



**PROCUREMENT STRATEGY
FOR TRANSPORTATION ACTIVITIES
2023**



Document Control

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1 Executive Summary

Introduction

This is the fourth iteration of the Procurement Strategy for Transportation Activities. A main driver for the update of the Procurement Strategy is to facilitate tendering of the new road maintenance contract in the second half of 2023. The existing contract expires in July 2024.

It is vital that a new procurement strategy is in place early enough to allow for an adequate tender and establishment period in advance of the existing contract expiry.

In preparing this strategy we have undertaken the following activities:

- Reviewed and considered the existing 2020 Transportation Procurement Strategy
- Reviewed and considered the existing 2021 Activity Management Plan
- Reviewed and considered the existing 2020 Broader procurement Strategy
- Reviewed and considered Waka Kotahi's 2023 10 and 30 year "Arataki Plan"
- Reviewed and considered Waka Kotahi current procurement manual
- Undertaken an ILM Procurement workshop following Te Ringa Maimoa best practice guidance, including a 17A review
- Undertaken a Contract Model selection workshop following Te Ringa Maimoa best practice guidance

The outcome of the ILM procurement workshop was the establishment of the following Problem Statements, Benefits and Goals in relation to Transportation Procurement.

Summary problem statements developed from a recent procurement workshop were:

Constrained CODC and contracting sector resources has resulted in CODC not being able to plan, engage and take full ownership of the current contract as a client. This has resulted in a reduced ability for other suppliers to mobilise for the next contract.

Ageing infrastructure, increasing customer expectations, constrained resources and funding, in conjunction with maybe some less-informed decision-making has led to backlogs in some areas of asset management and physical works deliver.

The lack of a formal joint structured approach to Collaborative Working has impacted on relationships, misalignment on core deliverables, transparency and ownership.

Benefits from addressing these problems

The benefits from addressing these problems were summarised as follows:

- Improved alignment of performance expectations and more effective forward planning
- Increased skills and capacity of the contracting sector and CODC
- A common decision-making framework leading to better decisions.
- Better value for money to free up funding to enable more issues to be funded.
- Improved contract culture and relationships
- Improved collaboration, transparency and joint ownership to create value.
- Improved delivery of core deliverables.

Procurement Strategy Goals

Procurement strategy goals to address the above problems statements and deliver the benefits are as follows:

- Infrastructure services delivered as part of an integrated district network
- Infrastructure services increasingly more consistent and fit for purpose for users
- New ways and innovative practices to enable us to more cost effectively deliver our services.
- Increasing skills and capacity of the contracting industry and CODC
- Flexibility around Government requirements and introducing dLoS
- “Collaborative Working is enduring and sustainable”
- Deliver “Broader Outcomes”* to the community

Contract Model

The Procurement Strategy directs and enables the procurement of services for the Transportation activity. The Transportation activity is key to the achievement of community outcomes and many of the strategies developed by the council. These initiatives have been considered and integrated into this document.

Central to this strategy is the ongoing use of the Shared Risk Delivery Model for road maintenance service delivery, through the Roothing Physical Works Contract. The outcome from the Contract Model workshop was to continue with the current model collaborative with the following addition:

Establishment of a joint performance framework to monitor and benchmark performance.

The new Request for Tender for the road maintenance contract will be evaluated using Waka Kotahi’s Price Quality Method which combines an assessment of price and non-price attributes of the tenderers to determine the best value submission.

A significant focus will be placed on Broader Outcomes in the non price attributes requirements of the RFT.

Recommendations

CENTRAL OTAGO DISTRICT COUNCIL APPROVAL

Recommendations:

1. The council adopts the Central Otago District Council’s Procurement Strategy for Transportation Activities, dated June 2023.
2. Stakeholder consultation be undertaken with key suppliers to inform future reviews.
3. Notes that Waka Kotahi has not considered approval of the maximum contract term of nine years (5+2+2 years) at this time. Central Otago District Council is expected to seek approval from Waka Kotahi in Year-4 of the contract term, prior to extending the contract beyond Year-5.

Endorsements

WAKA KOTAHI NEW ZEALAND TRANSPORT AGENCY (NZTA) ENDORSEMENT

Recommendations:

1. Waka Kotahi endorses Central Otago District Council's Procurement Strategy for Transportation Activities, dated June 2023 in respect to the subsidised Transportation Activity 2024-27.
2. Waka Kotahi approves the continued use of in-house professional services in accordance with Land Transport Management Act 2003 s26, with much of the scale and scope of services provided remaining similar to those provided at-present.
3. Waka Kotahi approves the use of a shared risk delivery model for the new Roothing Physical Works term service contract.

2 Preface

This is the fourth version of Central Otago District Council's Procurement Strategy for Transportation/Roading activities.

Its development is required under Rule 10.4 of the Waka Kotahi New Zealand Transport Agency (NZTA) Procurement Manual and Section 25 of the Land Transport Management Act 2003 for transport activities funded through the National Land Transport Programme published by Waka Kotahi. The council is aware of the requirements to update the strategy at least three-yearly intervals (NZTA Procurement Manual 10.4 Rule 4) and this review seeks to meet that requirement.

The previous review was undertaken in 2020. This review incorporates reference to the council's 2021-31 Long Term Plan, the Broader Outcomes included in the Government Rules of Sourcing, and initiatives which are currently being explored through Te Ringa Maimoa programmes.

In this version of the Procurement Strategy, the council has not sought any significant changes to the service delivery or supplier selection methods previously employed but has sought to explain the approach more clearly.

An overview of this document's development timeline is as follows.



PROCUREMENT STRATEGY
FOR TRANSPORTATION ACTIVITIES
2020



2009	Draft all of the council Procurement Strategy developed, endorsed by Waka Kotahi and adopted by the council
June 2015	Review undertaken and new Transportation Procurement Strategy adopted by the council
March 2020	Procurement Strategy for Transportation Activities review undertaken
April 2020	Seek comments from Waka Kotahi and suggested amendments Seek Waka Kotahi Endorsement of the Strategy Limited stakeholder engagement Adoption of the Strategy by the council sought
June 2023	Undertake S17a review and procurement workshops facilitated by an external consultant to update the strategic goals of the procurement strategy for Transportation

3 Service Context

Infrastructure supports much of our daily lives – it is essential to health, safety, and for the transport of both people and freight. It enables businesses and communities to flourish. Failure to manage infrastructure appropriately and invest in it would inhibit the economic performance, health, prosperity and sustainability of the district.

Infrastructure is a core part of what Central Otago District Council provides its communities – it makes up the majority of the Council’s spending, and Council has almost three quarters of a billion dollars worth of assets. (Infrastructure Strategy 2020).

3.1 Strategic Objectives and Outcomes

Customers and stakeholders

In reviewing this strategy the council has been mindful that the purpose of procurement is to achieve the best outcomes for the customers and communities that the council services.

The 2021 Transport Activity Management Plan (AMP) discusses customer and stakeholders as follows:

... customers are people who use any part of the roading corridor and stakeholders are those who may not use the roads directly, but who have an interest in how they are operated and managed.

Customers include:

- *Vehicle drivers & passengers*
- *Pedestrians*
- *Cyclists*
- *Motorcyclists*
- *Mobility Scooter & wheelchair users*
- *Power, telecommunications, water and wastewater service providers*

Stakeholders include:

- *Ratepayers (the investors that we represent)*
- *Waka Kotahi New Zealand Transport Agency (our co-investors)*
- *Ministry of Transport (National Strategy)*
- *Otago Regional Council & Regional Land Transport Committee (Regional Strategy)*
- *The councillors and Community Board Members*
- *Residents*
- *Adjoining land owners and users*

The Council’s Overall Strategic Objectives

The council consults with the community every three years as part of the Long Term Planning process. This establishes a robust connection between community priorities and the council’s activities.

Community outcomes describe the overall focus and how different activities contribute to the achievement of those outcomes.

Central Otago District Council community outcomes were updated in 2021 to incorporate the four well-beings. These reflect the community values that have been expressed during different engagement processes in the 2018-2020 period.

Connected community	Thriving economy	Sustainable environment
Sense of community (caring, relaxed small-town feel, 'together-ness')	Vibrancy of town centres and local businesses	Outdoor recreational opportunities (water-sports, hunting, dark skies, etc.)
Welcoming and family-friendly	Managed growth (in line with community values)	Natural environment (open spaces, landscapes and vistas)
Peaceful	Visitor destination	Clean lakes and rivers
Rural feel	IT connectivity	Cycling and walking tracks
Enabling connections through quality services (e.g. internet, transport)	Protection of productive lands	Protect our unique heritage

Council identified a series of commitments to deliver the well-being aspirations of the community. The commitments which are enhanced by infrastructure delivery are shown coloured.

Council's Commitment to Our Community Outcomes		
1. Provide community facilities that are fit for purpose and cost effective.	2. Develop a masterplan that encourages urban growth to revitalise the town centre and protect productive land and rural settlements.	3. Protect and enhance the landscape and environment by advocating the Central Otago World of Difference values.
4. Support newcomers to the district and encourage events and projects which celebrate inclusive communities.	5. Uphold the District Plan to ensure that the effects of using, developing and protecting the districts natural and physical resources will be managed in the future.	6. Profile and reduce Council's environmental footprint, and manage environmental impacts through the District Plan.
7. Provide contestable funding for community-driven initiatives, experiences and events that promote local and visitor well-being.	8. Support and encourage a business-friendly community.	9 Invest in Council infrastructure to renew plant when needed, to accommodate population growth, and to meet environmental and health standards.
10. Advocate for improved connectivity and infrastructure across the district, to support community resilience.	11. Encourage visitors to the region to create value to our communities.	12. Work with other agencies to improve health and water standards in the district.
13. Advocate for improved mobile coverage and broadband rollout.	14. Encourage high-value visitor experiences in this district, through the provision of a mix of products/experiences that is matched to both community aspirations and the needs of our target markets.	15. Continue to develop culture and heritage opportunities in the district.

Central Otago has a strong regional identity. This has a high level of resident and business buy-in and is widely recognised. The region's values are drawn on to facilitate sound decision-making.



Our Region's Values

- 1. MAKING A DIFFERENCE:** We will inspire and lead others with our special point of difference.
- 2. RESPECTING OTHERS:** We will respect our culture and personal differences.
- 3. EMBRACING DIVERSITY:** We will recognise differences and embrace diversity.
- 4. ADDING VALUE:** We will always ask ourselves if there is a better way – one that achieves a premium status.
- 5. HAVING INTEGRITY:** We will seek to be open and honest.
- 6. LEARNING FROM THE PAST:** We will learn from past experiences with future generations in mind.
- 7. MAKING A SUSTAINABLE DIFFERENCE:** We will make decisions in business with the community in mind and in harmony with the natural environment.
- 8. PROTECTING OUR RICH HERITAGE:** We will protect and celebrate our rich heritage in landscapes, architecture, flora and fauna and different cultural origins.
- 9. MEETING OBLIGATIONS:** We will meet legal obligations at both a local and national level.

