



## **Procurement Strategy**

### Waikato District Council Transport Activities

**May 2023**



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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 Waka Kotahi NZ Transport Agency (Waka Kotahi) 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 covers a shorter period of one year to enable the Council to align its procurement planning with the Long-term Planning process, and to enable time to complete the review and recommend a procurement approach for the delivery of road maintenance and renewal activities in the next Transport Procurement Strategy in June 2014.

This procurement strategy will be considered by Council for adoption following endorsement by the Waka Kotahi. Responsibility for the Strategy and its currency primarily lies with Council's Roding Team Leader. Future reviews (and Waka Kotahi 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 and 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 a term of one year.

## 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 Waka Kotahi NZ Transport Agency (Waka Kotahi) 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 2020 Procurement Strategy) in order to align the requirements of the New Zealand Transport Agency's (Waka Kotahi) Procurement Manual Amendment 6 for activities funded through the National Land Transport Programme; it takes into account:

- Changes to Waka Kotahi's investment principles
- Waka Kotahi's updated 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, 560 bridges and all of the assets and street furniture that enables efficient operation of this network. The [Activity Management Plan](#) forecasts an annual spend for the full activity of approximately \$55M per annum, which includes approximately \$20M for capital works and the remainder for maintenance, operations and renewals activities.

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.

Council budgets \$850k for emergency works each year.

## Procurement Approach

Council entered into a collaborative contracting arrangement with Downer to form the Waikato District Alliance (Alliance) in 2015. The Alliance is the primary mode of delivery for all road maintenance, operations and renewal activities within the District.

This single delivery model replaced a range of separate contracts to deliver the road maintenance and renewal works including two separate major maintenance contracts for the East and West networks, and several other delivery works contracts. 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.

On 8 April 2020 the Council reached the decision to rollover this arrangement for the extension period allowed for in the contract of an additional five years. This decision was conditional on implementation of the improvement plan that was recommended – with delegation to the Chief Executive to endorse this improvement plan and vary the contract as needed to give effect to these.

The Waikato District Alliance contract model for delivery of road maintenance services is due to expire on 30 June 2025. As a substantial contract for Council, the options for delivery of these services from 1 July 2025 require 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 is underway to inform Council's decision on the service delivery option to proceed with.

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 Waka Kotahi'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 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 Waka Kotahi (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 Rooding Manager, who is also responsible for the continuity of transportation activities funded from the National Land Transport Fund (NLTF).

Reviews and Waka Kotahi endorsement of the procurement strategy is a requirement for continued NLTF investment and therefore reviews are planned on a triennial basis (following local government elections).

Waka Kotahi approval is sought conditional to Waikato District seeking further approval of the procurement plan for the next Maintenance and Renewals Service Delivery from 2025.

