

**Westland District Council  
Procurement Strategy**



# WAUGH

## Quality Record Sheet

### Westland District Council Procurement Strategy

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## TABLE OF CONTENTS

<b>1.0</b>	<b>NOTES FOR READERS</b>	<b>5</b>
	<b>NZTA ENDORSEMENT</b>	<b>5</b>
<b>2.0</b>	<b>EXECUTIVE SUMMARY</b>	<b>7</b>
<b>3.0</b>	<b>PROCUREMENT IN THE WESTLAND DISTRICT COUNCIL CONTEXT</b>	<b>9</b>
3.1	Introduction	9
3.2	Organisation's Strategic Goals and Objectives	9
3.3	Objectives and Outcomes for the Procurement Strategy	12
3.4	Definitions	13
<b>4.0</b>	<b>PROCUREMENT PROGRAMME</b>	<b>15</b>
4.1	Overview	15
4.2	Current Procurement Spend and Profile	15
4.3	Procurement Programme by Activity	18
<b>5.0</b>	<b>PROCUREMENT ENVIRONMENT</b>	<b>22</b>
5.1	Analysis of supplier market	22
5.2	Analysis of the Impact of the Procurement Programmes on Other Entities	24
<b>6.0</b>	<b>DELIVERING THE WORK PROGRAMME</b>	<b>26</b>
6.1	Introduction	26
6.2	Key Attributes and Value for Money Strategy	26
6.3	Proposed Delivery Models and Supplier Selection Methods	27
6.4	Options Considered	28
6.5	Impact of the Preferred Approach	28
6.6	Risk Identification and Management	28
6.7	Contract Management Approach	28
<b>7.0</b>	<b>IMPLEMENTATION</b>	<b>29</b>
7.1	Council's Organisational Skills and Resources	29
7.2	Interaction with Other Documentation	29
7.3	Monitoring and Auditing	30
7.4	Communication and Endorsement	30
7.5	Improvement Plan	30
<b>8.0</b>	<b>APPENDICES</b>	<b>31</b>
	APPENDIX A: Expenditure Delegations Manual	31
	Tender Procedures (Draft Update)	31
	APPENDIX B: Communication and Consultation Plan	33



## **1.0 NOTES FOR READERS**

This Procurement Strategy has been prepared to outline Westland District Council's approach to the procurement of goods and services for the benefit of the Westland Community. The Strategy has been prepared in response to new requirements of the New Zealand Transport Agency (NZTA) and is intended to provide guidance for Council staff and information to suppliers about Council's preferred approach.

A précis of the approach is provided in the Executive Summary while the main document details how procurement occurs in the context of Westland District Council's Strategic Goals and Objectives along with an analysis of the supplier market.

## **NZTA ENDORSEMENT**

### **Recommendations:**

**That NZTA endorses the Westland District Procurement Strategy in respect of NLTP funded activity for the period 2010-2013"**

**That NZTA approves a variation to increase the limit for closed contest to \$250,000 for both physical works and professional services.**

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## 2.0 EXECUTIVE SUMMARY

Westland District Council has developed a comprehensive regime for asset management planning and service delivery.

Council seeks to procure goods and services to support the asset delivery function in a manner that is consistent with this framework and Council's overall business approach.

Council has identified the need to plan effectively and deliver quality in a sustainable manner; lowest cost options are not necessarily the best. A robust strategic and asset management planning regime is a priority for ensuring that effective work programmes are developed. A whole-of-life approach relies on asset management planning including lifecycle management planning and modelling.

Suppliers are expected to understand the drivers of Council's planned approach and the commitment made to deliver the agreed Levels of Service.

The objectives for this Strategy are:

1. Supporting the achievement of Council's Community Outcomes and the Westland Community Plan Programme through efficient procurement processes
2. Integration of Council's organisational goals and Procurement
3. Delivery of services to the community that represent value for money
4. Encouraging appropriate levels of competition across suppliers
5. Ensuring procurement is fair and transparent with effective accountability measures

There is no "one size fits all" approach to procurement and Council favours a range of methods including:

- Comprehensive long term contracts for maintenance works which require high levels of capacity, capability and certainty
- Smaller packages to enable smaller local suppliers to supply services to Council and their community
- Larger packages for capital projects involving complex design, project management and construction
- The acknowledgement of the roles of specialists

For Transportation activities, Westland District Council intends to follow the NZTA Procurement Manual Procurement Procedure 1 - Infrastructure for Physical Works and Procurement Procedure 2 Planning and Advice for Professional Services. Council has varied the limit for closed contests (selected tender) to \$250,000 to match the limit for minor improvements (refer PPFM F9.9). A direct appointment may be made for streetlight maintenance in the future, should NZTA approval be gained for this approach.

For other activities these procedures will be used a guide.

The key components of value for money are regarded as:

- Robust planning to identify an effective work plan
- Appropriate and efficient supplier selection procedures
- Maintaining capacity and competitiveness in the local market
- Successful delivery of works and services (the right outcome on time and within budget)

Within this approach Council will consider the most appropriate bundling of work for maintenance and construction (renewal and improvement) in terms of Council's objectives and the market's ability and capacity.

While retaining scope for small local suppliers and the benefits to the local economy they can provide, Council also has a responsibility to recognise the efficiencies and benefits derived from larger and longer term maintenance and construction contracts. Comprehensive maintenance contracts are favoured to ensure essential services are provided reliably.

Competitive tendering where price and quality are evaluated will be used to select suppliers. In some cases direct appointment may be the most effective approach and this will be considered in terms of specialisation, market competitiveness and the overall cost and efficiency to Council.

The appropriateness of the approaches used will be assessed regularly and this strategy will be reviewed every three years in line with NZTA requirements. This will primarily relate to the Transport Activity and components funded through the National Land Transport Programme, managed by the NZ Transport Agency.



## 3.0 PROCUREMENT IN THE WESTLAND DISTRICT COUNCIL CONTEXT

### 3.1 Introduction

*"The diversity of our District means that a wide range of projects are included. The Westland LTCCP process enables us, your representatives, to engage with our community to ensure that Westland continues to grow in a planned and managed way while remaining within the ability of our ratepayers to fund that growth."*

*(Westland District Council LTCCP 2009-19)*

Council provides goods and services to sustain the community and meet the changes in demand. Expenditure includes a combination of:

- Operations and maintenance of assets
- Renewal of assets
- Construction of new infrastructure to improve the level of service
- Construction of new infrastructure to meet changing demands and a growing population
- Professional and general services to support Council functions

In preparing the Procurement Strategy, Westland District Council has considered its planning framework, principles and attitude to procurement. While applicable to all of the organisation's operations, this strategy is focussed on the asset based sectors, which includes:

1. Transportation
2. Three Waters Services
3. Waste Management
4. Parks and Reserves

Given the driver for the development of the strategy is compliance with the New Zealand Transport Agency (NZTA) Procurement Strategy Manual (The Manual), Council acknowledges the Transportation activity is the priority for this strategy, as well as the relevancy to other asset delivery activities and desire for consistency across activities. Over time the application of this strategy may extend across all Council activities.

