

BROADER OUTCOMES GUIDANCE FOR THE CONSTRUCTION SECTOR

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MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

MODULE ONE

MODULE TWO

MODULE THREE



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November 2021	v1.0
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3. APPENDIX ĀPITI HANGA

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Delivering broader outcomes through procurement activity can deliver wide reaching cultural, social, economic, and environmental outcomes

17-19

BROADER OUTCOMES GUIDANCE OVERVIEW

The Construction Sector Accord has identified an opportunity to develop 'broader outcomes Guidance' ('Guidance') to support government agencies to embed broader outcomes into their construction procurement activity.

PURPOSE OF THE GUIDANCE:

- **For consistency** in interpretation of broader outcomes
- **Ease of use** for construction sector stakeholders
- **Improved transparency** on what government buyers are looking for
- **To make progress** by all moving in the same direction

THE GUIDANCE SHOULD BE REGARDED AS A LIVING DOCUMENT



GUIDANCE AND MODULE ORIENTATION

WHO ARE YOU?

BUYER



SUPPLIER



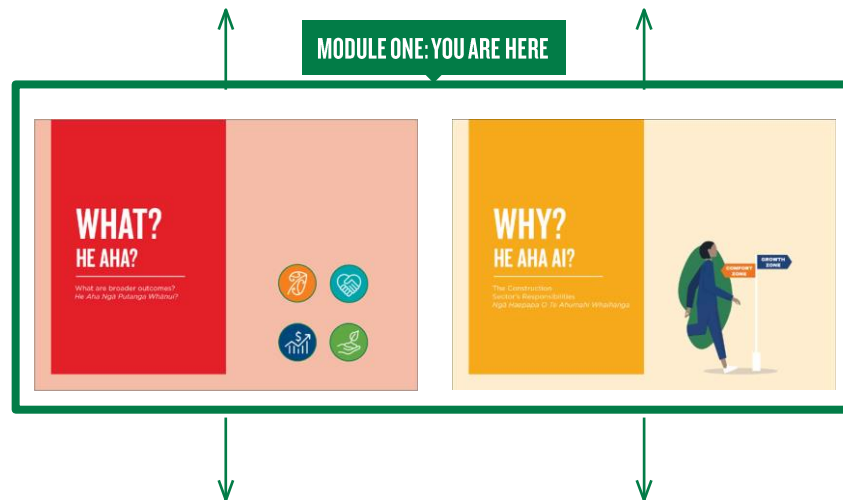
WHICH PARTS OF THE GUIDANCE SHOULD YOU LOOK AT?

As a government buyer you can grow you and your team's understanding on what broader outcomes are and get clear on where the priority broader outcomes fit in.

As a government buyer you can get clarity on 'the why' and what broader outcomes delivery may look to achieve.

As a government buyer, understand at a high level how you might embed broader outcomes throughout the procurement process.

As a government buyer, this Guidance may be helpful when drafting RfX, contract documentation, evaluation of tenders and inform negotiations and KPI management.



Grow your understanding around what broader outcomes are, de-jargon the procurement world and know what government buyers are looking for when they ask about broader outcomes.

Get clarity on 'the why' and what broader outcomes delivery may look to achieve.

As a supplier, you will have transparency on how government buyers are embedding broader outcomes.

As a supplier, you will have transparency on what broader outcomes questions government buyers may ask and how you will be evaluated.

WHY? HE AHA AI?

