



Ruamāhanga Roding Network Procurement Strategy

Carterton & South Wairarapa District Councils

March 2022

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1. Executive Summary

1.1. Key issues and Opportunities

Ruamāhanga Roads tendered and awarded a Network Maintenance Contract in July 2019. The scope and tenure of this contract means that the planned procurements over the next 3 years are of low value. However, the management of these relatively low value procurements will be used to contribute significantly to the Councils' procurement objectives:

- To achieve value for money.
- To encourage development of local suppliers.
- To ensure a high standard of health & safety is embedded in procurement.

The development of the local supplier market will provide, in the longer-term, better value through a more resilient and reliable resource for these services. It will also ensure that the suppliers' services are available at competitive prices for other businesses in the two Districts.



1.2. Recommendations

It is recommended that:

1. The procurement strategy is endorsed.
2. The Councils confirm the relevant levels of delegations for award of contracts within the Councils' approved budgets.

1.3. Endorsement

This Procurement Strategy has been reviewed and approved as per below:

Johannes Ferreira Infrastructure, Services Manager Carterton District Council	
Signature: 	Date: 17/05/2022
Stefan Corbett Group Manager Partnership and Operations South Wairarapa District Council	
Signature: 	Date: 11/04/22

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2. Introduction

The current Procurement Strategy's approval, developed in 2018, expires on 30 April 2022. This Procurement Strategy has been developed to be applicable to the next three years planned procurements. Its development has incorporated recent revisions to the Waka Kotahi's Procurement Manual, particularly those outlined in General Circular no. 19/03 (Amendment 5).

Ruamāhanga Roads tendered and awarded a Network Maintenance Contract in July 2019. The scope and tenure of this contract means that the planned procurements over the next 3 years are of low value. The life of this procurement strategy is three years. However, the management of these relatively low value procurements will be used to contribute significantly to the Councils' procurement objectives:

- To achieve value for money.
- To encourage development of local suppliers.
- To ensure a high standard of health & safety is embedded in procurement.

The detail and processes in this procurement strategy is consistent with the value of the planned procurements. However, the reference made to Waka Kotahi's Procurement Manual requirements mean that the strategy could be applicable to a large unplanned procurement. If a significant departure is required from this strategy for a large procurement and other emergency powers are not relevant, then it is expected that a project specific strategy would be prepared for approval prior to the procurement proceeding.

The value of procurement covered by this strategy means that specific market surveys or risk analysis have not been commissioned because the cost of these exercises would exceed their added value.

The market information used in this strategy comes from information provided by market analyses undertaken over the last two years for other purposes. Similarly, the key risks identified in this strategy are those identified by other tasks undertaken over the last two years.

3. Ruamāhanga Roads

The Ruamāhanga Roads business unit is a collaboration between Carterton and South Wairarapa District Councils. It was formed for the purpose of managing the delivery of roading network maintenance, renewal and capital improvement activities.

The Ruamāhanga Roads business unit was created by Carterton and South Wairarapa District Councils after completion in 2019 of a section 17a review. The aim of the 17a review and the agreed drivers that resulted in the formation of Ruamāhanga Roads business unit is detailed in section 3.1.

To ensure there is a clear understanding of the approach to funding, roles, responsibilities and commitments in this collaboration the parties have signed a Multi-Party Funding Agreement. The goals and principles of this Multi-Party Funding Agreement are detailed in section 3.2.

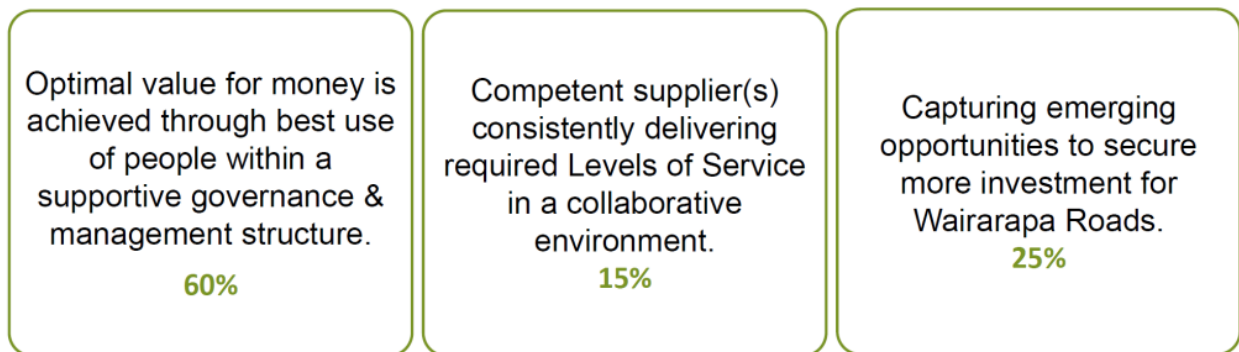
3.1. Section 17a Review

Carterton and South Wairarapa District Councils in 2019 completed a Section 17a review of their Road Maintenance Service Delivery. Note every six years a local authority must review the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region for good-quality local infrastructure, local public services, and performance of regulatory functions.

The section 17a service delivery reviews are aimed at identifying:

- efficiency gains – either from financial cost savings or reductions in resource requirements freeing up resources for use elsewhere
- improvements in services
- improving relationships with other local authorities, community groups and private sector suppliers
- better understanding of available supply options

From this 2019 review the following high-level objectives, drivers and risks were developed into Problem Statements and into an Investment Logic Map (ILM). The high level objectives agreed through the ILM process were:



The key driver, agreed by all parties, was ‘Efficiency and Value for money’.

