is much debate around the appropriate application of discount rates when considering environmental impacts, when many of these will not occur in the immediate future. Applying a standard financial discount rate of, say, 6% per annum, a cost of \$1 falling in 40 years' time will have a net present value of just 8 cents.



Table 4: Net Present Value of Impacts on Gross Domestic Product under alternative Climate Change Scenarios and Economic Futures for the Period 2020-2060 (\$<sub>2019</sub>mil)

	4% Annual Discount Rate		6% Annual Discount Rate	
	RCP4.5	RCP8.5	RCP4.5	RCP8.5
<i>Baseline Future</i>				
Hawkes Bay	-800	-700	-500	-430
Rest of New Zealand	-1,230	-1,070	-660	-570
Total New Zealand	-2,030	-1,760	-1,150	-1,000
<i>Fragmented Future</i>				
Hawkes Bay	-730	-630	-460	-400
Rest of New Zealand	-1,430	-1,220	-790	-670
Total New Zealand	-2,160	-1,850	-1,250	-1,070
<i>Techno-Global Future 01</i>				
Hawkes Bay	-950	-840	-590	-510
Rest of New Zealand	-810	-690	-470	-390
Total New Zealand	-1,760	-1,530	-1,050	-910
<i>Techno-Global Future 02</i>				
Hawkes Bay	-930	-820	-580	-500
Rest of New Zealand	-1,350	-1,170	-750	-640
Total New Zealand	-2,280	-1,990	-1,330	-1,150
<i>Green Growth Future</i>				
Hawkes Bay	-790	-690	-500	-430
Rest of New Zealand	-880	-750	-490	-410
Total New Zealand	-1,670	-1,440	-990	-840

#### Sectoral Level Results

To illustrate how impacts of climate change and changes in water supply-demand are distributed across economic industries, Table 5 provides a breakdown of the changes in annual industry value added at 2060 under the RCP4.5 scenario. Essentially, value added records the income generated by each industry in terms of payments of wages and salaries and generation of profits received by business/capital owners. Furthermore, except for a small component that is associated with taxes, the sum of industry value added will equal GDP.

Not surprisingly, the largest losses within the Hawkes Bay are experienced in the agricultural sectors (e.g. \$43-\$87 million annually for the sheep, beef, deer, other livestock and grain farming industry) with some flow on effects to food manufacturing. Small increases in value added are recorded in the forestry and logging and other primary industries, which reflects that the model is allocating some increased land to these activities as a response to relative declines in profitability in the horticulture/drystock/dairy industries. Small increases in value added are also recorded for other manufacturing within the Hawkes Bay. A primary reason is that with declining relative profitability in activities such as food manufacturing, it is receiving a greater proportion of future capital investment which helps to grow the production in other manufacturing.



The positive impacts reported for agriculture industries in the rest of New Zealand reflects that these industries are picking up some of the supply (both directly to consumers as well as other inter-agricultural sales) that now can no longer be met via Hawkes Bay production. These industries also benefit from some appreciation in prices for the commodities they produce. It should be noted that this assessment has not considered concurrent climate impacts for agricultural production in the rest of New Zealand, which would be likely to occur in reality.

Value added from food manufacturing also falls in the rest of New Zealand (by \$3 to \$28 million annually). This is largely because with declining production from Hawkes Bay farms, there is increased demand for supply of inputs, and rising input costs.

Interestingly, many of the largest impacts recorded in Table 5 are associated with construction and service industries, particularly in the rest of New Zealand. This underscores the complex nature of economic systems, especially when considering relationships and feedbacks that build over a period of 30-40 years. Although losses in income may initially be generated in agriculture and closely aligned activities such food processing, there ultimately flow through the economy causing less funds available for new construction and capital investment – impacting not only on construction activities but ultimately the growth of all economic industries. As the economy in the rest of New Zealand is much larger than the economy in the Hawkes Bay, it ultimately experiences much of the impacts.

Table 5: Net Change in Annual Industry Value Added Under the RCP4.5, at Year 2060 (\$<sub>2019</sub>m)

	Baseline Future	Techno- Global Future 101	Techno- Global Future 102	Fragmented Future	Green Growth Future
<i>Hawkes Bay</i>					
Horticulture and fruit growing	-6	-14	-11	-5	-10
Sheep, beef, deer, other livestock & grain farm.	-57	-87	-68	-43	-59
Dairy cattle farming	-1	-1	-1	0	0
Forestry and logging	5	8	6	4	7
Other primary	7	8	7	6	6
Food manufacturing	-17	-12	-19	-13	-10
Other manufacturing	2	5	4	1	5
Utilities, construction, transport	-12	-12	-13	-7	-13
Trade and hospitality	-3	-1	-3	-2	-3
Finance, insurance, real estate, business servs	-7	-8	-9	-5	-6
Other services	-12	-15	-14	-10	-13
<i>Rest of New Zealand</i>					
Horticulture and fruit growing	6	16	10	5	10
Sheep, beef, deer, other livestock & grain farm.	33	41	42	26	32
Dairy cattle farming	3	6	4	1	3
Forestry and logging	-5	-2	-5	-4	-3
Other primary	-1	-1	-1	-3	-1
Food manufacturing	-27	-3	-28	-27	-19
Other manufacturing	-27	-10	-29	-18	-19
Utilities, construction, transport	-114	-40	-105	-96	-67
Trade and hospitality	-61	-30	-39	-56	-24
Finance, insurance, real estate, business servs	-135	-58	-131	-123	-62
Other services	-85	-21	-81	-94	-52





## Concluding Comments

Our analysis has focused on the period 2020-2060, but we have also made comments on the period post-2060. While our mid-century analysis does not indicate significant impact on water security from climate change our late-century analysis shows considerable impacts. It is important to note that the socio-economic impacts of climate change are likely to be felt through not only 'slow creep' changes in climate, but also (1) through the increased volatility in extreme events (droughts, floods), and (2) acceleration of water security supply and demand issues post-2060. Our study has also only focused on the water security impacts associated with climate change, there are however many other impacts (e.g. sea-level rise, coastal inundation, etc) which are likely to significantly impact on the Hawke's Bay region and the rest of New Zealand.

Now that the magnitude and extent of the 'do nothing' scenario on water security under climate change are, to some degree, understood it is recommended that HBRC consider the value of possible resilience building initiatives. The wellbeing of many smaller communities on the TANK and Tukituki catchments are inextricably interconnected with the fortunes of the primary sector. Our analysis shows that under climate change, with reduced water security (particularly post-2050) there is likely to be significant impacts not only on the environment and natural habitat that underpins the region's wealth, but also on the socio-economic wellbeing of the region's people. Our rapid assessment indicates that the socio-economic implications of climate change on water security is not just a localised issue for the Hawke's Bay region, but instead a significant issues for the rest of New Zealand.

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