



# Road Network Procurement Strategy 2022-2025



TE KAUNIHERA Ā ROHE O  
**WHAKAAHURANGI**  
**STRATFORD**  
DISTRICT COUNCIL

## DOCUMENT QUALITY ASSURANCE

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**Road Network**

**Procurement Strategy**

**2022-2025**

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## Executive Summary

The Roding Activity accounts for approximately 34% of the Stratford District Council 's annual total expenditure.

Given that a large proportion of this budget is spent on procurement of external suppliers to deliver the operating, maintenance and capital works, it is crucial that the Council has appropriate procurement process to support the achievement of *Value for Money* for the district ratepayers.

The Roding Procurement Strategy (the strategy) is a Waka Kotahi NZ Transport Agency (Waka Kotahi) requirement for all Approved Organisations (AO), for the procurement of transport activities funded under Section 20 of the Land Transport Management Act and Amendment Act 2013.

This Roding Procurement Strategy achieves this requirement – it demonstrates to our key stakeholders and external suppliers, including Waka Kotahi, how we intend to approach the supplier market for the procurement of contracts to achieve Council's key priorities and Central Government Broader Outcomes.

This strategy replaces the current expired Roding Network Procurement Strategy 2019 – 2022 and is consistent with the Stratford District Council 's Procurement Policy.

# 1.0 Introduction



## 1.0: Introduction

The roading activity encompasses the management, maintenance and provision of roading assets including rural and urban roads, footpaths, kerb and channel, street lighting and associated infrastructure for the district excluding the two State Highways in the district: State Highway 3 (SH3) and State Highway 43 (SH43). State Highway 3 bisects the township of Stratford whilst State Highway 43 (Forgotten World Highway) connects the Stratford district to Ruapehu district to the east.

The roading network managed by the SDC is approximately 600km (as at 30 June 2022), made up of 557km of rural roads and 43km of urban streets. In addition, there are over 700km of unformed legal road and a number of bridges 'beyond the maintenance peg' that are not maintained by Council.

As a provincial rural district, the predominant users of the network are the farming community, (particularly sheep, beef farming and dairy), forestry, oil and gas, a small commercial sector, and visitors. Fonterra, NZ's largest dairy company, is a key heavy transport user and the dairy industry collectively has a significant impact on the rural roading network. With the recent increase in forestry activity and the implementation of 50Max and HPMV rated vehicles, we have seen a significant increase in the number of permits issued since 2016.

The network is coming under increased pressure from forestry, as trees planted in the mid 1980's are now reaching maturity. Whilst oil and gas companies have a presence in the district, exploration has tailed off in the last three years as the oil and gas companies are focusing on maintaining their existing production sites.

Section 317 of the Local Government Act 1974 states that all district roads shall be under the control of the relevant Council.

### 1.1. Opportunities to achieve Value for Money

This summary discusses the opportunities available to create value for money for the district ratepayers. 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 delivery model and procurement procedures that will ensure competition is maintained while minimising inefficiencies.

Three key opportunity areas to create value for money are:

- Professional Services Delivery Model;
- Physical Works Delivery; and
- Future Procurement Approach

#### 1.1.1. Professional Services Delivery

Waka Kotahi requires local authorities to separate their technical services from their asset management functions. Many authorities choose to achieve this separation by employing consultants, while some have semi-autonomous in-house business units. SDC made the decision some years ago to provide its technical services via an In-house Business Unit.

The In-house Business Unit provides technical advice, limited design capability, procurement, contract management, data collection as well as customer relationship functions. It is responsible for ensuring that roading contract works along with other programmed works are carried out as efficiently and economically as possible. While the unit is separately funded and operated to achieve the required separation, the officers delivering this service are typically SDC employees.

The cost of the In-house business unit is recovered through *Work Category 151: Network and Asset Management*.

#### 1.1.2. Physical Works

The Taranaki region is reasonably well-served by small to medium to contracting companies. However, there are only two national contracting companies, these being Downer and Fulton Hogan.

This mix of small to large contractors provides the flexibility to target our procurement to suit the size, scale and complexity of our projects. Due to the remoteness of the region, our long term maintenance contracts are usually bid for by the two national companies.

This is no requirement within our maintenance contracts for national Tier 1 contractors to engage small to medium sized contractors for a stated percentage of the work that is undertaken. However, considering the current shortage of labour and that Fulton Hogan have three maintenance contracts in the region, they do call upon the services of small contractors who are based in Stratford.

The small to medium contractors have been reasonably successful in winning some of the spot contracts that we advertise via Tenderlink. An example of this is Superior Civil Construction Ltd, a Stratford based contractor who secured the contract for safety improvements outside the Stratford High School.

Value for Money can be achieved by creating a market place where small to medium size contracting firms can compete with major national firms. This flows from SDC's reputation of being a fair and reasonable client. SDC is an advocate of cooperative relationship building where 'value for money' can be achieved and unproductive adversarial disputes can be avoided.

For the majority of procured physical works, SDC uses a traditional Measure and Value contract in accordance with NZS 3910:2013 for site specific contracts and NZS 3917:2013 for term service contracts. The current General Rooding Maintenance contract is a three-year term, with the possibility of a further two, two-year extensions (3+2+2). SDC has just offered Fulton Hogan the first of the two-year extensions, taking the contract to 30 June 2024.

SDC predominantly uses the Price Quality Method (PQM) for awarding contracts. We have on occasion used Lowest Conforming Tender and Direct Appointment, based on three quotes received. These projects are typically relatively straightforward and low in value, and the risks assessed as low.

### 1.1.3. Future Procurement Approach

With an eye to the future, SDC is considering an alternative form of contract for the next general maintenance contract. We are currently weighing the costs and benefits of the *Cost-Plus Reimbursable* style of contract for the following reasons:

- There is a lack of Tier 1 contractors in the region;
- Establishment cost for Tier 1 contractors from outside the region is high;
- Both local Tier 1 contractors (Fulton Hogan and Downer) are embedded in current maintenance contracts within the region;
- *Cost-Plus Reimbursable* style of contract is expected to provide clarity in the pricing of items, which will support the development of future levels of service;
- Transparency of pricing is expected, so there are no 'artificially' low or escalated rates that are based on the contractor's tendering strategy at the time of tender;
- Clear *Contract Cost* and *Delivery Outcomes* are anticipated with this style of delivery;
- We require a locally based contractor who is encouraged to use local suppliers.

With this in mind, we are trialling this approach for our reseals and pavement rehabilitation components of the current contract. Also, given the significant increase in the price for culvert pipes, we will be using a plant and labour rate, plus the actual cost of culvert pipes for the replacement of any culverts.

SDC has liaised with the New Plymouth District Council (NPDC) on the opportunity to combine both of our Streetlight Maintenance and Renewal contracts into one, that covers both districts. The rationale behind this is:

- SDC's streetlight maintenance is small in value and is unlikely to attract multiple bids;
- Both contracts have come to their natural expiry date;
- Both authorities have completed the conversion of their old streetlights from sodium to LEDs;
- The current maintenance contractor is the same for both authorities; and
- Creating a bigger contract may prove to be attractive for contractors from outside the region.

In March 2021, SDC awarded the Structural Inspection contract to a local consultant, Red Jacket. This contract is a six-year term contract for the purposes of inspecting all of the Councils structural assets, excluding buildings.

## **1.2. Recommendations**

It is recommended that Waka Kotahi:

- Endorses Stratford District Council's Road Network Procurement Strategy;
- Approves the continued use of in-house professional services;
- Approves a variation to the Procurement Manual section 10.21 for the continuation of a term service contract for infrastructure or planning and advice for a maintenance contract with a maximum term of seven years (3+2+2);
- Approves a variation to the Procurement Manual section 10.21 for the continuation of a maximum term of a term service contract for infrastructure or planning and advice for a professional services contract for inspection of SDC's structural assets for a maximum term of six years (2+2+2); and
- Approves a variation to the Procurement Manual section 10.21 for of a maximum term of a term service contract for infrastructure or planning and advice for streetlight maintenance and renewals for a maximum term of seven years (5+1+1).

