



Engineering Services: Procurement Strategy

Tasman District Council

NOVEMBER 2013

TASMAN DISTRICT COUNCIL

Engineering Services: Procurement Strategy

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1 Executive Summary

Tasman District Council has a formal Procurement Strategy for its Engineering Services currently in place. This Strategy has been prepared to meet New Zealand Transport Agency's (NZTA) requirements for expenditure from the National Land Transport Fund, and it describes the procurement environment that exists within the Tasman District. The Strategy was initially adopted by Council in September 2010 and has been updated annually in September 2011, November 2012, and May 2013.

This document has been developed following a three-year review of the Strategy completed in November 2013.

The Council's objectives are to:

- implement policies and financial management strategies that advance the Tasman District
- ensure sustainable management of natural and physical resources, and security of environmental standards
- sustainably manage infrastructure assets relating to Tasman District
- enhance community development and the social, natural, cultural and recreational assets relating to Tasman district
- promote sustainable economic development in the Tasman District.

These objectives are fully described in the Council's Long Term Plan (LTP) 2012-2022.

This Procurement Strategy principally focuses on Engineering Services activities but is framed in the NZTA procurement plan format, which is consistent with whole of government procurement initiatives.

An overview of the strategy for the procurement of Professional Services is:

Activity type	Summary of proposed procurement delivery
Asset planning and management, network and systems contract management, project management and monitoring, contracts financial management and road safety	<p>In house professional services via a Service Level Agreement between the Chief Executive Officer and the Manager responsible for the Business Unit delivering the in house service. The Agreement will stipulate the scope of work, program, deliverables, cost of services, cost and performance monitoring and resources.</p> <p>Service Level Agreements will be reviewed and updated annually.</p>
Consultancy Services - Term Contracts:	<p>Direct to market to establish a term contract for a preferred supplier to undertake a minimum of 60% to 70% of a programme for capital and specialist projects. Balance at Council discretion using Direct to Market, prequalified consultants or preferred supplier subject to performance. Use of Price Quality methods to select.</p>
Major Capital Projects:	<p>Where a project is considered significant the project becomes a major project. Council will determine the extent to which a project is considered significant using the thresholds, criteria and procedures as detailed in Council's LTP. Major projects will be assessed on their own merits to determine the appropriate procurement strategy for that project.</p>
Consultancy Services >\$100k:	<p>Go through a formal selection process using a prequalification system and Request for Information (RFI), to establish a register of prequalified consultants identifying areas of specialist expertise, primarily on non price attributes. When a tender is let, invite selected prequalified consultants to submit a tender giving their price, confirmation of resources, methodology and programme.</p> <p>Use prequalification register approach to help build local consultant capability and capacity to sustainably deliver quality outcome projects to Council into the future.</p> <p>Performance measures as appropriate.</p> <p>Mixed delivery model as appropriate e.g. payment linked to performance. The opportunity for registration and prequalification will be provided at least every three years.</p> <p>Council may choose Direct to Market tender process.</p>
Specialised Consultancy Services <\$100k:	<p>Where a service is considered to be outside of the areas of prequalified specialist expertise, then the Engineering Services Manager, Council may choose to invite tenders where it considers there will only be one or a small number of consultants who are able to be competitive in delivering the services. Select a consultant from a minimum of <u>one</u> selected tenderer based on one or more of: previous performance; price; quality.</p> <p>Performance measures as appropriate.</p> <p>Council may choose Direct to Market tender process.</p>
Trial Procurement Models:	<p>Tasman District Council may consider alternative delivery models for a selection of projects where these models adequately address the project risk profile.</p>

An overview of the strategy for the procurement of Physical Works services is:

Activity type	Summary of proposed procurement delivery
Term Network Maintenance Contracts	Term network maintenance projects will be assessed on their own merits to determine the appropriate procurement strategy for that project. Council will develop a specific strategy depending on the criteria, drivers and procedures of Council and NZTA to meet their objectives.
Major Capital Projects:	Where a project is considered significant the project becomes a major project. Council will determine the extent to which a project is considered significant using the thresholds, criteria and procedures as detailed in Council's LTP. Major projects will be assessed on their own merits to determine the appropriate procurement strategy for that project.
All Projects >\$500k:	Direct to market tender process to select a contractor based on previous performance, price, quality and capacity to undertake the work. Performance measures as appropriate. Mixed delivery model as appropriate e.g. payment linked to performance.
Renewals, miscellaneous maintenance and Capital projects >\$100k and <\$500k:	Go through a formal selection process using a prequalification system and Request for Information (RFI), to establish a qualified panel of suppliers, primarily on non price attributes. When a tender is let, invite all suppliers from the appropriate prequalified Supplier Panels to submit a tender giving their price, confirmation of resources, methodology and programme. Performance measures as appropriate. Mixed delivery model as appropriate e.g. payment linked to performance. The opportunity for registration and selection to the supplier panel will be provided annually. Council may choose: <ol style="list-style-type: none"> 1. Direct to market and open to all contractors through Tenderlink. 2. Variation to an existing contract, but only with the prior approval of the Engineering Manager; and where Council has an existing contract in place; and where the value, proximity or nature of the physical work is commensurate with the existing contract works; then Council may invite that contractor to complete that work as a variation to the existing contract.
Renewals, Miscellaneous Maintenance and Capital Projects <\$100k:	Council will procure through one of the following processes: <ol style="list-style-type: none"> 1. Supplier Panel (as described above): Council will invite <u>one</u> or more prequalified Supplier Panel member(s) from the most appropriate panel to tender for the work. The selection of the panel member(s) invited to tender will be based on previous performance, price, quality and capacity to undertake the work. 2. Variation to Existing Contract: Where Council has an existing contract in place and the value, proximity or nature of the physical work is commensurate with the existing contract works, then Council may invite that contractor to complete that work as a variation to the existing contract. Physical works procured in this manner will need the prior approval of the Asset Manager. 3. Invited Tender: This will generally be where the physical works does not fall within the description of the Supplier Panels. Subject to the prior approval of the Engineering Manager, Council may

Activity type	Summary of proposed procurement delivery
	<p>choose to invite tenders where it considers that there will only be one or a small number of contractors who are able to be competitive in delivering the physical works.</p> <p>4. Direct to market and open to all contractors through Tenderlink.</p>
Trial Procurement Models:	Tasman District Council may consider alternative delivery models for a selection of projects where these models adequately address the project risk profile.

2 Policy Context

Tasman District Council has decided to maintain a cautious steady approach to its delivery of services and provision of infrastructure to meet the growth and other needs of the District and to help the sustainability of its communities.