Thirty Year Infrastructure Strategy

The vision for Infrastructure is:

We will deliver infrastructure services that support our community

The vision is supported by six overarching principles which underpin all decisions relating to delivery of infrastructure services.

The overarching principles are to deliver infrastructure services which:

- Represent value for money and are affordable;
- Are integrated, consistent, and fit for purpose;
- Are environmentally conscious;
- Are reflective, innovative, and forward thinking;
- Meet legal requirements,
- Are equitable for current and future generations.

Infrastructure Strategic Objectives

- ✓ *Infrastructure services will be delivered as part of an integrated district network and should offer an increasingly consistent, fit for purpose level of service for users.*
- ✓ *Value for money and whole of life cost will be considered to deliver affordable levels of service*
- ✓ *Infrastructure services will be delivered in a manner that balances the current and future impact on the environment and makes use of sustainable practices.*
- ✓ *We will look for new ways and innovative practices to enable us to cost effectively deliver our services.*

The Infrastructure Strategy sets a common level of service framework for all infrastructure activities. Levels of service are defined under five key customer outcomes. These are:

- Reliability
- Safety
- Accessibility
- Resilience
- Aesthetics (amenity and comfort provided for customers)
- Sustainability

Each Activity Group then defines the customer levels of service that will be provided for different classes of networks under these outcomes.

Transportation Improvements and Levels of Service

These are discussed in the Long Term Plan with further detail in the Transport Activity Management Plan 2021.

The vision for Transport is:

We will deliver safe and reliable infrastructure services that support our local economy and communities, in a manner that is affordable, sustainable and equitable for current and future generations.



To ensure an efficient, fully accessible, safe roading network.

In delivering this vision, the following core values as defined in the LTP are desired:

- Timely intervention
- Informed customers
- Quick response
- Efficient work practises
- Quality outcomes

The purpose of this Activity Management Plan is to outline how the council will undertake work and manage assets to deliver the above vision and core values sought by our customers.



Demand Drivers for Transportation Service Delivery

Central Otago has experienced a decade of exceptional population growth, with the resident population growing significantly between 2012 and 2022 – refer figure 1 below. Average annual growth has been 2.8% for the district versus a national average annual growth rate of 0.2%. The 2022 resident population was 25,500.

Population growth is forecast to continue for the next 10 years with a predicted population of 32,000 by 2032 - refer figure 2 below.

The effects on growth of the COVID 19 Pandemic are largely behind us.

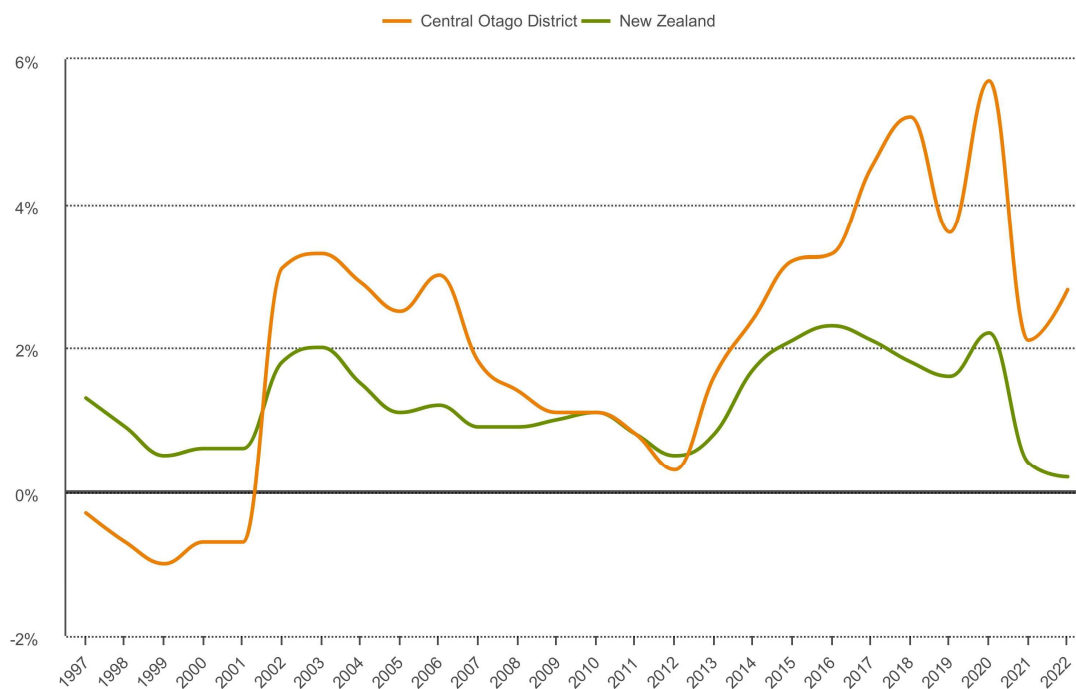


Figure 1 comparative annual population growth Central Otago versus New Zealand – reference Infometrics website

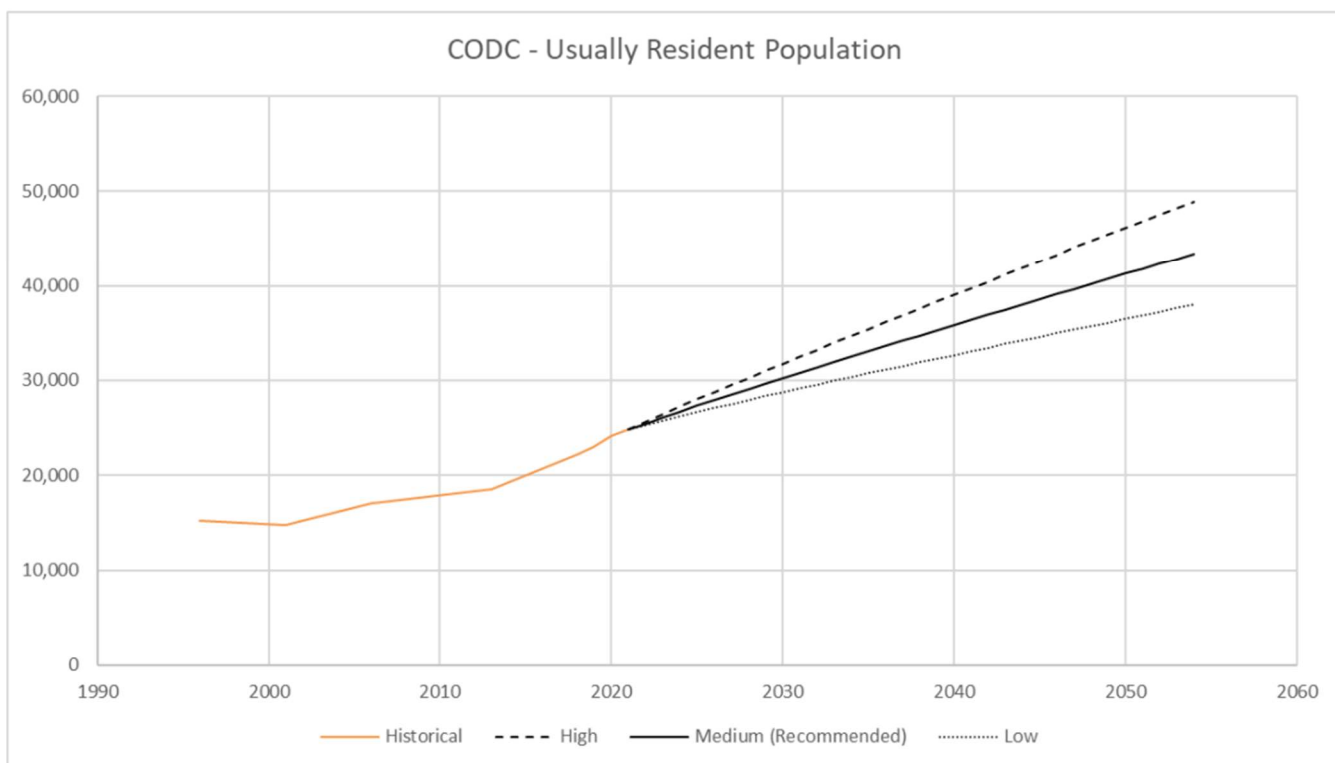


Figure 2 Predicted usually resident population growth Central Otago ref CODC Growth Projections report- 2022

The proportion of people aged 65+ in the district increased to 23.2% by 2022. This is higher than the national average of 16.4%. This trend is expected to continue as more people choose central Otago as a retirement destination.

The local economy is in good shape, with annual growth in 2022 of 3.8% compared with a national average of 2.3%. Employment grew by 2.4% in 2022 compared with national growth of 3%.

Factors that influence customer demand on the transportation network include:

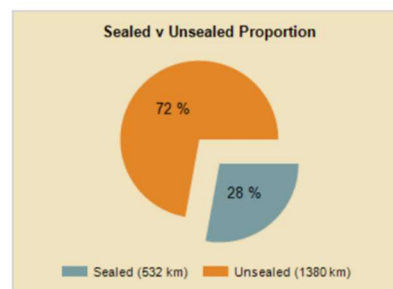
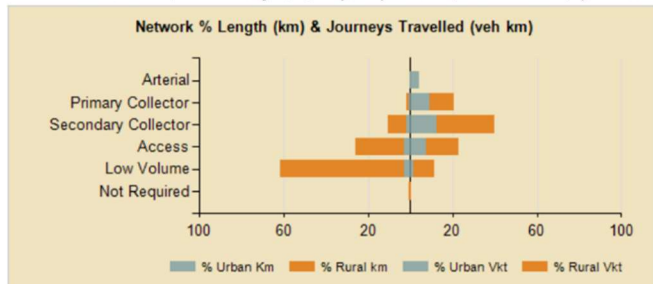
- Population growth and decline
- Dwelling growth
- Demographic change
- Visitor numbers
- Change in land use
- Economic growth and decline
- Modal change
- Development of recreational areas
- Future customer expectations

The District's roads fall within the bottom four of the eight One Network Road framework classifications, with 87% of the roads in the Access and Low Volume Access classifications.

Transport Insights June 2022

ONRC	Total Length (Km)	Urban (Km)	Rural (Km)	Sealed (Km)	Unsealed (Km)	Lane (Km)	Urban Journeys (M VKT)	Rural Journeys (M VKT)	Annual Total Journeys Travelled (M VKT)	Percentage of length
Arterial	2.4	2.4		2.4		4.8	4.4		4.4	0%
Primary Collector	29	9.5	19	29		57	9.0	11.0	20.1	1%
Secondary Collector	199	33	166	199	0.7	398	12.1	26.8	38.9	10%
Access	496	56	440	223	273	982	7.3	15.0	22.3	26%
Low Volume	1,174	56	1,118	77	1,097	1,753	1.6	9.4	11.1	61%
Not Required	11	1.5	9.7	2.0	9.2	16			0.1	1%
Unclassified	12									1%
TOTAL NETWORK	1,924	158	1,753	532	1,380	3,211	34.5	62.3	96.8	

Table 1: Network Statistics for network length (km) and journeys travelled (Million vehicle km) by ONRC Class



The low traffic volumes, and the reasonable standard to which the roads were constructed, demonstrates that capacity exists on the wider network to handle some growth in vehicle numbers.

