



ROADING ACTIVITY PROCUREMENT STRATEGY

(Financial Assisted Land Transport Activities)

Adopted 24 September 2019

2019-2022

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1. EXECUTIVE SUMMARY

1.1 Summary

This Procurement Strategy documents Invercargill City Council's (Council) approach to procurement of activities funded through the National Land Transport Programme (NLTP).

The document sets out the strategic approach to procurement over the next three years, the context within which Council purchases goods and services, and details the programme to be purchased and the methods that will be used to do this.

The Procurement Strategy aims to achieve desired outcomes and quality at the lowest overall whole of life cost and sustain a pool of suppliers in the region of varying sizes and capabilities to meet the needs of the Council.

This Procurement Strategy should be read in conjunction with the Council wide Procurement Policy, noting that this Strategy takes precedence with respect to NZTA funded projects, and should comply with the NZTA Procurement Manual.

The Principles of this Procurement Strategy are:

1. To attain value for money, to plan and manage for great results
2. To encourage competitive and efficient markets
3. To enable fair competition, to be fair to all suppliers and get the best results for everyone
4. To play by the rules and operate an efficient procurement process

Maintenance contracts have been reviewed and grouped to provide a good balance between price and quality, and use either Prequalification or Price / Quality supplier selection methods.

The methods used to procure capital projects will differ depending on the size of the project, but will be Lowest Price or Price / Quality.

Council maintains an in-house professional services capability to deliver services to achieve best value for money. Additional professional services are sometimes required and will be procured following the guidelines of the NZTA Procurement Manual.

Full details of the planned procurement programme can be found in Section 5.

1.2 Recommendations

It is recommended that this strategy is:

- Endorsed by the New Zealand Transport Agency (NZTA)
- Approved by NZTA for the continued use of in-house professional services
- Adopted by Council

2. POLICY CONTEXT FOR INVERCARGILL CITY COUNCIL

2.1 Context for this Strategy

Transport activities undertaken by the Council include maintenance and capital renewal expenditure on road pavements, surfacing, drainage features, structures, footpaths and cycleways, passenger transport services, total mobility, road safety education, street lighting, traffic counting, asset management advice, managing asset data and traffic modelling.

The Invercargill roading network consists of 294km of urban sealed roads, 290km of rural roads with about 110km of the rural road being unsealed roads. Council provides and manages 51 bridges, 500km of footpaths (including off road cycle lanes) along with streetlights, six off street carparks and 780 metered parking spaces within the CBD of the City.

The assets have a replacement value (2017) of about \$646M, and a current value of \$384M. The assessed annual depreciation is \$9.4M.

The Council is required to have a Procurement Strategy for activities funded through the National Land Transport Programme which has been approved by the NZ Transport Agency, in order to meet the requirements of Section 25 of the Land Transport Management Act 2003.

Planned expenditure on subsidised Transport Activity is in the order of \$15M per annum.

Detailed breakdown can be found in the Roothing Activity Management Plan.

There is no statutory provision requiring the Council to undertake any works in relation to roads within its district, however the following legislation is relevant:

- Section 316 LGA 1974 provides all roading land is vested as fee simple in the Council (State Highways excepted)
- Section 317 LGA 1974 provides that all roads within the district are under the control of the Council. (State Highways excepted)
- Section 319 LGA 1974 provides the powers for the Council to carry out works on roads, or create new roads, etc
- A section 17A of the LGA was undertaken in 2016 and this procurement reflects the findings of that review.

2.2 Strategic Objectives and Outcomes

The strategic context within which this procurement strategy sits includes Council's Community Outcomes together with the Otago Southland Regional Land Transport Plan.

Council has identified a series of community outcomes and key priorities that support and direct the work of Council.

- To provide a safe road environment
- To provide an efficient, effective, reliable and resilient integrated road network
- To be able to demonstrate that services that are delivered are value for money

- To provide access for the pedestrians and cyclists (vulnerable users) in the community
- To demonstrate that the assets are managed in a fiscally prudent manner for current and future generations
- Full compliance with all statutes and regulations relating to territorial local government

Additionally, objectives set within the Otago Southland Regional Land Transport Plan are:

The opportunity:

- To take a South-Island wide approach to transport
- For mode integration and mode shift
- To support tourism and the regional dispersal of tourism benefits
- To create a network of cycle rides and cycling facilities
- To a step change reduction in serious road trauma

To achieve these objectives, the following problems and opportunities will be addressed under the Plan:

- Improved performance and capability of the transport network, and network resilience
- Regional economic development, productivity and connectivity
- Increased customer voice on connectivity, accessibility and modality shifts
- Greater value for money

Well managed procurement of transport related works and services will contribute to Council's community outcomes and key transport objectives. Council's Procurement Strategy for NZTA subsidised work will assist in achieving best value for money procurement. Quality procurement will assist with a healthy environment through ensuring high standards of environmental protection when undertaking physical works.

A safe and accessible community will be assisted by procurement that ensures safe working sites and infrastructure, and a strong economy will be assisted by a considered approach to scheduling tenders and encouraging a competitive and sustainable supplier market.

This Procurement Strategy will also assist Council to work co-operatively and to co-ordinate procurement programmes with adjoining Council and obtain best value for money.

This will enable the wider community to provide community facilities and infrastructure.

2.3 Objectives for the Procurement Strategy

The objectives of this Procurement Strategy are:

1. To encourage competitive and efficient markets
2. To encourage fair competition
3. To attain value for money
4. To operate an efficient procurement process

These objectives and outcomes contribute to Council achieving the wider community outcomes, priorities and economic targets.

2.4 Alignment with NZTA's Procurement Requirements (Section 1.3 NZTA Procurement Manual)

Competitive and efficient markets

In order to achieve value for money the procurement process must allow for effective competition between suppliers.

This strategy provides for a range of delivery models and procurement procedures that will help to maintain competitive and efficient markets.

Fair competition amongst suppliers

Ensuring fair competition amongst suppliers will give confidence to the market that all suppliers have a chance of obtaining work. Procurement shall match the scale and type of service being sought and a balance achieved where the rules are not onerous or restrictive.