3.2. Collaboration Agreement

The two District Councils have agreed to work together through the joint procurement and contracting of services for Road Maintenance across the two Districts. This is a significant but positive development in the region, with benefits to this approach accruing to both Carterton and South Wairarapa District Councils, as well as to Waka Kotahi as the funding partner.

The collaboration between the two District Councils is documented in a Multi-Party Funding Agreement (MPFA). The Multi-Party Funding Agreement is critical to ensuring the spirit of collaboration is maintained. It achieves this by documenting the principles under which this approach will operate, the governance structure for the joint clients, and the specific roles each District Council will perform. This is paramount to ensuring good engagement and continued buy-in to the collaborative structure.

The Multi-Party Funding Agreement identifies the funding approach and commitment agreed between the District Councils, and this approach aligns with the requirements of Waka Kotahi.

The goals and principles of the Multi Party Funding Agreement are:

Goals

The goals of the respective parties are:

- a) To deliver road maintenance works and services across the two district councils' road network as effectively and efficiently as possible
- b) To act expeditiously on the opportunities created under the enacted Land Transport Management Act 2003
- c) To work together as a joint partners, on any consultation undertaken with the community under the enacted Land Transport Management Act 2003
- d) To take a flexible attitude to the project scope, particularly where a narrow view would reduce the financial effectiveness of the project
- e) To look for efficiency gains in working on other projects,
- f) To develop an effective joint communications programme with the community

Principles

The principles relating to the agreement are that:

- a) an effective working relationship between the parties be formalised
- b) to be effective, the parties must commit suitable and available resources to complete the necessary work
- c) the parties must work together collaboratively, in an open and transparent way, and act in good faith in meeting their responsibilities
- d) each party commits to consider, investigate and resolve issues as they arise in a manner that maintains the integrity and professionalism of each agency
- e) the parties commit to the sharing of information, as is necessary, to maximise the opportunity for the MPFA goals to be delivered (It is recognised that from time to time, information may need to remain confidential or is subject to legal privilege and cannot be exchanged)
- f) nothing in this agreement will prevent the individual parties adhering to their respective governance processes
- g) each party will exercise its respective statutory powers having regard to the intentions of the parties in entering this agreement.

4. Policy Context

4.1. Strategic Objectives and Outcomes

Carterton and South Wairarapa District Councils have current purchasing guidelines that are required to be followed in the procurement of goods and services. Their goals align with those set out in the Local Government Act 2002 and in Waka Kotahi's procedures.

In addition, the Councils are committed to providing an open and competitive marketplace in Wairarapa. This is essential to allow the Councils to demonstrate to its ratepayers that it is delivering the best value for money possible. It is also consistent with the Government's procurement charter and broader outcomes.

The Councils also recognise that successful contracts are based around strong relationships and can have two, three or more parties jointly contracted to deliver a single outcome. This relationship involves a sharing of skills, risk and jointly promoting innovation to improve value of the service delivery and is relevant from the smallest of contracts to the largest performance based, long term contracts. Strong contractual relationships with the supply chain:

- Promote stability in the marketplace.
- Provide confidence to both Council and the contracting industry.
- Encourage investment in systems, training and equipment.
- Place a value on local knowledge and skills.

Note this approach by the Councils is consistent with the Government's procurement charter.

There are no other relevant contextual factors, such as other Council policies, wider Council procurement plans, or any other regulatory requirements that supersede this procurement strategy for the purchase of services for managing the roading asset.

The objectives in adopting this procurement strategy are to create:

- A system that enables the Council to satisfy the Office of the Auditor General and the Waka Kotahi's requirements that protect Council's ability to receive subsidy from Waka Kotahi;
- A system that facilitates rather than stifles delegated authority to staff;
- A system that gives control to senior management allowing them to consider large expenditure items, before they happen;
- A system that has a minimum of bureaucracy;

whilst at the same time achieving the goals outlined below.

The District Councils' goals in co-ordinating and managing the procuring of goods and services are to:

- Conform with any Statutory provisions
- Protect the Council in a business-like manner; and

- Maximise ratepayer benefit from public funds committed.

The objectives that the Councils are aiming to achieve with the procurements are:

- To achieve value for money.
- To encourage development of local suppliers.
- To ensure a high standard of health & safety is embedded in procurement.

4.2. Health & Safety

The Councils' objective is to ensure a high standard of health & safety is embedded in procurement, Ruamāhanga Roads will use, in its evaluation of suppliers, a non-price attribute that values the health & safety systems and culture of each supplier. The health & safety attribute will go beyond the requirement for health & safety prequalification and look for a supplier company culture that has embedded health and safety into the way they transact their business.

The Councils consider that their obligations as a 'person conducting a business or undertaking' (PCBU) are important. It is critical, as a client, to provide leadership in health and safety. It will require suppliers to have a health and safety prequalification as a minimum. It will then evaluate, in the non-price attributes, the supplier's performance on health and safety, the diligence the officers apply to health and safety and the level of employee engagement and participation.