## **1.3. Endorsement of the Procurement Strategy**

A decision report will be prepared to go before the Policy and Services Committee meeting on 27 September 2022 which seeks the endorsement of this procurement strategy by Council. It is expected that this strategy will be received and adopted at the full Council Extraordinary Meeting on 4<sup>th</sup> October 2022.

## **2.0**

# **Policy Context**

## 2.0: Policy Context

The Ridding Procurement Strategy is set in the context of:

- The Stratford District Councils;
  - Vision Statement
  - Community Outcomes;
  - Strategic Goals and Objectives; and
  - Other Council Outcomes
- Central Government's Broader Outcomes

### 2.1. Vision and Community Outcomes

Council has spent time reviewing its vision statement for the district. Our Vision as per the recent Long-Term Plan is to aspire to be:

***A vibrant, resilient, and connected community – in the heart of Taranaki***

To deliver this vision, SDC has held workshops to refine the outcomes to better reflect what is important to Stratford. These are then used to provide direction and inform SDC on service delivery and use of resources. These community outcomes are provided in **Table 1** and include:

- A Vibrant Community;
- A Sustainable Environment;
- Connected Communities; and
- An Enabling Economy

The Community Outcomes echo and support the New Zealand Procurement Broader Outcomes discussed in Section 2.4 of this strategy. SDC Community Outcomes are, in effect, able deliver the intent of NZ Broader Outcomes.

**Table 1: Council Community Outcomes and Delivery on the Procurement Strategy**

| Community Outcome       | What Council Will Do   | How does this Strategy Support these Outcomes   |
|-------------------------|--|---|
| Vibrant community       | <ul style="list-style-type: none"> <li>• We celebrate and embrace our community's cultures and traditions</li> <li>• We tell our unique story</li> <li>• We develop strong relationships with iwi, hapu and marae</li> </ul>   | <ul style="list-style-type: none"> <li>• Our procurement will reach out to those who otherwise have less access to opportunities within the community including Māori and Pacifica</li> </ul>   |
| Sustainable environment | <ul style="list-style-type: none"> <li>• Our natural resources can be enjoyed now and by future generations.</li> <li>• We are committed to working towards zero waste</li> <li>• We have well planned and resilient infrastructure that meets the current and future needs of the district</li> <li>• We aim to understand and support Te Ao Māori values and principles</li> </ul> | <ul style="list-style-type: none"> <li>• We source materials locally to reduce the transportation costs and emissions.</li> <li>• We have a Waste Minimisation Plan to reduce and re-use wherever possible.</li> <li>• We encourage innovation for the recycling of materials to be used in construction.</li> <li>• We consider the impacts of climate change on our infrastructure, e.g., culvert sizes.</li> </ul> |

| Community Outcome     | What Council Will Do  | How does this Strategy Support these Outcomes   |
|-----------------------|---|---|
| Connected communities | <ul style="list-style-type: none"> <li>• Our neighbourhoods are safe and supported</li> <li>• We enable positive healthy lifestyles, through access to health, social and recreation services</li> <li>• We have a strong sense of belonging</li> <li>• We value opportunities to be involved and work together as a community</li> </ul> | <ul style="list-style-type: none"> <li>• We provide a safe roading network through the Road to Zero programme of safety improvements.</li> <li>• We are finalising our Connecting our Communities Strategy (Walking and Cycling) to encourage sustainable transport options within the district.</li> <li>• We have a strong connection to our community and we are in-tune with their requirements.</li> </ul> |
| Enabling economy      | <ul style="list-style-type: none"> <li>• We are a welcoming and business friendly District</li> <li>• We encourage a strong and diverse local economy</li> <li>• We promote opportunities to visit, live and invest in the district</li> <li>• We support economic opportunities for Māori</li> </ul>                                     | <ul style="list-style-type: none"> <li>• We maintain a resilient network to ensure goods are delivered to the market place in order to enable growth.</li> <li>• We include local contractors in our procurement where their skill set is suitable for the project.</li> </ul>  |

## 2.2. Strategic Goal and Objectives

SDC has developed goals and supporting objectives to direct its efforts towards the achievement of the desired outcomes.

The Roothing activity goal is:

***To ensure a safe, accessible, resilient and appropriate land transport network that supports growth and remains sustainable to meet the needs of current and future communities.***

The principal objectives are:

- To plan for, and forecast, the investment for the future maintenance and provision of the roading infrastructure in perpetuity, to anticipate growth and demand trends that may affect this level of investment.
- To ensure that all infrastructure assets meet adequate safety and service standards.
- To monitor and assess the performance and compliance of the various roading components.
- To maintain an adequate management system for all matters relating to the roading infrastructure; and
- To provide for informed community consultation.
- To provide the right treatment in the right place at the right time.
- Incorporate the One Network Framework into the current maintenance contract to ensure the procurement of services is consistent with the road classification within the ONF framework.

## 2.3. Other SDC Outcomes

SDC considers that the following outcomes are in the delivery of successful procurement outcomes for the district.

- Sustainability;
- Health and Safety;
- Value For Money;

- Support for Local Procurement;
- Competitive and Efficient Markets; and
- Fair Competition among Suppliers;

### 2.3.1. Sustainability

As per the SDC's Procurement Policy, "*Council has a commitment to sustainability and environmental protection. Where cost-effective and legal this will be pursued by promoting purchasing practices which conserve water resources, demonstrate energy efficiency, minimise waste, have low toxicity and/or will protect the environment and public health, and maintain environmental safety and quality.*

*Consideration of any sustainability requirements should be made at the procurement planning phase. The competitive tendering process may include a criteria weighting for sustainability and environment protection. This will be decided by the Tender Evaluation Team. If sustainability objectives are a desired outcome of the procurement activity, then they should be included in the RFT."*

This outcome is consistent with the NZ Procurement Broader Outcome of 'Reducing Emissions and Waste'.

### 2.3.2. Health and Safety

Health and Safety of contractors and the general public is a crucial part of every procurement process. SDC prioritises this outcome by marking it, during Tender Evaluation, both:

- An Eliminator – with Pass/Fail pre-condition in the requirement for pre-qualification of contractors, where pre-qualification is a necessary condition to advance to the next stage of the evaluation process; and
- A Differentiator – where SDC assigns the appropriate weighting to Health and Safety as part of the Tender Evaluation attributes, and require the Tenderer's Health and Safety and other related documents. These documents are then evaluated and scored based on the quality of information supplied.

This outcome is consistent with the NZ Procurement Broader Outcome of 'Improving conditions for New Zealand workers'.

### 2.3.3. Value for Money

The concept of **Value for Money** is crucial as it considers the projected whole-of-life cost as more important than the upfront quoted price. This concept is embedded as a key principle in Councils Procurement Policy.

Value for Money is a key driver for SDC and Waka Kotahi as our rating base is small. With the effects of Covid-19, the world's economy, Waka Kotahi are under pressure to reduce costs due to a shortage in revenue from fuel excise and *Road User Charges*.

Ensuring we obtain a fair value for the works we procure is vitally important. When considering current cost escalations of 15% on maintenance contracts, this will reduce the quantum of work that we can procure. Being smarter about what and when we procure will enable SDC to fulfil our annual works programme to deliver our Community Outcomes.

This outcome is consistent with the 3 Broader Outcomes of:

- Increasing awareness for New Zealand Business;
- Increase the size of construction skills and training; and
- Improving conditions for New Zealand workers.

### 2.3.4. Support for Local procurement

This is another procurement principle in the Councils Procurement Policy. It aims to support local businesses where practicable. The principles of the 'local' procurement policy are:

- To promote local economic sustainability and growth;
- To encourage business activity by local rate paying firms, where they are competitive suppliers in respect of price and quality; and
- To minimise transport costs and their environmental effects through measures which provide for Council to buy from local sources, where competitive.

'Local' in this sense refers to the proximity of the location of supplier. The objective is to:

- provide opportunity to small and medium -sized enterprises;
- provide opportunity for local employment; and
- support reduced emissions and waste.

