

**PUBLIC SECTOR  
PROCUREMENT  
*‘Rules & Tools’***

# Governing Framework for Public Sector Procurement



# Governing Framework

- Government Procurement Policy
- Government Procurement in New Zealand: Policy Guide for Purchasers
- Mandatory Rules for Procurement by Departments
- OAG Good Practice Guides
  - Procurement guidance for public entities
  - Public sector purchases, grants, and gifts: Managing funding arrangements with external parties
  - Managing conflicts of Interest: Guidance for Public Entities
- Treasury Guidelines for Contracting with NGOs
- Public Service Code of Conduct
- Sustainable Procurement Standards, Targets and Guidelines

# Government Procurement Policy

While procurement remains devolved to individual agencies, the Government expects its departments, and encourages other agencies, to be guided by these principles:

- Best value for money over whole of life
- Open and effective competition
- Full and fair opportunity for domestic suppliers
- Improving business capabilities, including e-commerce
- Recognition of NZ's international trade obligations and interests
- Requiring sustainably produced goods and services whenever possible, having regard to economic environmental and social impacts over their life cycle

# Government Procurement in New Zealand: Policy Guide for Purchasers - August 2007

## Main Headings from Table of Contents

- Government Procurement Policy
- Policy Compliance When Using Purchasing Consultants and Agents
- Potential Value for Money Advantages of Local Supply
- Environmental Issues
- Promoting Opportunity Through Good Practice
- Appendix 1: Role of The Ministry of Economic Development
- Appendix 2: International Agreements

# Mandatory Rules for Procurement by Departments

## Coverage:

- The “public service” departments (State Sector Act schedule) plus NZDF and NZ Police
- Value thresholds (calculated over contract life):
  - goods/services \$100k
  - construction services \$10m
- Below these thresholds departments are still expected to be guided by the procurement policy/good practice principles
- Other public sector agencies encouraged to follow these rules

# Main Features of the Rules

- Open tendering is the norm
- GETS to be the publication medium for open tendering
- Tenders are to be on GETS for a minimum of 10 working days
- Contract award notices to be promptly published on GETS
- Any “pre-qualified supplier” lists must be published and open for application via GETS
- Departments are to prepare and publish on GETS by 1 July indicative annual procurement plans, on a rolling basis (updated at least every 6 months)

# Pre-qualified Supplier Lists

- Don't confuse with panel contract arrangements
  - Panel of **contracted** suppliers (panel = 2 or more) for the supply of the same goods and services
- Pre-qualified Supplier List
  - List of suppliers from whom closed tenders are called or selective procurements made
  - May include a qualification criteria to be on the list e.g. x skills or knowledge

## Main Features of the Rules Contd.

- Debrief unsuccessful suppliers on request
- Departments choosing to join an existing syndicated procurement are exempt from the requirement to open tender their opportunity

# OAG Good Practice Guide: Procurement guidance for public entities

- Not a set of rules, but is described as a statement of good practice.
- It suggests that each public entity uses the guide as a benchmark for its own procurement policy and procedures, and as a guide to what its own procurement manual should contain.

## Governing Framework contd.

- Agency procurement policy
- Agency procurement procedures

# References

Ministry of Economic Development:

[www.med.govt.nz](http://www.med.govt.nz)

- Government Procurement Policy (incl. policy guide)
- Mandatory Rules for Procurement by Departments

