



Otorohanga

District Council

Where kiwi can fly

**Road Transport Activity
Procurement Strategy
2023 / 2026**

Document Control

Revision	Revision Date	Revised by	Approved by	Details
1.0	May 2020	C Clarke Roading Consultant	R Brady Group Manager Engineering	Original 2021/24 issue
2.0	May 2023	C Clarke Roading Consultant	M Lewis Group Manager Engineering and Assets	Original 2023/26 issue

Ownership and Review

The Land Transport Procurement Strategy is for all land transport activity procurement within the Otorohanga District and its use shall be overseen by the Group Manager Engineering and Assets. This review of the procedure has been approved by the Group Manager Engineering and Assets and the next formal review is envisaged to be required on or before April 2026.

APPROVED BY THE CHIEF EXECUTIVE OF THE OTOROHANGA DISTRICT COUNCIL

Chief Executive: 

Name: Tanya Winter

Date: 18 May 2023

CONTENTS PAGE

	<u>Page No.</u>
1.0 Executive Summary	1
1.1 Introduction.....	1
1.2 Delivery Model.....	1
1.3 Procurement Environment	1
1.4 Approach to Delivery the Land Transport Programme	2
1.5 Document Ownership and Review	2
1.6 Recommendations for Waka Kotahi (New Zealand Transport Agency)	2
2.0 Policy and Objectives	3
2.1 Council Strategic Objectives	3
2.2 Strategy Objectives.....	3
2.3 Strategy Outcomes	4
2.4 Health and Safety	5
2.5 Sustainability Considerations	5
2.6 Broader Outcomes.....	6
2.7 Social Procurement	6
2.8 Māori, Mana Whenua, Mātaawaka.....	6
3.0 Procurement Environment	7
3.1 Professional Services	7
3.2 Physical Works	7
3.3 Analysis of the Impact of the Procurement Programmes of Other Approved Organisations.....	8
3.4 Future Waka Kotahi (New Zealand Transport Agency) Collaboration Option	9
3.5 Local Government Act s17a Review	9
4.0 Approach to Delivering the Work Programme	11
4.1 Strategic Objective and Approach.....	11
4.2 Contract Term Periods.....	11
4.3 Package Size.....	12
4.4 Delivery Model.....	12
4.5 Physical Works Delivery	13
4.6 Professional Services Delivery.....	14
5.0 Implementation	14
5.1 Capability and Capacity	14
5.2 Internal Procurement Processes.....	15
5.3 Communication Plan.....	15
5.4 Implementation Plan	15
5.5 Document Ownership and Review	16
5.6 Performance Measurement and Monitoring	16

1.0 Executive Summary

1.1 Introduction

Having an endorsed Road Transport Activity Procurement Strategy for all subsidised land transport activities is a requirement of the Waka Kotahi (New Zealand Transport Agency) Procurement Manual. It is planned to create strategies which obtain best value for money which is a requirement of the Land Transport Management Act.

The Waka Kotahi (New Zealand Transport Agency) Procurement Manual in turn requires all road controlling authorities to maintain a Strategy which is endorsed by Waka Kotahi (New Zealand Transport Agency). This Strategy is intended to fulfil these requirements and Council has, for consistency, included all non- subsidised land transport activity procurement within this Strategy.

The Strategy sets out the objectives around value for money, and methods for procurement to support fair competition and encourage competitive markets to best achieve these objectives, for both the taxpayer and the ratepayers of the Otorohanga District.

1.2 Delivery Model

The majority of land transport activities in the Otorohanga region are well defined and low risk. The scope of the works can be easily defined into contract documents, therefore our road transport activities fit the “Staged” delivery model.

Other delivery models (e.g., Design and Build) may be used if they can be demonstrated to provide best value for Otorohanga.

1.3 Procurement Environment

Otorohanga District is situated in the south-west extent of the Waikato region, and is characterised by its distance from national and regional service providers typically located in the major population centres. A relatively large network of low traffic volume roads and low population density results in a high proportion of road transport activity spend from the total Council budget.

Currently the number of physical works suppliers locally and regionally is sufficiently healthy to provide price tension or competition for direct cost efficiency. A number of experienced small local contractors also provide good service to Council, but the risk of the loss of these providers is ever present. The Strategy is intended in part to support the ongoing benefits of these smaller entities being viable within our district.

The existence of the in-house Professional Services Business Unit for the provision of the bulk of our core professional services in support of the land transport activities is a significant strength of Council and will be retained for the foreseeable future.

Central Government and Waka Kotahi (New Zealand Transport Agency) initiatives and policies to achieve financial efficiencies are promoting a collaborative approach to procurement. Previous projects have been tendered jointly with adjacent authorities, notably reseals and second coat sealing and Road Safety Coordination with the Waitomo District Council, and road roughness and condition surveys with Waipa District Council. It is considered that joint tendering of physical works has not yielded a measurable financial efficiency, but that collaboration for professional service does provide an improved service potential without increased cost. It is

likely that combined physical works packages will not be pursued further in the short term, but professional services through WLASS (Co Lab) has been utilised when practical.

