

Supplier Diversity Aotearoa Summit: Navigate 2021

Supplier Diversity in Practice – A Māori Perspective





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Introduction

The challenges faced by Māori in society are real and confronting. Statistics reveal an over-representation in unemployment rates, poverty, and homelessness data, and an under-representation in the education and training - NEET (Not in Education, Employment or Training) statistics.

Employing our whānau and community is not a choice, my mother and family expects me to take on my cousins and those that need a leg up. I am confused about how this “social procurement” is a thing, it’s what we have always done.

Director of Māori owned Construction Business – Far North 2020

Māori in the Labour Market data from the Ministry of Business, Innovation and Employment (MBIE) from December 2020 reveals the following:

- The participation rate decreased to 69.0 per cent, down 0.3 percentage points (pp) from a year ago.
- The unemployment rate increased by 0.6pp from a year ago to 9.0 per cent.
- The Māori NEET rate was up 1.0pp to 19.7 per cent.

Source: <https://www.mbie.govt.nz/dmsdocument/13559-maori-in-the-labour-market-december-2020-quarter-unadjusted>

Conversely, there are some significant challenges within the New Zealand construction sector, particularly skills shortages and an ageing workforce (in the Civil Contractors NZ 2020 survey “skills shortage and availability of workers” was rated as the “main challenge” by the greatest number of respondents). This issue is compounded by the current Government spend projected to be \$3.8 billion to increase housing supply, and a further \$57.3 billion on infrastructure spending over the next 5 years.

These are the ingredients for a perfect storm of widening social inequity, programme non-delivery and escalating costs all round.

Taking an approach that considers Broader Outcomes is an opportunity to address both these challenges. It requires a mindset shift within the Government buying sector to view Māori business as a legitimate part of the supply chain, and at the same time bolstering and helping diversify an already over-stretched construction supply chain.

The ability for Māori to self-determine their economic destiny through participating in the supply chain can have significant benefits, including closing the economic gap and improving the NEET statistics, with anecdotal evidence suggesting that the completion of Māori trades training is higher for those employed by Māori businesses.

In this paper we will explore some of the practical applications of broader outcomes and social procurement within construction and infrastructure services for Māori businesses.

Broader Outcomes versus Social Procurement: a Māori context

Getting the Broader Outcomes Definition Right for Māori

There is often a tendency to focus on social procurement as the main component to delivering good Māori outcomes. The challenge with this perception is that it is, by nature, narrow in its view and fails to appreciate or consider a wider Te Ao Māori perspective.

It is often helpful to view Broader Outcomes in the context of primary and secondary outcomes.

- **Primary Outcomes** – through the delivery of my primary project what outcomes can I achieve through design, construction, operations, and maintenance.
- **Secondary Outcomes** – what are the secondary benefits I can achieve through the delivery of the project – reduced carbon, improved environmental outcomes, better Mana Whenua engagement, job generation, support for local businesses.

What are Broader Outcomes?

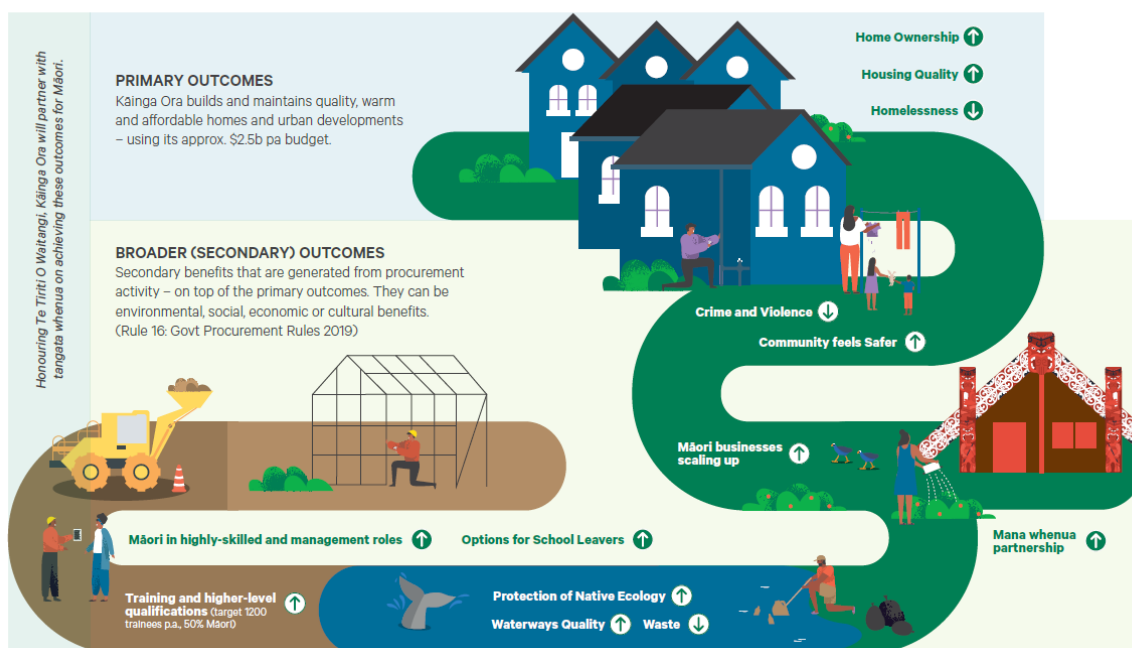


Figure 1: Shifting the mindset from Procurement to Broader Outcomes – this example has been developed for Kāinga Ora by Height PM.

Why are Broader Outcomes important?

Considering Broader Outcomes as part of the procurement process builds diversity and equity in organisations’ buying habits and has significant benefits for the wider community.

In November 2020, The Australian Small Business and Family Enterprise Ombudsmen revealed that the Indigenous business sector was one of the fastest growing sectors in Australia, with huge benefits to society.

“... every dollar spent with an indigenous business goes a long way. According to Supply Nation, for every \$1 of revenue, certified indigenous suppliers generate \$4.41 of social return”.

Source: <https://www.asbfeo.gov.au/news/news-articles/indigenous-businesses-sector-among-fastest-growing-australia>

A recent article by Amotai identified the top five reasons to procure from Māori and Pasifika businesses. The key themes are summarised below:

- i. Closing the Wealth Gap – diverse businesses play a critical role in closing the racial wealth gap.
- ii. Higher employment rates for Māori and Pasifika – indigenous businesses are more likely to create jobs in their local communities compared to other business.
- iii. Māori and Pasifika business create role models and culturally safe spaces - Māori and Pasifika business owners are role models in their communities for whānau, community, and employees. Cultural values are intrinsically embedded in the day-to-day operation creating a culturally safe environment.
- iv. Innovation – Māori authorities and SMEs are more likely to export and have higher rates on innovation and R&D than other New Zealand firms. Many minority businesses are also small enterprises that tend to be nimbler and more innovative.
- v. Competitive Advantage – successful supplier diversity can create competitive advantages to companies. Diversifying the supply chain can provide companies with new revenue opportunities, creation of new markets, and access to diverse customer bases.

Source: https://amotai.nz/news/Top_5_reasons

Linking Māori values to Broader Outcomes

The concept of Broader Outcomes is not new to Māori, in fact Māori have been integrating this thinking into their business culture for years. All businesses exist for a reason – to provide goods or services that make a profit for the business owner. However, research on Māori businesses has found that most operate by a set of values that sets them apart, because of the way profit is perceived.

Many Māori businesses will be focussed on multiple bottom lines – incorporating social, cultural, environmental, spiritual, and economic goals into mission statements and annual reports alongside profit related goals. Being financially viable is balanced with the social, cultural, and environmental goals of the key stakeholders.

In 2019, Reserve Bank Governor Adrian Orr addressed the annual conference of the Federation of Māori Authorities, praising Māori businesses for their sustainable and innovative approach, stating:

“The economic practices of your tīpuna are well known to have been, and continue to be, long-term and inter-generational. Your investments aim to be values-based in the interests of your mokopuna and their mokopuna.”

Source: <https://www.rbnz.govt.nz/news/2019/09/Māori-long-term-business-values-provide-lessons>

The values governing Māori business are derived from tikanga. Tikanga is the ethical framework of Māori society, underpinning the customs, systems, and processes, and governing reasoning, behaviour, decision-making, and action.