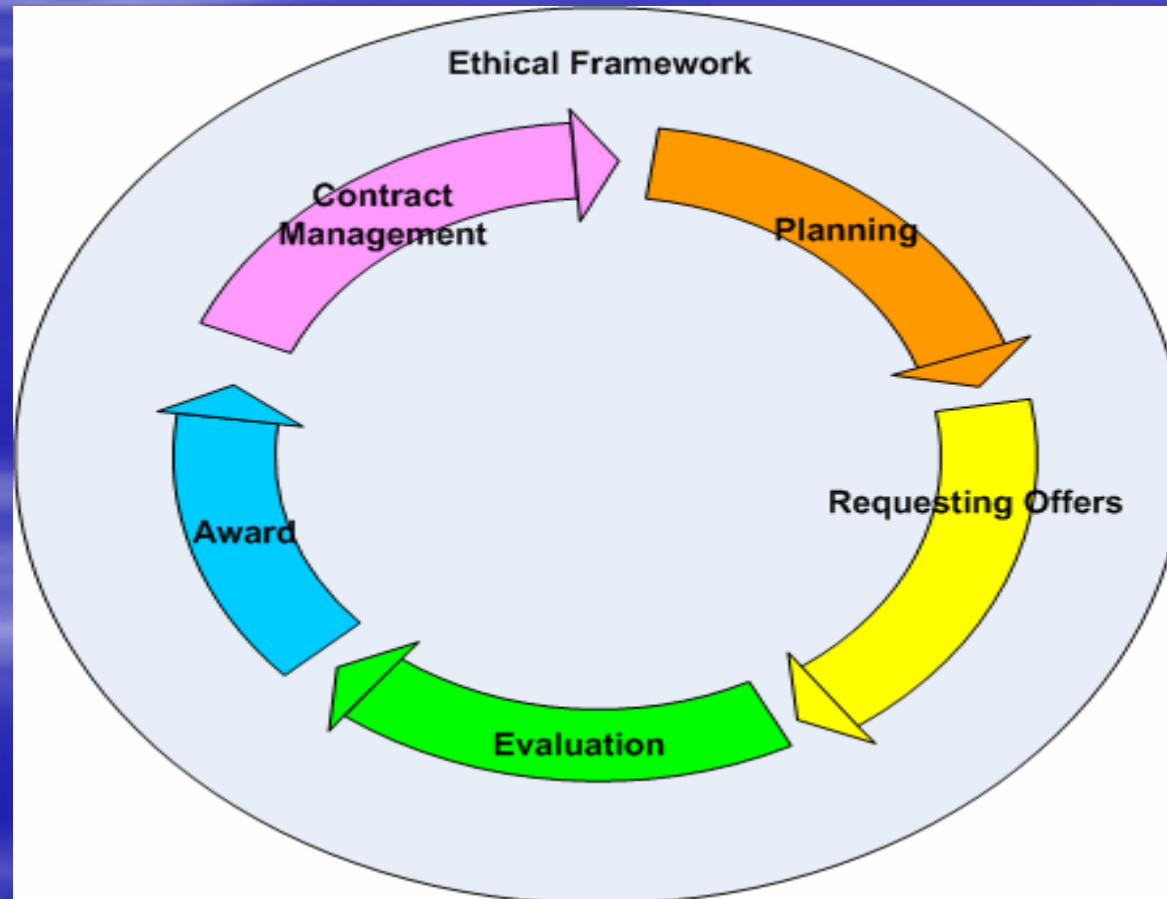
OAG: [www.oag.govt.nz](http://www.oag.govt.nz)

- Good Practice Guides

# Processes and Tools



# The Procurement Project Life Cycle



# Procurement Planning

- Understanding the Market
- Defining the Need (the specification)
- Developing the Business Case
- Developing the Procurement Strategy
- Developing the Procurement Plan

# Procurement Planning

- Understanding the Market
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# Understanding the Market