1.4 Approach to Delivering the Land Transport Programme

The approach of this Strategy is to purchase works and services for road transport in support of the Long-Term Plan (LTP) targets through maintenance activities, supply of appropriately designed and constructed assets to meet the community needs, and at a fair price which sustains the supplier market and achieves efficient use of funds in the long term.

The use of selected contract terms, and selection of suppliers for pricing physical works to provide fair opportunity to local suppliers when appropriate, are intended to achieve the best long term pricing competitive markets in the district. Maintaining this competitive market will provide best value for money in the long term.

Councils Manual of Tendering and Purchasing Procedures and the typical contract management process charts incorporate and reinforce the principals of this Procurement Strategy.

1.5 Document Ownership and Review

The Procurement Strategy is for all land transport activity procurement within the Otorohanga District and its use shall be overseen by the Group Manager Engineering and Assets.

This review of the Strategy has been approved by the Executive Management Team. The next review is envisaged to provide for the 2027-30 National Land Transport Plan.

1.6 Recommendations for Waka Kotahi (New Zealand Transport Agency)

Otorohanga District Council recommends that Waka Kotahi (New Zealand Transport Agency) :

- a) endorses this Transportation Procurement Strategy
- b) approves the continued use of a variation to Procurement manual, section 10.21 Maximum term of a term service contract for infrastructure or planning and advice allowing Ōtorohanga District Council to use a maximum term of nine years (3+2+2+2 years) for its District road maintenance term service contract.
- c) approves the continued use of a variation to Procurement manual, section 10.21 Maximum term of a term service contract for infrastructure or planning and advice allowing Ōtorohanga District Council to use a maximum term of ten years (5+5 years) for its streetlight maintenance term service contract.
- d) approves the continued use of an approval under s26 of the LTMA allowing Ōtorohanga District Council to use in-house professional services.

2.0 Policy and Objectives

2.1 Council Strategic Objectives

The Strategic Objectives of the Otorohanga District Council are defined within the **Long Term Plan 2021-31** (LTP) and are summarised in the following Community Outcome Statements:

- Otorohanga District is a safe place to live;
- Ensure services and facilities meet the needs of the community;
- Provide for the unique history and culture of the district;
- Promote the local economy and opportunities for sustainable economic development;
- Manage the natural and physical environment in a sustainable manner;
- Foster an involved and engaged community;
- Protect the special character of our harbours and their catchments;
- Recognise the importance of the district's rural character.

The procurement of road transport services is a significant portion of Council's total budget and is able to contribute in particular to the sustainability of the local business of the community while providing a fit for purpose service.

The LTP provides the following statement for the purpose of the road transport activity:

The purpose of this activity is to provide for the safe and efficient passage of traffic throughout the District and Council acknowledges its interdependency on the State Highway network, as well as partnerships with key stakeholders in the transport arena.

2.2 Strategy Objectives

Value for Money

For the purposes of this Strategy the definition of value for money provided by the Office of the Auditor General is to be adopted:

"The best possible outcome for the total cost of ownership."

"To ensure that the level of service required by customers is provided at the lowest long-term cost to the community."

Additionally, s25 of the Land Transport Management Act (LTMA) requires that procurement procedures used by approved organisations such as the Otorohanga District Council, 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 goods or service that delivers the output approved for funding under s20 of the LTMA in the most efficient and economic manner.

Efficiency and economy have both financial and non financial components. While procuring the service for the lowest quoted price from any supplier capable of supplying the service to the specified quality is the best short-term value for money, this may not provide the best long-term result. By considering the other non-price factors such as retention of a competitive market and economic growth within the district where appropriate, the best long-term value for money can be achieved.

Competitive and Efficient Market

As a smaller rural district somewhat distant from the larger urban centres the number of capable and experienced road transport service suppliers is relatively small.

The recent trend for smaller independent civil construction contractors to be purchased by larger national operations has in recent times reduced the number of potential bidders for road construction and maintenance works. To ensure fair contract rates are obtained for future

contracts it is important to maintain or grow the current range of service providers, and in particular those based within the district.

This Council's experience has suggested that small locally based contractors can offer very competitive rates due to their low overheads and modest expectations in respect of profit margins. That Council contracts are also often relatively large in relation to the capacity of these local contractors also motivates the contractor to view the contract as important and motivates them to provide a high level of service.

By awarding smaller value project works to locally based contractors (while still achieving a fair price through limited or invited tendering or price requests) an ongoing workload for these local contractors can be provided. This has a long-term benefit to the community by the efficient procurement of road transport activities through future competition for works rather than market capture by a single provider. This also supports value for money in the longer term.

Corporate Ownership and Development of the Strategy

Council has for some time managed the process for all road transport services procurement in accordance with the "Otorohanga District Council Manual of Tender and Purchasing Procedures", and the "Delegations Manual" which was reviewed in conjunction with preparation of the original 2018/21 Land Transport Procurement Strategy to ensure alignment. The use of these tendering and awarding processes is established and well understood by the staff involved in purchasing services for Council. Ōtorohanga District Council Manual of Tender and Purchasing Procedures' is consistent with the Waka Kotahi Procurement Manual Amendment 6. The general methods for procuring roading services in terms of this Strategy will not be significantly different from the practices of the past, and the team of staff controlling the purchasing of roading related services is relatively small. It is therefore expected that the Strategy will be closely followed.