This outcome is consistent with all four of the NZ Procurement Broader Outcomes.

### 2.3.5. Competitive and Efficient Markets

The balance between effective competition and efficiency of procurement processes is essential to achieving value for money over the long term.

Procuring large scale contracts within Taranaki tends to attract the attention of two national contractors - Downer and Fulton Hogan. This is primarily due to remoteness of the region and these contractors have already established themselves in the region and have done so for at least 15 years plus. This is a key outcome in our procurement process.

This outcome is consistent with the NZ Procurement Broader Outcome of:

- Increasing awareness for New Zealand Business; and
- Improving conditions for New Zealand workers.

### 2.3.6. Fair Competition among Suppliers

Ensuring competitive supports the achievement of 'value for money' that is sustainable in the long term. Creating a market place where small to medium size contracting firms can compete with major national firms is a good starting point.

SDC's philosophy is to encourage small local contractors to bid for work that SDC offers to the market. If we can use local contractors for some of the smaller projects this is beneficial to the local community as we are effectively returning money back into the local economy. SDC encourages larger contractors to use local contractors, maybe as sub-contractors. This has been very successful with Fulton Hogan, providing the local contractors meet Fulton Hogan's and our own Health and Safety requirements. Typically, we have used local earthworks contractors for water table renewals, clearing roadside drains, removing slips, and spreading metal on the unsealed road network.

This Council Outcome is consistent with the 3 Broader Outcomes of:

- Increasing awareness for New Zealand Business;
- Increase the size of construction skills and training; and
- Improving conditions for New Zealand workers.

## 2.4. Waka Kotahi Broader Outcomes and Council Alignment

The New Zealand Procurement Broader Outcomes identify 4 key priorities being:

- Increasing awareness for New Zealand Business;
- Increase the size of construction skills and training;
- Improving conditions for New Zealand workers; and
- Reducing emissions and waste.



Council's Vision, Objectives, Community and Other Outcomes described in Sections 2.1 to 2.3 above have been assessed to align well with these four Broader Outcomes above.

In Sections 2.4.1 to 2.4.4 and Table 1 below, we provide a summary of how these are aligned with Waka Kotahi's Broader Outcomes.

### **2.4.1. Increasing awareness for New Zealand Business**

*Agencies must consider how they can create opportunities for New Zealand businesses, including Māori, Pasifika and regional businesses, as well as social enterprises. This includes increasing access to government contract opportunities for these groups.*

As discussed above, we encourage local contractors to bid for contracted work which falls outside the terms of the General Rooding Maintenance contract. On some occasions, for works less than \$100,000, SDC Procurement Policy requires three quotes from local suppliers and contractors. This provides an avenue for regional business to work with SDC.

This Broader Outcome is supported by all Council's Community Oncomes in Section 2.2 and other Outcomes in Section 2.2.3 to 2.3.6.

### **2.4.2. Construction skills and training**

*Increasing the size and skill level of the domestic construction sector workforce and provide employment opportunities to targeted groups.*

Since the commencement of the Mayoral Taskforce for Jobs (MTFJ) in 2020, SDC has successfully placed 114 school leavers in jobs with local businesses. This has been an outstanding achievement over the two years the programme has been operating. Central Government has recently extended funding for this initiative to facilitate skills training.

Our rooding maintenance contract, Fulton Hogan, is actively seeking young employees by approaching through approaches to the Stratford High School. With resources in short supply, engaging with the schools to offer school leavers a career in the construction industry, is seen as an opportunity for succession planning.

This Broader Outcome is supported by all SDC's Community Oncomes in Section 2.2 and other Outcomes in Section 2.2.3, 2.3.4 & 2.3.6.

### **2.4.3. Improving conditions for New Zealand workers**

*Improving conditions for workers and future-proofing the ability of New Zealand business to trade.*

SDC's Health and Safety Pre-Qualification process requires all contractors to meet a pre-determined level of health and safety before they can be engaged for any work. This ensures the welfare and safety of construction workers is improved and retained at a consistent level. The pre-qualification approval has to be renewed every two years, whereby the supplier provides evidence of new personnel, training records and any changes to the supplier processes and procedures.

This Broader Outcome is supported by all Council's Community and Other Council Oncomes in Section 2.2 and 2.3.

### **2.4.4. Reducing emissions and waste**

*Supporting the transition to a zero net emissions economy and reducing waste from industry by supporting innovation and designing waste out of the system.*

Using local material suppliers (for example, Vickers Quarry, Midhirst) and local contractors, the reduction in travel distance from depot to site assists with reducing emissions. Our Waste Minimisation Strategy provides direction and information for waste minimisation initiatives for businesses and identify opportunities for reducing commercial waste.

Being open to new techniques and innovation where recyclable materials can be incorporated into construction materials, assists in the delivery of these targets. The use of recycled glass in aggregates and asphalt, plastics in drainage pipes are some examples. Moving to emulsion-based bitumen for our resealing programme to reduce emissions generated by this activity.

This Broader Outcome is supported by Council’s Community Outcome of Sustainable Environment and Connected Communities. It is also supported in Sections 2.3.1 and 2.3.4 of Other Council Oncomes.

**Table 2: Alignment of Council Outcomes Against the Waka Kotahi Broader Outcomes**

|    | Stratford District Council Outcomes | Broader Outcomes     |                                   |                      |                              |
|----|-------------------------------------|----------------------|-----------------------------------|----------------------|------------------------------|
|    |                                     | Increasing Awareness | Constructi on Skills and Training | Improving Conditions | Reducing Emissions and Waste |
|    | Community Outcomes                  |                      |                                   |                      |                              |
| 1  | Vibrant community                   | √                    | √                                 | √                    |                              |
| 2  | Sustainable environment             | √                    | √                                 | √                    | √                            |
| 3  | Connected communities               | √                    | √                                 | √                    | √                            |
| 4  | Enabling economy                    | √                    | √                                 | √                    |                              |
|    | Other Council Outcomes              |                      |                                   |                      |                              |
| 5  | Sustainability                      |                      |                                   |                      | √                            |
| 6  | Health and Safety                   |                      |                                   | √                    |                              |
| 7  | Value for Money                     | √                    | √                                 | √                    |                              |
| 8  | Support for Local procurement       | √                    | √                                 | √                    | √                            |
| 9  | Competitive and Efficient Markets   | √                    |                                   | √                    |                              |
| 10 | Fair Competition among Suppliers    | √                    | √                                 | √                    |                              |

## 2.5. Other District Context

Other factors considered important to take into account are discussed below.

### 2.5.1. Section 17A Review

A section 17A review is being undertaken at a corporate level between in August 2022 and July 2023, in time to feed into the Long-Term Plan 2024 – 2034 (LTP).

The outcome of this review will be incorporated into the Roading Procurement processes and procedures, where necessary.

### **2.5.2. Level of Service Review**

SDC is also undertaking a review of the levels of service delivered to the community. The result of this review will feed into the maintenance, operating and capital budgets, programmed for completion in time to feed into the 2024 – 2034 Long Term Financial Plan.

Early indication is that there are changes driven by either legislation; climate change impacts; changing customer expectations or other drivers. The final report will be subject to Council approval, prior to feeding into the LTP.

### **2.5.3. Organisational Polices and Plans**

The Council has a current Procurement Policy which has been developed for use by council officers, current and potential suppliers, elected members, ratepayers and government funding agencies, and applies to all procurement, regardless of the value. The purpose of this policy is to ensure Council, when procuring goods, works or services:

- achieves the right outcomes and value for money;
- manages risk effectively;
- allows council officers to exercise business judgement by enabling flexibility and fluid, innovative approaches to procurement;
- demonstrates fairness; and
- has health and safety risk management at the forefront.

SDC also maintains a Waste Minimisation and Management Plan (WMMP) which presents a 5-year Action Plan for the management and minimisation of waste in the Stratford District. This WMMP is being reviewed to meet the legislative requirement by 2023.

