



CLUTHA DISTRICT COUNCIL

Land Transport Procurement Strategy

2023-2026

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Quality Statement

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Adopted by CE	Steven Hill	May 2023

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1.0 Executive Summary

Waka Kotahi NZ Transport Agency (hereafter Waka Kotahi) funds the Clutha District Council's (the Council) land transport activity through its National Land Transport Programme (NLTP). Clutha District Council is responsible for the management and maintenance of 2,900km of roads and associated infrastructure.

Section 25 of the Land Transport Management Act 2003 (LTMA) states that an approved organisation must have procurement procedures that are designed to obtain the best value for money spent. Council's principle of best value for money in the context of procurement as embodied in its organisation-wide procurement policy is consistent with the LTMA concept.

Section 20 of the LTMA provides for the funding of land transport activities. Council, through its Infrastructure Strategy Business Unit, receives Waka Kotahi funding subsidies for many of its land transport activities. Approved organisations that receive funding from Waka Kotahi are required to provide:

- A land transport procurement strategy that documents an approved organisation's long-term integrated approach to the procurement of transport sector activities that are funded under Section 20 of the LTMA.
- The procurement strategy will enable Council to comply with the procurement procedures for infrastructure, planning and advice, set out in the Waka Kotahi Procurement Manual - Amendment 6.

The Council has combined both its own and Waka Kotahi's procurement policies, guidelines and processes to obtain the best value for money spent as legislated under Section 25 of the LTMA.

Major changes since the adoption of the last strategy have been the re-alignment to Waka Kotahi's regional and broader outcomes, the inclusion of health and safety expectations and the decision to separate out all other procurement sectors within the Council and only focus this document on Land Transport procurement activities and requirements.

While the next major review of the strategy is planned in 2026, minor amendments may occur due to ongoing reviews of Council's organisation-wide procurement policy.

Recommendation

It is recommended that Waka Kotahi:

1. Endorses the long-term programme wide procurement strategy for Clutha District Council entitled Land Transport Procurement Strategy 2023-2026 covering land transport activities funded in partnership between Waka Kotahi NZ Transport Agency and Council in terms of Procurement manual, section 10.4 Procurement strategies.
2. Approves under section 25(1) of the LTMA, a variation to the rules in Procurement manual, section 10.21 Maximum term of a term service contract for infrastructure or planning and advice to allow Council to use a maximum contract term of ten years (5+5 years) for the Road Maintenance term service contract:
3. Approves the continued use of in-house professional services by Clutha District Council in accordance with s26 of the Land Transport Management Act.

It is recommended that Clutha District Council:

- Acknowledges that Waka Kotahi has not approved a variation to allow the Council to use a maximum term of ten years (5+5 years) for the road maintenance term service contract and will request approval in Year-4 of the contract term prior to extending the contract beyond Year-5.

2.0 Procurement

Procurement Policy Content

Clutha District Council's definition of procurement is clearly detailed in the Council's 2019-21 Procurement Strategy:

[PROCUREMENT Strategy 2019-21 \(cluthadc.govt.nz\)](https://www.cluthadc.govt.nz/procurement-strategy-2019-21)

It covers all aspects of acquiring and delivering goods, services and works (both refurbishment and new construction), for all Council activities. It starts with identifying the need and finishes with either the conclusion of a service contract or the end of the useful life and disposal of the asset. Procurement also includes the contract and relationship management with chosen suppliers. Collectively, this is what is referred to as the procurement lifecycle.

Council receives land transport funding from external sources like Waka Kotahi NZ Transport Agency (Waka Kotahi), Ministry of Business, Innovation and Employment (MBIE) and from its residents through rates. Over the next three years (2022/23 – 2024/25) \$56.9m will be procured to the market. This includes determining and specifying the needs required to deliver the land transport work programmes, agreed levels of services and outcomes detailed in:

[Long Term Plan 2021-31 03 Infrastructure Strategy \(cluthadc.govt.nz\)](#)

[RLTP Draft - layout template \(orc.govt.nz\)](#)

Legislative Context

There are existing legislative requirements surrounding procurement including:

- Section 14 of the Local Government Act 2002 amended in 2012 which details procurement principles.
- Section 25 of the LTMA states that Council must have procurement procedures that are designed to obtain the best value for money spent.
- Section 17a of the Local Government Act 2002 amended in 2012 states:

Delivery of services

(1) 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.