2.1 Background

The Nelson Tasman Region is located in the north west of the South Island. It covers the area from the Whangamoia Ranges (at the boundary of Marlborough District) in the east, to Murchison in the south and Golden Bay in the north-west. Tasman Bay is located to the north.

The main population of the Nelson Tasman Region is centred in Nelson City, with a resident population of 45,078 at the 2013 Census. Richmond is the second largest and fastest growing town in the region with 13,491 residents at the 2013 Census. Motueka is the third largest town, with 7,593 residents at the 2013 Census. The region contains many other small and distinct communities. Tasman District, which includes Richmond and Motueka, had a total resident population of 47,491 at the 2013 Census.

The region is known for the natural beauty of its landscapes. Fifty-eight percent of Tasman District is national park.

The main drivers of the Tasman economy continue to be horticulture, forestry, fishing agriculture and tourism. These provide the economic base for the community. A range of other industries are growing in importance to the local economy, including aquaculture, research and development, information technology and industries using the natural products in the area.

Tasman District covers 9,786 square kilometres of mountains, parks, waterways and includes 725 km of coastline.

Our Place in the future:

- making sure we have enough high quality drinking water and water available for irrigation to support the continued development of the primary sector
- making sure development is sustainable
- maintaining a high quality natural environment
- providing a good transportation network of roads, cycleways and walkways
- providing infrastructure to meet residential industrial and business growth
- fostering safe and friendly communities
- maintaining the vitality of our small rural communities
- working collaboratively on a range of issues and sharing services with our neighbouring councils.

Tasman District Council will provide much of the core infrastructure on which our business and communities depend, assist in the creation of the meaningful employment opportunities and promote various transport options.

In developing its LTP and its Procurement Strategy, Council has borne in mind the public concern about affordability and the current economic conditions, when deciding what activities and services will or will not be permitted. It has taken a conservative approach on what it will provide. The Council is also aware that it indirectly purchases products locally and contracts for work to be undertaken on its behalf. These activities help stimulate local economy and provide basic infrastructure for growth.

While mindful of its influence on the local economy, Council is continually looking for ways to deliver services more efficiently and effectively. Council has encouraged existing contractors and service providers and where possible, provided opportunities for new providers to enter the market. They have achieved this through a generally public tendering process and structuring contracts to suit the regional market. Council have used a mix of procurement models ranging from a selection of specialist providers to large network management contracts for periods of five years or more. The drivers behind the procurement strategy for Tasman District Council are:

- efficient and effective delivery of service
- value for money
- sustainable economic growth
- building contractor capability to sustain a competitive environment
- sustain quality and a healthy environment.

The Nelson Tasman Region sustains a reasonable mix of contractors with larger projects attracting interest from outside the region. With the ongoing growth additional contractors, across all services, may continue to enter the market with varying capability. Specialist areas will continue to require expertise to be brought into the region. The performance of the contractors has generally been very satisfactory. Council is keen to facilitate a consistent high quality of service.

From mid 2013 key strategic and operational activities including asset management, network and systems management, programme and project management and the administration of customer service requests requirements was brought in-house by Council, with professional service providers being used for project related activities and specialist technical areas.

2.2 Assets and Activities Covered by this Strategy

The assets and activities covered by this strategy are:

- Land transportation – 1,7000 km of roads: 944 km sealed, 757 km unsealed, 475 bridges and footbridges, 234 km of footpaths and walkways, 23 carparks, 2,723 streetlights, 9241 traffic signs and 8,771 culvert pipes.
- Coastal structures – wharves at Mapua and Riwaka, jetties and boat ramps, coastal protection works at Ruby Bay/Mapua and Marahau.
- Water – 16 water supply areas, 660 km pipelines, 34 pumping stations, 11,400 domestic connections, 44 reservoirs and break pressure tanks with a capacity of approximately 18,330 cubic metres of water.
- Wastewater – 14 Urban Drainage Areas, 323.5 km pipeline, 3,470 manholes, 74 sewerage pumping stations, 7 wastewater treatment plants.
- Stormwater – 15 Urban stormwater drainage areas, assets used include drainage channels, piped reticulation networks, tide gates, detention or ponding areas, inlet structures, discharge structures.
- Solid waste – one operational landfill, five resource recovery centres.

- Rivers – 285 km of rivers, assets include river protection works such as stopbanks, rock and willows.

2.3 Existing Delivery Models and Contract Types

Council has to date typically used the traditional (staged) delivery model across all activities. Some elements of design build have been incorporated into a few contracts. Design build contracts, if to continue, will require more understanding and acceptance of the allocation and ownership of risk.

The Council has used a reasonable mix of supplier selection methods – lowest price; price/quality and direct negotiation.

The choice of supplier selection method has been made after a review of the following:

- value of work
- complexity
- assessment of environmental or other risks
- current state of the contractor market
- efficiency of contract administration
- capability of contractors
- public profile

The contract types used by council have generally been:

- measure and value with some lump sum aspects for physical works using the NZS3910 General Conditions of Contract
- lump sum, unit rate and time based for professional services covering strategic development, investigation, design and construction monitoring. These contracts have generally used modified ACENZ General Conditions of Contract
- design build elements within some physical works contracts under the NZS3910 General Conditions of Contract.

2.4 Tasman District Council - Comparison in New Zealand

Tasman District is one of the three unitary authorities in the South Island. The neighbouring authorities of Nelson City and Marlborough District are also unitary authorities. As a unitary authority Tasman District has the power and responsibilities of a regional authority and a local authority. In particular Tasman District has established its own Regional Transport Committee.

The district is a medium size rural authority within New Zealand with a wide range of topography and levels of service to meet the needs of its district and its 17 settlements. Growth is projected to continue but at a slower rate than has occurred over the last ten years. Council has chosen a medium growth model in assessing its infrastructural needs for the next 10 to 20 years. The population is projected to increase from 47,500 in 2013 to 51,600 in 2021 and 55,000 in 2031.

2.5 Regional Interests and Shared Services with Neighbouring Authorities

Tasman District Council and Nelson City Council already collaborate closely on a wide range of projects programmes and shared services.

While the specific needs of Tasman's 17 settlements are best met locally, both Councils recognise that the interests of the region as a whole are often best served through a collaborative approach. There are a range of advantages from working together, including economies of scale through combining services to reduce overall costs for ratepayers or users of a service, or delivering a better service or facility to ratepayers.