### **2.5.4. The Regulatory Environment**

SDC has statutory obligations under the Land Transport Management Act (LTMA) 2003 to maintain a road network within the district and the transport activity is delivered by the Council. SDC has an obligation to provide a safe and efficient road network that enables the movement of people and products, both within and through the district. An effective road network is also essential to ensuring the economic growth, sound well-being of the community, through the provision of access and mobility for people, goods and services.

Further to the requirements of the Land Transport Management Act 2003 the transport activity is also guided by the following legislative documents:

- Government Policy Statement;
- New Zealand Transport Agency “Arataki”;
- One Network Road Classification/Framework; and
- Regional Land Transport Plan.

### **2.5.5. Consultancy**

SDC currently provides its technical services via an in-house business unit, rather than using consultants. The Business Unit provides technical advice, procurement, contractual management, data collection and other consultancy functions as required.

One of the recommendations from the 2020 Procedural Audit was SDC should recover the full cost of the in-house business unit. SDC undertook an analysis of this cost, including costs for other staff that have an interaction with roading. This cost equated to 12% of the approved funding allocation and not the 2.25% as claimed though work category 151. We have taken the view to “subsidising” this additional 9.75% to allow the approved funds to fully invested in the network, rather than paying for staff and other associated costs.

## 2.6. Why continue with the in-house business unit?

This option was chosen because it offered the following advantages:

- Long standing knowledge and expertise is retained in-house. As the staff members are council employees, professional intelligence issues do not arise and the full knowledge of the business unit is available to the Council at all times at no additional cost.
- Overheads can be spread over additional Council departments as the Business Unit are available as an internal consultant for other teams within council, for example, Environmental Services, in regard to planning/consenting issues. Overheads would be reduced without the business unit, but probably not in direct proportion, which means that overhead charges would be higher across other departments.
- There are opportunities for business unit staff members to be utilised from time to time by other Council departments. This is an important consideration in a small local authority with limited staff numbers and budgets.
- Outsourcing professional services to consultants would result in a significant increase in the cost of Network and Asset Management work category, thereby negating the “value for money” the current in-house business unit provides.

## 2.7. Network Management

The level of service, including ride comfort, safety and the general appearance of the roading network is dependent upon how well maintained the asset is maintained. With the contractor developing his work programmes from regular inspections, this allows SDC to undertake targeted maintenance where necessary. We work closely with our maintenance contractor to ensure the right treatment is applied to the right location at the right time.

The management of the roading network can be broadly categorised into two work streams:

- Planned Maintenance, including Routine maintenance and Capital works programme; and
- Un-planned or Reactive Maintenance, as triggered by climatic change impacts; asset failure damage or vandalism, fly tipping, etc.

The majority of the work undertaken on our network is by the maintenance contractor Fulton Hogan. Due to the diverse nature of the works and the geographical challenges of the district, Fulton Hogan has engaged local contractors to assist with slip clearing, water tabling and attending to emergency or minor events.

3.0

## Procurement Programme

### 3.0: Procurement Programme

Council is required to follow the Waka Kotahi NZ Transport Agency's Procurement Manual when it engages a roading contractor, as detailed in the Waka Kotahi's Procurement Manual.

In addition, Council has its own procurement policy, which is to be followed when goods or services are being purchased. The policy can be found in the SDC Policy Manual.

The Stratford District Council's procurement programme is discussed under the following headings:

- General Roothing Maintenance, Resurfacing, Rehabilitation and Roadmarking 2019-2022;
- Other Works outside of the terms of the maintenance contract;
  - Streetlight Maintenance and Renewals 2023 – 2028;
  - Professional Services Contract for Inspection and Management of SDC's Structural Assets 2020 – 2026; and
  - Site specific contracts which are outside the terms of the General Roothing Maintenance and Renewals contract.

#### 3.1. General Roothing Maintenance Contract Works

The Council's "General Roothing Maintenance, Resurfacing, Rehabilitation and Roadmarking Contract 2019-22", requires the contractor to provide not only physical works but also a degree of professional services for significant aspects of the work. The contractor will be expected to develop, execute and monitor maintenance strategies which will ensure the proper and long-term performance of Council's roading asset. This will include any changes to the level of service we provide to our community using the One Network Framework. The differential levels of service currently being developed by the Roothing Efficiency Group will have a bearing on the way the contract currently operates.

This is a three-year contract with two rights of renewal of two years each for the continued operation and maintenance of the Stratford District Council's roading assets.

The contractor will be required, unless specified otherwise, to provide a complete maintenance service for all elements included in the Contract. This will include:

- The identification of maintenance needs within the defined work categories contained in the specifications.
- Undertaking all necessary inspections, reporting and programming of work required.
- Providing all labour, plant and materials to effect prompt and efficient maintenance of the district's assets included in the Contract.
- Executing the works to specification requirements in a safe efficient and timely manner while minimising any inconvenience to the public.
- Undertaking the annual resealing programme in accordance with NZTA P17 and M10.
- Undertaking sealed road pavement rehabilitation projects as defined throughout the duration of the contract period.
- Complete the annual roadmarking programme.
- Responding promptly to emergencies and minimising as far as possible any resultant damage.

#### 3.2. Works outside of the General Roothing Maintenance Contract.

The Council also procures work outside of the General Maintenance Works in the:

- Streetlight Maintenance and Renewals Contract 2023 – 2028;
- Professional Services for Inspection and Management of SDC's Structural Assets 2020 – 2026;
- Site specific contracts which are outside the terms of the General Roothing Maintenance and Renewals, including, but not limited to:
  - Road safety improvements;
  - Emergency works remediation projects;

- Road to Zero projects (such as installation of roadside barriers);
- School safety Improvement projects;
- Electronic warning signs – supply and installation;
- Geometric re-alignment;
- Intersection upgrades;
- Structural assets renewal/replacement projects.

### **3.2.1. Streetlight Maintenance and Renewals Contract 2023 - 2028.**

During 2021, the Stratford District Council has been in discussion with our neighbours, New Plymouth District Council concerning the possibility of providing one contract that serves both authorities. Early conversations included South Taranaki District Council, unfortunately, STDC decided to let a contract separate to a joint SDC/NPDC contract. This decision was based on their contract coming to an end.

This joint contract will be consistent with Section 17a of the Local Government Act 2002, as both NPDC's and our streetlight maintenance contracts expire at the same time.

Both SDC and NPDC have been given approval from Bernie Cuttance, Procurement Improvement Practice Manager, to extend our existing contracts up to midnight on 31 December 2022.

The new contract is expected to commence on 1 January 2023. The term of the contract will be five years, with the possibility of two, one-year extensions (5+1+1). The form of the contract will be a Measure and Value using the NEC4 STSC

The scope of this maintenance contract includes:

- Monthly inspections.
- Programming and undertaking routine maintenance of streetlight stock.
- Fault investigation.
- Updating the asset inventory via RAMM Contractor.
- Validating RAMM data and condition rating of the streetlights.
- Reporting additional works that maybe required over and above the routine maintenance.
- Undertaking ordered works following an instruction from the Engineer.
- Responding to emergency repairs on a 24-hour basis.
- Forward works programming.
- Maintenance of Waka Kotahi's streetlights on the State Highways within the two districts.
- Renewal of streetlight columns as identified through the routine inspections as budgets allow.

### **3.2.2. Professional Services Contract for Structural Assets 2020 – 2026.**

In June 2021 we let this contract to a local consultancy company, Red Jacket Limited, as the Professional Services providers to undertake annual inspections of the council's structural assets. This is the first contract of its kind for the Stratford District Council. Other contracts with professional service providers have been via Short Form Agreements or specific one-off commissions.

The general scope of this proposed contract covers:

- Inspection of all structural assets of Stratford district council, including, bridges, retaining walls, tunnels, large diameter culverts (≥1200mm diameter), earth drives, pipe bridges and an external inspection of reservoirs.
- Inspection of Parks bridges;
- Inspection of playground equipment
- Delivery of inspection reports.
- Recommending maintenance programmes.
- Developing medium and long term (10 year and 30 year) structural replacement programmes, based on condition of the structure.
- Bridge posting for over-weight vehicles.
- Approval of over-weight permits for non HPMV approved routes.