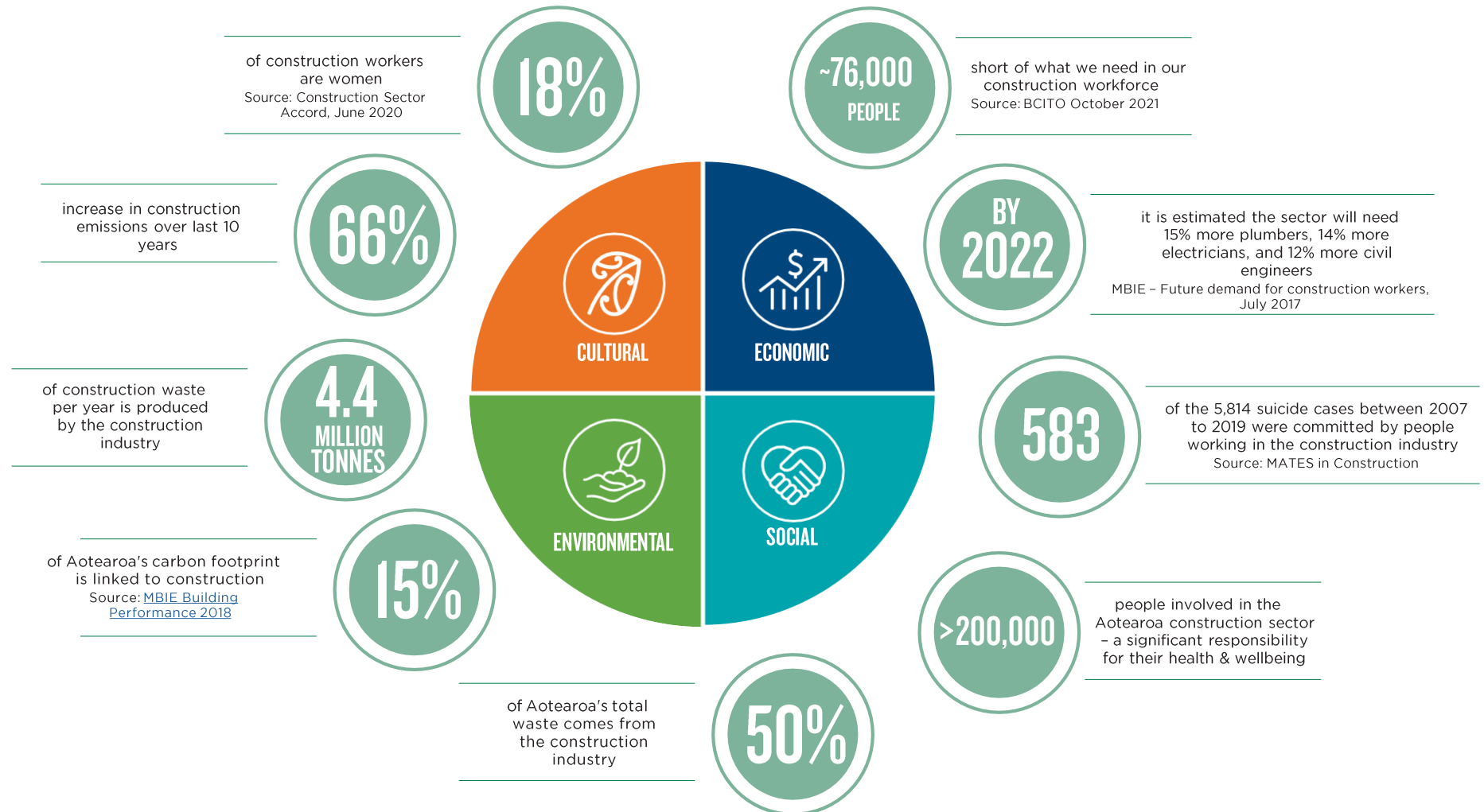
The Construction
Sector's Responsibilities
Ngā Haepapa O Te Ahumahi Whaihanga