### 3.2 Organisation's Strategic Goals and Objectives

Westland District Council has developed a comprehensive regime for asset management planning and service delivery. This framework reflects community desires and national drivers and includes:

- Mission Statement
- Community Outcomes
- Activity Goals

#### 3.2.1 Westland District Council - Mission Statement

*"Westland a better place to live in for its residents and ratepayers".*

### 3.2.2 Westland District Council - Community Outcomes

The Westland Community Plan 2009-2019 (LTCCP) contains the key Community Outcomes for each of the four well-beings.

Group	Outcome	Sub-Outcome
Health	Healthy communities with access to quality facilities and services.	<p>A healthy environment with services and infrastructure to support community health.</p> <p>Increased community awareness and involvement in health issues to assist them to reach their goals.</p>
Education	A District that values and supports learning with accessible, relevant education and training opportunities.	<p>Quality education at local schools and preschools</p> <p>Practical skills and work/trade-based training opportunities</p>
Safety	A District that is a safe place to live.	<p>A safe place for residents, businesses and visitors.</p> <p>Management systems and resources to deal with civil defence emergency situations.</p>
Environment	The distinctive character of the environment appreciated and retained.	<p>An appropriate balance between development and protection that promotes the diversity and sustainability of our natural environment.</p> <p>The provision of services and infrastructure that support the District's environmental goals.</p> <p>An environment considered to be attractive, sustainable and healthy.</p>
Economy	A thriving, resilient and innovative economy creating opportunities for growth and employment.	<p>Provide an environment that supports the retention of current businesses and attracts new business and investment to the region.</p> <p>Provide support for attracting and developing an available skilled workforce.</p>

Council acknowledges the significant role of infrastructure in the achievement of community outcomes, particularly Transportation and Three Waters Services.

### 3.2.3 Westland District Council - Activity Goals

In preparing the 2009-19 Westland Community Plan, each activity has stated their respective Activity Goals or *"Why we do it"*; these are an important component in the procurement frameworks. The *"Why we do it"*; are listed below to indicate the Goal for each activity:

#### Transportation

*"To ensure the safe, efficient and sustainable maintenance, operation, renewal and upgrading of the roads and bridges."*

*"The achievement of service levels will contribute to achieving Community Outcomes:"*

Community Outcome	How the Activity Contributes to the Outcome
Health	By providing reliable transportation facilities and services, which meet accepted quality standards
Safety	By providing safe transportation facilities and services which minimise road deaths and injuries as far as possible

Community Outcome	How the Activity Contributes to the Outcome
Economy	By supporting economic growth and development through adequate provision of transportation networks. By completing approved capital expenditure within budget. By ensuring that any disruption to transportation services are remedied as quickly as possible to minimise disruption to the Westland economy, particularly impacts on tourism and farming
Environment	By ensuring that maintenance and upgrading of the transportation network is carried out with minimal adverse affects on the environment. By having resource consents in place which are required to meet accepted environmental standards under the Resource Management Act and associated plans

### Three Waters

*“To ensure the protection of public health and the environment and providing for the economic wellbeing of the District.”*

*“The achievement of service levels will contribute to achieving Community Outcomes:”*

Community Outcome	How the Activity Contributes to the Outcome
Health	By providing reliable water supply, wastewater, and stormwater systems which meet accepted health standards
Safety	By providing reliable water supply, wastewater, and stormwater systems which meet accepted health standards
Economy	By supporting economic development through adequate provision of the three water service by completing approved capital expenditure within budget
Environment	By providing reliable water supply, wastewater, and stormwater systems which meet accepted environmental standards under the Resource Management Act and associated plans

### Waste Management

*“The Council is responsible, under the Local Government Act 2002, for encouraging efficient and sustainable management of solid waste.”*

*“The achievement of service levels will contribute to achieving Community Outcomes:”*

Community Outcome	How the Activity Contributes to the Outcome
Health	Provision of safe well maintained facilities for refuse disposal and recycling. Collection of refuse and recyclables from households and businesses in the northern part of the District
Safety	Part of this activity is the prevention of illegal disposal (fly tipping) of waste to the environment
Economy	This activity includes education, through schools, community groups and various media, on waste minimisation
Environment	Provision of safe facilities for refuse disposal and recycling

### Community Halls and Buildings

*“The Council provides halls as a focus for community functions, activities and meetings, to assist with meeting the social and recreational needs of communities.”*

*“The achievement of service levels will contribute to achieving Community Outcomes.”*

Community Outcome	How the Activity Contributes to the Outcome
Health	Provision of Recreation facilities within the halls
Identity	Halls provide a sense of community

### Parks and Reserves

*“There is a public expectation for Council to continue to manage and maintain reserves for the benefit of the community.”*

*“The achievement of service levels will contribute to achieving Community Outcomes.”*

Community Outcome	How the Activity Contributes to the Outcome
Health	Safe well maintained parks and playgrounds. Facilities are provided and maintained for active recreating to support the health of the community
Identity	The Wildfoods Festival creates a unique identity for Westland District

### 3.2.4 Application to the Procurement Strategy

These goals, objectives and principles affect Council’s approach to procuring goods and services and have been incorporated into this procurement strategy.

Council has identified the need to:

- Procure goods and services in an affordable manner without compromising the quality of those goods and services
- Apply a four well-beings approach to procurement that is consistent with the community outcomes
- Preserve the character and develop the identity that is unique to Westland
- Ensure essential services are reliable and meet regulatory standards

This broad, long-term, perspective commits the Council to seeking sustainable options and not necessarily the lowest cost ones.

## 3.3 Objectives and Outcomes for the Procurement Strategy

Successful procurement involves recognising the perspective of the stakeholders involved.

The stakeholders identified are:

- Westland District Council – the elected representatives, management team, staff and the community
- NZTA – Transportation funding and planning partner and associated state highway network provider
- Other Agencies – including neighbouring authorities and partners such as those involved in RTS.
- Suppliers of products and services

Council identified the following goal in its financial strategy, this goal is also core to its approach to procurement:

*The goal of Council's financial strategy is the prudent and sustainable stewardship of Council resources on behalf of current and future ratepayers.  
(Westland District Council LTCCP 2009-19)*

The objectives for this Strategy are:

1. Supporting the achievement of Council's Community Outcomes and the Westland Community Plan Programme through efficient and realistic procurement processes that meet Westland's needs
2. Integrating Procurement with Council's organisational goals as contained in the Mission Statement and Community Outcomes.
3. Delivery of the agreed levels of service to the community in a manner that represent value for money for current and future generations
4. Encouraging appropriate and equitable levels of competition across suppliers
5. Ensuring procurement is fair and transparent with effective accountability measures

Council is aware that there are some tensions in the approach to procurement and seeks to achieve a sustainable balance between economic, environment and social (including cultural) drivers.