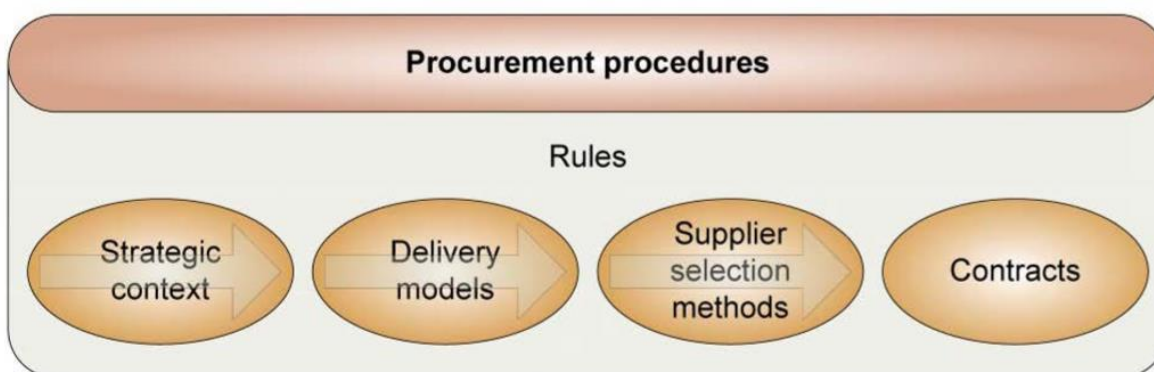
4.3. Waka Kotahi Procurement Requirements

Waka Kotahi is committed to the concepts of sustainability, value for money, maintaining competitive and efficient markets, and fair competition among suppliers. Waka Kotahi's Procurement Manual contains procurement procedures approved by Waka Kotahi under s 25(1) of the Land Transport Management Act 2003 (LTMA).

The procurement procedures contained in the manual are approved for use to purchase the goods and services required to deliver the activities that have been funded under s 20 of the LTMA.

This procurement strategy has been developed in full compliance with the requirements of Waka Kotahi's Procurement Manual and with well recognised good practice. This procurement strategy uses the same terminology and approach to describing the procurement processes and to addressing the associated key issues.

The diagram below, extracted from Waka Kotahi's Procurement Manual, which considers each of the aspects of a fully comprehensive procurement procedure has been used in the development of this procurement strategy.



The development of this strategy has specifically considered:

- The changes included in amendment 5 of Waka Kotahi’s Procurement Manual,
- The requirement to comply with the Government Procurement Charter, and
- The requirement to consider how procurement can contribute to the Government’s Broader Outcomes.

4.3.1. Waka Kotahi Procurement Manual Amendment 5

In additions to the changes brought about by the rewriting of the **Government Procurement Rules (GPR)** the following changes have been made to Waka Kotahi Procurement Manual:

- The Health and Safety expectations are strengthened. Waka Kotahi requires that Approved Organisations consistently embed health and safety controls and standards within the procurement lifecycle and that health and safety forms a key consideration in every procurement decision.
- Information about Waka Kotahi’s involvement is included in the **Construction Sector Accord**. It also states that Waka Kotahi expects Approved Organisations to contribute, where appropriate, to the priorities outlined in the Construction Sector Accord.
- There is a redefinition of **Value for Money**, intended to align with the GPR concept of **Public Value**, so that procurement delivers “best value for money”.

4.4. Government’s Procurement Charter

The Charter sets out Government’s expectations of the way agencies should conduct their procurement activity to achieve public value.

“The New Zealand Government directs agencies to:

1. **Seek opportunities to include New Zealand businesses.** *Openly work to create opportunities for local businesses and small-to-medium enterprises to participate in procurement processes.*
2. **Undertake initiatives to contribute to a low emissions economy and promote greater environmental responsibility.** *Ensure that economic and social development can be implemented on a sustainable basis with respect for the protection and preservation of the environment, reducing waste, carbon emissions and pollution.*

3. **Look for new and innovative solutions.** *This requires that the technical requirements of a procurement are not overprescribed and that procurements give businesses the opportunity to demonstrate their expertise.*
4. **Engage with businesses with good employment practices.** *Ensure that the businesses contracted with operate with integrity, transparency and accountability, and respect international standards relating to human and labour rights. For businesses operating within New Zealand, ensure that they comply with all New Zealand employment standards and health and safety requirements.*
5. **Promote inclusive economic development within New Zealand.** *Engage with Māori, Pasifika, and regional businesses and social enterprises in order to actively contribute to our local economy. Openly working to include and support these businesses and enterprises through procurement is expected to promote both skills development and a diverse and inclusive workforce.*
6. **Manage risk appropriately.** *Responsibility for managing risks should be with the party – either the agency or the supplier – that is best placed to manage the risk. Agencies and suppliers should work together on risk mitigation strategies.*
7. **Encourage collaboration for collective impact.** *Look to support greater collaboration, both across-agency and across-businesses, to give likeminded groups the opportunity to find common solutions within your procurement opportunities.*

4.5. Government's Broader Outcomes

The broader Outcomes include consideration of climate change and sustainability principles as mentioned in resources such as:

- Toitū Te Taiao Waka Kotahi Sustainability Action Plan - action plan, reporting framework and associated Resource Efficiency Policy (aiming for net zero land transport greenhouse gas emissions by 2050 and for zero deaths on the road)
- MBIE's Whole-of-Life Embodied Carbon Emissions Reduction Framework – this is particularly relevant for both existing and new structures
- NZGP's Procurement guide to reducing carbon emissions in building and construction – again, particularly for structures.

