

May 2020

Innovation in Procurement:

Social & Sustainable Procurement



Andrea Morton

Director Strategic Sourcing and Supplier Management

Phil Nevell

Procurement Partner Construction and Asset Management



SECTION 1

Overview



SECTION 2

Mandate expanded beyond State Housing



SECTION 3

Pā Harakeke, Supplier Strategy, Partnering



SECTION 4

From procuring homes to building thriving communities



SECTION 01

Overview

Photo: Weymouth Road, Manurewa,
Auckland



Kāinga Ora – established October 2019

The creation of Kāinga Ora brought together a more cohesive, joined-up approach to supporting the Government's priorities for housing and urban development.

Kāinga Ora supports people across New Zealand to have good quality, affordable homes, and live in strong, healthy communities.

Two key roles



Being a world-class public housing landlord



Partnering to lead and facilitate urban development projects of all sizes

Kāinga Ora – Homes and Communities: Quick background

Kāinga Ora has woven together KiwiBuild, HLC and Housing New Zealand.



People are excited to be part of Kāinga Ora – Homes and Communities as the work we do makes a real difference for New Zealand communities.



New Zealand's largest residential landlord

189,000+

People live in our houses

Which is 4% of New Zealand's 5.0m population



5,180

Families placed into homes
last financial year



We own or manage

~66,300

Properties



Over 98%

Occupancy rate



Value of group assets (FY20)

\$30.8 billion



SECTION 02

Mandate expanded beyond State Housing

Photo: Universal Drive, Henderson, Auckland



Fulfilling our new role: Our outcome objectives



- **Communities** – We create sustainable, inclusive and thriving communities: supporting good access to jobs, amenities and services



- **Public housing customers** – Our public housing customers live well in their homes with dignity, stability, and the greatest degree of independence possible



- **Housing access** – We provide good quality, affordable housing choices that meet diverse needs



- **Environment** – Environmental wellbeing is enhanced and preserved for future generations



- **Māori interest** – Partnering with Māori ensures Māori interests are protected and their needs and aspirations are met and allows Kāinga Ora to fulfil its obligations in respect of Te Tiriti o Waitangi



- **System transformation** – System transformation is catalysed and delivered.

Overview of Kāinga Ora Spend



2nd largest
agency by capital
expenditure



Critical

To the delivery of
Government's urban
development programmes



External spend accounts
for over 92% of our
budget

Kāinga Ora does not
'self-perform'; we need
external suppliers to
deliver our outcomes

Govt requires that we
generate impact through
spend as well as deliver
outcomes

Te Tiriti o Waitangi/Treaty of Waitangi

Government procurement guidance preserves the pre-eminence of Te Tiriti o Waitangi.

Te Tiriti o Waitangi exception provides flexibility for the implementation of policies in relation to Māori, including in fulfilment of the Crown's obligations under the Treaty.