Examples of the joint Nelson Tasman projects for engineering/infrastructure include:

- interconnected water supply services provide enhanced security of supply for both councils, especially during an emergency
- Nelson Regional Sewerage Business Unit (NRSBU) 50/50 ownership, which includes the facilities at Bells Island
- Port Nelson Ltd (50/50 ownership) is managed to ensure the company benefits the wider region
- Nelson Airport (50/50 ownership) also serves the wider region, bringing economic benefit to both areas
- road safety and cycle promotion programmes run every year to prevent accidents and increase the already growing numbers on Nelson and Tasman residents who choose to use active transport
- cycleways developed between Richmond and Stoke
- working towards the introduction of consistent engineering standards across both Councils
- regional transport planning continues to involve both Councils, although they have separate Regional Transport Committees
- cross boundary issues are dealt with by joint Council working parties
- the Councils are working together on joint planning for public passenger transport
- a joint Nelson Tasman working party has been established to develop and monitor a Joint Waste Management and Minimisation Plan.

Tasman District Council works collaboratively with the New Zealand Transport Agency. This involves a close liaison through the Regional Land Transport Committee, local technical liaison committees and specific project teams.

Tasman District Council and the New Zealand Transport Agency have, and will continue to, undertake joint safety and strategy studies.

Tasman District Council and the New Zealand Transport Agency have a joint principals network maintenance contract for the Golden Bay area which includes 75km of State Highway 60 from Riwaka to Collingwood.

The specific procurement strategy for these joint contracts between Tasman District Council and the New Zealand Transport Agency will be decided as appropriate for each specific project and will include:

- joint principal and open or closed tender basis
- one or either as lead principal with joint funding arrangements and use of their own procurement strategy and processes.

2.6 Council Resources and Capability

Council's Engineering Services Department resources provide the following:

- Strategic and policy development of all Council's infrastructure assets and land development
- Programme management
- Asset planning and management
- Network and systems contract management
- Capital project management and monitoring
- Contracts financial management
- The Principal's role for all maintenance, renewal and improvement projects
- Road safety policy and implementation
- Administration of customer services requests
- Planning and liaison with all stakeholders and other authorities

Council obtains specialist technical advice and support from its own staff resources as well as external professional service providers.

Detailed investigations, design of capital projects, contract management and site supervision is normally provided through external professional service providers.

All physical works activities are provided through external contractors.

2.7 Market Capability Overview

The delivery of services in the Nelson Tasman Region has become more competitive in recent years. There has been an increase in the number of contractors in the market across transportation and 3 waters services. There is a wide range of capabilities within the potential suppliers. Council wishes to facilitate an efficient and consistent quality of delivery from its suppliers while enabling and encouraging a healthy and sustainable competitive market place.

The Tasman Regional Transport Strategy, the Activity Management Plans, Cycling Strategy and Safety Management Systems are documented and support the Councils programme of works.

The Council believes it currently obtains its services at a reasonable price however it believes its processes can be improved to achieve greater efficiency, reduce overall market costs and improve value for money to its ratepayers. In addition it believes some alternative procurement methods can be trialled to establish even greater value for its customers and develop competition and market capability to deliver these services. Procurement methods considered are detailed in Section 5.2.

2.8 Council Priorities and Key Issues for Delivery of Infrastructure

The Council's objectives for delivery of infrastructure are described in the Activity Management Plans and the 10 year LTP. The relevant community outcomes, from consultation, are our:

- our unique natural environment is healthy and protected
- our urban and rural environments are pleasant, safe and sustainably managed
- our infrastructure is safe, efficient and sustainably managed.
-

Council sees sustainable economic growth as desirable. To achieve this, a number of key priorities over the next 10 to 20 years have been identified. Those relevant to this procurement strategy include:

- making sure development is sustainable
- maintaining a high quality natural environment
- providing a good transportation network of roads, cycleways and walkways
- providing infrastructure to meet residential, industrial and business growth
- maintaining the vitality of new small communities
- working collaboratively on a range of issues and sharing services with our neighbouring councils

Relevant key issues associated with the Council priorities are:

- level of rates increases and current economic climate
- sustainable development and environmental management

Council is proposing to maintain the current levels of work under each activity, including (but not limited to) the following specific items:

Transportation:

- ongoing safety improvements to the road network
- sealing of unsealed roads where they can be economically justified to secure subsidised funding or are programmed to be fully funded by Council
- expenditure on cycleways and walkways is to increase subject to partial subsidy
- Tasman District Council is working with Nelson City on joint passenger transport planning, initially between Nelson and Richmond.

Coastal Structure:

- the demand of urban development and public access to and along the coast
- increase of coastal erosion and the predicted effects of climate change
- control and management of boat moorings and navigation aids
- continued management of wharves and ports at a cost affordable to the community
- meeting the needs of recreational and commercial users

3 Waters – Water:

- meeting national drinking water standards
- ensuring a reliable and sustainable water supply
- meeting the demand for new infrastructure and upgrades
- looking at the need for new town supplies in some areas

3 Waters – Wastewater:

- ensuring the performance of the wastewater treatment plants
- considering issues relating to system overflows

3 Waters – Stormwater:

- maintaining natural drainage systems
- providing adequately sized stormwater systems to cope with existing and future demand
- implementing more sustainable design practices
- improving the quality of stormwater discharge

Solid Waste:

- meet Waste Minimisation legislative requirements
- maintain positive interaction with Nelson City Council in developing a joint Waste Management and Minimisation Plan
- re-evaluate waste targets in relation to obligations

Rivers:

- responding where there is support from the community to upgrade levels of protection in a sustainable manner

2.9 Strategy References

This Strategy was prepared with reference to the:

- NZTA Procurement Manual and guidelines
- Office of The Auditor General procurement guidelines and good practice notes
- Local Government Act 2002
- Council policies

3 Procurement Programmes

3.1 Council's Procurement Programme

This procurement strategy covers the following areas of Council investment in assets and services:

- transportation
- 3 Waters
- coastal structures (including wharves, but excluding Port Tarkohe))
- rivers
- solid waste