It is expected that the following actions are taken to achieve these broader outcomes:

- Enabling investment for long term outcomes, through embedding sustainability principles into our decision-making approach; and establishing early strategic impact assessment for both near and long term sustainability outcomes.
- Enable balanced assessment of outcomes to support transparent consideration of monetised and non-monetised social and environmental outcomes, benefits and costs.
- Embed the investment hierarchy into investment decision-making to ensure a broad range of options and alternatives, including non-transport solutions are considered.

5. Procurement Programme

5.1. Current Assets and Funding

The road network asset within the Carterton and South Wairarapa District Council's networks consists of:

	Urban Sealed	Rural Sealed	Urban Unsealed	Rural Unsealed	Total Length
Carterton DC	32.0 km	263.4 km	0.1 km	158.2 km	453.7 km
South Wairarapa DC Local Roads	62.0 km	305.7 km	1.1 km	258.7 km	627.5 km
South Wairarapa DC Special Purpose Road		34.8		2.9	37.7km

The operational and capital funding for land transport services across the councils comprise:

2022/23			
	Maintenance & Operation	Renewal inclusive of LCLR & R2Z	Total Funding
Carterton DC	\$1,746,715	\$2,085,699	\$3,832,414
South Wairarapa DC Local Roads	\$2,282,650	\$2,107,550	\$4,390,200
South Wairarapa DC Special purpose Road	\$369,240	\$508,900	\$878,140
Total	\$4,398,605	\$4,702,149	\$9,100,754

Source: TOI

The procurement programme for Ruamāhanga Roads for the next 3 years, that this procurement strategy covers, is only of a small value. The majority of the Councils' work will be completed by an existing Network Maintenance Contractor and in-house staff.

The scope of procurement over the next 3 years is for specialist and general professional staff to support the inhouse delivery with some procurements for construction of low cost and low risk projects where the value undertaken exceeds the provision within the Network Maintenance Contract.

The procurement has two segments, professional services and physical works. The total annual value of procurements is approximately \$200,000 for professional services and \$300,000 for

physical works. It is expected that the value of each commission will not exceed \$50,000 for professional services and \$100,000 for individual physical works contracts.

5.2. Professional Services

The current level of resourcing within the CDC and SWDC means many of the management and planning services required to support the transport service delivery within the districts will be provided by Ruamāhanga Roads staff. This resource will be shared across the two Councils and has been co-located to ensure good utilisation and alignment. Co-location with the network maintenance contractor has also been achieved. However, there is a need to support the in-house staff with both general and specialist professional services such as: bridge engineering and safety improvement design works, asset management support, and the design and management of capital improvement projects.

5.3. Small to Medium Roothing Works

The current term and scope of the road network maintenance contract means that there is only a small number and value of roading works that could be procured. These contracts are likely to be procured through a mix of individual contracts for each District Council and of combined contracts that include the two District Councils and the Department of Conservation.

5.4. Unplanned Procurements

If there is a procurement required because of some unplanned event it will be determined, at the time, if the procurement fits within this strategy or whether a particular procurement strategy and plan needs to be developed.

6. Procurement Environment

6.1. Market Analysis

The following is a brief analysis of the supplier market's two segments.

6.1.1. Professional Services

The supplier market has a number of local consultants who provide professional services in the Wairarapa/Wellington area. The services available range from land surveying, structural and geotechnical advice to traffic analysis and reporting. These professionals provide services to the local community and developers. There are also large National and International consultants with their bases in Wellington, approximately one hours travel from the two Districts.

Key buyers for professional services are developers or land owners with some demand from local councils (particularly Masterton District Council) and central government.

The current demand for these services is exceeding the local supply. This means that Ruamāhanga Roads will need to position itself as a desirable client to attract bids from these consultants.

6.1.2. Physical Works

There are a few small local civil engineering contractors that provide roading services to developers and private clients in the Wairarapa. Some of these contractors assist the Network Maintenance Contractor. There are also two large National contractors domiciled in the Wairarapa.

There are a number of quarries in the region with access to river metals, but the few bitumen/asphalt plants are based in Masterton.

The current demand for these services is exceeding the local market's supply. This means that Ruamāhanga Roads will need to position itself as a desirable client to attract bids from these contractors.

The size of the possible contracts is large enough to attract interest from local suppliers, but their value will be insufficient to support a new business re-locating to the area.

6.2. Procurement Spend Profile

The table in section 4.1 shows the budgets over the 3 years from 2021/2022 to 2023/2024. However, most of this budget is committed over the next 3 years on the contract for Network Maintenance. The Network Maintenance contract has an initial five-year tenure with two rights of extension of three and two years respectively. This means that it is unlikely to be renewed until 2031. Note the extension beyond the initial five-years tenure is subject to Waka Kotahi's approval. This approval will be sought in year 4 of the contract tenure.

The annual funding, not part of the Network Maintenance Contract, available for procurements is approximately \$200,000 for professional services and \$300,000 for physical works. It is expected that the value of each commission will not exceed \$50,000 for professional services and \$100,000 for individual physical works contracts.

Although not a planned procurement, the Councils have rights reserved under the Network Maintenance Contract to put work to the open market if the Network Maintenance Contractor is not performing well and has not sufficiently progressed the forward works programme. This procurement strategy covers the procurement of this work if their procurement is required.

6.3. Impact of Procurement

The size of the procurements under this strategy will mean that suppliers will be able to continue to provide services to other clients.

The procurements are intended to support a number of local suppliers remaining in the local area which will benefit other clients and businesses in the Wairarapa area.

