

Procurement Strategy



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1. Executive Summary

1.1 Introduction

To achieve our overall business strategy, it is important that the Waikato District Council (WDC) takes a strategic approach to procurement and makes fundamental decisions on the methods we will use to achieve our procurement goals and that we understand how important particular methods are for our work.

The purpose of this procurement strategy is to document our understanding of the various activity objectives, the relevant supplier markets, associated risks and the nature of the goods and services to be procured.

This WDC Procurement Strategy has been developed with the intention of fulfilling the requirements of the New Zealand Transport Agency's Procurement Manual for activities funded through the National Land Transport Programme. It is Council's intention to extend the strategy in 2011 to cover all of Council's procurement activities and thereby meet the obligations and requirements of the Office of the Auditor General's procurement guidelines. At this time the current strategy will be reviewed to incorporate any further transportation activities identified as a result of the proposed assimilation of the southern part of Franklin District Council from 1 November 2010.

1.2 Summary Statements

Of Council's current total annual procurement spend of \$60M, approximately \$40M p.a. is spent on roading projects.

We are fortunate to have a good supply of contractors and consultants based in the Waikato Region who regularly bid for our work, which has resulted in extremely competitive prices over recent years. However, there is some concern that this competitive market may eventually result in poor quality work because of the low bids required to win tenders.

There is also some concern that a number of large contracts being tendered in the region by NZTA now and over the next few years could lead to a number of our contractors winning this work or being sub-contracted to the projects and therefore not being in a position to bid for our maintenance and capital works contracts in the future. This situation will be monitored over the coming years and, if considered necessary, our Procurement programme may need to be reviewed.

1.3 Recommendations

It is recommend that:

- the NZTA endorse this Waikato District Council Procurement Strategy, and
- approve the use of supplier panels for various consultancy services projects as indicated in Section 4

1.4 Ownership of the procurement strategy

This WDC Procurement Strategy will be endorsed and approved by the Waikato District Council.

The General Manager Roading and Projects will be responsible for this initial version of the Strategy which includes roading procurement activities only.

1.5 Intended Use of Strategy

The procurement strategy is aimed at all those who are responsible for budgets, operations and service delivery, as well as contract managers. This includes management and staff of Waikato District Council.

The strategy is also for the information of our suppliers, to provide them with an overview of what transportation projects Council intends to procure in the 2010-2013 period.

2. Policy Context

2.1 Strategic objectives and outcomes

The strategic objectives of Waikato District Council (WDC) are defined by our Vision, the Long Term Council Community Plan (LTCCP) - 2009-2019, the Transport Asset Management Plan (AMP) and Council's Procurement Policy and Procedures. These objectives include:

2.1.1 Council's Vision

Council's vision is "to be a recognised leader in creating a district that prides itself on economic excellence, local participation and sustainable communities".

2.1.2 Long Term Council Community Plan (LTCCP)

The LTCCP outlines what Council plans to do over a 10 year period and examines its activities, costs, how they will be paid for and how they will benefit the community. As such it is one of Council's most important documents, determining how budgets will be managed, how resources will be used and how it communicates the District vision and future aspirations.

Of Council's nine **Community Outcomes**, seven can be linked to transportation activities. Three of these Outcomes have a direct relationship with the transportation network, as follows:

Accessible Waikato

"A district where the community's access to infrastructure, transport and technology meets its needs."

Relevant elements of Accessible Waikato include:

- The district is easy to get around, and the road network is well maintained.
- Infrastructure is developed at a rate to keep pace with growth and demand.
- Public transport is accessible in the district.

Safe Waikato

Relevant elements of Safe Waikato include:

- Appropriate lighting is provided for parks, reserves, roads and public places.
- Infrastructure projects such as roading works take account of public safety.
- Emergency management structures are in place to deal with potential disasters and incidents.

Sustainable Waikato

Relevant elements of Sustainable Waikato include:

- Infrastructure is developed at a rate to keep pace with growth and demand.

2.1.3 WDC Transport Asset Management Plan (AMP)

Council's Transport AMP includes the following objectives:

- To provide and maintain a roading network that allows movement of people and goods through the district in a Safe, Sustainable and Integrated way.
- To provide and maintain a roading network that promotes the cultural, social and environmental aspects of the district.
- To provide an improvement in the level of service through seal extension, rehabilitation and reconstruction works.
- To maintain the present roading network at an acceptable level based on surface quality.
- To provide a transport network that is accessible for all people within the region.

- To maintain and enhance levels of service which reflect the needs of economic growth and diversity of road users.
- To ensure that the levels of service are delivered reliably, efficiently and economically.
- To ensure that maintenance and development of the land transport system has regard for environmental effects.
- A consistent and safe roading environment is maintained through inter-regional co-ordination.
- To promote education and engineering programmes that target road safety issues.
- To promote walking and cycling within the district.

2.2 Objectives and outcomes for the procurement strategy

2.2.1 Proposed Strategy Outcomes

The proposed outcomes of this Procurement Strategy are to:

- document Council's key strategic objectives;
- ensure that the procurement practices of the Roading and Projects Group are consistent with and contribute to Council's vision and strategic objectives;
- develop a mutual procurement understanding for Council and its Suppliers;
- obtain the best value for money in all procurement activities;
- encourage competitive and efficient supplier markets;
- provide robust probity and accountability for procurement outcomes;
- ensure that Council continually questions and evaluates its delivery models and supplier selection methods to promote transactional efficiency, security of supply, collaboration, performance, the appropriate allocation of risk, innovation and best value for money;

2.2.2 Objective of WDC's Procurement Policy

The objective of Council's recently updated Procurement Policy reinforces the above intention:

"To provide clear direction to management and staff in relation to Council's purchasing function and establish a decision framework that:

- ensures purchases are made in an open, fair and transparent manner;
- delivers best value through the most appropriate service provider;
- ensures open and effective competition;
- supports environmental procurement and sustainability;
- appropriately manages risk;
- promotes efficient purchasing practices and their continuous improvement;
- standardises procurement processes;
- encourages local suppliers and manufacturers; and
- ensures Council's purchasing activities align with its vision and goals and are in accordance with its legal responsibilities.