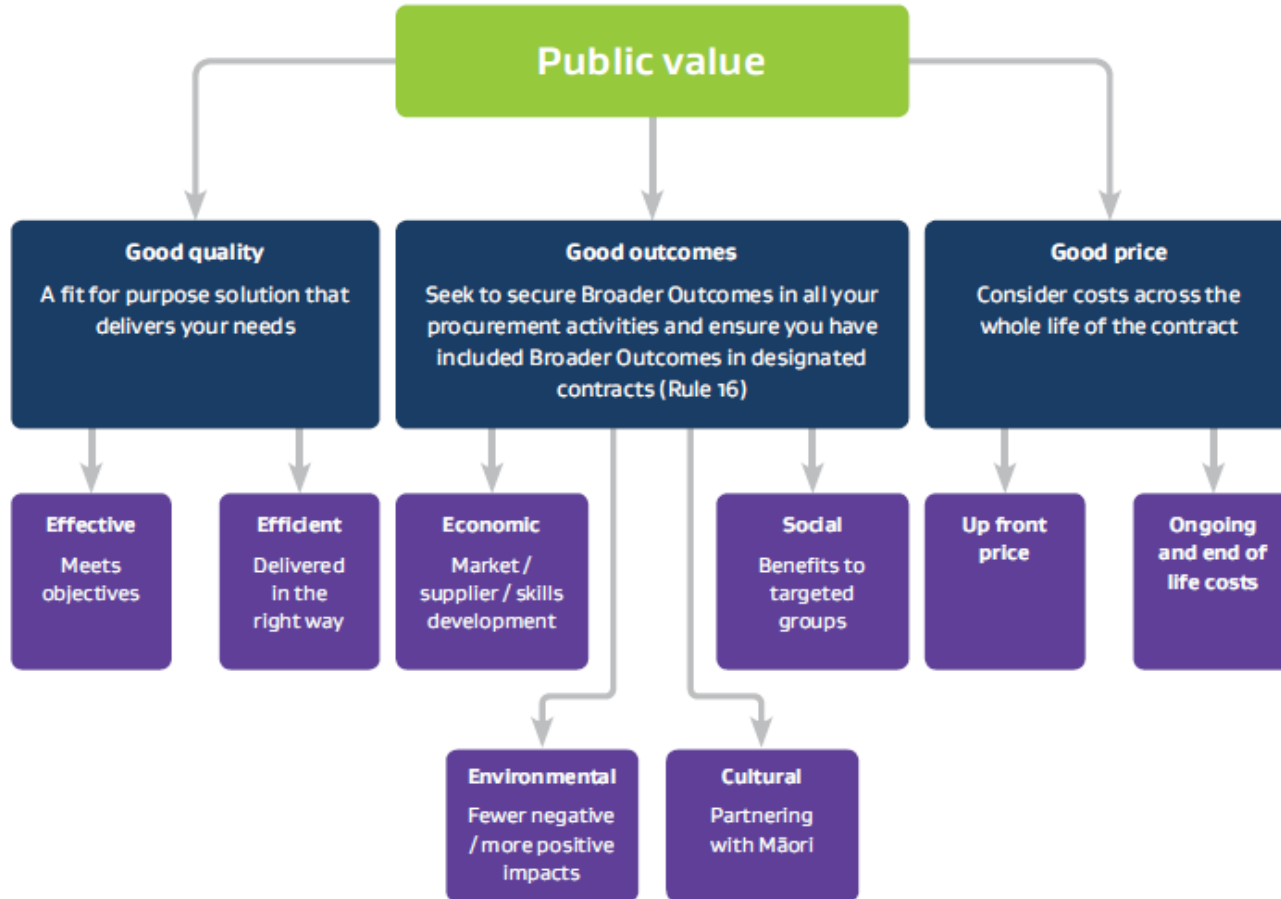


Three Over-arching Strategies

- Mandate expanded beyond state housing landlord to housing supply
- From construction of public homes to urban regeneration and thriving communities
- Partnering and Engagement



Public Value? Broader Outcomes? Social/Sustainable/Progressive Procurement?



Social procurement covers the secondary deliverables that organisations seek when driving for commercial outcomes.

At Kāinga Ora these are collectively referred as social and sustainable outcomes.

