

QLDC Council
26 February 2015

Report for Agenda Item: 7

Department
Infrastructure

Strategy for the Procurement of Transport Infrastructure

Purpose

- 1 To adopt and seek approval from Council to submit the revised Strategy for the Procurement of Transport Infrastructure to the New Zealand Transport Agency for approval.

Recommendation

- 2 *That Council:*
 - a. **Approve** the adoption of the Strategy for the Procurement of Transport Infrastructure.
 - b. **Authorise** the submission of the Strategy for the Procurement of Transport Infrastructure to the New Zealand Transport Agency for approval.

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11/02/2015

Reviewed and Authorised by:



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12/02/2015

Background

- 3 Queenstown Lakes District Council is an 'approved organisation' subject to the rules contained in the New Zealand Transport Agency (NZTA) Procurement Manual. It has a requirement to produce, maintain, use and review, at a minimum every three years, an approved Strategy for the Procurement of Transport Infrastructure (Procurement Strategy) in order to receive funding for transport activities.

- 4 In the development of a Procurement Strategy, the Council is required to assess and document the strategic context as it relates to each procurement activity. This assessment must, at a minimum consider:
 - a. Whether the proposed procurement activity is consistent with value for money objectives
 - b. Whether the proposed procurement activity is consistent with any policies or constraints documented in the procurement strategy
 - c. Whether any changes in the procurement environment since the development of the procurement strategy will have a material effect on the procurement decisions to be made.
- 5 The current Procurement Strategy was endorsed by Council and NZTA in July 2011. NZTA provided an extension of the Procurement Strategy to 27 February 2015 to allow sufficient time for the Council to carry out a review and to enable the continuation of funding for local transport activities contained in the National Land Transport Programme.
- 6 The revised strategy was submitted to Council in December 2015. Prior to the December Council meeting additional information was provided requiring minor changes to the revised strategy. On the motion of the Mayor and Councillor it was resolved that item lie on the table pending these changes.
- 7 All required changes have now been made to the strategy and the item re-submitted for approval.

Comment

- 8 A review of the Procurement Strategy commenced in mid 2014 and a revised document is presented in Appendix A of this report for Council adoption prior to being submitted to NZTA for approval. The following main changes have been incorporated into the revised Procurement Strategy:
 - a. The structure follows the recommended layout contained in the NZTA procurement manual.
 - b. Suppliers, key projects and Council staff responsible for transportation services have been updated.
 - c. A 10 year 'procurement programme' has been included, which identifies the procurement of capital projects, professional services and maintenance contracts.
- 9 The following key issues and opportunities have been identified in relation to obtaining value for money:
 - a. There is continuing difficulty obtaining a competitive price for some transport services due to limited suitable suppliers.
 - b. A new internal Infrastructure team has been bedding in since the organisational review in 2013. A further review of the current structure has resulted in the establishment of a dedicated contract management team for operational maintenance contracts and a dedicated capital works project team. This new structure is expected to provide opportunities for implementing contract improvements.
 - c. Consultant and construction suppliers in the district are well resourced to put together comprehensive tenders and deliver value for money.

- d. The Council intends to continue to procure services in stages. Capital projects will usually include a design contract followed by one or more construction contracts.
 - e. Collaboration opportunities are being kept open with neighbouring authorities and NZTA, an example being the joint contract with NZTA (Highway Network Operations) for the Glenda Drive roundabout and associated roads project.
- 10 The Council's primary infrastructure procurement objective as set out in this strategy is to deliver Council's infrastructure programme on time and at best value and to contribute to the following outcomes:
- a. The Council transport infrastructure programmes and projects are aligned to the current 10-year plan
 - b. The Council processes are timely, effective and deliver at an affordable cost of ownership
 - c. Best value suppliers are participating in contestable processes to deliver Council projects and programmes
 - d. The Council understands its supply market
- 11 The revised Procurement Strategy meets the requirements of the NZTA Procurement Manual rules. The policy:
- a. Is consistent with the value for money objectives
 - b. Includes procurement activity that is consistent with the Council's Procurement Policy
 - c. Includes an assessment of changes in the procurement environment that may have a material effect on the procurement decisions being made.

Financial Implications

- 12 The Council receives funding from NZTA for transport activities. A NZTA approved Procurement Strategy is required to enable the continuation of funding for transport activities.
- 13 The Council expects to carry out a significant procurement process for its fixed term contracts in 2015/16 and 2020/21. It is estimated that the value of contracts to be procured will be \$57 million. Once in place it is intended that these contracts continue for a term of five years.
- 14 The value of capital projects to be procured over the next ten years varies from a high of approximately \$17.5 million in 2015/16 to a low of \$3 million in 2022/23.

Local Government Act 2002 Purpose Provisions

- 15 The recommendation contained in this report meets the Local Government Act 2002 purpose provisions set out in section 10 and 11A:
- To meet the current and future needs of communities for good-quality local infrastructure that is most cost-effective for households and businesses.
 - Good-quality in relation to local infrastructure meaning efficient, effective and appropriate to present and anticipated future circumstances.

