

Government Rules of Sourcing

Rule 43 Awarding the Contract

This guidance note is being issued to government agencies for the purpose of clarifying aspects of Rule 43 of the Government Rules of Sourcing. It sets out expectations in respect of accounting for past supplier performance and whole of life costs/value for money when making decisions to award contracts.

Past Performance

Before awarding a contract, agencies must:

- **Conduct due diligence when commissioning or procuring goods and services.** This ensures that suppliers are who they claim to be, are financially sound and have the necessary capacity and capability to deliver the needs of an agency. Due diligence should be undertaken before awarding the contract and continue throughout contract delivery.
- **Verify past performance.** Key ways to assess whether a supplier has the necessary capacity and capability are to:
 1. Ask all suppliers to provide objective evidence of their past performance when bidding for government work. Don't rely solely on information provided by the supplier. Consider asking for details of situations where they lost a contract.
 2. Seek objective evidence of the past performance of the preferred supplier(s) as part of the final evaluation and negotiation process. Get information on the work they have done within and outside New Zealand.
- **Consider not awarding the contract where performance issues have been identified.** If serious issues with past performance are identified and there is supporting evidence, you must consider not awarding the contract to the supplier.
- **Consider checking with the GCIO, Treasury and New Zealand Government Procurement if in any doubt at all.** They may have additional information to help you with your due diligence checks.

Whole-of-life costs

Before awarding a contract, agencies must:

- **Consider whole-of-life costs when commissioning or procuring goods and services.** This requires taking into account all costs over the life of a contract, such as maintenance and repairs, rather than just the initial purchase price.
- **Ensure that technical specifications are achievable and delivered.** This means that the testing processes used ensure the quality standards specified are being delivered.
- **Make decisions on the basis of value for money – not lowest price.** Value for money is the best available outcome for the money spent. It means using resources effectively, economically and without waste.

More information on due diligence, whole-of-life costs and value for money can be found at www.procurement.govt.nz.

For further assistance, please contact procurement@mbie.govt.nz