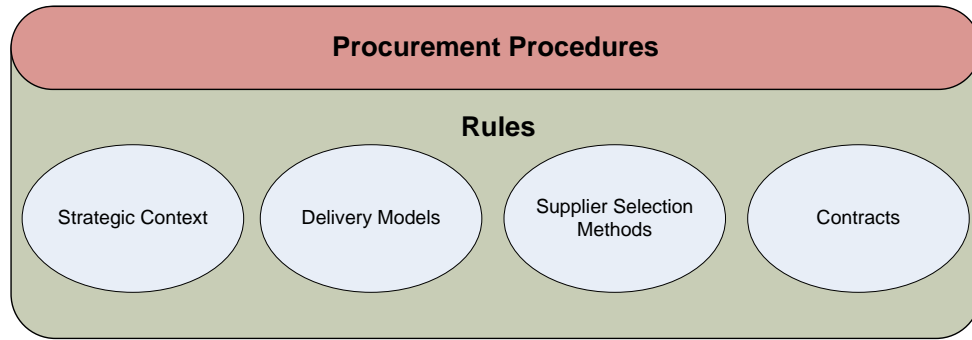
### 3.4 Definitions

There are a number of terms that are central to an understanding about procurement and some explanation and acknowledgement of these will benefit the outcomes sought by this strategy. Many of these terms are addressed in Appendix H of The Manual, however the terms where a clear definition is considered advantageous to be explained further are as follows:

**Procurement**                      ***Procurement is all the business processes associated with purchasing, spanning the whole cycle from the identification of needs to the end of a service contract or the end of the useful life and subsequent disposal of an asset.***

This definition is as outlined by the Office of The Auditor General - Procurement Guidance for Public Entities - Good Practice Guide, June 2008; and reinforced in the NZ Transport Agency's Procurement Manual, (first edition effective from July 2009).

The NZ Transport Agency's Procurement Manual illustrates the procurement process in four stages, and the manual discusses these stages.



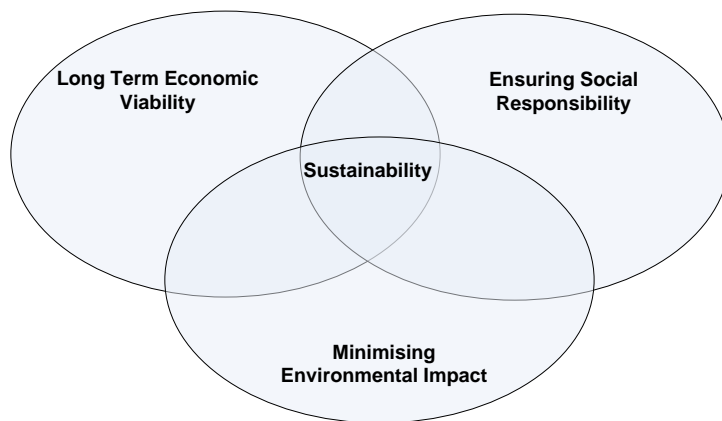
Source: NZTA Procurement Manual (July 2009)

**Value for Money** *Value for money means using resources effectively, economically, and without waste, with due regard for the total costs and benefits of an arrangement, and its contribution to the outcomes the entity is trying to achieve*

This definition is as outlined by the Office of The Auditor General in June 2008 published 'Procurement guidance for public entities - Good practice guide'.

**Sustainable Procurement**

The New Zealand Business Council for Sustainable Development provides useful guidance for sustainable procurement in the government sector. This encourages a four well-beings approach.



Source: Sustainable Procurement in Government: Opportunities for Business (New Zealand Business Council for Sustainable Development, April 2009)

## 4.0 PROCUREMENT PROGRAMME

*“Through its financial strategy Council seeks to maintain existing levels of service, ensure that costs are kept under tight control, and ensure that rates increases are kept as low as realistically possible, while at the same time maintaining a strong balance sheet and affordable levels of debt.”*

*(Westland District Council LTCCP 2009-19)*

### 4.1 Overview

Council's procurement programme for the range of Council Activities is outlined in the Westland Community Plan. Issues that affect the accuracy and validity of the programme as published in the Community Plan are:

- The approval and finalisation of the subsidised Transportation programme through the Regional Land Transport programme (RLTP) and the National Land Transport Programme (NLTP)
- Years two and three of the Westland Community Plan (LTCCP) may be modified by Council through the annual plan process; years four to ten are only indicative, as modification is likely through the subsequent updated Community Plans.

Council expenditure is dominated by the main infrastructural activities which account for around 69% of Council expenditure:

- Transportation (38%)
- Water Supply (12%)
- Wastewater (12%)
- Waste Management (7%)

These activities are all overseen by the Manager Operations and the Professional Services Business Unit.