Better Inform the Supplier Market

The publication of the longer-term primary works schedules and expected work values will give the market some security of potential forward work opportunities, and it is hoped this will encourage existing suppliers to remain within the market, and for new suppliers to consider establishing a client base in the region.

Strategy Development

The Strategy is to be reviewed on a three yearly cycle, to measure the success of the methods to achieve the objectives and outcomes. Engagement with the roading supplier industry will be carried out together with the Waka Kotahi (New Zealand Transport Agency), Council and other local Road Controlling Authorities with similar conditions to the Otorohanga District to update this Strategy in line with the current LTP and best industry practice.

2.3 Strategy Outcomes

The Procurement Strategy will be considered to be effective if, as well as meeting the KPI measures included in section 5.6 are met, the following are achieved:

- The current level of competition for tenders or invited prices is maintained or shows growth in terms of the number of bids received
- The number of existing local smaller contractors is maintained or grows
- The locally available level of civil engineering construction skills is maintained or grows
- Roading construction work is awarded to a diverse group of suppliers while maintaining a value for money approach for the ratepayers

2.4 Health and Safety

Council recognises its obligations under the Health and Safety at Work Act (HSWA) 2015 and as such requires all of its suppliers to take practical steps to ensure safe work practices are employed. Council requires all of its suppliers to comply with these requirements also recognising that in a contracting chain there are shared responsibilities under HSWA to consult, cooperate and coordinate activities with supplier and contractors.

Council requires all of its suppliers to actively explore ways to promote best practice health and safety throughout the procurement lifecycle, in particular ensuring the key principle of 'health and safety by design' is considered and met.

It is a requirement of Council that contractors undertaking work on behalf of Council are SHE accredited.

Council's Health and Safety team provide advice on procurement including the procurement planning stage, tender document preparation, contractor health and safety plan reviews, and audits as appropriate.

A comprehensive health and safety training programme is provided to staff by the Health and Safety team and external providers as required.

Contractors are required to submit contract specific Health and Safety plans that are reviewed annually. Council staff will monitor these plans to ensure that actions in the plans are carried out.

This will include monitoring safety committee meetings, tool box meetings and the investigation and follow up of any work place accidents

2.5 Sustainability Considerations

Sustainability is of strategic and statutory importance to Council. The Local Government Act 2002 requires Council to take a sustainable approach by taking into account the social, economic, environmental, and cultural wellbeing of people and communities, the need to maintain and enhance the quality of the environment, and the needs of future generations. Sustainability must therefore be considered throughout the entire procurement process. This is in line with a shift in the Government Procurement Rules (4th Edition) 2019 to focus on the 'broader outcomes' of procurement as shown in the figure below and further discussed in section 2.6.



Issues that impact on sustainability include:

- climate change
- ozone depletion
- optimising use of natural resources
- minimise use of hazardous substances
- waste minimisation

- job creation
- health & safety compliance
- equality
- fair pay for suppliers' staff
- economic regeneration
- building sustainable markets
- legal compliance
- public image protection and enhancement
- engagement with iwi and hapū organisations, Māori businesses and social enterprises.

2.6 Broader Outcomes

The Government recognises that its procurement activities offer a unique opportunity to achieve broader cultural, economic, environmental and social outcomes for New Zealand. Broader outcomes are the secondary benefits that are generated by the way a good, service or works is produced or delivered. These outcomes can be social, environmental, cultural or economic benefits, and will deliver long-term public value for New Zealand.

The Government Procurement Rules include several requirements regarding broader outcomes. In particular Rule 16 states "Each agency must consider, and incorporate where appropriate, broader outcomes when purchasing goods, services or works".

Broader outcomes require the consideration of not only the whole-of-life cost of the procurement, but also the costs and benefits to society, the environment and the economy. Of these broader outcomes, the Government identified four priority outcomes for agencies to start focusing on:

- Increasing access for New Zealand businesses
- Construction skills and training
- Improving conditions for New Zealand Workers
- Reducing emissions and waste

Specific broader outcomes that ODC will be seeking are:

- Development of business relationships with local Iwi organisations
- Provide employment and training opportunities for local youth
- Support for local businesses and industries
- Protection of the environment and waste minimisation

2.7 Social Procurement

With an annual procurement programme of approximately \$8 to \$9 million per year (exclusive of internal staff costs), Council recognises that procurement has a profound effect on the local economy and the wellbeing of its community. In undertaking procurement, Council has the ability to deliver additional benefits to the community and/or meet other strategic objectives through its supply chain. For example, reducing unemployment rates, enhancing the skills of the local workforce, or enabling the growth of local markets or suppliers.