THE AOTEAROA CONSTRUCTION SECTOR HAS A NUMBER OF CHALLENGES

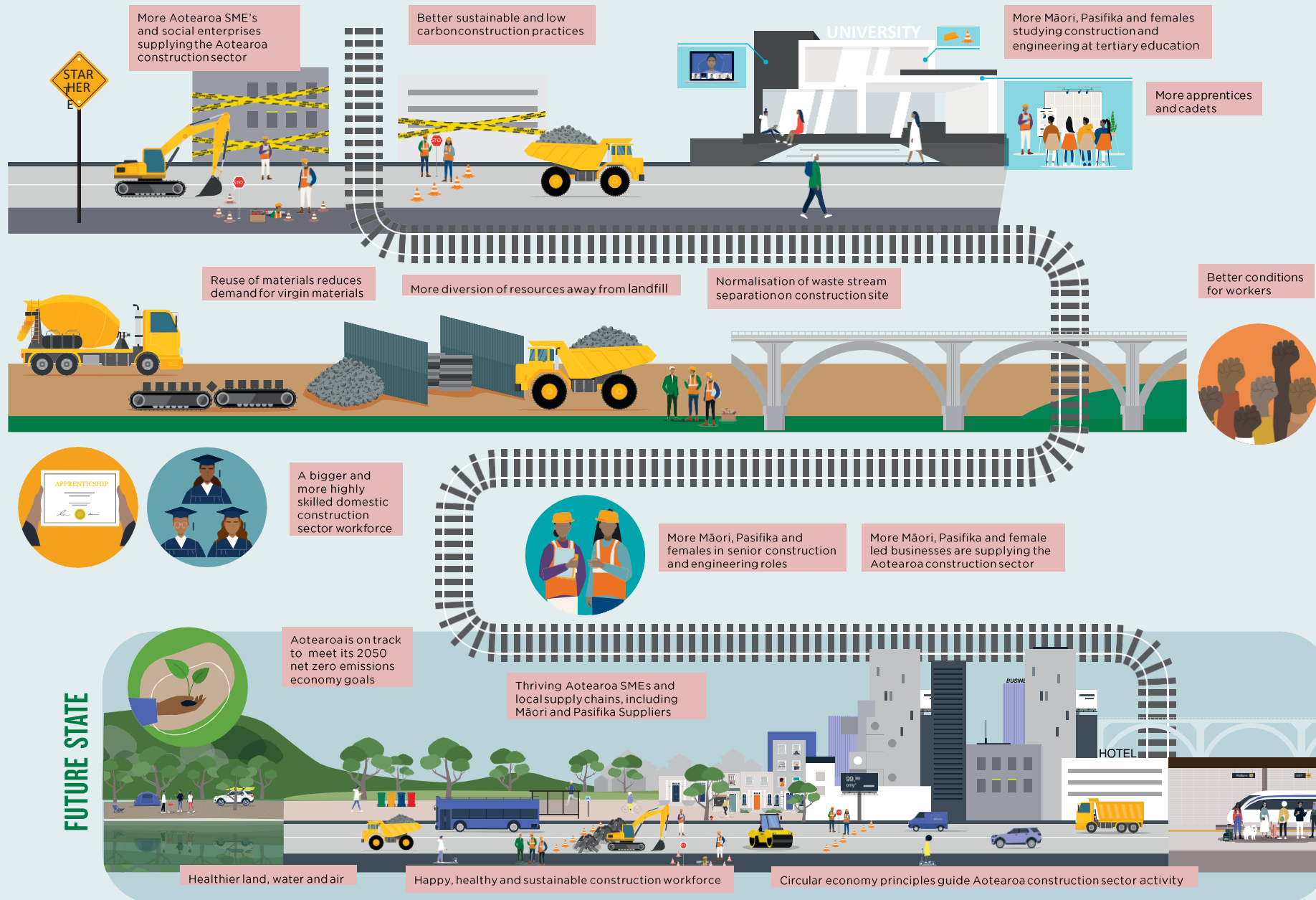
The construction sector contributed ~\$17 billion to the national GDP in 2020 (6.7% of total GDP).

There is a significant opportunity to use that buying power to positively support local communities, wider society and the environment as well as the goods, services or works being procured.



PATHWAY TO OUR FUTURE STATE:

THE CONSTRUCTION SECTOR CAN HELP ACHIEVE A BETTER AOTEAROA, THROUGH BROADER OUTCOMES DELIVERY TODAY



ENGAGING WITH MĀORI

Effective engagement between government buyers and Māori is key to producing better quality outcomes and Māori Crown partnerships, as per our obligations under Te Tiriti O Waitangi (Treaty of Waitangi).

To achieve meaningful engagement it needs to be based on developing effective and enduring relationships with Māori.

EFFECTIVE RELATIONSHIPS MUST BE BASED ON:

1. Trust
2. Integrity
3. Respect
4. Equality

In your local area you need to engage with mana whenua (iwi and/or hapū in your local area) as they need to participate in decisions that affect their people and rohe (area).

Depending on your construction project, the engagement might be required across local, regional or national levels.

By engaging early (at Business Case stage or earlier) government agencies can ensure that their construction projects deliver:

STRONG CULTURAL, SOCIAL, ECONOMIC AND ENVIRONMENTAL OUTCOMES FOR MĀORI



Toiora Ahurea



Toiora Tāngata



Toiora Ōhanga



Toiora Taiao

The type of engagement will depend on the significance of the construction project for Māori.

For example, the spectrum of engagement methods can range from inform or consult, to co-design or empower.

Te Arawhiti's resources regarding [Crown Engagement with Māori](#) and [Building Closer Partnerships](#) can help you through this process.

WHAT? HE AHA?

What are broader outcomes?
He Aha Ngā Putanga Whānui?



WHAT ARE BROADER OUTCOMES?