Pā Harakeke, Supplier Strategy, Partnering for Greater Impact



Pā Harakeke – Social & Sustainable Procurement Plan

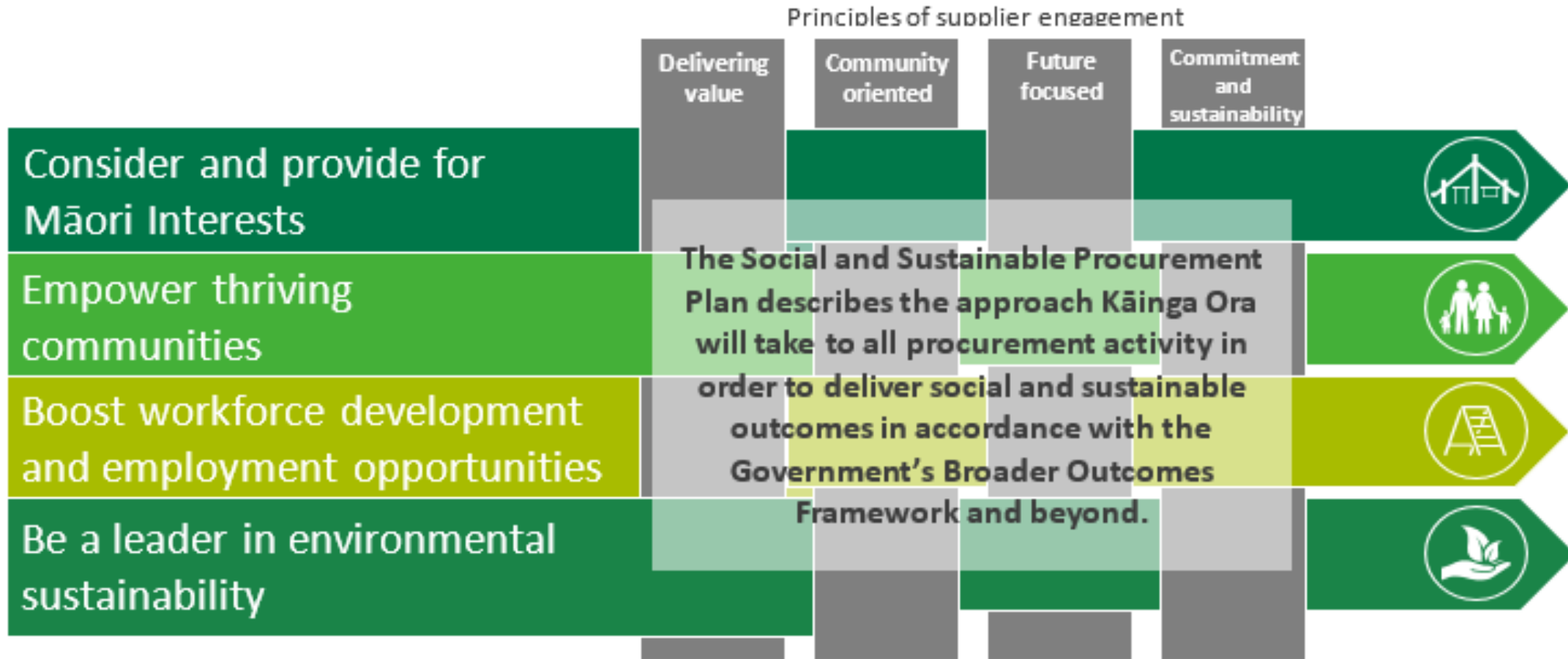
Kāinga Ora has adopted Harakeke as a symbol of our social and sustainable procurement programme, representing our cultivation of sustainable outcomes for New Zealand.

Enabled By:

- Mandate – Kāinga Ora – Homes and Communities Act 2019
- Board approval of Pā Harakeke, Sept 2020
- Progressive Procurement Cabinet Directive: 5% target for Public Service Contracts, Dec 2020



Pā Harakeke – Vision



Supplier Strategy

Supplier Strategy Vision → **Building trusting mature relationships to deliver better outcomes for Kāinga Ora, our supplier partners and New Zealand**

Why is this important?

