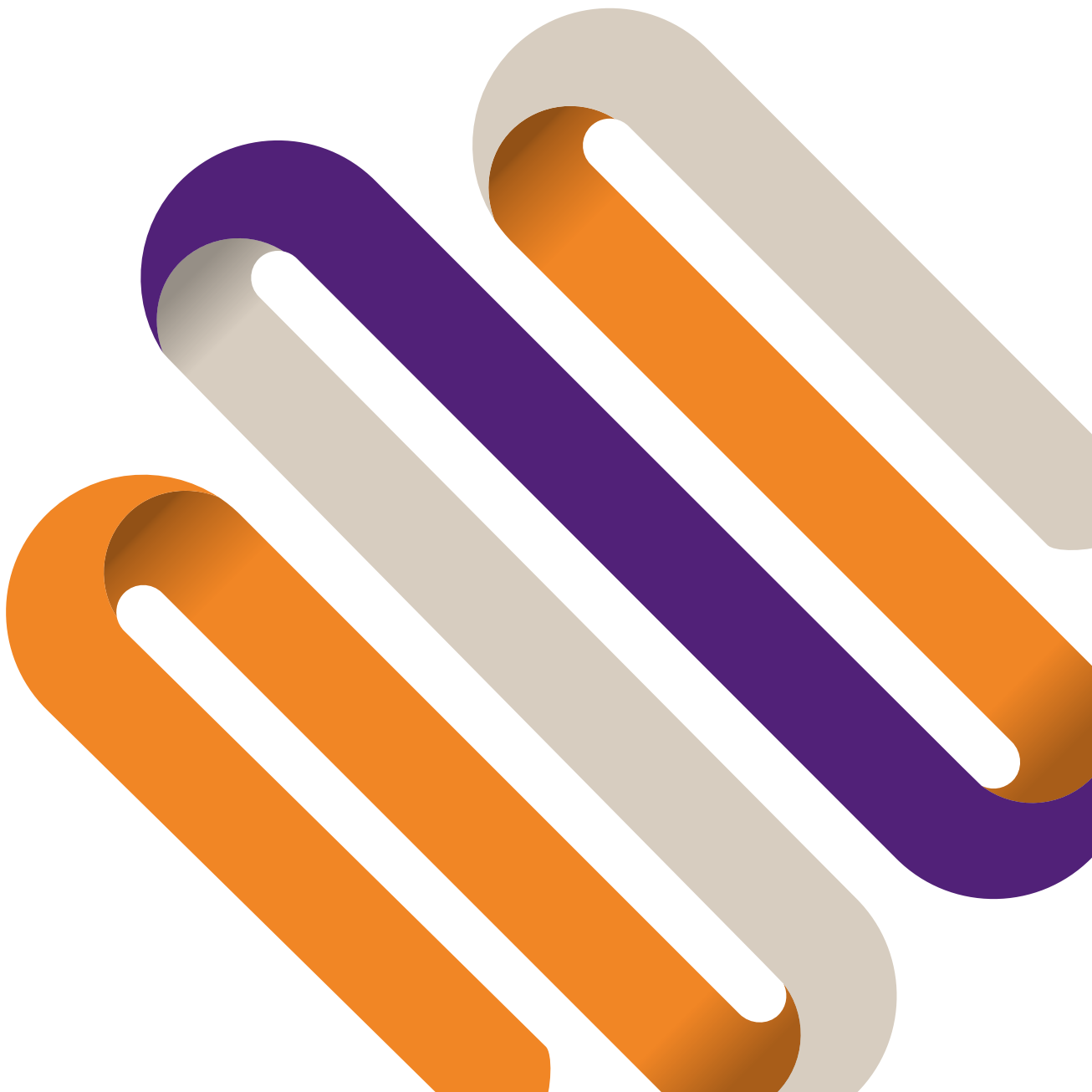


Government procurement rules

A guide for suppliers to Government

September 2019





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Government procurement rules

These rules are the Government's standards for sourcing. From 1 October 2019, public sector agencies will leverage procurement to achieve economic, cultural, environmental and social outcomes.