To achieve these objectives and to enhance professional integrity, accountability and probity, procurement will at all times be undertaken in accordance with the terms and conditions set out in the Council's Procurement Manuals, namely the Procurement of Goods and Services Manual and the Tender and Contract Management Manual."

2.3 NZTA's procurement requirements

2.3.1 Value for Money

One of the proposed outcomes of this Procurement Strategy is to obtain best value for money when purchasing goods or services to deliver activities approved under s20 of the Land Transport Management Act (LMTA).

To achieve this objective, WDC's **Procurement of Goods and Services Manual** contains a number of guiding procurement principles which, when adhered to, will provide outcomes that "are consistent with Council's broader objectives, deliver best **value for money** through optimised **whole-of-life costing** and being fit for purpose, while being fair and reasonable and legally robust".

The WDC Procurement Manual defines "Value for Money" and "Whole of Life" as follows:

"Value for Money - using resources effectively, economically, and without waste, with due regard for the total costs and benefits of an arrangement, and its contribution to the outcomes the entity is trying to achieve. In addition, the principle of value for money when procuring goods or services does not necessarily mean selecting the lowest price but rather the best possible outcome for the total cost of ownership (or whole-of-life cost). Value for money is achieved by selecting the most appropriate procurement method for the risk and value of the procurement, and not necessarily by using a competitive tender."

"Whole of Life – all costs associated with the life of a service or goods from conception, through its usage to its disposal/termination."

2.3.2 Encouraging competitive and efficient markets

In the preparation of this Strategy, Council has taken a long-term view on how it will achieve market sustainability, encourage efficient and competitive markets, remove barriers and, where relevant, foster supplier entry or growth.

The balance between effective competition and efficiency of procurement processes is essential to achieving value for money over the long term. This strategy provides for a range of delivery models and procurement procedures to ensure competition is maintained without creating costly inefficiencies through "one size fits all" rules.

Council's LTCCP 2009-2019 provides the community and our supplier base with a high level plan of what we intend to procure and how much has been budgeted for the provision of these services over the 10-year period. For Transportation Services, the Plan further provides a breakdown of the specific projects planned for delivery in the first 3-year period to 2012. Council's 2010-11 Annual Plan provides an update of the projects planned for delivery from July 2010 to June 2013.

Roading and Projects and Water and Facilities management and staff also meet with their contractors annually prior to the start of a new financial year. The objectives of this meeting are to:

- provide contractors with information on the proposed work programmes for the following financial year;
- update contractors on any new developments or changes to standards, etc;
- endeavour to gain an understanding of what contract package sizes the contracting community would like us to deliver in the coming year;
- invite contractors to raise any concerns that they may have with Council's procurement methods.

The **WDC Procurement of Goods & Services Manual** (Clause 2.4) describes Council's broader objectives in regard to good practice procurement. For all procurements, this requires staff to consider the number of service providers in a particular market with regard to ensuring that a sufficient number remain over the long term to provide competitive pricing in the future, and supporting local organisations where possible (provided they are competitive within their market sector).

It is important that the way in which these broader principles are taken into consideration is compatible with the fair treatment of all suppliers and the methodology outlined in the relevant procurement documentation or process.

2.3.3 Encouraging fair competition among our suppliers

Encouraging competitive and efficient markets is about developing sustainable value for money delivery over the long term. Ensuring fair competition among suppliers contributes to that goal by giving confidence to the market that everyone has a chance of obtaining work in an environment where they all know the rules. Equally important is ensuring the procurement environment is one where rules are not too onerous or restrictive for the scale and type of service being provided.

Council has a good number of suppliers who regularly tender for our work as noted in Section 4.

As described in Clause 2.3.2 above, Council staff meet with our contractors at least annually, several weeks before the start of a new financial year. All contractors on the Roothing and Projects and Water and Facilities contractor databases are invited to attend this meeting at which they are provided with information on what infrastructure projects are going to be tendered in the next financial year.

Our tenders are generally packaged in varying contract values so that contractors can choose what contracts to tender on depending on their workload commitment at the time.

Council's two newly adopted Procurement Manuals, described in Section 2.3.4 below, include principles for ensuring fair competition and maintenance of the supplier market throughout the organisation.

2.3.4 WDC Procurement Procedures

Council has developed and improved its procurement procedures considerably over the last few years and now has an extremely robust procurement system.

i) Contract Administration Manual for Physical Works and/or Consultancy Services

This manual was implemented in 2008 for the purpose of :

- Prescribing a fair and consistent approach to managing physical works and consultancy services contracts and
- Ensuring compliance with Council's policy, legal and contractual obligations and the requirements of the Transfund CPP Manual.

In January 2010, the manual was reviewed to include consideration of the rules and guidelines outlined in the NZTA Procurement Manual.

ii) Corporate-wide Procurement Procedures

In May 2010, Council approved a new corporate-wide set of procurement documents which are currently being implemented throughout the organisation. These documents include:

- an updated Procurement Policy
- a Procurement of Goods and Services Manual
- a Tendering and Contract Management Manual

These documents have retained the objectives of the Contract Administration Manual for Physical Works and/or Consultancy Services, but also incorporate the expectations and guidelines from the Office of the Auditor General's Good Practice Guide "Procurement Guidance for Public Entities" and the NZTA Procurement Manual.