Council Policies

16 The following Council Policies were considered:

- a. The Policy on Significance and Engagement has been considered. The decision is considered significant as it has the potential to affect over \$48 million of budgeted expenditure over the next three years. However, Council is not being requested to make a decision on the allocation of funds at this stage
- b. The Council's Procurement Policy has been considered. The decision is in line with the principles of the Procurement Policy to provide value for money through open and effective competition.
- c. The Transport Asset Management Plan includes the procurement of transport infrastructure as a means of maintaining the Road Network, which has been determined a strategic asset by Council.
- d. The procurement of Transport Infrastructure is a service funded in the Council 10-year Plan.

Consultation

17 The review of the Procurement Strategy has been carried out in consultation with NZTA, local professional services providers and contractors.

18 There is no requirement for any future consultation to be carried out that is specific to the Procurement Strategy.

Publicity

19 There is no requirement to issue a media statement or public communication required in relation to the decision.

Attachments

- A Strategy for the Procurement of Transport Infrastructure



STRATEGY FOR THE PROCUREMENT OF TRANSPORT INFRASTRUCTURE SERVICES

February 2015

CONTENTS

Strategy for the Procurement of Transport Infrastructure Services	1
1. Executive Summary	4
1.1. Summary statement of key issues and opportunities to obtain value for money.	4
Opportunities	4
1.2. Endorsements	4
2. Policy context	5
2.1. Introduction	5
2.2. Strategic objectives and outcomes	5
2.3. Objectives and outcomes for the procurement strategy	5
2.4. The NZTA procurement requirements and what they mean for QLDC	6
2.5. Other relevant factors	7
2.6. Current council policies and documents	7
3. Procurement Programme	8
3.1. Procurement programme	8
Table 1: Infrastructure procurement programme 2014-2025	9
3.2. Identification of any pending high-risk or unusual procurement activities	10
4. Procurement Environment	11
4.1. Analysis of supplier market	11
4.2. Analysis of the current procurement spend and profile	12
4.3. Analysis of the impact of the procurement programmes of other approved organisations and other entities	12
5. Approach to delivering the Work Programme	14
5.1. Specific Strategic Objective	14
5.2. Procurement approach	14
5.3. Combining construction with maintenance	14
5.4. Collaboration with neighbouring councils and NZTA	15
5.5. Direct appointments and pre-qualification arrangements	15
5.6. Specific project strategies	15
5.7. Delivery models	15
5.8. Supplier selection methods	16
5.9. Internal issues	16
5.10. Exceptions	16

6. Implementation	18
6.1. <i>Capability and capacity</i>	18
6.2. <i>Internal procurement processes</i>	18
6.2.1. <i>Policy Principles</i>	18
6.2.2. <i>Policy Application</i>	19
6.2.3. <i>Negotiating purchase contracts</i>	19
6.3. <i>Performance measurement</i>	20
6.4. <i>Performance monitoring</i>	20
6.5. <i>Review plan</i>	21
6.6. <i>Communication plan</i>	21
6.7. <i>Implementation plan</i>	21
6.8. <i>Corporate ownership and internal endorsement</i>	22

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1. EXECUTIVE SUMMARY

The New Zealand Transport Agency (NZTA) requires all road controlling authorities to submit a strategy for the procurement of transport infrastructure. This not only fulfils obligations by the Office of the Auditor General but ensures that taxpayers and ratepayers obtain the best value for money from each transport dollar spent. This procurement strategy outlines the Council's intentions for the procurement of transport infrastructure services and works, in accordance with the requirements set out in the Local Government Act.

1.1. SUMMARY STATEMENT OF KEY ISSUES AND OPPORTUNITIES TO OBTAIN VALUE FOR MONEY.

KEY ISSUES

- Continuing difficulty obtaining a competitive price for some transport services due to limited suitable suppliers.
- A new internal Infrastructure team has been bedding in since the organisational review in 2013. A further review of the current structure has resulted in the establishment of a dedicated contract management team for operational maintenance contracts and a dedicated capital works project team. This new structure is expected to provide opportunities for implementing contract improvements.

OPPORTUNITIES

- Consultant and construction suppliers in the district are well resourced to put together comprehensive tenders and deliver value for money.
- The Council intends to continue to procure services in stages. Capital projects will usually include a design contract followed by one or more construction contracts.
- Collaboration opportunities are being kept open with neighbouring authorities and NZTA such as the joint contract with NZTA (Highway Network Operations) for the Glenda Drive roundabout and associated roads project.

