

Organisational Guideline

Innovation & Market-Led Engagement Guideline

Corporate Plan references	Our resilient economy Our outstanding organisation	
Endorsed by Chief Executive Officer		4 July 2022
Manager responsible for guideline	Manager Business & Innovation	

Introduction

Council is committed to the Sunshine Coast being a prosperous, and high-value economy of choice for business, investment, and employment. This is underpinned by an appreciation for, and strong commitment to, innovation. Council is committed to the Sunshine Coast being a regional hub for innovation, entrepreneurship, and creativity.

The Regional Economic Development Strategy 2013-2033 seeks to ensure the region realises its full potential, with a confident future as an active participant in the global economy which will afford greater stability to the regional economy in terms of a broader industry and investment base.

Council is also one of the largest contributors to the economy of the Sunshine Coast through its annual budget, which expends upwards of \$250 million per annum in contracting for goods and services, with the majority of that being expended with local suppliers.

Council realises, however, that it cannot achieve its vision for the Sunshine Coast alone and that the private sector can contribute to the delivery of goods, services, and infrastructure across the Sunshine Coast.

The purpose of this guideline is to outline a framework for Council to:

- identify, invite, and consider Submissions from suppliers offering innovative or unique approaches to delivering goods, services, or works (Innovation Contract); and
- receive and consider Market-Led Proposals (MLP's).

Guideline details

This guideline *may* apply to:

- Innovation proposal - certain Contracting Activities for the provision of goods, services, or works to be undertaken by Council, and any other existing service provided by Council that may be improved through some innovation; and
- Market-Led Proposals involving some form of contracting by Council for provision of goods or services, including works or disposal of Valuable Non-Current Assets (VNCA) (under certain defined circumstances - not land).

Innovation Proposal

Council's strong commitment to innovation is imbedded within the Corporate Plan. Council also appreciates that opportunities to innovate are not without some challenges. Often great ideas and innovative opportunities need to be tested, developed, incubated and matured. Additionally, entities seeking to receive the benefit of an innovative opportunity (from a supplier) need to ensure the legitimacy and capability of the goods or services.

Council also recognises that, in some instances, mainstream procurement frameworks can restrict, and be counter-productive to, the introduction and realisation of innovative solutions. This tension can lead to the loss of otherwise viable opportunities.

A structured solution to the tension between mainstream procurement and realising innovation is to identify circumstances when the procurement will depart from that mainstream framework in pursuit of an innovative solution. Any departures or alternative processes will require governance mechanisms that adequately manage the risk associated with the solution.

Application to Contracting Activities

Council may depart from the Activities outlined in the Procurement Policy when it seeks to establish an Innovation Contract, but only in accordance with this Guideline.

An Innovation Contract may be considered by Council if it meets the following characteristics:

- the Innovation Contract will introduce a potential innovation that provides a cost, time, service improvement or advantage to Council or the Community; and
- the innovation sought is (in the opinion of Council) either:
 - only reasonably available to Council from a single external entity; or
 - a solution which
 - is from a market or provider with limited depth, capability or maturity; and
 - requires some level of further testing, development, verification, support or the like prior to adoption with any degree of permanency
- the Innovation Contract is valued at no more than \$250,000 (Exclusive of GST); and
- the Innovation Contract is for a term of no longer than 12 months.

Establishing the basis for an Innovation Contract

A Council Officer who believes a potential innovation may be realised from an Innovation Contract should:

- seek assistance from a Procurement Specialist or other appointed Council Officer from the Business and Innovation Branch;
- ensure appropriate budget exists for the Innovation Contract being pursued; and
- prepare an Innovation Contract Report.

Innovation Contract Report

Prior to establishing an Innovation Contract, a report (Innovation Contract Report) must be produced for the consideration of an Evaluation Panel. The Council Officer proposing the Innovation Contract must prepare an Innovation Contract Report which identifies the following:

- comprehensive details of the proposed Innovation Contract, including the total anticipated cost and term of the Innovation Contract;
- the anticipated outcomes from the Innovation Contract, including the time, cost, service improvement or advantage to Council or the Community that may be realised from the Innovation Contract;
- a plan of how those outcomes will be measured and reported;
- any alternative ways of achieving the outcomes, and why the alternative ways were not adopted;
- a risk assessment of the Innovation Contract and the market from which the goods or services are to be obtained; and
- a Procurement Plan outlining the procurement strategy to be employed to establish the Innovation Contract that ensures appropriate regard for the Sound Contracting Principles.