2.8 Māori, Mana Whenua, Mātaawaka

Otorohanga District Council is committed to lifting Māori economic and social well-being and recognising Māori cultural values and perspectives. Social procurement can make a material difference for positive Māori outcomes by including objectives that:

- Support Te Ao Māori cultural competency and knowledge within the supplier's workforce;
- Give due effect to Te Tiriti o Waitangi (Treaty of Waitangi);
- Provide employment opportunities and career pathways for Māori;
- Support partnering or sub-contracting with iwi and hapū organisations, Māori businesses and social enterprises; and,
- Encourage the engagement of Māori in the design and/or delivery of goods, services and works.

3.0 Procurement Environment

The following is an analysis of the supplier market.

3.1 Professional Services

Otorohanga is fortunate in regard to professional services in that the in-house Professional Services Business Unit of Council is very effectively managing the day to day needs for the maintenance and capital roading programmes. This is supported by a dedicated Assets and Technical Support team whose primary focus is to prepare Councils AMP's. The following works are regularly undertaken in-house by experienced staff members:

- Management of the maintenance contracts
- Road capital project design, specification preparation and tendering
- Construction observations and quality assurance
- RAMM data management
- Asset condition surveys
- Provision of comments and conditions for resource and building consents

Recent audit reports undertaken in the 2018, 2019 and 2023 by Waka Kotahi (New Zealand Transport Agency) have concluded that the in-house Professional Services Business Unit is a strength of the Otorohanga District Council, and in particular the cadetships providing training of young engineers was commended. This is part of the 'value' that Otorohanga District Council has achieved through this approach.

Although no professional service providers for road transport activities are based within the Otorohanga District for specialised needs such as RAMM condition rating surveys, independent crash reduction studies, and complex geotechnical or specialist engineering designs, Otorohanga District Council is again fortunate to be within reasonable distance of the larger urban centres of Hamilton and Tauranga. A broad range of experienced consultants are available to respond to price requests or tenders for specialist inputs, and recent experience has shown that a high response rate for prices has been achieved.

As Otorohanga District Council will always be a small player in the market for specialist service provision for roading inputs, it is considered that Council can have only minimal impact on the market.

Collaboration between the Road Controlling Authorities within the Waikato Region has resulted in the establishment of the WLASS - **Co Lab** (previously RATA) which provides specialist asset management professional services, which Otorohanga District is participating in. The road roughness and condition rating survey, pavement modelling, and our traffic counting is currently being undertaken jointly through Co Lab, including specialist data analysis. The increasing scope of service being offered by Co Lab for specialist professional service is likely to be taken up by Otorohanga District Council as it becomes available.

Legal Land Survey Services capacity within the unit is currently low, and the existing working relationship with local suppliers (for legal survey work) has been expanded to encompass most of the other land surveying required.

3.2 Physical Works

Since 1997 the Council's maintenance operations have been undertaken by an independent Contractor. Previous tenders for this contract have resulted in six tenders in 2002, seven in 2007, three tenders in 2012, four tenders in 2017 and two tenders in 2018. All but one of the contractors who submitted tenders are still operating in the broader region, and it is expected

that for contracts of this value that a range of competent contractors will continue to show interest in this work.

Previously some consideration has been given to increasing the range of works included in the General Roads Maintenance Contract. Works such as bulk metal replacement on unsealed roads, pavement rehabilitation and re-sealing could be included in the contract, and would not reduce the number of contractors capable of undertaking the contract, or be expected to reduce the quality of the maintenance work undertaken. However, this single long-term contract would make up an even larger portion of the annual Council spend, and the contractors who have not been successful in being awarded the work have an even more limited potential for work to retain them in the district. In recent years the works have been separately tendered and the works have been awarded to a range of different contractors. This is considered to have two main advantages:

- A decreased chance of resources being diverted from routine road transport maintenance works with a resultant decrease in the level of service provided
- A more even spread of work among the region's contractors, contributing to the ongoing viability of all the contractors

There are a number of existing small to medium sized contractors with sufficient experience and plant capacity to undertake the typical annual maintenance projects (such as bulk metal replacement on unsealed roads), as well as capital, resilience and low cost low risk projects undertaken by Council each year. However, there is a risk that further company amalgamations may reduce the number or companies available to undertake these works.

It is intended to ensure that when there are considered to be sufficient numbers of locally operating contractors, that price requests with estimates under \$200k will be issued to invited contractors only. In the past Council has also accepted prices for work from local contractors for project types which they had not previously undertaken in order to develop the capability of local firms, and taken a co-operative approach in management of the construction works. The intention is that these initiatives will support and potentially grow the range of local suppliers for low-risk projects.

For the purposes of this Strategy, a local contractor is to be considered one who has a works depot or a principal administrative office in the Otorohanga, Waitomo or Waipa Districts.

For more specialised works such as cement stabilisation and chip sealing, contracts are typically undertaken by companies operating out of Hamilton or north of Hamilton. For smaller annual contracts which are separately tendered, such as line marking and hydroseeding, Council has traditionally obtained prices from two to four regional specialist contractors who have demonstrated over time an ability to perform efficiently to the required technical specifications.