### 4.2 Current Procurement Spend and Profile

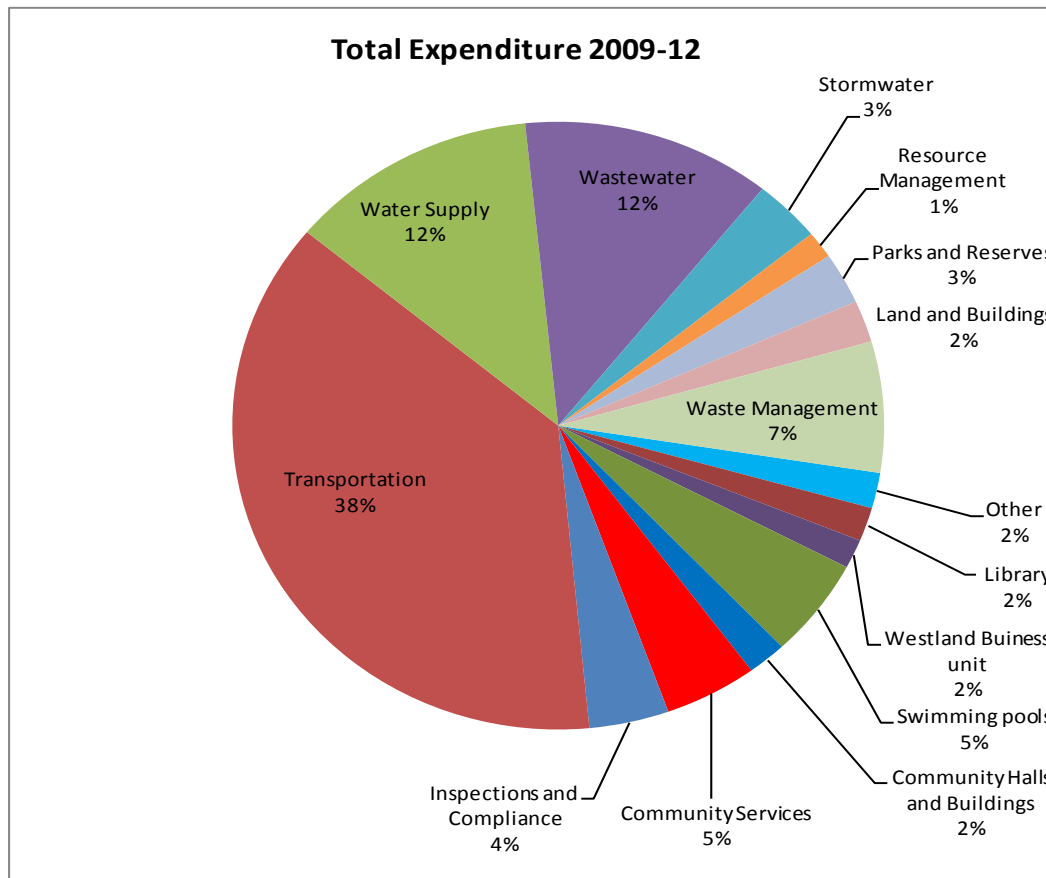
Westland District procures goods and services through a range of approaches, the value procured for Transportation representing the most significant portion of the organisation's total expenditure.

The core directive is the Delegations Manual; which includes detailed tender procedures. A copy of the revised procedures is included in Appendix A.

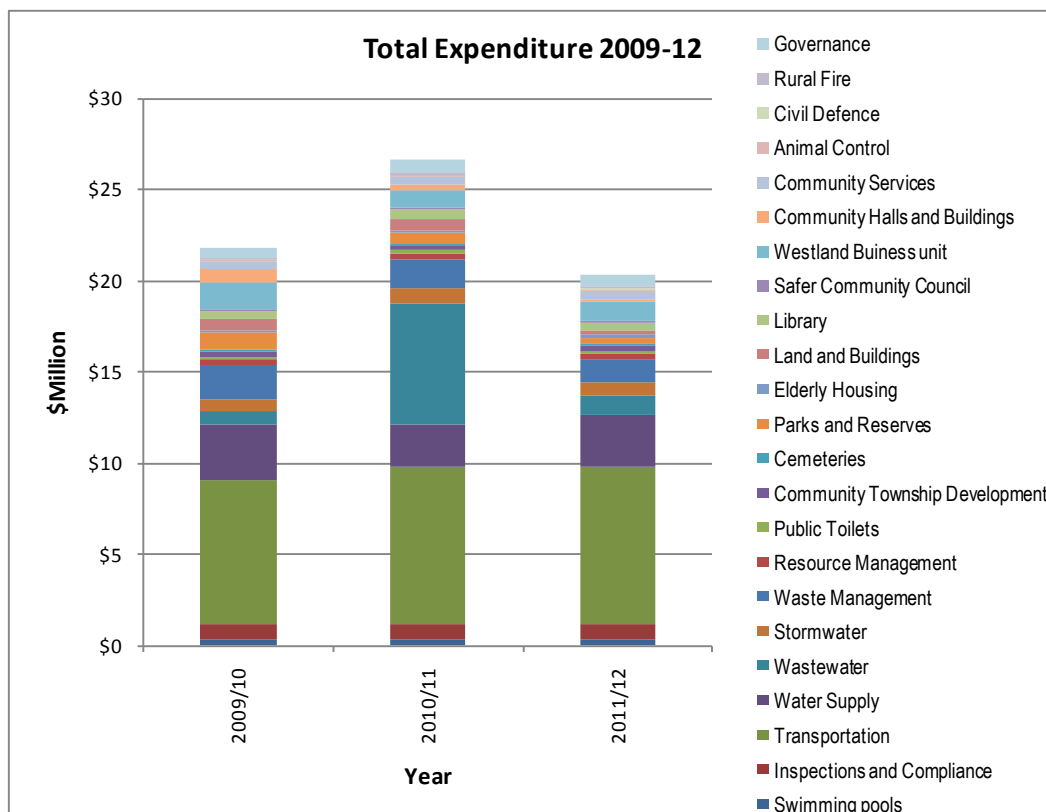
#### 4.2.1 Goods and Services Purchased

The following values indicate the forecast expenditure across Council and the Asset Based activities in particular. The data was sourced from the Westland LTCCP 2009-19 and includes operations and capital expenditure.

**Figure 4.1: Activity Expenditure 2009-12 By Activity**



**Figure 4.2: Activity Expenditure 2009-12 – Breakdown by Activity and Year**





Further procurement details are discussed at an activity level following.

Overall details including projects can be obtained from the Westland LTCCP 2009-19, the current National Land Transport Programme and the relevant Activity Management Plans.

## 4.3 Procurement Programme by Activity

### 4.3.1 Transportation

Council's goal for the Transportation activity is:

*"The major part of Councils transportation activity is to ensure the safe, efficient and sustainable maintenance, operation, renewal and upgrading of the roads and bridges."*  
(Westland District Council LTCCP 2009-19)

The Land Transport Management Act 2003 states that in preparing the National Land Transport Programme, NZTA must take into account any relevant strategies along with the contribution made to the purposes of the land transport system; (i.e.)

- Achieving an affordable, integrated, safe, responsive and sustainable land transport system
- The objectives of:
  - economic development
  - safety and personal security
  - access and mobility
  - public health
  - environmental sustainability



The roading network reflects the narrow band that comprises the district, and is closely associated with the State Highway network (SH 6 and SH73).

The network of 700km faces unique topographical and meteorological challenges. Tourism is vital to the district and there is a high proportion of overseas motorists; the development of a cycleway as part of the nation cycle network will increase tourist numbers further. The dairy industry is also significant, and places demands on the network.

Council's procurement programme is outlined in the Westland Community Plan 2009-19, with the approval for subsidised works detailed in the National Land Transport Programme. These documents can be obtained from Council's website (<http://www.westlanddc.govt.nz/index.cfm/1,284,0,0,html>) and NZTA (<http://www.nzta.govt.nz/resources/national-land-transport-programme/2009-2012/regional/index.html>).