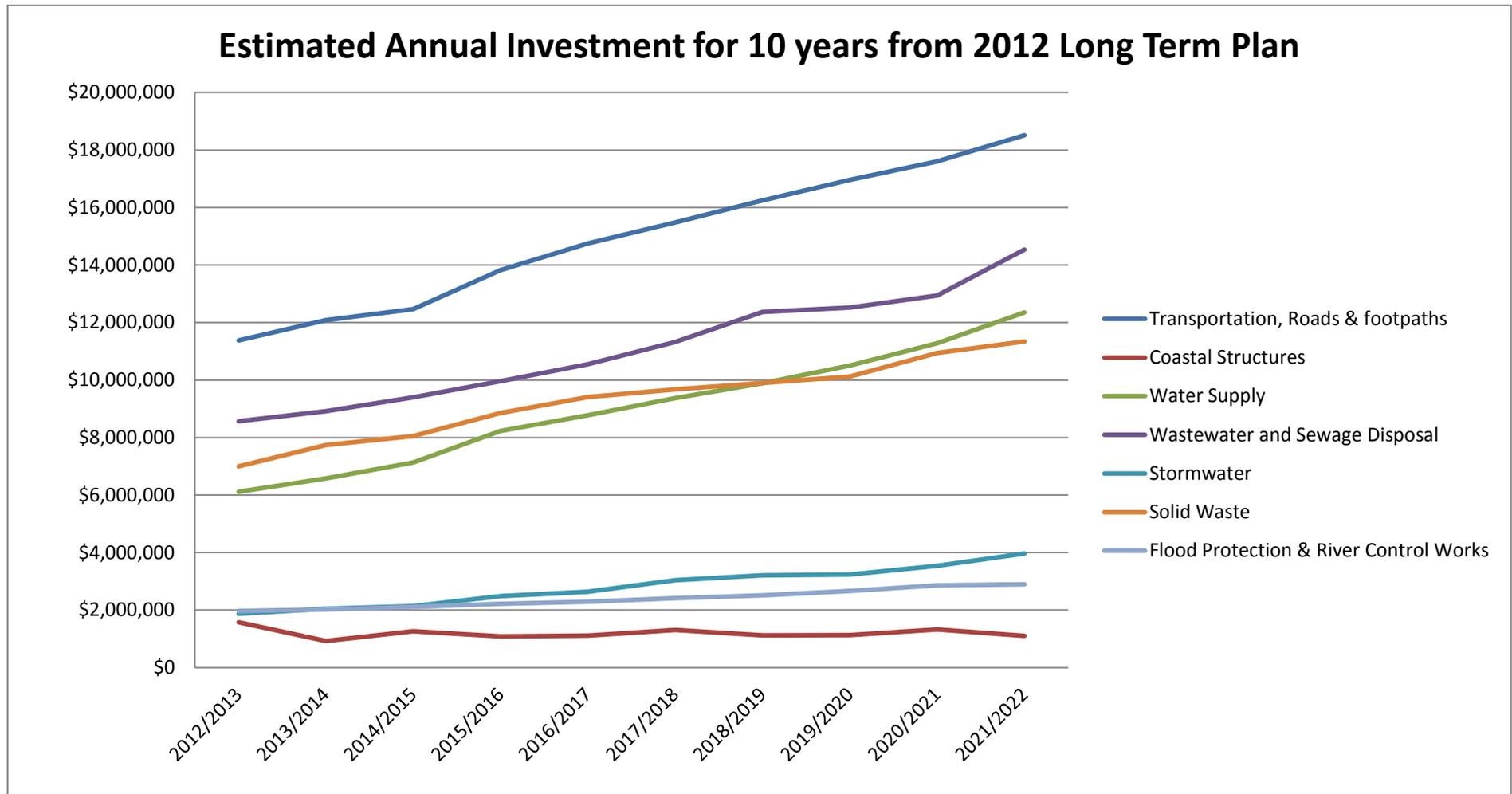
Council's total investment in these areas over the 10 years from 2012-2022 is in the order of \$544 million (inflation adjusted), of which in the order of 75% is in the 3 Waters and transportation infrastructure.

The type of work covered by the Strategy includes:

- infrastructure including physical works and associated professional services:
 - new capital
 - renewals
 - maintenance
 - miscellaneous services
- other professional services:
 - planning and advice

The investment profile (from the 2012 LTP) over the next 10 years is shown in Figure 3-1 below:

Figure 3-1 : Investment Profile



3.2 Procurement Cycle

Capital and renewal programmes of works are procured based on a staged approach to investigation, design, procurement and construction. Therefore, there is an annual programme of works generally in accordance with the long term programme identified in the 2012 LTP.

Figure 3-2 below (possible contract extensions and existing contractors are also shown in this chart).

The professional services contracts with MWH New Zealand Limited have been extended to 30 June 2014 with a reduction in the scope of services that corresponds to the Council providing key strategic and operational professional services in house from mid 2013.

Figure 3-2 : Term Contracts

Transportation - Contract No. and Name		Contractor	Contract End Date
787	Murchison Rooding Maintenance	Fulton Hogan	1/07/2014 with extensions to 2015
788	Golden Bay Rooding Maintenance	Fulton Hogan	1/07/2014 with extensions to 2015
840	Rivers Maintenance 2011 - 2014	Taylor's Contracting	30/06/2014 with extensions to 2016
844	Streetlight Maintenance 2011 - 2013	Powertech Nelson	30/06/2014
851	Sealed Road Resurfacing 2011/2014	Downer	28/02/2014
871	Tasman District Urban Rooding Maintenance	Fulton Hogan	1/07/2015 with extensions to 2017
875	Tasman District Rural Rooding Maintenance	Fulton Hogan	1/07/2015 with extensions to 2017
881	Tasman Roadmarking	Downer	1/07/2015
885	Bridge Structures Maintenance 2012/2014	Downer	30/06/2015
913	Professional Services Traffic Counting 2013/2016	L&M Traffic Data limited	31/10/2016 with extensions to 2018
Utilities - Contract No. and Name		Contractor	
613	Solid Waste Management Operations	Smart Environmental	30/09/2016
622	Greenwaste Management Request for Proposals	Greenwaste to Zero	20/11/2014
652	Murchison Landfill & Resource Recovery Operations	Fulton Hogan	30/09/2016
688	Water Utilities Operations and Maintenance	Downer	30/06/2013 with extensions to 2017
781	Refuse Haulage & Landfill Operations	Fulton Hogan	30/09/2016
897	Nelson-Tasman Community Engagement for Waste Minimisation	Nelson Environment Centre	30/06/2016

Contribution to Council and s25, LTMA, Objectives

This procurement strategy supports the Council objectives to:

- implement policies and financial management strategies that advance the Tasman District
- ensure sustainable management of natural and physical resources, and security of environmental standards
- sustainably manage infrastructure assets relating to Tasman District
- enhance community development and the social, natural, cultural and recreational assets relating to Tasman District
- promote sustainable economic development in the Tasman District

S25 also notes:

- regard must be given to the desirability of enabling fair competition that encourages competitive and efficient markets
- for other than minor or ancillary works undertaken by an internal business unit, outputs must be purchased from external providers
- to reinforce value for money concept, an Approved Organisation (AO) is not compelled to accept the lowest price proposal

3.3 Risk Management and Profile

The Council is acutely aware of the risks in providing the infrastructure and services related to these activities.

Council is in the process of further developing its integrated risk management plan.

Council has adopted an Integrated Risk Management (IRM) framework and process as the means for managing risk within the organisation. The process integrates with the LTP process as illustrated in Figure 3-3.

The strategic goal of integrated risk management is:

“To integrate risk management into Council’s organisational decision making so that it can achieve its strategic goals cost effectively while optimising opportunities and reducing threats.”