(2) Subject to subsection (3), a review under subsection (1) must be undertaken—

(a) in conjunction with consideration of any significant change to relevant service levels; and

(b) within 2 years before the expiry of any contract or other binding agreement relating to the delivery of that infrastructure, service, or regulatory function; and

(c) at such other times as the local authority considers desirable, but not later than 6 years following the last review under subsection (1)

Clutha District Council last conducted this review in September 2021, where as a Region it had been identified that the Otago Region should embark on a co-ordinated assessment of 17A Service Delivery Reviews. The intention was that the review would include Southland and Gore, and Clutha District Council was in the process of having those preliminary discussions with both Council's at that stage. A report advising of this was tabled at the Clutha District Council Meeting 16 September 2021, where the following resolution was passed:

"That Council resolves that the potential benefits of undertaking a full-Service Delivery Review (Section 17A of the Local Government Act. 2002) for the Roading Maintenance activity area do not justify the costs of a review at this time".

Procurement Development

In Council's prior CDC Procurement Strategy 2019-21, we acknowledged the implementation of Central Government and The Office of the Auditor General's changes for procurement guidance for local government.

"Public organisations use many different kinds of goods and services. Procurement is the process that public organisations use to acquire and manage these goods and services. It's important that New Zealanders get the best possible outcomes from public spending on these goods and services."

Extract from : [The basics — Office of the Auditor-General New Zealand \(oag.parliament.nz\)](https://www.oag.parliament.nz)

CDC's Procurement Strategy 2019-21 aligned to these implementations by adhering to the following principles:

- Accountability
- Openness
- Value for Money
- Lawfulness
- Fairness
- Integrity

Core Principles and Objectives

Leading on from this, in 2021 Waka Kotahi released their Broader Outcomes Procurement Strategy, identifying four target outcome areas:

- Environment and Sustainability
- Maori Business and Tangata Whenua
- Economic and Employment
- Community and Culture

By aligning to Clutha District Council's vision: **Clutha is a great place to live, work and play**, Council have adapted to these initiatives and are/will include these broader outcome requirements within their current/future procurement processes, by introducing weighted attributes - Price Quality Methodology Request for Tender Documentation/Submissions.

Environment and Sustainability

Our contractors will need to show us how they will:

- Use sustainable goods/materials where appropriate and available.
- Show evidence of carbon reduction opportunities within their tender submissions.
- Minimise waste, conserve/recycle resources.
- Identify energy saving opportunities they can provide during the life of the project/s.

Maori Business and Tangata Whenua

Council is committed to honouring the Treaty of Waitangi.

- During the procurement process, we will have greater iwi engagement and consultation.
- Promote, embrace, and celebrate cultural diversity.
- Acknowledge, and apply tikanga Maori in decision-making where appropriate.

Economic and Employment (Social Responsibility)

Council is committed to financial prudence to our rate payers and our funders. We will use resources carefully and effectively with minimal waste, whilst encouraging local business growth through procurement opportunities.

- We will build stronger relationships with our local businesses and where necessary coach and develop them so that they meet the necessary requirements inclusive of Health and Safety to foster these opportunities.

Council will show social responsibility to the Clutha District as part of our procurement decision making process.

- Through our weighted attributes we will be able to provide opportunities for youth and under-represented groups to transition positively into the work force

- With the intent that these opportunities could lead to training and apprenticeship opportunities
- All of which aligns to our vision: ***Clutha is a great place to live, work and play,***

Community and Culture

Within this document these target outcomes are included within Maori Business and Tangata Whenua, and Economic and Employment (Social Responsibility) criteria listed above.

At all times Council will ensure transparency and integrity are maintained regarding any requirements and considerations associated with all Council's procurement processes.

In doing so, Council will carry out the funding and procurement of works, goods and services, agreed levels of service, organisational goals, strategic challenges and its values in a manner that will support Council's community outcomes.