As an indication of the size of the programme, the 2010-11 year the approved budgets are:

Capital Projects	Local Roads (\$)	Special Purpose Road (\$)	Total (\$)
Operations and maintenance	1,802,000	309,500	2,111,500
Renewals	1,907,000	217,000	2,124,000
Minor improvements	279,686	43,127	322,813
<b>TOTAL</b>	<b>3,988,686</b>	<b>569,627</b>	<b>4,558,313</b>

These issues demonstrate Councils approach to procurement in the transportation sector need to consider a balance of maintaining and renewing the existing network, improving the network to respond to changes in demand; and effective planning and management.

The keys risks associated with the transportation procurement programme relate to funding, in particular the access to subsidised transport funding through the NLTP. Council has taken a collaborative approach with neighbours in planning to meeting the changing demands of the area and implementing appropriate programme are dependent on securing funding. This reinforces the importance of effective asset management and planning.

The most significant procurement items for 2010-12 are listed in the Westland District Council LTCCP 2009-19 and the 2010-11 Westland District Council Annual Plan as follows.

Capital Projects	2010 (\$)	2011 (\$)	2012 (\$)
Lake Kaniere Road Widening (N-Funding)			542,115
National Cycleway	1,137,400	1,058,820	
Sewell Street (Stafford to Richards Drive) (N-Funding)			704,750
Hau Hau Road Widening (N-Funding)	517,000	529,410	
Walking & cycling facilities (N-Funding)	31,020	31,765	
District Renewals	1,846,800	1,898,510	1,944,075

### 4.3.2 Three Waters Services

Council's goal for Water Services is to:

*"Provide water supply, wastewater and stormwater services to the townships of the District."*

*(Westland District Council LTCCP 2009-19)*

The provision of Water Services includes:

- Water Supply
- Wastewater
- Stormwater



Council operates eleven water supplies, four wastewater systems and fifteen stormwater systems across the district. Upgrading water supplies to meet Ministry of Health requirements is a priority. The continued growth in the tourism sector is also affecting the capacity of water and waste water schemes with upgrade due in Fox, Franz Joseph and Hokitika.

These issues demonstrate Council's approach to procurement in the three waters sector needs to consider a balance of maintaining and renewing the existing network, improving the network to respond to changes in demand; and effective planning and management.

Council's procurement programme is outlined in the Westland Community Plan 2009-19, which can be obtained from Council's website (<http://www.westlanddc.govt.nz/index.cfm/1,284,0,0,html>).

The keys risks associated with the three waters services procurement programme relate to funding and the capacity of Council and the sector to undertake the required work in an efficient and cost effective manner. This reinforces the importance of effective asset management and planning.

The most significant procurement items for 2010-12 are listed in the Westland District Council LTCCP 2009-19 and the 2010-11 Westland District Council Annual Plan as follows.

Capital Projects (year)	2010 (\$)	2011 (\$)	2012 (\$)
Hokitika Reservoirs	358,050		
Franz Josef Water treatment			434,964
Fox Glacier Water treatment			326,223
Haast Water treatment			434,964
Kumara Water treatment			434,964
Ross Sewerage Scheme	4,336,675		
Arahura Scheme			1,087,410

Capital Projects (year)	2010 (\$)	2011 (\$)	2012 (\$)
Franz Josef - new main from Franz Josef Developments land to treatment ponds	1,023,000		

### 4.3.3 Waste Management

#### Waste Management

Council's goal for the solid waste management activity is:

*"The Council is responsible, under the Local Government Act 2002, for encouraging efficient and sustainable management of solid waste. The Council must have a plan in place for the management of solid waste which integrates reduction, re-use, recycling and recovery of waste, with treatment or disposal of the remaining waste."*  
(Westland District Council LTCCP 2009-19)

The provision of waste management services is a combination of meeting community expectations along with the protection of public health and the environment. Council has taken a comprehensive approach to planning, and long term contracts are in place for collection, facilities and disposal. There is a vision to reduce waste to landfill to zero by 2015; there are however concerns that the present direction for waste management may not be sustainable due to high costs.

Council's procurement programme is outlined in the Westland Community Plan 2009-19, which can be obtained from Council's website (<http://www.westlanddc.govt.nz/index.cfm/1,284,0,0,html>).

The keys risks associated with the waste management procurement programme relate to changes in the legislative environment including implementation of the Waste Minimisation Act and the capacity of Council and the sector to undertake the required work in an efficient and cost effective manner.

The most significant procurement items for 2010-12 are listed in the Westland District Council LTCCP 2009-19 and the 2010-11 Westland District Council Annual Plan as follows.

Capital Projects (year)	2010 (\$)	2011 (\$)	2012 (\$)
Butlers Landfill	\$517,000		

#### 4.3.4 Parks and Reserves

Council's goal for Parks and Reserves is:

*"To continue to manage and reserves for the benefit of the community."*  
 (Westland District Council LTCCP 2009-19)



The Council manages and maintains a number of parks and reserves throughout the District for active and passive recreation; including children's playgrounds, sports grounds, grassed and planted areas, and native bush.

Operations include the upkeep of grounds and facilities as well as the maintenance of statues and monuments.

Council's procurement programme is outlined in the Westland Community Plan 2009-19, which can be obtained from Council's website (<http://www.westlanddc.govt.nz/index.cfm/1,284,0,0,html>).

There are no significant risks identified in terms of the parks and reserves procurement programme.

The most significant procurement items for 2010-12 are listed in the Westland District Council LTCCP 2009-19 and the 2010-11 Westland District Council Annual Plan as follows.

Capital Projects (year)	2010 (\$)	2011 (\$)	2012 (\$)
Harihari Community Facility	481,000	225,132	
Franz Josef Sport Field	50,000		
Lake Kaniere Boat Ramps	15,000		

#### 4.3.5 Community Halls and Buildings

Council's goal for the Community Halls and Buildings activity is:

*"The Council provides halls as a focus for community functions, activities and meetings, to assist with meeting the social and recreational needs of communities."*  
 (Westland District Council LTCCP 2009-19)

Council provides and manages various buildings and halls used for non commercial purposes by the community.

The population and demographic changes occurring within the district affect the demand for these services and achieving a balance of services provided and affordability is a challenge for Council. Staff and community committees work closely together to ensure appropriate solutions are achieved.

Council's procurement programme is outlined in the Westland Community Plan 2009-19, which can be obtained from Council's website (<http://www.westlanddc.govt.nz/index.cfm/1,284,0,0,html>).

The keys risks associated with community halls and buildings relate to the long term sustainability of these facilities.

There are no significant procurement items for 2010-12 identified.

## 5.0 PROCUREMENT ENVIRONMENT

### 5.1 Analysis of supplier market

#### 5.1.1 Overview

Westland District Council is served by a limited range of suppliers. Some of the large national/international organisations have bases in Greymouth, and there are various smaller enterprises based across the District. Council considers that there is usually sufficient level of interest in tenders and competition between suppliers.