3.3 Analysis of the Impact of the Procurement Programmes of Other Approved Organisations

The ODC regularly engages with both neighbouring Councils and the local contracting industry on procurement programmes and tenders going out to the market. Council's procurement requirements for its roading activity sits alongside a number of other approved organisations purchasing from the same supplier market. They include:

- Waka Kotahi (New Zealand Transport Agency) – State Highway NOC (Expiry date 1 July 2021) but likely to have 1+1 extension to March 2024)
- Neighbouring District Council's land transportation activity procurement programmes.

The possibility of tendering similar work types jointly with adjacent road controlling authorities has not been considered further in this strategy. However, the suite of road maintenance activities does present the potential for joint contracts due to a high degree of similarities of work type and scope. However, until misalignment of service levels and the variance in the contract expiry dates between the various council contracts can be resolved, it would be difficult to implement any shared procurement for major road maintenance and renewal contracts. Should these contracts be combined on a large scale, the risk of unsuccessful supplier(s) ceasing operations in the region, resulting in a reduced level of market competition would need to be assessed in advance. The introduction of new, standardised technical levels of service and contract models through ONRC and Te Ringa Maimoa (REG) may afford opportunity to review these options in the future. However, the benefits of shared contracts and economies of scale would need to be carefully examined against the risks of reduced competition within the region over time.

The Waitomo District Council in particular presents a number of opportunities for joint contracts due to a high degree of similarities of work type and scope. Although the same supplier holds both the Otorohanga and Waitomo District Council contracts it is felt that differing levels of service requirements make it unlikely that a shared procurement approach would be successful.

Previous collaborations and a joint tender for sealing works were completed between 2013-15. It is believed that the financial savings generated were small, and when considered against administrative complications the overall benefits were negligible. There are no current plans for further collaborations for physical works although, as collaborative procurement opportunities arise in the future the viability of these will be assessed to ensure the right approach is taken to deliver value for money. One such opportunity is the possible sub regional or regional contract for street lighting maintenance. This opportunity is still being developed and will be considered at the time that a proposal has been formulated and considered.

3.4 Future Waka Kotahi (New Zealand Transport Agency) Collaboration Option

The state highways extending through the middle of the district is managed under Waka Kotahi (New Zealand Transport Agency)'s West Waikato NOC. The geographic location of the highways effectively forms a spine to many of the district's roads, and it also runs through the primary urban centres of Otorohanga and connects with Kawhia. This makes the potential for a combined Waka Kotahi (New Zealand Transport Agency) / District Council managed road network attractive from an operational perspective, as the state highway would often be used by maintenance vehicles to reach the district roads that branch off it. Such a configuration offers potential savings to the local council as overhead and mobilisation costs could be potentially shared with the Waka Kotahi (New Zealand Transport Agency). Similar models are in place with the Western Bay of Plenty District Council (Westlink) and Marlborough District Council (Marlborough Roads). Other advantages may also exist around coordination and resourcing during emergency events and the management of the state highways through the urban zones. However, the current impediments to pursuing such an option in the short-term are:

- No detailed business case has been undertaken which would be necessary to confirm the benefits and dis-benefits to both parties of any combined contract
- Misalignment in service levels, although ONF alignment and identifying the highway service levels separate in a combined contract model would be possible
- Misalignment in contract expiry dates between the Council's contracts and the Waikato NOC for the state highways.
- Integrating works through collaboration on networks may cause projects to be delayed

These would suggest that it is unlikely that this option would be viable until at least 2027 at the earliest. If this was to be considered further over this timeframe, it is recommended the following steps are pursued:

1. A detailed business case is prepared to clearly identify whether this option would provide benefits in terms of value for money, efficiency and improved outcomes to the road users

2. A study of the structure and outcomes of the other combined contracts in New Zealand, whether these have delivered the anticipated benefits, what problems have been encountered, and what has been the impact on the local contractor market place
3. A study on the required technical and managerial skills that would be required for a combine contract, where these would be located, and how any skills or capacity gaps identified would be addressed.

Where the outcomes of the above studies were positive, then the next steps would be:

1. The development of an MOU between Council and Waka Kotahi (New Zealand Transport Agency) to pursue a combined contract
2. The development of a detailed programme for the preparation of a combined contract that would identify critical milestones,
3. Workshops around the form of the combined contract
4. Alignment of future contract's expiry dates to enable a combined contract to be developed.
5. A broad provision is included in the next round of contracts to extend (provision for rollovers) to enable replacement contract alignment to be achieved.

3.5 Local Government Act s17a review

Otorohanga District Council last carried out a Local Government Act s17a review in February 2011. The next review is programmed for 2026 ahead of the review of this Transport Activity Procurement Strategy and prior to the bulk of the contracts being up for renewal.

4.0 Approach to Delivering the Work Programme

4.1 Strategic Objective and Approach

The approach of this Strategy is to purchase works and services for road transport in support of the LTP targets through maintenance activities, supply of appropriately designed and constructed assets to meet the community needs, this needs to be done at a fair price which sustains the supplier market and achieves efficient use of funds in the long term. For the most part contracts that were in place as part of the 21/24 Procurement Strategy are still within their contract period. This together with no proposal to change ODC's procurement approach largely results in this 24/27 update of the Procurement Strategy having a business as usual focus.