Value for money

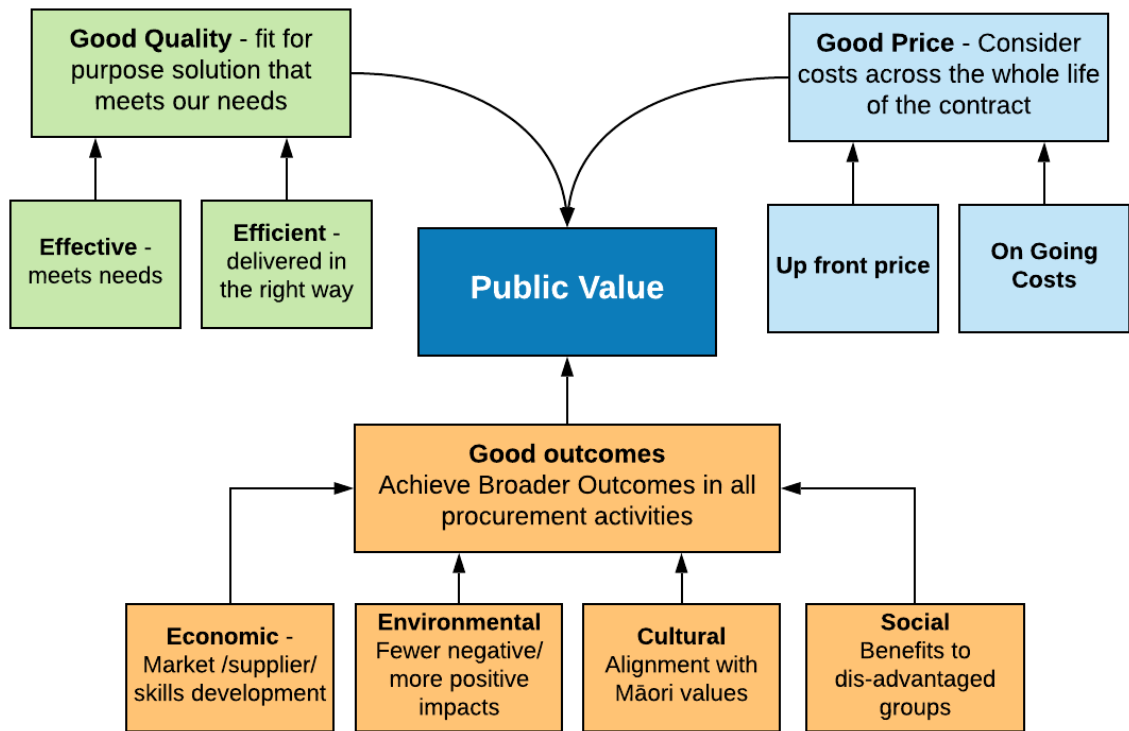
This involves achieving the desired outcomes and quality at the best overall whole of life cost while managing risk. Best value is to be obtained in terms of time, cost and quality.

Government Procurement Rules identifies that public value means getting the best possible result from the procurement process, using resources effectively, economically, and without waste, and taking into account:

- The total costs and benefits of a procurement (total cost of ownership), and
- it's contribution to the results trying to achieve.

Public value includes considerations that are not solely focused on price, for instance what benefit the procurement could bring to the local community or environment.

Selecting the most appropriate procurement process that is proportionate to the value, risk and complexity of the procurement will help achieve public value. Good procurement is about being risk aware, not risk averse.



Efficient Process

The procurement strategy shows a shift to procurement that takes place within the strategic context of the Council as a whole. Early notice of upcoming tenders is made available to contractors.

Internal procedures are used to implement the strategy and operate an efficient procurement function, ensuring the right procurement procedure and associated tools are used.

3. PROCUREMENT PROGRAMME

3.1 Planned Procurement Programme

(Physical Works - Chapter 6, NZTA Procurement Manual)

General Maintenance (Sealed Surfaces)

General Maintenance is the most significant component of Council's procurement of subsidised roading services. The contracts contain a mixture of NZTA subsidised and un-subsidised works.

Invercargill City's network is very compact and there is currently one main road maintenance contract in place which utilises smaller specialist subcontractors for activities such as vegetation maintenance.

The Sealed Road Corridor Maintenance contract includes pavements, footpaths, traffic services (signs and road marking), emergency response, drainage, road sweeping and vegetation. The incumbent contractor is Fulton Hogan. The current contract commenced on 1 July 2016 and completion date is 30 June 2021. This contract can be extended with appropriate approvals until 2023 with approval from NZTA.

Approximate Anticipated Annual Expenditure on Road Maintenance (which includes subsidised and un-subsidised work) is \$5.0M.

Unsealed Road Maintenance

Unsealed road maintenance is let as a stand-alone contract due to the different work nature.

The contract commenced on 1 September 2017 with a completion date of 30 June 2020 (and is subject to two potential extensions). The work is contracted to SouthRoads. The form of the contract looks to work closely with the Contractor who maintains the adjacent Southland District Council roads.

Approximate Anticipated Annual Expenditure on Unsealed Road Maintenance (which includes subsidised and un-subsidised work) is \$0.3M.

Renewals

Renewal and rehabilitation work is a key procurement for Council.

Pavement renewal contracts are currently let annually, and are offered on a project by project basis. Some projects also include other infrastructural works (e.g. water or drainage piping) as part of a combined package.

Drainage and footpath renewals are completed within the current Road Corridor Maintenance Contract.

Contracts are offered on a staged delivery model generally using either a lowest price conforming or price quality supplier selection method appropriate to the size and scale of the project. Contract management is typically based on the use of NZS 3910.

Approximate Anticipated Annual Expenditure on Renewals (which includes subsidised and un-subsidised work) is \$2.0M.

Resurfacing

Resurfacing is another key procurement for Council.

For the 2019/20 and 2020/21 years following industry discussion, Council has merged the chipsealing and asphaltting contracts, and is procuring the new resurfacing contract for chipsealing and asphaltting as a two year contract.

Contracts are offered on a staged delivery model using a lowest cost conforming supplier selection method. Contract management is based on the use of NZS 3910.

Approximate Anticipated Annual Expenditure on Resurfacing work is \$3.5M for the two years.