Government procurement activities offer a unique opportunity to achieve broader cultural, social, economic, and environmental outcomes for Aotearoa. These are what we call broader outcomes which are defined in the [Government Procurement Rules \(Rule 16\)](#).

The Government Procurement Rules support sustainable and inclusive procurement through the promotion of good practice for procurement planning, approaching the supplier community and contracting

PROCUREMENT



Process of acquiring goods, services, works etc

PROCUREMENT WITH BROADER OUTCOMES



Process of acquiring goods, services, work etc



Generation of positive cultural, social, economic and environmental benefits

During the procurement process you must consider what provides the best Public Value. Value is more than just price and quality, it is also about the legacy and lasting benefits that can be created through how we deliver the work. The below diagram* shows how delivering Good Outcomes (broader outcomes) sits alongside Good Quality and Good Price.



*Note: Above diagram adapted from the New Zealand Government Procurement Rules.

BROADER OUTCOMES CATEGORIES

All of the following are broader outcomes, and they have been organised by the cultural, social, economic and environmental categories. Broader outcomes are interconnected and can overlap between different categories.

On the following pages we define these further in terms of [designated contracts](#) and priority broader outcomes.



Cultural Wellbeing *Toiora Ahurea*

Improved diversity and inclusion
of all ethnicities and genders



Social Wellbeing *Toiora Tāngata*

Improved conditions for workers

Quality employment outcomes
for priority social groups*

Empowered and connected local
stakeholders



Economic Wellbeing *Toiora Ōhanga*

Improved size and skill level
of domestic construction
sector workforce

Increased access for Aotearoa
businesses (Supplier diversity/
Market accessibility)

More workers have the
financial means to live well



Environmental Wellbeing *Toiora Taiao*

Net zero emissions economy

Reduced waste from
construction sector

Improved environmental
guardianship

Improved water protection

*Priority social groups are defined within the Government Procurement Rules as displaced workers and groups with traditionally high rates of unemployment or low labour force participation (specifically women, Māori, Pasifika, disabled people and youth)

WHERE DO BROADER OUTCOMES FIT IN THE PROCUREMENT PROCESS?

BUYER



PROCUREMENT FUNCTION
OPERATIONS/PROJECT TEAM

Ideally, the procurement function should be working with delivery / project teams at the Business Case stage to identify broader outcomes. Otherwise there are still opportunities to identify broader outcomes at the Procurement Plan stage



BUSINESS CASE STAGE

Planning for investment decision to go to market

MINISTERIAL DIRECTION

AGENCY
BROADER
OUTCOMES
PROCUREMENT
STRATEGY

PROJECT
PROCUREMENT
STRATEGY

PROCUREMENT
PLAN

MARKET
ENGAGEMENT

SOURCE

EVALUATE &
NEGOTIATION

AWARD &
DEBRIEF

MANAGE

MEASURE
AND REPORT

CORE PROCUREMENT PHASE

Search for suppliers who can deliver broader outcomes, a good quality solution and at a good price

Broader outcomes embedded in contracts



OPERATIONS/PROJECT TEAM

Operations / Project Team ensure the delivery of broader outcomes



Collaborative working relationships with suppliers



SUPPLIER



MAIN CONTRACTORS

SUB-CONTRACTORS

CONSULTANTS

MATERIAL SUPPLIERS

DEVELOPING GOOD PRACTICE (TRACK RECORD & EVIDENCE COME RFx TIME)

- Ensure your website and other marketing channels are up to date – consider including case studies related to broader outcomes
- You can shape/ inform what solutions could look like to deliver broader outcomes
- Proactively engage subcontractors and material suppliers, including Māori and Pasifika-owned businesses
- Do a carbon footprint assessment and look for opportunities to reduce carbon and waste
- Understand what your capacity is to deliver on commitments
- Use this Guidance to understand what broader outcomes are and how they are addressed by government buyers
- Consider investing in broader outcomes that both align with your company goals and are important to the tenders you will typically bid for



RFx response

Explore opportunities to embed broader outcomes:

- Track record
- New initiatives

Determine cost of broader outcomes and bid options e.g. cost paying usual rate vs the Living Wage

If unsuccessful:

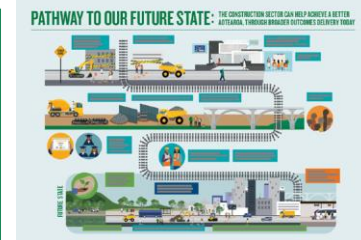
Request a debrief with the buyer to both receive feedback to learn for next time, and also give feedback to the buyer on how they can improve for future tenders

If successful:

Buyers and suppliers collaboratively finalise the contract agreement

Also request a debrief if you're successful, so you can learn for next time and provide feedback to the buyer as well

SEE PAGE 14 FOR WHAT BROADER OUTCOMES DELIVERY CAN ACHIEVE



WHAT ARE THE PRIORITY BROADER OUTCOMES IN CONSTRUCTION PROCUREMENT?