- Suppliers' experiences throughout their engagement with Kāinga Ora are wildly variable leading to relationship dissatisfaction, unnecessary cost and unfavourable impacts on our reputation
 - Kāinga Ora spends over 93% of our annual budget externally with suppliers
 - We cannot deliver our strategic outcomes without successful suppliers
- Closer working relationships will deliver sustained value to Kāinga Ora and suppliers, improving outcomes for all

Vision: Three Themes

Five Key Objectives

Our Principles

Success Looks Like



Uplifting Supplier Engagement Maturity over time

Implementation: Challenges in growing capacity, capability and impact

No Single Opportunity / Solution

- Region by region difference needs and aspirations
- Engage early and often

Requires Investment = Time and Cost Risks

- Business Case process
- Benefits Management framework
- Commercial approach

Education and Upskilling (internal and external)

- Internal understanding of new obligations
- Understanding existing maturity and pathways
- Capturing impact measures and stories

Community & Industry responses

- Be clear with expectations and targets
- A divergence on approaches



Consider and provide for Māori interests



Create opportunities for Iwi/Rōpū Māori to lead the development of their social and economic outcomes.

Key commitment examples

- **Engaging** with Iwi/Rōpū Māori
- **Understanding** perspectives and capacity
- Identifying, recognising and protecting Iwi/Rōpū Māori **interests in land**
- **Engaging early in a meaningful way** to partner with Iwi/Rōpū Māori
- Understanding, supporting and enabling the aspirations of Iwi/Rōpū Māori
- Core contracts incorporate te ao Māori and targeted outcomes



Objective in action



Greys Ave Redevelopment

Engaging Māori owned entities in the supply chain



Eastern Porirua Regeneration

Partnering with Ngāti Toa as Mana Whenua

Requiring partners to demonstrate positively impacts and the socio-economic benefits

Te Tiriti o Waitangi/Treaty of Waitangi: Progressive Procurement Target

Government procurement guidance preserves the pre-eminence of Te Tiriti o Waitangi.

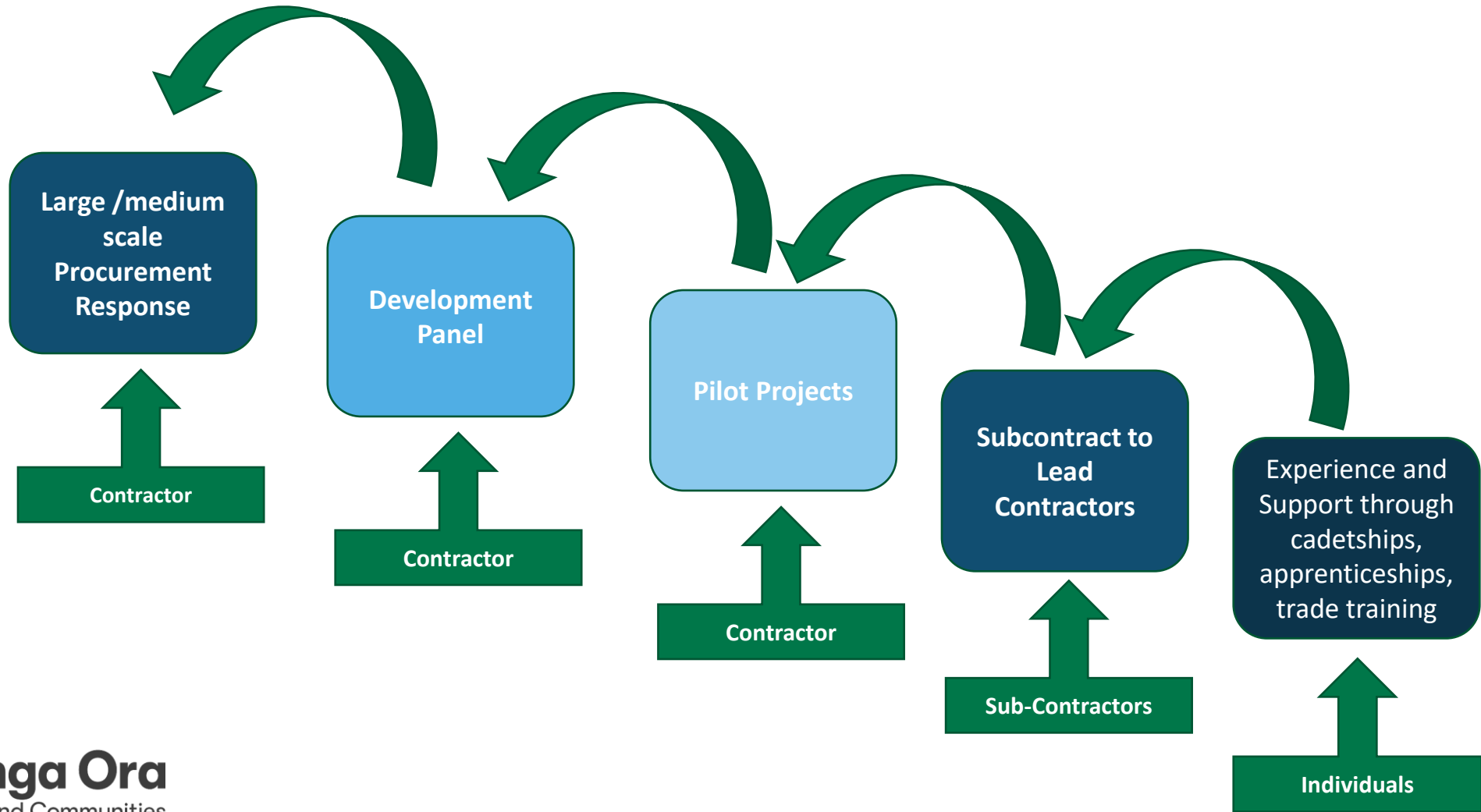
Te Tiriti o Waitangi exception provides flexibility for the implementation of policies in relation to Māori, including in fulfilment of the Crown's obligations under the Treaty.