Streetlight Maintenance

The current Street Lighting maintenance contract expired on 30 June 2019. Approval has been given to extend this contract for another year.

Council is approaching the conclusion of its LED renewal programme and it is expected that the level of maintenance required will reduce significantly and a different approach to seeking services will be required.

Approximate Anticipated Annual Expenditure on Streetlight Maintenance (including electricity) is \$0.75M.

Traffic Signals

The Traffic Signals maintenance contract is for a three year period and was let in May 2019. This contract provides services to both Council equipment and NZTA (under a maintenance delegation) and supports the SCATS software which links all equipment across Invercargill.

Approximate Anticipated Annual Expenditure on Traffic Signals Maintenance which includes subsidised and un-subsidised work is \$0.2M.

Low Cost Low Risk Works

These minor safety improvements are low cost projects which are let as either single works, combined into a larger contract or included via direct negotiation with the current road maintenance contractor. The style and scale of work determine the functional approval which delivers the best outcome.

Approximate Anticipated Annual Expenditure is \$0.6M.

Improvement Projects

Council has a limited number of Improvement Projects and most recently these have been in the street lighting area (11 Year Improvement Project). This programme concludes next year, along with the LED project.

Approximate Anticipated Annual Expenditure varies project to project and from year to year. The three year annual average for the period to 2020-2021 is \$1.3M.

Professional Services

(Chapter 7 NZTA Procurement Manual)

Council's in-house consulting team, Engineering Services Group (ESG), provides engineering advice for maintenance contracts as the role of the Contract Engineer and Engineers Representative and has direct liaison with the contractor in the delivery of contracts. They coordinate the works and programmes, and report to the Asset Team for approvals.

ESG also undertakes the investigation, design and documentation of renewal projects, and coordinates the procurement and delivery of these contracts.

ESG also has resources which provide operational support for Corridor Management and the Utilities Act (including Traffic Management reviews and approvals) and public liaison with customers.

Where needed in specialist areas, ESG will subcontract those resources on an 'as and when required' basis, in such areas as bridge design and safety projects.

Council also is party to a shared service with Southland and Gore District Councils to deliver the road safety promotion activity through Road Safety Southland. This agreement covers Road Safety, Cycling and Active Transport Coordination and Community Engagement on Safety (any Number Campaign). The resources for programme delivery is shared through contracted agreement via Southland District Council and Invercargill City.

Approximate Anticipated Annual Expenditure is \$0.7M.

Public Transport

(Chapter 8 NZTA Procurement Manual)

Public Transport administration is delegated by Transfer to Council by Environment Southland.

Council has one unit in operation and this contract is for nine years concluding in 2021. This is a net contract and currently awarded to Go Bus Transport. The contract is supportive of a collaborative environment.

The Approximate Current Annual Expenditure is \$1.5M.

Total Mobility

(Chapter 9 NZTA Procurement Manual)

Council manages the Total Mobility responsibility for Southland under delegation from Environment Southland.

The Total Mobility scheme is a door to door passenger service for the mobility impaired. It is co-invested by the NZTA. The scheme operates using the Ridewise software for trip management.

Invercargill operates contracts with all Assessment Agencies and all Transport Operators providing Total Mobility Services.

The Approximate Current Annual Expenditure is \$0.6M.

The table below (Table 1) summarises the above programme over the next three years.

Table 1 - Subsidised Procurement Programme over next three years

Contract	Date	NZTA Work Categories Included in Contract
Road Maintenance	Current Expires 2021 (5-1-1+1+1)	Maintenance and Operations of Roads: <ul style="list-style-type: none"> • Sealed pavement maintenance (111) • Routine drainage maintenance (113) • Structures maintenance (114) • Environmental road maintenance (121) • Traffic services maintenance (122) • Footpath Maintenance and Renewal (125) • Passenger transport facilities maintenance and operations (514) • Public transport infrastructure (531) Renewal of Roads: <ul style="list-style-type: none"> • Drainage renewals (213)
Unsealed Road Maintenance	Three years Expires 2020 (3+1+1)	Maintenance and Operations of Roads: <ul style="list-style-type: none"> • Unsealed pavement maintenance (112) Renewal of Roads: <ul style="list-style-type: none"> • Unsealed road metaling (211)
Resurfacing	Two years Expires 2021	Renewal of Roads: <ul style="list-style-type: none"> • Sealed road resurfacing (212)
Rehabilitation	Annually	Renewal of Roads: <ul style="list-style-type: none"> • Sealed road pavement rehabilitation (214)
Traffic Services Maintenance	Current Expires: 2022 - signals 2019 - streetlights	<ul style="list-style-type: none"> • Operational traffic management (123) • Traffic services maintenance (122) • Traffic Service Renewals (222)
Bridge/ retaining walls	Annually	<ul style="list-style-type: none"> • Structures component replacements (215)
Public Transport	Nine years Expires 2021	<ul style="list-style-type: none"> • Bus services (511) • Bus and ferry concession fares (513) • Super Gold card trip payments (522) • Super Gold card administration (634) • Passenger transport administration
Total Mobility	Three years Expires 2021	<ul style="list-style-type: none"> • Total Mobility operations (517) • Wheelchair hoists (519) • Total Mobility flat rate payments (521) • Total Mobility administration
Low Cost / Low Risk Works	Annually	<ul style="list-style-type: none"> • Minor improvements (341)
Capital Works	Annually	<ul style="list-style-type: none"> • Walking Facilities (451) • Cycling Facilities (452) • Resilience Improvements (357) • Road Improvements (324)
Professional Services contract (in house)	Annually	Capital <ul style="list-style-type: none"> • Network and asset management (151) • Low Cost / Low Risk Works (341)

3.2 Identification of Pending High-Risk or Unusual Procurement Activities

Nil.

4. PROCUREMENT ENVIRONMENT

4.1 Analysis of Supplier Market

Physical Works Contractors

Council wishes to maintain the capability and capacity of the local supplier market by maintaining appropriate relationships with current suppliers as well as ensuring that the environment is suitable for new suppliers to enter.

Where a strong local market exists, this will assist in ensuring interest in Council projects and contractors who are willing to bid competitively for Council projects from minor through to significant in nature.