There are a lot of broader outcomes that can be delivered through construction procurement. This page outlines the priority broader outcomes. Check out [Module 2](#) for more support on prioritising broader outcomes.

PRIORITY BROADER OUTCOMES:

There are many broader outcomes that can be delivered through construction procurement. Cabinet has identified four priority broader outcomes for agencies to start focusing on. These are explained on the next page in more detail.

Priority outcome 1: Increasing access for New Zealand Businesses

With consideration to Rule 3: Non-discrimination and off-sets, and Te Kupenga Hao Pāuaua (progressive procurement policy)

Priority outcome 2: Construction Skills and Training

Priority outcome 3: Improve conditions for New Zealand Workers

Priority outcome 4: Reducing emissions and waste

DESIGNATED CONTRACT AREAS

Each priority broader outcome has designated contract areas. The following priority broader outcomes have been designated to construction contracts:

Priority outcome 2: Construction Skills and Training when procuring construction works valued at \$9 million or more (excluding GST)

Priority outcome 3: Improve conditions for New Zealand Workers (Health and Safety)

WHO NEEDS TO FOLLOW THE GOVERNMENT PROCUREMENT RULES?

Cabinet has directed around 140 government agencies ([see full list here](#)) to apply the Government Procurement Rules, and around 2,900 other entities are encouraged to apply them.

THIS GUIDANCE SUGGESTS BROADER OUTCOMES SHOULD BE PRIORITISED BASED ON:

1. Priority broader outcomes
2. Designated contract areas
3. Other broader outcomes that are fit for purpose for your particular project or programme.

PRIORITY BROADER OUTCOMES

Cabinet has taken a targeted approach to leveraging broader outcomes and is placing greater requirements on agencies to leverage a set of [priority broader outcomes](#). These may change or be added to over time.

It is also important to consider your own organisation's strategy and targets for broader outcomes, and keep in mind of [designated contracts areas](#), as agencies need to target specific contract types for the priority outcomes. Additionally, [Rule Z](#) outlines when the Government Procurement Rules apply to new construction works.

GOVERNMENT PROCUREMENT RULES	DESCRIPTION
RULE 17	<p>Increase New Zealand businesses' access to government procurement: increasing the number of Aotearoa businesses contracting directly to government, and within the supply chain. This includes Māori businesses and Pasifika businesses.</p> <p>Consideration must be given to:</p> <p>Rule 3: Non-discrimination and offsets: states that agencies can create opportunities for local, small Māori and Pasifika businesses, but these opportunities must not preclude other suppliers. The decision on contract award is determined by which supplier provides best public value.</p> <p>Te Kupenga Hao Pāuaua: Progressive procurement policy (see additional requirements in the next page)</p>
RULE 18	<p>Increase the size and skill level of the domestic construction sector workforce: the Government is leveraging procurement to encourage businesses to increase the size and skills of their workforces.</p>
RULE 19	<p>Improve conditions for workers: this priority protects workers from unfair and unsafe behaviour, and incentivises well-performing firms while ensuring they are not undercut by firms who have reduced costs through poor labour practices.</p> <p>Rule 18a: Quality employment outcomes: particularly for displaced workers and groups with traditionally high rates of unemployment or low labour force participation (specifically women, Māori, Pasifika peoples, disabled people and youth).</p>
RULE 20	<p>Support the transition to a net zero emissions economy and assist the Government to meet its goal of significant reduction in waste by 2020 and beyond.</p>

ADDITIONAL REQUIREMENTS

It is important consider the additional requirements below that might be relevant for your organisation or project.

There may be further policy requirements and/or legislations you need to consider that are not mentioned in these Guidelines.

