



Procurement Strategy

Waikato District Council Transport Activities

June 2024

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Executive Summary

This procurement strategy sets out Waikato District Council's (council) strategic approach to procurement of land transport activities and considers its long-term goals of maximising sustainable value for money over the whole of life of assets or services being procured. A large portion of council's investment for transportation activities is financially assisted by the NZTA NZ Transport Agency (NZTA) and this is legislated under the Land Transport Management Act 2003 (LTMA). Section 25 of the LTMA requires that an approved organisation (in this case council) design its procurement procedures to obtain best value for money spent.

Council procures works, goods and services to sustain the community and meet the changes in demand. Accordingly, the approach to procurement will vary depending on scale, complexity and risk. The work packages and projects that council procures are identified within the council's Transport Activity Management Plan (AMP) for acceptance within its Long Term Plan. The AMP takes into account the government direction for investment as set out in the Government Policy Statement for Land Transport.

This strategy has been prepared to fulfil council's obligations as required by the Office of the Auditor General as well as ensuring ratepayers and taxpayers receive value for money for land transport activities.

This strategy is updated in alignment with council's Long-term Planning process and includes the recommended procurement approach for the delivery of road maintenance and renewal activities from June 2024.

This procurement strategy is developed to provide detail on how transport contracts and projects will be procured in alignment with Council's procurement policy. It requires endorsement by NZ Transport Agency (NZTA) to meet subsidised funding requirements. Future reviews (and NZTA endorsement) are scheduled for completion on a triennial frequency (following local government elections) to ensure the requirement for continued NLTF investment is met.

This strategy does not include any advanced procurement procedures, all subsidised transport activities will be procured through supplier selection models as documented in this strategy.

It is recommended that the NZ Transport Agency endorse this procurement strategy for Waikato District Council's transport activities for a term of three years.

Additionally, it is recommended that NZ Transport Agency approve an exemption for the term of the Road Maintenance and Renewals Contracts to allow for a ten (10) year term, procured as 5 years plus two extensions of 3 years and then 2 years (5yr + 3yr + 2yr).

Introduction

This procurement strategy sets out Waikato District Council's (council) strategic approach to procurement of land transport activities and considers its long-term goals of maintaining a competitive and sufficient supply market. A large portion of council's investment for transportation activities is financially assisted by the NZ Transport Agency (NZTA) and this is legislated under the Land Transport Management Act 2003 (LTMA). Section 25 of the LTMA requires that an approved organisation (in this case council) design its procurement procedures to obtain best value for money spent.

Strategic Approach

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

This council Transportation Procurement Strategy has been developed (based on council's 2023 Procurement Strategy) in order to align with the requirements of the NZTA Procurement Manual Amendment 6 for activities funded through the National Land Transport Programme; it takes into account:

- NZTA's current investment principles
- NZTA's current guidance in relation to seeking Broader Outcomes from procurement
- Best practice methods of obtaining best value for money.

This Procurement Strategy follows council's values for consideration in all procurement decisions, these are:

- Integrity – being able to do the right thing, uncompromised, even when nobody is watching or listening
- Customer Focused – Having the best interests of the customer and the community at the core of the decisions and work we do, always
- Innovation and Collaboration – working in ways that support and develop new ways and collaborative ways of doing things that promote inclusion and support diversity
- Sustainability – considering economic, social, and environmental impacts always, ensuring decisions today do not have a negative impact on the generations to come

Waikato District Transport Services

The Transport Services for Waikato District includes maintenance and management of approximately 2,500km of road network, 245kms of footpaths, 399 bridges and large culverts and all of the assets and street furniture that enables efficient operation of this network. The Enhanced Annual Plan 2024/25 forecasts an annual spend for the full activity of approximately \$78.9M, which includes approximately \$30M for capital works (including unsubsidised works) and the remainder for maintenance, operations and renewals activities. This remains subject to approval.

Waikato District Council have decided to move to an Enhanced Annual Plan for the 2024/25 Financial year in place of a Long-term Plan, therefore future budgets are yet to be considered. A full 9-year Long-term Plan will be developed for approval in 2025.

The services provided by our teams ensure that council's significant roading asset base is operated and maintained to be safe, effective and efficient. Our levels of service for roads and footpaths are:

- Provide a safe transport network that encourages healthy travel modes and reduces harm;
- Our transport network activities are transparent, transitioning to sustainable transport solutions, and protect our natural environment;
- Our transport network is able to meet the needs of economic activity to support thriving communities and provide employment opportunities;
- To ensure that the Road network is well maintained and negative environmental effects are mitigated.

Procurement Approach

All road maintenance and renewal activities, including management and planning of those activities, are currently delivered through the Waikato District Alliance (Alliance) which council entered into with Downer in 2015. The Alliance was chosen to provide a seamless solution to deliver flexibility to adapt to changing priorities and to achieve "Best for Network" decision making. A collaborative approach to asset management, risk management and identifying opportunities for innovation was considered to provide the best value for money and efficiency in procurement and delivery. The contract was extended for a 5 year rollover in 2020 and is now due to expire on 30 June 2025.

As a substantial contract for council, the options for delivery of these services from 1 July 2025 required careful review and planning to ensure council can achieve the best value for money outcome. A Local Government Act 2002 section 17A review of cost efficiency and effectiveness was completed in 2023, followed by a Detailed Contract Review process. Progress on procurement planning is now underway, more detail on the recommended contract mechanisms and procurement plan are provided below.

The Capital Programme is delivered through several delivery mechanisms. Activities that are most suited to be delivered by the Alliance can use the variation process agreed within the Alliance contract extension. Where improvement activities are determined to be outside of the scope of the Alliance, or council deems it appropriate to source outside of the Alliance for better value for money outcomes, other traditional procurement models are considered following the standard contracts recommended in NZTA's Procurement Manual.