7. Delivery of Work Programme

This section sets out the approach taken to procure the additional resources required to deliver the Transport Services work programme.

7.1. Strategic Objectives

To achieve the best value, in the long term, the Council's procurement needs to be flexible, collaborative and encourage development of the local market. This will benefit local businesses and the local economy.

The procurement objectives are:

- To achieve value for money.
- To encourage development of local suppliers.
- To ensure a high standard of health & safety is embedded in procurement.

Note to ensure a high standard of health & safety is embedded in procurement, Ruamāhanga Roads will use in its evaluation of suppliers a non-price attribute that values the health & safety systems and culture of each supplier. The health & safety attribute will go beyond the requirement for health & safety prequalification and look for a supplier company culture that has embedded health and safety into the way they transact their business.

These objectives are consistent with Waka Kotahi's Procurement Manual and the Government's Procurement Charter and Broader Outcomes.

7.2. Procurement Approach

The procurement approach is split into two segments of work: professional services and physical works.

7.2.1. Professional Services

The procurement approach is to encourage the entry of small local suppliers. This will be achieved by keeping the work packages small, combined with low bidding costs. This will mean the work package and bidding costs will match the resource level available in the small local suppliers.

This approach will not preclude large National and International consultants bidding but they will need to compete with small local suppliers with lower overhead costs.

The development of the local supplier market will provide longer term value and ensure these resources are available locally for other local businesses.

This approach to procurement will achieve the procurement objectives by ensuring local suppliers can compete for work on an equal basis with the large National and International suppliers. This will achieve the objectives of value for money and development of local suppliers.

There will be consideration given to a longer period of professional service contract for assessment of assets, such as bridges and other structures. The longer term procurements, if undertaken, will be subject to a separately approved procurement strategy and plan.

Key attributes and best value for money

The key attributes of this procurement approach are to size the procurements so that it is feasible for the smaller local companies to bid for the work. This procurement approach will ensure competitive prices and will encourage local businesses to grow.

The approach means that in the longer term there will be:

- a more competitive supplier market,
- a more resilient supply of service to support the Council's delivery, and
- a reduced impact on the environment of the service delivery.

Market, Procurement Complexity, Innovation and Risk

The supplier market has a number of local consultants who provide professional services in the Wairarapa/Wellington area. The services available range from land surveying, structural and geotechnical advice to traffic analysis and reporting. These professionals provide services to the local community and developers. There are also large National and International consultants with their bases in Wellington, approximately one hours travel from the two Districts.

The procurements that this strategy covers will be generally small and less complex. The procurements will be for both general and specialist services to support the in-house team. The services planned to be procured are bridge engineering, geotechnical engineering, design for low-cost low-risk and improvement projects, and asset management support. These procurements are not complex.

The procurement approach which encourages small local suppliers to bid for the work is expected to provide greater innovation. This is because these small businesses can better manage the risk which goes with innovating, so they are more likely to try new ideas.

The highest risk to professional service delivery is the amount of competition for this resource within the Wellington Region. This demand for professional services is expected to continue over the next three years. The procurement approach will manage this risk by developing a relationship with the smaller local suppliers through a number of small contracts. The number of small contracts spreads this delivery risk so there is an overall low risk to service disruption by a failure of an individual procurement.

Aggregation, bundling and Contract term

The approach is not to aggregate different projects of work. The approach is to size the work packages to match the resources in the local market. However, where the same work is being undertaken by other roading authorities this could be bundled to make joint procurements if the other parties are willing.

The term of the engagement will match the project's or task's duration.

Proposed delivery model(s) and supplier selection methods

The procurement approach taken to engaging contractor's Professional Services will utilise either an open or closed procurement process, depending on the contract values, and in compliance with the requirements of the Waka Kotahi's procurement manual.

The proposed delivery models and their usage is described in the table below. Note the value limits are as set out by Waka Kotahi's Procurement Manual. However, the direct appointment model will usually only be used when the value of the work is estimated to be less than \$30,000. Above this value a closed contest would be considered.

Supplier Selection Method	Expected Usage	Typical Value	Price weight [%]
Direct Appointment (similar work, known performance and track record)	Generally	Up to \$100k	NA
Direct Appointment (new supplier)	Rarely	Up to \$100k	NA
Closed Contest (LPC & PQ)	Occasionally	Up to \$200k	See below
Lowest Price Conforming	Rarely	All	100
Price quality (physical works)	Generally	>\$100k	50-70
Price quality (professional services)	Generally	>\$100k	30-50
Purchaser Nominated Price	Rarely	NA	0
Quality Based	Rarely ¹	>\$1M	0
Prequalification (health and safety)	Generally	All	N/A

The procurements will be kept simple and relatively low risk. The limited size of each procurement will mean that the overall risk to the programme will be low.

The proposed delivery model will ensure the procurement process costs do not exceed the capacities of the small local suppliers.

The other procurement models are included in case they are required for some unplanned procurement that may arise from an emergency event.

Value for money, and efficient markets.

This approach will not preclude large National and International consultants bidding but they will need to compete with small local suppliers with lower overhead costs. The development of the

local supplier market will provide longer term value and ensure these resources are available locally for businesses.

Risk management

The highest risk to professional service delivery at present is the amount of competition for this resource within the Wellington Region. This demand for professional services is expected to continue over the next three years. The procurement approach will manage this risk by developing a relationship with the smaller local suppliers through a number of small contracts. The number of small contracts spreads this delivery risk so there is an overall low risk to service disruption by a failure of an individual procurement.