#### 5.1.2 Physical Works Suppliers

In terms of Physical Works Contractors, Ferguson Brothers, Fulton Hogan and Westroads Ltd have a considerable presence within the district. This is an important factor in terms of the geography of a District which spans over 300km. There are also numerous “owner-operator” Contractors who are able to undertake small projects and sub-contract.

The following table provides an indication of (but not limited to) current or potential suppliers:

#### Physical Works Suppliers to

#### Parks & Reserves, Three Waters Services, Transportation and Waste Management

Arnold Contracting	Henry Adams Contracting Ltd	South Westland Rubbish Removals
Arnold Products Ltd	Hokitika Cleaning Services	Spike Jones
A J Cameron	J.J Nolan Contracting	Telecom
Coastal Constructors	Mastagard	Tim Gibb
Downer EDI	MBD Contracting	Trust Power
Electronet	Orica	Westland Excavation Ltd
Ferguson Brothers	Pete Nancekivell	Westroads
Fulton Hogan	Sandrey Contracting Ltd	

#### 5.1.3 Professional Services

Council has an in-house professional services business unit which provides professional engineering and management services to all asset based activities. Additional professional services are outsourced when there is a peak workload beyond the capacity or specialist expertise of the in-house team.

#### 5.1.4 Professional Services Suppliers

The in-house team are complemented when necessary by a range of professional services providers, the majority of these are based in Greymouth or Canterbury.

The following table provides an indication of current or potential suppliers.

#### Professional Services Suppliers to

#### Parks & Reserves, Three Waters Services, Transportation and Waste Management

BECA	Davis Ogilvie	MWH
Bizeasset	Elliot Sinclair	Opus
CJN Technologies	GHD	SKM
Coastwide Surveys	Hill Laboratory	Waugh Infrastructure Management
Crawthornes	McNulty Engineering Management	



### 5.1.5 Council Controlled Organisations

Westland District Council has interests in the following Council Controlled Organisations, each providing services to Council or directly to residents.

#### **Westland Holdings Limited**

Westland Holdings is a wholly owned Council Controlled Organisation which holds 100% of the shares and assets of Hokitika Airport Ltd and Westroads Ltd.

#### **Westroads Limited**

*“Operates a successful business by meeting market requirements in terms of quality, excellence in service and pricing on a commercially competitive basis and ensure a reasonable rate of return to the ratepayers of Westland in accordance with the Statement of Intent.”*

#### **Hokitika Airport Limited**

*“To operate the Hokitika Airport in a commercially successful manner in accordance with the Statement of Intent with the aim to extend and further develop the airport activities.”*

The Council also has two Council Controlled Organisations that are exempt from Council Controlled Organisation status due to their size; they are Tourism West Coast and Westland Nature Trust.

### 5.1.6 Partnerships with the Private Sector

Council has identified the circumstances to be considered when evaluating the appropriateness of any partnership with the private sector in its Policy on Partnerships with the Private Sector (15/6/2006). There are currently no partnerships in place that would affect Councils approach to procurement.

### 5.1.7 Specialisation

Council has identified that specialised skills and resources are necessary to support Council functions. In some cases specialisation relates to supplier organisations with skills and knowledge and/or supplier organisations with key staff.

Council is also reliant on a number of other Information Technology providers, these are highly specialised areas.

Specialist services extend beyond unique skills and equipment. Council considers that any situation where only one supplier is able to provide “the right service at the right time at the right price” as a special case.

It acknowledged that there are real costs in changing providers of specialist services, including the loss of institutional knowledge and business continuity; and this should be reflected in Council’s procurement processes.

Council has not identified any sole suppliers in terms of NZTA Procurement Manual Rule 10.9. However there are special relationships with providers such as Electronet where there may be no other valid alternatives.

### 5.1.8 Relationship with Suppliers

There are many established relationships between Council and its suppliers, and opportunities are developing with newer suppliers.

Council is confident its mix of suppliers, and the relationships built on trust and respect in place are effective and appropriate.

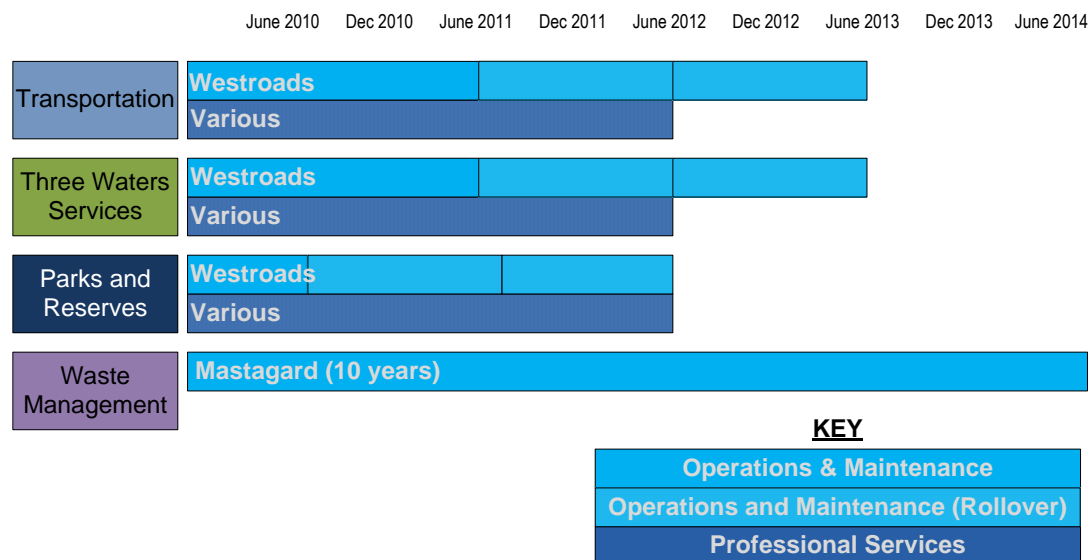
Comments received from suppliers indicated support for the strategy and the approach taken; providing for the role of smaller and niche providers was appreciated.

### 5.1.9 Bundling and Division of Works

Goods and services purchased relate to Physical Works and Professional Services.

Physical works may be capital works (project based) or operations and maintenance (typically term contracts). The division of maintenance works has been across activities with larger contracts covering the entire district favoured.

The following diagram illustrates the procurement composition as at 30 June 2010.



Opportunities for splitting contracts and bundling activities in different ways are to be considered with the next round of maintenance contracts and professional services engagements.

In the Westland District Council LTCCP 2009-19, Council has identified that there may be opportunities to integrate road network management and operations across the district with NZTA.