Professional services for the design, project management and quality management of capital works is delivered through a mix of internal and external resource. Internal resource includes the council's Community Projects team, EPMO and the Alliance Roding Team (including consulting expertise as needed), external resource includes the RATA led and managed works and consultants as required.

Endorsement and Review

Subject to the endorsement of NZTA (specific to the land transport activity), the Procurement Strategy will be adopted by council.

Responsibility for the Strategy and its currency primarily lies with the Roading Manager, who is also responsible for the continuity of transportation activities funded from the National Land Transport Fund (NLTF).

Reviews and NZTA endorsement of the procurement strategy is a requirement for continued NLTF investment and therefore reviews are planned on a triennial basis.

NZTA approval is sought to approve this Transport Procurement Strategy, which includes request for an exemption to allow procurement of the road maintenance and renewals contract for a total tenure of 10 years including extensions.

Strategic Context

Overview

Overriding everything that council does, including in the area of land transport, is the purpose of local government.

The Local Government Act 2002 states that the purpose of local government is:

- To enable democratic local decision-making and action by, and on behalf of, communities; and
- To meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.

NZTA is a key investment partner for a large portion of council's land transport programme. Section 20 of the LTMA sets out the requirements for NZTA to approve activities for funding from the National Land Transport Fund (NLTF). Section 25 of the LTMA further requires that an approved organisation (in this case council) design its procurement procedures to obtain best value for money spent.

At a regional level, strategic direction to council's land transport activity is provided by the Waikato Regional Land Transport Plan which sets out the strategic direction for land transport in the Waikato region over the next 30 years.

Legislation, Regulatory Requirements and Guidelines

Council must be aware of, and comply with, all applicable legislation (and amendments) when it funds or procures works, goods or services.

Council has public law obligations that could apply to aspects of a procurement process. Council's fundamental public law obligation is always to act fairly and reasonably, and in keeping within the law.

<p>Local Government Act 2002 (LGA)</p>	<p>The purchase of goods or services must be consistent with the principles of the LGA. Under s14 and ss77-81 of the LGA, local authorities are required to:</p> <ul style="list-style-type: none"> • Conduct business in an open, transparent and democratically accountable manner; • undertake commercial transactions in accordance with sound business practice; and • in the course of decision-making: <ul style="list-style-type: none"> ○ seek to identify all reasonable practical options for the achievement of meeting objectives for a decision ○ assess the options in terms of their advantages and disadvantages <p>Under s17 local authorities are required to review services to test for efficiency and effectiveness to the delivery.</p> <p>A s17A review was completed in 2023 to review the cost efficiency and effectiveness of road services delivery and identify options for delivering services when the Alliance expires in 2025. This recommended that a full review of Contract Delivery options be undertaken, which has recommended a change of approach. Further detail outlined below.</p>
<p>Land Transport Management Act 2003 (LTMA) NZTA Procurement Manual version 6 (effective 1 April 2022)</p>	<p>A Procurement Strategy is required by NZTA for funded land transport activities as part of meeting the requirements of Section 25 of Land Transport Management Act 2003 (LTMA).</p> <p>The requirements for the Procurement Strategy are outlined in Section 4 of the NZTA Procurement Manual and as amended in NZTA General Circular #19/03. Supplier selection processes are covered in Section 5 of the NZTA Procurement Manual.</p>
<p>Government Procurement Rules, Rules for sustainable and inclusive procurement (4th Edition 2019, including changes from 2021 to Rules 12A and 18A)</p>	<p>The Government Procurement Rules promote that New Zealand is committed to open, transparent and competitive government procurement that:</p> <ul style="list-style-type: none"> • delivers public value (including Broader Outcomes) • does not discriminate against suppliers (whether domestic or international), and • meets agreed international standards. <p>The Rules reflect these values and standards, and require each agency (which includes local government organisations) to have policies in place that incorporate the five Principles of Government Procurement which are:</p> <ol style="list-style-type: none"> 1. Plan and Manage for Great Results 2. Be fair to all suppliers 3. Get the Right Supplier 4. Get the Best Deal for Everyone 5. Play by the Rules <p>The government procurement charter directs agencies and encourages public entities to:</p> <ol style="list-style-type: none"> 1. Seek opportunities to include NZ Businesses; 2. Undertake initiatives to contribute to a low emissions economy and promote greater environmental responsibility 3. look for new and innovative solutions 4. engage with businesses with good employment practices 5. promote inclusive economic development within NZ 6. Manage risk appropriately 7. encourage collaboration for collective impact. <p>Rule 18A includes requirements to provide quality employment outcomes, including considering how to create quality employment opportunities and ensuring that commitments to employment opportunities made in contracts are delivered and reported on.</p>

OAG Procurement Guidelines for Public Entities (2008)	<p>The OAG guidelines outline ‘good practice that public entities should use to procure goods or services’.</p> <p>The guidelines use the basic principles of accountability, openness, value for money, lawfulness, fairness and integrity</p>
REG – Te Ringa Maimoa - Road Maintenance Procurement Guidelines	<p>Te Ringa Maimoa, formerly the Road Efficiency Group (REG), have produced a report ‘Road Maintenance Procurement: Delivery Model Guidelines’ to assist in making and improving road maintenance delivery model decisions which should be considered as part of the process.</p> <p>The guidelines present a selection matrix of key client drivers to help determine and plan for a preferred road maintenance delivery model.</p>

Council Vision

Our council’s vision is that we work together as a district to build liveable, thriving and connected communities as our district grows.