## 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.

Waka Kotahi 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 Waka Kotahi 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><b>Local Government Act 2002 (LGA)</b></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"> <li>• Conduct business in an open, transparent and democratically accountable manner;</li> <li>• undertake commercial transactions in accordance with sound business practice; and</li> <li>• in the course of decision-making: <ul style="list-style-type: none"> <li>○ seek to identify all reasonable practical options for the achievement of meeting objectives for a decision</li> <li>○ assess the options in terms of their advantages and disadvantages</li> </ul> </li> </ul> <p>Under s17 local authorities are required to review services to test for efficiency and effectiveness to the delivery. In February 2015 Council undertook a roading maintenance procurement model review to inform the decision to procure services using the Alliance model, which confirmed the value for money and efficiency of the Alliance model in delivering the service. In 2019 a thorough review of the Alliance delivery of services was undertaken to provide assurance to Council of the value of agreeing to rollover the contract for the agreed second 5-year term.</p> <p>A s17A review is now underway to review the cost efficiency and effectiveness of road services delivery and identify options for delivering services when the Alliance expires in 2025.</p>
<p><b>Land Transport Management Act 2003 (LTMA)</b> <b>Waka Kotahi Procurement Manual version 6 (effective 1 April 2022)</b></p>	<p>A Procurement Strategy is required by Waka Kotahi 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 Waka Kotahi Procurement Manual and as amended in Waka Kotahi General Circular #19/03.</p> <p>Supplier selection processes are covered in Section 5 of the Waka Kotahi Procurement Manual.</p>
<p><b>Government Procurement Rules, Rules for sustainable and inclusive procurement (4<sup>th</sup> Edition 2019)</b></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"> <li>• delivers public value (including Broader Outcomes)</li> <li>• does not discriminate against suppliers (whether domestic or international), and</li> <li>• meets agreed international standards.</li> </ul> <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"> <li>1. Plan and Manage for Great Results</li> <li>2. Be fair to all suppliers</li> <li>3. Get the Right Supplier</li> <li>4. Get the Best Deal for Everyone</li> <li>5. Play by the Rules</li> </ol> <p>The government procurement charter directs agencies and encourages public entities to:</p> <ol style="list-style-type: none"> <li>1. Seek opportunities to include NZ Businesses;</li> <li>2. Undertake initiatives to contribute to a low emissions economy and promote greater environmental responsibility</li> <li>3. look for new and innovative solutions</li> <li>4. engage with businesses with good employment practices</li> <li>5. promote inclusive economic development within NZ</li> <li>6. Manage risk appropriately</li> <li>7. encourage collaboration for collective impact.</li> </ol>

<b>OAG Procurement Guidelines for Public Entities (2008)</b>	<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>
<b>REG – Te Ringa Maimoa - Road Maintenance Procurement Guidelines</b>	<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 vision is that we work together as a district to build liveable, thriving, connected communities as our townships grow.

Liveable communities are well-planned and people-friendly, providing for a range of quality residential options, social infrastructure, walkways and open spaces. They reflect what’s important to people, and support a shared sense of belonging both to the local community and the wider district.

Thriving communities participate in Council decision-making and community-led projects, provide input into the management of their local assets, and sustain the local business sector that provides local employment.

Connected communities have fit-for-purpose infrastructure to create liveable, thriving communities. Connectivity through roads, cycleways, walkways and digital capabilities enable rapid information sharing and engaging in activities together. By these means, people in connected communities access services and amenities that meet their social, health, education and employment needs.

## Long Term Plan (LTP)

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.