REQUIREMENTS	DESCRIPTION
Te Kupenga Hao Pāuaua (progressive procurement policy)	Increasing the diversity of suppliers that are aware of opportunities to contract for government business, and are capable of doing so. The initial focus of the policy is on Māori businesses, with a target for 5% of contracts being awarded to Māori businesses.
Carbon Neutral Government Programme	Reducing carbon emissions: The Government launched the Carbon Neutral Government Programme, aimed at accelerating the reduction of emissions within the public sector. It requires mandated agencies to measure and publicly report on their emissions, and to offset any emissions that they cannot cut by 2025.
Building for Climate Change	Proposes to set regulatory requirements to report and limit emissions from all new buildings across their lifetime. This includes during construction and operation, as well as ensure buildings are resilient to expected changes in the climate. Requirements would apply to government buildings sooner than all buildings in the sector.

APPENDIX

ĀPITIHANGA

DELIVERING BROADER OUTCOMES THROUGH PROCUREMENT ACTIVITY, CAN ACHIEVE SIGNIFICANT AND WIDE REACHING CULTURAL, SOCIAL, ECONOMIC AND ENVIRONMENTAL OUTCOMES



CULTURAL

IMPROVED DIVERSITY AND INCLUSION OF ALL ETHNICITIES AND GENDERS:

The term diversity can encompass many dimensions such as race, culture, gender, age, national origin, religion, cognitive diversity and gender diversity. Diversity in the workplace can be advantageous, and organizations with a diverse workplace are more likely to outperform competitors with less diversity – if the culture is inclusive. Aotearoa as a population is incredibly diverse in all aspects of the word and our infrastructure and built environment should stand to serve those diverse needs. We can achieve this, if decision-makers at every level can leverage diverse perspectives to better problem-solve, innovate, and ultimately deliver better outcomes for all.



SOCIAL

IMPROVED CONDITIONS FOR WORKERS:

Government procurement can help protect workers from unfair and unsafe behaviours by ensuring suppliers, and the suppliers in their domestic supply chains, comply with employment standards. The Aotearoa construction sector employs more than 225,000 people, and all employers have a responsibility to comply with employment standards.

EMPOWERED AND CONNECTED LOCAL STAKEHOLDERS:

Meaningful engagement with local communities can lead to stronger connections, safer environments and a greater sense of inclusion for community members. These factors can reduce incidences of crime and avoid public costs triggered by crime such as public health and police support. Positive stakeholder engagement that fosters buy-in, understanding and support can also provide benefits such as reduced constraints and risks on the project. Open communication with local stakeholders can help identify problems early and save time, money and resources in the long-term. Additionally, supporting organisations such as charities and social enterprises that deliver cultural, social, economic and environmental outcomes can build social license and local community buy-in and provide indirect benefits back to the community.

QUALITY EMPLOYMENT OUTCOMES FOR PRIORITY SOCIAL GROUPS*:

A prosperous Aotearoa is one where all inhabitants can contribute to society in meaningful ways. Wellbeing and quality-of-life is often directly impacted by the level of opportunity available to them. Disengagement of society members can have side-effects such as increased demand for support benefits, increased public service costs and crime rates, and reduction in community safety and wellbeing.

*Priority social groups are defined within the Government Procurement Rules as displaced workers and groups with traditionally high rates of unemployment or low labour force participation (specifically women, Māori, Pasifika, disabled people and youth)

DELIVERING BROADER OUTCOMES THROUGH PROCUREMENT ACTIVITY, CAN ACHIEVE SIGNIFICANT AND WIDE REACHING CULTURAL, SOCIAL, ECONOMIC AND ENVIRONMENTAL OUTCOMES



ECONOMIC

INCREASED SIZE AND SKILL LEVEL OF DOMESTIC CONSTRUCTION SECTOR WORKFORCE:

As our economy grows, so too does the need to create strong foundations to support it. These foundations can be established through investing in the training and up skilling of our current workforce, career pathway development for future generations and supporting the success of vulnerable society members from priority social groups*. There is a critical national shortage of capability and capacity in the Aotearoa construction sector, and addressing this is a priority for the Government and industry in order to deliver Aotearoa's growing pipeline of construction projects. In general, upskilling more members of our community can support the following outcomes:

- ✓ Improved job prospects – for society members who would otherwise be unemployed due to lack of skills.
- ✓ Improved health benefits – improved skills leads to better employment opportunities and financial wellbeing
- ✓ Better education outcomes for future generations – supports a continuation of upskilling and value of education within families.
- ✓ Reduced reliance on the overseas labour workforce - and increased resilience for the Aotearoa construction sector