Consideration of the supplier market is required for stakeholder communication.

Council has historically received a sufficient number of competing tenders for most styles of contracts as is demonstrated in the following table:

Type of Contract	Number of Tenderers	Year Last Tendered
Road Maintenance	2	2016
Unsealed Road Maintenance	2	2017
Road Rehabilitation – Construction (typical)	3 to 5 (size dependent)	2019
Road Surfacing	2	2018
Road Markings – included in road maintenance contract	n/a	2016
Signage – included in road maintenance contract	n/a	2016
Vegetation Control – included in road maintenance contract	n/a	2016
Traffic Signals	3	2019
Network Rating Contracts	2	2018
Bridge Construction – Significant	3	2007
Street Lighting Improvements	1	2019
Street Lighting Maintenance	2	2015
Passenger Transport	2	2012

Council has been receiving three to five competitive bids typically in “traditional construction” open tenders.

In more specialised tenders such as traffic signals and street lighting, the market size for Invercargill and Southland is much more limited and only one or two tenders are being received.

The NZTA is about to start to nationally tender their second round of Network Outcomes Contract (NOC) and this has the potential to further influence the future direction of the market, for both contractors and consultants.

NOC are longer term and more extensive contracts and the successful tenderer will have to develop and commit significant resource to the contracts.

Southland District Council procures their maintenance services through alliance based contract models which are functionally different to the style traditionally utilised at Council. This different approach is also seen as reflective of the large land area they must administer and the distributed resource requirements needed in delivery, whereas

the Invercargill City area is compact and based around an urban area where the contractors are based. This does not preclude Council from considering an alliance style contract in the future.

Available Suppliers for Roothing Works

Southland continues to have contractor bases operating from Invercargill and these contractors mostly participate in roading and other infrastructure projects. They are:

- Central Western Roothing
- Downer NZ
- Fulton Hogan
- Jim Bates Contracting
- SouthRoads
- Supreme Earthworks
- The Roothing Company (recently purchased by Downer NZ but continuing to trade under previous name)
- Wilson and Keen Limited

These contractors have historically secured a range of the road maintenance contracts offered by Councils throughout Southland including Southland District, Gore District, State Highways for NZTA and Invercargill City areas.

Council has also seen other contractors (including smaller companies) from adjacent areas becoming more interested in works based in and around Invercargill. Included in Appendix A is a list of contractors who are interested stakeholders.

The above companies have demonstrated that they have the knowledge and resources, together with the use of specialist sub-contractors, to physically undertake the work Council will be offering.

The trend towards longer term relationship roading contracts may impact on competition and not encourage new companies to enter the market, and potentially lead to the demise of competition.

The benefits from Southland contractors having regional offices is becoming less important.

Council has seen satisfactory competition and continues to be content to procure roading services under a quality-based supplier selection method for the longer-term contracts. Lowest price methodology is utilised for shorter duration and low risk traditional style work to reduce compliance costs without reducing quality or performance aspects.

There are approximately 90 maintenance contracts in New Zealand and any decision of Council will not be likely to influence the market as a whole.

It has been shown historically that with the larger maintenance contracts, the national firms have been willing to re-establish their presence if their company resource profile has diminished over the previous contract term.

Resurfacing

The dominant surfacing contractors with facilities in the Invercargill area are:

- Fulton Hogan (Chip Sealing and Asphaltting)
- Downer NZ (Chip Sealing and Asphaltting)
- SouthRoads (Asphaltting)

The industry has two asphalt plants (Downer NZ and Fulton Hogan) supplying the Invercargill market. Emulsion production and storage occurs at the Downer NZ site in Bluff together with Fulton Hogan transporting product from their plants near Dunedin.

A number of other companies trade in the resurfacing market but this work is typically on smaller projects and their material is sourced from the above companies. Some contractors have specialised plant and equipment (such as asphalt pavers) and are able to competitively compete for work.

Council's larger sealing and asphaltting contracts normally receive two competitive tenders.

Council is content to continue to procure resurfacing under a lowest cost conforming selection method as this is a low risk treatment for the contract with all established companies having a good track record of delivery.

Council continues to be aware of contractors who do not work regularly in the local environment but the supplier selection model requires attributes to be provided and the contractor to meet a level set by Council.

Council sees the existing structure of the size and mix of contracts is well received by the industry, and continues to receive competitive bids. The evaluation methodology is also seen as being appropriate and acceptable.

Other Work Groupings

The areas where Council has seen less competition continues to be in the specialist maintenance areas such as traffic signals and street lighting. These areas are relatively low investment levels of expenditure.

There is only a limited opportunity for the contractors to develop a broader client base and is seen as the reasoning for contractors not to develop these specialised skills.

This is, in part, balanced by the level of skills needed (e.g. in traffic signals maintenance) where recently other electrical contractors have entered the market.

It is believed this does not put the network at high levels of risk nor is the market uncompetitive, as during the tendering period tenderers are unaware of the number of bids likely.

Council has historically selected to offer contractors these specialised contracts (e.g. traffic signals and streetlight maintenance) as stand-alone contracts rather than merge with other maintenance works.

Council is content to continue to procure roading services under a quality-based supplier selection method for the longer term contracts together with lowest price methodology for shorter duration and low risk traditional style work.

The local construction environment has good quality materials readily available together with proven reliable contractors making the lowest price model an acceptable risk for this style of work. The ongoing performance of the contractors and products will determine if this historical trend continues.

Council's primary requirement is to provide the best services it can for its road users and ratepayers, and believes the current mix of contracts and size delivers best value for money.

Professional Services Providers

Council continues to provide roading professional services via in-house staff to deliver the traditional network management function.

Physical works contracts have been styled such that inspection and work identification is the role of the contractor whilst the professional adviser has taken a more quality orientated role.

The professional services provided also include the development and implementation of project and maintenance activities, and also show ability to be able to support asset knowledge building. Staff turnover in this team is increasing in line with availability of jobs in the private sector, however the in-house unit has been able to replace these people with equally qualified staff.

Invercargill is also currently served by two major international consulting businesses who are Professional Advisers for the adjacent Councils and for the NZTA regional network. The availability of specialists (e.g. bridging or geotechnical, etc) continues to be delivered either locally or from easily accessible offices in Dunedin or Christchurch.