4.2 Contract Term Periods

General roading maintenance contract terms as tabled below are considered to be working well for our District and are not expected to be revised for the 2024/27 NLTP

Contract	Term
Reseals and second coat sealing	2+1 + 1
Pavement Renewals	On a project basis
Unsealed road metal replacement	3 + 1 + 1
Road marking	3 + 1

A use of longer terms for larger maintenance and operation works contracts such as AWPT, and unsealed road metal replacement reduces the costs of tendering and project management through the in-house Business Unit. There is also a similar saving in tendering expenses for suppliers. It is intended to stagger the end date of these works to ensure one tender is re-awarded each financial year providing a smoothed internal workload for the tendering process, and to provide a smoothed stream of potential work to suppliers.

Some physical works such as road marking and grass hydroseeding have only limited numbers of suppliers available, and only very limited capacity and capability from local companies. It is proposed to continue with long term contracts for these works as little scope for economic efficiency or District growth has been identified from these works.

Smaller and less regular work packages such as bridge deck replacements and bridge painting contracts which have an unpredictable and / or varied time frame and volume, will of necessity continue to be tendered as required for individual financial year's programmes.

The primary roads maintenance contract is traditionally bid for by large nationally active contractors rather than local or regional contractors. While it is often the case that many local staff are employed to undertake the work, and local suppliers benefit from the undertaking of this contract, the contractor is not always considered to be local. Following an internal workshop to consider the methodology for procurement of the roads maintenance contract it was concluded to use a term of 3 years + 2 + 2 + 2 to offer an attractive package for contractors and encourage good competition for the contract and additionally provide economies to Council for tendering costs. Contract terms were raised with the procurement team at Waka Kotahi (New Zealand Transport Agency) where Council received support.

The planned upgrade of the street lighting network to LED lanterns is completed and has resulted in a network with only very limited need for routine maintenance. In order to make this work attractive to suppliers it is proposed to make the street light maintenance contract a five-year term with a five-year extension intended to offer a package of work of a reasonable volume for contractors and encourage good competition for the contract and additionally provide economies to Council for tendering costs.

For contract extensions due to tendering difficulties greater than the allowable three months under the Waka Kotahi (New Zealand Transport Agency) procurement rules, Council are required to engage with the Waka Kotahi (New Zealand Transport Agency) and get approval for such extensions.

There can be unforeseen circumstances other than re-tendering difficulties that can arise which may require a contract to be extended up to two years. This is primarily bringing together or staggering contract expiry dates when a significant restructure of services is required. For reasons other than this Waka Kotahi (New Zealand Transport Agency) approval will be required.

4.3 Package Size

Some the physical works undertaken, particularly the Low-cost low risk including resilience improvements works can be bundled together into packages of work in the \$10k to \$50k range without affecting the likely direct cost of the work through economy of scale or geographical disparity factors. When practicable these works will be packaged to provide fair opportunity for local suppliers.

4.4 Delivery Model

The majority of land transport activities in the Otorohanga district are well defined, low risk and the scope can be easily defined in contract documents, therefore our road transport activities fit the Staged delivery model, with a design being procured and completed ahead of and separate to construction or implementation contracts.

All road transport activity procurement will be undertaken using the Staged delivery model as defined by the Waka Kotahi (New Zealand Transport Agency) Procurement Manual: appendix D, (the quality-based supplier selection method is only to be used for professional services). A modified copy of the decision tree is below.

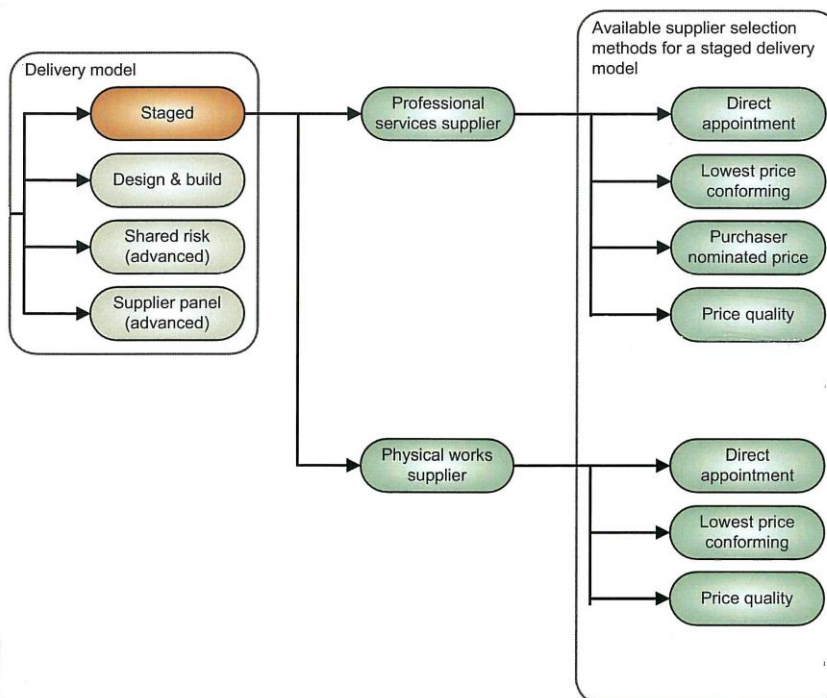


Figure 1 – Revised Staged Delivery Model

4.5 Physical Works Delivery

The following tables set out the works that are current.