It is intended that following the implementation of these new manuals during 2010, the original Contract Administration Manual for Physical Works and/or Consultancy Services will be reviewed, with all common tendering and contract management processes incorporated in the new procedures.

In line with the strategic principles relating to competitive and efficient markets and providing fair competition amongst our suppliers, Clause 32.0 of the Procurement of Goods and Services Manual describes the “principles of contracting” and requires staff to consider the following basic principles wherever appropriate:

- Contracts are to be output based wherever practical.
- No contract should permit a monopoly of any service function to arise.
- To maintain competition, contract documents are to be written to target as wide a range of the available supplier market as feasible. Where there is a limited market, or only one specialist supplier available, approval should be sought from the relevant delegated authority to use the **Closed Tender** or **Selected Supplier** procurement methods.
- Consideration should be given to the number of contractors in a specific market with particular regard to ensuring that a sufficient number remain over the long term to retain competitive pricing in the future.

iii) **Corporate-Wide Procurement Strategy**

It is Council’s intention to develop a corporate-wide procurement strategy from 1 July 2011.

3. Procurement environment

3.1 Analysis of our supplier market

Council's geographic location in the central-north part of the North Island, between Auckland and Hamilton, means it is ideally placed to attract good quality suppliers.

The proposed addition of the southern part of Franklin District from 1 November 2010, will probably mean that we will receive more tenders from the South Auckland area in the future.

3.1.1 Physical Works Contracts

There are a number of large and small contractors based in the Waikato or South Auckland areas who regularly tender for our roading contracts. This situation is assisted by the large state highway network running through the district ensuring plenty of work for the larger contractors.

Seven contractors have tendered for 6 or more of the last 15 physical works contracts tendered between August 2009 and May 2010, all of whom have been successful in one or more of their tender bids. These seven contractors are:

- Higgins Contractors
- Schick Construction and Cartage
- Downer EDI Works
- Strada Corporation
- Potter Contracting
- HEB Contractors
- Base Civil

The following table details the number of contracts tendered, the number of tenders received and the successful contractors for each type of work over the 2009/10 financial year.

Type of Work	Contract Value (\$K)	No contracts tendered	No. Tenderers/ contract	Ave. No. Tenderers	Successful Contractors
AWPTs	1,531	3	7/9/5	7	Strada (2) / Schick
Seal Extensions	2,350	3	9/7/6	7	Strada / Downer (2) / Higgins
AWPT/Seal Extn	933	1	7		Strada
Isolated Improvements	320	2	5/9	7	Schick / HEB
Reseals (2 yrs)	7,442	1	6		Downer
Urban Upgrade	359	1	8		Schick
Unsealed Resheeting	778	1	4		Strada
Slip Repairs	523	3	6/7	6.5	Higgins / Potter/RST
Kerb & Channel Upgrade	294	1	5		Base Civil
Footpath	506	1	7		Bryce Kingan
Kerb & Sump Cleaning	509	1	2		Transpacific Ind Solutions
Culvert Relining	92	1	9		Brown Drainage

All of the successful contractors have bases in the Waikato. Most of these contractors have been regular suppliers to Council for many years and, as a consequence, good collaborative relationships have been built up with them. Strada Corporation is a Waikato District Council Controlled Organisation, based at Ngaruawahia, that competitively tenders for Council work.

In addition to the successful contractors listed above, a further 12 contractors, two from outside the Waikato/South Auckland area, have tendered for between 1 and 4 of the 15 contracts let in the 2009/10 financial year. Although none of these have been successful in winning a contract, their

mere presence ensures a competitive market is maintained. These contractors and the number of contracts they have tendered for are as follows:

	No. of tenders
Fulton Hogan	4
Transfield Services	2
Blacktop Construction	2
Skye Construction	2
Hippo Environmental Services	2
Active Drainage	1
Online Contractors	1
Johnston Drainage & Contracting	1
McRobbie Brothers	1
Cambridge Construction	1
Infrastructure & Civil Works	1

3.1.2 Consultancy Services Contracts

Roading and Projects Group have few consultancy services contracts and most are tendered electronically through LG Tenders.

There are several consultancy services companies based in the Waikato and Auckland areas that are eligible to tender for our contracts.

The following table details the four contracts tendered in the last 18 months, the number of tenders received and the successful consultant for each contract (marked with **).

	Bridge Inspections	Pavement Mgmt	Network Lighting	Slip Repairs (Nov 08)
CPG NZ Ltd	✓		✓	
BBO Ltd	✓**			
Emcon New Zealand Ltd	✓			
Opus International Consultants	✓	✓**	✓	✓**
MWH		✓		
Beca		✓		✓
GHD		✓		
Fugro (New Plymouth)		✓		
Gray Matter		✓		
Maunsell				✓
Pattle Delamore Partners (Ak)				✓
Schick Construction & Cartage				✓
Odyssey Energy Ltd			✓**	
Power Solutions Ltd			✓	
Connetics			✓	
Edison Consulting Group			✓	
	4	6	6	5

3.1.3 In-House Professional Services

Council's three internal Business Units operate as professional engineering consultancies to Council. The units carry out the survey, design, contract and project management of most roading and utilities projects with the exception of specialised structural and geotechnical advice. The design unit also prepares the tender documents and manages the tender process for these projects.

All professional services groups of Council operate under Service Level Agreements with their respective "clients".