Currently the bridge inspection programme is split into two regions; Front Country (Mt Taranaki to Douglas) and Back Country (Douglas to Ruapehu District boundary) in order to spread the workload and reduce the annual cost of inspections. The requirement of this proposed contract is for inspections to alternate between Front and Back Country areas. As well as being national best practice, it is recommended that every six years a detailed inspection is undertaken on structural assets. The proposed duration of this professional services contract is for two years with potentially two extensions of two years, (2+2+2). The rationale for this contract duration, is that every structure will have two general inspections and one detailed inspection.

Included in the contract requirements is the use of the “Clairinspect” inspection module which is a tablet-based inspection form in accordance with NZTA’s S6 inspection record. The Clairinspect module automatically downloads the inspection record into RAMM as well as issuing dispatches to the maintenance contractor for minor works. SDC are using GD’s “Max.Structures” software for monitoring the inspection programme.

The annual cost for this contract is \$82,000.

### **3.2.3. Site specific contracts**

These site-specific contracts are those which are outside the terms of the General Roding Maintenance and Renewals contract. These are generally:

- Road safety improvements;
- Geometric and intersection improvements;
- Supply and installation of electronic warning signs or speed limit signs;
- Emergency works remediation projects; and
- Structural renewal/replacement projects

Projects that are under this category is managed either in house or by external consultants. Any procurement for these works will align to SDC and Waka Kotahi’s procurement policies and procedures.



4.0

## Procurement Environment

## 4.0: Procurement Environment

### 4.1. Analysis of Supplier Market

The four contracts outlined below have differing timeframes associated with them.

For South Taranaki District Council (STDC) both of their contracts are (3+2+2), whilst SDC contract is (3+2+2), the first three-year period expires in a different year. Both districts operate a traditional measure and value style of contract which includes; pavement repairs, vegetation control, drainage work, customer service requests, traffic services, emergency works. There is a slight difference between these 2 contracts in as much as SDC's includes reseals and pavement rehabilitations works, whereas STDC's, does not. These are let separately by STDC.

**Table 3: Maintenance Contracts within Taranaki**

|   | Contract Area                | Approved Organisation | Expected Completion Date | Contractor   |
|---|------------------------------|-----------------------|--------------------------|--------------|
| 1 | Patea/Waverley               | South Taranaki        | 30/6/2024                | Fulton Hogan |
| 2 | Egmont & Central             | South Taranaki        | 30/6/2024                | Fulton Hogan |
| 3 | New Plymouth Urban and Rural | New Plymouth          | 30/6/2029                | Downer       |
| 4 | Stratford Urban & Rural      | Stratford             | 30/06/2024               | Fulton Hogan |

New Plymouth District Council (NPDC) has recently awarded a NEC4 Infrastructure Term Service Contract that is expected to last 10 years. This contract includes the following:

- Maintenance and Renewals of Transportation activity;
- Maintenance and Renewals of Parks assets on the Transport Corridor;
- Water Reticulation Renewals;
- Waste Water Network Renewals

NPDC Parks Department maintain their own Parks and Open Spaces using an in-house Parks Services Team.

The other major maintenance contracts are:

**Table 4: Other Notable Contracts**

|   | Contract Area                         | Approved Organisation | Expected Completion Date              | Contractor                 |
|---|---------------------------------------|-----------------------|---------------------------------------|----------------------------|
| 1 | West Wanganui State Highways          | Waka Kotahi           | 30/6/2027 + 2 subject to performance. | Downer                     |
| 2 | Open Space Management                 | Stratford             | 30/6/2024 + 2 subject to performance  | Downer                     |
| 3 | Stratford Water Services              | Stratford             | 30/6/2024 + 2 subject to performance  | CityCare                   |
| 4 | Facilities Maintenance Contract       | Stratford             | 30/6/2024 + 2 subject to performance  | Fulton Hogan               |
| 5 | Open Space Maintenance                | South Taranaki        | 30/6/2027 + 5 subject to performance  | Downer                     |
| 6 | New Plymouth Water Services           | New Plymouth          | 30/6/2024                             | CityCare                   |
| 7 | New Plymouth Water Meter Installation | New Plymouth          | 30/06/2024                            | Offshore Plumbing Services |
| 8 | South Taranaki Water Services         | South Taranaki        | 02/10/2024                            | Veolia                     |

## 4.2. Capable Regional Contractors

The following contractors operate within the Taranaki region and are capable delivering Rooding Projects:

- Downer;
- Fulton Hogan;
- Whitaker Civil Engineering;
- Burgess and Crowley Construction Limited;
- Veolia – Water;
- Offshore Plumbing Services – Water;
- Superior Civil Construction Limited; and
- Graham Harris 2000 Limited.

## 4.3. Current Procurement Expenditure and Profile.

Below in Table 5 is an extract from Waka Kotahi's Transport Investment Online (TIO) showing the approved allocation for the current NLTP period.

**Table 5: Funding for 2021-2024 NLTP period**

|   | Activity Summary                                       | 2021/2022<br>(NZD) | 2022/2023<br>(NZD) | 2023/2034<br>(NZD) |
|---|--|--------------------|--------------------|--------------------|
| 1 | Local Roads  |                    |                    |                    |
|   | Maintenance  | 1,692,921          | 1,566,666          | 1,566,666          |
|   | Operations   | 1,059,579          | 885,900            | 885,900            |
|   | Renewal  | 4,001,100          | 4,113,034          | 4,041,034          |
| 2 | Special Purpose Roads                                  |                    |                    |                    |
|   | Maintenance  | 39,883             | 185,924            | 63,000             |
|   | Operations   | 56,551             | 89,000             | 89,000             |
|   | Renewal  | 17,642             | 85,000             | 85,000             |
| 3 | Low Cost /Low Risk Improvements including Road to Zero | 392,619            | 917,381            | 575,000            |
|   | Total (NZD)  | 7,260,295          | 7,842,905          | 7,305,600          |

#### 4.4. Approved Organisations Impact on our Procurement Programme

Stratford District Council has just commenced Year 4 of a potential Seven-year maintenance contract with Fulton Hogan. This contract was signed in May 2019. At the commencement of the contract, Fulton Hogan were required to provide the following documents for SDC approval:

- Contract Management Plan;
- Quality Plan;
- Environmental Plan;
- Health and Safety Plan; and
- Traffic Management Plans.

With New Plymouth District Council awarding a 10-year maintenance and renewals contract in 2019, this has set the scene locally for other districts to consider longer term contracts subject to Waka Kotahi's approval.

South Taranaki District Council have just awarded their two roading maintenance contracts to Fulton Hogan. Both of these contracts have a potential duration of seven years (3+2+2).

As noted in the recommendation in section 1, SDC is considering a longer-term contract for the next version of our maintenance contract. This would be consistent with our partners, Waka Kotahi, New Plymouth District Council. Each of these organisations have longer term contracts than what was considered the "norm" of three plus one, plus one term maintenance contracts, some years ago. Offering a longer contract period to the supply markets would provide long term security for the successful contractor, time in which to invest in the region, in terms of employing local people, investing in plant and machinery as well as building relationships with the community.

**Table 6: Current Maintenance Contracts**

| Contract Area                | Approved Organisation         | Commencement Date |
|------------------------------|-------------------------------|-------------------|
| New Plymouth Urban and Rural | New Plymouth District Council | 01/07/2019        |
| West Wanganui State Highways | New Zealand Transport Agency  | 1/7/2020          |

The existing General Roding Maintenance contract potentially expires on 30 June 2026. As neighbouring TLA's (Waka Kotahi, NPDC), have nine and ten year contracts, SDC should consider longer term contracts with a view that this could attract contractors to bid, who currently do not have a presence in the Taranaki region. This will provide the contractors the opportunity to invest in resources locally, in order to deliver the Governments broader outcomes,

# 5.0 Work Programme Delivery Approach

## 5.0: Work Programme Delivery Approach

Levels of Service (LoS) define the form and quality of service that the Stratford District Council provides to the community. They are the balance between what the community wants and what the community is willing to pay for.