Measure, Monitor and Reporting – Broader Outcomes

Implementation of how we will measure, monitor and report on these broader outcomes, is under review.

It is envisaged that Council will provide regular updates as part of the quarterly project report to our Councillors and Senior Leadership Team, identifying which projects have been awarded to contractors and how they are aligning to our new objectives of broader outcomes.

We will keep a register of these contracts where we can easily identify:

- Name of Project
- Category of Broader Outcome as part of weighted attributes
- Awarded dollar value of Contract

Whilst this new initiative is starting to be implemented, the register will also show what percentage of broader outcome projects we are working on compared to total project numbers, with the intent for continual percentile growth in this area.

It is intended that in time, the broader outcome program will increase employment opportunities within our region and encourage individuals to remain living and working in the Clutha District, which in turn will provide a more robust resilient and diverse business sector.

Existing Procurement Strategy

During 28 February 2022 – 3 March 2022, a procedural audit was completed by Waka Kotahi. The results are tabled below.

Audit Rating Assessment

Subject Areas		Rating Assessment
1	Previous Audit Issues	N/A
2	Financial Processes	Effective
3	Procurement Procedures	Effective
4	Contract Management	Effective
5	Professional Services	Some Improvement Needed
Overall Rating		Effective

5. Professional Services		Some Improvement Needed
<p>Charges for the delivery of in-house professional services are combined with administration costs and charged as a fixed percentage direct to activities within the local road maintenance work categories. The previous audit of March 2018 recommended that this figure was recalculated to better reflect Council's new service delivery structure.</p> <p>Council is currently designing a new methodology for the calculation of the in-house professional services across 100 series work categories and the process for assigning the costs to work category 151. For work categories 123 and 141 the costs are assigned against these respective work categories.</p>		
Recommendations	<p>We recommend that Council:</p> <p>R5.1 Completes the review of its in-house professional services costs for financially assisted activities and implements by next NLTP period.</p>	
Clutha District Council's comment	<p>Review completed as part of this audit process, with financial results and actual hours allocated against Admin activities for the 2020/21 year used in the</p>	
	<p>exercise. Will continue with this process for the 2021/22 year, with combined results to form the basis of Admin application for 2024/27.</p>	

Extract from Investment Audit Report – Procedural Audit of Clutha District Council 3 March 2022

The proposed improvements have been fully implemented; our new model was not only accepted but Waka Kotahi requested permission to use our new model with other councils.

Procurement Programme

The 2021–24 and 2024-27 National Land Transport Programmes (NLTP) were confirmed on 7 September 2021 and Council's land transport activities are summarised below:

Project	Details	Funding available 2022-2026
Maintenance Operations and Renewals Programme		\$71,059,835
Low Cost/Low Risk Improvements	Local Roads	\$3,988,027
Low Cost/Low risk improvements	Road to Zero	\$330,000
Local Roads Maintenance – Emergency Works	Extreme Weather Event February 2020	\$505,707
Walking and cycling	Intersection and route improvements	\$1,640,460
Road Safety Promotion		478,017

Note: To align to this latest Land Transport Procurement Strategy figures provided range from 2022-23 – 2025-26

Streetlight Maintenance

We are currently in discussions with Southland District Council to consider a joint contractor venture where we would have a larger street light maintenance program, with the intention to attract more tender submissions if we went out to tender for this work.

Procurement Environment

Best Value for Money Spent

Procurement procedures must be designed to obtain best value for money spent and approved by Waka Kotahi.

Waka Kotahi's Procurement Manual – amendment 6 – April 2022, clause 3.2 Defining best value for money in relation to procurement states:

“Within a procurement context, Waka Kotahi defines ‘best value for money’ as: ‘the most effective combination of cost, quality, benefit and risk to meet a requirement’”

In this context:

- Cost: means all expenditure and resources required over the life of the asset or contract
- Quality: means the extent that a specification, performance level, or safety standard is met
- Benefit: means outcomes, results and impacts (and can include dis-benefits)
- Risk: means the degree of certainty (of cost, quality and benefit).