Both companies provide a range of services to Council (in other asset areas) and Council continues to have a positive relationship with both. In addition, there are a number of other Professional Services providers based in Queenstown, Dunedin and Christchurch (GHD, Aurecon, CPG and BECA, etc.) who Council has historically worked successfully with.

Where opportunities at a project level arise, Council's in-house provider will consider collaboration with other approved organisations to achieve best value for money.

Public Transport Operators

Currently there is only one operator running a contracted scheduled passenger services (BusSmart) in the Southland region. Go Bus hold this contract with Council. The Invercargill services include city and school runs.

There are also a number of other charter operators and companies running Ministry of Education services including the inter-regional services. These are a commercial service.

Supplier Relationships

Generally, the relationship between Council and suppliers has been very good and based on mutual respect. However this has not precluded requiring contractors to bring unsatisfactory work up to standard.

An exit evaluation is carried out for physical works contracts at contract completion for all non-price attribute categories. This evaluation aids the evaluation scores for new bids when a quality-based assessment is used. This has the effect of encouraging contractors and consultants to strive for excellence knowing that a poor exit evaluation score can affect the outcome of a future bid.

Council staff also meets regularly with the local branch of Civil Contractors NZ, Road Transport Association and individual contractors and consultants.

Council also offers to hold tender debriefs with both successful and unsuccessful tenderers to offer Council's perspective on the tender process.

4.2 Analysis of the Council's Current Procurement Spend and Profile

Table 2 below sets out Maintenance / Renewal and Capital Works and Minor Improvements contracts awarded since 2015.

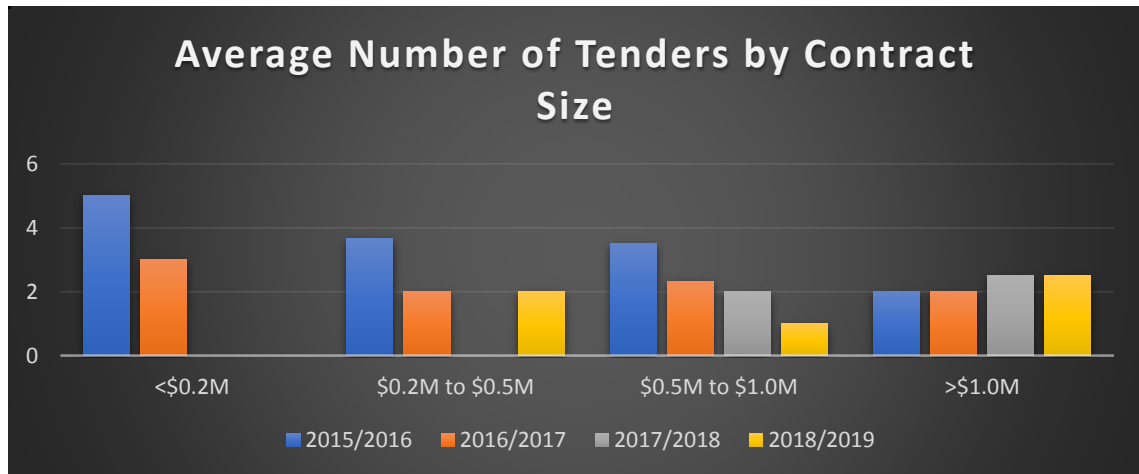
Table 2 - Recently Awarded Contracts

Contract Number	No of bids	Price	Successful Tenderer	Year Awarded
736 Chipsealing	2	\$1.1M	Downer	2015/2016
737 Asphaltting	2	\$0.6M	Fulton Hogan	2015/2016
738 Rockdale Road Rehabilitation	5	\$0.5M	The Roding Company	2015/2016
740 West Plains Road Widening	5	\$0.2M	Fulton Hogan	2015/2016
743 Gorge Road Rehabilitation	2	\$1.0M	The Roding Company	2015/2016
751 Flora / Calypso Intersection improvements	5	\$0.1M	The Roding Company	2015/2016
752 Streetlight Upgrade	2	\$0.3M	Network Electrical Servicing Limited	2015/2016
758 Regent Street Drainage and Price Street widening	4	\$0.4M	Wilson Contractors	2015/2016
753 Road Corridor Maintenance	2	\$24.0M	Fulton Hogan	2016/2017
760 Asphaltting	3	\$0.7M	Downer	2016/2017
761 Chipsealing	2	\$1.0M	Downer	2016/2017
762 Herbert / Kelvin Traffic Signals	2	\$0.1M	Fulton Hogan	2016/2017
763 Tweed / Regent Rehabilitation	3	\$0.6M	Fulton Hogan	2016/2017
766 Various – Crossing upgrades	4	\$0.1M	Central Western Roding	2016/2017
792 Professional Services	1	\$0.7M	ICC ESG	2016/2017
805 Avon Road Rehabilitation	2	\$0.2M	The Roding Company	2016/2017
797 Elles and Tweed Rehabilitation	3	\$1.3M	SouthRoads	2017/2018
798 Rural Rehabilitation	3	\$0.8M	The Roding Company	2017/2018
810 Chipsealing	2	\$1.0M	Downer	2017/2018
811 Asphaltting	2	\$0.6M	Downer	2017/2018
812 Unsealed Surface Maintenance	2	\$0.9M	SouthRoads	2017/2018
821 Professional Services	1	\$0.6M	ICC ESG	2017/2018
818 Urban Pavement Rehabilitation	3	\$1.1M	Fulton Hogan	2018/2019
829 Road Resurfacing	2	\$1.4M	Fulton Hogan	2018/2019
840 Streetlight LED upgrade	1	\$0.4M	Network Electrical Servicing Limited	2018/2019
849 Traffic Signal Maintenance	3	\$0.3M	Command and Control	2018/2019
851 Professional Services	1	\$0.7M	ICC ESG	2018/2019

With low numbers of tenderers in some categories the following evaluation is skewed by lack of data but there has been no significant change in the number of tenders over time.