1.2. ENDORSEMENTS

The Council endorsed this strategy on:

The NZTA endorsed this strategy on:

2. POLICY CONTEXT

2.1. INTRODUCTION

This document is the Strategy for the Procurement of Transport Infrastructure Services (the “**Strategy**”) for Queenstown Lakes District Council (the “**Council**”). Its development is required under Rule 10.4 of the Procurement Manual (the “**Manual**”) and Section 25 of the Land Transport Management Act 2003 for transport activities funded through the National Land Transport Programme published by the New Zealand Transport Agency (NZTA).

This strategy is set in the context of the Council’s overall procurement policy that details what is required by the organisation when procuring products and services. In instances where this strategy specifies an approach that differs to the general approaches set out in the Council’s overall procurement policy, a specific procurement plan will be developed.

2.2. STRATEGIC OBJECTIVES AND OUTCOMES

The Council seeks the following objectives in relation to procurement:

- Customer relationship and service excellence.
- Results and performance management.
- Value for money.
- Leadership and organisational capacity.

The Council Long Term Plan contains the following community outcome in relation to the provision of transport services:

Effective and efficient infrastructure that meets the needs of growth.

The term ‘infrastructure’ includes network infrastructure, roads, trails, public transport shelters and community facilities.

In order to provide this outcome the Council procures:

- Professional services for studies, assessments and designs
- Contractor services for maintenance and upgrades to its existing infrastructure
- Contractor services for construction of new infrastructure

2.3. OBJECTIVES AND OUTCOMES FOR THE PROCUREMENT STRATEGY

The Council’s primary infrastructure procurement objective is to:

Deliver Council’s infrastructure programmes on time and at best value.

In addition the Council requires its transport procurement to achieve or contribute to the following outcomes:

Procurement Strategy Outcomes

Council transport infrastructure programmes and projects are aligned to the current three year LTP

Council processes are timely, effective and deliver at an affordable cost of ownership
Best value suppliers are participating in contestable processes to deliver Council projects and programmes
Council understands its supply market

2.4. THE NZTA PROCUREMENT REQUIREMENTS AND WHAT THEY MEAN FOR QLDC

The NZTA procurement requirements are:

- Value for money
- Competitive and efficient markets
- Fair competition among suppliers

The measures the Council is taking to achieve these requirements are outlined below.

MEASURES TO ACHIEVE KEY DRIVERS	
Value for money	<ul style="list-style-type: none"> • Robust asset management planning regime to identify an effective work plan and provide a whole of life approach to asset management. • Use the most appropriate selection and engagement processes that suit the procurement and its level of risk. • Successful delivery of works and services (the right outcome at the right time and within budget). • Optimising asset life while meeting appropriate service levels.
Competitive and efficient markets.	<ul style="list-style-type: none"> • The time allowed for tendering will be increased where appropriate to ensure complete and comprehensive tenders are submitted. • High quality specifications will be developed and engagement with the supply markets will be professional. • The time between awarding tenders and the start of projects is increased where possible and appropriate to enable suppliers to resource and programme with confidence.
Fair competition among suppliers	<ul style="list-style-type: none"> • The Council will ensure that its works programme is communicated to the market as soon as possible after it is finalised by the Council. • The process for awarding contracts will be open, clear and defensible.

2.5. OTHER RELEVANT FACTORS

This document applies to the strategic approach the Council will take towards procurement. It must be read in conjunction with the Council's Procurement Policy.

Where this strategy specifies an approach that is different to the approach set out in the Council's procurement policy, a specific procurement plan will be developed.

2.6. CURRENT COUNCIL POLICIES AND DOCUMENTS

The following Council policies and documents also influence this Strategy:

- a) Council Delegations Register
- b) Council Long Term Plan (LTP)
- c) Council Annual Plan
- d) Council Transport Asset Management Plan
- e) Regional Land Transport Strategy
- f) Government Policy Statement on Land Transport Funding
- g) Local Government Act 2002
- h) Land Transport Management Act 2003
- i) NZ Transport Agency's Procurement Manual

3. PROCUREMENT PROGRAMME

3.1. PROCUREMENT PROGRAMME

The Council delivers the majority of transportation services through third party term service contracts for professional services, resealing, maintenance and operations. The Council may elect to extend contract terms from time to time subject to NZTA approval. In addition to these contracts, the Council procures individual contracts for capital projects as and when required. Capital projects are usually competitively tendered on a staged basis, specifically separating design from construction. Tenders are priced on a lump sum or measure and value basis.

The Council engages consultants to undertake tasks and various activities that cannot efficiently or effectively be addressed by internal staff due to limitations around time or expertise. This includes providing specific analysis and advice such as modelling, surveying and valuation, and other short term assistance. Contracts are also established with education specialists from time to time to help spread messages publically and encourage behaviour changes. This includes topic areas such as road safety.

The Council does not run any bus or ferry services (these are run by private companies commercially). However, the Council provides bus stop facilities, some of which are subsidised by the regional council.

The Council does not intend to implement any subsidised fare schemes (These are managed by Otago Regional Council).