However, change in land use could lead to an increase in the number of heavy vehicles (trucks) traversing our roads. In turn this consumes the life of road pavements and surfacings.

In addition growth in our urban centres continues to place traffic congestion pressures on some intersections, parking and the numbers of pedestrians, cycles, cars and heavy vehicles sharing the road.

The procurement strategy must respond to this need by facilitating the engagement of external suppliers supported by internal resource that have a good understanding of the network and are agile enough to respond to changes as they evolve.

Risks to Transportation Service Delivery

The Transportation Activity Management Plan (2021-24) includes an assessment of risk across the transport activity.

A Risk Register and Treatment Plan have been developed in alignment with AS/NZS ISO 31000:2009 Risk Management, the Central Otago District Council Corporate Risk Policy, and the RIMS Best Practise Guideline for Risk Management on Road Networks.

The AMP risk register It identifies a range of risks and suggested controls for risk mitigation. Several of those identified will have the potential to affect procurement decisions. This Procurement Strategy has been developed with consideration of those risks.

The Transport System, Asset Valuation and Condition

The roading activity enables the movement of goods, people and services across our district. The network comprises 1,935km of roads including 528km of sealed roads, and 1407km of unsealed roads. There are 179 bridges, 179km of footpaths and close to 12,000 hectares of road reserve. Assets that support a safe and efficient network include drainage, streetlights, signs and markings. There are approximately 6.5 hectares of formed car parks across the district that are owned and maintained by council. (CODC, 2021).

The replacement value of these transportation assets was re-assessed in 2021 at \$654 million. These Assets are depreciating at a rate of \$6M per annum.

Experienced management and operations ensure that the roading network is maintained in satisfactory condition throughout the range of seasons experienced.

At a network level the condition of the components of the network is as follows:

- Central Otago District sealed roads are achieving condition rating scores indicating that both the rural network – and the network as a whole – are in better condition than the average found across the country, and generally meet the council's and Waka Kotahi's performance measures.
- The condition of urban streets continues to improve slowly, whilst managing the renewals investment in low volume urban roads.

RAMM 2023 Condition Indices June 2023

1.2.4 CONDITION INDEX

The condition index (CI) can be used to assess the condition of the network based on the rating results only.

There has been an increase in the Urban CI and Rural CI has slightly decreased as has the overall Network CI. This value is still low, indicating the network is in good condition with a slight overall decrease since the previous survey.

As a general rule, a CI of 0 to 2 is considered excellent, 2 to 5 good, 5 to 10 fair, 10 to 20 poor, and 20+ requiring attention.

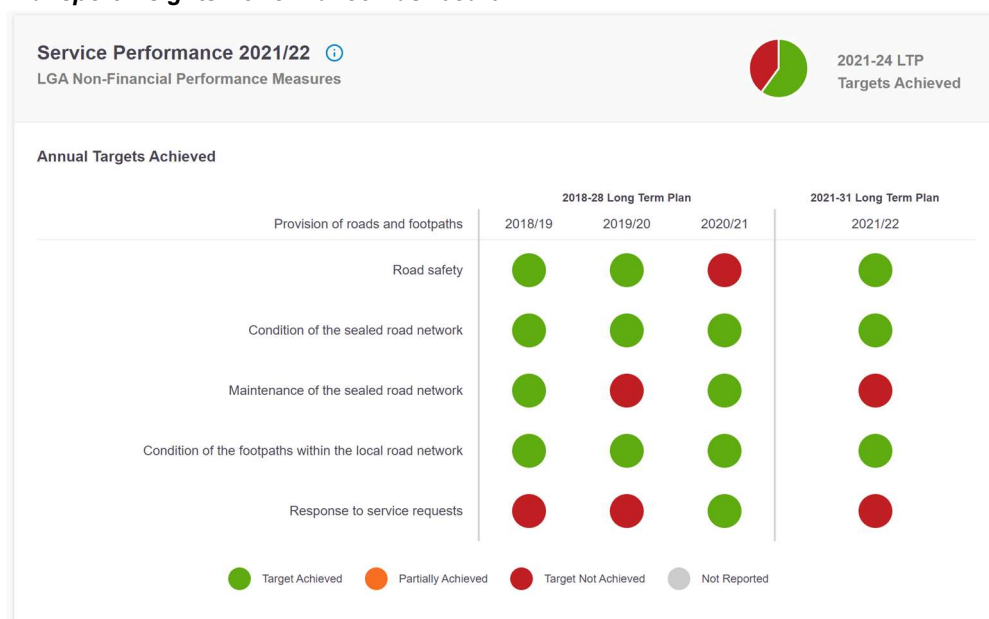
The CI figures presented below have been taken from the surface condition index report available in RAMM Manager.

Table 2 below summarises the Condition Indices for the last 10 years.

Table 2 – Condition Indices by Financial Year

Financial Year	Urban CI	Rural CI	Network CI
2014/15	2.0	2.4	2.2
2015/16	3.0	2.2	2.8
2016/17	2.9	2.2	2.7
2017/18	2.9	2.2	2.7
2018/19	2.7	3.8	3.0
2019/20	2.7	3.8	3.0
2020/21	2.7	3.8	3.0
2021/22	2.7	3.8	3.0
2022/23	2.6	3.5	2.9

Transport Insights Performance Dashboard



- Rural roads have been more variable, but have continued to exhibit comparatively good surface condition, and a good level of public satisfaction (gauged through the council's annual Resident Opinion Survey). The new Unsealed Roads Model is being used for optimised management of the unsealed road investment programmes in the future.
- Roads that have insufficient metal on them become soft and slippery during wet and freeze/thaw conditions. In a worst-case situation sections of road may become impassable to heavy trucks and 2-wheel drive vehicles.
- The council's lowest sub-classification of roads, the Low Volume "Tracks" are still maintained within budgets that enable their use as recreational routes. Access to this classification of roads cannot be provided for 100% of the time, due to seasonal conditions and/or weather events.
- Generally, the bridge stock is in a good or acceptable condition, although the council has prioritised the development of the Bridge Strategy to review the affordability and management strategy for some very low-use structures, at or near the end of their useful lives.
- A drainage condition rating has been completed on 25% of the network in the past 3 years. This indicates the majority of the assets rated were in average or better condition. Further condition surveys will be completed over the next 3 year funding period.

Drainage Asset Condition RAMM June 2023

Row Labels	<30/11/2009	2009	2011	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Average							69				4	3	1103
Excellent	386	1				6		35	76	13	40	83	208
Good	3						64	1	2	2	3	1	578
Poor							11				5	1	267
Unknown	6190		1	7	1						5	1	4
Very poor							4						20
Grand Total	6579	1	1	7	1	6	148	36	78	15	57	89	2180

- A sample survey of signs condition indicates that 45% were due for replacement
- The condition of footpaths remain at a level which meets the council's level of service performance measures. New surveying and modelling techniques utilising roughness data are now established for Central Otago District Council. The system developed by the council and Deighton Associates is now used to develop a prioritised forward works programme and will provide optimised longer-term budget scenarios in the future.
- The streetlighting asset portfolio is well understood, with an asset data collection project undertaken alongside the district-wide LED Upgrade programme. Approximately 90% of the council's street lighting assets were replaced between 2016 and 2019, with all work funded under the WAKA KOTAHI increased Financial Assistance Rates.



Figure 5.25 Footpath Roughness Measures in Cromwell

Overall Financial Strategy

The council has opted for an optimised, Managed-risk Investment Scenario. Details of this scenario, and the supporting Financial Strategy are included in the council's Transport Activity Management Plan.

This is based on a review of existing programmes, costs and performance against an estimate of future needs for some activities. Where changes have been identified as appropriate to meet levels of service requirements, manage risk, or ensure cost effective work practices these have been introduced as part of delivery under the current Roding Physical Works contract.

The 2021-2024 Activity Management Plan programme includes increases in expenditure on sealed and unsealed road maintenance and renewals, rural drainage and bridges – to maintain existing service levels. The plan also includes increased network management budgets to ensure delivery of key strategic projects relating to aggregate supply, bridging, growth driven upgrades, and walking and cycling.

The AMP seeks to ensure that sealed road maintenance and renewals and environmental maintenance remain focused on customer need.

The optimised program takes a managed risk approach, based on a review of existing programs, costs and performance. This profile includes current costs, or an estimate of future needs for some activities where changes have been identified as appropriate to meet levels of service requirements, manage risk, or ensure cost effective work practices. This includes increases in expenditure on sealed roads, unsealed roads, and environmental maintenance.

3.2 Objectives and Outcomes for This Procurement Strategy

In developing the strategic goals for this 2023 Transportation Procurement Strategy we identified the need to retain many of the goals from the previous Transport Procurement strategy with some additions. The high level goals for this strategy are:

Brought forward from 2020...

- Infrastructure services delivered as part of an integrated district network
- New ways and innovative practices to enable us to more cost effectively deliver our services.

Added in 2023:

- Increasing skills and capacity of the contracting industry and CODC.
- Broader Outcomes. The broader outcomes that this strategy specifically focusses on are environmental sustainability and employment diversity.

This strategy aligns closely with several of the council's objectives from their wider procurement policy document. The high-level objectives from that document are shown below in figure 3.








Section 1 – Objectives							P6
Explore the goals of CODC Procurement and the principles that support them							
							
1	2	3	4	5	6	7	
Value for money	Fair and open competition	Easy to do business	Innovation	Local economic development	Sustainability	Social outcomes	

Figure 3 CODC procurement policy objectives

In turn these relate closely to the 2021 Government Policy Statement (GPS) for Transport. The 2021 GPS continues the strategic direction of the 2018 GPS.

In common to many of these objectives is the overall outcome of Cost Efficiency. The 2021-24 AMP discusses Cost Efficiency as shown below.

COST EFFICIENCY

This outcome demonstrates that value for money and whole of life costs are being optimised in the delivery of affordable customer levels of service.

OUR OBJECTIVE

Overarching Principles:

An integrated district network which offers an increasingly consistent, fit for purpose level of service for users.

Value for money and whole of life cost will be considered to deliver affordable levels of service.

We will look for new ways and innovative practices to enable us to cost effectively deliver our services.

The council monitors cost efficiency through comparison with similar Road Controlling Authorities and management of the Roothing Physical Works contract in RAMM Contractor. These show Central Otago as one of the lower cost roading networks in New Zealand across all activities.

3.3 Current Road Maintenance Contract Model

During the ILM and Contract model workshops to develop the new procurement strategy it was identified that the current contract model provides significant benefits to CODC in delivering its procurement goals. These are summarised as follows:

- Shared risk due to low investment level and large network size to achieve value for money.
- Joint team can consider higher risk lower cost options without one party being adversely exposed.
- Collaboratively utilizing both parties' knowledge in developing programmes to achieve best value, with a strong community focus.
- One team with contractor being an extension of the team with people on the ground understand what they are delivering.
- Supplier takes real ownership of the network. Responsive to changes in scope and resource. Collaborative programming. But there is also a healthy tension as well.
- Simple contract by relying on trust.
- Innovation and in a blame free environment.
- Net cost saving across the whole network.
- Holistic approach to network maintenance.