Table 3 - Average Number of Tenders by Contract Size

Year	Contract Size			
	<\$0.2M	\$0.2M to \$0.5M	\$0.5M to \$1.0M	>\$1.0M
2015/2016	5	3.67	3.5	2
2016/2017	3	2	2.33	2
2017/2018	No tenders	No tenders	2	2.5
2018/2019	No tenders	2	1	2.5



4.3 Analysis of the Impact of the Procurement Programmes of Other Approved Organisations and Other Entities

Other agencies that have an impact on Council markets are the Southland District, Gore District Councils along with NZTA.

Private subdivision and commercial developments have the potential to have an impact on the availability of contractors and consultants to service Council needs, however this has not been a trend in the past.

The availability of other projects (than that offered by Council) has contributed to a relatively stable pool of contractors and consultants in the region.

There are two reasonably significant building developments planned in the City and whilst not directly in the roading or transport fields, these will start to impact the available pool of workers and make delivering projects more difficult through the next three years.

The Ministry of Education and the NZAS workers bus is typically the only other organisations tendering for passenger transport services in the region. This work supports the operators in the region (including the current operators of the BusSmart contracted bus services) however the future of the Ministry's involvement in bus services could change with time.

The routine NZTA, Southland and Gore District procurement programmes are considered to make no significant change to Invercargill City Council's position.

5. APPROACH TO DELIVERING THE WORK PROGRAMME

5.1 Strategic Objectives

Council wishes to obtain products and services in an open, fair and transparent manner.

The objectives are:

- Council must be sure it is receiving “Best Value for Money”.
- Council will package the delivery of the roading programmes such that a suitable and sustainable environment occurs, and contracts are offered ensuring competitive, responsive and efficient bids are received.
- Council will procure services considering cost, quality and risk whilst meeting legislative requirements (using approved delivery models outlined in the NZTA Procurement Manual) approved for a staged delivery model.
- Professional services will be undertaken utilising in house skills wherever appropriate.
- Procurement must be consistent and fair where suppliers wish to engage with Council to provide their services or goods.
- Council will procure services to maintain markets (where appropriate) so that the services it requires are readily available, both now and in the future, and are provided at a sustainable and fair value.
- Council will endeavor to ensure providers are willingly engaged in a competitive process and work to establishing adequately available resources.
- Processes will follow systems which are easy to document, robust and able to be reviewed whilst not placing unfair or excessive demands on suppliers.

5.2 The Procurement Approach

Physical Works

Maintenance and Renewals

As noted in Section 4.2, the maintenance contracts are in the middle of the five year contract period.

Council considered the Road Efficiency Group’s work on efficiencies and collaboration, and have considered how this may impact on the values achieved and the contracting industry. It has also considered the impacts of the State Highway contracts and other Councils’ procurements.

In 2016 Council chose to group a number of the elements together, namely the Sealed Surfaces (which will include footpaths - both maintenance and capital), Vegetation Control, Signage and Road Markings and included these parts in the overall Road Corridor Maintenance contract.

The combining of Unsealed Maintenance may be considered for the next contract following industry feedback from this strategy and a direction agreed.

Street lighting and traffic service maintenance will remain stand-alone at present.

Council is satisfied that with appropriate requirements for sub-contracting are in place and the market will continue to be sustainable and appropriate without loss of service.

Renewal and Improvement Works (including LCLR)

Council's forward work programme is managed through the Long Term Plan and Annual Plan processes. These can be found on Council's website:

<https://icc.govt.nz/wp-content/uploads/2018/06/2018-2028-LTP-complete-updated-4-July-2018.pdf>

Minor works and LCLR works and renewal projects will be either tendered as stand-alone projects or procured through the maintenance contract when the scope of works fits the maintenance contract schedule.

The delivery model chosen for the works projects is the staged delivery model because there is no continuity between projects and a separate contract for each is appropriate.

Delivery

Council has adopted the following approach with regard to small contracts (Table 4).

Table 4 - Supplier Selection Methods for Contracts

Threshold	Type of contest	Supplier selection method
Minor 0 to \$100,000	Closed contest or direct appointment to relevant maintenance contractor	Lowest Price or Price Quality (if appropriate)
Routine \$100,000 to \$200,000	Closed contest	Lowest Price or Price Quality
Major Over \$200,000*	Open contest	Lowest Price or Price Quality

For price quality methods the range of weightings is planned to be used:

Physical Works	50/50 to 80/20
Professional Services	40/60 to 70/30

The following table sets out the authority to enter into contracts and to approve payments. Contracts and payments are to purchase specifically budgeted for routine normal expenditure (including capital expenditure) which is provided for in the Long Term Plan, Annual Plan budget or approved work programme.

Table 5 - Delegation Levels for Contracts and Payments

Name of Position	Authorisation Limit
Chief Executive	\$350,000
Director of Works and Services	\$300,000
Chief Executive and one other Director jointly	\$1,000,000
Manager – Roading	\$50,000
Manager – Engineering Services	\$50,000

Professional Services

Council employs a number of staff to provide in-house professional services and contracts for additional services as necessary.

Council is satisfied that it has a sound balance to the delivery of service.

In-house staff generally take greater 'ownership' of projects, and have a long-term view resulting in greater consistency and better awareness of and integration between related projects and planned works and provide services. Council will look to have resources to best match workloads.

Professional services can be split into three broad categories:

Asset Management

Council undertakes the majority of its asset management workload either with its own staff or by engaging consultants generally for one off studies or strategies only. Council has been increasingly working with NZTA (REG) and adjoining councils where joined up thinking is required.

Operations, Maintenance and Renewals

Council undertakes the majority of its operations maintenance and renewals professional services workload internally, employing consultants for expertise in RAMM, geotech and structures.

Improvement Projects

Council undertakes few significant projects. The LCLR programme will be delivered as part of the in-house services.

Additional standalone professional services, where required for projects with a professional services estimate greater than \$100,000 in any one year, will use the staged delivery model and follow the guidelines set out in the NZTA Procurement Manual.

The supplier selection method will be determined depending on the services being procured, but will commonly be price / quality.

Passenger Transport

Future passenger services contracts will follow Section 8 of the NZTA procurement Manual and will be a partnering delivery model. The supplier selection method will be a price quality approach with contracts prepared specifically to align with passenger transport procurement needs (e.g. Section 8.6).