True partnering is supported by working with suppliers, communities and industry to support supplier development, investment and growth. 5% of contracts (by volume) target

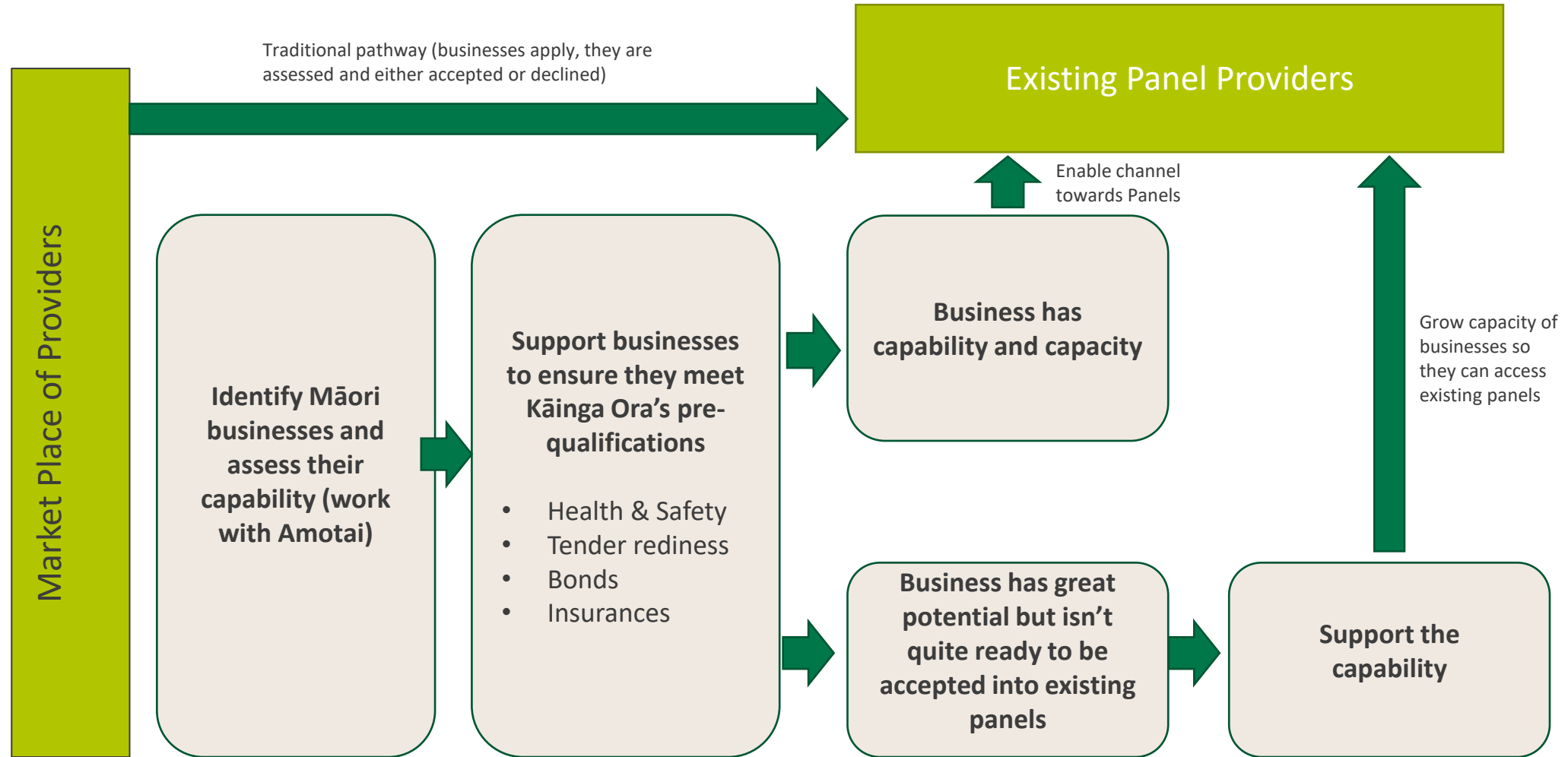


Greys Ave

At each capacity level support and implementation is key



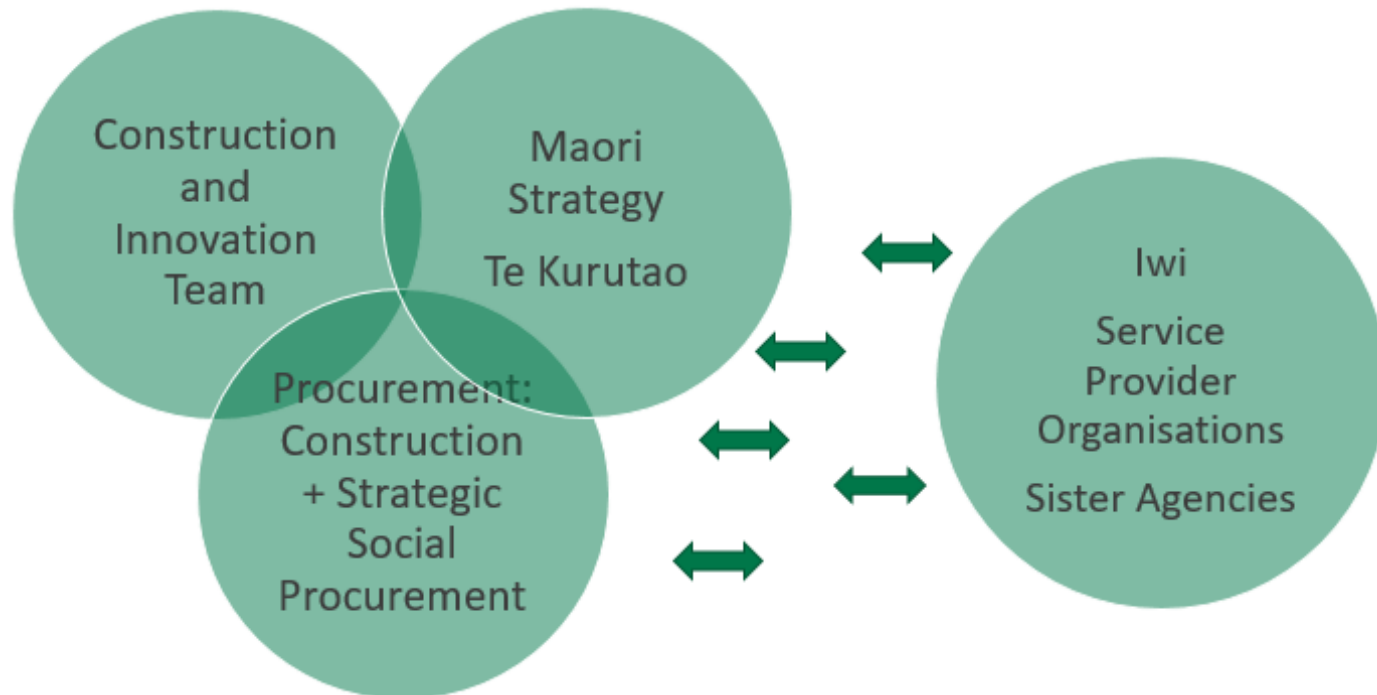
Building Capacity and Capability



Implementation and delivery of Social Impacts

Partner with across Kāinga Ora and public sector, industry, build partners, & social sector to enable successful social procurement and outcomes

Together to implement & sustain – contributing to Aotearoa/New Zealand



**Building Capacity &
Community
Wellbeing**

Empower thriving communities



Key commitment example

- Ensuring suppliers are connected locally in the communities they work in and commit to local services providers in their supply-chain
- Prioritising the health, safety, wellbeing and security of workforce and communities as fundamental for all procurement activities
- Creating opportunities for Kāinga Ora customers to be involved in projects locally
- Partnering long-term to help entities grow



Objective in action



Greys Ave Redevelopment

Targeting up to 3 to 7.5% of the total build contract sum to be spent with priority organisations.

Boost workforce development and employment opportunities



Alignment with the Government Broader Outcomes Framework

- Skills and workforce development
- Targeted opportunities for employment

Key commitments examples

- Identifying and supporting suppliers with formal cadetships and training programmes
- Investing in skills development opportunities for our customers where possible in addition to employees of suppliers and contractors
- Supporting social and community enterprises, and pathways to employment for targeted groups especially Māori
- Supporting local education facilities to connect with our suppliers and contracted work



Objective in action



Greys Ave Redevelopment

Targeted 28 apprentices on this project, half from priority groups.

Capacity Partnering Agreements

*Minimum of 15% of workforce to be in training/development:
200+ apprentices to date*

What does success look like?

Kāinga Ora as a Client

1. Industry, communities, Iwi, have clear understanding of our new expectations
2. Supplier Diversity becomes business as usual
3. Enabling tools are in place:
 - Demonstrated via pilot projects
 - Provide new templates for business cases and Procurement documentation
 - Benefits Framework
 - Accelerated pathways
 - Ethical audits of suppliers/supply chains



Industry

Supply diversity is driven by positive business outcomes and the desire to do what is right

Quality Supplier Diversity – Mentor and develop businesses into new opportunities



When?

This is happening now at Kāinga Ora.

Part of working in partnership with us across all activities:

- Construction – driving down to smaller contracts; delving into supply chain
- Consultancy services 2021
- Sales of Development sites

What is happening in your organisation?