The IRM process and framework is outlined in more detail in the relevant Activity Management Plans, and Risk Management Plans are under development. The risk management framework adopted by Tasman District Council is consistent with AS/NZS 4360:2004 Risk Management and assesses risk exposure by considering the consequence and likelihood of each risk which is identified as having an impact on the achievement of organisational objectives (see Figure 3-4).

Future procurement strategies will take into account relevant risk events identified in the risk management plans, and will apply the IRM process to evaluation and treatment of risks using the procurement strategy.

Key risks that Council wants to manage by adopting the procurement strategy are:

- the ability to sustain a competitive local contractor market avoiding ‘capture’ by a smaller group of suppliers resulting in potential cost escalation

- balancing a diverse local contractor market with management of associated safety, quality and financial risks (larger national or international companies have more robust safety, quality and financial management systems minimising this risk to Council, however Council pays more for the services as a result of these management systems with an associated reduction in risk to the service provision)
- maintenance of a cost effective procurement process while complying with external funder requirements (this strategy being a key mitigation measure to this risk)

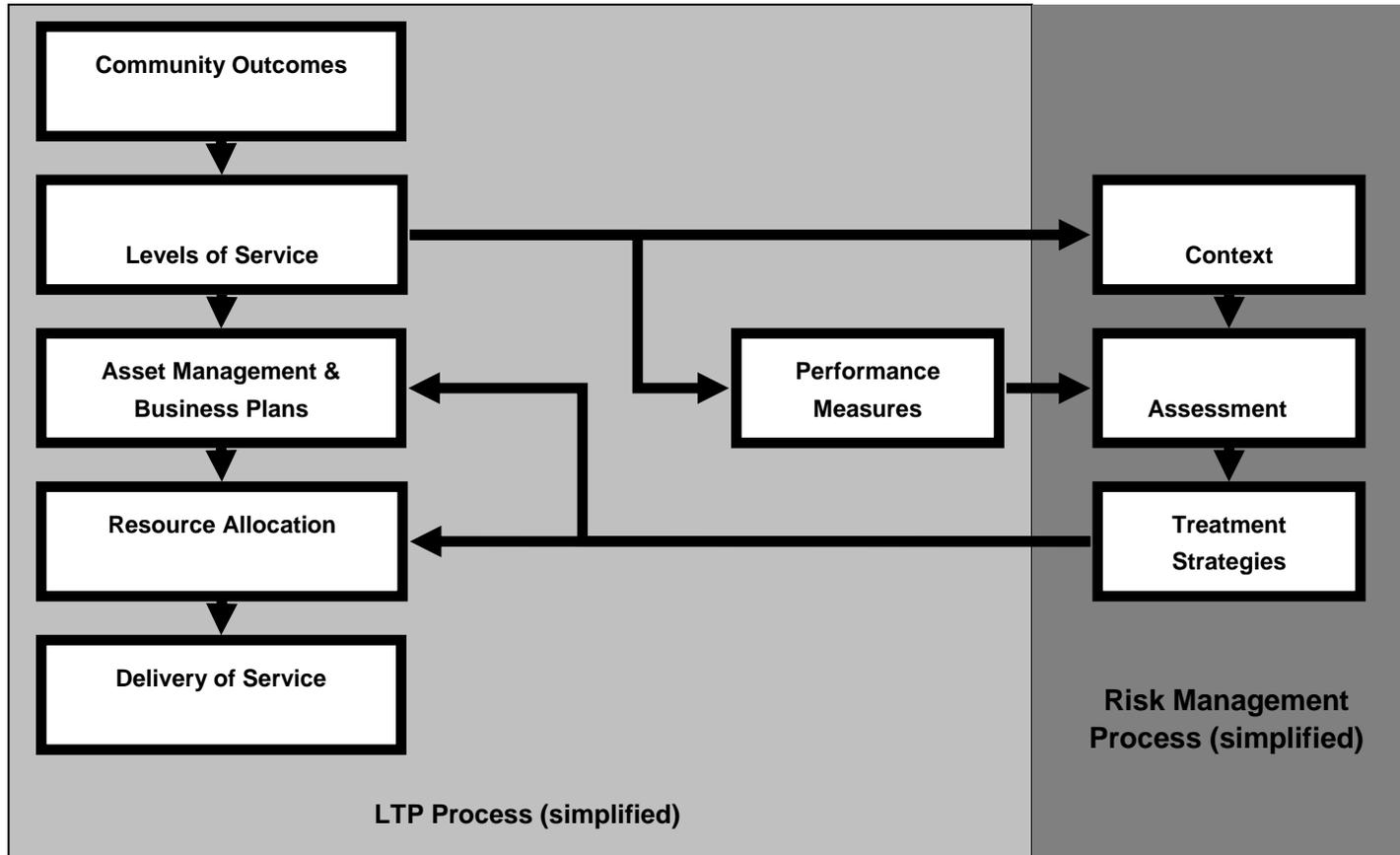


Figure 3-3 : Integration of Risk Management Process into LTP Process

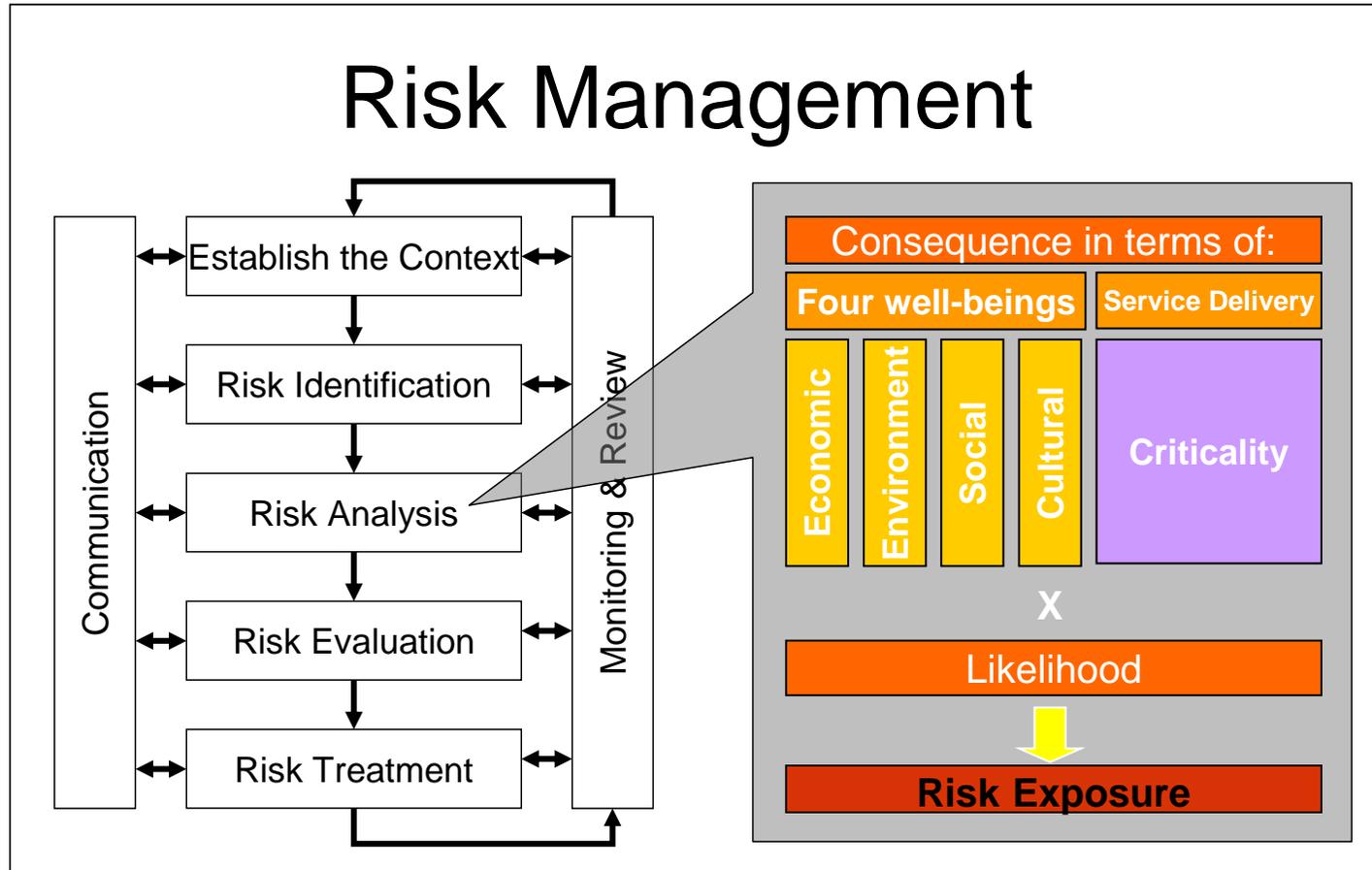


Figure 3-4 : Integrated Risk Management Process

4 Procurement Environment

4.1 Expenditure Profile

Table 4-1 : Tasman District Councils Indicative Annual Expenditure Profile on All Activities Over Years 2014 to 2022

Activity area	Capital	O&M	Renewals	TOTAL (sum of all)
Transportation	\$4,649,000	\$10,237,000	\$9,395,000	\$24,281,000
3 Waters	\$13,245,000	\$13,827,000	\$5,984,000	\$33,056,000
Coastal Structures	\$377,000	\$555,000	\$56,000	\$988,000
Rivers	\$2,242,000	\$1,804,000	Nil	\$4,046,000
Solid Waste	\$2,132,000	\$7,424,000	\$151,000	\$9,707,000
TOTALS	\$22,645,000	\$33,847,000	\$15,586,000	\$72,078,000

Notes:

(1) All figures exclude inflation

4.2 Supplier Market

Physical Works Contractors

Tasman District Council generally maintains a very competitive market for general civil works with major contracts attracting three to four bids. Smaller contracts contracts can attract up to a dozen bids.

The contractors available in the Tasman Region are generally capable of supplying the full range of services that Tasman District Council may need to procure.

Professional Services Providers

Council out sources the majority of its engineering services through tender. The delivery strategy for professional services was reviewed by Council in 2012. As a result Council brought key strategic and operational professional service activities relating to infrastructure in house since mid 2013. Professional services for the delivery of capital projects and specialist technical advice will continue to be outsourced.

Other Sectors

Other agencies that have an impact on Tasman District Council markets are Nelson City Council, Marlborough District Council, and NZTA.

Notwithstanding the competition for work, there has generally been keen competition for Council projects.

The availability of work other than that offered by Tasman District Council has contributed to a relatively stable pool of contractors and consultants in the region.

4.3 Other Procurement Activities

This procurement strategy covers the full range of activities managed by the Engineering Services department within Tasman District Council. The strategy has been developed to comply with the good practices promoted in the NZTA Procurement Manual, however, has not been limited to just transportation.

5 Approach to Delivering the Work Programme

5.1 Specific Objectives

Council's objectives for procurement of contracting and consulting services are to:

- obtain contracting & consulting services at a reasonable price and in accordance with the LTMA
- improve local contractor capabilities in the areas of managing safety quality and financial risks
- sustain a competitive and healthy local contractor market for minor works
- improve efficiencies in resource allocation and cost across the market

This will lead to:

- reduced transaction costs associated with administration of supply contracts
- ensuring all related work is undertaken with consistent objectives and performance measures
- promoting and sustaining a level and competitive 'playing field' for Council's work programmes

Overall, Council is satisfied with the current structure of procurement in engineering services and foresees no significant change in the immediate future. However, some areas of change warrant investigation and are covered in this strategy. In addition, Council has a commitment to assessing value for money and will establish and monitor measures consistent with those proposed in the NZTA Procurement Manual to help guide future decisions on the strategic direction of procurement. As part of this process, Council has brought key strategic and operational professional service activities relating to infrastructure in house since mid 2013.

The **primary** objective that Council will focus on in the coming planning period is:

- to maximise the quality of the products and services provided for what Council can afford

The **secondary** objectives include:

- to understand the true cost of procurement (through the full supply chain and across the life of the associated assets)
- to structure contracts and procurement processes appropriately to sustain long term competition within the local market
- To have appropriate service level agreements with performance measures and financial targets in place within Council to cover all areas where services are undertaken for Council by in-house business units.

5.2 Procurement Methods Considered

The various types of delivery models considered for the procurement of services by Council are outlined below.

Physical works delivery models considered:

- staged – traditional contracting models (preferred)
- design and build – altered delivery risk profile (more trials to be established)
- shared risk (advanced) – alliance / relationship style (considered for major projects only)
- supplier panel (advanced) – commodity / repetitive style of projects (considered for small to medium projects only)

Professional Services delivery models considered:

- Term contract for preferred supplier to undertake a minimum of 60% to 70% of a programme for capital and specialist projects.
- Separate tenders for each capital works project
- Panel of professional services providers from whom prices are sought for each project
- Single professional services provider for all services

Contract bundling opportunities considered to optimise service offerings from the market are outlined below:

Table 5-1 : Contract Bundling Opportunities Considered

Option considered	Discussion
Geographic spread / split (e.g. term contracts, can programmes of capital works also be let, and across multiple functional areas?)	Council believes it has the appropriate structure in this context built over years of trialling different sized contracts
Functional split (e.g. can roads go with rivers?)	Council believes it has the appropriate structure in this context built over years of trialling different sized contracts
Cross boundary opportunities	NRSBU (Regional wastewater treatment); refuse collection and land fill management; Joint principal transportation contracts with NZTA and Nelson

Criteria for assessing the appropriate delivery model for projects and activities will be:

- complexity and uncertainty
- repeatability
- scale
- timing and urgency
- innovation potential
- risk clarity
- supplier market capability
- contract management (Council, Consultant) capability

6 Implementation

6.1 Capability and Capacity

This procurement strategy relates to services procured from external professional services providers, external contractors and to services provided by in-house business units.