The Roding activity encompasses the management, maintenance and provision of rural and urban roads, footpaths, kerb and channel, street lighting and associated infrastructure for the district excluding State Highway 43 (SH43) and State Highway 3 (SH3). The Roding activity goal is:

The Roding activity contributes to the district's social and economic well-being, and supports the following desired Community Outcomes from the Stratford District Council's LTP:2021-2031

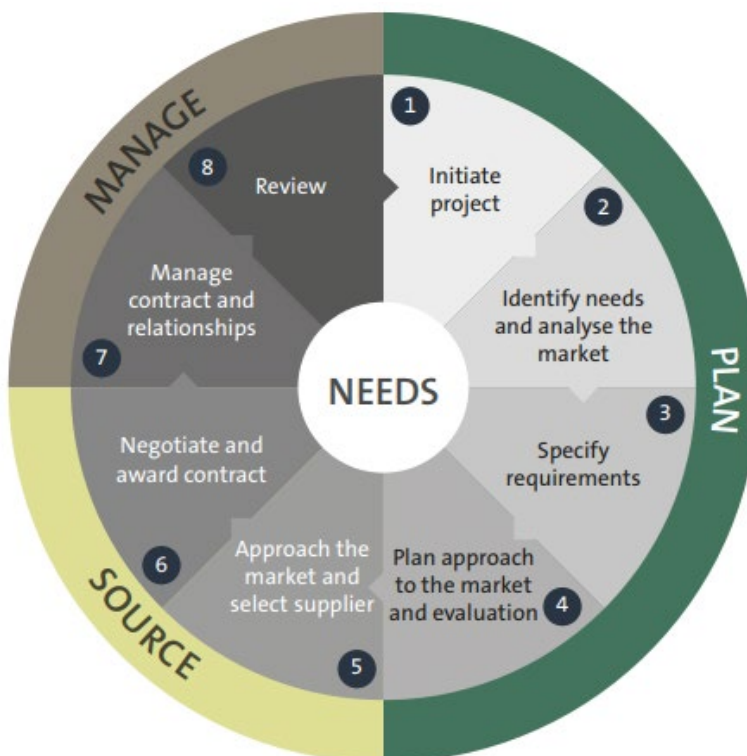
- Affordable high quality core services and facilities.
- Smart, vibrant and prosperous district.
- Growth.
- Stratford district as a unique destination.

### 5.1. The Procurement Approach

The Council's procurement process follows the eight-stage procurement life-cycle below. The life-cycle model is preferred as it allows for refinement of the procurement process and for learnings from previous activity undertaken to contribute to future procurement process improvement.

Our Procurement framework includes:

- Stratford District Council Procurement Policy;
- Procurement Manuals (SDC & Waka Kotahi NZTA);
- The Roding Procurement Strategy;
- The Government Rules of Sourcing; and
- National Procurement guidelines



Source: (Recoloured from) the Ministry of Business, Innovation and Employment.

## 5.1.1. Value for Money Principle

'Value for money' is the principal driver of performance; this concept can be illustrated with the following equation:

$$\text{Value for money} = \frac{\text{Functional Performance}}{\text{Resources Consumed}}$$

In this equation 'Functional Performance' is described as the gain received from the investment in terms of economic, social and environmental performance. SDC considers such intangibles as innovation, design and integrity, safety and human development in its measure of 'Functional Performance'.

'Resources Consumed' include the cost incurred to deliver the functionality sought. Therefore, in SDC's view best 'value for money' from any activity is a result of extracting the greatest performance out of any activity and delivering the work for the most efficient cost, where both performance and cost are assessed in economic, social and environmental terms.

## 5.1.2. Innovation, Complexity, Scale, Risk and Assessment of Supplier Market.

**Innovation** - Reduced budgets, high user expectations and demand issues is common and there is a growing recognition of the role of procurement in encouraging innovative responses to meet these challenges. Innovation can be broken down into the following categories:

- Leadership – SDC encourages a culture which allows in-house staff and external suppliers to think about new ways to do things. As SDC is a small council, we can resource projects as required to external suppliers who can look at our network with 'fresh eyes'. Alternative procurement procedures – SDC allows alternative tenders in the competitive tendering process
- Public Sector Innovation – Consultation with the community who know the environment best and often has solutions or ideas to improve the network
- Work with Suppliers – Identify potential problems in the project so suppliers can provide solutions in the tendering process.

**Complexity and Scale** - SDC's procurement process allows for staggered approach for procurement, depending on the value and complexity of the project. Our procurement levels are as follows:

- < \$5,000 – There are no formal procedures for procurement with a value of less than \$5,000 but council officers are to ensure preferred suppliers are used, where applicable.
- \$5,000 to \$20,000 – Where the proposed procurement value is between \$5,000 and \$20,000, at least two written quotes must be obtained
- \$20,000 to \$100,000 –At least three written quotes or written quotes from all available suppliers should be obtained unless the purchase is for specialised goods/services where there is a limited market, WITH an exemption from a Director or the CEO.
- >\$100,000 - Any expenditure with a procurement value over \$100,000 must go through the formal public tendering process.\

**Risk** - Managing risk requires Council officers to:

- always act responsibly and with integrity – be fair, open and transparent and remain impartial,
- plan how and when you will engage with the market,
- make the process clear to all suppliers and manage their expectations,
- treat all suppliers the same – do not discriminate,
- do not favour one supplier over others,
- share the same information with all suppliers, for example, by briefing them together,
- be open to new players, new ideas and new solutions and do not get 'sold' on one solution,

- ask suppliers to identify any aspect of their offerings which they deem to be commercially sensitive – then ensure that information is not disclosed without the supplier’s written consent, and
- keep written records of all meetings.

**Assessment of Supplier Market** - Our Supplier Markets are assessed based on the category of services they provide:

- Civil Works – Maintenance and Renewals. The market share is dominated by two large suppliers - Downer and Fulton Hogan, with CityCare as a big player for the three waters maintenance contract.
- Professional Services – Key suppliers are WSP, Beca, BTW, Red Jacket. These have relatively similar share of the market, given that there are many suppliers. This allows for healthy competition.

### **5.1.3. Aggregation, Bundling and Terms Service Contracts.**

We are currently working with New Plymouth District Council to co-join our streetlight maintenance and renewal contracts into a single contract. Our intention is to advertise and award this contract by the end of the calendar year. The contract will commence on 1 January 2023 and will be a five-year contract with two, one year extensions (5+1+1).

Up until 2019, SDC used to let small contracts for concrete works, primarily, kerb, channel and footpath replacements. With the closing of a local business who provided these services, we had limited numbers of contractors locally who could deliver the annual concrete programme. As the roading maintenance contract was due for renewal, the decision was taken to incorporate this work into a bigger contract. This provided for a contract of a larger value, whilst offering ourselves the opportunity to possibly reduce some costs.

Similarly, our annual resealing and pavement rehabilitation programmes have been incorporated into the maintenance contract. This adds a further \$1.5m of work to the successful contractor.

### **5.1.4. Proposed Delivery Model(s) and Supplier Selection Method(s)**

SDC will continue to use the Price Quality Method (PQM) for supplier selection for significant projects or term maintenance contracts. On occasions small specific projects will be let to local contractors, for example minor bridge maintenance works. The method of procurement for these works will be invited tender, where three invitations are sought. This method is designed for the evaluation of tenders when the quality of the supplier is important. SDC prefer the PQM because it is simple and transparent.

SDC has recently started using the New Zealand Government Electronic Tenders Service (GETS) for advertising and communicating with potential suppliers. This is in line with Waka Kotahi’s recommendations and provides a fair, transparent, inclusive and efficient platform for procurement.

## **5.2. Impact of the Preferred Approach on Other Outcomes**

PQM gives a clear and consistent process for deciding the supplier quality premium (SQP) for each tenderer. It also enables tenderers who don’t win the contract to learn the difference between their SQP and the winning tenderer’s SQP. It also makes evaluating alternative tenders much simpler. SDC believe that encouraging alternative tenders will also encourage innovation.