Council’s Strategic Priorities are:

- Consistent delivery of core services – Council will focus on reliable and essential services that keep our community safe and resilient.
- Improving Council responsiveness – Council will improve its responsiveness and communication to communities and customers.
- Building community resilience – We will prioritise the wellbeing of our district by building and supporting strong and resilient communities.
- Building relationships – We are committed to building strong partnerships.
- Improving connectivity – Our district is easy to explore, and communities are connected and well-informed.
- Supporting sustainable growth – We plan for growth in a sustainable and responsible way, ensuring we preserve our local heritage and sense of community.

Specifically, the Transport activity is expected to contribute to achievement of council’s Community Outcomes with a specific focus on the Social Outcome, *“Our communities are connected, safe, accessible and resilient. We put community wellbeing at the heart of our decisions and we embrace partnerships to get things done to improve people’s lives.”*

Long Term Plan (LTP) – including the 2024-25 Enhanced Annual Plan

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

The work packages and projects that council procures are identified within the council’s Transport Activity Management Plan (AMP) for acceptance within it’s Long Term Plan. The AMP takes into account the government direction for investment as set out in the Government Policy Statement for Land Transport.

This year, to assist councils in including water services in their LTPs, one option in the legislation is for councils to defer their LTP by 12 months and instead prepare an 'enhanced annual plan' for the 2024/25 financial year. The LTP would become a 2025-2034 LTP. Waikato District Council has opted to switch to an 'enhanced Annual Plan' for the 2024/25 financial year to allow more time to engage with communities to ensure we deliver the services, activities and projects they need and want to pay for.

Council Procurement Policy and Strategy

Council's current Procurement Policy was issued in 2021. This policy supports the overall strategic objectives of the council to maximise sustainable value for money over the whole of life of assets or services being procured.

There are four basic values that underpin and uphold council's approach to procurement. These values, as described below, should be considered in all procurement decisions.

- Integrity – being able to do the right thing, uncompromised, even when nobody is watching or listening
- Customer Focused – Having the best interests of the customer and the community at the core of the decisions and work we do, always
- Innovation and Collaboration – working in ways that support and develop new ways and collaborative ways of doing things that promote inclusion and support diversity
- Sustainability – considering economic, social, and environmental impacts always, ensuring decisions today do not have a negative impact on the generations to come.

Council's procurement framework aligns with The Government Procurement Rules (4th edition) and general industry best practice. The following good practise considerations will be adhered to throughout all stages of the procurement process:

- Use of a competitive process wherever possible.
- Transparency of the process
- Identification and resolution of Conflicts of Interest
- Fairness and impartiality
- Privacy and confidentiality

Specifically, council's Policy follows the Public Value Guide included in the Government Procurement Rules (4th edition):

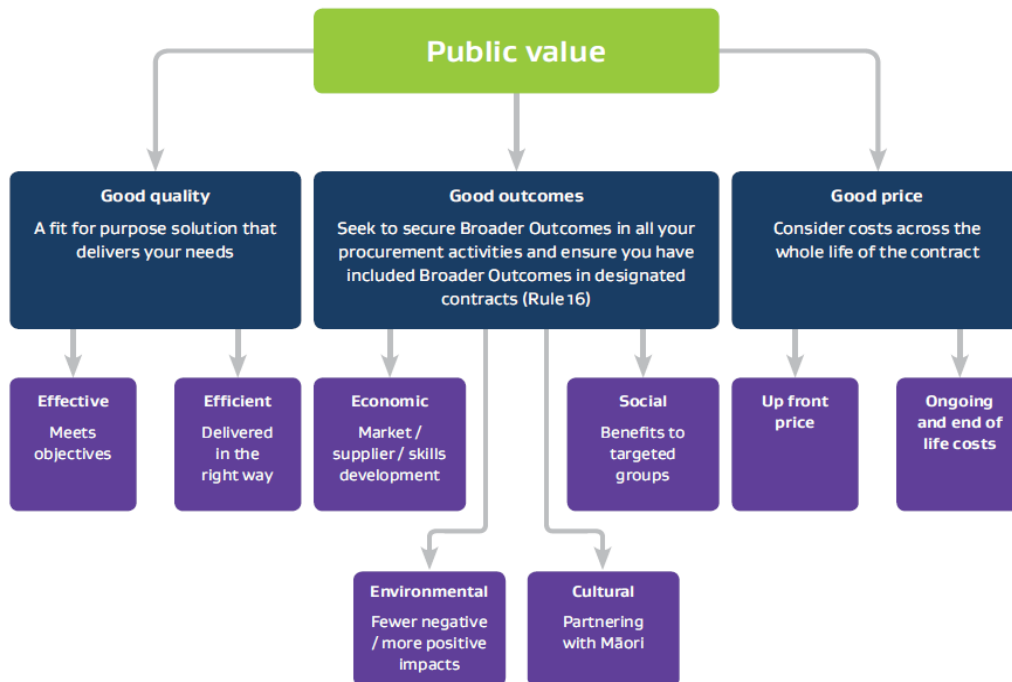


Figure 1: Public Value Guide, extracted from MBIEs Government Procurement Rules, 4th Edition 2019.

Public value means getting the best possible result from procurement, using resources effectively, economically and without waste, and taking into account:

- the total costs and benefits of a procurement (total cost of ownership), and
- its contribution to the results you are trying to achieve.

Delivering better public value through government procurement should include securing Broader Outcomes for New Zealand. For Waikato District Council, Broader Outcomes are essential to achieving our vision that “we work together as a district to build liveable, thriving, connected communities as our townships grow”.

The Waikato District Council Procurement Policy applies the following thresholds to procurement requirements:

Spend Threshold	Risk Level	Procurement Requirement *
\$0 - \$50k	Low to medium	No procurement plan required. <ul style="list-style-type: none"> • Single quote in writing where an existing supplier exists, or • Two quotes in writing where there is no existing supplier arrangement for the goods and services. Engaged via electronic purchase order or appropriate minor physical works contract.