## 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 (4<sup>th</sup> edition):

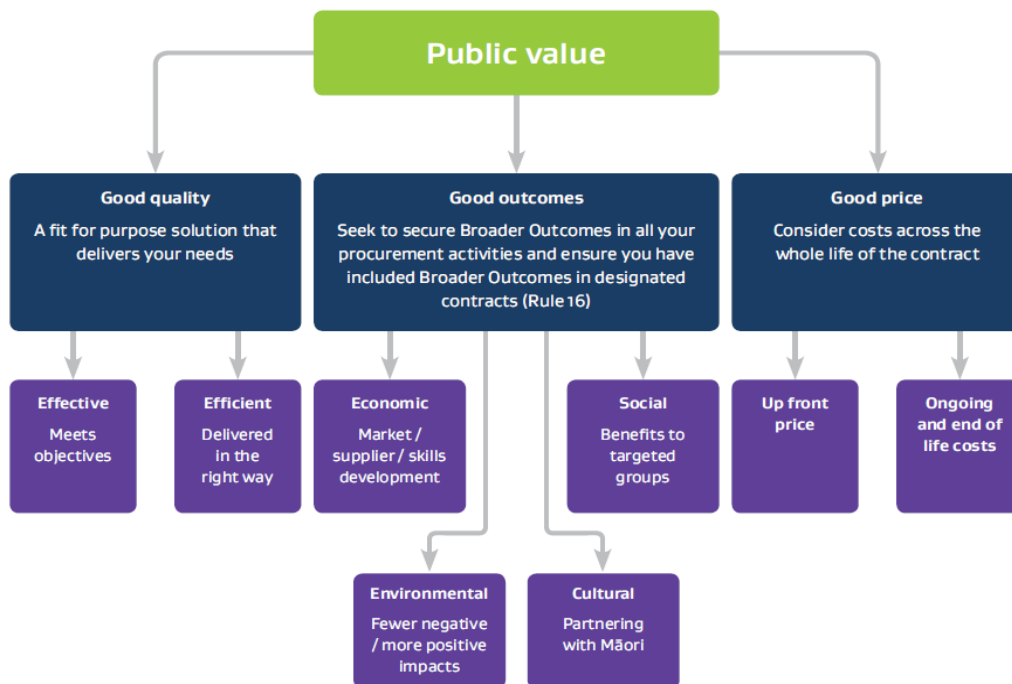


Figure 1: Public Value Guide, extracted from MBIEs Government Procurement Rules, 4th Edition 2019.

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:

<b>Spend Threshold</b>	<b>Risk Level</b>	<b>Procurement Requirement *</b>
\$0 - \$50k	Low to medium	No procurement plan required. <ul style="list-style-type: none"> <li>• Single quote in writing where an existing supplier exists, or</li> <li>• Two quotes in writing where there is no existing supplier arrangement for the goods and services.</li> </ul>
\$50k - \$250k	Low to medium	Engaged via electronic purchase order or appropriate minor physical works contract. Lite procurement plan required. <ul style="list-style-type: none"> <li>• Three written quotes required, or</li> <li>• Public or invited RFX process where identified in the procurement plan.</li> </ul>
Over \$250k	Any high-risk procurement regardless of dollar value	Engaged via contract. Full procurement plan required. <ul style="list-style-type: none"> <li>• Single or multi-stage RFX process as identified in the procurement plan.</li> <li>• Open procurement process required.</li> </ul>
		Engaged via contract.

\* Where a procurement is subject to Waka Kotahi NZ Transport Agency (NZTA) subsidy, the financial thresholds and procedures prescribed in the NZTA manual will apply if the standards are higher than those of Council.

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

Given Waka Kotahi financial thresholds differ from Council’s for Closed Contest engagements, all subsidised transport activities will be procured in accordance with the Waka Kotahi requirements.

This procurement strategy has been written in collaboration with the Council’s Procurement Manager and approved by the Council Executive team to ensure consistency with Council’s future direction for procurement. The new version of the Procurement Manual and Policy will align with and enable this procurement strategy.

## 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 considered recommendations to include broader outcomes into its procurement practices and have agreed to proceed with developing a Sustainable Procurement Framework to be created with partners. Engagement with partners, including iwi, is underway and the Sustainable Procurement Framework is expected to be presented to Council for approval in July. [Council will provide update in the next iteration of this document]

From the Transport service delivery 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, they 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;
- Council's preference is to support and value their local economy and NZ based businesses where possible;
- Council is a member of the Waikato Tier 1 local government group for VKT reduction to contribute to carbon emission reductions. Where achievable to obtain Public Value, procurement processes will include assessment of measures that contribute to emission reduction.

Procurement processes and project delivery for all activities delivered through this Procurement Strategy will include assessment for environmental, cultural, social and economic outcomes.

The Waka Kotahi 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.

## Waka Kotahi's Procurement Requirements

For transport related contracts, Waka Kotahi 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 Waka Kotahi'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, the 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 January 2020. 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 Contractor Health and Safety Management 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's contractor health and safety management process is outlined in the following six steps.



## Scoping the Work

Involves determining what work needs to be undertaken, what health and safety risks may be associated with the work and what are the contracting relationships involved (for example contractor, sub-contractor, sub-sub-contractor).

## Pre-Qualification

Involves the evaluation of a contractor's or sub-contractor's health and safety management system and performance using a SHE (a third party provider) or an equivalent.