The following table sets out the planned procurement programme for the next three years to the end of 2022.

Table 6 - Approach to Procurement Programme

Contract	Complexity	Risk	Value (per year)	Duration	Date	Delivery Model	Supplier Selection Method
Sealed Road Maintenance	Low	Low	\$5M	5 years	Expires 2021	Staged	Price - Quality. Retender in 2021. May seek approval for an advanced approach.
Unsealed Road Maintenance	Low	Low	\$0.3M	3 years	Expires 2020	Staged	Price - Quality. Retender in 2020 or extend and combine with sealed in 2021.
Streetlight Maintenance	Low	Low	\$0.2M	3 + 1 + 1	Expires 2020	Staged	Assessed for one year extension.
Low Cost / Low Risk Projects	Low	Low	\$0.6M to \$1.2M	Annual		Staged	Risk dependent.
Bridge / retaining walls	High	Medium	Varies	Annual		Staged	Risk dependent.
Public transport	Low	Medium	\$0.9M	5 + 2 + 2	Expires 2021	Staged	Partnering.
Total Mobility (multiple providers)	Low	Low	\$0.3M	3	Expires 2021	Staged	Direct appointment (many small contracts).

5.3 Analysis of whether advanced components, customised procurement procedures or variations to procurement rules are required

The range of procurement methods is considered sufficient to achieve best value for money and therefore no advanced components or variations are requested.

It is noted that should the sealed surfaces contract be considered for an advanced approach, specific approval will be sought along with stakeholder engagement.

6. IMPLEMENTATION

6.1 Capability and Capacity

Council employs experienced engineering staff in the asset management, design and contract management and supervision fields. Where required, outside expertise is sought (for example peer reviews of traffic signal design) and external consultants will be engaged.

It is believed the capacity and capability within the Council is sufficient to manage the procurement programme outlined in this strategy.

6.2 Internal Procurement Processes

Council's internal procurement processes support efficiency, transparency and accountability. Tender documents are clearly written and easy to understand, and Council's quality processes outlines the contract documentation required for various contracts and ensures standardised Request for Proposal, tender and contract documentation.

The tender evaluation process makes use of a robust evaluation system with summary reporting that ensures fairness and transparency in the decision making process.

Accountability is assisted through contractors' performance being taken into account in future tender evaluations.

Council has adopted a suite of standard engagement, consultancy, service, supply and works contracts. These are used by many councils around New Zealand so retain a compatible format for joint projects. Council has specifically allowed for use of NZTA standard contracts if required by NZTA as funding partner. Most physical works continue to use NZS: 3910:2013 for Capital works and or NZS: 3917:2013 for term road maintenance contracts.

6.3 NZTA Approved Assessors

NZTA approved assessors are required for contracts over \$200k as required by clause 10.19 of the NZTA Procurement Policy.

Council currently has one NZTA approved assessor on staff, and is training others.

6.4 Performance Measurement and Monitoring

The following indicators will measure performance against the objectives of this Strategy (Table 7).

Table 7 - Monitoring

Objective		Indicator
Value for money	Time - estimated duration of key contracts versus actual duration of contracts	Percentage of contracts longer than estimated duration.
	Cost - estimated cost of key contracts versus actual cost of contracts	Percentage of contracts higher than estimated cost.

Objective		Indicator
	Quality - Council's satisfaction with performance of contract, contractor performance and quality of interactions	Average rating over all contracts.
	Customer Satisfaction - number of service requests / complaints, compared annually	Number of service requests and number of complaints, relating to contracts.
Competitive and efficient markets	Number of bids received	Average number of bids received for all tenders.
	Whether alternative bids were permitted / received / accepted	The percentage of contracts where alternative bids were permitted / received / accepted.
Fair competition	Number of open / closed contests and direct appointments	The percentage of open contests, closed contests and direct appointments.

Council will collect and provide the data required by the NZTA (see Appendix B – NZTA Procurement Data Collection Checklist). This checklist will be discussed with stakeholders and the data from completed checklists entered into a master spreadsheet at the end of the contract to enable analysis.

It is noted that data for the first item under 1.2 of Appendix B will not be collected.

Invercargill's procurement programme is small and no one person spends more than 50% of their time on procurement activities, and we do not typically contract out the procurement process for NZTA funded activities. Therefore we consider the staff time required to monitor procurement costs when compared to the scale of procurement activities is not warranted.

6.5 Communication Plan

This Procurement Strategy will be considered for approval by the Director of Works and Services and the Executive Leadership Team (ELT). Following endorsement from NZTA and feedback from Stakeholders, this policy will be presented to Council for adoption. The Strategy will be available on Council's website.

6.6 Implementation Plan

The Strategy will be managed by the Roding Manager. The Engineering Services Group will typically prepare, tender evaluate and manage contracts in line with the Strategy and the NZTA Procurement Manual. Tender evaluation recommendations are presented to the Roding Manager who seeks Council approval either via the Executive Leadership Teams' delegation or full Council.

The following Action Plan (Table 8) will be implemented to ensure the benefits of this Strategy are realized.

Table 8 - Action Plan

Action	Date	Responsibility
Project briefs to be updated to include requirement to record details to meet monitoring and reporting requirements	Before next round of briefs are issued in July 2019	All Project Managers
Contracts to be tendered according to methodology	Ongoing	All Project Managers

Action	Date	Responsibility
Data to be recorded for each contract with NZTA financial assistance	As project progresses and finalised upon completion	Roading Programme Engineer
Monitoring data to be analysed	Annually	Roading Programme Engineer
Monitoring data to be submitted to NZTA	Annually	Roading Programme Engineer
Review of the Strategy (may also trigger changes in the interim depending on urgency)	3 yearly or earlier if necessary	Manager - Roding

6.7 Corporate Ownership and Internal Endorsement

This Procurement Strategy, when adopted by Council, will be the responsibility of the Roding manager for implementation.