\$50k - \$250k	Low to medium	<p>Lite procurement plan required.</p> <ul style="list-style-type: none"> • Three written quotes required, or • Public or invited RfX process where identified in the procurement plan. <p>Engaged via contract.</p>
Over \$250k	Any high-risk procurement regardless of dollar value	<p>Full procurement plan required.</p> <ul style="list-style-type: none"> • Single or multi-stage RfX process as identified in the procurement plan. • Open procurement process required. <p>Engaged via contract.</p>

* Where a procurement is subject to NZ Transport Agency (NZTA) subsidy, the financial thresholds and procedures prescribed in the NZTA Procurement Manual will apply if the standards are higher than those of council. Also note that the current WDC Procurement Policy is being reviewed and once adopted this threshold may change. Irrespective of this procurement will align with the NZTA Procurement Manual.

Financial thresholds in the NZTA Procurement Manual are as follows:

- Direct appointment up to \$100k
- Closed contest for up to \$200k
- Open tender above \$200k

The council's current Procurement Policy 2021 is under review with the aim to have this updated and operational by June 2024. The new version of the Procurement Policy includes minor changes that will be followed for procurement of Transport projects once adopted. These changes currently include additional values, adding to the four outlined above, which include Health and Safety and being fair to suppliers.

This procurement strategy has been written in collaboration with the council's Procurement Manager and approved by the General Manager - Service Delivery to ensure consistency with council's future direction for procurement.

Broader Outcomes

Government procurement rule 16 requires that each agency must consider, and incorporate where appropriate, Broader Outcomes when purchasing goods, services or works. Broader Outcomes are the secondary benefits that are generated from the procurement activity. These outcomes can be social, environmental, cultural or economic benefits, and will deliver long-term public value for New Zealand. Broader outcomes require you to consider not only the whole-of-life cost of the procurement, but also the costs and benefits to society, the environment and the economy.

The council have adopted a Sustainable Procurement Framework that seeks to enable council's vision of Liveable, Thriving, Connected Communities. This framework establishes a plan for council to work with Māori, Pacifica, LGBT, Aged, Youth and everyone in-between, our people within our community, to improve our reputation and trust amongst our target partners, consumers, clients and beneficiaries.

Achieving better outcomes is integral to procurement of transport projects and a focus on workforce development, and environmental sustainability is considered to be critical to meet our

community's needs. Suppliers are expected to work with council to deliver actions over and above business as usual to help us achieve the council's Strategic Priorities for the district and its people.

To achieve this, council's plan and timeline to achieve procurement outcomes for Liveable, Thriving, Connected Communities is outlined below:



From the current Transport procurement activity, broader outcomes are currently achieved through the following objectives:

- The Waikato District Alliance agreement includes provision for employing local people, particularly school leavers, to provide skills and training opportunities. They are currently reporting 70% of Alliance employees being Maaori or Pacifica, and for Supply partners this ranges between 35% to 63%. Additionally, the Alliance look to engage local suppliers and services where they provide appropriate value for money. From a sustainability perspective, the Alliance performance report to the Governance Group includes reporting of innovations such as waste minimisation through recycling initiatives and community initiatives to support local schools to encourage construction as a career;
- Suppliers are required to include details in their tender proposals on how they will show respect for local culture, contribute to the local economy, promote environmental sustainability, and foster social integration and wellbeing.
- Supplier selection criteria assesses how suppliers will contribute to social, economic, and environmental outcomes that benefit the district. Specifically, council seeks to understand what methodologies and or processes will be implemented to achieve the four wellbeings.
- KPIs will be woven into the contracts to measure delivery in relation to the procurement expectations for sustainable outcomes.

The NZTA Broader Outcomes Strategy 2021 is used as a guide to provide further direction and support to achieving broader outcomes from Transport services, including approaches to implementation, monitoring and reporting requirements.

NZTA's Procurement Requirements

For transport related contracts, NZTA has a specific set of requirements that are to be met through this Procurement Strategy. As such, contractors and consultants for transportation-related activities will be explicitly procured based on the following:

Best Value for money

The Land Transport Management Act s25 requires that procurement procedures used by approved organisations be designed to obtain best value for money spent. In the context of land transport procurement in New Zealand, obtaining best value for money spent means purchasing a good or service that delivers the output approved for funding under s20 in the most efficient and economic manner.

The principle of best value for money when procuring goods or services does not necessarily mean selecting the lowest price. According to the NZTA's *Procurement Manual*, Value for Money means using resources effectively, economically, and without waste, and considering the total costs and benefits of procurement, and its contribution to the results you are trying to achieve.

Best value for money requires a comparative analysis of all relevant costs and benefits of each proposal throughout the whole procurement cycle (whole-of-life-costing). The whole-of-life assessment within the procurement process requires:

- less focus on the upfront price and more recognition that best value is obtained by looking at the overall 'value' associated with the asset or service over its life;
- looking closely at the ongoing costs attributable to the procurement process, such as maintenance and replacement schedules, and service level changes;
- assessing how uncertainties (eg increases in input prices, fuel and wages) may adversely impact on the supplier's ability to deliver the outputs on time, to budget and to the required quality standard.

Competitive and Efficient Supply Markets

Encouraging competitive and efficient markets is about developing sustainable value for money over the long term. Council encourages open and effective competition via its Procurement Policy. Council encourages sustainability and undertakes a LTP which is communicated to the market. The LTP sets out council's priorities, plans and budget for Waikato District, and provides certainty to the market that, if all goes according to plan, the expenditure as set out in the LTP will be spent over the next 10 years.

The balance between effective competition and efficiency of procurement processes is essential to achieving value for money over the long term. This strategy assesses the projects and contracts within the transport programme in terms of scale, complexity, risk and the potential for innovation, flexibility, client involvement, supply and demand and programme constraint.