Council considers that the provision of in-house professional design, operational and project management services provides good value for money, for the following reasons (at least);

- In-house resources tend to provide stronger ownership for the network and are able to take a longer-term view than that taken by external consultants who may be on short-term contracts.
- Risk is able to be more easily and effectively managed with, in particular over design of projects not required, as professional indemnity issues are less likely to arise.
- There is a sufficient core work programme to ensure that professional services staff are fully employed, providing a more cost effective utilisation than by employing consultants for these tasks.
- Intellectual property remains within the Council and can be easily passed from one staff member to another. With fixed term consultancy contracts transfer of IP may be more difficult.
- With dedicated resources greater flexibility and responsiveness to particular events or issues can be provided. Overflow resource can be purchased from consultants as required.
- Strong relationships with contractors, consultants and other service providers can be developed as in-house staff are with the organisation for a long time and are able to take a longer-term view.

3.1.4 Recent Contract Procurement Outcomes

All of the 12 physical works contracts tendered in the 2009/10 financial year came in under the Engineer's Estimate, some considerably so. In fact the total estimated value of the 12 contracts was \$16,1M, whereas the actual contract prices totalled \$13,7M, a saving to Council of \$2.4M.

This situation has arisen due to a reduction in civil engineering projects during the current global financial crisis. While this trend is expected to continue in the short term, the situation is likely to change as NZTA begin to tender some significant Waikato Expressway projects which are currently in the planning phase. When this occurs prices are expected to adjust to a larger market. WDC will therefore need to closely monitor tender outcomes over the next few years and make adjustments to our procurement strategy should that be considered necessary.

The Roding and Projects Group have developed their contract templates over recent years so that they are now considered to be good quality documents that provide consistency across the different work types. This includes using the HCC Development Manual, with a WDC Addendum, for all of our physical construction works. The group has also spent some time on developing a long-term maintenance contract template. These initiatives have provided good outcomes in terms of project cost, contract delivery and contractor performance and no difficulties have been experienced from any of the recently tendered contracts.

However, some issues have been identified during the course of recent network procurements which have been, or are being, addressed. These issues include :

Issues	Actions Required to Address
Factors beyond our control (e.g. resource consents, land acquisition, etc) have an affect on the order we are able to let our works which may result in a large contract running over into winter.	WDC is currently reviewing its project management processes – this issue will be addressed.
Council's expectations of our 12 month plan (all projects expected to start and finish within financial year which is not always possible), resulting in increased work loads at certain times of the year.	As above
Ownership of Strada Corporation (occasional comments of favouritism)	Ensure that our procurement processes are robust, open and unbiased. Use of probity auditor on high value tenders.

3.2 Analysis of current procurement spend and profile

Council's current total procurement spend is \$60M per year, approximately 2/3 of which is spent on roading contracts.

3.2.1 Network Management Contracts

<u>Contract Names</u>	<u>Contract Start Date</u>	<u>Contract End Date</u>	<u>Contract Period</u>	<u>Optional Renewals</u>	<u>End Date with Renewals</u>	<u>No. of Bids Received</u>	<u>Contract Value (K)</u>
Consultancy Services Bridge Inspections	2010	2011	1	+1	2012	4	\$63 (initial term only)
Consultancy Services Pavement Mgmt	2010	2013	3	+1+1	2015	6	\$838
Consultancy Services Network Lighting	2010	2011	18 mths	+1+1+1	2014	6	\$75

As described in Section 3.1.3 above, Council has Service Level Agreements with its in-house professional services units to provide professional roading services.

3.2.2 Network Maintenance Contracts

<u>Contract Names</u>	<u>Contract Start Date</u>	<u>Contract End Date</u>	<u>Contract Period</u>	<u>Optional Renewals</u>	<u>End Date with Renewals</u>	<u>No. of Bids Received</u>	<u>Contract Price (K)</u>
East General Maintenance	2006	2008	2	1+1+1	2011	6	\$6,311
West General Maintenance	July 2010	2013	3	+1+1	2015	8	\$10,890
Roadmarking	2008	2010	2	+1+1	2012	4	\$456
District Kerb and Sump Cleaning	2010	2011	19 mths	+1+1	2013		\$510
Urban Cleaning and Litter Cleaning	2006	2008	2	+1+1	2010	2	\$786
Maintenance and Upgrade of Road Network Lighting	2006	2008	2	+1+1+1	2011	4	\$651
Reseals	2009	2011	2	+1+1+1	2014	6	\$7,422
Power Supply	2010	2013	3	-	-	4	\$2,813

3.2.3 Network Capital Works Contracts

A list of the Capital Works Contracts procured during the 2009/10 financial year to date, is provided in 3.1.1 above.

3.2.4 Delivery Models and Supplier Selection Methods Used

All of the network maintenance and capital works contracts were let by a single-stage "construct only" delivery model using the Price Quality supplier selection method.

Council tenders out all of its roading contracts valued at \$125K or above and all tenders over this value are advertised electronically through LG Tenders. Our Procurement of Goods and Services Manual requires that a minimum of 3 suppliers are invited to tender for contracts valued between

\$60-125K, and a minimum of 2 suppliers are invited to quote for contracts valued between \$10-\$60K.

3.2.5 Review of Supplier Selection Methods

We believe that our procurement processes are robust and deliver according to our objectives. Our key staff keep themselves informed of best procurement methods to use by regularly attending seminars where delivery models and supplier selection methods are often discussed.

We therefore do not propose any changes to our current supplier selection methods in the near future.