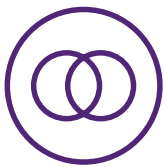
- The Government would like to contribute to the wellbeing of New Zealanders by using public sector expenditure to target public value and promote inclusivity, transparency and sustainability
- The 4th Edition of the Government Procurement Rules expands on five headline Principles
- The changes include new rules targeting public value through considerations about the cultural, social, environmental and economic outcomes that can be achieved
- The Government has created a Procurement Charter and a Supplier Code of Conduct to outline expectations of agencies, suppliers and in its supply chains
- The new rules come into effect on 1 October 2019. Agencies are expected to build the Principles, Charter and Supplier Code into sourcing

Government sourcing objective: public value



Key takeaways for Government suppliers

We have identified some key changes suppliers can expect over the coming months.



Secondary considerations

Suppliers can expect weighted criteria on meeting the broader outcomes targeted by the Government, including specific contract clauses. However, priorities will vary by agency and by spend category.



Monitoring and compliance

Agencies now have to monitor broader outcomes and issues relating to supplier conduct. This means that suppliers need to demonstrate monitoring and reporting is in place and share this with agencies.



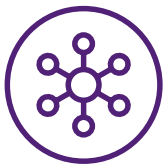
Innovation

The conversation on innovation has already started. Agencies are already using open questions about innovation as weighted questions in RFPs.



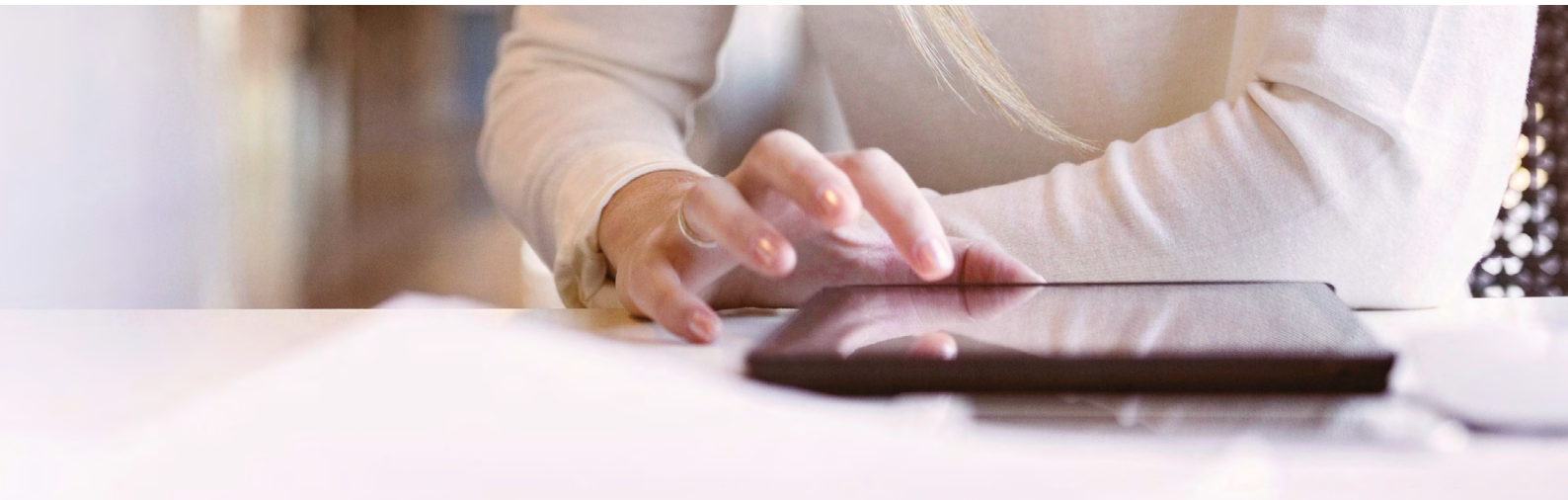
Priority areas/contracts

The Government has designated seven priority areas. This will create opportunities for suppliers to increase their market share through improving priority outcomes.