For clarity, it is acknowledged that the Procurement Plan may propose a procurement route that is not consistent with the Procurement Policy. Innovation Contract Reports should be supported by the Branch Manager and submitted to the Manager of Business and Innovation who will establish an Evaluation Panel to evaluate the report. The Evaluation Panel will consider the report and make a recommendation to the Manager of Business and Innovation. The Manager of Business and Innovation may provide the report and recommendation to the Group Executive from the Group where the report was generated, for consideration.

That Group Executive may approve, reject or require further information about the proposed Innovation Contract.

Managing an Innovation Contract

When an Innovation Contract has been approved, the Contract should be managed in a manner consistent with contemporary contract management as outlined in the Contracting Manual. During the life of the Contract, the following matters should be considered:

- cost;
- risk; and
- ongoing assessment of the outcomes derived from the Innovation Contract, service improvement or advantage to Council or the Community.

Innovation Contract Finalisation Report

At the conclusion of an Innovation Contract, the Contract Administrator is required to produce a report (Innovation Contract Finalisation Report) for the consideration of the approving Group Executive and the Procurement Contracts Committee, outlining the following:

- the outcomes from the Innovation Contract, including the time, cost, service improvement or advantage to Council or the Community;
- total cost and term of the Innovation Contract;
- a critical assessment of the Innovation Contract, including whether it:
 - met Council's objectives for the Innovation Contract;
 - provided the intended benefit to Council or the Community; and
 - represented value for money;
- a recommendation as to whether the Innovation Contract should be considered for renewal or further investigation by Council.

The Innovation Contract Report should be an annexure to the Innovation Contract Finalisation Report.

Market-Led Proposal (MLP)

MLP's provide an opportunity for Council to engage with the private sector in a manner that allows both Council and the private sector to collaboratively take part in the delivery of goods, services, and infrastructure to address the needs of the Sunshine Coast Community.

A MLP could be for:

- a commercial activity, involving some contribution from Council;
- the acquisition of, or access to, Council assets, including land or other assets, information or partnerships;

(Note: where a MLP involves disposal of Council land, Council must ensure compliance with the provisions of the *Local Government Regulation 2012* regarding Contracts for the disposal of land and the Procurement Policy regarding Disposal Processes)

- development of public or open access infrastructure on the Sunshine Coast; or
- delivery of services to, or on behalf of, Council.

A successful MLP may result in Council departing from the primary procurement route for conducting a Contracting Activity provided in the Procurement Policy to Contract directly with a proponent.

To justify this direct sourcing, the proposal must meet stringent criteria, outlined under 'Criteria for assessment' section of this guideline.

Criteria for assessment

A successful MLP must satisfy the following assessment criteria:

1. Council policy, priority and community need

The proposal must satisfy a community need and align with Council policies, strategies and priorities.

2. Justification for direct negotiation

The proposal must demonstrate that the public interest is best served by Council negotiating directly with a proponent, rather than by engaging in a competitive process.

3. Sound Contracting Principles

The proposal must be consistent with the Sound Contract Principles, including demonstration that the proposal represents value-for-money for Council.

4. Capacity and capability of the proponent

A proponent must demonstrate that it has the financial and technical capacity, capability, and experience to deliver the outcome successfully.

5. Risk and cost allocation

The proposal must include the proposed allocation of costs and risks between the proponent and Council.

6. Feasibility of the proposal

The proposal must be technically, commercially and practically feasible.

Submission and assessment of Market-Led Proposals

The process for assessing MLPs is staged so that proponents can align their effort with the level of Council interest and commitment. An assessment is completed by Council at each stage and proposals only move forward at the recommendation of Council.

There are four steps in the assessment process:

- Preliminary assessment
- Stage 1: Initial Proposal
- Stage 2: Detailed Proposal
- Stage 3: Final Binding Offer.

An Evaluation Panel of relevant senior Council Officers will be established when any proposal is received. The Evaluation Panel will determine whether or not a proponent will be invited to submit a proposal for Stage 1: Initial Proposal.

Preliminary assessment

The preliminary assessment stage enables Council to provide high-level feedback to proponents about the likely alignment of the MLP with criteria prior to proponents committing considerable resources to a formal Submission.

The MLP preliminary assessment template sets out the initial information a proponent should provide to Council. Key requirements include a clear articulation of the proposal, what is sought from Council and the expected outcomes.