APPENDIX A – ROADING STAKEHOLDERS

COMPANY	AREA OF OPERATIONS
Fulton Hogan Limited	Roading, Road Marking, Signage, Surfacing
Downer	Roading, Road Marking, Signage, Surfacing
SouthRoads	Roading, Signage, Surfacing
Jim Bates Contractor	Roading, Surfacing
The Roding Company	Roading
Central Western Roding	Roading
Wilson and Keen Limited	Roading
Supreme Excavations	Roading
Southland Farm Services	Roading
Network Electrical Servicing	Street Lighting
Power Services	Street Lighting
Otago Road Markers	Road Marking
McDonough Contracting	Signage
Alarm Centre Installations	Traffic Signals
Allen Anderson	Vegetation Control
Zweis Mowing Limited	Vegetation Control
iMow – Invercargill Mowing Services	Vegetation Control
Southland District Council	Authorised Organisation
Environment Southland	Authorised Organisation
Gore District Council	Authorised Organisation
New Zealand Transport Agency	Authorised Organisation
Stantec	Professional Services Consultant
OPUS International Consultants	Professional Services Consultant
Automobile Association	Industry Sector
Road Transport Association	Industry Sector

APPENDIX B – NZTA PROCUREMENT DATA COLLECTION CHECKLIST

To be completed annually for all contracts with NZTA subsidy.

<i>Topic</i>	<i>Information</i>	<i>Checklist</i>
1. Aggregate contract information		
1.1 Total number and value of contracts awarded	Total number of all NLTP contracts awarded (all contracts, not just those above \$50,000)	
	Total value of contracts awarded	
	Total number of contracts awarded by direct appointment	
	Total value of contracts let by direct appointment	
	Total number of contracts awarded by closed contest	
	Total value of contracts let by closed contest	
1.2 Cost of procurement	Total cost of all contracts awarded	
2. Individual contract information - for contracts let for \$50,000 or more (excluding GST)		
2.1 General detail	Project / activity name	
	Contract number / name supplier	
	Term (for term service contracts)	
	NLTP activity class	
	NLTP work category	
2.2 Procurement procedure detail	Procurement procedure used	
	Delivery model used	
	Supplier selection method used	
	Contract type	
2.3 Open/fair competition and innovation	Number of bids received	
	Were alternative bids permitted, received or accepted	
	Reason for accepting or rejecting an alternative bid	
3. Assessing value for money spent in the procurement process		
3.1 Time (includes forecasts in the RFP, the contract, at start of work and actual)	Estimated contract duration (when contract was let)	
	Date of contract award	
	Date work(s) commence	
	Date of completion	
	Actual contract duration	
	Variation and reason for variation (where applicable)	
3.2 Cost (planned and actual)	Firm estimate of cost (prior to issue of RFP)	
	Contract (when contract was let)	
	Out-turn final	

Topic	Information	Checklist
	Variation and reason for variation (where applicable)	
3.3 Quality (scale of 1 - 5: 1 = dissatisfied 5 = very satisfied)	Approved organisation satisfaction with output	
	Contractor performance	
	Quality of interactions	

APPENDIX C – FEEDBACK ON CONSULTATION ABOUT STRATEGY

Note: to be completed following consultation with the stakeholders

APPENDIX D – RESOLUTION OF ADOPTION FROM INVERCARGILL CITY COUNCIL



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A2789297

25 September 2019

MEMO TO: Group Manager – Works and Services

ACTION ON DECISIONS OF COUNCIL, COMMITTEES AND COMMUNITY BOARDS

Infrastructure and Services Committee – 16 September 2019

ROADING PROCUREMENT STRATEGY

Moved Cr K Arnold, seconded Cr Esler and **RESOLVED** that the report Roding Procurement Strategy be received,

AND

That it be **RECOMMENDED** to Council that Council adopts the Roding Activity Procurement Strategy (Financial Assisted Land Transport Activities) 2019-2022.

Council 24 September 2019

Council resolved to adopt the above recommendation.

A handwritten signature in blue ink, appearing to read "Mel Brook".

Melissa Brook
MANAGER – STRATEGY AND POLICY

20 September 2019

Mr Russell Pearson
Manager – Roothing
Invercargill City Council
Private Bag 90104
Invercargill 9810

Dear Russell

Transport Activity Procurement Strategy Endorsement

Thank you for your request seeking endorsement from the NZ Transport Agency for the Transportation Procurement Strategy dated 28 August 2019.

I am pleased to confirm that the Transport Agency has reviewed the Roothing Activity Procurement Strategy 2019 – 2022 dated September 2019. This document forms Invercargill City Council's Procurement Strategy, the requirements of which are outlined in the NZ Transport Agency's Procurement Manual.

We are satisfied that it meets the requirements of the NZ Transport Agency's Procurement Manual and formally endorse the Procurement Strategy effective 13 September 2019.

We would like to draw your attention to the following matters:

1. The NZ Transport Agency approves the continued use of in-house professional services by Invercargill City Council, in accordance with s.26 of the Land Transport Management Act, with much the same scope and scale as it has in the past.
2. The NZ Transport Agency approves an extension to the term services contract for street light maintenance from an expiry date of 30 June 2019 to an expiry date of 30 June 2021 (a maximum period of two-years) to allow for a significant restructuring of the services following the upgrade to LED technology in accordance with NZ Transport Agency's Procurement Manual, section 10.21 *maximum term of a term service contract for infrastructure or planning and advice* where it is stipulated that an approved organisation must not vary the term arrangements of a term service contract once it has been let.

Our endorsement of the Procurement Strategy is therefore subject to the following conditions:

1. Invercargill City Council noting that prior written approval is required from the NZ Transport Agency to vary the Rules outlined in the Procurement Manual, including the use of a term service contract for a term greater than five years, including any initial terms plus any optional term extensions.

The NZ Transport Agency's Procurement Manual requires approved organisations to review their Procurement Strategy at a minimum once every three years and ensure that they always remain fit for purpose. The Procurement Strategy's endorsement will expire on the 13 September 2022 and you are encouraged to seek endorsement of a new or revised Procurement Strategy in advance of this date.

If you would like to discuss this matter further, please do not hesitate to contact Philip Walker, Approved Organisations Senior Procurement Advisor, directly on 021 633986.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tara Macmillan', with a long, sweeping flourish extending to the right.

Tara Macmillan
Senior Manager Procurement