Roads Maintenance and Renewals

Description	Approximate Value (2022/23 values)	Supplier Selection Method	Financial Year for commencement of contract	Term (years)	Comments
District roads maintenance	\$2,000,000 per annum	Price Quality Method	2018/19 awarded 14-08-2018	3+2+2+2	Term approved by Waka Kotahi (New Zealand Transport Agency)
Sealed road resurfacing 2020-2022	\$2,861,229	Lowest Price Conforming	6 August 2020	2+1+1	To be renewed
Unsealed road metal replacement	\$1,822,287	Lowest Price Conforming	1 July 2021	3+1+1	
Street light maintenance	\$30,000 per annum	Price Quality Method	2016/17 awarded 15-02-2017	5+5	Combined tender with capital upgrade
District Footpath Maintenance 2020-2022	\$419,582	Lowest Price Conforming	30 April 2021	2+1+1+1	
Pavement Marking 2021-2024	\$660,738	Lowest Price Conforming	19 Nov 2021	3+1	

Capital Projects

Description	Approx Value	Supplier Selection Method	Financial Year	Comments
Mangamahoe, Tuitea and Aotearoa Rds Pavement Rehabilitation	\$1,210,364	Lowest Price Conforming	awarded 11 October 2022	

Delivery of emergency work is largely undertaken as a variation to the maintenance contract due to the urgent nature of the required service. Should works require specific design (eg retaining wall) then consideration will be given to a stand-alone contract if time permits.

Implementation of Low-cost low risk projects are also undertaken as variations to existing contracts as they frequently form part of an overall project e.g., improvements with pavement rehabilitations. Again, should work be able to be bundled into a stand-alone work package then separate contracts would be tendered as discussed in section 4.3 above.

4.6 Professional Services Delivery

The majority of professional services required to deliver the programme of works will be supplied by the in-house Professional Services Business Unit. The Business Unit provides an ideal example of the objectives of the Strategy in the following ways:

- Local people are employed long term in providing the service
- A cost-effective service is provided with low overheads, appropriate skill levels provided and no profit margin to allow for.

For specialist skills not available through the Business Unit, price requests will be sought from suitably resourced suppliers. Specialist Asset and Network Management Services have been provided by an external consultant for the last five years in support of the Business Unit. This has been necessary following the resignation of a key staff member and several unsuccessful attempts to recruit a full-time employee in this role. This service provider has developed significant local and institutional knowledge. It is anticipated that Council will continue with this support in the medium term.

Table D – Professional Services

Description	Approx Value	Supplier Selection Method	Financial Year	Comments
Road High Speed Data survey plus other data	\$60k PA	Price Quality	2022/23	Existing contract through WLASS (Co Lab)
Traffic counting service	\$30k PA	Price Quality	2022/23	Existing contract through WLASS (Co Lab)
Road pavement and surfacing forward works programme preparation	\$25k	Direct Appointment through Clarke of Works Ltd	2022/23	Existing Service with Chris Clarke – Clarke of Works Ltd
Bridge inspection services	\$40k PA	2 prices	2022/23	Existing service with Martin Cockitt – ACE Consultants
Asset and Network Management Specialist Secondment	\$100k PA	Direct Appointment	2022/23	Existing Service with Chris Clarke – Clarke of Works Ltd
WLASS (Co Lab) RAMM management services	\$80k PA	Direct Appointment	2022/23	Provisional service

5.0 Implementation

5.1 Capability and Capacity

All Council staff involved with road transport procurement are guided by the Manual of Tendering and Purchasing Procedures, with additional guidance from the Delegations Manual. Both these documents have been in use for some time and are well understood by the staff involved in purchasing for road transport activities. The Waka Kotahi (New Zealand Transport Agency) Procurement Manual provides overarching guidance and rules when the Waka Kotahi (New Zealand Transport Agency) is contribution funding

The individual staff involved with purchasing for road transport activities have appropriate levels of experience, and a programme of ongoing training through external providers is undertaken to improve the capabilities of all engineering staff.

The Otorohanga District Council has operated with a reasonably stable level of both road transport activity total spend, and staffing within the engineering section and Business Unit for some time and there is a high degree of certainty about the capacity to manage the operation of the network.

A copy of the current organisational chart showing the road transport activity staff is shown below.