Approach to contract management

The collaboration required between the two District Councils to achieve the Ruamāhanga Roads delivery of roading services means there is a culture of collaboration. This culture carries through to the management of contracts with other parties.

The Councils also recognise that successful contracts are based around strong relationships and can have two, three or more parties jointly contracted to deliver a single outcome. This relationship involves a sharing of skills, risk and jointly promoting innovation to improve value of the service delivery and is relevant from the smallest of contracts to the largest performance based, long term contracts. Strong contractual relationships with the supply chain:

- Promote stability in the marketplace.
- Provide confidence to both Council and the contracting industry.
- Encourage investment in systems, training and equipment.
- Place a value on local knowledge and skills.

7.2.2. Physical Works

The procurement approach is to encourage entry of small local contractors. This will be achieved by keeping the work packages small, one project for each contract, combined with low bidding costs. This will mean the work package and bidding costs will match the resource level available in the small local contractors.

This procurement approach, which is applicable to the planned procurements over the next 3 years, should not be considered a departure to the approach taken in 2019 for tendering of a Network Maintenance Contract. The approach that will be taken to the renewal of the Network Maintenance Contract, which is not expected to occur until 2028, will be determined closer to that date.

This approach will not preclude large National and International Contractors bidding but they will need to compete with small local contractors with lower overhead costs.

The development of the local contracting market will provide longer term value and ensure these resources are available locally for other businesses.

This approach to procurement will achieve the procurement objectives by ensuring local contractors can compete for work on an equal basis with the large National and International contractors. This will achieve the objectives of value for money and development of local suppliers.

Key attributes and best value for money

The key attributes of this procurement approach are to size the procurements and simplify the bid effort so that it is feasible for the smaller local companies to bid for the work. This procurement approach will ensure competitive prices and will encourage local businesses to grow.

The approach means that in the longer term there will be:

- a more competitive supplier market,
- a more resilient supply of service to support the Council's delivery, and
- a reduced impact on the environment of the service delivery.

Market, Procurement Complexity, Innovation and Risk

There are a few small local civil engineering contractors that provide roading services to developers and private clients in the Wairarapa. Some of these contractors assist the Network Maintenance Contractor. There are also two large National contractors domiciled in the Wairarapa.

The procurements that this strategy covers will be generally small and less complex. The procurements will be for small construction projects for the low-cost low-risk, R2Z and unsubsidised improvement programmes.

The procurement approach which encourages small local contractors to bid for the work is expected to provide greater innovation. This is because these small businesses can better manage the risk which goes with innovating, so they are more likely to try new ideas.

The highest risk to physical works delivery is the amount of competition for this resource within the Wellington Region. This demand for construction services is expected to continue over the next three years. The procurement approach will manage this risk by developing a relationship with the smaller local contractors through a number of small contracts. The number of small contracts spreads this delivery risk so there is an overall low risk to service disruption by a failure of an individual procurement.

Aggregation, bundling and Contract term

The approach is not to aggregate different projects of work. The intention is to have separate contracts for each project site. The objective is to size the work packages to match the resources in the local market. However, where the same work is being undertaken by other roading authorities this could be bundled to make joint procurements if the other parties are willing.

The term of the engagement will match the project's construction duration and maintenance period.

Proposed delivery model(s) and supplier selection methods

There are a range of small to medium sized roading related projects that will be procured separately from the Network Maintenance contract. These contracts are likely to be procured through a mix of individual contracts for each District Council and of combined contracts including the two Councils and DOC. The procurement approach for each of these works will be assessed on its own merits. The procurement will consider both the approach that will deliver the best value for money, and how it will continue to contribute to a healthy and sustainable market in the region.

The proposed delivery models and their usage is described in the table below. Note the value limits are as set out by Waka Kotahi's Procurement Manual. However, the direct appointment model will usually only be used when the value of the work is estimated to be less than \$50,000. Above this value a closed contest would be considered.

Supplier Selection Method	Expected Usage	Typical Value	Price weight [%]
Direct Appointment (similar work, known performance and track record)	Generally	Up to \$100k	NA
Direct Appointment (new supplier)	Rarely	Up to \$100k	NA
Closed Contest (LPC & PQ)	Occasionally	Up to \$200k	See below
Lowest Price Conforming	Rarely	All	100
Price quality (physical works)	Generally	>\$100k	50-70
Price quality (professional services)	Generally	>\$100k	30-50
Purchaser Nominated Price	Rarely	NA	0
Quality Based	Rarely *	>\$1M	0
Prequalification (health and safety)	Generally	All	N/A

* Approval will be sought, in accordance with Waka Kotahi's Procurement manual section 10.5, before the "Quality Based" method is used.

The procurements will be kept simple and relatively low risk. The limited size of each procurement will mean that the overall risk to the programme will be low.

The proposed delivery model will ensure the procurement process costs do not exceed the capacities of the small local suppliers.

The other procurement models are included in case they are required for some unplanned procurement that may arise from an emergency event.

Value for money, and efficient markets.

This approach will not preclude large National and International Contractors bidding but they will need to compete with small local suppliers with lower overhead costs. The development of the local supplier market will provide longer term value and ensure these resources are available locally for businesses.