Māori food producer Kono lives by a 500-year-old plan, guided by an Intergenerational Vision – Te Pai Tawhiti.

“Our tikanga (way of doing things) provides the touchstone for how we act now, and in the future.”

The tikanga guiding business is flexible and is determined by the business owner(s) and stakeholders. These values include:

Ngā matatini Māori: Māori diversity

Acknowledging the wide range of ways in which people express themselves in connection with business, and the diverse realities experienced.

Kotahitanga: unity, shared sense of belonging

This could be how a business positions itself in a community, and how it might be inclusive and create wellbeing, or the sense of belonging an employee might feel within the business and its culture. It also encompasses the unity of people working towards a shared and common goal.

Kaitiakitanga: guardianship of natural resources

Responsible environmental management and sustainable enterprise. It includes the taking care of assets for future generations, as opposed to ownership and the right to divest assets.

Wairuatanga: spirituality

Attention and resources are committed to ensuring that spiritual protocols are observed, for example, in the construction and openings of new buildings, in everyday functioning within the organisation, and in relationships with others.

Manaakitanga: hospitality, generosity, care, and giving

Resources are allocated to ensure visitors to the business are cared for and made to feel welcome, including stakeholders, community, and whānau.

Whānaungatanga: belonging, kinship

Acknowledging the importance of networks and relationships, and taking care to develop, manage, and sustain those relationships. It involves caring for and working harmoniously with others to achieve common goals.

Each of these values fall within one or more of the four areas of Broader Outcomes – social, cultural, environmental, and economic. For example, Kotahitanga links to social, cultural, and economic outcomes, and, while Kaitiakitanga more obviously links to environmental outcomes, it also has social, cultural and economic outcomes.

The problems we are trying to solve

The statistics around unemployment, homelessness and poverty reveal an over-representation of Māori and Pasifika.

Despite the overall unemployment rate dropping from 5.3% to 4.9% in 2020, Māori and Pasifika unemployment rose. The Māori unemployment rate at 9.0% and the Pasifika unemployment rate at 9.6% are significantly higher than the 4.9% unemployment rate for all New Zealanders (December 2020, MBIE).

The 2018 severe housing deprivation data revealed Māori and Pasifika are disproportionately affected, with rates that were close to four and six times the European rate, respectively. The rates of severe housing deprivation were highest among Pasifika and Māori under the age of 24.

Source: <https://www.hud.govt.nz/news-and-resources/statistics-and-research/2018-severe-housing-deprivation-estimate/>

For the year ended June 2020, 14.6 per cent of children - 167,100 - lived in households with income less than 50 per cent of the median before housing costs. However, it was 18.5 per cent (52,900) for Māori children, and 20 per cent (28,800) for Pacific children. 18.2 per cent of children - 208,400 - lived in households with income less than 50 per cent of the median after housing costs. 20.8 per

cent for Māori children and 19.8 per cent for Pacific children.

Source: Statistics NZ

Seeding true change: Growing Māori business versus generating jobs and training

As buyers the challenge is, how do we adopt a mindset to create deeper economic prosperity within our community? Widening the diversity of the supply chain to engage broader sector businesses, can hopefully seed an enduring business opportunity beyond the initial project or contract, through:

If we had not secured that Auckland Council Contract at the start, I am unsure what would have happened. It really was the catalyst for where we are today. We employ 22 people and work across Aotearoa and a bit in Australia.
 Director of Māori-owned Engineering Consultancy – Auckland 2021

- Buying local – either directly or via the prime set targets to look to procure from local suppliers, merchants, contractors, or subcontractors.
- Unbundling projects – developing smaller targeted packages of work for smaller and Māori businesses.
- Subcontract packages – be open to subcontracting opportunities in big projects.

The discussion on social procurement often gets lost in the discussion on favouritism and prioritisation of funding to certain groups. At the heart of the discussion is, how do we remove unnecessary barriers to allow all businesses the genuine opportunity to equally participate within the market?

The global and regional legislative context

United Nations Sustainable Development Goals

In 2015, the United Nations (UN) Member States adopted 17 goals and 169 targets as part of the 2030 Agenda for Sustainable Development. The goals and targets are a universal call to action to end poverty, protect the planet, and improve the lives and prospects of people all around the world.



Figure 2: The 17 UN Sustainable Development Goals

Source: <https://probonoaustralia.com.au/news/2020/02/increased-attention-to-sustainable-development-goals/>

According to the Ministry of Foreign Affairs and Trade (MFAT), New Zealand will contribute to the achievement of the 17 goals through a combination of domestic policy and international leadership. Domestically, achieving the goals will require cross-Government effort, with Government agencies reviewing their goals to align with the Government policy of “leaving no one behind”.

The 2019 Voluntary National Review of New Zealand’s progress on the Sustainable Development Goals (SDGs), reflected the New Zealand context, with the special status of Māori as **tangata whenua** recognised as of profound importance, and fundamental to our national identity. The review focussed on how we deliver outcomes most relevant to New Zealand. As part of this, the Living Standards Framework (LSF) has been developed. The LSF puts sustainable inter-generational well-being at the centre of policymaking and management of resources.

The 5% target for Māori businesses in Government contracts

The recent review and update to the Government Procurement Rules focuses on promoting public value – ensuring public sector spend delivers value to the public and contributes to broader outcomes for New Zealand. In addition, in December 2020, the Government announced the requirement of a minimum target of **at least 5%** of Government procurement contracts to be awarded to Māori businesses from 2021.

The update recognises the role Government agencies play in growing the diversity of suppliers by removing barriers for businesses to bid for contracts and provide new opportunities for Māori owned and registered businesses. This in turn will support better economic and social outcomes for all New Zealanders.

The Treaty of Waitangi / Te Tiriti o Waitangi

Legislation, including The Local Government Act (2002), acknowledges the Crown’s obligation to take into consideration the principles of the Treaty of Waitangi. The update to the Government Procurement Rules added a section to ensure that agencies are aware of their commitments to the Treaty and how it relates to procurement activity. But what does this mean exactly?

Te Tiriti o Waitangi/The Treaty of Waitangi is considered the founding document of New Zealand. Named after the place in the Bay of Islands where it was first signed on 6 February 1840, it went on to be signed at other locations around the country over a seven-month period.

The Treaty itself is not a single sheet of paper but rather a group of nine documents: seven on paper and two on parchment. Taken together they represent an agreement drawn up between representatives of the British Crown on one side, and representatives of Māori iwi and hapū on the other.

There are two accepted versions of the Treaty: a Māori text – Te Tiriti o Waitangi, and the English version - The Treaty of Waitangi. The two versions are so different they are now often referred to as two separate documents. Under law, both are accepted as the Treaty of Waitangi, but they are significantly different in meaning.

The Treaty contains a preamble and three clauses or articles. Key issues stemming from the different versions of these articles are summarised as follows:

Article 1:

- In the English version, Māori ceded **sovereignty** to the Crown.
- In the Māori version, Māori ceded **kawanatanga** (governorship) but retained **tino rangatiratanga** (Chieftainship/independence)

Article 2:

- In the English version, Māori keep their land, but the Crown has the right of pre-emption (right to buy any land Māori choose to sell)
- In the Māori version the Queen affirms Māori rangatiratanga over their lands and taonga **NB:** in using the term taonga or “a highly prized thing”, the Treaty goes beyond the Western concept of property as the term can be applied to children, culture, language, natural resources, or other things not considered property by Western standards.

Article 3:

- In the English version Māori would become British citizens and receive accompanying rights.
- In the Māori version, the Queen would respect the rights of Māori.

Interpretation of the Treaty – Crown’s obligations to Māori

The English version has been interpreted as Māori submission to the Crown (Article 1), with traditional property rights protected (Article 2), in exchange for British Citizenship (Article 3). The Māori perspective is the Treaty gave the Crown a right to administer the country in the interests of both Māori and Pākehā, but that Māori retained control over all matters related to Māori.

Over the years debate has centred around the extent to which the Crown’s powers under Article 1 are limited by the guarantees in Article 2. The Waitangi Tribunal has ruled that the Crown’s right to govern must be balanced against the obligation to protect rangatiratanga. The debate around Article 3 has centred around what the rights of citizenship are, and whether Article 3 guarantees to Māori equal opportunities or outcomes.