[Procurement manual - Amendment 6 - April 2022 \(nzta.govt.nz\)](https://www.nzta.govt.nz/procurement-manual-amendment-6-april-2022/)

Council adopts this definition within our latest Land Transport Procurement Strategy.

Health and Safety Expectations

Council is committed to providing a healthy and safe work environment for employees and others that may be affected by its workplace activities. In assessing its corporate risk, contractor management has been identified as one of Council's major risks. Therefore, building health and safety into contract management is non-negotiable. Council achieves this by maintaining positive partnerships through consultation, cooperation and coordination. The organisation follows the Worksafe NZ guidance on how a Person Conducting a Business or Undertaking (PCBU) should work together, which includes the following requirements:

Scoping of the required works

Council will work with contractors and landowners to understand what work needs to be done and where, and to share information about what hazards and risks will be involved.

Pre-qualification of suppliers

Council is committed to working with our suppliers to ensure a safe and healthy workplace. Council expects our suppliers to have an adequate health and safety management system that includes:

- safe systems of work
- safe work environments
- safe plant and equipment
- adequate health and safety training and supervision.

All suppliers undertaking work for us must declare their health and safety systems. Contractors and/or suppliers will be required to provide evidence that they have had their Health and Safety Systems reviews and approved by a third-party Prequalification Organisation, eg; Prequal, Sitewise etc

For further information relating to these requirements, the link below will direct the reader to Council's webpage:

[Application to become a CDC approved Contractor - Clutha District Council \(cluthadc.govt.nz\)](https://www.cluthadc.govt.nz/application-to-become-a-cdc-approved-contractor)

In summary, Council will not procure any physical work unless the supplier or contractor has obtained these current qualifications.

Fair Competition amongst Suppliers

Council's Land Transport business unit uses the Waka Kotahi's Procurement manual for subsidised roading projects to ensure that fair competition amongst suppliers is obtained.

The manual is designed to assist local roading authorities such as Clutha District Council to obtain physical works for its roading procurement in the most efficient way and ensure fair competition amongst suppliers in accordance with the requirements of the LTMA.

The principal means of achieving this overall objective is through the encouragement of competition amongst suppliers of physical works through open tendering.

Professional Services Consultants

Professional services consultants provide value for money through specialised skillsets and additional resourcing. Due to the widespread geographics of the Clutha District, and sparse population in comparison to these geographics, Council acknowledges that professional services providers do not always have to be based in Clutha.

Our current contractual professional services provider for transport is Stantec. They have retained this contract as Council's professional services consultant since 1997 (27 years). This contract is due to expire on 30 June 2023.

Council are in the process of going to market via GETS RFT as an Open Tender. This contract will be a 3+1+1 right of renewal contract. The contract value tenure over this five-year period is \$3.5m.

Suppliers

Council maintains a register of suppliers who meet our Health and Safety requirements.

[Application to become a CDC approved Contractor - Clutha District Council \(cluthadc.govt.nz\)](https://www.cluthadistrictcouncil.govt.nz/procurement/application-to-become-a-cdc-approved-contractor)

Moving forward as part of the procurement process to ensure that we achieve best value for money once a supplier has completed their contractual requirements per contract, we will conduct Performance Assessment by Coordinated Evaluations (PACE) scoring, by utilising the Waka Kotahi PACE Score Templates. Once we start to obtain these results, as part of any request for tender submission, we will request examples of PACE scores for projects that the supplier has conducted for Council similar to the project that the supplier is tendering on, this is another opportunity to assist in decisions on best value for council selection processes.

Procurement Procedures

The following procurement procedures will be applied for activities which involve expenditure of National Land Transport funds on physical works for the operation, maintenance, renewal, improvement and construction of infrastructure.

Maintenance Contract

SouthRoads Ltd, has been contracted to deliver maintenance outcomes and emergency works for the entire Clutha District, this contract commenced on 1 July

2022, and is a combination of lump sum and measure and value. The contract is a 5+5-year contract, and at the time was approved by Waka Kotahi with the understanding that after the first 5 years of the contract, that there is a right to extend the term another five years subject to contractor performance. At this time a request to seek approval from Waka Kotahi to extend the contract for the remaining 5 years is required, prior to extension of contract being granted.