Supply chain implications

Do you know your supply chain - really? The Supplier Code of Conduct and targeted broader outcomes won't just apply to your company, but also to your subcontractors and suppliers within New Zealand. Even though the international supply chain requirements are lighter, demonstrating compliance would be preferred. This is likely to favour New Zealand production and clear well-controlled supply chains.

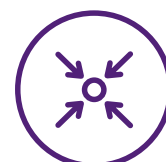


The Procurement Charter

This is a new statement setting out the Government's expectations of agency sourcing. We looked at how each might impact suppliers.

	The guidance	Implication for suppliers
1 Seek opportunities to include New Zealand businesses	Openly work to create opportunities for local businesses to participate in supply chains.	We expect contracts previously dominated by international suppliers to be opened up to New Zealand companies. This could be in the form of opportunities to partner with large international suppliers or aspects of contracts being split out for New Zealand businesses.
2 Undertake initiatives to contribute to a low emissions economy and promote greater environmental responsibility	Encourage transition to a low emissions, low waste economy.	Suppliers can expect minimum sustainability requirements for contracts, specifically in office supplies waste, heating systems and fleet. Agencies are likely to set their own minimum environmental standards in areas important to them.
3 Look for new and innovative solutions	Give businesses the opportunity to demonstrate their expertise.	Suppliers can expect less prescriptive requirements in procurement processes and more open questions about how they can bring innovative ideas into the area in question.
4 Engage businesses with good employment practices	Ensure compliance with employment standards and good conduct.	Compliance to the supplier code of conduct will be a minimum expectation set. Non-compliance might be grounds for termination, depending on situational and contractual terms. Suppliers can expect the code to be included in new contracts and renewals.
5 Promote inclusive economic development within New Zealand	Engage with Māori, Pasifika and regional businesses, and social enterprises.	Suppliers will be encouraged to use Māori, Pasifika and regional businesses, and social enterprises to deliver services. Traditional national contracts are likely to be challenged to use more inclusive delivery models.
6 Manage risk appropriately	Responsibility for managing risks should be with the party best placed to manage it.	This should result in more shared risk arrangements between agencies and suppliers. We expect fewer contracts with take-it-or-leave-it risk clauses (particularly in construction) and more support for smaller suppliers not able to spread supply risks.
7 Encourage collaboration for collective impact	Collaborate across agencies, businesses and other organisations.	Suppliers can expect more partnering between agencies and their suppliers, along with other community, iwi and industry organisations. There is a focus on knowledge and skill growth so suppliers who can work with a variety of stakeholders and related organisations to deliver wider upskilling and benefits will be preferred.

Source: Government Procurement rules 4th edition – Procurement Charter, Grant Thornton insights.



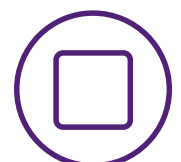
The Supplier Code of Conduct

The Government has formalised a Supplier Code of Conduct comprising the minimum expectations of suppliers and supply chains. Individual agencies may expand on and be more prescriptive with their supply chains.

- The Government has formalised a Supplier Code of Conduct for all suppliers covering five key areas. All agencies must implement this, or their own code of conduct immediately
- Suppliers could be excluded from participating in a contract opportunity if there is evidence of non-compliance to the Code
- Suppliers might have to provide evidence of their compliance with the Code throughout New Zealand supply chains. Non-compliance might be grounds for termination, depending on the situation and contractual terms
- Suppliers are expected to monitor human rights breaches and take reasonable steps to resolve any issues that come to their attention in international supply chains

The code	
Expected	Ethical behaviour The Government expects its suppliers to: <ul style="list-style-type: none"> • manage themselves with integrity in accordance with laws, regulations and ethical standards • not engage in any form of corruption • be transparent about their ethical policies and practices.
	Labour and human rights The Government expects its suppliers to: <ul style="list-style-type: none"> • adhere to international human rights standards in their workplace, and monitor and address these standards within their supply chain • comply with New Zealand employment standards and refrain from unlawful discrimination.
	Health, safety and security The Government expects its suppliers to: <ul style="list-style-type: none"> • maintain healthy and safe work environments and comply with all laws and regulations • comply with any security requirements notified to them by the Government • adequately protect any items provided by the Government and return these promptly.
	Environmental sustainability The Government expects its suppliers to: <ul style="list-style-type: none"> • conduct their business in accordance with applicable laws, regulations and standards regarding the mitigation of impacts on, and protection of, the environment • work to improve their environmental sustainability and reduce their environmental impacts.
Encouraged	Corporate social responsibility The Government encourages its suppliers to be good corporate citizens and contribute positively to their communities. Some suggestions are: <ul style="list-style-type: none"> • pay their subcontractors promptly • consider including local, Māori, and pasifika businesses to deliver the contract.