Under international law Te Tiriti is given precedence over The Treaty. New Zealand is party to International Agreements that include specific provisions preserving the pre-eminence of Te Tiriti o Waitangi. This provides flexibility for the Government to implement policies that relate specifically to Māori, including fulfilment of the Crown’s obligations under the Treaty.

Local Government Act – Broader Outcomes and Wellness Objectives

There are a few provisions in the Local Government Act 2002 (the Act) that relate specifically to Māori.

- Section 4 - The Act acknowledges the Crown’s responsibility to take account of the principles of the Treaty and to “maintain and improve opportunities for Māori to contribute to local government decision-making processes”.
- Section 14(1)(d) a local authority should provide opportunities for Māori to contribute to its decision-making processes.
- Section 81 – Contributions to decision-making processes by Māori
- Local Government (Community Well-being) Amendment Act 2019, amended the purpose (Section 3 d) of the Act to provide for local authorities to play a broad role in promoting the social, economic, environmental, and cultural well-being of their communities, taking a sustainable development approach.

Local Government have an obligation and responsibility to facilitate Māori participation in local government. This obligation is to all Māori living in the area not just mana whenua. Furthermore, the purpose of Local Government is to promote community well-being, and improve the social, environmental, economic, and cultural well-being of their communities.

The Government Rules of Procurement/Sourcing

In October 2019, the Government Rules of Procurement were reviewed and updated to reflect the Government's expectation that procurement is leveraged to achieve broader outcomes for New Zealand. The update also included explicit requirements for agencies to consider priority outcomes as part of the procurement process.

The priority outcomes identified in the Rules are:

- increase New Zealand businesses' access to Government procurement.
- increase the size and skill level of the domestic construction sector workforce.
- improve conditions for workers in Government contracts; and
- support the transition to a zero net emissions economy and assist the Government to meet its goal of significant reduction in waste.

Source: <https://www.procurement.govt.nz/procurement/principles-charter-and-rules/government-procurement-rules>

Rule 16 – Broader Outcomes

Where previous editions of the Rules emphasised achieving “value for money”, the newest edition has replaced “value for money” with “public value”. While “public value” includes getting the best result from procurement, it also emphasises the secondary benefits a procurement can bring to the local community or environment.

The update to the Rules encourages Government agencies to engage more directly with New Zealand businesses when procuring goods or services, particularly with social enterprises, Māori, Pasifika, and regional businesses. The update also introduced a new Rule – Rule 16, making it mandatory for agencies to consider, and incorporate where appropriate, “Broader Outcomes” when procuring goods and services.

Broader outcomes are the secondary benefits generated from procurement activity, and can be environmental, economic, social, or cultural. Broader Outcomes require you to consider not only the whole-of-life cost of the procurement, but also the costs and benefits to society, the environment, and the economy.

How do these rules apply to Local Government?

One of the most significant changes from the previous rules is coverage. Government departments continue to be covered, but there is now an expectation that wider state services agencies (e.g., Crown entities) will regard the rules as “good practice”. Wider state sector organisations (e.g., tertiary institutions, SOEs) and wider public sector organisations (e.g., local government) are encouraged to read the requirements in the Rules as “recommendations”.

Source: Grant Thornton: New Government Procurement Rules A Guide about 4th Edition Rules for Public Agencies August 2019

Figure 3 below is an example of how Local Government can incorporate the Global and National context into Local plans.

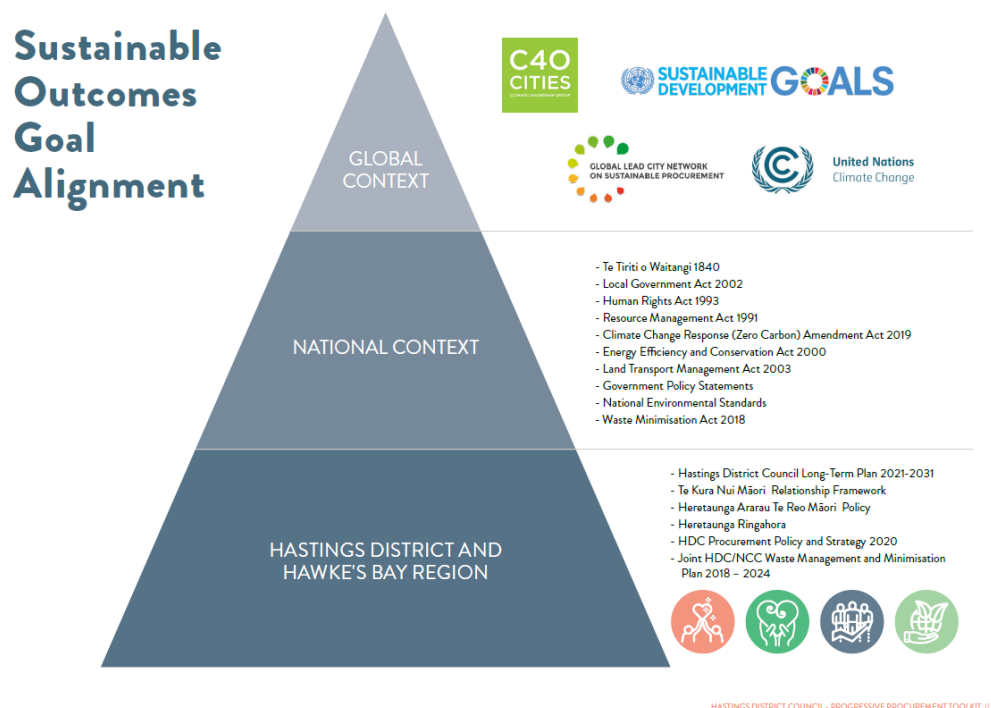


Figure 3: From the UN Sustainability Goals, through to Treaty of Waitangi and the government rules of sourcing. Hastings District Council Progressive Procurement Toolkit

Māori business and the construction market

The DNA of a Māori business

In 2020, a review of the Amotai database of 271 Māori businesses found the businesses fell in to four categories: Civil Infrastructure, Professional Services, Specialist Services, and Vertical Building. More than half the businesses can be considered a “mum and dad” type of business with a turnover of less than \$500,000. Twelve of the 271 businesses had a turnover of more than \$5,000,000. Most of the businesses were small businesses with under 10 full time employees, 22% of the businesses had between 10-50 full time employees, and 2% (6 businesses) had over 100 full time employees. Refer Figures 4 and 5.

In summary the key findings are:

- Successful businesses are busy and are fully booked.
- There are very few Māori businesses that can act as primes.
- Most businesses are best placed at this stage to complete subcontract packages of works for primes.
- Most work for the private sector, which is negotiated work with little comparatively based formal compliance i.e. HSEQ plans and associated certification.

All Businesses by Turnover

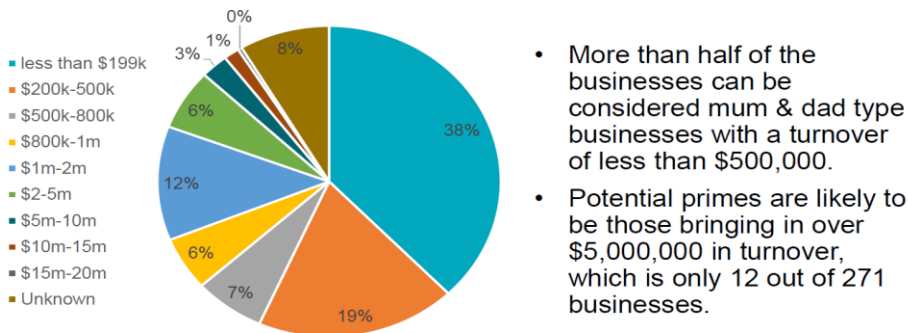


Figure 4: Most of our businesses are "Mum and Dad" type businesses - Data taken from Amotai Database May 2020 – include Māori and Pasifika Businesses

All Businesses by Number of FTEs

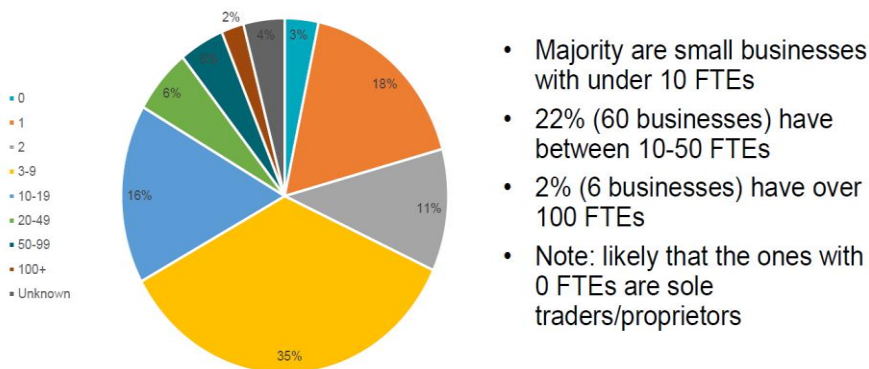


Figure 5: Most of our businesses are small suppliers - Data taken from Amotai Database May 2020 – include Māori and Pasifika Businesses

Case Studies: Supporting Māori owned businesses

Height PM has been engaged by Te Puni Kōkiri and Amotai to work with seven Māori owned businesses, with the goal of seeing more Māori businesses pre-qualified and accessing Government procurement opportunities, to support the supplier diversity target for mandated central Government agencies.