## Tender/ Contract Letting

Involves the identification of known Council hazards and associated health and safety requirements; the provision of this information to those tendering, and receipt of contract specific health and safety information from the contractor; the evaluation of health and safety attributes; and the letting of the contract.

Depending on the level of health and safety risk and the nature and complexity of the contracting relationships Council will develop a Contract Specific Zero Harm Framework that becomes an appendix to the contract documentation. The framework is intended to be a working document for the life of the contract and updated when required. Where implemented the framework is a communication tool that aims to:

- Clarify Council's expectations, standards, values, culture and intended coordination strategy in relation to health and safety for the contract
- Ensure that Council and the Supplier, and its sub-contractors who are engaged to provide services, achieve best practice and demonstrate leadership in health and safety by taking a collaborative outcomes-based approach that incentivises good behaviour rather than relying solely on prescriptive contract terms.
- Emphasise strongly the accurate, timely, complete and honest reporting of health and safety risks, incidents and continuous improvement opportunities on the basis that clear and open communication is the critical first step to achieving best practice and leadership goals.

## **Pre Commencement**

Involves agreeing and documenting the specific activities to be carried out to manage health and safety for the contract. Where required review and approval of the contract specific health and safety plan.

## **Monitoring the Contract**

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

## **Post-contract 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 2023 – 2026 (noting this strategy covers a one year period from 2023-2024)

Contract Scope	Timing	Procurement Model	Size and Scope of work
<b>Maintenance and Renewals</b>	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>Review underway to identify procurement plan 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> <p>Review of service delivery will include review of scope of this contract.</p>
<b>Low-cost Low-risk programme</b>	Annual forward works programme	<p>Most projects of low value procured through the Alliance.</p> <p>Specialised projects such as footpaths externally procured through direct appoint or Lowest Price Conforming (LPC).</p> <p>Complex projects may be procured through the Alliance or externally using PQM with NZS 3910 M&amp;V contracts or 3916 D&amp;C where appropriate.</p>	<p>10% of total Alliance contract value per year is approved for variations to deliver capital works. This LTP period (2022-2024) a variation of \$36M is approved for capital delivery through the Alliance, of which \$10M is to deliver a Waikato Expressway special package of network improvements related to revocation. Includes safety works, local road improvements, resilience projects, new footpaths, reinstatement works.</p>

<b>Bridge renewals</b>	for the term of the procurement Plan	Public tender NZS 3916 design & build and 3910	\$1.2m for delivery 2023/24.
<b>Traffic Services Renewal</b>	Every year	Included in Alliance	Approx. \$450k per year
<b>New Footpaths</b>	Package each year	Included in Alliance as an annual variation	2023: \$500k 2024: \$515k

Below is the list of specific projects that have been approved for investment in the Long-Term Plan. The next update for the LTP is underway, due for issue in 2024. Therefore, the next version of this Procurement Strategy from 2024 will be updated to align with future LTPs. Council is committed to following the processes set out in this Procurement Strategy for all new roading projects not identified in this strategy.

Additionally, there continues to be ongoing emergency works to deliver in the region. Council have a budget of \$850k per year therefore work is completed as the budget allows.

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:

<b>Project Name</b>	<b>2023-2024</b>
Area wide pavement rehabilitation	4,164,659
Bridge renewals	1,274,316
Whitikahu road bridge	371,676
Tahuna road minor improvements	743,352
River road minor improvements	1,592,896
Whitikahu road minor improvements	796,448
Washer road minor improvements	265,483
Mangatawhiri road minor improvements	743,351
Pokeno road minor improvements	796,448
Waikato Expressway Revocation Projects	3,400,000
Other carry-forwards from 2022/23	
<b>Subtotal</b>	<b>14,148,629</b>

# 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. This includes Downer (the incumbent), Fulton Hogan (the SH maintenance supplier) and Higgins, with all three having Asphalt plants in Hamilton. Ventia are likely to be interested in bidding and capable of establishing (they closed their base in Hamilton in July 2021 due to the loss of the SH maintenance contract, but have bases located in South Auckland and Coromandel). HEB are also likely to be interested in bidding, their maintenance crews are based in Auckland but they have a yards in Tuakau and Hamilton that are increasing in capacity. HEB currently support Downer on the Waikato Alliance, providing subcontracting resource in the north of the District.