- Be proactive – don't wait for a tender requirement to prompt you



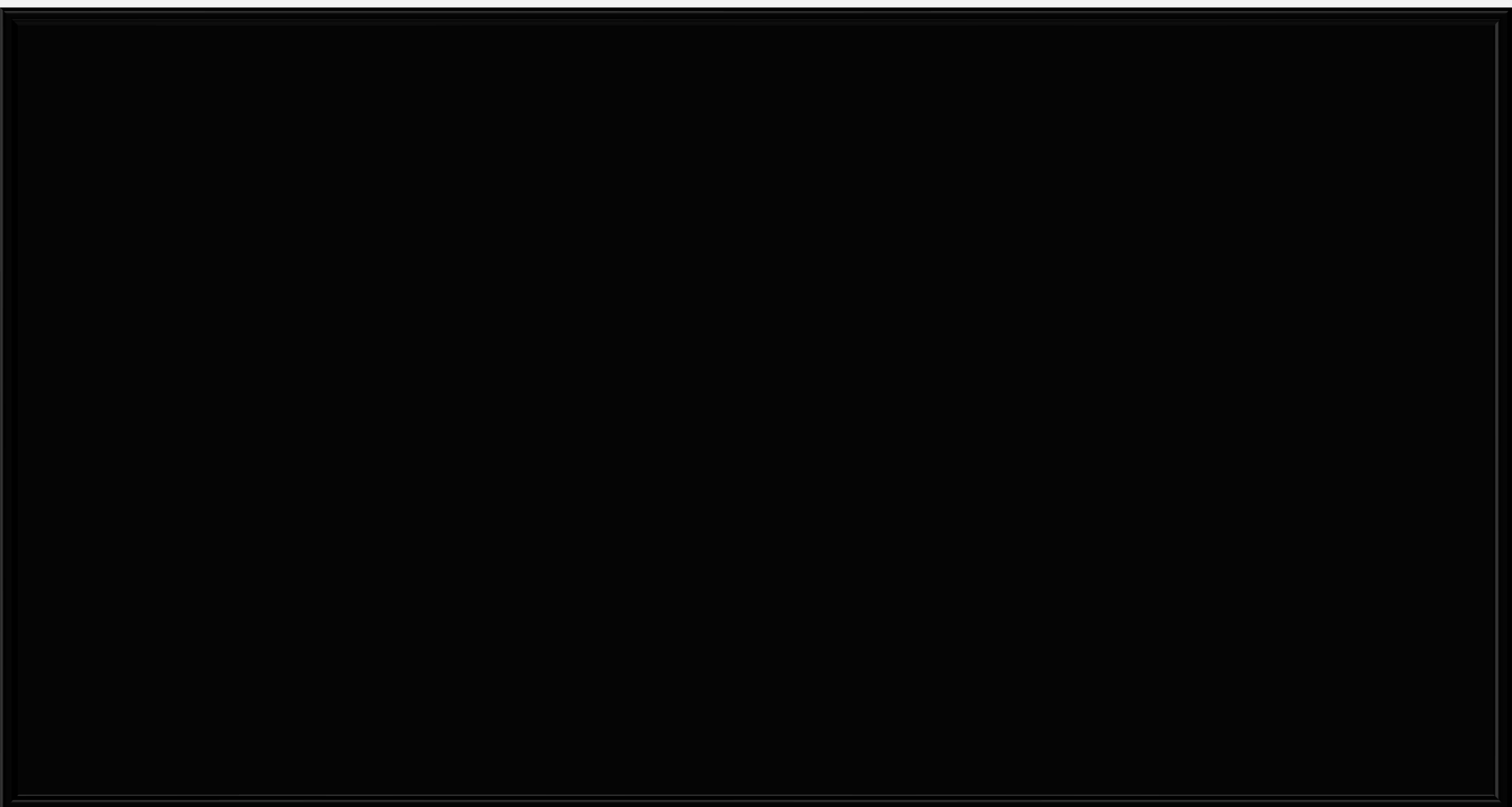
SECTION 04

From procuring homes to building thriving communities:

Impact Stories

Photo: 135 Britomart Street, Berhampore, Wellington





 Questions?

Photo: Frankmoore Avenue, Johnsonville, Wellington



Andrea Morton

Director Procurement & Supplier Management
Commercial Group

andrea.morton@kaingaora.govt.nz

Phil Nevell

Procurement Partner Construction & Asset Management
Commercial Group

phil.nevell@kaingaora.govt.nz