The table on the following page provides the Council's procurement programme from 2014/15 to 2024/2025. All figures are presented in 2014/15 dollars.

The value of projects to be procured varies from a low of \$3,522,574 in 2022/23 and 2024/25 to a high of \$17,932,841 in 2015/16.

TABLE 1: INFRASTRUCTURE PROCUREMENT PROGRAMME 2014/15-2024/2025

	Sum of Total to Procure 14/15	Sum of Total to Procure 15/16	Sum of Total to Procure 16/17	Sum of Total to Procure 17/18	Sum of Total to Procure 18/19	Sum of Total to Procure 19/20	Sum of Total to Procure 20/21	Sum of Total to Procure 21/22	Sum of Total to Procure 22/23	Sum of Total to Procure 23/24	Sum of Total to Procure 24/25
Total Contract	\$0	\$3,691,140	\$45,435,692	\$0	\$8,076,280	\$0	\$8,076,280	\$37,359,412	\$8,076,280	\$0	\$8,076,280
Network Professional Services	\$0		\$694,000	\$0	\$694,000	\$0	\$694,000	\$0	\$694,000	\$0	\$694,000
Reseals Contract	\$0	\$3,691,140	\$7,382,280	\$0	\$7,382,280	\$0	\$7,382,280	\$0	\$7,382,280	\$0	\$7,382,280
Road Maintenance Contract	\$0		\$36,514,412	\$0	\$0	\$0	\$0	\$36,514,412	\$0	\$0	\$0
Street Lighting Contract	\$0		\$845,000	\$0	\$0	\$0	\$0	\$845,000	\$0	\$0	\$0
Total Projects	\$17,497,285	\$17,501,356	\$5,980,698	\$6,884,130	\$9,154,589	\$8,326,679	\$10,136,846	\$3,642,532	\$3,148,593	\$3,325,459	\$3,323,593
Bus Stop Improvements - Wakatipu (updated)	\$0	\$0	\$23,134	\$0	\$23,134	\$0	\$23,134	\$0	\$23,134	\$0	\$23,134
Crown Range Land Instability	\$0	\$1,250,000	\$420,170	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Crown Range SPR - Minor Improvements	\$0	\$62,000	\$62,000	\$62,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000
Dangerous Trees	\$0	\$433,333	\$433,333	\$433,333	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Eastern Access Road - New roads	\$0	\$8,813,115	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Frankton Flats Strategy Implementation	\$0	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Glenorchy SPR - Minor improvements	\$55,000	\$62,000	\$62,000	\$62,000	\$62,000	\$62,000	\$62,000	\$40,000	\$40,000	\$40,000	\$40,000
Pavement Rehab	\$446,199	\$4,450,320	\$2,999,040	\$4,132,560	\$5,272,320	\$4,305,600	\$5,097,960	\$1,499,400	\$1,195,440	\$1,195,440	\$1,195,440
Queenstown Town Centre Strategy Implementation	\$0	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Rees River Bridge Protection	\$0	\$200,000	\$0	\$200,000	\$0	\$200,000	\$0	\$200,000	\$0	\$200,000	\$0
Seal Extensions to National Parks – Glenorchy Roads.	\$0	\$0	\$0	\$0	\$833,333	\$833,333	\$833,333	\$0	\$0	\$0	\$0
Seal Extensions to National Parks – Mt Aspiring Roads.	\$0	\$0	\$0	\$0	\$833,333	\$833,333	\$833,333	\$0	\$0	\$0	\$0
Shotover Park - Eastern Access Road South	\$0	\$193,074	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Skippers Bridge	\$0	\$0	\$0	\$0	\$0	\$0	\$1,115,000	\$0	\$0	\$0	\$0
Wakatipu - Minor Improvements	\$383,008	\$375,781	\$297,107	\$374,740	\$361,902	\$376,822	\$494,558	\$311,588	\$302,066	\$302,066	\$477,066
Wakatipu Transportation - Minor Improvements, Non-Sub	\$669,000	\$669,000	\$669,000	\$669,000	\$669,000	\$669,000	\$669,000	\$669,000	\$669,000	\$669,000	\$669,000
Wanaka - Minor Improvements	\$313,149	\$292,734	\$314,914	\$250,497	\$354,566	\$301,590	\$285,527	\$177,544	\$173,953	\$173,953	\$173,953
Wanaka Transport Strategy implementation	\$0	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Wanaka Transportation - Minor Improvements, Non-Sub	\$334,500	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000
Beacon Point Road - Upgrade	\$520,512	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Wanaka Mt Aspiring Road Widening and Dra	\$250,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Wanaka Lakefront Park Entrances Reconfig	\$10,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Upper Ardmore Pedestrian Connectivity	\$140,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Upper Ardmore Street Furniture	\$50,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Completion of Ardmore/Dungarvon Intersec	\$10,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Brownston Street Parking	\$210,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Eastern Access Road - New roads	\$12,616,227	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Wanaka North Eastern Corridor	\$186,745	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Inner Links Stage 1 and 2 - Melbourne H	\$141,379	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MALAGHANS ROAD (Start RP: 8892, End RP:	\$1,150,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bus Stop Improvements - Wakatipu	\$11,567	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Grand Total	\$17,497,285	\$21,192,496	\$51,416,390	\$6,884,130	\$17,230,869	\$8,326,679	\$18,213,126	\$41,001,944	\$11,224,873	\$3,325,459	\$11,399,873