All of these suppliers have asset management capability either inhouse and are fully capable to deliver the full range of services in this contract.

Indications are that willingness to bid is very low in the industry currently. Hamilton City only received 2 bids for its recently awarded Collaborative Corridor Agreement, and others are indicating similar numbers of bidders. Therefore, market engagement will be important to test bidder's willingness and identify any barriers to be avoided.

Barriers may include:

- Capacity – FH are indicating that they have reached capacity for the number of maintenance contracts they can resource nationwide.
- Value of tendering versus likelihood of success – the cost of tendering large maintenance contracts like this is significant and requires a large fulltime bid team to resource. Therefore, if there is any indication that the bidder doesn't meet Council's minimum requirements to succeed, or if there are indications that Council has a preference for any specific supplier, others will choose not to invest in bidding.
- CPI uncertainties and resource shortages – the ability for bidders to accurately predict costs for tendering work to be delivered in the year ahead are becoming more and more difficult. Risks of resource shortages and cost increased are becoming more likely, whilst the number of uncertainties (like the next pandemic/business disruption) are increasing and 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.

## 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.

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.

The Alliance and the Council both engage Physical Works Providers for projects as necessary to ensure the works programmes can be adequately resourced. The Alliance has agreed an Alliance Procurement Management Plan (while this is called the “Alliance Procurement Strategy”, it focusses on procurement management) for engagement of all subcontractors and for supply above \$50,000 in value in aggregate. This agreement aligns with Council procurement policy with a focus on maximising value for money.

The Alliance agreement includes a back-to-back arrangement with supply partners who are engaged to provide specialised services to contribute to delivery of the scope of work for the Alliance, eg for vegetation control. These suppliers are engaged through contracts with the head supplier that mirror the Alliance specifications and for the term of the Alliance agreement. The Alliance separately engages other subcontractors as needed through the direction of the PG endorsed procurement framework.

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

## **In-house Professional Services**

Council 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 internal roading team comprises:

- Roading Manager
- Contract Manager
- Safety Manager/Engineer
- Corridor Engineer
- Road Safety Coordinator
- Council recently recruited the Roading Manager as a new direct report role to GM Service Delivery. Next stage will be a development of the Roading team to create improved leadership for delivery of the increasing programme for delivery of services.

## **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:

<b>Professional Service Engagement</b>	<b>Provider</b>	<b>Form of engagement</b>
<b>Project design</b>	WSP	Co-Lab PSP
<b>Project Management</b>	Luke McCarthy Consultants (LMC)	Co-Lab PSP
<b>Asset Management</b>	Local independent consultants	Short Form Contracts
<b>Project cost estimator/peer review</b>	Bond CM	Short Form Contract
<b>Bridging</b>	Beca	Co-Lab PSP
<b>Transportation and Safety advice</b>	Grey Matter, LMC	Co-Lab PSP
<b>Data management</b>	RATA	MPFA agreement for services
<b>Engineer to Contract</b>	Internal, LMC	Co-Lab PSP

## Approach to Delivery

### Co-Lab Solutions

Co-Lab Solutions (formerly 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 retendered its 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 - 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.

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

- Road roughness surveys;
- Footpath rating surveys;
- Traffic counting;
- RAMM condition rating;
- Road condition modelling (dTIMS).

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 small engagements for professional services, and look to spread work packages across the panel, choosing consultants for their strengths.

Engagements through the WLASS PSP follow the financial thresholds in the NZTA Procurement manual as follows:

- Direct appointment up to \$100k
- Closed contest for up to \$200k
- Open tender above \$200 – where tenders are sought from prequalified WLASS PSP providers.