3.3 Analysis of the impact of the procurement programmes of other approved organisations and other entities

Some initial discussions with neighbouring road controlling authorities about possible combining of network or capital works contracts have been carried out in the past. These have not progressed to provision or tendering of such services, mainly for the following reasons:

- Council has a significant work programme, which it breaks down into smaller packages for tendering in a variety of different sizes. There seems little point amalgamating services with another authority when the existing activity types are considered too large for any one contract.
- Minor differences in geometric standards, funding and affordability would make combined projects difficult and potentially confusing.
- Supervision of such contracts without an external, independent party is likely to be difficult. As Council prefers an in-house professional services model it is unlikely that management of contracts by external consultants will be considered beneficial.

However, we are aware when our neighbouring AO's are going to tender their network contracts and aim to go to the market early with our annual programme so as not to create any conflict with tendering at the same time as our neighbours. This strategy has worked well for Council and it is our intention to continue this practice as much as possible.

On the other hand, WDC has some concerns about the effect that the large amount of state highway tendering in the region, both current and proposed, will have on the ability of our suppliers to tender for our work during this period. This situation will be carefully monitored and if it begins to have an affect on our procurement strategy, we will liaise with NZTA Highways Waikato in an effort to co-ordinate the forward work programme.

4. Procurement programme

4.1 Introduction

Council's 2009-2019 LTCCP contains a table of the proposed Transportation work programme for the 10 year period 2009-2019 (See Appendix 1).

The forecast annual spend for the 3 financial years included in the Procurement Strategy (2010/11, 2011/12 and 2012/13), is \$17.13M, \$20.72M, and \$24.63M respectively.

4.2 Procurement Programme Segmented by Work Type

4.2.1 General Network Maintenance

This is the most significant component of our subsidised works procurement programme.

The Waikato District Council roading network is currently divided into two areas for general maintenance purposes, the boundaries being east and west of the Waikato River. Each area is managed under a separate Network Maintenance Contracts, as follows:

Contract Names	Contract Start Date	Annual Cost (\$M)	Contract Duration	Contract End Date	Next RFT Release Date	Proposed Delivery Model	Proposed Supplier Selection Method
West Network Maintenance Contract	July 2010	3.6	3+1+1	2015	2015	N/A	PQM
East Network Maintenance Contract	2006	3.0	3+1+1	2011	Mar 2011	Single Stage	PQM

The General Maintenance Contracts include the following work activities:

- Sealed pavement maintenance
- Unsealed pavement maintenance
- Drainage maintenance
- Structural maintenance
- Vegetation control
- Signs maintenance

From 1 November 2010, WDC will acquire part of the current Franklin District Council (FDC). WDC will inherit an existing maintenance contract which is due to expire in June 2011 and other contracted services will be incorporated into our existing contracts.

The East Network Maintenance Contract is due to be re-tendered in 2011 and will then incorporate part of the FDC contract mentioned above. It is intended to use the single Stage Delivery Model and the PQM Supplier Selection Method (70/30).

The remainder of the FDC maintenance contract will be added to the West Network Maintenance Contract also from July 2011.

Supplier Market

There are at least 7 competent contractors in the region capable of carrying out this work. The West Network Maintenance Contract tendered in April 2010 attracted 6 competitive tenders (a further 2 tenders were disqualified).

4.2.2 Other Network Maintenance Contracts

Work Type	Current Contract End Date	No. of Bids rec'd last tendering	Next RFT Release Date	Annual Budget	Proposed Delivery Model	Proposed Supplier Selection Method
Roadmarking	2012	4	2012	\$390K	Single Stage	PQM
District Kerb and Sump Cleaning	2013	2	2013	\$120K	Single Stage	PQM
Urban and Litter Cleaning	2010	2	2010	\$435K	Single Stage	PQM
Street Light Maintenance	2011	4	2011	\$386K	Single Stage	PQM
Footpaths	2010	7	2010	\$500K	Single Stage	PQM

The above work types are currently all carried out under separate contracts, each covering the entire district network.

Supplier Markets

There are between 2-4 competent contractors in the region capable of carrying out the specialist work in this category. However it is possible that contractors from outside the Waikato will bid for this work in future due to the increased size of the network.

4.2.3 Resurfacing Renewals

WDC’s reseal work is carried out under one contract. The current contract with Downer Construction is for two years with a further three possible one-year renewals.

The current Franklin District reseal contract expires in 2011. It is intended that negotiations will take place with Downers to have Franklin reseals added to the WDC contract from that time.

Work Type	Current Contract End Date	Next RFT Release Date	Annual Budget	Proposed Delivery Model	Proposed Supplier Selection Method
Reseals	2011	2011 unless renewals are taken up	\$3.71	Staged	PQM

Supplier Market

The 2009 WDC Reseals contract attracted 6 bidders. We would expect at least this number of bidders in 2014.

4.2.4 Pavement Layer Renewals/Pavement Rehabilitations

WDC delivers the programme listed below on a projects basis. This category of works involves AWPT, Seal Extension, Isolated Improvement and Reconstruction. Some projects are combined depending on size and location. Combinations of the projects are always considered as the best option for delivery. The construction works are carried out within the same financial year. The number of contracts needed to deliver the programme is based on the design, size, location, and time frame.

Work Description	2010/11 Budget (\$K)	2011/12 Budget (\$K)	2012/13 Budget (\$K)	Proposed RFT Release Dates	Proposed Delivery Model	Supplier Selection Method
AWPT	8,558	8,469	11,840	5 contracts/year from June onwards	S. Stage	PQM

Seal Extension	5,903	2,000	2,000	3 contracts/year from June onwards	S. Staged	PQM
Isolated Improvement	510	544	488	2 contracts/year from June	S. Staged	PQM
Reconstruction	806	-	-	Let with AWPT	S. Staged	PQM

Supplier Markets

Competition for this type of work is usually competitive with recent contracts attracting an average of 7 tenders each. It is expected that these contracts will continue to attract a similar number of tenders in the next 3 years.