Possible outcomes

The Evaluation Panel may decide that the proposal:

- may meet the MLP criteria, in which case the proponent may be invited to submit the proposal for consideration in Stage 1: Initial Proposal;
(Note: An invitation by Council to submit a Stage 1 proposal does not give any inference or indication that Council will accept the proposal, it simply indicates that the Evaluation Panel considers the concept somewhat aligns with the MLP criteria and would like to consider the concept further)
- is unlikely to meet the MLP criteria in its present form;
(Note: Feedback will be provided to the proponent to help them decide whether the proposal could be amended to better align with the MLP criteria)
- is unlikely to meet the MLP criteria but is considered to have merit and so the concept may be further developed by Council; or
- should proceed via a competitive Procurement Process.

Preliminary Assessment responsibilities

The proponent will:

- submit their idea to Council, using the MLP preliminary assessment template to inform the discussion; and

respond to requests for further information, as requested by the Evaluation Panel. The information requested will depend on the size and complexity of the proposal. The Evaluation Panel will:

- promptly acknowledge receipt of the proposal;
- undertake a preliminary assessment of the proposal; and
- provide feedback to the proponent

Stage 1:

Initial Proposal

During Stage 1: Initial Proposal, the proponent will expand on the information provided in the preliminary assessment and, in particular, address in more detail the following criteria:

- Council policy, priority and community need;
- justification for direct negotiation;
- value for money; and
- capacity and capability of the proponent.

An Evaluation Panel will be established to review the Initial Proposal against these criteria to determine whether the Initial Proposal aligns with these criteria.

The Evaluation Panel will also consider:

- whether any other proposal addressing the same need, or proposing a similar outcome, is under active consideration by Council; and
- if the proposal is a genuine and feasible commercial proposition requiring the support of Council and is unsuited to existing funding mechanisms.

Possible outcomes

The Evaluation Panel may decide, upon review of the Stage 1: Initial Proposal, that:

- the proposal meets the MLP criteria in principle and the proponent may be invited to progress to Stage 2: Detailed Proposal;

(Note: An invitation by Council to submit a Stage 2 proposal to Council does not give any inference or indication that Council will accept the proposal, it simply demonstrates that Council considers the proposal to meet the MLP criteria in principle and have an interest in the concept)

- the proposal is not suitable to progress to Stage 2: Detailed Proposal, but has merit and so the concept may be further developed by Council; or
- the proposal is not suitable for further consideration.

Responsibilities

The proponent will:

- provide a formal Submission to Council; and
- provide additional information, participate in meetings or workshops and respond to any requests for clarification as requested by Council to assist in the assessment of the proposal.

The Evaluation Panel will:

- undertake a formal assessment of the proposal against the MLP criteria;
- request further information from the proponent, if necessary;
- maintain regular contact with the proponent; and
- advise the proponent about Council's decision and provide a written summary of assessment findings

Proponents can discuss the findings with the Evaluation Panel (or a representative of the Evaluation Panel appointed to discuss the findings with the proponent on the Evaluation Panel's behalf).

Stage 2: Detailed Proposal

At the detailed proposal stage, a proponent is required to comprehensively demonstrate how the proposal satisfies all of the MLP criteria, namely:

- Council policy, priority and community need;
- justification for direct negotiation;
- value for money;
- capacity and capability of the proponent;
- risk and cost allocation; and
- feasibility of the proposal.

The Evaluation Panel will consider the Detailed Proposal against these criteria.

The Evaluation Panel will also consider whether:

- any other proposal addressing the same need, or proposing a similar outcome, is under active consideration by Council; and
- the proposal is a genuine commercial proposition requiring the support of Council and is unsuited to existing funding mechanisms.

The output of this stage is a comprehensive final proposal, the content of which is similar to a detailed business case or a detailed bid in a competitive process. The detailed proposal will inform Council's decision as to whether it will enter into a final binding offer for progression and delivery of the proposal (Stage 3).

Unless otherwise agreed between the parties it is expected that the proponent will:

- bear all their own risks and costs of preparing, lodging, developing, and negotiating the proposal; and
- meet Council's reasonable costs in Stages 2 and 3.

All or part of the activities in Stage 3: Final Binding Offer may be run concurrently with Stage 2: Detailed Proposal. If this occurs it does not necessarily represent any commitment on the part of Council that Council has decided the proposal will progress to Stage 3.