Where projects require a procurement exemption from the policy rules for improved public value or specialist engagements we will competitively procure professional services design and/or MSQA work

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.

## Physical Works – Maintenance

All Maintenance activities including the renewal works are delivered through the Alliance, more detail is provided below. Capital works are delivered either as variations to the Alliance contract or separately procured based on the decision criteria provided below.

### 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 7th 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. Specifics of the resolutions of the Council Committee were to:

*approve the rollover of the Alliance contract (Contract 14/314) for a further term of 5 years from 1 July 2020, including with changes to the contract as detailed in Attachment A to the staff report entitled Principals Group Statement of Intent;*

*AND FURTHER THAT the Emergency Committee approve a Contract Sum of \$150,000,000 for the 5 year period (\$30m per annum);*

*AND FURTHER[sic] THAT the Emergency Committee delegates to the Chief Executive authority to:*

- complete negotiations of a variation to Contract 14/314 to give effect to the agreed changes to the contract as outlined in the staff report, noting that if there are any further material changes not identified, that the Chief Executive will report back to the Committee or Council for further approval; and
- execute a variation to Contract 14/314, and complete any other documentation required, on behalf of the Council to give effect to this resolution.

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. Council is assisted currently by BondCM who are an independent resource with experience in cost estimation. Random auditing is carried out on a quarterly basis through a financial audit. 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 as detailed in Appendix A. This facility was approved in recognition of Alliance’s ability to expedite efficient commissioning of capital projects and delivery of other significant Service Delivery work programmes (particularly Community Connections and the Waters teams) 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.

Additionally, in 2022 Council approved an additional expenditure for variation to the Alliance of up to \$36M for this LTP period (2022-2024), of which \$10M is to deliver a Waikato Expressway special package of network improvements related to revocation. This amount is to cover Council’s large programme of safety works, local road improvements, resilience projects, new footpaths, reinstatement works. Details of the Council Resolution are provided in Appendix B.

Guidelines have been issued by Council for how project delivery by the Alliance should be achieved. These recognise the need for differing requirements for projects of varying project complexity/risk and project value. All options require approval by the Council Client and PG, and Council reserve the right to choose which projects if any will be direct appointed to the Alliance. Table I is an extract of the decision process for delivery guidelines to provide assurance that value for money is achieved. Council will seek BondCM peer review of prices to test against benchmarked values and give confidence that the Alliance continue to provide best public value.

The table below provides guidance in this regard, for the Alliance to follow for all projects agreed to be direct appointed to them:

**Table I – Alliance Variation Project Delivery Guidelines**

	Threshold Value		
Complexity/Risk	<\$200k	\$200k - \$1.0m	>1.0m
Simple/Low Risk	<ul style="list-style-type: none"> <li>Award to Alliance on basis of firm TCE and delivery programme</li> <li>Capex Projects Quality Plan Process for &gt;\$100k unless exempted by Client</li> <li>Exception reporting for all projects</li> </ul>	<ul style="list-style-type: none"> <li>3 quotes/tenders sought by Alliance</li> <li>Firm TCE</li> <li>Sound project management</li> <li>Capex Projects Quality Plan Process</li> <li>Exception reporting</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>
Medium Complexity/Risk	<ul style="list-style-type: none"> <li>Award to Alliance on basis of firm TCE and delivery programme</li> <li>Sound project management</li> <li>Capex Projects Quality Plan Process for &gt;\$100k unless exempted by Client</li> </ul>	<ul style="list-style-type: none"> <li>3 quotes/tenders sought by Alliance</li> <li>Firm TCE</li> <li>Sound project management</li> <li>Capex Projects Quality Plan Process</li> <li>Exception reporting</li> </ul>	<ul style="list-style-type: none"> <li>3 quotes/tenders sought by Alliance</li> <li>Risk analysis</li> <li>Robust TCE 95%ile range</li> <li>Detailed project management</li> <li>Capex Projects Quality Plan Process</li> </ul>