Fair Competition among Suppliers.

Council encourages fair competition among suppliers by choosing the best value procurement method for the scope of work to make it more attractive to suppliers and to give all suitable players a fair chance to win business.

In summary, this procurement strategy ensures that community outcomes are met and fulfilled through a competitive process.

Health and Safety Policy

Waikato District Council's current health and safety policy (known as "Our Zero Harm Commitment") was last reviewed and issued in September 2022. Council is committed to;

- pursuing a culture of Zero Harm by eliminating or managing health, safety and wellbeing risks.
- providing a safe and healthy working environment for our staff, elected members, contractors, volunteers and the community

To support this commitment council's Zero Harm Team has reviewed and revised the processes and procedures it uses to manage health and safety throughout the procurement lifecycle in collaboration with key stakeholders.

Council's Health and Safety in Procurement procedures and processes are consistent with the advice provided by WorkSafe NZ as outlined in PCBUs Working Together, Advice when Contracting, WorkSafe NZ, 2019.

Council require Contractor Health & Safety Prequalification through the SHE or Totika pre-qual Local Government approved contractor scheme or health and safety pre-qualification to an equivalent standard.

Council's Procurement H&S Risk Management process is outlined in the following six steps.



H&S Risk Assessment

Involves the identification of known and potential health and safety risks associated with the activity and what potential contracting relationships may be involved (for example lead contractor, sub-contractor, sub-sub-contractor). This information is then used to determine health and safety risk management requirements.

H&S Pre-Qualification

A process that helps to determine a contractor's ability to manage health and safety. It involves the evaluation of a potential contractor's health and safety management system, performance, and capability

H&S Expectations and Evaluation

Involves the provision of council's health and safety expectations and information on the known hazards and risks associated with the works or site. On receipt of the contractor(s) response an evaluation of the prescribed health and safety requirements is undertaken before awarding the work.

Pre-Commencement

Involves review and approval of the contractor's health and safety documentation for the specific work being undertaken. Where required may involve the completion of an induction for council controlled sites.

Monitoring H&S

Involves the on-going interaction between council and the contractor, and the monitoring of the contractor's compliance to the agreed standards. Responding to information received. Keeping the contractor informed of the results of the monitoring.

H&S Review

Involves the review of health and safety performance, against the agreed standards, at the end of the contract or other defined timeframes.

Procurement Programme 2024 – 2027

Contract Scope	Timing	Procurement Model	Size and Scope of work
Maintenance and Renewals – up to 30 June 2025	Expires 30 June 2025	<p>Waikato District Alliance awarded to Downer 1 July 2015.</p> <p>Contract Period of 5+5 years, currently in second period of 5 years, expiring June 2025.</p> <p>Procurement planning underway to deliver services from 1 July 2025.</p>	<p>\$150M for 5 years (approx. \$30M per year plus CAPEX projects)</p> <p>Planning, Design and Delivery of Maintenance and renewals of all Waikato District Roads including all assets within road reserve.</p>
Maintenance and Renewals – from 1 July 2025	Procurement from September 2024 for award Feb 2025, start date 1 July 2025	<p>Two NZS3917 contracts, procured through PQM open tender:</p> <ul style="list-style-type: none"> • North Road Maintenance and Renewals – 5+3+2yrs • South Road Maintenance and Renewals – 5+3+2yrs 	<p>Estimated \$250M for first 5 year period, divided approximately equally between the two contracts.</p> <ul style="list-style-type: none"> • North = \$125M • South = \$125M
	Procurement from November 2024 for award Apr 2025, start date 1 July 2025	<p>NZS3917 contract, procured through PQM open tender:</p> <ul style="list-style-type: none"> • Streetlight Maintenance and Renewals – 3+2 	Approximately \$1-2M
Low-cost Low-risk programme	Annual forward works programme	<p>Most projects of low value procured through the Alliance until expiry in 2025.</p> <p>The North and South Road Maintenance and Renewal Contracts (RMRCs) will include provision to procure additional works through variation where performance is on track and there is value for money in doing so.</p> <p>Specialised projects such as footpaths externally procured</p>	<p>10% of total Alliance contract value per year is approved for variations to deliver capital works.</p> <p>The Low-cost Low-risk programme is for capital projects up to the value of \$2M.</p>

		<p>through direct appoint or Lowest Price Conforming (LPC).</p> <p>Complex projects may be procured through the Alliance until 2025 or externally using PQM with NZS391X suite to suit the need as appropriate.</p> <p>From 1 July 2025 complex projects are expected to be procured externally.</p>	
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Below is the list of specific projects that have been proposed in the 2024 Transport Activity Management Plan, for funding through the 2024-25 Enhanced Annual Plan and 25-34 Long-Term Plan, both of which remain subject to approval.

There continues to be ongoing emergency works to deliver in the region. An ongoing annual local share budget of \$1M is proposed to be available for future emergencies.

Future emergency works will be assessed on a needs and value for money basis to ensure the appropriate procurement model is utilised, for general road maintenance this is most likely to be procured through the Alliance for expediency and value for money. Specialised work such as retaining walls and structural work will be considered for external procurement.

Specific projects programmed for the next three years are:

Project Name	2024-25	2025-26	2026-27	Expected Delivery Model*
Area wide pavement rehabilitation	\$5.2M	\$6.8M	\$8.8M	Yr 1 WDA Yrs 2 & 3 North & South RMRC
Emergency repairs - complete recovery from the effects of Cyclones Gabrielle and Hale	\$6M			WDA/Ext
Bridge renewals	\$1M	\$1.05M	\$1.33M	WDA/Ext
Waikato Expressway Revocation Fit for Purpose Projects - SH1 Huntly	\$10.15M Delivery timing TBC			WDA/Ext
Waikato Expressway Revocation Fit for Purpose Projects – SH26, Morrinsville Rd	\$1.38M Delivery timing TBC			Ext
Resilience Projects to be proposed in the Resilience Study	\$2.3M	\$2.2M	\$2.3M	North & South RMRC /External procurement in capital works packages

* The Expected Delivery Model is an assessment at time of writing based on council's policy for procurement planning as outlined in this strategy.