Risk management

The highest risk to delivery at present is the amount of competition for physical works contractor resources within the Wellington Region. This demand for physical contractors and their staff is expected to continue over the next three years. The procurement approach will manage this risk by developing a relationship with the smaller local suppliers through a number of small contracts. The number of small contracts spreads this delivery risk so there is an overall low risk to service disruption by a failure of an individual procurement.

Approach to contract management

The collaboration required between the two District Councils to achieve the Ruamāhanga Roads delivery of roading services means there is a culture of collaboration. This culture carries through to the management of contracts with other parties.

The Councils also recognise that successful contracts are based around strong relationships and can have two, three or more parties jointly contracted to deliver a single outcome. This relationship involves a sharing of skills, risk and jointly promoting innovation to improve value of the service delivery and is relevant from the smallest of contracts to the largest performance based, long term contracts. Strong contractual relationships with the supply chain:

- Promote stability in the marketplace.
- Provide confidence to both Council and the contracting industry.
- Encourage investment in systems, training and equipment.
- Place a value on local knowledge and skills.

7.3. Customised Procurement

If there is a procurement required because of some unplanned event it will be determined, at the time, if the procurement fits within this strategy or whether a particular procurement strategy and plan needs to be developed.

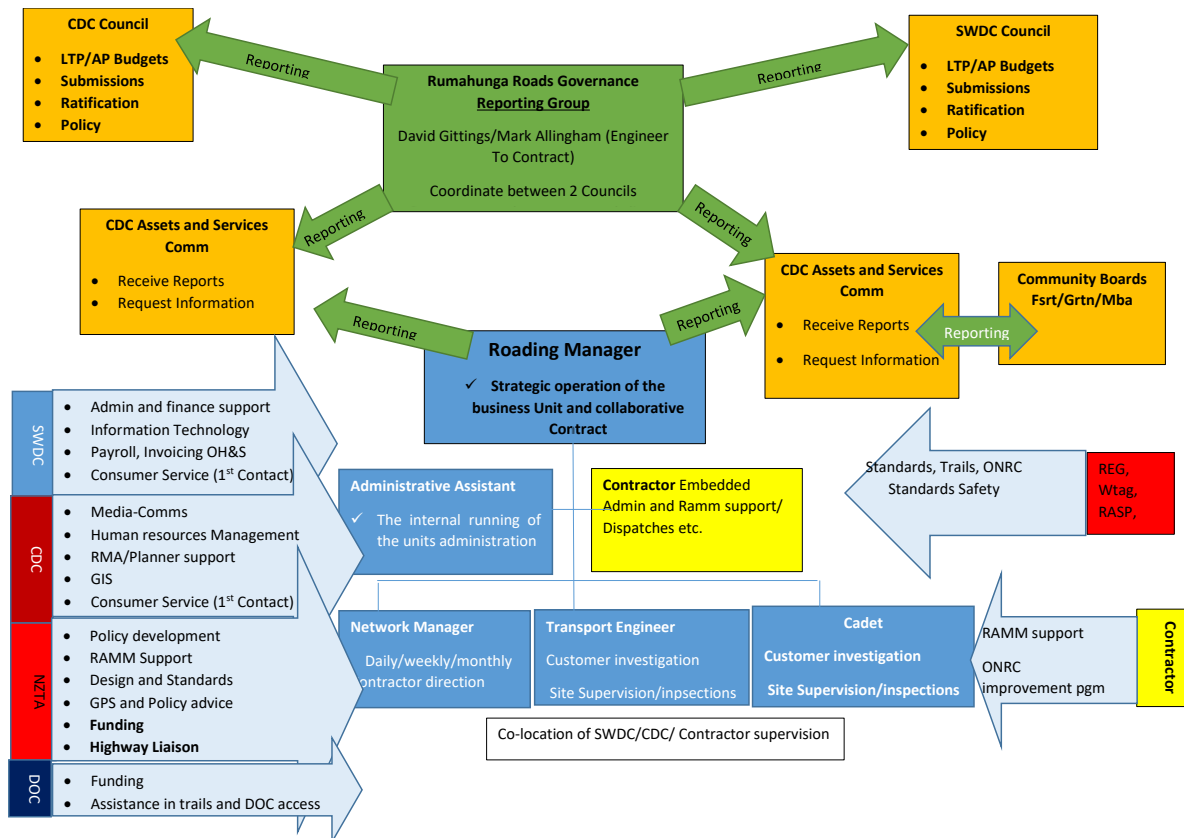
There will be consideration given to a longer period professional service contract for assessment of assets, such as bridges and other structures. The longer term procurements, if undertaken, will be subject to a separately approved procurement strategy and plan.

There is no other anticipated requirement for variations to the procurement rules.

8. Implementation

8.1. Capability and Capacity

The Ruamāhanga Roads business unit currently has four positions and one contract staff member engaged for specific tasks. The business unit structure and staffing is illustrated in the diagram below. Note the Administration Assistant position shown in this structure has not been filled.



The staffing levels are currently under review. The view is that staffing levels should be increased. The review has identified gaps and options are being considered for filling these gaps. The requirement of the Land Transport Management Act, section 26 for approval by Waka Kotahi of the in-house professional service will be taken into account before implementation of any changes. However, it is not expected that this review will result in a change to the services delivered in-house but rather ensure they are adequately resourced.

8.2. Internal Procurement Processes

The internal processes for procurement are set out for each procurement segment.