3.2. IDENTIFICATION OF ANY PENDING HIGH-RISK OR UNUSUAL PROCUREMENT ACTIVITIES

The Council carries out procurement of transport services in accordance with this strategy. There are no pending high-risk or unusual procurement activities currently taking place or planned to take place in relation to transport services.

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4. PROCUREMENT ENVIRONMENT

4.1. ANALYSIS OF SUPPLIER MARKET

The Council currently uses the following transportation consultants.

Consultant	Services	Project Size
Aecom	Capital Works Transport Professional Services Panel - in partnership with Rationale	Large/Medium/ Small
Hadley Consultants	Capital Design	Large/Medium/ Small
Holmes Consulting	General engineering services	Small
MWH	Transport Professional Services Capital Works Transport Professional Services (inc panel)	Large/Medium/ Small
Opus International Consultants	General engineering services	Small
Rationale	Capital Works Transport Professional Services Panel - in partnership with Aecom. Various specialist services	Small

Contracts with this panel of consultants are due to expire in mid-2015 and will be tendered in early 2015 with a view to reducing the number of consultants in the panel from six to two.

The Council currently uses the following transportation contractors.

Contractor	Services Provided	Project Size
Delta Utility Services	Lighting maintenance	Small
Downer NZ	Roading Maintenance Capital Works Transport Construction	Large
Fulton	Capital Works Transport Construction ¹	Large/Medium/

¹ Council's accounting system categorises pavement reseals as capital expenditure.

Hogan		Small
SouthRoads	Transport capital works	Small
The Roding Company	Capital Works Transport Construction	Large/Medium/ Small
Wilson Contractors	Capital Works Transport Construction	Large/Medium/Small

This is a snapshot of transportation contractors used by the Council as at February 2015. Some of these contractors sub-contract smaller local contractors when necessary. The Council is aware there are other contractors that could bid for contracts as they are advertised.

4.2. ANALYSIS OF THE CURRENT PROCUREMENT SPEND AND PROFILE

The Council expects to procure a new 12 month reseals contract commencing on 1 October 2015. Council also expects to carry out performance assessments of the following contracts during 2014/15; Network Professional Services, Road Maintenance and Street Lighting with a view to providing an extension to July/September 2016. It is expected that a significant procurement process be undertaken in 2015/16 to rationalise these contracts into a smaller number of contracts and potentially include a greater value of capital works ahead of new contracts commencing in early 2016/17. There will be a particular focus on whether Council should move a significant portion of the services currently contracted under the Network Professional Services Contract into either the Road Maintenance Contract or in house.

The lengths of contracts are intended to be five years at this stage, resulting in another procurement process in 2020/21.

Table 1 in Section 3 above provides a breakdown of the current and future procurement being undertaken from 2014/15 to 2024/2025.

4.3. ANALYSIS OF THE IMPACT OF THE PROCUREMENT PROGRAMMES OF OTHER APPROVED ORGANISATIONS AND OTHER ENTITIES

The following other organisations are procuring or may procure significant projects that may attract local suppliers interested in the Council's infrastructure projects:

- New Zealand Transport Agency (NZTA)
- Central Otago District Council
- Southland District Council
- Private developers

The Council is mindful that the normal activities of the NZTA, Central Otago District Council and Southland District Council, if all procured at the same time as the Council, could place undue pressure on the industry by creating work 'spikes' and reducing competition for individual contracts. The Council is working with the NZTA and will look to work with Central Otago District Council and Southland District Council to better spread the load (and the

availability of work to the industry) throughout the year. The Council believes it will benefit from greater levels of competition for its contracts as a consequence.

The following table provides a list of all the known significant projects being procured by other local entities that may compete for Infrastructure Services' suppliers over the coming year.

PROCURING AGENCY	KNOWN PROJECTS
NZTA	<p>Two major projects that are possibly being procured in the area in 2014/15:</p> <ul style="list-style-type: none"> • Glenda Drive Intersection Upgrade • Kawarau Falls Bridge. <p>Otherwise the Council expects activity levels to be comparable to average levels in previous years.</p>
CENTRAL OTAGO DC	<p>The Council expects activity levels to be comparable to average levels in previous years.</p>
SOUTHLAND DC	<p>Council expects activity levels to be comparable to average levels in previous years.</p>
PRIVATE DEVELOPERS	<ul style="list-style-type: none"> • Five Mile/Frankton Flats/Shotover Park Limited • Henley Downs residential development (near Jack's Point) • Three Parks, Wanaka • North Lake, Wanaka • Other smaller subdivisions

At this stage, the Council does not believe that the significant projects being procured by other local entities will put the supplier market under pressure, sufficient to affect the value achieved by the Council in procurement. At the moment there is adequate capacity in the local market for the Council's activities. The Council will keep this situation under review.