Case Study: Yakas Construction - Kerikeri



Northland is experiencing enormous demand for housing, especially from Māori whānau (with the waitlist for Far North housing jumping 74% to 823 people last year). Proudly Māori owned construction business Yakas Construction offers a Far North based solution to supplying more homes in the region, with a track record of high-quality workmanship and project management capability.

Founder and managing director Martin Yakas (Ngāpuhi) has more than 20 years' construction management experience in the Far North and Western Australia, and fronts the day-to-day running and management of the business. Martin's wife Megan ensures the smooth operation and administration of the business.

Yakas have a strong record of investing in the construction workforce, with 10 apprentices among their 20 staff – with the majority of these being Māori. They also work directly for a number of iwi based in the North, on marae and runanga projects, and are well placed to work productively alongside iwi and hapuu on future housing developments with Kāinga Ora.



Case Study: Mahi Tahī Media – Auckland

MAHI TAHI **MEDIA**

with Māori and employing and reinvesting in Māori creative talent.

We are privileged to be involved: Height has been engaged to assist Mahi Tahī in securing a place on two All of Government panels.

Mahi Tahī will be equipped to successfully tender and pitch for government work and develop more robust business development processes spanning account, client, and commercial management.

Government agencies will benefit from having a Māori-owned and operated specialist media company providing high quality, culturally relevant media services.



The construction labour shortage – why growing supplier diversity is the key

According to New Zealand Certified Builders (NZCB), a building boom and a shortage of skilled tradespeople has created a perfect storm for the construction industry. While there have been building booms and skilled trade shortages in the past, New Zealand has never had such extremes at the same time. Growing supplier diversity may be the answer to delivering Capital Works programmes.

Practical Broader Outcomes (with some Social Procurement)

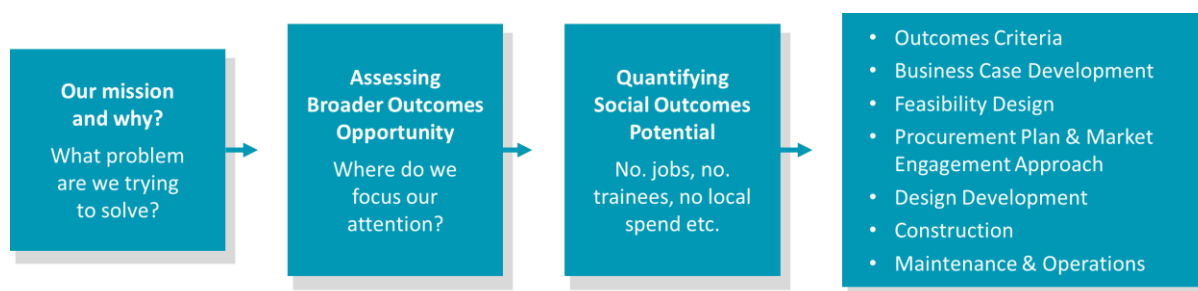


Figure 6: Implement Broader Outcomes from initial business case through to project delivery and operations.

The number one question – are we prepared to pay for Broader Outcomes?

Anything that requires an investment in people or a new way of doing business within the construction sector will often take up resource and cost money. Social and sustainable outcomes are not free, and it should not be expected that the supply chain can afford to absorb this cost. An assessment of expected outcomes must objectify and assess options for recognising and paying for these outcomes.

It costs us on average \$70K to have an apprentice, this is a real investment for us as a business not just as a cost, but in the time taken by our experienced tradies to mentor and support these young people, and for us to clothe and provide tools. In some cases, we miss out at the tender box because we are too expensive because we have to cover these costs.

Large Prime Contractor, Auckland, 2020

Examples include:

- Contingencies and allowances within budgets for social and sustainable outcomes
- Trainee and Graduates – allocated provisional sum items within the basis of payment that can be claimed on the monthly claim.
- Carbon reduction and design alternates – contingency allowances with budgets to assess options

The problem we are trying to solve

Broader outcomes without a problem set have no context. Defining the problem and challenges you are trying resolve are key to getting unified commitment by funders and budget holders.

If there is a strong link between the values of the organisation and the problem to be resolved, then seeking approval to commit to a broader outcomes policy and the subsequent costs becomes easier.

Key benefits to defining the problem:

- Supports political alignment and objectifies discussion on the need for broader outcomes
- Provide a clear organisational mission and reason why
- Supports development of Key Performance Indicators
- Supports the business case for funding for broader outcomes.

The following are examples of how defining the problem can aid the development of a clear plan for identifying the broader outcomes of a project.

Our Reason Why

With nearly \$2.5B PA to spend on providing housing and urban development, there has never been a better time to address and resolve social, economic, environmental and cultural wellbeing issues for our Iwi partners and Māori customers.

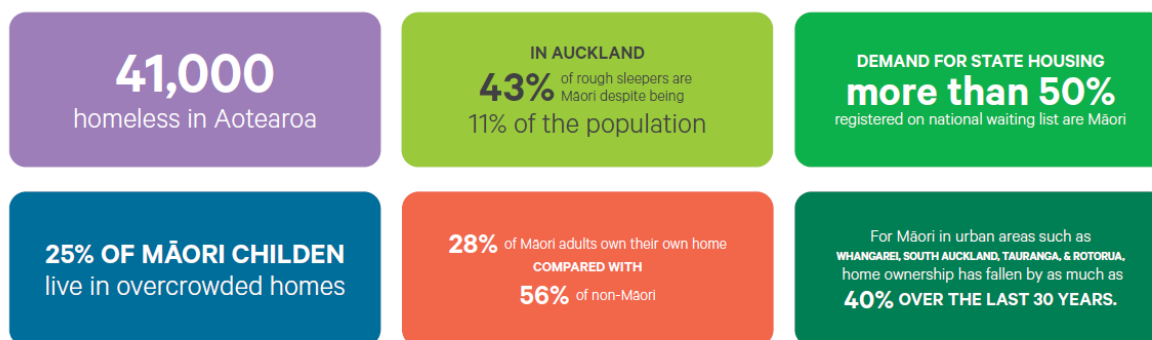


Figure 7: Kainga Ora Māori Outcomes Toolkit - Problem Definition



Figure 8: Auckland Council Healthy Waters Sustainable Outcomes Toolkit – the Problem Definition driven by the three key challenges identified in the Auckland Plan 2050.



Figure 9: Hastings District Council Problem Definition - HDC Sustainable Outcomes Toolkit

Assessing Broader Outcomes

The Core Pillars

Broader outcomes objectives generally are classified under four key pillars: social, cultural, economic, environmental. Figure 10 provides an example of how these four core pillars relate to Broader outcomes for Māori Wellbeing for Kāinga Ora.

Simply put we can't resolve all the world's problems in one procurement, it's best that we do a couple of things well, than a whole lot really poorly.

Senior Government Project Manager – Wellington 2020

Māori Broader Outcomes: Wellbeing Areas

In partnership with mana whenua, we will identify the priorities for each contract/project, and embed targets into procurements.