4.2.5 Drainage Renewals and Traffic Services Renewals

Dependent on the scale and location of drainage renewal projects this work is usually carried out through the respective East and West Network Maintenance contracts. The exception is where work is deemed to be specialised such as relining existing steel culverts, which are tendered as a package of similar work.

The traffic services activity was added to the East and West Network Maintenance contracts when the last traffic services contract was completed in 2009.

Work Type	Proposed RFT Release Date	Annual budget (\$K)	Proposed Delivery Model	Proposed Supplier Selection Method
Culvert Relining	Approx Nov each year	345	S. Stage	PQM
Major Drainage	N/A	371	Included in East and West Maintenance contracts.	
Kerb & Channel	N/A	246		
Traffic Services (included in Network Maintenance Contracts)	N/A	155		

Supplier Market

The 2010 Culvert relining contract attracted 9 Tenders. It is expected that the supplier situation will be similar in the next few years.

4.2.6 Structure Component Replacement

This work is generally specialised and infrequent. Routine work in this category is usually carried out through the respective East and West Maintenance contracts. Major projects will be tendered out.

Work Type	Proposed RFT Release Date	Annual budget (\$K)	Proposed Delivery Model	Proposed Supplier Selection Method
Routine Bridge Maintenance	N/A	250	Included in East and West Maintenance Contracts	
Tainui Bridge Upgrade	Nov 2010	250	S. Stage	PQM
District-wide bridge upgrades	Dec 2010	150	S. Stage	PQM

Supplier Market

It is some time since Council tendered out bridge upgrade work and consequently we are not sure of the available supplier market. It is however anticipated that we will receive up to 3 tenders for this work.

4.2.7 Minor Improvements and Safety Works

Many routine minor work projects are of low value and generally negotiated with the existing maintenance contractors. However in some instances we will invite quotes from local contractors to carry out small parcels of these works. Larger projects, such as carriageway lighting and large culverts, are tendered out, possibly as part of larger construction contracts.

Minor improvement work in the Franklin area will be incorporated into our work programme from 1 November 2010.

Work Type	Proposed RFT Release Date	Budget (\$K)	Proposed Delivery Model	Proposed Supplier Selection Method
Routine Minor Works	N/A	1,900	N/A	N/A
Carriageway Lighting	N/A	300	N/A	N/A
Tahuna Road Culvert	Sept 2010	230	S. Stage	PQM

Supplier Market

Competition for this type of work is usually keen. It is expected that contracts in this category will continue to attract a good number of suppliers in the next 3 years.

4.2.8 Public Transport Services

In conjunction with Environment Waikato, Council will continue to fund Council share and monitor the quality of passenger transport services provided to the public.

Construction and maintenance of bus shelters are carried out using local contractors specialised in bus shelter works.

Work Type	Proposed RFT Release Date	Budget (\$K)	Proposed Delivery Model	Supplier Selection Method
Bus shelter construction & maintenance	As Req'd	25	Direct appointment	Negotiation

Procurement of bus services is carried out by Environment Waikato on our behalf.

4.2.9 Professional Services

In addition to its in-house capability, Council also uses outside consultants for professional service. This work includes:

- Design and project management
- Bridge inspection
- Geotechnical
- Pavement management
- RAMM database
- FWD testing
- Traffic counting
- Specialised service

Various providers such as Opus International Consultants, BBO Consultants and others supply these services to the Council. They provide value for money through their specialised skill sets and

additional resourcing which Council does not possess. The existing professional services contracts for various works are listed over.

Work Type	Current Consultant	Contract Expiry Date	Annual Contract Value (\$K)	Proposed RFT Date	Proposed Delivery Model	Proposed Supplier Selection Method
Pavement Management Services	Opus International Consultants	Jan 2013	280	2012	Staged	PQM
Bridge Inspection Services	Bloxam Burnett & Olliver	Mar 2011	60	2011	Staged	PQM
Design and Project Mgmt Services	WDC In-house*	Ongoing	N/A	N/A	Internal SLA	N/A
	6 Foot Four Ltd	Annual		N/A	Negotiated	Selected Supplier
Roading Operations	WDC In-house*	Ongoing	N/A	N/A	Internal SLA	N/A
Geotechnical	N/A	N/A		As reqd	Supplier panel	Supplier panel
Road Safety Co-ordinator	Megan Jolly	June 2011	70	2011	Negotiated	Selected Supplier

* Refer to Section 3.1.3 for details.

Supplier Market

There are a number of consultants in the region capable of carrying out this work.

4.3 Identification of any pending high-risk or unusual procurement activities

There are no pending significant high-risk or unusual procurement activities programmed for the 2011-2013 period, other than incorporating the Franklin District Council work programme.

Specialist suppliers may be selected when a specific model or style of product is required for either aesthetic or consistency purposes. It is envisaged that this may be required for items such as, street lights, street furniture or other specialist materials/suppliers.

5. Approach to delivering the work programme

5.1 Confirmation of specific strategic objectives

Delivering the transportation procurement programme outlined in Section 4 is intended to achieve Council's vision and strategic objectives outlined in Section 2, in particular the following:

- Ensure best value for money through the most appropriate service providers
- Encourage fair competition and efficient markets
- Ensure services are procured in an open, fair and transparent manner
- Provide robust probity and accountability for procurement outcomes.