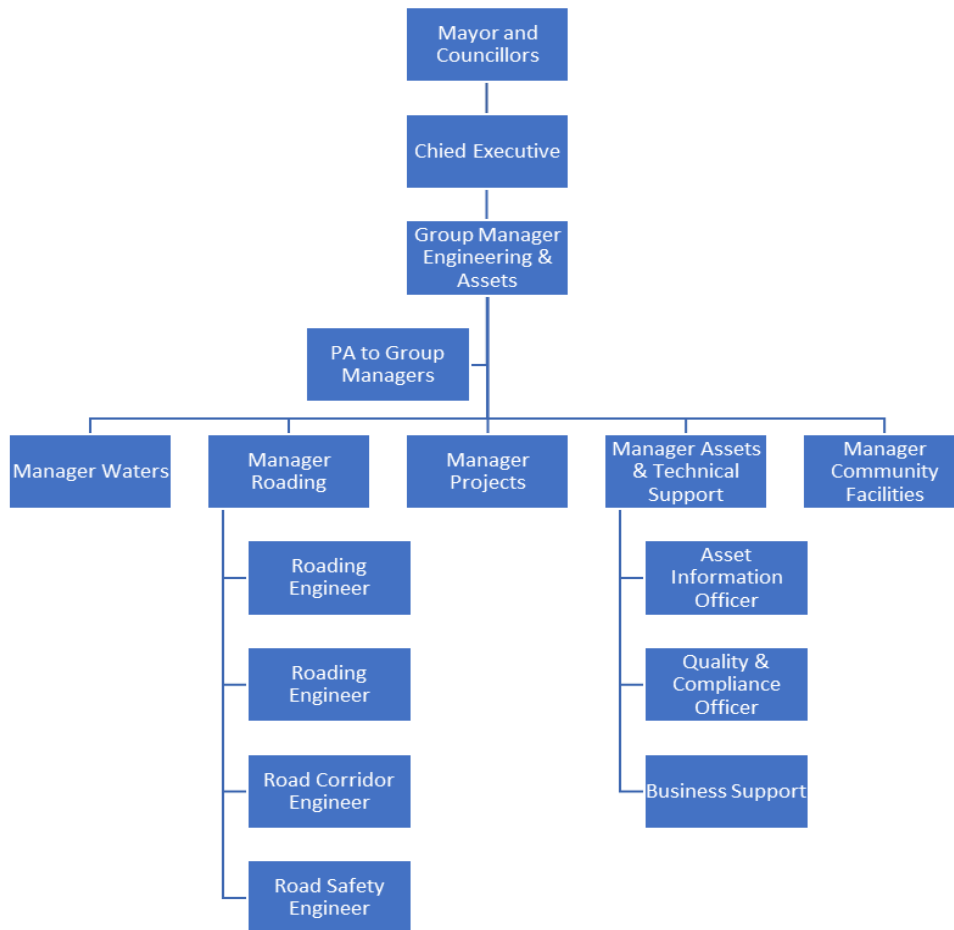


Figure 2 – Organisational Chart for delivery of the Land Transport Programme

5.2 Internal Procurement Processes

Council's Manual of Tendering and Purchasing Procedures clearly outlines the processes available for obtaining prices and awarding work. The document is supported by the Delegations Manual which confirms the individual staff position authority levels required for awarding of tenders or accepting prices for procurement across Council. The Manual of Tendering and Purchasing Procedures is also supported by a decision flowchart and a set of standard templates for the entire contract management process.

The type and scope of works undertaken within the road transport sector of the Otorohanga District do not generally significantly vary from year to year and the processes have been in use for many years and have been refined to suit the work undertaken.

5.3 Communication Plan

The Procurement Strategy will be communicated to the stakeholders by the following means:

- Outline presentation to staff involved with road transport
- Posting of the Strategy on the Council website

5.4 Implementation Plan

It is proposed to implement the plan following endorsement of Waka Kotahi (New Zealand Transport Agency).

5.5 Document Ownership and Review

The Procurement Strategy is for all road transport account purchasing (excluding landscape services) within the Otorohanga District and its use shall be overseen by the Group Manager Engineering and Assets. The responsibility for ensuring compliance with the Strategy shall be managed internally by the Roading Manager.

The first edition of the Strategy in 2010 has been approved by the full Council following the 2010 elections. This review of the document was undertaken to encompass the use of collaborative tendering, including the Co Lab collaboration. This review has included consideration for longer term contract periods for the street light maintenance and general roads maintenance contracts. Further reviews of the document are envisaged on a three-year cycle or to match funding approval periods as set in place by the Waka Kotahi (New Zealand Transport Agency) .

Responsibility for overseeing the review of the document shall be with the Group Manager Engineering and Assets and authorised by the Chief Executive.

5.6 Performance Measurement and Monitoring

The performance of road transport activities is monitored externally by the Waka Kotahi (New Zealand Transport Agency) through annual completion reporting requirements and periodic safety, technical and investment audits.

Contractor performance is measured via KPIs included in documents and conformance with undertakings made in their tender submissions. Monthly reports include items such as % of approved programme completed, non-conformance reports and incident reports, audits of individual sites are undertaken during staff patrols of the network.

Internally we will review the adequacy of the procurement strategy at regular intervals and at a minimum when major contracts need to go to tender. The changes in the supplier market will continue to be a focus so that we may adapt our approach to obtain the maximum value for money. This is particularly relevant as the long-term effects of the COVID 19 become apparent.