8.2.1. Professional Services

The following steps will be followed for procurement of consultant services. The procurement process must follow the requirements of the Waka Kotahi Procurement Manual. These steps identify the broad process and who is responsible for completion of the Procurement Manual's requirements. The acceptance of the offers by the Roding Manager assumes that the received offers can be paid for within Councils' Transport budgets and the Roding Manager has the appropriate Council delegation.

1. The Roding Manager or his delegate will make an initial decision whether to engage a consultant or engineering service by direct appointment or by closed contest.
2. A consultant will be requested to develop a draft scope of service.
3. The draft scope of service will be revised and completed by the Ruamāhanga Roding staff. **The scope of service must take account of the procurement objectives and in particular the embedment of health and safety in all supplier business practice.**
4. If the procurement is to be a closed contest the Roding Manager will approve the list of consultants who are to be requested to price the work. Note for a closed contest at least 3 consultants should be asked to price the work.
5. The Ruamāhanga Roding staff will send the request for service and scope to the consultant, (or consultants if a closed contest), for pricing with a requirement that it be returned by a specific closing date, in accordance with Waka Kotahi Procurement manual, section 5.5.
6. The Ruamāhanga Roding staff will evaluate the offers received after the closing date and make a recommendation to the Roding Manager.
7. The Roding Manager will consider the recommendation then forward the recommendation to the person with the relevant level of Council's delegation to accept the offer.
8. The person with the appropriate Council delegation can make one of the following three decisions: accept the recommendation, decline to accept the offer, or asked the evaluation team to reconsider their recommendation. Note if the declined offer was for a direct appointment, then there could be a decision made to rebid the scope of work as an open or closed tender.
9. If step 8 results in an awarded contract, then the Ruamāhanga Staff member must:
 - Notify the successful and unsuccessful bidders.
 - Log the award of the contract with the Councils' contract records system.
 - Log the award of the contract in the Ruamāhanga contract record system and complete the Contract Award notification in GETS when the estimated value is \$50,000 or greater, if not already completed by the Councils' contract record system.

Note refer to Waka Kotahi Procurement, section 10.6A for reporting of the engagement of suppliers.

8.2.2. Physical Works

The steps detailed in this section must be followed for procurement of contractors. The processing of each step must follow the requirements of the Waka Kotahi procurement manual. The steps detailed in this section must be read in conjunction with the Waka Kotahi procurement manual's

requirements. The details in this section identify the responsibilities and resources to be used for completion of the procurement.

The acceptance of the contract, detailed in step 6 below, assumes that the received contract offer can be paid for within Councils' Transport budgets and that the Roding Manager holds the relevant delegation from the Councils.

The following process steps assume that the consultant engaged to undertake the project's design will be responsible for processing and managing the procurement of the physical works contract.

1. The consultant will prepare a procurement plan for the project's physical works that implements this procurement strategy and Waka Kotahi's Procurement Manual requirements. The procurement plan needs to take account **specifically of the focus on health and safety and redefinition of value for money requirements objectives of this strategy and those** in Chapter 3 of Waka Kotahi's procurement manual. The procurement plan is to be submitted to the Roding Manager for his approval before procurement proceeds.
2. The Roding Manager, or his delegate, will review the procurement plan and either provide instructions to change the supplier selection method or approve the procurement plan for the project.
3. If the procurement is to be a closed contest the Roding Manager will approve the list of contractors who will be requested to price the work. Note for a closed contest at least 3 contractors should be asked to price the work.
4. The consultant will implement the approved procurement plan, in accordance with Waka Kotahi Procurement manual, section 5.5. The implementation of the procurement means being responsible for calling for tenders, responding within the contract timeframes to questions from tenderers, managing the closing of tender bids and completion of the evaluation of tenders and provide the appropriate documentation for the Council to consider the recommendation from the tender evaluation team.
5. The Roding Manager, or his delegate, will consider the tender evaluation team's recommendation then forward the recommendation to the person with the relevant level of Council's delegation to accept the offer.
6. The person with the appropriate Council delegation can make one of the following three decisions: accept the recommendation, decline to accept the offer, or ask the evaluation team to reconsider their recommendation.
7. If the above step 6 results in an awarded contract, then the Consultant must:
 - Notify the successful and unsuccessful bidders.
 - Log the award of the contract with the Councils' contract records system.
 - Log the award of the contract in the Ruamāhanga contract record system and complete the Contract Award notification in GETS when the estimate value is \$50,000 or greater, if not already completed by the Councils' contract record system.

Note refer to Waka Kotahi Procurement, section 10.6A for reporting of the engagement of suppliers.

Note clear records of decisions are required to be kept for all contracts awarded. The Waka Kotahi Procurement Manual Appendix F identifies the data required to be collected and held by each approved organisation. These records will be analysed to determine if this procurement strategy achieved its objectives.

8.3. Performance measurement and monitoring:

The data identified in Waka Kotahi's Procurement Manual Appendix F will be held. There are no additional Ruamāhanga Roads data and KPI requirements.

The procurement data will be analysed to determine if the Procurement Strategy's objectives are being achieved when the Procurement Strategy is updated. The analysis of the procurement data will also be reported to the Ruamāhanga Governance Board annually.

8.4. Communication Plan

The Procurement Strategy will be communicated to internal stakeholders once it has been approved by Waka Kotahi.

Waka Kotahi's approval of the Procurement Strategy will be sought once it has been endorsed by the Ruamāhanga Road's Governance Board members.

The signed strategy will be uploaded to the Councils' websites.

The strategy is intended to be communicated to local suppliers, after Waka Kotahi's approval and when service offers are sought from them.