Sources: Government Procurement Supplier Code of Conduct, Procurement.govt.nz guidance, Grant Thornton summary.



Secondary outcomes

The Government has specified seven focus areas to leverage key secondary outcomes from specific industries and contracts.

Priority contract areas	Priority outcome and designated contract areas	What this means for suppliers
1 ICT services/computer software	Access for New Zealand businesses*	New Zealand businesses will be offered more opportunities from agencies to participate in Government services, particularly in ICT.
2 Construction	Construction skills and training	For construction contracts over \$9 million (whole-of-life costs), suppliers can expect a weighted consideration of skills development and training practices of staff and subcontractors. The Government would like to see both staff and subcontractors upskilled. This could be in the form of industry trainings, progression pathways or one-off courses for the workforce.
3 Cleaning, security services, forestry	Employment standards	Suppliers will need to demonstrate compliance with employment standards (with a focus on low wage employment) through domestic supply chains. The employment focus is on employees and sub-contractors who are employed as cleaners, security staff or forestry workers.
4 All contracts (particularly forestry & construction)	Health and safety	All suppliers must comply with their responsibilities under Health and Safety at Work Act 2015. Suppliers will have to demonstrate that they, and their domestic supply chain, demonstrate good health and safety practice.
5 Light vehicles	Reducing emissions: fleets	Motor vehicle suppliers should note that agencies are required to purchase vehicles that are 20% below their current emissions profile. The Government has a big priority to increase its EV fleet. Agencies may also request information from other suppliers about fleet emissions.
6 Heating systems	Reducing emissions: heating	Suppliers should note that agencies must buy low emissions heating options. More efficient heating systems will be prioritised in Government sourcing.
7 Office supplies	Reducing waste	Office supplies providers should note that agencies must purchase items that produce low amounts of waste and/or are recyclable through the All-of-Government panel. There will be more opportunities for suppliers who offer recyclable office equipment and supplies.

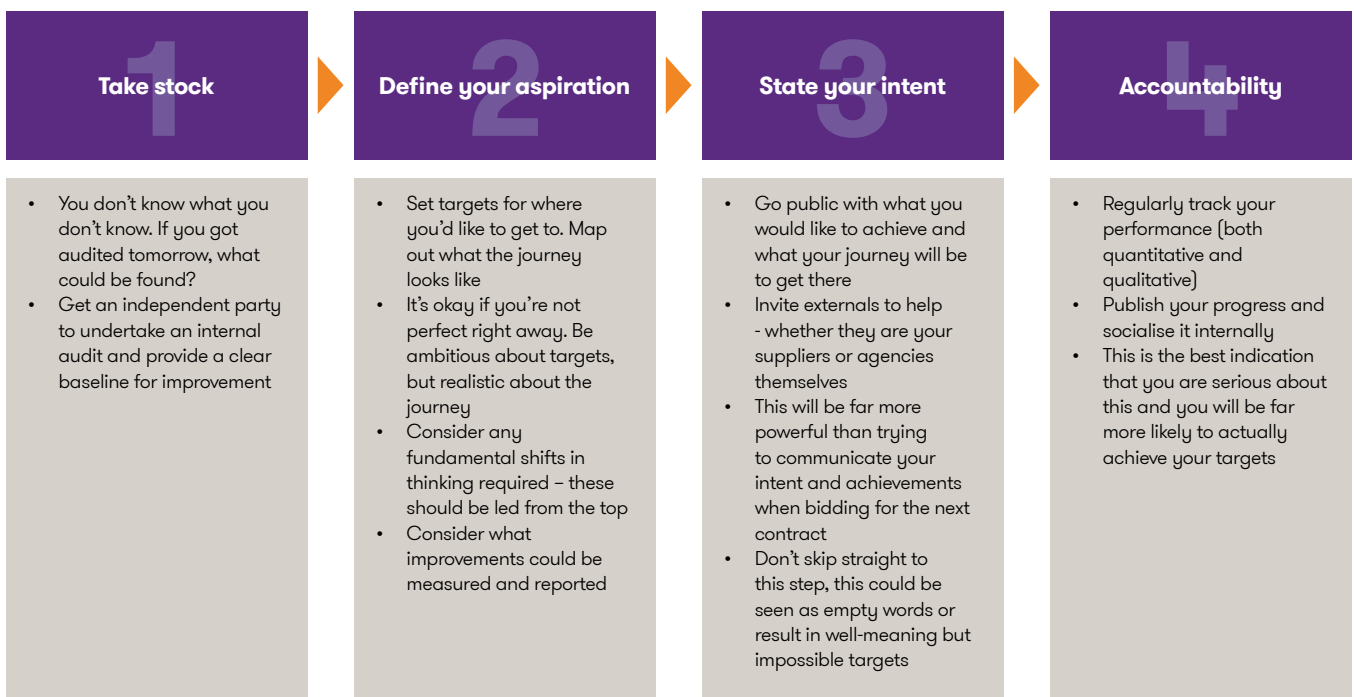
Sources: Government Procurement rules 4th Edition, Procurement.govt.nz guidance, Cabinet minute (CAB-18-MIN-0516.01) from 23 October 2018.