Council's Engineering Services Department resources will provide the following:

- Strategic and policy development of all Council's infrastructure assets and land development
- Program management
- Asset planning and management
- Transportation network contract management
- Utilities systems and networks contract management
- Capital project management and monitoring
- Contracts financial management
- The Principal's role for all maintenance, renewal and improvement projects
- Road safety policy and implementation
- Administration of customer service requests
- Planning and liaison with all stakeholders and other authorities

Council will obtain specialist technical advice and support from its own staff resources as well as external professional service providers. Detailed investigations, design of capital projects, contract management and site supervision is normally provided through external professional service providers.

All physical works activities are provided through external contractors.

6.2 Procurement Selection Methods

Tasman District Council has undertaken a review of the likely capital and renewal contracts across all activities for the 20 year period 2012 – 2032. Approximately two thirds of the projects are estimated to be less than \$500,000 and there is generally a significant increase in the value of individual projects above this limit.

In the interests of establishing an efficient procurement process, and to establish a systematic method of building and sustaining local contracting capability and capacity, it is proposed to retain supplier panels for physical works contractors and to establish a register of prequalified external professional service providers. This is considered by NZTA to be an advanced procurement method.

Services delivered in house by Council professional service business units will be undertaken under Service Level Agreements.

It is proposed to review the financial threshold and activity scope for the specific supplier panels as part of the Procurement Strategy review process.

Contractor Supplier Panel

Contractors will be invited to register their interest and complete the capability and information schedules for the specific attributes in the respective Request for Information (RFI) documents. The physical works RFI's will be for the delivery of projects estimated to have a contract value of less than \$500,000.

Ranking criteria will include:

- Contractors will be assessed and ranked in accordance with the RFI
- in the RFI contractors will be required to provide specific details against each of the work categories they apply for including:
 - relevant experience
 - track record
 - resources
 - management & technical skills
 - quality systems
 - health & safety compliance
- approved qualified contractors will be listed in supplier panels for physical works
- the supplier panel will be updated every three years through a separate RFI process.
- the supplier panels will also be updated annually through a separate RFI process to allow for the entry of new contractors
- no additional contractors will be eligible for inclusion in the panel during the current 12 month period
- depending on the specific project requirements, tenderers on the relevant panel/s will be requested, in a project specific Request for Tenders (RFT), to submit a tender to be assessed on price, or quality, or both

Term Contracts

Term network contracts for all infrastructural assets will require specific separate procurement delivery models to be developed for each contract.

Criteria for consideration in the development of such models will include:

- whole of life benefits and costs
- efficiencies in bundling of work categories
- market capabilities
- impacts on local economy
- value for money
- likely long term quality of service

Professional Services Prequalification Register

Professional Services organisations will be invited to register their interest and complete capability and information schedules for the attributes specified in the RFI document. The RFI will be for the delivery of professional services in relation to capital projects to be implemented by the Engineering Services Department, and which lie outside the scope of the existing professional services term contract.

Ranking criteria will include:

- Relevant experience
- Track record
- Resources

- Management and technical skills
- Quality systems
- Health and safety compliance

Consultants will be assessed for specialist technical capability and registered in accordance with the RFI. The prequalified register will be updated every three years through a separate RFI process. This timeframe may be reviewed as part of the Procurement Strategy review.

Prequalified consultants will be requested to submit proposals for projects via project specific Requests for Proposals to be assessed on a competitive and quality basis.

Provision will be made for Engineering Services to procure the professional services for specific projects by separate tender if required.

Service Level Agreements

Services delivered in-house by Council Business Units will be undertaken in accordance with Service Level Agreements. Service Level Agreements will be reviewed and updated annually.

In-house business units will be required to provide information to enable their performance to be measured in accordance with Table 6.3: Performance Measures of this Procurement Strategy.

Activity Types and Procurement Delivery Method

The proposed delivery models for professional services and physical works projects are detailed in the tables below.

Table 6-1 : Professional Services

Activity type	Summary of proposed procurement delivery
Asset planning and management, network and systems contract management, project management and monitoring, contracts financial management and road safety	<p>In house professional services via a Service Level Agreement between the Chief Executive Officer and the Manager responsible for the Business Unit delivering the in house service. The Agreement will stipulate the scope of work, program, deliverables, cost of services, cost and performance monitoring and resources.</p> <p>Service Level Agreements will be reviewed and updated annually.</p>
Consultancy Services - Term Contracts:	<p>Direct to market to establish a term contract for a preferred supplier to undertake a minimum of 60% to 70% of a programme for capital and specialist projects. Balance at Council discretion using Direct to Market, prequalified consultants or preferred supplier subject to performance. Use of Price Quality methods to select.</p>
Major Capital Projects:	<p>Where a project is considered significant the project becomes a major project. Council will determine the extent to which a project is considered significant using the thresholds, criteria and procedures as detailed in Council's LTP. Major projects will be assessed on their own merits to determine the appropriate procurement strategy for that project.</p>
Consultancy Services >\$100k:	<p>Go through a formal selection process using a prequalification system and Request for Information (RFI), to establish a register of prequalified consultants identifying areas of specialist expertise, primarily on non price attributes. When a tender is let, invite selected prequalified consultants to submit a tender giving their price, confirmation of resources, methodology and programme.</p> <p>Use prequalification register approach to help build local consultant capability and capacity to sustainably deliver quality outcome projects to Council into the future.</p> <p>Performance measures as appropriate.</p> <p>Mixed delivery model as appropriate e.g. payment linked to performance. The opportunity for registration and prequalification will be provided at least every three years.</p> <p>Council may choose Direct to Market tender process.</p>
Specialised Consultancy Services <\$100k:	<p>Where a service is considered to be outside of the areas of prequalified specialist expertise, then the Engineering Services Manager, Council may choose to invite tenders where it considers there will only be one or a small number of consultants who are able to be competitive in delivering the services. Select a consultant from a minimum of <u>one</u> selected tenderer based on one or more of: previous performance; price; quality.</p> <p>Performance measures as appropriate.</p> <p>Council may choose Direct to Market tender process.</p>
Trial Procurement Models:	<p>Tasman District Council may consider alternative delivery models for a selection of projects where these models adequately address the project risk profile.</p>