Possible outcomes

The Evaluation Panel may decide that:

- the proponent is invited to progress to Stage 3 subject to any specific terms being agreed with Council;
(Note: An invitation by Council to progress to Stage 3 indicates that Council is considering entering into a Contract with the proponent but it does not infer or imply any obligation on the part of Council to actually enter into the Contract)
- the proposal is not suitable to progress to Stage 3 but has merit and so the concept may be further developed by Council; or
- the proposal is not suitable for further consideration.

Responsibilities

The proponent will:

- enter into a process deed with Council, which will guide the proponent's engagement with Council;
- provide information to enable a determination as to whether or not the proposal meets the assessment criteria;
- where requested by Council, provide additional information and participate in meetings or workshops; and
- assist in Council's assessment of the proposal.

The Evaluation Panel will:

- assess the detailed proposal and provide recommendations to Council about it;
- undertake an interactive process to facilitate the proponent's development of a detailed proposal;
- undertake a formal assessment of the detailed proposal against each of the assessment criteria;
- request further information from the proponent, where necessary; and
- advise the proponent about Council's decision and provide a written summary of assessment findings.

Proponents can discuss the findings with the Evaluation Panel (or a representative of the Evaluation Panel appointed to discuss the findings with the proponent on the Evaluation Panel's behalf).

Stage 3:

Final Binding Offer

The final binding offer stage involves the preparation by the proponent of a final binding offer which may be accepted or rejected by Council.

If the offer is accepted, this stage will involve the negotiation of a Contract between Council and the proponent for delivery of a project. Council's Evaluation Panel will negotiate with the proponent and prepare a Contract for consideration by the CEO and/or Council.

Possible outcomes

The Evaluation Panel may decide to recommend to the Business and Innovation Manager that:

- Council accept the terms contained in the final binding offer and approve that a Contract be entered into with the proponent on this basis; or
- Council accept the final binding offer subject to specific conditions; or
- Council does not accept the final binding offer, but that the proposal has merit and Council should seek to further develop the concept; or
- Council does not accept the final binding offer and conclude the MLP assessment process without entering into a Contract.

The Business and Innovation Manager may provide the Evaluation Panel's assessment and recommendations to the CEO for approval. The CEO may decide to adopt the Evaluation Panel's recommendations, and Council may enter into a Contract with the proponent as a result.

Responsibilities

The proponent will:

- participate in the negotiation process; and
- submit a final binding offer to Council.

Council will:

- advise the proponent of the processes, protocols, and elements for negotiation and agreement through Stage 3, and keep the proponent apprised of contract management and implementation materials developed through this stage; and
- develop contract management arrangements setting out how to monitor implementation and operational stages of the project and ensure contracted outcomes are achieved.

The Evaluation Panel will:

- undertake a comprehensive assessment of the contractual documentation included in the final binding offer submitted by the proponent; and
- decide whether or not to recommend that Council accept the proponent's final binding offer and communicate its decision to the proponent.

Roles and responsibilities

Council Officers with a role or responsibility under this guideline are:

Chief Executive Officer is responsible for approving this Guideline.

Group Executive Business Performance is responsible for overseeing all financial management systems and services, including Contracting Activities.

Manager, Business & Innovation is responsible for implementing and maintaining this guideline. This includes reviewing and reporting on its effectiveness, Council's compliance with it, and recommending changes to improve its effectiveness.

All Managers are responsible for ensuring all Council Officers comply with this guideline when undertaking Contracting Activities.

All Officers are responsible for complying with this guideline when undertaking Procurement and Contracting Activities. Only officers delegated the authority to conduct Contracting Activities as per Delegation No 2 – Procurement and Contracting Activities and Payments Delegation are permitted to commence or bind Council in Contract resulting from a Contracting Activity, and only within the limits of the relevant financial authority set in that delegation.

Definitions

The definitions in the *Procurement Policy* and *Contract Manual* apply to this guideline.

Related legislation, policies, strategies and documents

Public Sector Ethics Act 1994 (Qld)

Local Government Act 2009 (Qld)

Local Government Regulation 2012 (Qld)

2022/23 Procurement Policy

2022/23 Contract Manual

2022/23 Contracting Plan other guidelines for that policy

Sunshine Coast Council Corporate Plan 2021-2025

Regional Economic Development Strategy 2013-2033

Version control:

Version	Reason/ Trigger	Change (Y/N)	Endorsed/ Reviewed by	Date
1.0	Create New		Council	20 June 2019
2.0	Annual Endorsement	Y	Council (SM20/13)	11 June 2020