SOCIAL MANAAKITANGA	CULTURAL TE ARANGA	ECONOMIC WHAI HUA	ENVIRONMENTAL TE TAIAO
<p>We promote and facilitate the building of communities that are healthy, safe, and inclusive which fosters positive future sustainability outcomes.</p> <p>1.1 Inclusion - Whakaurunga</p> <ul style="list-style-type: none"> Create opportunities for a diverse range of people to live within a Neighbourhood harmoniously fostering social cohesion. Maximise opportunities for community participation and connectedness within neighbourhoods. Promote Whanau Ora, social prosperity and diversity through affordable housing opportunities. Empower, engage and connect with communities during development. <p>1.2 Quality of life - Te kounga o te koiora</p> <ul style="list-style-type: none"> Promote a healthy environment that facilitates active lifestyles. Provide safer Places. Ensure that public areas are attractive and accessible. Maximise opportunities for the neighbourhood to become a learning community. Support health and well-being of Suppliers employees <p>1.3 Inclusive accessibility - Whakauro whakauro</p> <ul style="list-style-type: none"> Ensure the neighbourhood is accessible to people at all stages of life and ability. Provide all residents with sustainable access to essential services. Secure access to Digital Connectivity for all residents. 	<p>We foster a sense of belonging and encourage initiatives that embrace a community identity regardless of race or religion. Whilst incorporating our indigenous heritage through matauranga māori (knowledge).</p> <p>2.1 Sense of place - Turangawaewae</p> <ul style="list-style-type: none"> Create a distinctive identity for the neighbourhood. <p>2.2 Custodianship - Kaitiakitanga</p> <ul style="list-style-type: none"> Promote environmental and social responsibility among residents. Work in partnership with local iwi and Mana Whenua in achieving their stated outcomes for the area and their whanau. <p>2.3 Heritage - Taonga tuku iho</p> <ul style="list-style-type: none"> Ensure that the neighbourhood's future reflects its past. <p>2.4 Cultural life - Te ahurea</p> <ul style="list-style-type: none"> Promote a diverse range of cultural, sporting and other opportunities. Celebrate local events. Support social and cultural infrastructure that is responsive in meeting people's evolving needs. 	<p>We support ethical economic prosperity through employment, upskilling and innovative supply-chain initiatives that encourage a resilient workforce and promote equality.</p> <p>3.1 Employment Opportunities - Whai wāhitanga mahi</p> <ul style="list-style-type: none"> Create local jobs, with a focus on shifting Māori from lower to higher-paid employment <p>3.2 Training and Upskilling - Te whakatakara mo nga kaainga</p> <ul style="list-style-type: none"> High levels of trainees, including apprentices and cadets, completing trades qualifications <p>3.3 Transport and connectivity - Te kawhe me te hononga</p> <ul style="list-style-type: none"> Maximise public transport opportunities ensuring accessible for all. Reduce dependence on vehicles for daily activities within the neighbourhood. <p>3.4 Grow Māori supply chain</p> <ul style="list-style-type: none"> Support growth in number and capability of Māori construction and infrastructure firms 	<p>We stand behind initiatives and innovations that conserve energy, support natural ecosystems and increase community involvement in the enablement of reducing carbon emissions and waste.</p> <p>4.1 Ecosystems - Taiao</p> <ul style="list-style-type: none"> Create a holistic natural habitat. Increase native biodiversity. <p>4.2 Energy and Emissions - Te kaha me te tukuna</p> <ul style="list-style-type: none"> Conserve energy and drive energy efficient, low carbon, low emission neighbourhoods for the future. Promote the implementation of renewable energy sources within neighbourhoods. <p>4.3 Water - Wai</p> <ul style="list-style-type: none"> Reduce water consumption. Improve water quality. <p>4.4 Waste reduction - Te whakaheke ururus</p> <ul style="list-style-type: none"> Drive innovative and responsible waste reduction. Minimise household waste by providing appropriate facilities and waste education to the community. <p><small>*Note: Priority Social Groups include: Māori, Pasifika, long-term unemployed, correctional workers, ex-offenders, graduates, youths, apprentices, refugees, those with disabilities and other under-represented society members that may face barriers to employment.</small></p>

Figure 10: The Kāinga Ora Māori Outcomes Toolkit

Using a Sustainable Outcomes Toolkit

Using a Sustainable Outcomes Toolkit similar to the open-sourced Auckland Council / Height Project Management Sustainable Outcomes Toolkit (<https://heightpm.com/toolkit>) helps to provide a framework that identifies and objectifies these outcomes.

The Toolkit works across all pillars and is scaleable to projects of any size. It applies the rigour of the procurement discipline with a practical way to incorporate these values into projects. With the volume of contracts at organisations like Auckland Council, it is not feasible to have a sustainable outcomes expert present through each procurement development process. The Toolkit provides the supporting material for operational delivery and procurement teams to embed sustainable outcomes solutions easily and practically. It is simple to use for a non-expert in social and environmental issues.

The Toolkit supports different stages of procurement with practical, easy-to-use tools, and has five steps.

1. **Align to organisational values**
Review organisational values and strategic outcomes to align with what broader outcomes means for the organisation.
2. **Identify opportunities within each project**
Identify where social, cultural, economic and environmental opportunities could be incorporated into the project considering the scope of activities.
3. **Create RFI/ROI and RFT/RFP questions**
Based on the opportunities identified in ‘Step 2’, use the Toolkit question guide as a template to tailor supplier questions.
4. **Evaluate responses**
Evaluate supplier responses and their alignment to desired outcomes using the Toolkit evaluation guide.
5. **Measure outcomes**
Use the Toolkit as a guide to model Key Performance Indicators (KPIs) or consider contract implications / inclusions.

Figure 11 is an example of the first step in the process.

3.3 STEP 1: OPPORTUNITY MAP

To leverage the best outcomes from ‘Step 1: Identify Opportunity Areas’, it is advised that those most familiar with the specific project/contract requirements are involved in the completion process.

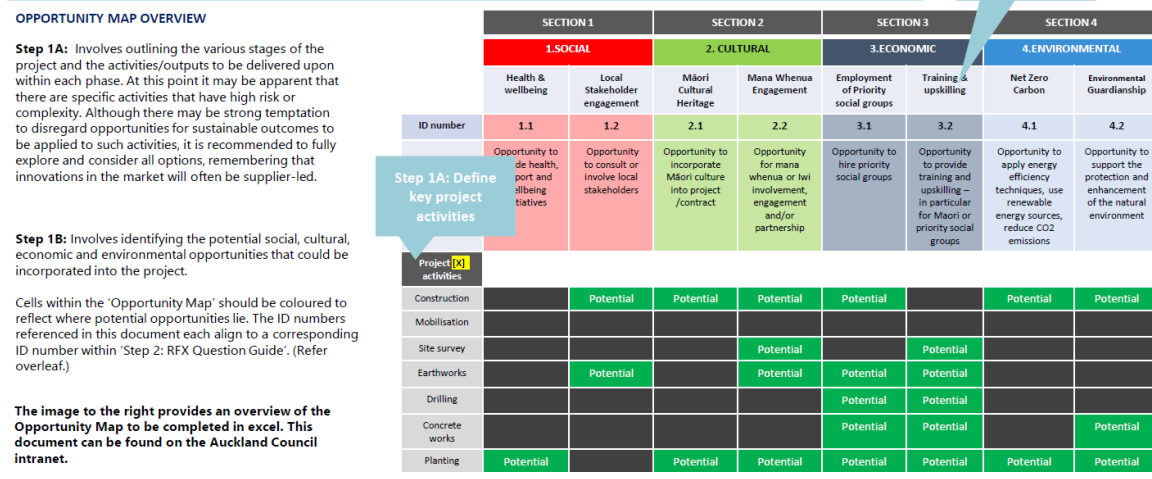


Figure 11: The Auckland Council Healthy Waters Sustainable Outcomes Toolkit

Quantifying Social and Sustainable Outcomes

Construction activity from planning, design, construction, and maintenance can be complex and is made up of a multitude of components including labour, materials, plant and overhead.

Understanding the estimated quantum of these elements helps establish expectations and targets on what should be expected:

- Job generation – by trade and technical type
- Trainee expected numbers based on trade type.
- Local spend with suppliers and subcontractors.
- Carbon generation and monitoring

Using an assessment tool like the “Social Abacus” can help qualify these elements and provide procurement professionals an objective assessment of what is possible within each procurement, as demonstrated in Figure 12.