Some disadvantages of the current delivery model that were identified during the workshop were as follows:-

- Intellectual property sits with the Supplier and is not visible to CODC.
- No joint Maintenance Intervention Strategy.
- Have a high level AMP and strategy, but detailed decision making process is not always shared/asked for.
- Still quite disconnected physically – could explore shared office space.
- No joint KPI framework, our maintenance contractor has developed some internal KPI's which are shared monthly. No joint ownership.
- No Formal Charter so it is hard for newcomers to understand contract.

- Some disconnect between the maintenance contractor and CODC’s perception of how the contract is operating and performing.
- Possible change in approach to collaboration.
- Recent workshop highlighted a lack of alignment on the core deliverables.
- Difficult for other contractors to compete.

3.4 Government Procurement Rules and What They Mean For the Council

The government is committed to achieving positive cultural, environmental, social and economic outcomes from its procurement activities. Together, these are called broader outcomes. (New Zealand Government procurement)

Communities understand the benefits of wise procurement choices. They are beyond getting the job done for the cheapest price. The council's commitment to its regional identity, community wellbeing and the achievement of community outcomes is consistent with this approach.

The Procurement rules include the Government Charter which Local Authorities are encouraged to use. The rules seek wide ranging outcomes from all involved in procurement. These include quality, outcomes and price.



Government Procurement Charter

The Charter sets out Government's expectations of how agencies should conduct their procurement activity to achieve public value.

Government agencies spend approximately \$41 billion a year on a wide range of goods and services from third party suppliers. We need to ensure that government procurement delivers public value for all New Zealanders while supporting the delivery of better public services throughout New Zealand.

Agencies should identify their key priorities and seek to meet as many of these expectations as practical.

The New Zealand Government directs agencies to:

1. SEEK OPPORTUNITIES TO INCLUDE NEW ZEALAND BUSINESSES

- › Openly work to create opportunities for local businesses and small-to-medium enterprises to participate in your procurement processes.

2. UNDERTAKE INITIATIVES TO CONTRIBUTE TO A LOW EMISSIONS ECONOMY AND PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY

- › Ensure that economic and social development can be implemented on a sustainable basis with respect for the protection and preservation of the environment, reducing waste, carbon emissions and pollution.

3. LOOK FOR NEW AND INNOVATIVE SOLUTIONS

- › Make sure you don't overprescribe the technical requirements of a procurement, give businesses the opportunity to demonstrate their expertise.

4. ENGAGE WITH BUSINESSES WITH GOOD EMPLOYMENT PRACTICES

- › Ensure that the businesses you contract with operate with integrity, transparency and accountability, and respect international standards relating to human and labour rights. For businesses operating within New Zealand, ensure that they comply with all New Zealand employment standards and health and safety requirements.

5. PROMOTE INCLUSIVE ECONOMIC DEVELOPMENT WITHIN NEW ZEALAND

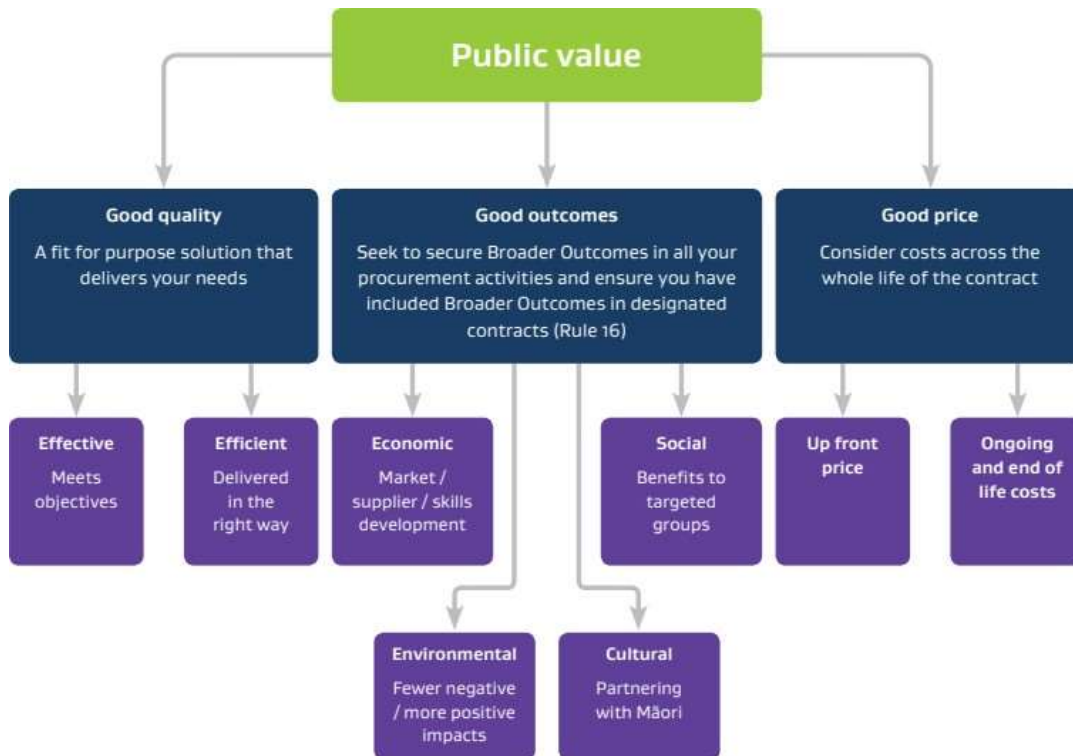
- › Engage with Māori, Pasifika, and regional businesses and social enterprises in order to actively contribute to our local economy. Openly working to include and support these businesses and enterprises through procurement will promote both skills development and a diverse and inclusive workforce.

6. MANAGE RISK APPROPRIATELY

- › Responsibility for managing risks should be with the party – either the agency or the supplier – that is best placed to manage the risk. Agencies and suppliers should work together on risk mitigation strategies.

7. ENCOURAGE COLLABORATION FOR COLLECTIVE IMPACT

- › Look to support greater collaboration, both across-agency and across-businesses to give likeminded groups the opportunity to find common solutions within your procurement opportunities.



3.5 Waka Kotahi New Zealand Transport Agency Procurement Requirements and What They Mean For the Council

Draft Government Policy Statement on Land Transport

The Draft Government Policy Statement on Land Transport: 2021/22 – 2030/31 highlights the long term view that should be taken to procuring goods and services.

... the procurement approach should seek to best deliver the investment objectives while optimising whole of life costs

The principles for investment decisions need to be transparent and provide the best possible impact and value to New Zealanders:

1. Alignment
2. Effectiveness
3. Efficiency



Arataki

Arataki presents Waka Kotahi New Zealand Transport Agency's 30-year view of what is needed to plan, develop, and invest in the land transport system during the next 30 years. Arataki was initially released in 2019.

The latest plan was released in March 2023.

Step changes identified in the 2023 plan are included in Table 1 below:

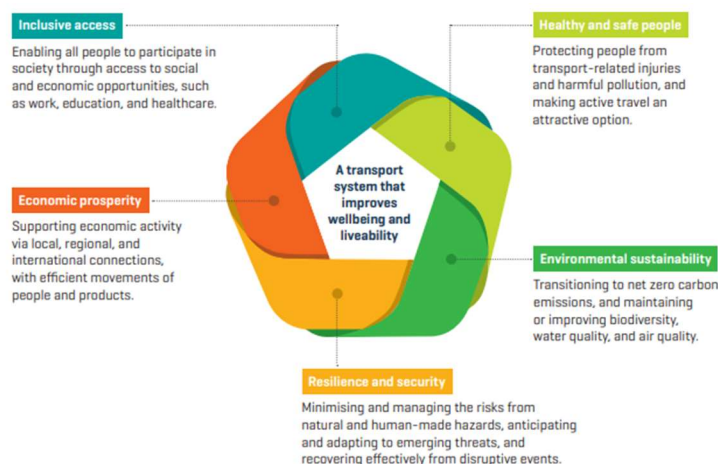


Figure 4 Waka Kotahi Strategy

<i>creating new ways of influencing the system</i>
<i>broadening our understanding of the parties, behaviours and/or influences in the land transport system</i>
<i>improving how we target multiple outcomes</i>
<i>substantially changing the pace (or order) things are done or achieved removing historic barriers or limitations</i>
<i>considering challenges and opportunities from a new perspective, for example iwi Māori.</i>

Table 1: Step changes identified in Arataki 2023

The Waka Kotahi Procurement Manual (Effective 1 April 2022) states:

Approved organisations must consider how procurement activities can, where appropriate, contribute to the Government's Broader Outcomes including the following priority areas:

- increase New Zealand businesses' access to government procurement increase the size and skill level of the domestic construction sector workforce
- improve conditions for workers and prevent modern slavery within our supply chain
- support the transition to a net zero emissions economy

This means for CODC to contribute to the Governments Broader Outcomes there will need to be a focus for council as follows:

- Setting a minimum subcontractor percentage delivery within the roading physical works. contract to increase the capability of Tier 2&3 suppliers.
- Stipulating "Living Wage" requirements on suppliers when tendering for works.
- Working both internally and externally with our suppliers to move towards zero carbon emissions. This will include a move to more EV vehicles and plant, reviewing lower emission materials (e.g Bitumen Emulsion/Cutback Bitumen) and recording and monitoring emissions for maintenance activities.

Procurement manual

for activities funded through the National Land Transport Programme



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The framework for integrating the Broader Outcomes of Procurement into Long Term Planning are currently emerging. The council intends to progress this integration as part of the 2021-31 Long Term Plan and a Procurement Strategy for all Infrastructure Services.

Public Value is emphasised in the Procurement Rules, which revisits the definition of value for money. This definition is consistent with the council's view of managing its activities for the wider benefit of the Community.

3.6 Te Ringa Maimoa Support for Procurement Best Practice

Te Ringa Maimoa provide leadership to the Transportation sector to drive improvements in procurement practices. This was a core recommendation of the Road Maintenance Task Force in 2012. Te Ringa Maimoa ensured that there is a strong procurement theme maintained through all of its work with Road Controlling Authorities and other key stakeholders. The development of this procurement strategy is underpinned by the Te Ringa Maimoa guidelines. Two workshops were undertaken in developing this strategy:

Workshop 1: An ILM workshop to identify procurement goals and contract outcomes

Workshop 2: A Contract model selection workshop to select the best Contract delivery Model for CODC

ILM workshop & smart buyer assessment

A key component of the ILM procurement workshop that informed this strategy was the completion of a Te Ringa Maimoa Smart Buyer Assessment. This assessment was used to better understand the strengths and weaknesses of CODC in the procurement space. The assessment was undertaken with staff from both CODC and the incumbent Contractor.

CODC and the Incumbent Contractor's assessments are reasonably close with scores of 52 and 47 respectively. This means they have a good understanding of each other. This cannot happen without good communication. However, the scoring indicates an average smart buyer with improvement needed. In summary:-

CODC has embraced the principles of being a smart buyer but can still create further improved value for our communities.