Stantec have been contracted to deliver the Professional Services Consultants outcomes for the entire Clutha District for the past 27 years.

Area	Sealed roads (km)	Unsealed roads (km)	Contractor		Annual contract amount (\$m)
			Physical works	Professional services	
Clutha District	826km	2,091km	SouthRoads Ltd	Stantec	Varies

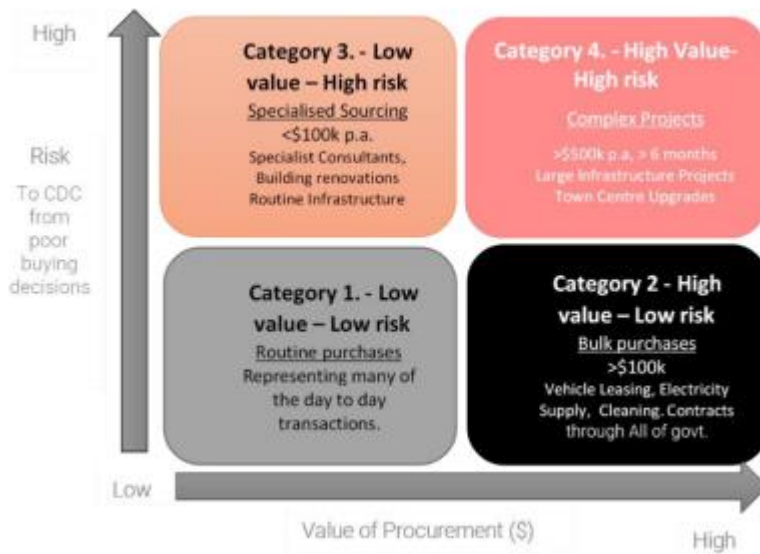
When the scale and extent of emergency work to be delivered within a limited time period is beyond the resource capacity of the maintenance contractor, the contractor may elect to deliver only part of the emergency works package. For the remaining emergency works, Council will procure a supplier by direct appointment or through a competitive tendering process, whichever is appropriate.

Infrastructure and Safety Improvements

For bridges, cyclepaths and footpaths maintenance and renewals, upgrades, low cost/low risk improvements and other local road improvement activities, physical works are selected in accordance with the Waka Kotahi procurement procedures for a staged delivery model.

This model requires projects and activities to be well defined, low risk and with an easily defined scope before the project is committed for tender. The majority of our workload fits this model.

In instances where it does not, i.e. high value and high-risk projects with poorly defined outcomes, then a specific procurement plan will be established and communicated to the market.



The following table summarises our current procurement table with thresholds:

Contract \$ Value	\$0 - \$25k	\$25k - \$100k	\$101k - \$200k	>\$200k
Preferred Supplier or 3 Quotes *	✓	✓	X	X
Closed Tender	✓	✓	✓	X
Open Tender	X	✓	✓	✓
Approved Procurement Plan (High Risk, High Value Projects) Category 4	X	X	✓	✓

*3 Quotes will always be requested where possible – at times, due to specialist field or extremely tight time constraints, we may only be able to request 2 quotes

Closed Tender

The following are the guiding principles in which a closed tendering process must adhere to.

A closed tender is when a selected number of pre-qualified suppliers are invited to submit offers. This method of tendering can be used when:

- There are issues of confidentiality

- A limited number of suppliers are known to have the skill and capability to supply
- The cost of open tendering is greater than the value that will be derived from the process.

Closed tenders must still involve a competitive process. This is a two-step process outlined below.

Step 1 - Pre-Qualification

To bid for work within closed tendering, suppliers will go through a standing (always open) pre-qualification process. Suppliers will need to demonstrate compliance (PASS/FAIL) against a set of essential criteria.

Step 2 - Proposals

Once pre-qualification 'pass' has been determined. A minimum of Three* willing and able suppliers are invited to participate in a competitive tender, using a supplier selection method.