Council is committed to following the processes set out in this Procurement Strategy for all new roading projects not identified in this strategy.

Procurement Environment

Maintenance Providers

Waikato District is fortunate to be centrally located with all of the main road maintenance suppliers based locally or nearby in Hamilton and/or Auckland. This includes Downer (the incumbent), Fulton Hogan and Higgins (the three SH maintenance suppliers). Ventia are likely to be interested in bidding and capable of establishing, they hold road maintenance contracts for Thames Coromandel, South Auckland and Hauraki. HEB are also likely to be interested in bidding in their own right, they currently manage the north of Waikato's network as a supply partner to the WDA. HEB have crews based in Auckland, Tuakau and Hamilton.

All of these suppliers have asset management capability inhouse and are fully capable to deliver the full range of services that may be required.

Additionally, the selection of a more traditional contract model and for smaller network areas and separating the Streetlighting into a specialist contract may open the tenders up to a wider market to attract smaller operators. An example for the Waikato is Inframax who currently hold Taupo, Otorohanga and Waitomo road maintenance contracts. The Streetlight contract will open this tender up to a much wider market of specialist providers and may encourage more innovative options.

Market engagement will be important to test bidder's willingness and identify any barriers to be avoided. Barriers may include:

- Capacity – some suppliers may have reached capacity for the number of maintenance contracts they can resource.
- Value of tendering versus likelihood of success – the cost of tendering large maintenance contracts is significant and requires an appropriately sized bid team to resource. Therefore, the suppliers need to factor in this investment cost when choosing to bid. Splitting the network into more than one contract may help to mitigate this risk, and the procurement plan can consider this in the design of the supplier selection methodology.
- CPI uncertainties and resource shortages – the uncertainty of costs to deliver work and volatility in materials purchasing costs and availability continues to be an issue. Risks of resource shortages and cost increases are continuing, whilst the number of uncertainties (like the next pandemic/business disruption) are unpredictable. This may result in bidders seeking longer-term contracts, and those that already have long-term contracts in place seeking to keep them stable.

With the new North and South Road Maintenance and Renewal contracts proceeding to procure physical works in smaller packages, there is more opportunity for the supplier market. The long-term tenure proposed offers greater security, enabling suppliers to commit to investing in an optimised service offering for better value outcomes. This approach will reduce the barriers indicated above and is likely to receive more interest from a wider market to ensure council attracts a good range of competitive proposals to encourage innovation and value for money.

Capital Physical Works Providers

The Waikato physical works supplier market is mature, offers diversity and competition across small, medium and large national suppliers. Waikato District's proximity to Auckland and Hamilton provides access to the full range of NZ construction suppliers.

The procurement methodology for capital works is assessed on a value for money basis.

Council packages the works with the target bidders in mind to ensure there will be interest in the works, for instance for footpath construction it is preferable to bundle into small packages to keep the contracts manageable for smaller locally sourced contractors. Council also ensures good clear documentation with robust plans on measure and value contracts to ensure risks are allocated appropriately. Engagement with prospective bidders starts early to ensure they are ready for the tender period. Sufficient time is allowed for during the tender process.

In-house Professional Services

Council currently maintains a small design team which provides pavement rehabilitation and urban upgrade designs to support annual programmes as required, including drawing up detailed plans.

Through the Alliance, council has asset management, project management and surveying services available. Council also has a project delivery team that supports the delivery of the roading programme on an as required basis.

Further to this council's current internal roading team comprises:

- Roading Manager as a direct report role to GM Service Delivery
- Transport Operations Team Leader
- Transport Planning Team Leader
- Safety Engineer
- Corridor Engineer
- Road Safety Coordinator

In preparation for the change of road maintenance delivery contracts to NZS3917, council is undertaking a change management process to bring existing council staff back from the Alliance. This includes establishing a new transport asset and contract management team within council.

From 1 July 2025, council expects to be managing all contracts inhouse for the delivery of transport services. Support services are likely to be procured externally to support more detailed designs and complex asset management services (eg, bridge management will continue to be outsourced).

Existing Professional Services Providers

The location of the Waikato District, central to Auckland, Hamilton and Tauranga, provides a sizeable market of consultant organisations, many of whom are national companies providing services to many regions throughout New Zealand. Similarly, smaller consultancies are also able to provide specialist services.

Current engagements include:

Professional Service Engagement	Provider	Form of engagement
Project planning and design	WSP, Pinnacle Civil Ltd	Co-Lab PSP
Asset Management	Luke McCarthy Consulting Ltd Local independent consultants	Co-Lab PSP Short Form Contracts
Project cost estimator/peer review	Bond CM	Short Form Contract
Bridging	Beca	Co-Lab PSP
Transportation and Safety advice	Grey Matter, Luke McCarthy Consulting Ltd	Co-Lab PSP
Data management	RATA	MPFA agreement for services
Engineer to Contract	Internal or external as required	Co-Lab PSP/Short Form Contract where required

Approach to Delivery

Co-Lab Solutions

Co-Lab (operating as the Waikato Local Authority Shared Services (WLASS)) was established in 2005 to promote shared services between local authorities across the Waikato region. By working together, Co-Lab can reduce costs, achieve effectiveness and efficiency gains, reduce duplication of effort and eliminate waste through repetition, promote and contribute to the development of best practice, and improve customers' experiences.