The winter climatic conditions in the region and the peak tourist period over the Christmas/New Year period limits the time available for construction of transport projects in the Queenstown Lakes District.

5. APPROACH TO DELIVERING THE WORK PROGRAMME

5.1. SPECIFIC STRATEGIC OBJECTIVE

The Council's primary infrastructure procurement objective is to:

Deliver Council's infrastructure programmes on time and at best value.

This strategy has considered how to achieve best value through the procurement process. Through the consultation process, initiatives to ensure the on time delivery of the programme have also been identified. The panel delivery model will also assist with on time delivery by allowing the Council to approach suitable suppliers at the scoping stage of a project which will speed up the scoping stage and better prepare suppliers when the project starts.

5.2. PROCUREMENT APPROACH

OBJECTIVE	ADDRESSED ...
Council programmes and projects are aligned to the current three year LTP	... by programming a three yearly update of this strategy to take into account programme changes in the Long Term Plan and policy changes..
Council processes are timely, effective and deliver at lowest cost of ownership	... by helping remove questions about the way projects will be procured in the future and reduce the need to produce individual procurement strategies for projects that do not meet the Council's procurement policy. ... by investigating and applying within each asset management plan and during project planning a whole-of-life cost analysis process..
Best value suppliers are participating in contestable processes to deliver Council projects and programmes	... by determining the value suppliers will bring to a project through attribute testing during the tending process. The Council will investigate a pre-qualification process to ensure best value suppliers for particular projects are identified and known to Council staff before requesting for tenders. ... by using the panel procurement method for consultants which requires a set tender process to establish the panel, and the use of tendering for all other contracts over the value specified in the procurement policy.
Council understands its supply market	... by conducting workshops with consultants and contractors, requesting and receiving feedback, and reviewing recently awarded contracts.

5.3. COMBINING CONSTRUCTION WITH MAINTENANCE

The Council awarded the Roding Maintenance Contract for a term of 5 years starting 1 October 2009. Following a review in 2014 Council extended this contract on a 1+1 year

basis following approval from NZTA. The Council may remove or add maintenance obligations from the scope of this contract and have more than one maintenance contract if it is determined that a better outcome can be achieved. The Council may procure both construction and maintenance of road assets in a single delivery model if it becomes favourable to do so.

5.4. COLLABORATION WITH NEIGHBOURING COUNCILS AND NZTA

This strategy does not preclude the Council from entering into joint procurement of services with relevant partners to enable shared services and deliver better value to the community. The Council intends to allow for collaboration with other agencies such as NZTA and neighbouring local authorities, including the possibility of shared services in the future.

Opportunities for formal collaboration arrangements with Central Otago District Council and NZTA were discussed in 2013/14. However these are not being pursued at this time. QLDC will continue to collaborate with both of these Agencies on a case by case basis.

5.5. DIRECT APPOINTMENTS AND PRE-QUALIFICATION ARRANGEMENTS

The Council presently issues request for tenders or negotiates with panel suppliers for all projects above \$50,000 and as per the Delegations Policy.

The Council also intends to investigate whether there are efficiencies to be obtained through the provision of prequalification of contractors on a tiered basis. That is, different prequalification standards will need to be met to be able to tender for different levels of tender values or expertise needed. This needs to be considered against the potential for constrained supplier environments where tenders may only be received from fewer than 3 suppliers even though 3 or more suppliers have been prequalified.

The Council will use prequalification arrangements for the procurement of construction works if subsequent investigations identify value for money will be achieved by doing this.

5.6. SPECIFIC PROJECT STRATEGIES

The Council has reviewed its projects and considered:

- a) The services required for each project;
- b) The project value;
- c) The risk, complexity and chance for innovation that each project presents; and
- d) The Council's procurement goals.

Based on this analysis the Council identifies its preferred strategies for procuring each project.

5.7. DELIVERY MODELS

The base delivery model for procurement will be staged delivery. In most cases, maintenance and other specialist contracts will be single contracts while most capital projects will include a design contract followed by one or more construction contracts.

For capital design work, consultant panels will continue to be used for infrastructure projects. These will be on an up to 80/20 basis where up to 80% of the work by value will be

negotiated on a value-for-money basis with panel consultants, and a minimum of 20% of the work will be competitively tendered on the open market. This will ensure a set of contractors in the Queenstown Lakes District will be assured of having work into the future and will be able to invest in resources, but also ensure market value is being identified and achieved.

For capital construction work all contracts or new panel arrangements will be established in accordance with the Council's procurement policy and this strategy.