Supplier Selection Method

1. Identify Business Need
2. List Potential Suppliers
3. Determine Supplier Selection Criteria
 - Quality and Safety of Products
 - Relevant Experience
 - Relevant Skills
 - Methodology
 - Reliability
 - Cost
 - Quality of Service
4. Meet the Supplier
5. Draft, Negotiate and Sign Contract

Open Tender

An open tender is a preferred way to promote open and effective competition throughout the procurement process. However, the cost of the process (including advertising, providing documents and evaluating tenders) should be proportionate to the benefits received, hence the determined procurement thresholds.

Procurement Stage	Timeline proposed	Process
Pre-Tender	weeks	Preparation of Procurement Plan <ul style="list-style-type: none"> • Approval to commence with procurement process. • Preparation of RFP/RFT documentation.
Tender period	Each tender timeline will align to the Government Procurement Rule #34	Tender advertisement online via GET. <ul style="list-style-type: none"> • Late tenders not accepted, (GETS does not allow you to upload tender past tender close time)

Procurement Stage	Timeline proposed	Process
	<p>Minimum time periods by process New Zealand Government Procurement and Property as stipulated in the Government Procurement manual, section 10.6A <i>Supplier selection process requirements</i></p>	
Tender evaluation	Within 3 weeks from receipt of tenders	<p>Minimum of three panel members to evaluate proposals/tenders.</p> <p>For projects where the estimated contract price exceeds \$200,000, one member of the evaluation team must hold (Rule 10.19 Transport Agency Procurement manual) one of the following:</p> <ul style="list-style-type: none"> • The National Certificate in Civil Engineering – Asset Management (Competitive Pricing Procedures), the National Certificate in Transport Agency Procurement Procedures or the New Zealand Certificate In Infrastructure Procurement Procedures; or • Another relevant qualification approved by the Waka Kotahi; or • Is approved by the Waka Kotahi as a proposal evaluator. <p>All members of Tender Evaluation Team (TET) to sign Conflict of Interest forms before commencing evaluation.</p> <p>Tender evaluation using appropriate process for supplier selection method.</p> <ul style="list-style-type: none"> • Preparation of report on tender appraisal to delegated authority for approval to award tender to preferred supplier.
Tender award	Within 2 weeks following approval	<p>Preparation of tender acceptance notice and contracts for signing:</p> <ul style="list-style-type: none"> • ACENZ Conditions of Contract for Consultancy Services or ACENZ IPENZ Short Form Agreement for Consultancy Services. • NZS 3910:2013, NZS 3915:2005 contract documents for physical works. • NZS 3917:2013 for term services • NZS 3910:2013, NZS 3915:2005 contract documents for physical works or NZS3916:2013 for emergency works. <p>Preparation of Tender decline notice to unsuccessful tenderers, and invite opportunity for feedback meeting with unsuccessful tenderers.</p>

Council does not have in-house staff to complete all its land transport programme. It engages professional services providers for investigation, preliminary design, detailed

design and project/contract management phases for all its capital works activities. These professional services include:

- Soil samples and investigations
- Resource consents – geotechnical investigations and land drainage issues
- Road safety audits
- Roothing design, testing and quality assurance.
- Site supervision and contract management