Contract model selection workshop

Following the ILM procurement workshop a Contract model selection workshop was undertaken. The purpose of this workshop was to facilitate input into selecting CODC's new road maintenance contract model as a Smart Buyer using the Te Ringa Maimoa Guidelines. The workshop involved an overview of the different contract models commonly available in NZ along with a summary of the pros and cons.

The Te Ringa Maimoa contract model selection tool was then used to evaluate the best model for CODC. This model identifies the preferred contract delivery method by prioritising CODC's self-identified key contract drivers from low to high importance. The key outcomes from the contract model selection assessment were as follows:

- Contract type – collaborative type alliance contract – but not a pure Alliance
- Bundling/Aggregation – Bundled scope for work – maintenance, reseals, some professional services.
- Method of Payment – Open Book to allow for risk management.
- Duration – 5 +2+2
- General Conditions of Contract – NZS 3917, potentially sitting within a formal collaborative framework

The above model can be seen as a continuation of the current delivery method with some adjustments.

Key improvement opportunity

An area of weakness identified in the current delivery model was the lack of a joint performance framework.

CODC will develop a Strategic Performance Framework to be included in the RFT for the new road maintenance contract. Post award the key performance indicators that will evaluate delivery against the strategic performance goals can be jointly developed with the successful contractor based on:

- Realising the Benefits from addressing the problem statements identified in the ILM workshop
- Achieving the Procurement Strategy Goals
- Achieving the Contract Outcomes
- Meeting the dLoS Framework
- Achieving Broader outcomes

3.7 Other Relevant Factors

Organisation-wide Procurement Policy

The development of an organisation-wide Procurement Policy was initiated in 2016. The latest version of this document is dated August 2020. In addition to this policy, we have also sighted a CODC infrastructure strategy prepared in 2021. This strategy document covers all infrastructure including transportation.

The council has reviewed its overall procurement approach and assessed options for direction and controls. These will be detailed in forthcoming policy and strategy documents. Items identified to date include:

- ✓ Best value for money
- ✓ Attractiveness – become the client of choice
- ✓ Focus on the outcomes
- ✓ Simple and proportional methods
- ✓ Appropriate relationships with suppliers
- ✓ Open and honest communications
- ✓ Ensure that local suppliers have a full and fair opportunity to compete
- ✓ Seek sustainable outcomes in a pragmatic way and in balance with other criteria

The Infrastructure Services Procurement Strategy will reflect the council's overall objectives and the broader objectives of procurement. It is proposed that Government guidance on Community Wellbeing and the Broader Outcomes of procurement will be included in these documents.

A key influence affecting the delivery of the district's future road infrastructure is identified in the strategy as follows:

Government investment for the 2021/22 – 2030/31 period for Roding will be guided by four strategic priorities: safety, better travel options, climate change and improving freight connections

The collaborative model identified as suitable for CODC's roading maintenance contract will be nimble and reactive to adjust to nuances in these drivers during the term of the contract.

Regional Procurement

As part of the S17A review undertaken during the ILM workshop renewed consideration was given to partnering with other organisations for procurement. The workshop involved a discussion of historic assessment in this space along with an assessment of the current state of play.

Background & History

The District shares boundaries with five local authorities, linkages are discussed in section 5.2.

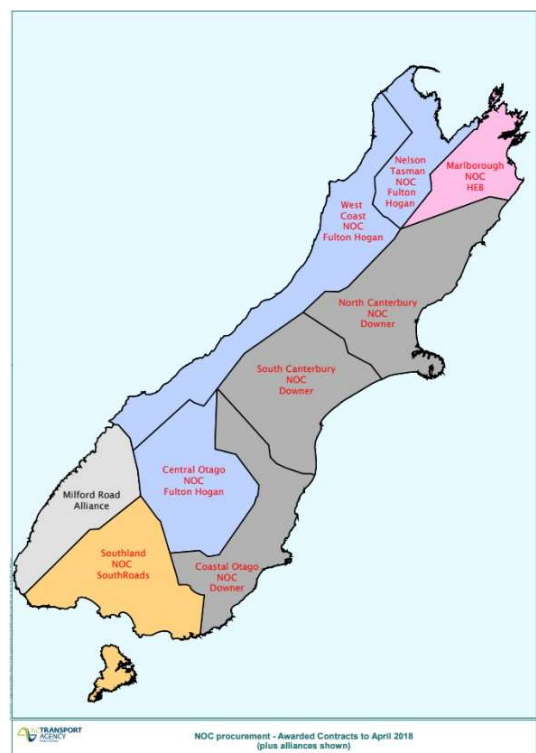
Serious consideration has been given to a multi-agency approach to service delivery over the last two decades.

In 2002 the Remarkable Roads initiative was floated. This planned for combined management and service delivery across Queenstown-Lakes District Council, Central Otago District Council and Waka Kotahi networks. The idea was abandoned in 2005 following changes in management direction of the three organisations.

In 2012, Queenstown-Lakes District Council, Central Otago District Council and Waka Kotahi revisited how clustering might be applied to the state highway and local roads networks in the Central Otago and Queenstown Lakes Districts.

The initial stage - comprising collaboration through a formal Memorandum of Understanding - was agreed to, in principle. This provided a shared approach to specified aspects of asset management and network operations. This will establish an initial level of collaboration that will allow the parties to work together, understand each other's needs and cultures and develop consistent approaches. At this point, Central Otago District Council extended its Maintenance Contract for two years to allow space for discussions to proceed.

Consideration was given to establishing a Shared Roding Unit and Joint Physical Works Contracts. Agreement was not reached by the councils and Waka Kotahi.



In 2016 the Central Otago Network Outcomes Contract was let to Fulton Hogan for a period of seven years, and the Central Otago District Council term maintenance contract was also let.

Current Appetite

During the workshop bundling was explored with CODC staff expressing the following comments:

- Have attempted to bundle work with other local authorities but this did not proceed.
- Shared roles have been agreed with Waitaki DC where they share a Procurement officer and sharing resources for carbon and climate. Also currently exploring a shared Road Safety Co-Ordinator role with QLDC.
- CODC has a Waka Kotahi approved In House business unit for core services. Not appropriate to outsource or combine with another organisation as core services.
- The lack of skills and capacity means it is not possible to carry out all professional services In House so they are outsourced on an ad hoc basis when required. It is not generally feasible to jointly procure with another organisation because of the low volume of projects, except for specialist activities such as bridge inspections, condition ratings, design standardisation and procurement which will be investigated.
- Construction is outsourced due to legislative requirements. Some big projects procured individually with most smaller ones though the maintenance contract which is linked to developing local contractors.
- Jointly procuring with a neighbour has been considered for maintenance but adjoining networks have different LOS driver and cost structures, this would potential see negative impacts for the respective organisations

On the basis of the commentary above no further works are proposed to investigate partnering at this time.

Detailed considerations for inclusion in a new Collaborative Contract Model

The current model has worked very well since its inception. This strategy recommends a continuation of the current model with the inclusion of a more robust performance framework to underpin delivery.

The council has confidence that it is delivering value for money outcomes to the community and enjoys a high level of alignment with the contractor.

The key components of the detailed model to be finalised during preparation of the RFT are as follows:

Scope of Works

The Contract generally covers the maintenance and renewals of the council's Rooding Assets, and some roading improvement works. This includes:

- Sealed road maintenance, resurfacing and rehabilitations
- Unsealed road maintenance and re-metalling
- Drainage maintenance and renewals
- Street cleaning
- Bridge maintenance and minor bridge renewals
- Vegetation control
- Maintenance and renewal of signs and pavement markings
- Maintenance and renewal of traffic facilities, safety guardrailing and railings
- Minor improvement projects, including safety improvement works

- Footpath maintenance, resurfacing and extensions
- Car park maintenance, resurfacing and improvements
- Snow and ice control
- Emergency work
- Joint network management, including entry and updating of works and asset data within the council's RAMM database, in conjunction with the council's Roding staff
- The asset management activities currently undertaken by the incumbent need to be carefully documented and described in the new RFT.

All other co-funded land transport activities are in the scope of the Roding Physical Works Contract

Works that are out of scope of the Roding Physical Works Contract are specifically:

- Bridge renewals where specialist services are required.
- Painting of large steel bridges.
- Street lighting.
- Specialist design and advice.

Contract Period

An initial five years with an extension of two years plus two years subject to satisfactory performance assessed against specified performance measures.

These extensions will be subject to satisfactory performance assessed against the jointly developed specified performance measures and approval by the council, Waka Kotahi, and the Contractor.

Delivery Model

A shared risk delivery model is proposed for delivering the contract. Model for the contract:

- i. This relationship will be conducted as if it were a partnership and not a formal alliance. For clarity, it will not however be a "partnership" in the legal sense.
- ii. This will involve the Contractor and the council business unit staff working in unison to achieve the purpose.
- iii. Works under the contract will be undertaken on a cost reimbursement basis, with an agreed percentage for Overheads and Profit.
- iv. The council has a fixed budget, and the work will only be undertaken to the extent the budget allows and then only on specific contractual arrangements being agreed between the Contractor and the council in respect of any particular works.
- v. Consideration should be given to including a financial performance incentive for adding value to the desired outputs. Performance will be assessed against a jointly developed performance framework (see KRA/KPI Framework below)
- vi. The work will be managed at officer level within the Contractor and the council organisations.



It is anticipated that staff within the two organisations will continue to work from offices within their respective premises, unless it is agreed that there would be added value in being located together.

KRA/KPI Framework

A KRA/KPI framework is proposed for the new roading physical works contract. These will be developed jointly with the preferred supplier and implemented within the first 6 months of the contract. Monitoring will occur over the first six months with formal scoring and reporting commencing 12 months after contract commencement. A Contract Board will be formed with senior members from both council and the supplier to provide overall governance of the contract including monitoring and ratification of the performance framework. A draft framework is shown below.

Draft KRA/KPI Framework

KRA/Risk Area	Contractor responsibility	Contract KPI or Contract Management Plan Specification (CMP)	CODC Responsibility
Customer			
Customer satisfaction	Customer management during approved works planning and delivery.	TBC	Customer engagement in FWP and duly escalated works.
Program expectation and awareness management	Procedural compliance and escalation advice	TBC	Notification process and escalation management
Communications	Project and/or intervention stakeholder management (with consistent, timely and accurate messaging)	TBC	Local board, political governance and lobby group engagement
Network access and/or disruption	Adherence to program	TBC	Network disruption planning
Safety			
Work site safety	Site safety	TBC	Health and safety systems auditing
Death and Serious Incident (DSI)	Site monitoring and refinement (TMP compliance)	TBC	Overview of design solutions (in conjunction with Assets and AT safety teams)
Emergency response	Emergency response resourcing and triage	TBC	Emergency response management
Value for Money			
Asset management outcomes	Workmanship, asset inspections		Specifications, joint asset inspections, asset and maintenance management planning
	Accurate and timely data supply		System access and information distribution

Financial	Claim and asset attribute process compliance including associated data integrity		Asset Management System and works order management, claims processing, data auditing
Programming	Resourcing and supply chain management		FWP and change management
Levels of Service	Supply chain optimisation, workmanship, responsive intervention and standards compliance		Budget approvals, auditing and standards development
Collaboration			
Relationship Management	Identifying and calling out poor alignment.		Joint Partnering agreement (JPA)
Culture	Operational management and escalation of issues not resolved by CMT		Change programme and ongoing management
Management Plans	Compliance		Development

Supplier Selection Method

A Price Quality-based selection method is proposed for procuring services to deliver the contract works. 'Price Quality-based' is a Waka Kotahi endorsed supplier selection method where the non-price attributes and price submitted by the suppliers are assessed. The balance of price versus non-price attributes for maintenance contracts is normally in the region of 20-50% price versus 50-80% price. The preferred supplier is then selected on the basis of quality and price.