	<ul style="list-style-type: none"> <li>• Exception reporting</li> </ul>		<ul style="list-style-type: none"> <li>• Enhanced reporting</li> </ul>
Complex/High Risk	<ul style="list-style-type: none"> <li>• Award to Alliance on basis of firm TCE and delivery programme</li> <li>• Risk analysis</li> <li>• Capex Projects Quality Plan Process</li> <li>• Exception reporting</li> </ul>	<ul style="list-style-type: none"> <li>• 3 quotes/tenders sought by Alliance</li> <li>• Risk Analysis</li> <li>• Firm TCE</li> <li>• Detailed project management</li> <li>• Capex Projects Quality Plan Process</li> <li>• Enhanced reporting</li> </ul>	<ul style="list-style-type: none"> <li>• Enhanced reporting</li> <li>• 3 quotes/tenders sought by Alliance</li> <li>• Detailed Risk Analysis/Mitigation</li> <li>• Robust TCE 95%ile range</li> <li>• Detailed project management</li> <li>• Capex Projects Quality Plan Process</li> <li>• Enhanced reporting</li> </ul>

With the existing Alliance contract expiring in June 2025, a review is underway, following the LGA s17A requirements to review cost efficiency and effectiveness of the current delivery of services. This review includes consideration of the method for delivering road maintenance and renewal services and will recommend the preferred contract model to provide the best value for delivering the services. Following this, a Procurement Plan will be developed to detail the recommendations for timeline for procurement of services and supplier selection methodology.

## Physical Works - Capital

Remaining capital contracts and projects that are not direct appointed to the Alliance will be tendered publicly utilising Council’s suite of contract templates. They will all follow NZS 3910 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 or for Council to tender externally is made by the Roading Manager based on an assessment of fair value for money and the ability of the Alliance 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 Roading Manager. Implementation of the procurement programme will be managed by the Roading Team with support from the Procurement Manager. Delivery of projects is managed through the Project Management Office (PMO) on request by the Roading Team.

## Scoping and Project Planning

The Roading 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.

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 more closely with local suppliers, and will allow more regular 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.

## **Appendices**

Appendix A – Waikato District Council Infrastructure Committee Resolution Council 1706/23

Appendix B - Waikato District Council Infrastructure Committee Resolution Council 15 August 2022 2208/24

## Appendix A – Waikato District Council Infrastructure Committee Resolution Council I706/23

### **COMMITTEE AND DEPARTMENTAL REPORTS**

#### **Infrastructure Committee**

Waikato District Alliance Contract I4/314 – Increase of Approved Contract Sum – INF1705/12

**Resolved: (Crs Patterson/Sedgwick)**

**THAT Council approve the contract sum of Contract I4/314 Waikato District Alliance being increased to \$154,240,000 (excl GST) for the purposes of completing existing Roding Emergency works and LED upgrades;**

**AND THAT Council approve the use of \$491,800 from the disaster recovery fund being allocated to Roding to cover the Council's cost share of the emergency work;**

**AND FURTHER THAT Council give pre-approval for a further 10% in contract variances (\$3 million) per annum to be actioned where the work is no more than \$150,000 per variation, and it can be shown that using the WDA will benefit the council in terms of competitive pricing and reduction of administrative costs.**

**CARRIED on the voices**

**WDCI706/23**

## Appendix B – Waikato District Council Infrastructure Committee Resolution Council

**Resolved: (Crs Church/Woolerton)**

**That the Waikato District Council:**

- a. approves the issuing of variations to the **Waikato District Alliance (WDA)** in **FY2023** and **FY2024** with a total budgeted value of **\$26,355,909**; and
- b. approves that capital projects for the **Huntly WEX** revocation (expected value **\$10,000,000**) will also be issued to the **WDA** as a variation once the funding agreement with **Waka Kotahi** has been executed; and
- c. notes that each project variation will be subject to additional assurance processes prior to issuing to the **WDA**.

**CARRIED**

**WDC2208/24**