In 2019 Co-Lab established its current Professional Services Panel. This provides a framework arrangement with a panel of professional service providers to offer Co-Lab members better value for money, greater capacity and access to a wider range of expertise than other procurement arrangements. It allows the participating councils to select from a pre-approved panel of those professional service providers it wishes to use for any particular engagement on terms and conditions already agreed, without having to enter into a new contract with the professional service providers each time this occurs. This avoids both the cost and delay (for both councils and professional service providers) of conducting a fresh procurement for each piece of work. Furthermore, it intends to provide a measure of work certainty to the professional service providers, encouraging investment and expansion in the Waikato area and provides an opportunity to develop close collaborative relationships between the parties.

Co-Lab is in the process of retendering the panel, with the new panel to be established from December 2024. This is indicated to be a reimagined Professional Services Panel, with two supplier tiers available depending on the scope and value of the services sought.

Co-Lab - RATA

The Waikato Regional Asset Technical Accord (RATA), a service provided through Co-Lab, has a goal of 'Achieving good practice asset management to improve wellbeing of communities'. RATA have three objectives to deliver on this purpose:

- Alignment of asset management principles through COLLABORATION.
- QUALITY OF DATA is trusted and is able to increase confidence in decision making by partner councils.
- Increase SKILL and capability of partner council staff members.

The Transport Team has committed to a Multi Party Funding Agreement with RATA to be included in Roothing Forums, receive quarterly reports on the performance of assets and have access to shared opportunities for training and asset management improvement projects.

Council utilises RATA's shared services for data collection and analysis, including:

- Traffic counting;
- Footpath condition rating surveys;
- Road condition modelling (dTIMS).
- Benchmarking of Customer Satisfaction against spend and road condition;

In addition, council has a term contract for Structural Asset Management through RATA. This was revised and retendered in 2022, with the new contract capturing improvements to reporting and contract management to enable improved asset management decision making.

The RATA contracts are providing opportunities for procurement savings and the sharing of innovation and expertise, as well as cost savings and other asset management benefits, and improved 'one-network' transport outcomes.

Professional Services

Council utilise the Co-Lab Professional Services Panel (PSP) for professional services engagements, and look to spread work packages across the panel, choosing consultants for their strengths.

Where projects require use of a consultant that is not on the panel, a procurement exemption from the policy rules is required. In this case we will procure professional services in accordance with this procurement strategy to achieve improved public value or where specialist engagements are required.

The council Procurement Policy allows for Exemptions as follows: Any departure from procurement policy or process must be approved by the Chief Financial Officer (CFO) on the advice of the Procurement Manager. Exemptions above public value thresholds will require CFO and Chief Executive approval. Poor planning or workflow management are not valid reasons for exemption from this policy or associated processes.

Council note that NZTA have yet to approve the PSP as an endorsed panel that meets the requirements of the NZTA procurement rules. From this perspective, council agree to restrict use of the panel for NZTA subsidised professional services projects to \$200k and will tender externally for procurements above this value.

Physical Works – Maintenance

Existing Alliance Delivery Model

Contract No. 14/314 is a Pure Alliance long term maintenance contract between Waikato District Council and Downers New Zealand known as the Waikato District Alliance (Alliance). The Alliance is a collaborative alliance (shared risk model) between Waikato District Council and Downer and delivers fence to fence type maintenance and renewals for the roading activity. The Alliance uses supply partners to support planning, design and delivery of maintenance, renewals and new capital works.

The contract commenced on 1st December 2015 with an Approved Contract Sum of \$150,000,000 and recognised the estimated TCE of \$30m per annum for 5 years would have minor fluctuations each year. The contract period is 5 years + 5 year extension and is currently in its 9th year of operation. On 8 April 2020 the council's Emergency Committee reached the decision to roll-over this arrangement for the extension period allowed for in the contract of an additional five years.

As part of the rollover review process, the Principal's Group (PG) (the contract's governance group) agreed to an extensive improvement plan to capture the lessons learnt from the first five-year period and from the knowledge gained by the team on the intricacies involved in managing this extensive roading network. The purpose of the review was to bring forward better and more focussed value outcomes.

A full review of the Target Cost Estimate (TCE) is carried out annually. This provides an opportunity to test the Value for Money proposition every year. Productivity is also audited annually, and benchmarking is carried out every year to ensure that prices are fair and reasonable rates.

Council has approved an additional variation cap of 10% for this contract to support delivery of the LCLR projects. This facility was approved in recognition of Alliance's ability to expedite efficient commissioning of capital projects where scope is aligned to the type of work already undertaken by Alliance. The distinct cost advantage for council is that these variations attract only actual costs plus margin i.e. no additional overheads are applied to variations as these are already covered in the TCE; there are reduced mobilisation costs; and external tender and procurement costs are minimised or avoided. There is considerable flexibility in working with Alliance who can adopt more of an Early Contractor Involvement approach to tease out design and construction issues thereby mitigating risk associated with more traditional approaches; and have capacity and flexibility to adapt delivery timeframes around a broader portfolio of work.

Road Maintenance and Renewals Delivery from 1 July 2025

With the existing Alliance contract expiring in June 2025, a review has been completed in accordance with the LGA s17A requirements to review cost efficiency and effectiveness of the current delivery of services. A copy of the review report is available on council's website - [inf-open-supplementary-agenda---230816.pdf \(waikatodistrict.govt.nz\)](#). This review recommended a detailed review of the method for delivering road maintenance and renewal services to recommend the preferred contract model to provide the best value for delivering the services.

A Detailed Contract Review Report was considered at the council meeting on 20 November 2023. The Report recommended that:

The preferred option is to change the council's model for outsourcing of road maintenance services to a more traditional contracting model, consistent with the majority of local government road networks across New Zealand.