Tender de-briefing meetings with small contractors is welcomed as these are the contractors that tend to miss out on securing the contracts we award. This is due to possibly the lack of knowledge in answering the RFT or the format of the tender documents presented. We take this opportunity to use these sessions as a chance to up-skill the local contracting industry, as invariably, they are competing against large contractors who have dedicated teams who are skilled in tender document preparation. What matters to SDC is the delivery of the product for a fair and reasonable price, where the contractor makes a profit and we have a timely, well managed and quality product delivered.

## **5.3. Risk Identification and Management**

SDC has developed a risk management process based on AS/NZS 31000:2009. In July 2018, the Council adopted a Risk Management Framework, Risk Management Policy, and an initial council-wide Risk Register which is regularly reviewed and updated. Specifically, the risk management process is designed to raise awareness of threats to Council and ensure appropriate mitigations are implemented to minimise either the impact or likelihood of a harm incident occurring or both. The risks in the council-wide Risk Register are categorised by the following areas:

- Financial
- Operational
- Legislative and Compliance
- Data and Information
- Health and Safety Wellbeing
- Reputational and Conduct

Risk Management of Procurement Contracts is guided by the Council's Procurement Policy and comprehensive Procurement Manual.

Because the consequences of failing to follow a robust policy and framework can be significant in terms of the potential financial implications, reputational damage, political scrutiny, and reduced Council performance, the Council's Procurement Policy recommends the management of risks in a number of phases, summarised below. Each of these phases are addressed in further detail in the Procurement Manual.

### **5.3.1. Planning the Procurement – Phase 1**

- Document business needs and reason/s for the procurement (Business Case).
- Develop detailed scope and design of the procurement project (Procurement Plan).
- Identify health and safety risks.
- Consideration of alternative business models such as public/private partnerships, government schemes, social enterprise delivery, and potential alternative funding sources.
- Identify desired outcomes.

### **5.3.2. Engaging with the Market – Phase 2**

- Ensure the approach to the market is fair and accessible, acknowledging that it is the perception of openness and fairness that matters.
- Develop a set of criteria and appropriate weightings based on the risk, complexity and nature of the work required.
- Consider the benefits of using alternative approaches such as shortlisting, requesting expressions of interest (EOI), or invitation-only tenders where appropriate.
- The selection process should be fair and objective with any conflicts of interest declared prior to the appointment of the TET.
- Due diligence to be carried out on prospective suppliers.
- Ensure retention, dispute-resolution, confidentiality, contractor insurance and security clauses are incorporated into public works contracts.
- Draft contract for High-Risk Procurement should be independently reviewed by a legal professional and the Health and Safety Manager before signing.

### 5.3.3. Review and Monitoring – Phase 3

- Regular and timely reporting provided by contractor on specific key contractual obligations and updated in Authority contract management system.
- Implement regular performance reviews, meetings.
- Retentions held until specific performance criteria met as per Contract Schedule.
- All records, minutes, and relevant communications between contractor and council officers to be filed in Content Manager.
- Internal audit programme to review Council Officer compliance with the Procurement Policy and Procurement Manual.
- Implement regular staff training on Council's Procurement Policy, Procurement Manual, and Pre-Qualified Contractor Manual.

*Note: The Procurement Policy shall not be applied to invalidate Waka Kotahi NZ Transport Agency's Procurement Manual when applied to roads maintenance and construction.*

The Council manages the contractor's health and safety risk by ensuring all contractors are pre-approved by the Council's Health and Safety Adviser prior to being able to submit a tender for a Council contract.

The health and safety pre-qualification process is robust and requires demonstration that the contractor has the experience and capability to comply with health and safety best practice. Council officers must identify potential health and safety risks at the procurement planning phase of the procurement lifecycle.

All tenders must incorporate a health and safety section which will be weighted appropriate to the type of contract.

## 5.4. Approach to Contract Management

SDC planning for the management of the contract commences in the procurement planning phase and continues right through evaluation and contract award. Throughout this period consideration is being given to the requirements of how the contract will be managed based on consideration of the value, complexity, strategic importance, risk, the general market maturity and the selected supplier capability.

The planning for contract management is broken down into three broad areas:

- Service delivery management
- Relationship management
- Contract administration

All three areas must be managed successfully if the contract is to be a success.

While the written contract is a record of each party's obligations, it is not designed as a management document for the contract. Therefore, SDC prepare a contract management plan. The contract management plan is formalised following the contract award; however, it is a living document and will continue to be updated throughout the life of the contract.

## 5.5. Variations to Procurement Procedures and Rules

The procurement of an output or activity takes place within a strategic context that is informed by the overarching procurement strategy. This context informs the delivery model best suited to managing, amongst other things, the price, risks, scope and complexity of the output. The choice of delivery model in turn informs the choice of supplier selection method. A contract is then established to purchase the required outputs. Surrounding each of these components are rules that put limitations or restrictions on the choices that can be made.

In relation to delivery models and supplier selection methods, several options are available within each procurement procedure. The Procurement manual contains guidance on which delivery models and supplier selection methods are best suited to particular situations.

When considered in this way, the procurement process can be broken down into discrete pieces of work and, due to the options available, considerable tailoring of the procurement procedures is therefore possible, all within a strategic context. This ensures that the specific procurement procedure chosen to purchase the outputs can be designed by SDC to obtain best value for money in our particular circumstances.

'Advanced' delivery models generally apply to more complex procurement activities and require a higher level of procurement capability and experience to ensure their success. SDC have therefore decided to retain with a tried and tested procurement procedures, i.e., the Price Quality Method (PQM) for supplier selection.

SDC's decisions and choices are consistent with its strategy, the relevant procurement procedure and rules, therefore no further approval from Waka Kotahi should be required.

# 6.0 Implementation

## 6.0: Implementation

### 6.1. Capability and capacity

The current and desired state includes the current structure, roles and responsibilities within the wider organisational structure.

The Roding assets will be managed in a sustainable way, delivered by a ten-year programme to meet future demand and to preserve the long-term service potential of the assets.

The Council will monitor its targets for Roding, and review its service through surveys and feedback, and plan for continuous improvement.

Comprehensive reviews of the Asset Management Plan (AMP) and the Road Maintenance Procurement Strategy will coincide with the preparation of subsequent Long-Term Plans. Any changes resulting from increased knowledge of the assets, including their operating and financial performance, will also be expressed through the Annual Plan and Long-Term Planning process.

#### 6.1.1. Capability and Capacity Gaps

Stratford District Council has participated in the Road Efficiency Group Workshops, since their inception in 2015. Over time, these workshops have led to including the Business Case Approach into asset management planning and incorporation into our Activity Management Plan. The focus for the latest round of workshops has been focusing on procurement. It has become apparent at these workshops, of the skills shortage facing the construction and roading industry.

SDC's Roding team typically comprises the Roding Manager, a Roding Engineer and a Graduate Roding Engineer. Therefore, SDC relies heavily on the supply chain of consultants, contractors, subcontractors and other specialist service providers.

Having a full complement of staff, knowledge retention within the roading team is vital, especially considering the size of the district and the "history" attached to various aspects of managing the roading network. This institutional knowledge can be catalogued in files, process maps, procedures and policies along with passing this local knowledge onto members of the team.

Outside of the organisation itself, there is a real concern within the region of the lack of resources available to undertake the physical works. With New Plymouth District Council awarding a 10-year maintenance contract to Downer, this has resulted in Downer increasing their workforce to service this contract, thus drawing on the limited pool of resources within the region.

On the horizon are numerous projects that are planned to commence within the next five years, these being:

- The Network Outcomes Contract for NZTA – start date 1 July 2020;
- Two maintenance contracts in South Taranaki District - starting 1 July 2021;
- State Highway 3 Waitara to Bell Block safety improvements – valued at \$94M;
- State Highway 3/3A intersection upgrade;
- State Highway 3 – New Plymouth to Hawera – Roadsafety project – estimated \$129M;
- State Highway 3 Mt Messenger Bypass - \$280M

Whilst these projects could attract the attention of the larger contracting organisations, typically within the Taranaki region, Downer and Fulton Hogan are the only two that tender for these works, as they both have a base within the region.