*Note: The definition of a New Zealand business is defined as, a business that originated in New Zealand, is majority owned or controlled by New Zealanders, and has its principal place of business in New Zealand.



Next steps for suppliers

What current and future Government suppliers should be doing right now.



Procurement specialists at Grant Thornton

Get in touch if you would like to discuss how to best position your company to win Government contracts.



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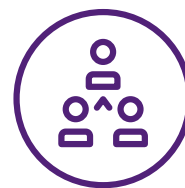
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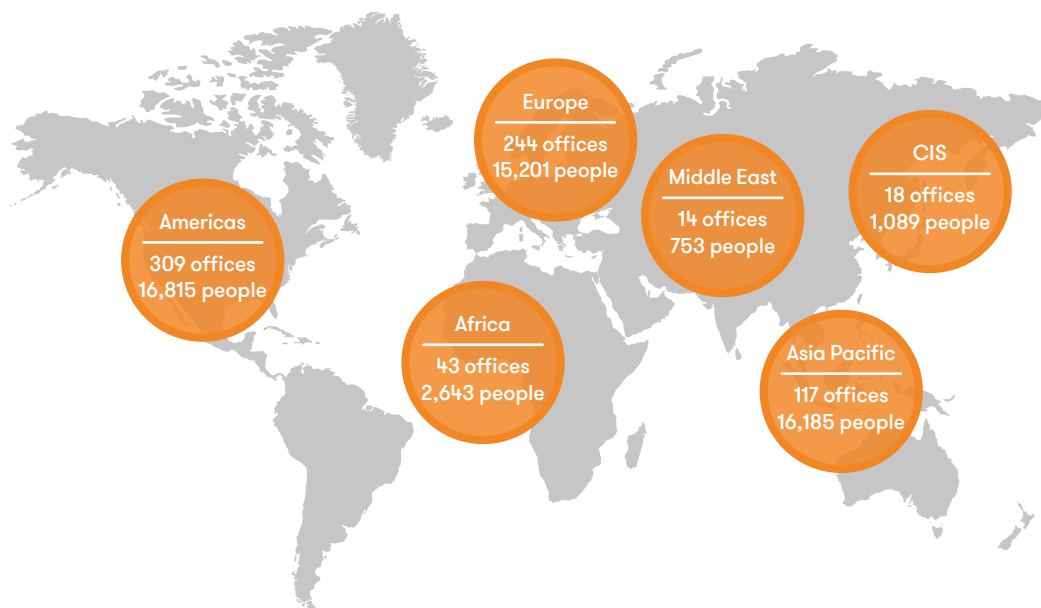
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