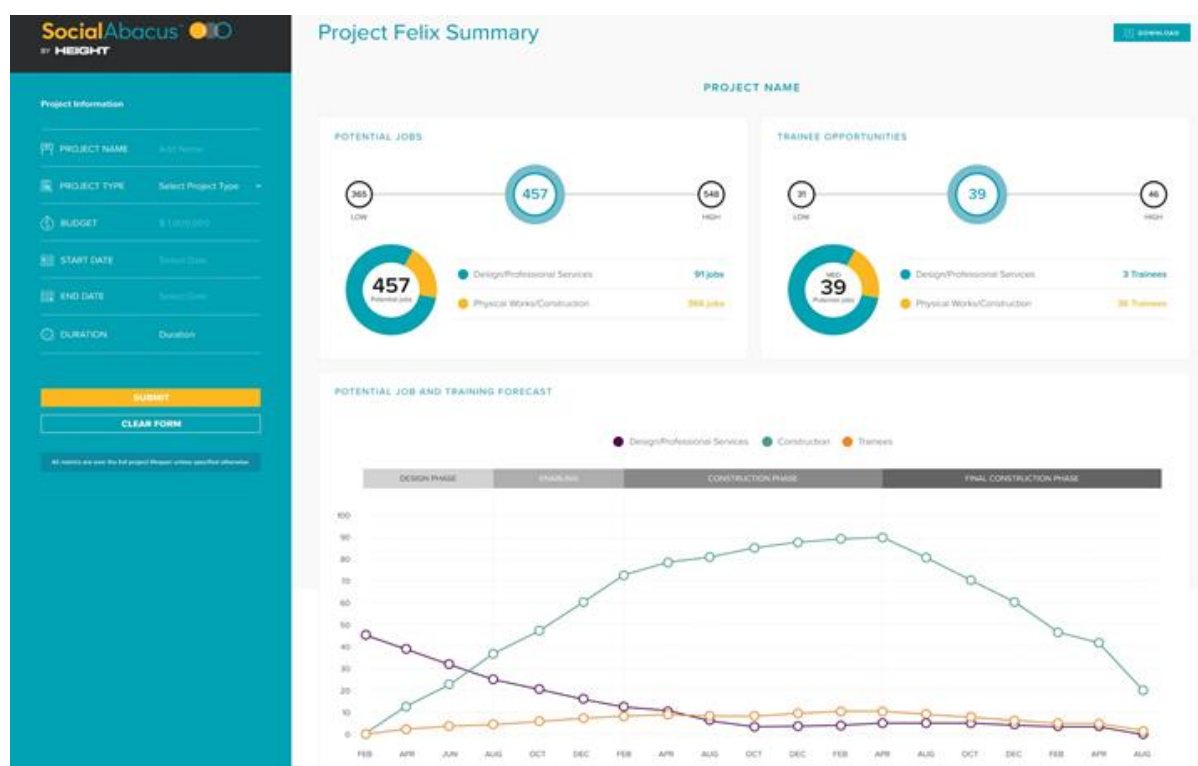


Figure 12: Assessing job generation and trainee development generation within construction using the Social Abacus.

Procurement and market engagement approach

The challenges with traditional tendering for SMEs

The standard tendering approach challenging for smaller businesses; and procurers need to rethink how they engage with the market.

For a smaller business like ours to quote a job costs us about \$3-4K. If a client wants us to tender it can easily cost us a minimum of \$20K, big dollars.

Small Pasifika Civil Contractor - Auckland Based

The traditional approach suits larger corporate entities that have the resources and systems to respond. SMEs often find it easier to do business in the private sector where work can be negotiated direct and there is less formality and compliance. In most cases they will trade off the risk of not getting paid because they find the whole tender approach just too complex and hard.

Encouraging more businesses – why negotiated direct award contracts should be considered

Construction by nature is made up of trade component-based tasks that in some cases are repetitive in nature. These activities even though they are repetitive, can have high public relations and safety consequences, and are complex. As such there is generally limited supplier availability within market.

The question is why we don't look to negotiate these smaller packages of works directly with suppliers (not just Māori businesses) through design of the procurement approach:

- Justification of approach – Business Case / Procurement Plan
 - Limited supplier and market capacity – we know all the key players.
 - Know cost of activity based on previous history – we can show cost competitiveness and value for money.
 - Rates are already market tested from previous tenders – we can show cost competitiveness and value for money.
 - Cost to Council to go to open market \$20 – 30K per tender – avoiding this will save money
- Bundle packages of work to create opportunity and meet supplier capacity – examples include:
 - Footpaths and minor civils work
 - Major project packages - Traffic management, scaffolding, etc.
 - House construction packages
 - Built asset maintenance – roofing, painting, and decorating, drainage and plumbing, electrical etc.
 - Smaller project packages

Case Studies:

A new procurement approach

Local Council Footpath

- Councils often spend a considerable amount of money fixing and repairing footpath assets. In most cases these are generally the same small contractors (often working via the prime) doing the work. Then if you consider that to put a \$200 – 400K package of work to market will cost a Council on average a minimum of \$20 – 30K, and the equivalent of this amount for a business to respond.
- Our Council knew the market and they decided to bundle 4 x \$150K packages specifically for the known local suppliers that had a market history of responding to tenders in the past. They knew the legacy costs for these activities and thus could demonstrate value to Council. They were also able to save considerable costs (estimated \$25 – 32K) for the Council procurement process and started works nearly 3 months ahead of what was initially programmed.
- The suppliers were also happy as they saved considerable costs by not tendering and were able to get certainty of work to commit resources in delivering these packages of work to Council.



National Build Partner Kāinga Ora and K3

- Kāinga Ora has an ambitious build programme for new housing. The supply market is constrained and the challenge of getting resources to help deliver the programme is real. Kāinga Ora knew they had to think differently and worked with Māori Owned Ngāti Kahungunu build partner K3 to look at options to engage them as part of their build programme.
- The approach looked at a pilot to build a small package of houses. They ensured K3 met initial compliance criteria, and then directly negotiated with K3 on pricing. There is strong market history on what good value is; as such, the intent on the negotiation is to ensure that the price aligns with market and is not unrealistically cheap or unsustainable for K3.

Setting targets and KPIs within the procurement

The quantifiable nature of construction activity does mean that targets can be set around the delivery of Broader Outcomes. Even for large projects where you have engaged a prime, there are opportunities to engage with smaller suppliers, noting that on average most large primes for larger construction projects can subcontract out anywhere from 40% and up to 100% of all works to subcontractors.

Engineers estimate that by using tools like the Social Abacus on projects we can start to look at unbundling packages and establish targets for broader outcomes:

- Percentage spend with Māori, local businesses and SMEs
- Number of trainees – trainees, cadets and graduates
- Trade training completion rates

Paying for Social Outcomes – provisional sums and bases of payment

Traditionally contractors hold trainees as an overhead cost as there is often nowhere for trainees to be recovered directly on the job. Linking back to the discussion on whether buyers are happy to pay for Broader outcomes, trainees provide a good example on how to integrate a provisional sum within your basis of payment.

There are real advantages to this approach:

- Levelling the playing for all suppliers by not penalising those suppliers that invest in training
- Encouraging other suppliers to invest in taking on trainees
- Providing a means to measure training investment as part of the monthly claim

See example basis of payment Spreadsheet in Appendix A

Case Study: Sustainable Outcomes



**MINISTRY OF SOCIAL
DEVELOPMENT**
TE MANATŪ WHAKAHIATO ORA



Auckland Council - Ngā Puna Pūkenga

In 2019 Auckland Council partnered with The Ministry of Social Development (MSD) to support people into sustainable, full-time employment. Auckland Council worked with its supply network in the infrastructure sector to encourage employment opportunities for those who found it challenging to get into meaningful work.

MSD funding enabled training and pastoral care for the new recruits to support providers and employers. In its first year, the pilot programme provided employment across 12 infrastructure companies, including Citycare, McConnell Dowell and Dempsey Wood, working on various projects across Auckland such as the Daldy Street outfall project and the Taiaotea Stream restoration project.



Practical Iwi engagement

This paper is focused on how best to engage with Māori business (and by default Pasifika and SMEs) as part of the procurement and broader outcomes delivery of construction related projects.

It is evident that broader engagement with Iwi from the initial business case development, procurement, through to design criteria development, co-design and construction are all critical components to delivering broader outcomes.