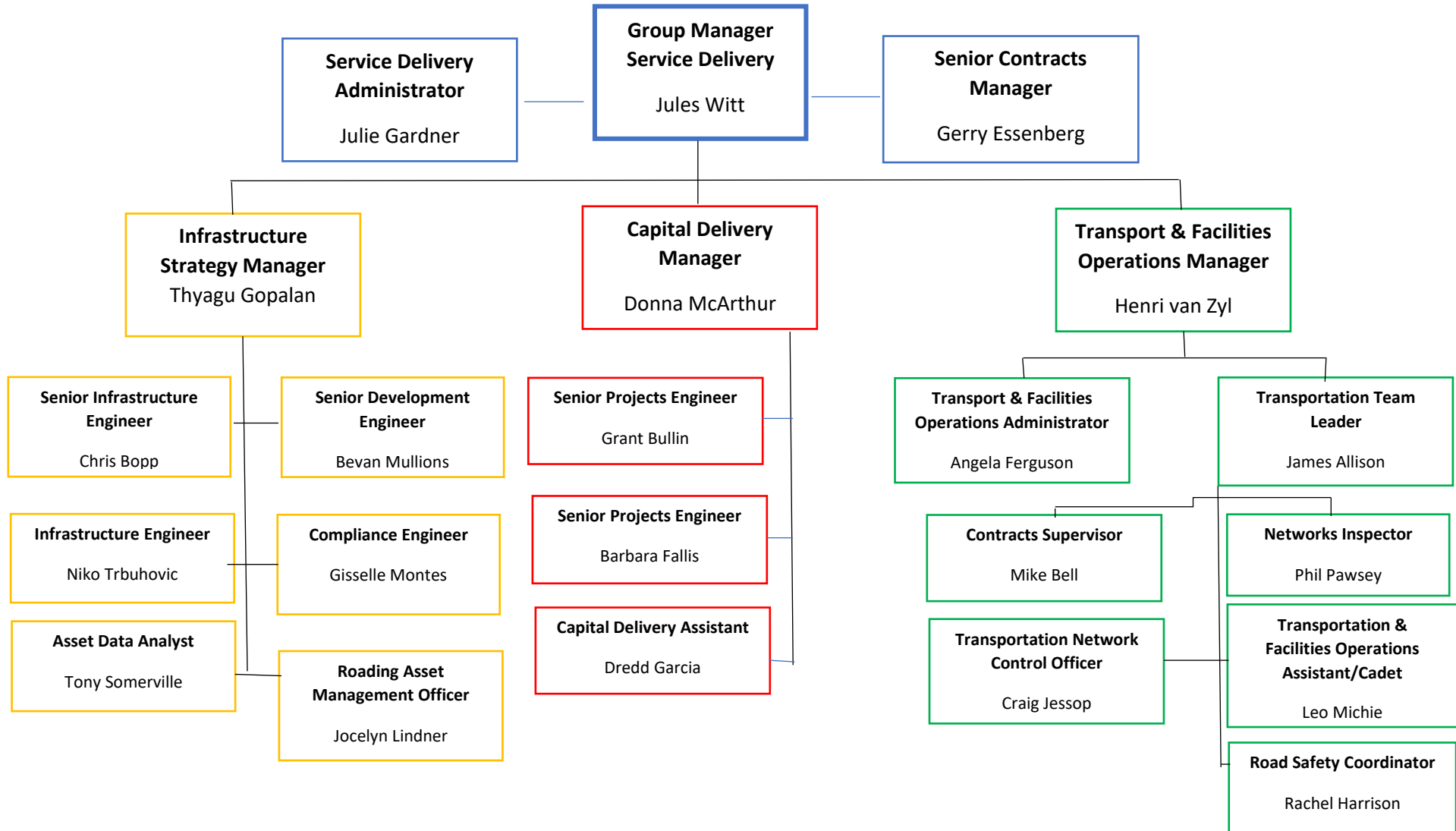
Implementation of the Procurement Strategy

Council is responsible for the effective and efficient delivery of the local roading network. With a focus on customers and a commitment to a commercial oriented approach to provide more efficient road management. Working in collaboration with Waka Kotahi to find efficiencies in contractor delivery.

This procurement strategy will be owned by Council's Land Transport business unit, who will use and review this strategy once every three years. This will align with the next Long Term Plan and Regional Land Transport Programme planning cycle.

This strategy has been endorsed by Waka Kotahi and subsequently adopted by Council as its procurement strategy for its land transport activities. The next review of this strategy will be in the 2025/26 financial year.

Council achieves this with some of the team members from Council's Service Delivery Unit:



The team has a mix of experienced and qualified staff with a diversity of abilities and life skills. This provides best value for money to Council and Waka Kotahi by ensuring information is passed on to all team members and different ideas can be discussed.

There is a clear separation between operational, infrastructure strategy and capital delivery team members. This enables each division to focus on their key part of the procurement strategy whilst retaining a one team approach for delivery across the network.

Being located within Council there is also greater liaison and coordination with other Council staff (consenting, financial and three waters), consultants and suppliers which allows for innovation, risk sharing and enhanced delivery.