## Market Research:

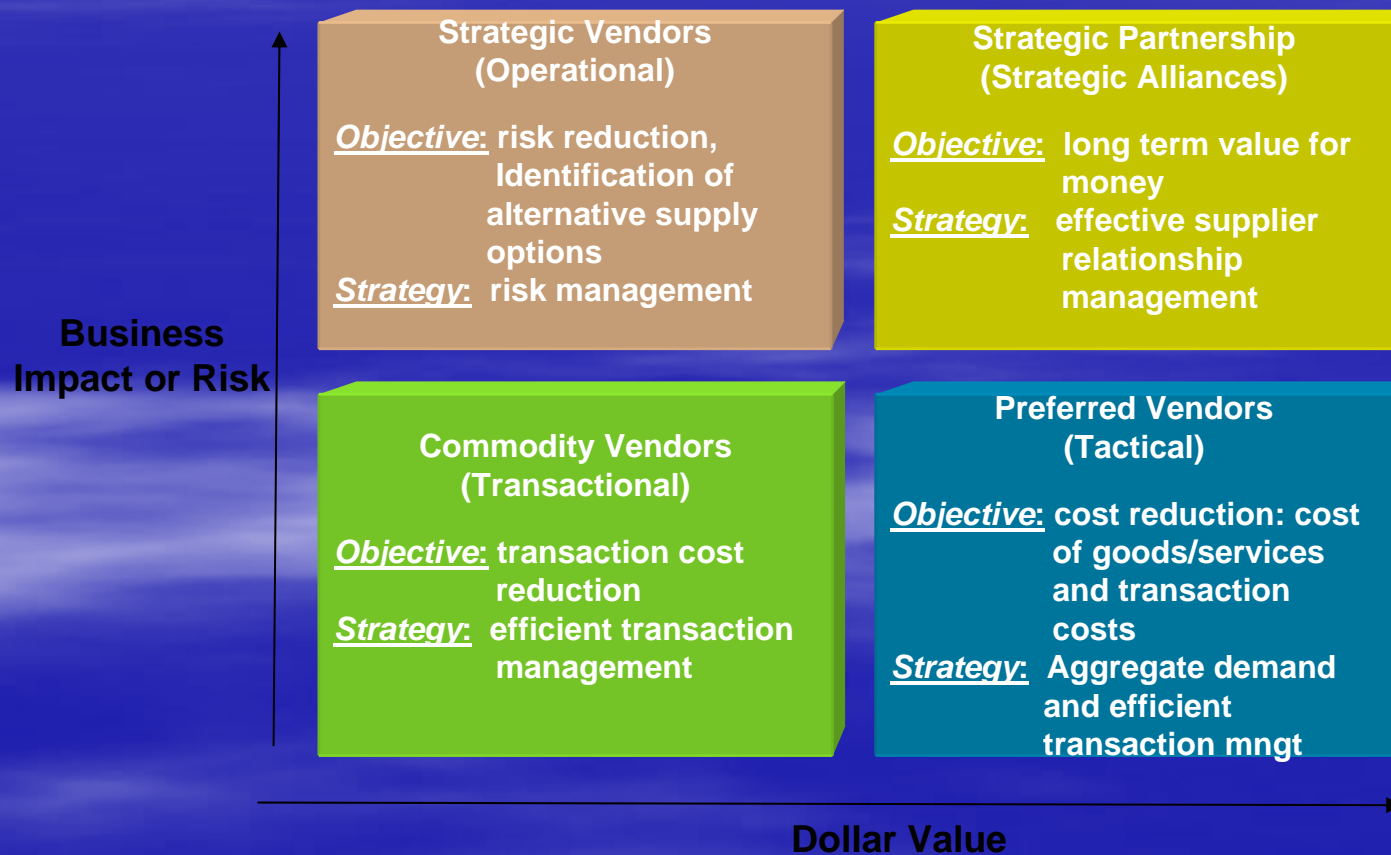
- own knowledge
- ICN (Industry Capability Network)
- suppliers
- other buyers of the same goods or services
- specialist market analysts
- professional organisations
- Request for Information

# Request for Information (RFI)

- A structured means of soliciting information (not offers) from the market.
- Used when:
  - ‘Just looking’
  - Gain an understanding of the market
  - Gain knowledge to build a statement of work/specification
- Advertised openly
- On its own it doesn't meet the Mandatory Procurement Rules requirement for open tendering

From a legal perspective an RFI is not part of the procurement process

# Developing the Procurement Strategy: Portfolio Analysis



# Requesting and Receiving Offers



# Requesting and Receiving Offers

- Procurement Methods
- Issuing the Request for Offer
- Managing Questions & Answers
- Receipting of Offers

# Procurement Methods (RFx)

- Request for Proposal (RFP)
- Request for Tender (RFT)
- Request for Quotation (RFQ)
- Expression of Interest (EOI) / Registration of Interest (ROI)
- Selective Procurement
  