*Westland District Council is exploring an appropriate model that enables an integrated management of all the roads in the District with NZTA.*

Further investigation into this option will continue.

## 5.2 Analysis of the Impact of the Procurement Programmes on Other Entities

Westland District Council is actively involved with neighbouring authorities and other agencies such as NZTA and the Westland Regional Council, particularly through the West Coast Regional Land Transport Programme and other collaborative initiatives.

The linkages identified with other organisations include:

- NZTA – integrated state highway network across and beyond the District
- West Coast Regional Council – regional transport planning and provision of public transport services
- KiwiRail – as the rail operator in the District
- Neighbouring Councils include:
  - Grey District Council
  - Selwyn District Council



- Ashburton District Council (less relevant)
- Mackenzie District Council (less relevant)
- Waitaki District Council (less relevant)
- Queenstown-Lakes District Council (less relevant)
- Southland District Council
- Buller District Council has also been included given the extent of collaboration between the West Coast authorities.

Multi-agency relationships exist for the provision of rural fire services.

In developing this strategy, Council has consulted with neighbouring authorities, NZTA (Highways) contractors, consultants and suppliers. The communications and consultation programme is included in Appendix B.

No comments from other authorities were received.

While Westland District Council is a significant buyer of goods and services on the West Coast, the impact of the procurement decisions made on other entities is regarded as minor.

The collaboration within the Regional Transport Committee provides an opportunity for integrated programming across Transportation agencies.

In the broad supplier market the procurement decisions made by Council are not regarded as significant, the impact on local suppliers is more pronounced. This includes Consultants, Contractors and Sub-Contractors.

## 6.0 DELIVERING THE WORK PROGRAMME

### 6.1 Introduction

The objectives for this Strategy are:

1. Supporting the achievement of Council's Community Outcomes and the Westland Community Plan Programme through efficient procurement processes
2. Integration of Council's organisational goals and Procurement
3. Delivery of services to the community that represent value for money
4. Encouraging appropriate levels of competition across suppliers
5. Ensuring procurement is fair and transparent with effective accountability measures

### 6.2 Key Attributes and Value for Money Strategy

*"I want the best job for the lowest cost."*

The key criteria to successful procurement and the successful delivery of services relate to the right job at the right time, at the right price. These criteria are often in tension, meaning a balance needs to be sought to gain the most effective result.

Council has identified the need to:

- Procure goods and services in an affordable manner without compromising the quality of those goods and services
- Apply a four well-beings approach to procurement that is consistent with the community outcomes
- Preserve the character and develop the identity that is unique to Westland

Council has emphasised the need to plan effectively and deliver quality services in a sustainable manner; considering the needs of future generations as well as the current. A whole-of-life approach relies on asset management planning including lifecycle management planning and modelling.

Accordingly cheapest now is not necessarily the best for the long term. Ensuring the District has the skills and capacity provide services to and support its community is essential.

There is no "one size fits all" approach to procurement and Councils favours a range of methods including:

- Comprehensive long term contracts for maintenance works which require high levels of capacity, capability and certainty
- Smaller packages to enable smaller local suppliers to supply services to Council and their community
- Larger packages for capital projects involving complex design, project management and construction
- The acknowledgement of the roles of specialists

Work programmes are prepared and procured that meet the requirements of Council to maintain and/or provide its agreed Levels of service in collaboration with NZTA, where it has a role as a funding partner. Regional alignment and prioritisation of subsidised transport activities is undertaken through the Regional Land Transport Programme which is then submitted for funding to the National Land Transport Programme managed by NZ Transport Agency. Activities that are approved for funding are then implemented by Council utilising the appropriate delivery model and supplier selection method to suit the task.

Within the Transportation Section Council is mindful of the Land Transport Management Act 2003 requirements, particularly consistency with sections 20 and 25.

Suppliers are expected to understand the drivers of Council’s planned approach and the commitment made to deliver the agreed Levels of Service.

The key components of value for money are regarded as:

- Robust planning to identify an effective work plan
- Appropriate and efficient supplier selection procedures
- Maintaining capacity and competitiveness in the local market
- Successful delivery of works and services (the right outcome on time and within budget)

### 6.3 Proposed Delivery Models and Supplier Selection Methods

For Transportation activities, Westland District Council intends to follow the NZTA Procurement Manual Procurement Procedure 1 - Infrastructure for Physical Works and Procurement Procedure 2 Planning and Advice for Professional Services. Council has varied the limit for closed contests (selected tender) to \$250,000 to match the limit for minor improvements (refer PPFM F9.9). A direct appointment may be made for streetlight maintenance in the future, should approval be gained for this approach.

For other activities these procedures will be used a guide.

The following table details the approach proposed.

Activity	Delivery Model	Bundling	Supplier Selection	Form of Contract
Maintenance	Design and build	One Term Maintenance Contract	Public Tender (RFP) Price Quality Method	Formal Contract NZS3910:2003 or similar
Renewals – Minor	Staged	Individual Assignments Or include with Term Maintenance Contract(s)	Direct Appointment or Lowest Price Conforming	Project Brief/Simple Contract
Renewals – Major*	Staged	Individual Contracts or Multiple Projects per Contract	Public /Selected Tender (RFP) Price Quality Method	Formal Contract NZS3910:2003 based
Improvements – Minor	Staged	Individual Assignments Or include with Term Maintenance Contract(s)	Direct Appointment or Lowest Price Conforming	Project Brief/Simple Contract
Improvements – Major*	Staged or design and build	Individual Contracts or Multiple Projects per Contract Design and build for complex projects	Public/Selected Tender (RFP) Price Quality Method	Formal Contract NZS3910:2003 based
Professional Services (Asset Management Planning, Design and Other Services)	Staged	Individual assignments or complementary projects	Direct Appointment Public Tender (RFP) to select suppliers Price Quality Method	IPENZ Short Form Agreement for Consultant Engagement CCCS (2005) based

Activity	Delivery Model	Bundling	Supplier Selection	Form of Contract
Information Technology	Design and build	Individual assignments	Direct Appointment if approval obtained	Formal Contracts
Electricity supply	Design and build	Tendered or negotiated with other Council services such as bulk supply	Direct Appointment, joint negotiation or Public or Selected Tender (RFP) Price Quality Method	Formal Contracts (maybe supplier format)

\*Major procurement generally relates to items exceeding \$100,000

## 6.4 Options Considered

Council is aware of the benefits of comprehensive contracts as well as role of smaller operators. The establishment of a supplier panel with pre-qualification may be developed to facilitate the assignment of minor works to local contractors. A separate NZTA approval will be requested if this option is pursued. The role of smaller local contractors as sub-contractors is also important as a combination of comprehensive contracts involving local suppliers may be very effective in achieve value for money while ensuring capability is retained across the district.