Broader Outcomes

A core component of the RFT will be an assessment of the Broader Outcomes contribution offered by the tenderers. The RFT will detail information to be provided by the supplier on the contribution that their offering will make in assisting CODC with delivering its broader outcomes.

Key focus areas will be environmental sustainability, diversity and increasing skills and capacity of the contracting industry.

This will be considered through:

Supplier Information: The Request for Tender (RFT) will require tenderers (suppliers) to provide detailed information about how their offerings will contribute to the broader outcomes, particularly in terms of increasing skills and capacity. There will also be a requirement for delivery of 20% of the works by subcontractor suppliers. Suppliers may be asked to outline their strategies, plans, and initiatives to support the development of skills within the contracting industry and CODC.

Evaluation Criteria: The RFT is likely to include specific evaluation criteria related to broader outcomes. The assessment process will consider the extent to which each tenderer's proposal addresses and contributes to the broader outcomes of environmental sustainability, diversity and increasing skills and capacity within the industry.

Capacity Building Initiatives: Tenderers will be encouraged to propose capacity building initiatives, such as training programs, apprenticeship schemes, mentorship opportunities, or partnerships with educational institutions. These initiatives would be aimed at upskilling the existing workforce, supporting professional development, and attracting new talent to the industry.

Collaboration with Local Community: Suppliers may be asked to demonstrate how they intend to engage with the local community to promote diversity and inclusion in the workforce. This might include outreach programs, diversity recruitment strategies, and working with local organisations that support underrepresented groups in the construction and contracting industry.

Reporting and Monitoring: The RFT will require successful tenderers to commit to ongoing reporting and monitoring of their broader outcomes contributions. This would ensure transparency and accountability in achieving the stated goals.

Basis of payment

Payment will be made on a cost reimbursement basis comprising three components

- Net Cost
- An allowance for On-site and Off-site Overheads
- An allowance for Profit
- Potential for a pain gain margin adjustment based on performance

Health, Safety and Wellbeing

Health and safety is an increasing priority for Central Otago District Council as a public Organisation. The council has established a sound framework of expectations and processes. The council is a SiteWise member, and its suppliers are required to meet SiteWise Green (or a directly equivalent pre-qualification) before being able to complete any work.

The council has a primary duty of care to ensure, so far as reasonably practicable, the health and safety of workers who work for the council while they are at work. In this context, workers include staff, and the staff of contractors.

Contractual arrangements often have a number of parties involved. The Health and Safety at Work Act 2015 refers to these parties as Persons Conducting a Business or Undertaking (PCBU). If more than one PCBU has a duty in relation to the same matter, each PCBU with the duty must, so far as reasonably practicable, consult, cooperate and coordinate activities.

Long term contracts such as the Ridding Physical Works contract and others include health and safety as priority items at monthly contract meetings and records of incidents are discussed to seek ongoing improvement.

Council will consider safety through each phase of the procurement process (Plan, Source, Manage)

Plan

- Safety in design will be reviewed for any new capital works projects.
- Contract Specific Health and Safety plans will be required for all works.

Source

- Site Wise Green or equivalent pre-qualification standards will be a prerequisite for all suppliers carrying out work for council.
- Suppliers will be requested to provide details of their H&S management systems as part of any RFT process.

Manage

- The Roading Physical Works Contract will have a specific KRA for Health & Safety. KPI's will be jointly developed to monitor performance and will be reported on quarterly to the Contract Board.
- Contract toolbox meetings, which include health and safety, are attended by the council staff for all contracts.
- Joint site safety audits will be conducted and results documented.

3.8 Other Strategic Documents

Systems Thinking

The council implemented systems thinking in the Rooding activity area in 2009. This resulted in streamlining work practices and improved customer and cost-efficiency outcomes.

This approach informed the roading contract as a shared risk, collaborative model that includes most of the physical work undertaken on the network. This model has delivered value for money, innovative and efficient practices, and is flexible to respond to growth and demand changes. The systems thinking model encourages the use of evidence and data to support decision-making.

Sustainability Strategy

The council adopted a Sustainability Strategy in 2018.

The strategy focusses the council on activities it controls in the first instance. The council acknowledges that by getting its own house in order it will be better able to lead the community in wider discussions in sustainability. The strategy recognises that the council influences sustainability, both in the manner that services are provided to the community and through the regulatory processes it applies.

This affects the procurement outcomes and the purchasing process itself.

The vision and cascading objectives and outcomes are illustrated in the attached figure (below).

The council proposes to develop this further through corporate-wide strategies and policies. Council procurement processes are required to include consideration of sustainable practices in construction and contract delivery in the evaluation of attributes.

Two goals that are noted for this strategy are:

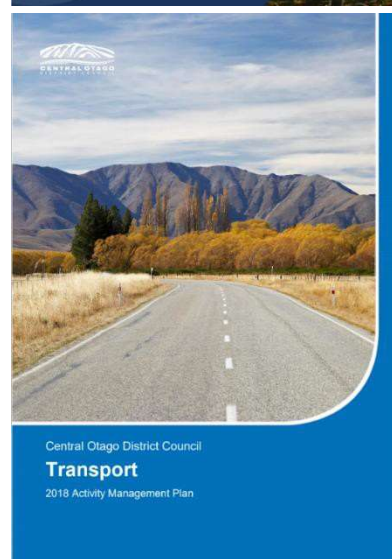
- *Being customer friendly, having enabling policies and appropriate infrastructure.*
- *Affordable and equitable provision of services to promote wellbeing.*

Transport Activity Management Plan

The Transport Activity Management Plan is the core document for the activity.

It details the direction, analysis and actions associated with roading.

The plan provides greater detail on implementation of the works programme and the options considered than this strategy. Central Otago District Council's Activity Management Plan is considered to be an example of 'best practice' within the New Zealand roading sector.



Central Otago District Council Sustainability Strategy (2019-2024)



OUR VISION	<i>A great place to live, work and play, now and into the future</i>					
COMMUNITY OUTCOMES <i>Align with the sustainability pillars – economic, environmental, social</i>	Thriving Economy		Sustainable Development		Safe and Healthy Community	
WORK STREAMS <i>How we group our efforts</i>	Ease of doing business	Economic development	Council's environmental footprint	Managing effects on the environment	Access to facilities and services	Celebrating our culture, heritage and landscape
OUR GOALS <i>What success looks like</i>	Being customer friendly, having enabling policies and appropriate infrastructure	Engaging with business to help our economy prosper and provide quality employment opportunities	Providing Council services while managing the associated environmental impacts	Enabling development while managing the associated environmental effects	Affordable and equitable provision of services to promote wellbeing	Managing change while protecting and enhancing our culture, heritage and landscape
STRATEGIC ACTIONS <i>A programme of activities sit under these</i>	<ul style="list-style-type: none"> Streamlined customer interface Our policies balance ease of application against regulatory requirements Ensuring our infrastructure is fit for purpose and cost effective 	<ul style="list-style-type: none"> Investigate and deliver on high-value opportunities through the Economic Development Strategy Improve value added tourism through the Central Otago Tourism Strategy Support improved mobile coverage and broadband rollout 	<ul style="list-style-type: none"> Complete a full profile of Council's environmental footprint Reduce Council's impact on the environment Set targets and improvement steps in each impact area 	<ul style="list-style-type: none"> Managing environmental impacts through the district plan 	<ul style="list-style-type: none"> Keep improving access through improved facilities and coverage Facilitate active transport uptake Work with other governments to improve health and water Ensure our community facilities are fit for purpose and cost effective 	<ul style="list-style-type: none"> Keep communicating our regional identity Keep developing culture and heritage opportunities Keep developing community plans Strengthen our relationship with Ngai Tahu
HOW WE MEASURE PROGRESS	<ul style="list-style-type: none"> Customer satisfaction measures from the Resident Opinion Survey Consent process times Delivery of climate change resilience actions Delivery of three-year capital programmes Meeting legal requirements for provision of infrastructure 	<ul style="list-style-type: none"> Customer satisfaction measures from the Resident Opinion Survey Tourism spend Mean Income Brand/regional identity use and recognition Business units Access to skills and labour (survey) 	<ul style="list-style-type: none"> Benchmarking carbon footprint year-on-year Energy consumption Waste per capita to landfill 	<ul style="list-style-type: none"> Monitoring strategy measures RMA state of the environment monitoring 	<ul style="list-style-type: none"> Customer satisfaction measures from the Resident Opinion Survey Council facility use levels Understand the costs of operating council facilities Level of population connected to council water services and a water scheme that meets Drinking Water Standards Fatal and serious crash trends 	<ul style="list-style-type: none"> Customer satisfaction measures from the Resident Opinion Survey Completion of and delivery of community plans Level of investment in community and cultural facilities Visitation of cultural/heritage attractions Proportion of staff that have completed the Heritage New Zealand Training
UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS COUNCIL ALIGN WITH						

3.9 Combining Central Otago District Council Objectives

The following graphic illustrates the combination of the council's strategies and objectives.

The vision for Infrastructure Services is:

We will deliver safe and reliable infrastructure services that support our local economy and communities, in a manner that is affordable, sustainable and equitable for current and future generations.



3.10 Definitions

There are a number of terms that are central to procurement and agreement on the definition of these will benefit all involved. The definitions proposed are from the Government Procurement Rules (edition 4, 2019) unless stated otherwise.