- Open or closed tenders

# Request for Proposals (RFP)

- Seeks Proposals
- Open for tenderer's innovation
- Not a prescribed process
- Functional in definition

# Requests for Tenders (RFT)

- A formal invitation to suppliers to submit bids
- Based on pre-determined technical specifications or requirements

## Used Where:

- An organisation knows precisely what it wants
- Clearly defined specifications where the risks are already well known
- Outcome is essentially price driven so there is little room for flexibility or innovation

# Request for Quotations (RFQ)

- Simple cost effective process
- Requirement is 'stock standard, off the shelf'
- Simple specifications
- Low value
- Low risk



# Open Vs Closed Tenders

# Closed

- Selected number of suppliers invited to submit offers.
- Used when:
  - issues of confidentiality
  - a limited number of suppliers are known to have the capability to supply
  - cost of open tendering is greater than the value that will be derived from the process
- Consideration needs to be given to the Mandatory Rules

# Open

- Advertised openly
- Mandatory rules – open tenders are the default method for goods and services procurements over \$100K
- Advertised on GETS
- Consistent with Govt Procurement Policy principles

# Expression of Interest (EOI) / Registration of Interest (ROI)

- A short-listing tool
- 1st part of a multi-stage process
- Used when:
  - there are a large number of potential suppliers
  - the size of the potential supplier base is unknown
- Does not request detailed pricing

*“ The purpose is to reduce the number of interested suppliers as quickly as possible, so as to minimise costs to all parties.”*

# Selective Procurement

- Sole Source
- Lower value
  - <\$100k
  - <\$50k / \$20K / <\$10k
- Specialist expertise or knowledge
- Justification process

“

# Requesting and Receiving Offers

- Procurement Models
- Advertising
- Vendor briefings
- Management of Q & A
- Receipting Offers
- Late Tenders

# Advertising – which media?

- GETS – [www.gets.govt.nz](http://www.gets.govt.nz)
  - Newspapers
  - Tenders Gazette
  - TenderLink
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- Key consideration- Ensure media chosen does not advantage one potential tenderer over another

# Managing Questions & Answers

- Any info/clarification which fundamentally affects tender detail must be advised to ALL tenderers
- Exception:
  - If tenderer asks for info and requests confidentiality – competitive advantage
- All questions and answers in writing

# Receipt of Offers

- Specified in the RFX document

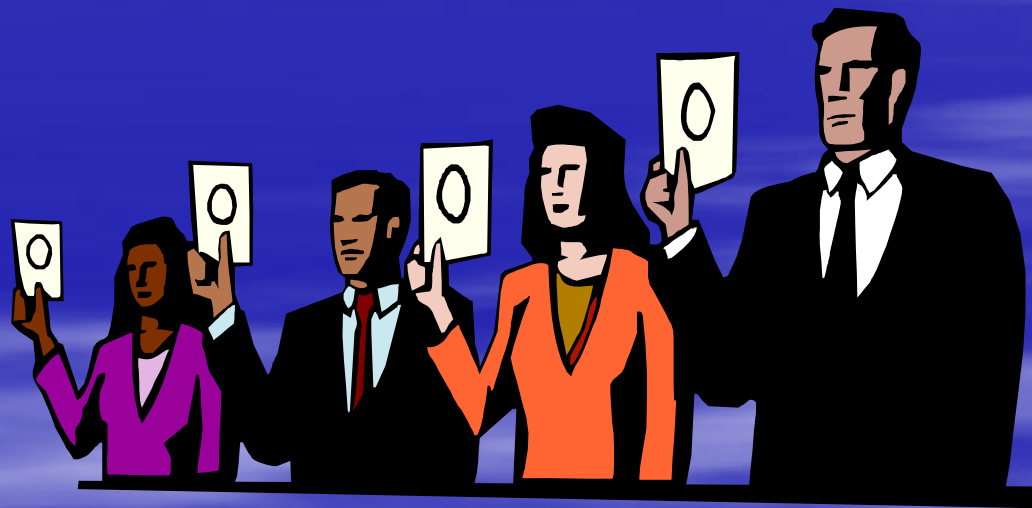
HOW TO SUBMIT PROPOSALS	
Deliver (1) one signed original plus three (3) copies in a sealed package by the closing time of 4PM Tuesday 16 May 200X to:	Agency Y, PO Box 3077, 112 Molesworth St, Wellington Attention: Tenders Box
	<ul style="list-style-type: none"><li>• <b>Fax and email copies of your proposal will not be accepted.</b></li></ul>