That said, we do have a strong body of small contracting companies who are available to tender for the small value contracts (\$200,000 - \$1,000,000). For SDC, this would be for the

replacement of retaining walls, large diameter culverts, bridges or components of bridges, and low-cost low risk improvement projects.

### **6.1.2. Filling the gap.**

Continue to review the best methodology for delivering roading services. This includes looking for effectiveness and efficiency gains through collaboration and shared services.

Currently we engage consultants who are qualified tender evaluators to assess any contracts that we tender. Both the Director Assets, Roothing Asset Manager, Projects Manager have attended the “Clever Buying” two-day training course with a long-term view that either or both attain the qualified tender evaluator status. This will reduce the requirement to engage consultants to fulfil this role.

In regard to the limited resources available for contracts, SDC engages with the contracting industry in order to optimise the timing of when we tender contracts, in order that we avail ourselves of the best price, certainty of programming and to support the local contracting industry.

## **6.2. Internal Procurement Processes**

Council is required to follow Waka Kotahi’s Procurement Manual when it engages a roading contractor, as detailed in Waka Kotahi’s Procurement Manual.

In addition, Council has its own procurement policy, which is to be followed when goods or services are being purchased. The policy can be found in the SDC Policy Manual.

## **6.3. Performance Measurement and Monitoring**

The measurement and monitoring of successful procurement will be undertaken using a combination of actions including:

- Measurement against identified key performance indicators;
- Tracking performance trends;
- Developing an Improvement Plan to address areas of under-achievement;
- Regular reporting to the Council, as per Council’s Procurement Policy

The Stratford District Council has undertaken to provide a safe and well-maintained Roothing network that meets level of service (LoS) expectations and regulatory requirements. To ensure these expectations and requirements are met, the Stratford District Council undertakes performance monitoring of Roothing activities and infrastructure through the use of performance measures and key performance indicators (KPIs).

### **6.3.1. Key Performance Indicators**

Our current performance is monitored through key performance indicators derived from three main sources:

- The ONRC performance measures;
- The Department for Internal Affairs (DIA) performance measures; and
- Council (Internal) performance measures.

**The ONRC Performance Measures:** Under the ONRC, the Stratford District Council is required to maintain the Roothing infrastructure to the ‘*Customer Levels of Service*’ of *Safety; Resilience; Amenity; Accessibility and Cost efficiency*.

**The DIA Performance Measures:** Since 2014 all local authorities have been required to comply with a standard set of performance measures. The performance measures are

intended to provide information that will enable the public to contribute to discussions on future levels of service and participate more easily and effectively in decision-making processes.

**The Internal Performance Measures:** These are performance measures put in place by Council that are intended to inform the community about how well Council is delivering on Levels of Service and the performance of the activity assets. Currently there is only one Council specific performance measure - Customer Satisfaction – which monitors customer satisfaction with regards to the Roothing Network and Footpaths.

In maintaining its roads, the Council must deliver across three Outcome categories:

- Customer Outcome;
- Technical Output; and
- Cost Efficiency.

### **6.3.2. Performance Reporting**

Performance monitoring and reporting enable Stratford District Council to identify how well it is delivering on the agreed LoS. KPIs enable Council to regularly measure actual performance against projected targets. By doing this we are able to identify trends, areas of achievement and areas for improvement to be identified.

The results of the performance monitoring are reported internally and externally through:

- Monthly reports to Elected Members, accessible to the public via the Council website;
- Long Term Plan and Annual Plan;
- Annual Reports to our customers, key stakeholders and partners; and
- Other Reports as necessary.

## **6.4. Communication Plan**

The Communication Plan for these 3 groups are as follows:

### **6.4.1. Internal Stakeholder Communication:**

Our internal Stakeholders include:

- The Elected Members – We require elected members to adopt this Strategy and provide funding in the Long-term and Annual Plans. As such, elected members partner the Roothing Team of SDC to provide a roading network for all
- Finance Team – Our Finance Team manage payments of claims and invoices and advise any budget issues. By working as a team across both Finance and Asset Teams, we are able to provide a culture where SDC is a preferred client for contractors;
- Assets Team – The Roothing Team is part of the Assets Team. Support amongst this Team is imperative for the efficiency of Asset Management;
- Communications Team – By utilising the skills of the Communications Team, SDC is able to effectively communicate internally and externally. Our Communications Team manages SDC's social media and internet presence. Using clear, plain English is essential for all communication to be understood.

### **6.4.2. Other Approved Organisations and Entities:**

These include:

- The Taranaki Regional Council – Helps us to understand Taranaki Region's needs. SDC actively attends RTC meetings;
- Adjoining District Councils, i.e., NPDC; and STDC – Helps us to provide a consistent network regionally. We can share ideas and solutions which help with innovation;
- Iwi - our key Iwi partners are Ngati Ruanui Te Runanga o Ngati Ruanui Trust, Te Korowai o Ngāruahine Trust and Ngati Maru;

- Stratford Business Association (SBA) – A key member in promoting opportunities for increasing our competitive market, in both supplying goods and services. Our Community Development team provide a link between the Assets Team and the SBA
- Ratepayers – Help us to learn the needs of our community. Regular communication through consultation, Social Media, and our local newspaper help us to connect with our Ratepayers.

### **6.4.3. Supplier Market:**

These include:

- Contractors and Consultants – Procurement is through the GETS system for both invited and open competitive. Having a small contractor pool allows us to know our contractors and have a good working relationship with them;
- Goods Providers – While not directly involved for tenders, SDC is keen to promote local suppliers. This helps with our ‘carbon footprint’ and sustainability while also creating employment opportunities.;

### **6.4.4. Waka Kotahi:**

Waka Kotahi is our Funding Partner and is responsible for endorsing and providing on-going feedback/comments on this Procurement Strategy.

Our Roothing Asset Manager has a positive relationship with regional Waka Kotahi representatives that SDC is keen to maintain. Regular meetings with Waka Kotahi help us to understand our network needs and resources.

Waka Kotahi endorse a procurement strategy that is fair, honest and competitive so that SDC can manage its roading network in the most efficient way, as well as allowing for cost effective innovation and improvements.

## **6.5. Implementation Plan**

The implementation of this Procurement Strategy defines the “how, when and what” the Assets Department will be delivering. It sets the framework for dealing with the “on time, on budget and to expectations” objective.

The Implementation Plan determines and defines the major phases of work that will be undertaken to achieve the desired objectives and the associated deliverables. It documents a logical sequence of events over time to progress the roading programme from concept to delivery. It also includes the work breakdown structure that details the related activities and tasks, responsibilities and timeline.

The Implementation Plan provides the following information:

- Project phases;
- Preparation of an internal procurement plan for approval by the Director – Assets;
- Consideration of the procurement methodology;
- Funding availability for the project;
- Deliverables associated with each phase;
- Major activities for each deliverable;
- Key milestones;
- Who is responsible for delivery of each major activity; and
- Any dependencies.



## **6.6. Corporate Ownership and Internal Endorsement**

This Procurement Strategy will be presented to the council at the 27 September Policy and Services Committee Meeting. It is expected to be approved and adopted by the Full Council on 4<sup>th</sup> October 2022 Ordinary Meeting.

This intent of this Strategy is not inconsistent with Council Priorities and, as per Section 2, has been shown to align with the Council's Vision, Objectives and Community Outcomes.

## APPENDIX 1 - References

Some of the key references used in developing our procurement strategy are:

- Waka Kotahi Procurement Manual (Amendment 5 - September 2019)  
<http://www.nzta.govt.nz/resources/procurement-manual/>
- Government Procurement Rules (Fourth Edition 2019)  
<https://www.procurement.govt.nz/procurement/principles-and-rules/government-rules-of-sourcing/>
- SDC Procurement Policy  
<https://www.stratford.govt.nz/repository/libraries/id:2cvuccagl1cxbygm8445/hierarchy/Council%20Documents/Policies/Policy-Procurement2020.pdf>