Table 6-2 : Physical Works

Activity type	Summary of proposed procurement delivery
Term Network Maintenance Contracts	Term network maintenance projects will be assessed on their own merits to determine the appropriate procurement strategy for that project. Council will develop a specific strategy depending on the criteria, drivers and procedures of Council and NZTA to meet their objectives.
Major Capital Projects:	Where a project is considered significant the project becomes a major project. Council will determine the extent to which a project is considered significant using the thresholds, criteria and procedures as detailed in Council's LTP. Major projects will be assessed on their own merits to determine the appropriate procurement strategy for that project.
All Projects >\$500k:	Direct to market tender process to select a contractor based on previous performance, price, quality and capacity to undertake the work. Performance measures as appropriate. Mixed delivery model as appropriate e.g. payment linked to performance.
Renewals, miscellaneous maintenance and Capital projects >\$100k and <\$500k:	Go through a formal selection process using a prequalification system and Request for Information (RFI), to establish a qualified panel of suppliers, primarily on non price attributes. When a tender is let, invite all suppliers from the appropriate prequalified supplier panel/s to submit a tender giving their price, confirmation of resources, methodology and programme. Performance measures as appropriate. Mixed delivery model as appropriate e.g. payment linked to performance. The opportunity for registration and selection to the supplier panel will be provided annually. Council may choose: <ol style="list-style-type: none"> 1. Direct to market and open to all contractors through Tenderlink. 2. Variation to an existing contract, but only with the prior approval of the Engineering Manager, and where Council has an existing contract in place; and where the value, proximity or nature of the physical work is commensurate with the existing contract works; then Council may invite that contractor to complete that works as a variation to the existing contract.
Renewals, Miscellaneous Maintenance and Capital Projects <\$100k:	Council will procure through one of the following processes: <ol style="list-style-type: none"> 1. Supplier Panel (as described above): Council will invite <u>one</u> or more prequalified Supplier Panel member(s) from the most appropriate panel to tender for the work. The selection of the panel member(s) invited to tender will be based on previous performance, price, quality and capacity to undertake the work. 2. Variation to Existing Contract: Where Council has an existing contract in place and the value, proximity or nature of the physical work is commensurate with the existing contract work, then Council may invite that contractor to complete that work as a variation to the existing contract. Physical works procured in this manner with a value of greater than \$50,000 will need the prior approval of the Asset Manager. 3. Invited Tender: This will generally be where the physical works

Activity type	Summary of proposed procurement delivery
	<p>does not fall within the description of the Supplier Panels. Subject to the prior approval of the Engineering Manager, Council may choose to invite tenders where it considers that there will only be one or a small number of contractors who are able to be competitive in delivering the physical works.</p> <p>4. Direct to market and open to all contractors through Tenderlink.</p>
Trial Procurement Models:	Tasman District Council may consider alternative delivery models for a selection of projects where these models adequately address the project risk profile.

6.3 Performance Measurement and Monitoring

Tasman District Council Engineering Services Manager is responsible and accountable for the planning process for the Procurement Strategy.

Tasman District Council proposes to establish value for money measures relating to procurement across engineering services. Council believes the measures proposed by NZTA are appropriate (with some further definition in some areas) and will endeavour to establish a performance monitoring framework around these measures to target more efficient and effective procurement of services over time.

Measures are to be split against the following groups:

- 3 Waters
- transportation
- all other infrastructure

The measures are detailed in Table 6-3 below.

Council's Engineering Manager will compile and report on the performances measures to the Council and NZTA.

KPI Reporting:

- annual report to NZTA and Council
- LTP reporting.

Table 6-3 : Performance Measures

Measurement area	Measure name	Description of measure	Unit	Measure
Value for money	Time	Estimated duration of contract and actual duration of contract	%	Actual duration divided by estimated duration for projects completed during the measurement period
	Cost	Estimated cost of contract and actual cost of contract	%	Actual cost divided by estimated cost for projects completed during the measurement period
	Quality	Tasman District Councils satisfaction with the goods or services purchased		Develop contract completion questionnaire
Supplier markets	Performance	Whether the supplier selection process was supplier panel or direct to market	No. \$	Total number of projects processed through supplier panel, and total value, for the report period
			No. \$	Total number of projects procured by direct to market RFT, and total value, for the reporting period
		%	Number of approved suppliers on panels divided by the number of suppliers who applied	
	Competitiveness	The number of bids received	Average no of bids	Number of bids received for direct to market RFT divided by number of direct to market RFTs, for procurement processes completed during the measurement period
	Innovation	Whether alternative bids were permitted	%	Number of alternative bids permitted divided by total number of bids, for procurement processes completed during the measurement period
			%	Number of alternative bids received divided by number of bids received, for procurement processes during the measurement period
			% & \$	Total dollar benefit (whole of life) of alternatives delivered, for projects completed during the measurement period divided by total value of tenders completed during the period
Procurement procedures	Efficiency	Comparing the overall cost of the procurement function with the total cost of contracts let	%	Total cost of procurement divided by total value of all contracts per annum

6.4 Communications

This Procurement Strategy is owned by the Tasman District Council and is a public document. It will be referred to in the Council's LTP and made available on the Council's website (www.tasman.govt.nz).

Stakeholders are:

- Council
- NZTA
- Contractor(s)/Consultant(s)
- Neighbouring Councils

Tasman District Council has consulted with stakeholders in the development of this Procurement Strategy.

6.5 Corporate Ownership

This preliminary procurement strategy is approved by:

 Peter Thomson
 Engineering Services Manager
 Tasman District Council

Date: _____

 Lindsay McKenzie
 Chief Executive
 Tasman District Council

Date: _____

The Council will review this document on a three-year cycle in conjunction with each Long Term Plan. The revised document published on the Council's website and stakeholders advised.

Review No	Summary of Changes:	By:	Date:
1	6.2 Procurement Selection Methods (Page 24). The contract value amount of \$300,000 was amended by Council resolution to \$500,000 at the Engineering Services Committee on 15 September 2011.	Council	15 September 2011
2	Executive Summary (Pages 3 & 4) and 6.2 Procurement Selection Methods (Pages 28 & 29). Procurement delivery for Physical Works, renewals, miscellaneous maintenance and capital projects >\$100k and <\$500k and <\$100k.	Council	22 November 2012
3	Council's resources and capability amended to include in house professional services for key strategic and operational activities from mid 2013. Sections 2.1, 2.5, 2.7, 3.2, 4.1, 5.1, 5.2, 6.1, 6.2, and Table 6-1 amended.	Council	2 May 2013
4	Three yearly review with amendments to whole of document.	Council	21 November 2013