5.2 The procurement approach

The proposed procurement approach and an overview of the supplier markets for each activity of the transportation work programme is shown in the tables contained in Section 4. Any future work packages not identified in Section 4 will require a procurement plan to determine the appropriate procurement approach, delivery models and supplier selection methods to be used.

To date Council has not developed a partnering approach in terms of its transportation contracts, but it is possible that future procurement plans may identify a specific need for this approach.

WDC's current Contract Administration Manual for Physical Works and Consultancy Services provides a comprehensive guide for staff procuring these services. The new NZTA Procurement Manual rules were recently incorporated into the manual thereby providing guidelines for staff when procuring NLTP subsidised works.

5.3 Requested variation to customised procedures

Council may choose to utilise a supplier panel to assist in-house providers with specialist professional services. It is envisaged that this panel will consist of structural, geotechnical, bridge, transportation and road design Engineers. Members of this panel will be selected from an open tender process, with the preferred supplier(s) for each project being selected on track record and availability at the time of procurement.

Council will also investigate the merits of using supplier panels for some of its physical work procurements (e.g. AWTPs and seal extensions) from 2011/12 but currently has no firm plans to use this advanced component for physical works. Should we decide to use one or more of the advanced delivery models, or require variation to NZTA procurement rules in future, we will seek prior approval from NZTA.

Council does not envisage using transportation term maintenance contracts with over 5 years duration in the foreseeable future, but it is possible that future procurement plans may identify a specific benefit for longer contracts.

Council considers we have adequate in-house capability to use the Price Quality supplier selection method with two staff currently holding the National Certificate in Civil Engineering – Asset Management (Competitive Pricing Procedures) evaluation qualification and a number of other staff with extensive tender evaluation experience. A training programme is in place for all new staff which includes evaluator training to the national certificate level regardless of whether the actual qualification is gained.

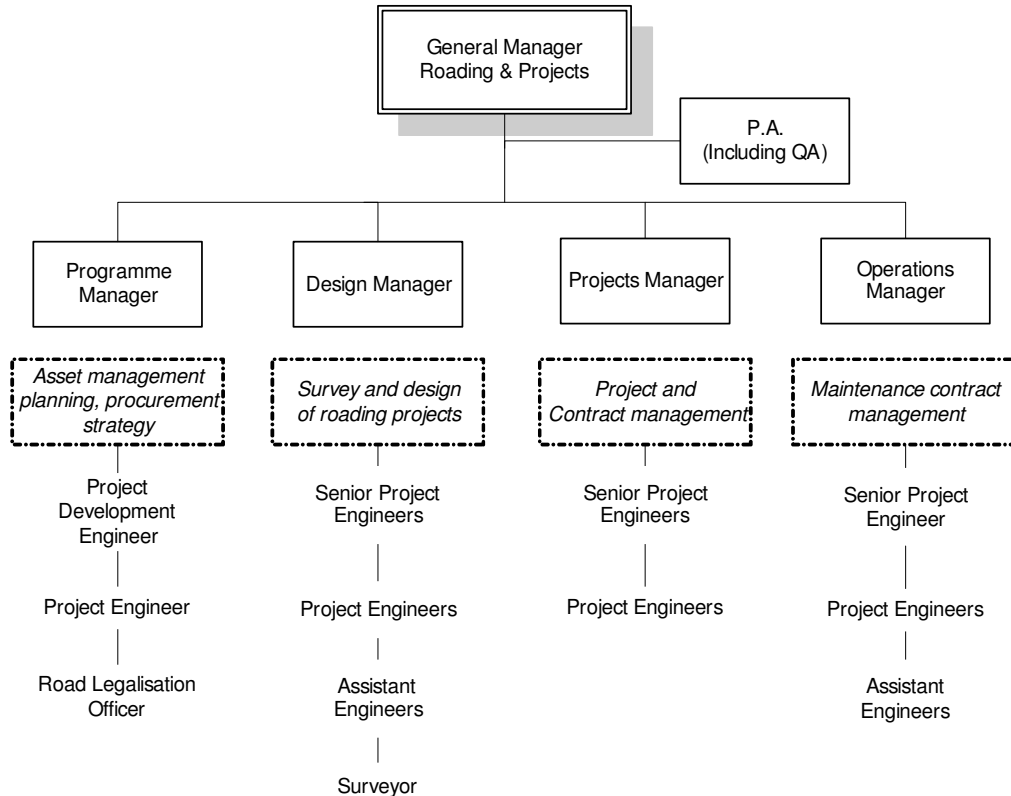
The Price Quality supplier selection has been Council's preferred selection method for transportation projects for a number of years.

6. Implementation

6.1 Capability and Capacity

6.1.1 Current Structure

The WDC Roding and Projects Group provides services and maintains physical assets for the district's local road network. The current group structure is as follows:



6.1.2 Proposed Future Structure Changes

The integration of Franklin District Council from 1 November 2010 will result in an extra 8 staff in the Roding and Projects Group. We are not envisaging any further structure changes in the near future.

6.1.3 Identified Capability/Capacity Gaps

The Roding and Projects Group has responsibility for Council's land transport and other infrastructural projects including water, stormwater and wastewater activities. The group is particularly well served in terms of planning, design, procurement and contract administration capability and experience and these activities are all carried out by our in-house professional services units.

Identified capability gaps include specialised geotech, structural and RAMM data management and senior engineers with considerable experience.

6.1.4 Plan to Address Identified Gaps

We intend to address the above gaps by continuation of our staff rotation and training programmes, retaining existing staff and by organic growth. Specialist knowledge will continue to be brought in.

6.2 Internal procurement processes

As described in Section 2.3.4, Council has a robust procurement system that addresses the general procurement principles including the need for efficiency, accountability and transparency.