The new model, consisting of returning the Roothing Team to be managed within council and using the NZS3917 collaborative contract template for outsourcing of road maintenance services through 2 to 3 fence-to-fence contracts, with the option to procure additional contracts for network wide specialty services, such as streetlighting, where appropriate.

Council agreed as follows:

THAT the Waikato District Council (WDC231111 resolution):

- a. approves use of NZS3917 contract model to procure the Road Maintenance and Renewal Services for a start date of 1 July 2025; and*
- b. approves the release of this resolution into the open meeting, but the report remains confidential and unavailable to the public.*

This resolution was based on a recommendation that outlined the value of changing the contract model for delivery of road maintenance and renewal services to using the NZS3917 contract model across two to three separate contracts. As a result, the council transport team will be set up to manage asset management and contract management themselves. The decision was made based on considering the future needs of WDC, the network and our communities.

The NZS3917 model, along with asset and contract management more centrally coordinated within WDC, was seen to provide greater flexibility to enable efficient and effective investment in the

needs of the network. WDC will look to encourage collaboration through use of this model, with a focus on long-term planning for better value for money outcomes.

The detailed Procurement Plan for the Road Maintenance and Renewal Contracts is in development to specify the supplier selection methodology with the following focus:

Tender Focus	Target Outcome
<p>The North and South Road Maintenance and Renewals contracts will be procured at the same time.</p> <p>Suppliers may bid both, but can only be awarded 1 network.</p>	<p>This allows suppliers to value networks based on their ability to resource to deliver on KPI requirements/LoS. The key driver will be maintaining consistent levels of service and response times to incidents.</p> <p>The benefit to council will be optimised proposals that target the outcomes council specifies.</p>
<p>Contract tenure 5 years + 3 years + 2 years.</p> <p>The first extension will be based on performance as an incentive to perform well, the second will be optional to enable council to decide if timing is appropriate to extend or retender.</p>	<p>Aligns to optimal timing for renewing budgets through the LTP process.</p> <p>Brings better value for money through:</p> <ol style="list-style-type: none"> 1. Suppliers can commit long-term to investment – plant and local suppliers. 2. Eases procurement cost and effort. 3. Stable arrangement for longer period gives more certainty to both parties and to commitment to achieving the Community Outcomes. Encourages better relationships for the longer term. <p>Provides a reward incentive to suppliers for the additional extension periods.</p>
<p>Price Quality Method – evaluation will consider the non-price proposal first and a supplier quality premium will be calculated to value the benefits of higher scoring proposals. These will then be discounted off the price proposal of conforming tenders, and the lowest quality adjusted price identified as preferred.</p>	<p>Non-price evaluation will encourage suppliers to design a strategy for delivering outcomes to achieve council’s expectations. This will include resourcing and key staff, depot location(s), processes and systems and their methodology to achieve the best outcomes possible at a competitive price.</p>

Timing is as follows:

1. Issue RFTs to Market Mid Sept 2024
2. Close Tenders End Oct 2024 (6-week period)
3. Award of Contract Jan/Feb 2025
4. Establishment of new contracts Feb to Jun 2025

Streetlights may be procured slightly later as less establishment time is needed – will also start 1 July 2025. The term for this contract is proposed to be 3 year + 2 years.

Physical Works - Capital

Remaining capital contracts and projects that are not direct appointed to the Alliance or procured through the new Road Maintenance and Renewal Contracts will be tendered publicly utilising Council's suite of contract templates. They will all follow NZS 3910 or 3915 Conditions of Contract. Smaller contracts will utilise a Lowest Price Conforming, Measure and Value contract style. Where risk is low, the council will consider Lump Sum contracts. For higher value contracts where scope is well defined, a form of Design and Construct lump sum contract will be considered. All larger contracts will use Price Quality Method supplier selection methodology.

The decision to award projects as variations to the Alliance/Road Maintenance and Renewal Contracts, or for council to tender externally, is made by the Roding Manager based on an assessment of fair value for money and the ability of the existing contract to resource the project and to deliver to a quality standard.

Council's preference is to use their internal project delivery team or Alliance to manage projects, however where capacity requires, we will seek external management resource.

Implementation

This Procurement Strategy is owned by the Roding Manager. Implementation of the procurement programme will be managed by the Roding Team with support from the Procurement Manager. Delivery of projects is managed through the Enterprise Project Management Office (EPMO) on request by the Roding Team.

Scoping and Project Planning

The Roding Team have developed a Capital Projects Delivery Guide which outlines the process for scoping and planning for delivery of projects. The guide provides a Project Plan template which is completed for every project. The project plan outlines the outcomes to be achieved, scope of works, timeframe, costs and resourcing, method for delivery, and KPIs to be achieved.

Performance Measurement and Monitoring

The Alliance agreement uses a KPI reporting mechanism to monitor the performance of the contract. As a traditional Alliance model, the financial mechanism is based on Limb 1, Limb 2 and a Pain:Gain mechanism as incentive for value for money and quality outcomes. Within the Alliance there is an Assurance manager Quarterly audits for compliance against cost. Additionally, the annual

negotiation of price, including auditing and peer review provides council with assurance in value for money.

The new NZS3917 RMRC contracts will utilise a KPI performance measurement and monitoring framework. This is to be developed a part of procurement planning.

All externally procured contracts are delivered through the projects team, which is currently establishing new systems and processes to manage projects, including to measure and monitor performance. The responsibility for day-to-day project liaison and performance assessments will lie with relevant project managers. Monitoring of Supplier performance will allow council to provide feedback to Suppliers on their performance ensuring no surprises at the tender evaluation phase where track record is scored.

Communications Plan

Council intends to work closely with local suppliers and will allow market briefing sessions for public tenders. Council has a general desire to work alongside industry to help develop our supplier base and their ability to compete for tenders. Council will publish this procurement strategy on its website once adopted by council to allow transparency.