# Process for Managing Late Offers

Policy should be stated in the Request for Offers document.

As a general rule, late tenders won't be accepted.  
Issues – possible collusion or knowledge of another tenders' prior received submission, unfair advantage re additional time.

# Evaluation



# Lowest Price Conforming (LPC)

- Most basic evaluation model
- Strongest emphasis on price
- Selects the lowest priced tender once the prerequisite level of quality is met
- Additional quality, over and above the minimum level, is not important.

# Lowest Price Conforming (LPC)

- Process:
  - Evaluate non-price attributes
  - Rank conforming tenders according to price
  - The lowest priced conforming tender is selected as the preferred tenderer

Two envelope system may be used (i.e. evaluate non-price attributes before opening the price envelopes)

**Tenderer's Name:**

.....

**REQUIREMENT**

**Score  
(Pass/Fail)**

**Comment**

**PART 1 COMPANY'S DETAILS**

1. Company's Full Legal Name.

Info only

2. Company's Trading Name.

Info only

3. Postal address, phone, fax and email contact details.

Info only

**PART 2 COMMERCIAL**

4. Supplier capability

Pass / Fail

5. Supplier experience

Pass / Fail

6. Track record (referee checks)

Pass / Fail

7. Methodology (including ability to complete within published project timeline)

Pass / Fail

8. Company Health and Safety policies/procedures

Pass / Fail

### LPC EVALUATION SUMMARY

Tenderer	Compliant (Yes /No)	Price
AAAAAAAAA	Yes	27,000
BBBBBBBBB	Yes	26,000
CCCCCCCC	Yes	34,000
DDDDDDDD	Yes	32,000
EEEEEEEE	No	-

Selected  
Tenderer

# Weighted Attribute Model

- Seeks to balance the trade-off between price and quality
- Used for services, goods and capital works
- Two-envelopes used
- Multi-stage process
- 2 methods
  - Scored Price method
  - Narrative VFM method

# Weighted Attribute Model

- Narrative Value for Money Method:
  - Weightings and scores are assigned only to non-price criteria
  - Evaluate non-price attributes (assign a score)
  - Apply weightings
  - Rank the tenderers by weighted score
  - Open price envelopes of compliant tenders

# Weighted Attribute Model

- Narrative Value for Money Method:
  - Generate an objective narrative about the comparative value for money of each tender
  - Tenderer assessed as offering the greatest value for money is the preferred tenderer

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<i>Tenderer</i>	<i>Wt'd Score (Non-Price)</i>	<i>Price</i>
<i>AAA</i>	<i>62</i>	<i>\$62,000</i>
<i>BBB</i>	<i>75</i>	<i>\$65,000</i>
<i>CCC</i>	<i>82</i>	<i>\$70,000</i>
<i>DDD</i>	<i>77</i>	<i>\$65,000</i>

# Tender Evaluation Process

## Planning Phase

- Select evaluation model
- Determine evaluation timetable
- Determine evaluation criteria

## Before issue of the RfX

- Select evaluation team members
- Complete conflict of interest declarations

## Before closing of the RfX

- Evaluation team member briefing/training

## Tender Evaluation Process contd

### After closing of the RFX

- Review conflict of interest declarations
- Complete individual evaluations
- Team evaluation
- Ranking
- Presentations
- Due Diligence
- Confirm preferred bidder
- Write up Evaluation Report

Questions?

# Further Information

[www.procurement.govt.nz](http://www.procurement.govt.nz)

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