This section of the paper offers a basic summary and a snapshot of the key considerations and thinking needed to achieve better Iwi integration into construction and infrastructure related projects.

Formally linking Mana Whenua into the procurement process

For larger or complex community-based projects there is real benefit in having Mana Whenua involved in the development of the procurement approach – get them involved early. If the project impacts local communities like most construction does, or if it has a higher social significance, then, from a pure risk mitigation, design outcomes and community perspective, it makes sense to have Mana Whenua integrated as part of the of the whole project, and definitely as part of designing the procurement approach and choosing the delivery partners.

Here is some practical thinking around integrating Mana Whenua into project and procurement planning and delivery:

- For the development of the long-term plan and at feasibility stage, especially for larger more significant projects
- Initial risk assessment – what are the key risks from a Mana Whenua perspective? – this can impact resource consents, environmental and stakeholder management etc.
- Project outcome criteria – from hard technical through to broader outcomes – helps establish design criteria and project success KPIs. What does success look like for Mana Whenua?
- Procurement Planning – market assessment, attribute weighting and market engagement approach
- Tender evaluation panels.

Iwi project integration – broader than just “Māori stuff”

Early consultation is important. We need to view Iwi as cultural professional service providers. Iwi involvement is broader than just “things Māori” – there is a wealth of untapped knowledge and innovation that is missed if consultation does not happen at the beginning of a project. In large projects Iwi are often the only constant. Project teams move on, but Iwi remain.

The need for a framework for joint engagement

Design and construction can be confusing and complex, likewise those who know little or nothing about te ao Māori can also find engaging with Iwi confusing and scary. The secret opportunity sits within the way construction projects are organised and the deliberate points of collaboration through the design, mobilisation, and construction stages of the project.

I find construction and contracts confusing, I am not an expert. I am also sure that the contractors find us confusing as well, we don't know where and how to communicate.

Senior Iwi Leader, Wellington 2020

This thinking also extends to the leadership and governance within projects from:

- Tender evaluations
- Project board governance
- Senior leadership position with the project management

During the development of a business case, it is important to align with the four Wellbeing Areas (Social, Cultural, Economic and Environmental), to establish business case criteria. This will inform the assessment criteria from the beginning.

Iwi should and can be involved in all stages from concept design and resource consent, to developing the procurement plan and approach, through to design integration and ultimately project governance and leadership.

Figure 13 shows the design evolution for a project. There are logical stages of design development 5%, 10% design compete etc. Each design review point offers an opportunity for Iwi engagement for not only the design development but also:

- Risk and opportunity management
- Project plans
- Programme development
- Establishing project costs models and engineers estimates
- Project governance and leadership

Design and build / Early Contract Involvement Model

How do we integrate Iwi into a design and build/ECI model?

- Contract Governance (ongoing)
 - Project Leadership Team
 - Delivery Team
- Integrated within project
 - Broader outcomes
 - Community engagement
 - Recruitment and pastoral support of staff and trainees.

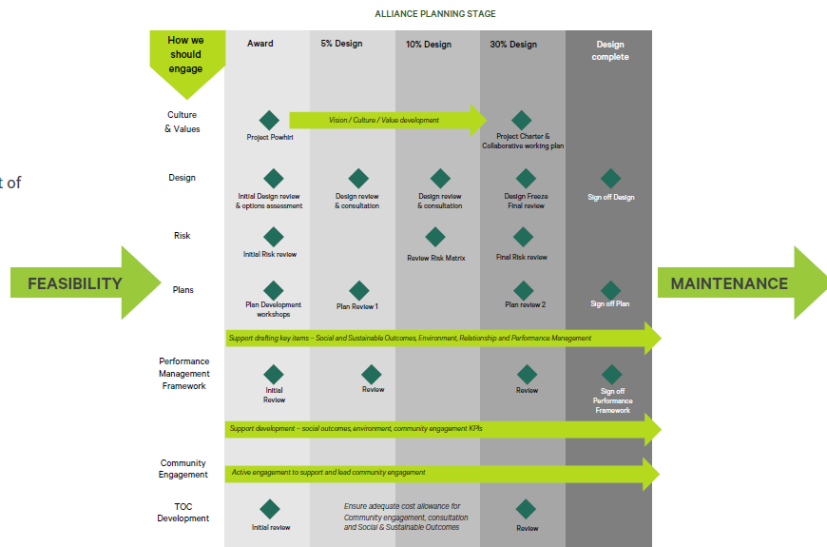


Figure 13: A road map with logical collaboration points for Iwi engagement with the project teams

Figures 14 and 15 outline Kāinga Ora’s approach to engaging with Iwi as partners on projects.

The Partnership Opportunity for Iwi in Procurement

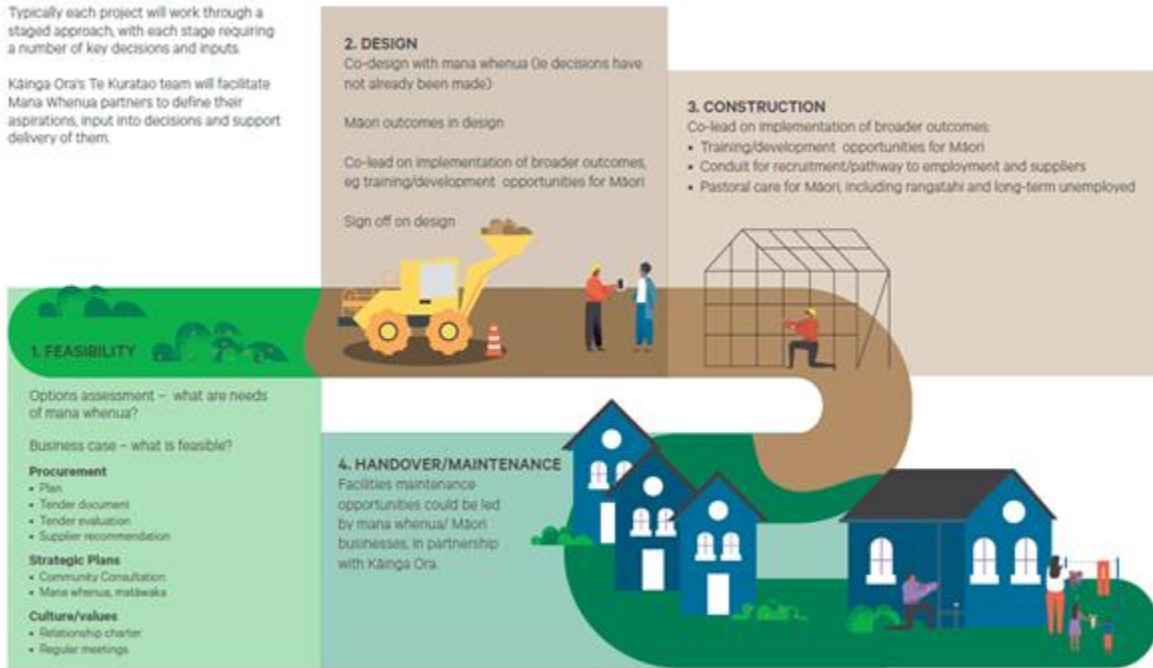


Figure 14: Kāinga Ora: Broader Outcomes is also how we engage with Iwi across the whole lifecycle of the project.

A Business Case for Engagement

A good working relationship with Māori strengthens programme delivery and makes compelling business sense. Ineffective engagement may jeopardise delivery timeframes.

When we are spending \$1 million a week on some projects at their peak, engaging with iwi Māori partners in their communities makes business sense.