Design and build contracts may be considered for projects where applicable to ensure risks are best allocated between parties within the procurement process. This will be assessed on a case by case basis.

Contracts may be varied to add similar generic projects to the original contract where the contractor has shown they can produce a value for money outcome and it is unlikely that negotiating with a panel supplier or going to open tender will produce a better result. The value for money consideration will also include the extra cost for the Council of undertaking these other options.

All other contracts including maintenance and construction works, non-design consultant work and education based work will be procured following the requirements of the procurement policy.

5.8. SUPPLIER SELECTION METHODS

Supplier selection will follow the requirements of the procurement policy (negotiated purchase; limited (closed) tender; public (open) tender) except for works negotiated with panel suppliers. These consultants and contractors will be allocated work on a best fit basis, including availability, and to meet any promised percentage of work.

The Council may directly appoint a contractor where this is achieved through variation of another council's (or NZTA) contract with a supplier that has been procured through an NZTA approved procurement process.

5.9. INTERNAL ISSUES

The letting of a number of smaller contracts rather than batching them may help support smaller local contractors to build a positive track record, but it may require more staff time to manage. This will be assessed on a case by case basis as it may be better to batch some projects to realise staff savings, especially when Council resources are under pressure. The Council will continue to review the situation as and when internal resources change.

This strategy does not preclude the Council from using internal staff to do work for infrastructure services that may have been previously contracted. The Council is in the process of improving internal capability through the establishment of dedicated Asset Planning and Asset Performance teams which is expected to reduce reliance on external consultants.

5.10. EXCEPTIONS

Where exceptional, large projects may require alternative procurement processes to be considered and used (such as private public partnerships (PPP), the Council reserves the

right to consider these on a case by case basis and will consult with relevant stakeholders where necessary. In some cases it may be necessary to deviate from this strategy, in which case advance approval will be sought from NZTA.

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6. IMPLEMENTATION

6.1. CAPABILITY AND CAPACITY

Transportation infrastructure services are led by Council's Chief Engineer, who is a Chartered Professional Engineer. The Chief Engineer has the following staff available to manage transportation services:

- Manager, Maintenance Contracts (40% allocated to transport)
- Contract Manager (40% allocated to transport)
- Audit Officer (40% allocated to transport)
- General Inspector (40% allocated to transport)
- Policy and Stakeholder Manager (40% allocated to transport)
- Team Leader Asset Performance (40% allocated to transport)
- Senior Engineer (40% allocated to transport)
- Team Leader Project Management (40% allocated to transport)
- Senior Project Manager (40% allocated to transport)
- Project Manager Wanaka (40% allocated to transport)
- Project Manager Procurement (40% allocated to transport)

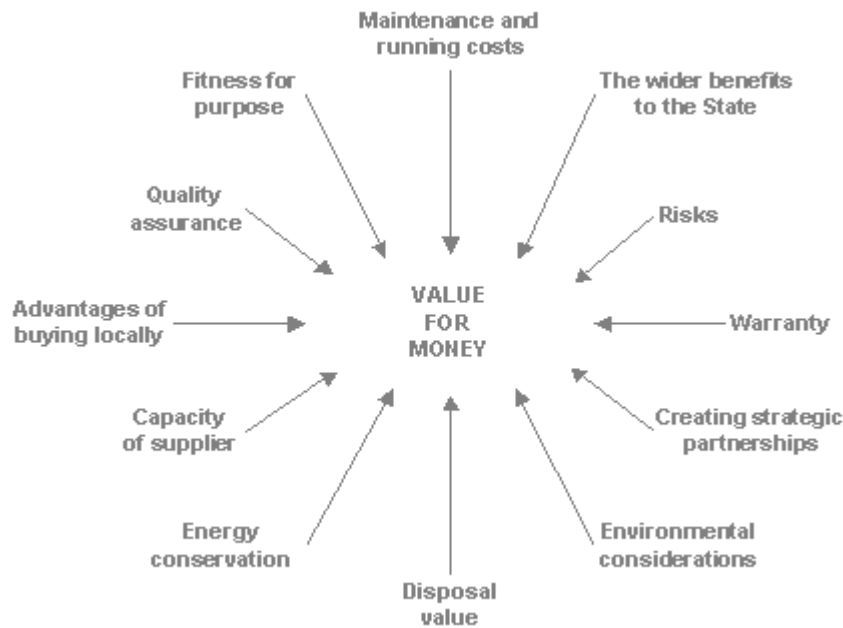
6.2. INTERNAL PROCUREMENT PROCESSES

Council's procurement policy sets out how goods and services should be purchased by the Council. This policy has been developed with reference to the Auditor General's Procurement guidance for public entities (Controller and Auditor General, 2008) and the Queensland State Government's Developing "Agency Purchasing Procedures" (Department of Public Works, 2000). This policy replaces the the previous "Tenders Policy".