Council's two new Procurement Manuals aim to compliment and support the new NZTA Procurement Manual, which is used for all subsidisable work within the WDC. The Tender and Contract Management Manual contains rules and guidelines for the tendering of all Council contracts and provides standard templates for contract documents.

It is intended that as the new Procurement Manuals are implemented throughout the organisation, the older Contract Administration Manual for Physical Works and Consultancy Services will be withdrawn.

All physical work contracts valued at over \$60K are based on NZS 3910:2003 and consultancy services contracts over the same value are WDC specific but based on "Conditions of Contract for Consultancy Services" document published by Ingenium, NZTA, ACENZ and IPENZ in August 2009.

Council's Delegations Manual defines the relevant delegated authorities for approving contracts.

6.3 Performance measurement and monitoring:

Council is aware of the performance monitoring records required by NZTA to support decisions made in this Procurement Strategy. This information, both quantitative and qualitative in nature is to particularly focus on the following measures:

- Value for money – time, cost and quality
- Supplier markets – fairness, competition and innovation
- Efficiency of procurement procedures

Much of the information will be provided to NZTA on a contract basis for every contract over the level of "direct appointment". Other information is required on an annual or aggregated basis.

In order to meet the NZTA reporting requirements, Council intends to set up systems and processes to ensure that the information required in the Data Collection Checklist (Appendix E of the NZTA Procurement Manual) is collected for each contract. It is expected that these processes will be established in the Roading and Projects Group by the time this Strategy becomes effective:

6.3.1 Efficiency and Effectiveness

Measurement of the success of the proposed procurement approaches will focus on whether the procedures used are cost-effective and simple to use. A broad measurement will be achieved by comparing the overall cost of Council's procurement function with the total cost of contracts let.

6.3.2 Internal Reporting, Review and Feedback Process

Contract review forms are completed at the end of each contract and the contractor/consultant invited to comment before finalising and retaining the review on file. End of Project review forms are also completed for larger projects.

New contract/project management software is expected to be introduced by the end of 2010, with the intention of providing continuity of data plus additional project and financial management controls and capability.

Results will be reviewed by the General Manager Roding and Projects and, where appropriate, adjustments made to our contracting processes to initiate any required change.

The General Manager Roding and Projects will report to Council's Roding Committee and NZTA annually on the outcome of these KPIs.

6.4 Communication process

During the development of this Procurement Strategy, Council has consulted with, and invited comment from, the following stakeholders:

- Relevant staff in the Roding and Projects Group
- CEO
- Key financial staff
- Council's Roding Committee
- NZTA

NZTA provided some useful feedback on the draft document and commented that they were completely satisfied with the strategy overall.

Following some minor changes as suggested by NZTA, the revised Strategy was sent to our supplier market (including Contractors Federation and Roding New Zealand) and neighbouring local authorities.

Three comments were received and have been considered. No changes were required to the strategy as a result of this latter consultation process.

Copies of this final version, once endorsed, will be made available to relevant WDC staff and NZTA. The strategy will also be placed on Council's website.

6.5 Implementation plan

Council will work towards implementing the required measurement and reporting systems and processes identified in clause 6.3 with a view to having all systems in place by 30 June 2011.

6.6 Corporate ownership and internal endorsement

This WDC Procurement Strategy will be endorsed and approved by the Waikato District Council.

The General Manager Roding and Projects will be responsible for this initial version of the Strategy which includes procurement activities for roading work only.

It is intended that the Procurement Strategy will be reviewed in mid-2011 to incorporate Council-wide procurement activities and any further transportation activities identified as a result of the proposed assimilation of a portion of Franklin District Council from 1 November 2010.


Document Management Plan

Document Name	WDC Procurement Strategy
Document Availability	WDC Internet
Document Owner	General Manager, Rooding and Projects
Document Manager	Tony Peake, Rooding Programme Manager

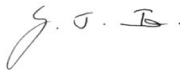
Reviewed by:

Ian Gooden	General Manager Rooding and Projects
Tony Peake	Rooding Programme Manager
Kurt Abbot	Rooding Operations Manager
Adrian Duberly	Finance Manager
Tony Whittaker	General Manager Strategy and Support

Approved for issue by:

Name	Position	Signature	Date
Ian Gooden	General Manager Rooding and Projects		10/08/2010

Endorsed by :

Name	Position	On behalf of	Signature	Date
Gavin Ion	Chief Executive	On behalf of Waikato District Council		10/08/2010
Dave Brash	Group Manager, Regional Partnerships & Programmes	New Zealand Transport Agency	See attached letter	26/08/2010

Version History

Version	Date	Change Summary
Version 1	09 August 2010	Approved by WDC Rooding Committee and Policy Committee

Next Review Date: June 2011

26 August 2010

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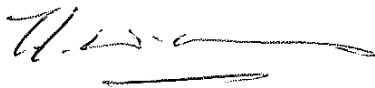
Dear Gavin

Endorsement of Waikato District Council's Procurement Strategy for roading activities funded through the NLTP.

I am pleased to inform you that the Group Manager, Regional Partnerships & Programmes, Dave Brash has endorsed Council's Procurement Strategy for activities funded through the NLTP. The Group Manager also approved Council's establishment of a supplier panel to provide specialist engineering advice to supplement the activities of Council's in-house professional services business unit.

Council is to be congratulated on the quality of its Procurement Strategy. The document is appropriate to the scale and complexity of Council's professional services and physical works procurement programme and demonstrates an excellent understanding of the supplier market and strategic procurement.

Yours sincerely



Harry Wilson
Regional Director, Waikato/BOP