Broader Outcomes	Broader Outcomes are the secondary benefits which are generated due to the way goods, services or works are produced or delivered. They include economic, environmental, social, and cultural outcomes
Procurement	All aspects of acquiring and delivering goods, services and works. It starts with identifying the need and finishes with either the end of a service contract or the end of the useful life and disposal of an asset
Public Value	Public value means the best available result for New Zealand for the money spent. It includes using resources effectively, economically, and responsibly, and considering: <ul style="list-style-type: none"> the procurement's contribution to the results you are trying to achieve, including any Broader Outcomes you are trying to achieve and the total costs and benefits of a procurement (total cost of ownership). The principle of public value when procuring goods, services or works does not mean selecting the lowest price but rather the best possible outcome for the total cost of ownership (over the whole-of-life of the goods, services or works). Selecting the most appropriate procurement process that is proportionate to the value, risk and complexity of the procurement will help achieve public value

4 Procurement Programme

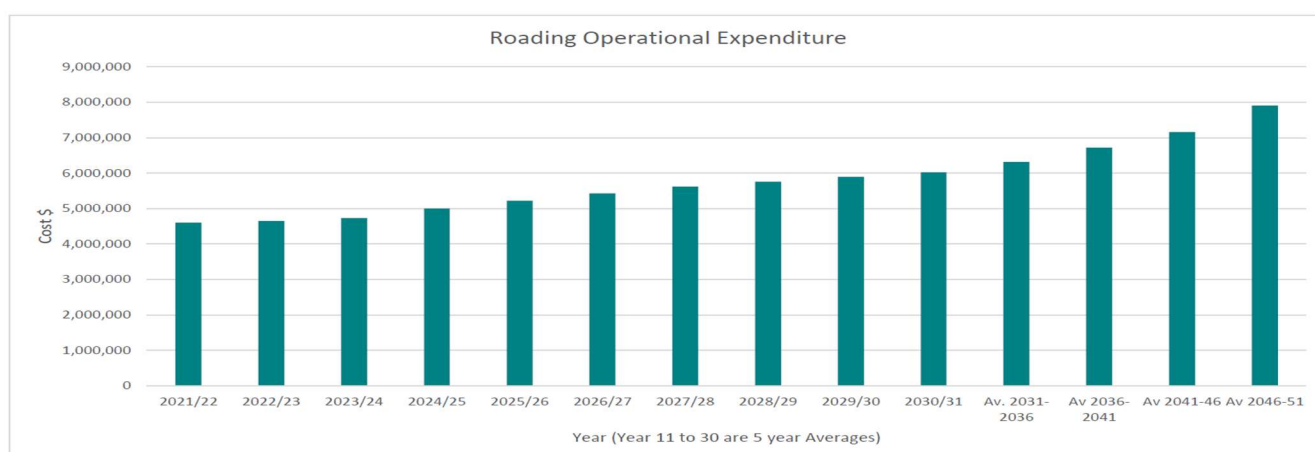
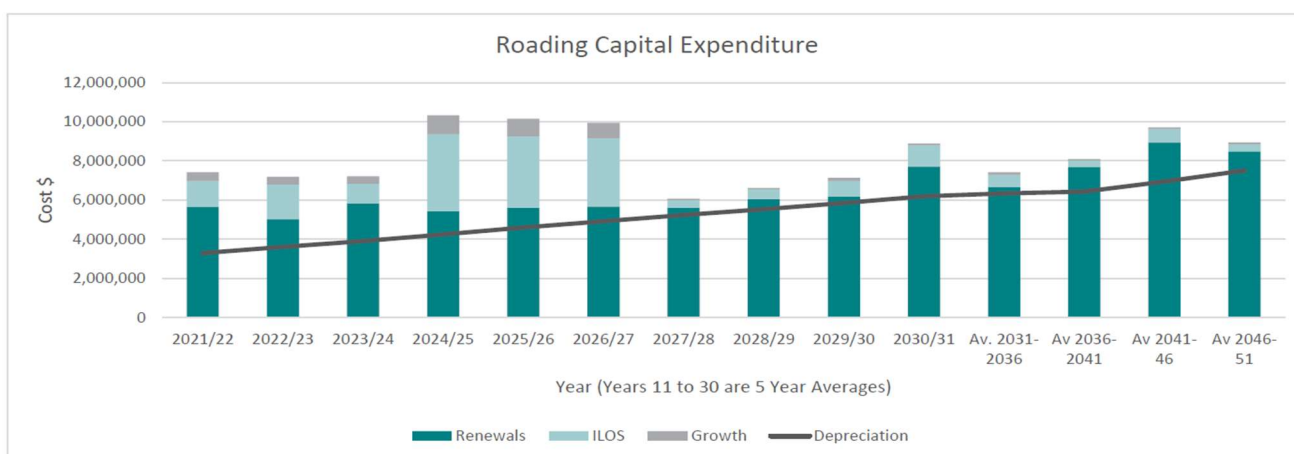
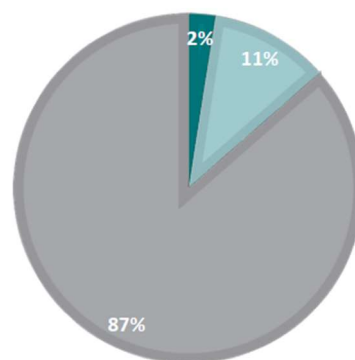
The priority for procurement and works programmes is outcomes. Central Otago’s vision for roads and footpaths is “to ensure an efficient, fully accessible, safe network”.

Proposals for programmes are established through the Activity Management Plan/Business Case processes and articulated through the Long Term Plan and 30 year Infrastructure Strategy.

These documents are referenced for details of the programmes with the resultant programmes shown below.

DEMAND DRIVERS FOR ROADING

■ Growth ■ Improved Level of Service ■ Renewals



Further details of Council’s capital programme including itemised projects outside the maintenance contract can be found in the 2021 – 31 Long Term Plan. available on council’s website <https://www.codc.govt.nz/repository/libraries/id:2apsqk8g1cxbyoqohn0/hierarchy/sitecollectiondocuments/plans/long-term-plan/LTP%202021-2031.pdf>

5 Procurement Environment

5.1 Analysis of Current Supplier Market

In preparation for the ILM workshop a market assessment was undertaken with CODC staff, the incumbent Contractor, and potential Tier 1 and Tier 2 suppliers.

Several suppliers were contacted from within and beyond the region. Several suppliers were interested in bidding for the upcoming road maintenance contract. Suppliers listed the following headline matters in relation to procurement of the new road maintenance contract:

1. Early engagement is critical to ensuring a competitive tender.
2. A collaborative risk sharing contract model is seen as attractive/essential.
3. The scope of asset management within the contract needs to be clear – what's in what's out.
4. Consideration should be given to separating out reseals.
5. Broader outcomes needs to be given a significant weighting within the RFT.
6. Whilst this feedback was sought in relation to the Road Maintenance Contract it is applicable to other procurement matters as well.
7. The balance of price versus non price attributes needs to be right to create a competitive market.

This feedback was considered in the contact model selection workshop.

There are some suppliers located within the district, and a wider range available from Dunedin or Queenstown. Typically there is a high level of interest in tenders and competition between suppliers. Recent interest in large projects has included supplies from across Canterbury, Otago and Southland.

Professional Services Providers

Central Otago District Council's staff are able to outsource when required due to either internal capacity or capability constraints to suppliers based in the South Island. Some services are procured using local teams, who are then supported by national experts, depending on the complexity of projects or advice sought.

The role of specialist professional service providers is typically to boost capacity or knowledge beyond what the council can achieve from its in-house resources.

Goods and services procured from Professional Services providers include.

- Legal services
- Specialist Asset Management
- Bridge inspection and works planning
- Network Management Transportation Activity Support
- Asset data collection and Information Management
- Public engagement and consultation

- Economic analysis

The following list provides an indication of the suppliers of transportation professional services:

Abley	Boffa Miskell	Specialised
Arch Hill Associates	Geosolve	Software/Advice-
Avanzar Consulting	LandLAB	Deighton
BECA	N M Associates Ltd	Infrastructure Decision
GHD	Tract Consultants Pty Ltd	Support
Hadley Consultants		RAMM Software Ltd
Harrison Grierson		
Infrastructure Decisions		
Meyer Cruden Engineering		
Ltd		
Morrison Low		
Mott Macdonald		
Origin Consultants		
Rationale		
Stantec		
Utility		
Waugh Infrastructure		
Management		
WDM		
WSP		

Queenstown Lakes District Council has noted the challenge in attracting tenders and retaining suppliers. Central Otago District Council is aware of this concern and the potential risks in the future to procurement of goods and services.

The current Road Maintenance Contractor has been providing Asset Management professional service support to CODC . The scope of this work is not well defined in the current contract. The new contract needs to better define this scope.

Physical Works Contractor Market

Physical works suppliers enable the establishment of new assets as well as maintaining them to provide the required level of service. Works are undertaken under the direction of the council staff.

Goods and services procured from suppliers.

- Road maintenance – sealed and unsealed roads
- Road resurfacing
- Road renewals/reconstruction
- New roads construction
- Signs and traffic services
- Bridge maintenance
- Asphalt footpaths

- Concrete structures
- Streetlight supply, installation and maintenance
- Electricity supply for streetlights

With a comprehensive contract for term maintenance and renewals works in place tendering is the transport activity is infrequent. The level of interest in other projects, particularly water services, greenworks and construction provides a measure of supplier interest and competition.

Recent large construction projects have received strong interest from an average of five capable contractors.

As noted with the Professional Services area, Queenstown Lakes District Council has seen an increasing challenge in attracting tenders and retaining suppliers. Central Otago District Council is aware of this concern and the apparent risk in the future and is confident its collaborative contracting model will continue to serve the district well.

The following list provides an indication of the suppliers of transportation physical works:

Tier 1 Suppliers	Tier 2 Suppliers	Tier 3 Suppliers
Downer, Fulton Hogan, HEB	South Roads, Whitestone Contracting	BenchMark Construction Ltd, Alpine Civil Ltd, Civil Construction Ltd, Central Machine Hire Ltd, Contrax Ltd, Wilson Contracting Ltd, JCL, McKay Contracting, Delta Utility Services, Betacom, Windsor Urban

Specialisation

The council has identified that specialised skills, resources and knowledge are necessary to support the council's functions. It acknowledges that there are real costs in changing providers, including the loss of institutional knowledge and business continuity; and this should be reflected in the councils procurement processes.

The following specialist activities are required to be undertaken from time to time.

- Investigations
- RAMM rating
- Asset Valuation
- Geotechnical Advice
- Assets Deterioration Modelling
- Individual Structural Bridge Inspections
- Network Structural Bridge Inspections
- Legal Services
- Property Management
- Economic analysis

Road Safety Coordination/Community Road Safety Programme

This function is delivered through the in-house team in collaboration with other Otago Region Road Safety Coordinators.



Electricity Supply

Electricity supply is a complex consumable for the council, with a range of sites and demand patterns. The council currently purchases electricity for streetlighting via an All-of-council Procurement method. The current agreement is for a three-year term.

Council-Controlled Organisations

The council does not have any ownership or financial interest in professional services or physical works suppliers.

Unusual/Advanced procurement

While the council's Term Maintenance contract has been in place for some time, it does involve a Shared Risk Delivery Model and is procured through a Quality Based Supplier Selection Method. This does require ongoing approval from WAKA KOTAHI as reflected in the endorsements.

Other than this, the council has not identified any unusual/advanced procurement requirements.

5.2 Analysis of The Impact of The Procurement Programmes Of Other Approved Organisations And Other Entities

Under the Land Transport Management Act 2005 Central Otago District Council is part of the combined Otago-Southland Regional Land Transport Committee area. Central Otago District Council is an active member of regional planning and supports on-line meetings to maximise the involvement of those remote from Dunedin.