6.2.1. POLICY PRINCIPLES

The policy is based on two complementary principles, value for money and open and effective competition. Those principles are equally applicable to the procurement of goods, civil construction or professional services.

Value for money (VfM) is concerned with obtaining the desired outcome at the best possible price. The assessment of VfM involves weighing up the benefits of purchase against the costs of purchase and may include multiple factors such as are shown in the following model:



Open and effective competition is the principal mechanism for achieving value for money. As the model below demonstrates, effective competition is stimulated by the quality of specification, the transparency of the process and the quality of engagement with the supply markets.

6.2.2. POLICY APPLICATION

This policy applies to all purchases made by the Council including all goods, services, plant and equipment, civil construction and real property. There is no differentiation made in the policy parameters for different types of goods or services purchased or constructed.

6.2.3. NEGOTIATING PURCHASE CONTRACTS

Any Council officer may only accept, sign, negotiate or decline any contract for the purchase or supply of goods, services, plant, capital works or other assets (including real property) subject to passing three key tests:

1. The purchase is within jurisdiction (e.g. an officer responsible for parks and reserves should not be acquiring a computer system);
2. The purchase is subject to the limitations and conditions of the delegated financial authority of the Council officer. A Council officer may only contract up to the **lesser** of:
 - a. The uncommitted amount specified in any budget line, as set out in the LTCCP / Annual Plan and referred to by the terms of their delegation; or
 - b. The amount specified as the limit of the financial delegation for that manager. and
3. The purchase method complies with this policy.

Every person involved with a contract will ensure that the transaction is handled in such a way as to ensure that the Council receives the most favourable terms possible, with appropriate priority and balance being given to specified qualitative and other non-price and price attributes.

Officers entering into contractual negotiations must consider the value of the whole life of the good or service being acquired when applying the procurement policy. An officer may not arbitrarily separate a project into discrete parts so as to avoid the necessity for entering into a particular procurement process.

6.3. PERFORMANCE MEASUREMENT

The Council collects information on its procurement activities through the following methods:

- i. Contract reviews
- ii. Maintenance of project files with all key documentation
- iii. Face-to-face discussions with suppliers
- iv. Liaison with affected third parties
- v. Internal discussions between technical staff
- vi. Customer and neighbour feedback during and after contract implementation

The present system obtains the information required by NZTA under Section 11 of the Manual, and sufficient information to enable the Council to monitor progress against its own procurement goals.

The Council will undertake regular reviews of the quality and quantity of information obtained, and the results of any audits, in order to ensure the Council is working towards meeting its goals and objectives. Additional information gathering exercises and procedures will be added when necessary.

6.4. PERFORMANCE MONITORING

The application of this strategy will be monitored annually by reviewing the past year's procurement processes against this strategy. This review will be reported to the Council's Audit and Risk Committee.

The supplier market will be monitored by measuring the following:

- The number of tenders received per contract. If this is trending towards less than 3 tenders per contract then a review of this strategy will be triggered.
- The spread of prices received from the lowest three tenders for each contract. If the spread is increasing the amount of work for suppliers is likely to be increasing and a review of this strategy may be needed.
- Customer and neighbour feedback sought, monitored and acted upon during contract implementation and after contracts have been completed.

The Chief Engineer is responsible for collating and reporting:

- How the number of tenders received per contract is trending;
- the spread of prices received from the lowest three tenders for each contract is trending;

- customer and neighbour feedback, and how any exceptional issues were dealt with; and
- how the strategy has been applied to contracts let in the previous 6 months.

6.5. REVIEW PLAN

This strategy will be reviewed or updated when there is any significant change to the strategic direction the Council wishes to take toward the procurement of services, or every three years, whichever comes first.

Generally, this strategy should be updated every 3 years to ensure the procurement processes are consistent with the objectives of the Council Long Term Plan. It is intended that the next review take place in 2018.

6.6. COMMUNICATION PLAN

The Council has identified that the following local stakeholders may be interested in this Strategy:

STAKEHOLDER GROUP	STAKEHOLDERS
Local Contractors	Downer NZ Fulton Hogan SouthRoads Delta Utility Services Wilson Contractors The Roding Company
Local Consultants	MWH Hadley Consultants Aecom Rationale
National bodies	NZTA
Contractor and Consultant Bodies	IPENZ Otago New Zealand Contractors Federation ACENZ Otago Southern Lakes Contractors Industry Association

6.7. IMPLEMENTATION PLAN

The procurement of transport infrastructure will take place in accordance with this strategy through the instruction of the Council's Chief Engineer.

6.8. CORPORATE OWNERSHIP AND INTERNAL ENDORSEMENT

This strategy was adopted by the Council on XXXX and will be reviewed when there are any significant changes in procurement practices identified or every three years, whichever is sooner.

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ENDORSED BY THE QUEENSTOWN LAKES DISTRICT COUNCIL
ON <<INSERT DATE>>