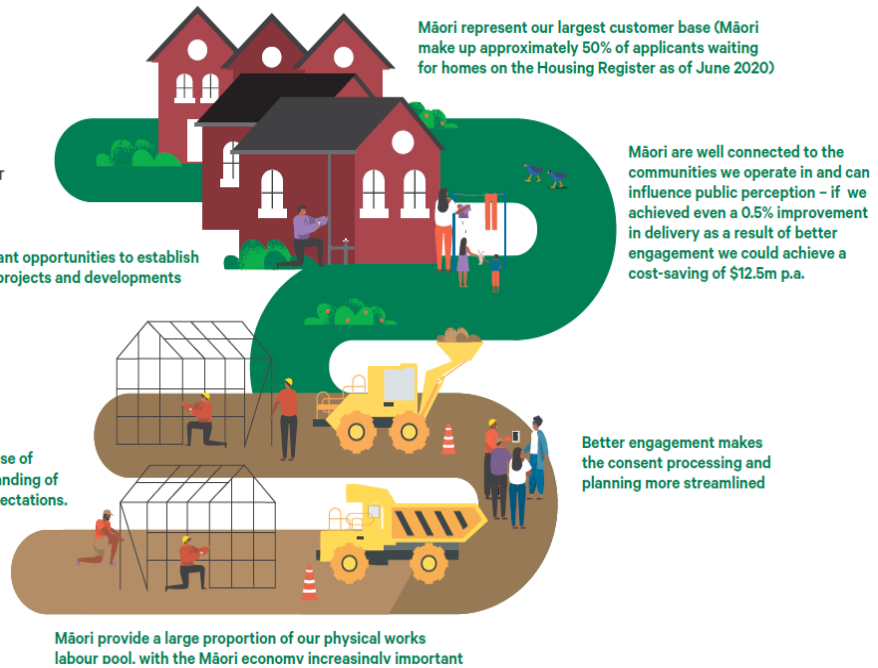


Figure 15: Kāinga Ora: A business case for engagement

Iwi integration into projects and maintenance contracts

Our role as the Te Kurutao team is to provide guidance for both iwi and also our Kāinga Ora team on how best to partner and work together through all stages of our projects:

- The best opportunity for genuine engagement comes at the feasibility and early planning stages in the preparation of the business case for a project. These are the best opportunities to define:
 - Design standards
 - Key procurement decisions and supplier selection criteria
 - Master planning and consenting
 - Key stakeholder engagement – local and national politics
 - Set budgets – budget allocation, iwi and broader outcomes
 - Establish broader outcomes goals
- Need to be clear with the project team and with iwi how and when to engage.
- Most of our projects follow a structured project lifecycle, so we can establish base models for engagement that help to provide that clarity. Examples of collaborations include
 - Design reviews
 - Plans developed and approved
 - Risk and innovation workshops
 - Broader outcomes
 - Programme development
- Iwi engagement must be funded – iwi are no different from any other professional services provider and thus funding must be allowed for within project plans.
- Project Governance – integration of iwi into formal project and contract governance, which could include:
 - Project Board appointments
 - Procurement/tender evaluation
 - Management team
 - Local community engagement
 - Broader outcomes
 - Independent review and audit.

Figure 16: Te Kurutao – Iwi integration into projects

Case Studies:

Broader Outcomes – Social Procurement in Practice

As this paper has discussed, Social Procurement is when organisations use their buying power to generate social value above and beyond the value of the goods, services or construction being procured. The Porirua Alliance between Ngāti Toa Rangatira and Kainga Ora, and the Auckland Council “2 in a Ute” programme are two examples of Social Procurement in practice.

Case Study: Porirua Alliance



Porirua Development

In November 2018, the NZ Government announced \$1.5 billion investment over the next 25 years to work within Porirua City, in the Wellington region. With the area growing fast, Porirua city will need to provide 11 000 quality homes to support its expanding community over the next 30 years.

A partnership between local Iwi, Ngāti Toa Rangatira and Kāinga Ora – Homes and Communities was formed. The partnership was made possible through the Iwi's 2014 Treaty settlement, in which Ngāti Toa Rangatira were given first right of refusal over Crown-owned properties and land blocks in their rohe. Ngāti Toa's new community housing provider, Te Āhuru Mōwai, has partnered with Kāinga Ora and the Ministry of Housing and Urban Development to deliver the Eastern Porirua Regeneration Project (the Project).

The project will provide 2000 new or renewed public homes and 1500 affordable and market homes. Through social procurement and public investment, the project aims to stimulate economic activity, create employment opportunities, and improve well-being in Porirua. Through the partnership, Ngāti Toa will manage the tenancies, maintenance, and upgrade of the Kāinga Ora properties.

The success of the partnership was acknowledged in November 2020, at the Spirit of Service awards which celebrate outstanding public service governance, winning the Māori Crown Relationships Award | Te Tohu mō te Tūhonotanga a Ngāi Māori me te Karauna. The partnership was described as modern and future-focused based on a shared vision of enabling a thriving community, returning whenua to iwi, and devolving management of assets to improve intergenerational wellbeing.

KRA:	Key behaviour	KPI:	Measures:	KRA %	Split:	KPI %
Legacy	Build an enduring legacy during and after the work has been completed.	Build industry capability (all staff including subcontractors)	Site based operatives - 2 out of 10 staff are on a formal apprentices or completing L2/L3 qualifications with an 80% success rate for completion of qualification Office Based Staff - 1 out of 10 staff are graduates or cadets completing L5/L6 qualifications with an 80% success rate for completion of qualification Target - KPI met (Score 60% of KPI met) Stretch target - 50% of trainees are Ngāti Toa / 50% local trainees (Score 100% of KPI met)	20.0%	50%	10%
		Supporting Local Businesses	40 % of project spend is spent with Porirua based suppliers and subcontractors. Target - KPI met (Score 60% of KPI met) Stretch target - 50% of spend is with Ngāti Toa Businesses / 50% local businesses (Score 100% of KPI met)		50%	10%

Figure 17: Porirua Alliance Broder Outcomes KPIs

Case Study: 2 in a Ute



Auckland Council's Healthy Waters department wanted its maintenance services to deliver against social outcomes: in particular, creating job opportunities for long-term unemployed.

The Council is also investing in more environmentally friendly stormwater management with new maintenance requirements. Healthy Waters understood that placing long-term unemployed in work is not enough – they wanted people to develop skills, learn about business, be supported and mentored, and stay motivated.

Using the Sustainable Outcomes Toolkit (co-developed by Height and Healthy Waters), a structured model was developed which would deliver against the social objectives and the maintenance requirements. "2 in a Ute" involves a mentor and a mentee as a mobile unit looking after an area of local infrastructure. Workers are recruited locally, so they have a connection to the area they are maintaining. The mentees have come off a benefit and into work, and the mentor provides guidance and direction. Ministry of Social Development funding is engaged to help keep employees in work. Auckland Council supplier City Care provides training to the new workers, support for the mentors, and supervision of the whole scheme. Ultimately, mentors and mentees could be sufficiently upskilled to manage their own maintenance businesses.



Appendix A: Sample Basis of Payment

KPI No.	RFP Questions	Maximum PS Payment Per KPI for Contract Period	KPI Focus Area	KPI Requirements & Measures	Payment Mechanism
1. b.	Less Advantaged Social Groups : Will your organisation hire any of the following less advantaged groups for this project and if so, how many from each group and through what recruitment process? Apprentice, Cadet, Graduate, Māori, Pasifika, Ethnically diverse (e.g.. Refugee background), Long-term unemployed, Disabled, Mental health history, x-Offenders	\$40,000	Hire of less advantaged Social Groups (that do not meet MSD criteria) including; Apprentices, Cadets, Graduates, Māori, Pasifika, Ethnically diverse (e.g.. Refugee background), Disabled, Mental health history, x-Offenders	The hire must be specifically for the Project (i.e. staff already employed by the company prior to award of the contract will not be eligible, the burden of proof lies with the Contractor to prove eligibility). Candidate must be employed for a minimum period of 3 months prior to being eligible for any payment. Payment will be made on a month by month basis starting from the 3rd month onwards. This payment will continue for the duration of the project up to the maximum payment level of \$2,500 per candidate.	Monthly payment by Council for each hire that meets the eligibility criteria.
2	Upskilling : Please explain how your organisation will be providing opportunities for upskilling during the project and the specifics of the upskilling your organisation will be providing? Will this be aimed at a targeted group, full-time employees only, contractors, volunteers etc. or will this be open to all parties involved in the project? Please provide specifics?	\$40,000	PROFESSIONAL DEVELOPMENT : as per the term in BoP.	General upskilling (NZQ 1-4). A payment of up to \$1000 per candidate where the candidate has been continuously employed on the project and has been upskilled from Level 1 to Level 4 (in a trade relevant qualification) during the term of the project. Candidates must be identified at the start of the project and reasonable documentation provided to validate the upskilling achieved must be provided.	A lump sum payment by Council for each upskilled candidate on completion of the upskilling training.

HEIGHT

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