MORE PEOPLE HAVE THE FINANCIAL MEANS TO LIVE WELL:

This broader outcome refers primarily to employers paying employees fairly and at a rate that enables basic levels of nutrition, healthcare and overall wellbeing to be achieved within regular working hours (often referred to as the Living Wage). Workers that receive a Living Wage are:

- ✓ More likely to stay with their employer (leading to employer savings in recruitment and associated training costs).
- ✓ More likely to be healthier (less need to work overtime to account for pay deficit or to go without basic health needs) and consequently put less burden on public healthcare systems.
- ✓ More likely to support employer and customers through less sick days taken.
- ✓ Less likely to require government benefit payments to supplement living.
- ✓ Less likely to encourage their children out of school prematurely and into the workforce (positive lifecycle benefits to support future prosperity of economy and its people).

INCREASED ACCESS FOR NEW ZEALAND BUSINESSES:

SUPPLIER DIVERSITY

Supplier diversity is part of an international movement to improve the economic development of indigenous people and minorities through business growth. Te Kupenga Hao Pāuaua (progressive procurement policy) intends to increase the diversity of suppliers that are aware of opportunities to contract for government business, and are capable of doing so. The initial focus of the policy is on Māori businesses, with a target for 5% of government contracts being awarded to Māori businesses. Progressive procurement can increase participation in the economy for underrepresented groups, and can have a positive effect on economic and social outcomes – including education, employment, health and wellbeing. This benefits Aotearoa as a whole, supporting a more cohesive society.

MARKET ACCESSIBILITY

A local supply chain model can deliver a number of benefits to the local economy including:

- ✓ Employment for locals, consequently driving local spending and the local economy
- ✓ Supporting the reduction of carbon emissions (reducing transport emissions)
- ✓ Supporting the reduction of congestion on transport networks
- ✓ Enabling buying organisations to have greater oversight of business deliverables
- ✓ Ease of communication
- ✓ Speed of delivery

Using businesses that fit into the 'small to medium enterprise' category (SME) can help support market resilience, and fair market competitiveness through the vendor having multiple options to source goods and services from.

DELIVERING BROADER OUTCOMES THROUGH PROCUREMENT ACTIVITY, CAN ACHIEVE SIGNIFICANT AND WIDE REACHING CULTURAL, SOCIAL, ECONOMIC AND ENVIRONMENTAL OUTCOMES



ENVIRONMENTAL

NET ZERO EMISSIONS ECONOMY:

Climate change is a global issue and can disproportionately impact the most vulnerable. Aotearoa is already experiencing the effects, including sea level rise and flooding impacts. The anticipated sea-level rise, variation in rainfall patterns and more frequent extreme weather events pose risks to our economy, people and the natural environment.

Climate change is largely attributable to emissions of carbon dioxide (CO₂) as it is long-lived in the atmosphere. Consequently, there is significant focus on reducing CO₂ emissions across all sectors in Aotearoa and globally. The purpose of reducing CO₂ emissions is to mitigate the risks of climate change. Reducing carbon emissions (mainly operational emissions) will also improve energy equity (more affordable to keep homes healthy and comfortable) and improve health and wellbeing outcomes for people.

Central government has signalled its intention for Aotearoa to transition to a low-emissions economy and achieve net zero emissions by 2050.

REDUCED WASTE FROM CONSTRUCTION SECTOR:

Waste can contribute directly and indirectly to greenhouse gas emissions, cause pollution to land, air and water and affect land use. The majority of 'waste' the construction sector sends to landfill could have been diverted for use in more productive ways, creating jobs and boosting the economy while allowing better care of the environment. The true and complete cost of waste on our society, economy and environment can be avoided e.g. large disposal costs, lost material, continuation of demand for virgin materials and non-renewable resources, labour and the liabilities and risks associated with waste.

IMPROVED WATER PROTECTION:

Water supply is already under pressure in some parts of Aotearoa and increasing water scarcity is predicted due to impacts from a changing climate. Water is an important issue for the construction sector because of how construction and building use may impact water availability and affect water quality.

Improving water protection efforts will help secure water availability and quality for future generations.

IMPROVED ENVIRONMENTAL GUARDIANSHIP:

Pressures including population growth, pollution, changes in land use, and proliferation of pest species have caused significant decline to our environment. We must all play a role in ensuring that our natural environment is valued and cared for. We all have a responsibility to ensure that our many interactions with the natural environment are sustainable and to act as stewards or kaitiaki.