The timing of maintenance contract terms will be reviewed in future to ensure tendering and contract roll-overs are staggered over multiple years. This should reduce the risk for contractors and spread the workload associated with tender processes.

## 6.5 Impact of the Preferred Approach

The impact of the preferred approach on value for money, fair competition, and competitive and efficient markets is discussed below.

There is a range of competent suppliers able to serve Westland District Council effectively.

While Westland District Council is a significant buyer of goods and services, it is unlikely that the procurement approach adopted by Council will have any impact on the competency and competitiveness of the sectors supplying services to Council. However the impact on local suppliers is expected to be more pronounced if any major change in direction is favoured. This Strategy does not initiate any such change.

## 6.6 Risk Identification and Management

The key risks identified relate to the integrated and collaborative approach across lifecycle management as well as organisations. This requires commitment to the agreed work plan; failure to deliver affects multiple parts of the activity as well as other organisations. More specific risks relating to the Activity can be found in the Activity Management Plan for this activity.

## 6.7 Contract Management Approach

Physical Works Contracts and Asset Management are managed through Council's in-house Professional Services Business Unit.

Given the experienced team and comprehensive planning regime structures in place; Council is able to define outputs for maintenance and construction works effectively. Along with the desire to retain in-house capacity, bundling professional services with physical works is not usually favoured (e.g. Performance Specified Maintenance Contract) unless the task is sufficiently complex or large where this cannot be accommodated with internal resources.

## 7.0 IMPLEMENTATION

### 7.1 Council’s Organisational Skills and Resources

Westland District Council is a small sized local authority with capable but limited resources.

Council uses a mix of its own staff and external resources (where appropriate) to deliver levels of service and achieve associated planning and programmes. Council's approach to asset management practice is in the ‘Core’ range.

Council functions are divided into the following groups

- Transportation
- Three Water Services
- Waste Management
- Parks & Reserves

The Three Water Services is further divided across the following activities:

- Water Supply
- Wastewater
- Stormwater

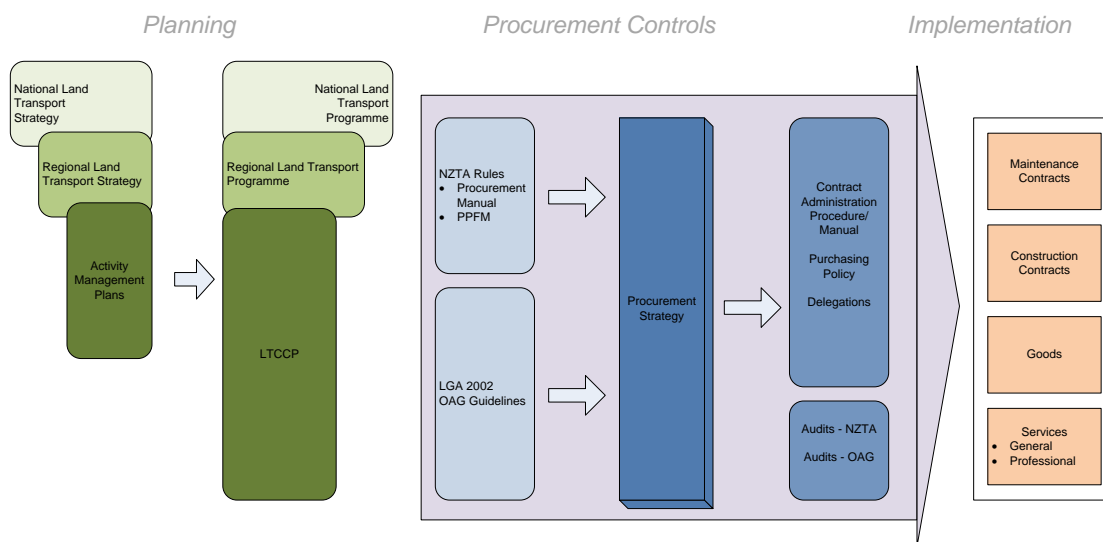
Council engages the assistance of specialist professional services supplier to support and complement the in-house engineering and asset management teams where required.

Effective procurement and contract management processes are necessary to ensure the workload is not onerous. Suppliers with quality systems and self auditing processes enable Council to be assured quality is not compromised with less supervision.

### 7.2 Interaction with Other Documentation

This Procurement Strategy is linked to Council and the NZTA’s wider planning framework as well as implementation rules and guides. These are illustrated in Figure 7.1 below

**Figure 7.1: Planning Framework and Procurement**



Council's Delegations Manual provides guidance on spending limits and tender processes, and along with NZTA's Programming Planning and Funding Manual are vital links to the strategy and its implementation.

### **7.3 Monitoring and Auditing**

The appropriateness and effectiveness of this strategy will be evaluated on an on-going basis as works and services are procured; and reviewed every three years following the development of the Community Plan (LTCCP) and National Land Transport Programme.

Transparency and accountability checks occur through Council's normal business practices including audits by Audit New Zealand and procedural and technical audits by NZTA on subsidised transport activities.

### **7.4 Communication and Endorsement**

The development of this strategy included workshops with staff and training about the new procurement environment. The level of consultation was agreed and a Communications and Consultation Plan prepared (see Appendix B).

The feedback from consultation was considered, and the draft finalised for endorsement by the NZTA. Subject to the endorsement of the NZTA, the Procurement Strategy will be adopted by Council

Responsibility for the Strategy and its currency primarily lies with the Professional Services Business Unit Manager, who is also responsible for the continuity of subsidised transport funding. Reviews and NZTA endorsement of the procurement strategy is a requirement for continued funding. . The utilisation of the NZTA Procurement Manual and a specific Procurement Strategy relating to Westland DC's activity, is seen as best practice. This approach has been extended over all the asset based activities in a consistent manner. Ultimately however, responsibility for each specific activity lies with the respective Asset Manager.

### **7.5 Improvement Plan**

Council acknowledges there are opportunities to improve this strategy and Council's procurement processes.

The following procurement items have been identified as future actions:

- Possible roll out to other Council departments
- Review of the tender processes contained within the Delegations Manual

## **8.0 APPENDICES**

### **APPENDIX A: Expenditure Delegations Manual Tender Procedures (Draft Update)**





**APPENDIX B: Communication and Consultation Plan**

Stage	Date
Staff discussion and strategy development Finalise draft	September 2010
Advise NZTA of development process and timing Request use of procedures during transition	September 2010
Stakeholder consultation and review Other AOs inc NZTA highways Contractors and Consultants.	September 2010
Submit to NZTA for approval	September 2010
Amendments and Westland DC adopt final	October 2010