Central Otago is an area with significant growth and development. Cromwell is the base for numerous construction business and aligned trades, serving Queenstown and Wanaka as well as Central Otago.

While Central Otago District Council is a large buyer of services, there are also large developments and operations that influence the market. These include WAKA KOTAHI, Queenstown Lakes District Council and private developments.

The council does not regard its procurement approaches as having a significant impact on the market or other entities.

Linkages with others

Despite Central Otago being a large area, there are few roading connections beyond the State highway network.

The council's Roding network linkages with other organisations include:

- WAKA KOTAHI – integrated network across and beyond Central Otago District
- Waitaki District Council - Danseys Pass Road (Access Low Volume)
- Dunedin City Council – Old Dunstan Road (Access Low Volume 'Track')
- Clutha District Council – Moa Flat Road (Access)
- Southland District Council – Nevis Road (Access Low Volume 'Track') and Waikaia Bush Road (Access Low Volume 'Track')
- Queenstown Lakes District Council - none
- Department of Conservation - numerous connections



6 Approach to Delivering the Work Programme

6.1 Specific Strategic Objectives

Combining Government and WAKA KOTAHI Directives with Central Otago District Council Objectives (section 3.8) informs the direction and intent of this strategy.

Having considered those items the **Objectives for this Strategy** are:

- To deliver public value through a positive combination of quality, outcomes, and price
- To support the achievement of the council's Community Outcomes and the Long Term Plan Programme
- To be environmentally and financially sustainable
- To treat suppliers fairly

These inform the **Value for Money Strategy** which is considered in the context of the vision for Infrastructure Services;

We will deliver safe and reliable infrastructure services that support our local economy and communities, in a manner that is affordable, sustainable and equitable for current and future generations.

Value for money:

1. Balances quality with cost
2. Considers long term outcomes, as opposed to focussing solely on short-term results
3. Delivers a fit for purpose level of service for users
4. Focuses on efficient and effective work practices
5. Considers current and future customers, as well as the current and future impact on the environment
6. Is affordable

Work will be undertaken in house and through collaborative models to align objectives and streamline work. A whole-of-life approach will be taken applying sound asset management principles including lifecycle management planning and modelling.

The regional work programme for roading is prepared collaboratively with WAKA KOTAHI and neighbouring authorities through the Otago Regional council's Regional Land Transport Plan.

Suppliers are expected to understand the drivers of the council's focus on collaboration, efficient work practices, and the best outcome for the community.

6.2 Procurement Approach

With a comprehensive term maintenance contract soon to be retendered using a similar model, generally all other procurement involves street lighting, energy and professional services.

Limits for Delivery Models and Supplier Selection

The limits for supplier selection methods are as detailed in WAKA KOTAHI Procurement Manual – Amendment 5 – Rule 10.9.

Contract for	Physical works	Professional services
Direct appointment	\$100,000	\$200,000
Closed contest	\$100,000	\$200,000
Public tender above \$200,000		

Term Maintenance Contract

Soon to be re-tendered using as a shared risk collaborative contract model evaluated on a Price Quality basis.

Capital Projects

Capital improvement works where specialist input is required is excluded from the Term Maintenance Contract. In such situations procurement will be by appointment/closed contest or open tender depending on the value involved.

Design-build options are favoured to ensure appropriate design and supervision resources are secured.

Street Light Maintenance

Historically there have been issues regarding ownership of some of the lights which has restricted the options for street light maintenance. Consequently there are no written contracts in place with these companies for maintenance of the lights.

In 2016 the council purchased all the lights which were on Aurora Energy distribution network assets. A full replacement of all mercury vapour, fluorescent, and high-pressure sodium lights with LED luminaires has now been undertaken, except where the replacement of specific lights was assessed as economically unviable.

This will enable Central Otago District Council to move to a public tender for streetlight maintenance. This tender will go to market to late 2024 as a shared risk collaborative model contract. The tender will be evaluated using the Waka Kotahi quality price methodology.

Street Light Hardware

Central Otago District Council has determined there are long term benefits in consolidating the range of streetlights used across the network. This has been achieved quickly through the LED programme.

Betacom, based in Christchurch, has been identified as the supplier of specific streetlights for replacement of - or addition to - the Central Otago District Council streetlight network.

Energy Supply

Energy is procured through an All-of-council approach for a term of three years. Simply Energy commenced the current supply contract in September 2020. Discussion on options considered and the methodology chosen will be included in future organisation-wide documents.

Professional Services

Professional services are procured on an as-required basis by direct appointment/closed contest or open tender depending on the value involved.

Summary

The table below summarises the procurement approaches discussed and associated timelines.

Item	Procurement Approach	Commencement	Renewal
Ex Term Maintenance Contract	Shared Risk Delivery Model	22 Dec 2016	21 Dec 2019
	Quality Based Supplier Selection Method	Term extensions approved 22 Dec 2019 & 2021	30 th June 2023

Item	Procurement Approach	Commencement	Renewal
New Term Maintenance Contract	Shared Risk Delivery Model Price Quality Based Supplier Selection Method	Tender October 23	July 2024
Capital Projects where specialist input is required	Direct appointment/closed contest or open tender depending on the value involved.		
Street Light Maintenance	Public Tender (Price Quality)	In development	
Street Light Hardware	Sole Supplier	2023 to 2026	Not identified
Energy Supply	All of Council	September 2020	September 2024
Professional Services	Direct appointment/closed contest or open tender depending on the value involved		

6.3 Collaboration with Others

This Strategy does not preclude the council from entering into joint procurement of works and services with relevant partners to enable shared services and deliver better value to the community.

Options for physical works delivery have been considered previously and may be worthy of further consideration as part of the development of the next term maintenance contract. Waka Kotahi and Central Otago District Council's contract models will be well established by that stage, and it is seen as unlikely that a common model will be sought by either party.

Central Otago District Council will continue to collaborate with its neighbours to increase its own capacity and capability, while sharing its expertise with others. This has been demonstrated through Central Otago District Council's involvement with the Road Efficiency Group and its relationship with Auckland University.

Some asset management initiatives have been undertaken with Queenstown Lakes District Council and Waitaki District and the council remains open to working with others. In the future - with robust information systems and remote working methods in place – greater collaboration can be expected to move beyond neighbouring entities.

Following the 2023 Section 17A review, CODC is going to investigate jointly procuring at an operational level with other local authorities:

- Design services for bridge inspections, condition ratings, design standardisation and procurement.

6.4 Direct Appointments and Pre-Qualification Arrangements

Pre-qualification is achieved through meeting SiteWise Green requirements. This applies to all contractors and subcontractors. All suppliers must have a current SiteWise rating of 75 or higher to undertake work on the council's property, including the road corridor.

The council is also aware of the importance of resilient supply chains. Ensuring these remain available for the overall benefit of the community remains a key part of the council's Organisation-wide procurement. There is no buy-local premium in place, but local suppliers are preferred 'all things being equal'.

Direct appointments or closed contests are made for works and assignments of up to \$100,000 in line with Waka Kotahi Procurement Manual Rule 10.9.

7 Implementation

7.1 Internal Capability and Capacity

Council's Organisational Skills and Resources

Central Otago District Council is a small-medium sized local authority servicing an extensive area. Transportation management functions are based in Alexandra with customer service centres also located in Cromwell, Ranfurly and Roxburgh.

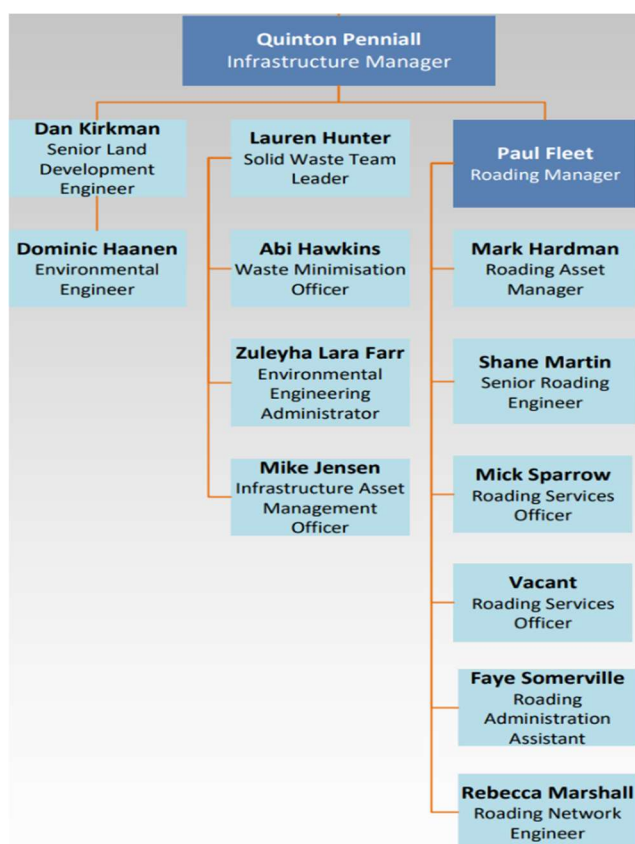
The council currently uses a mix of its own staff and external resources (where appropriate) to deliver levels of service and achieve associated planning and programmes. This is appropriate given that Central Otago District Council targets an 'Intermediate' level of maturity for asset management practice.

Audits undertaken by Audit NZ and Waka Kotahi confirm planning, management and service delivery is undertaken satisfactorily.

In preparing this procurement strategy CODC has undergone a smart buyer assessment which identified opportunities for improvement and the need to increase asset management resource to develop and maintain forward work programs.

Council Structure

The structure of the Roding Business Unit is illustrated below.



7.2 Internal Procurement Processes

Contract Administration Manual

The council has a Contract Administration Manual. This is designed to represent good practice in calling for, evaluating and awarding tenders (when it is appropriate or required to go to the market by tender).

It also establishes good work rules for administering contracts, allied to the good work rules developed in each work stream.

A review is imminent.

Finance Policy/Corporate Services Manual

This establishes the process for procurement of minor works by engagement through a purchase order arrangement (typically small-scale goods and services).

Delegation Registers

The delegations to staff associated with Transportation (as of June 2016) are listed on the table below.

Planning and Infrastructure		
Specified Officer Categories		
Level	Job role	Cost Centre
\$500,000	Group Manager – Planning and Infrastructure	All Cost Centres
\$200,000	x	x
\$50,000	Property and Facilities Manager Planning and Regulatory Services Manager Roading Manager Infrastructure Manager	Property and Facilities Cost Centres Regulatory Services and Planning Cost Centres Roading Cost Centres Roading and Environmental Engineering Cost Centres
\$20,000	Environmental Health Team Leader and Licensing Inspector Team Leader – Enforcement and Animal Control	Environmental Health and Alcohol Cost Centres Dog Control and Enforcement Cost Centres
\$10,000	Property and Facilities Officers Buildings Management Officer Team Leader – Planning Support Team Leader – Regulatory Support Building Solid Waste Team Leader Team Leader - Statutory Team Leader - Assets	Property and Facilities Cost Centre Property and Facilities Cost Centre Resource Management Cost Centre Building Cost Centre Waste Minimisation Cost Centres Property and Facilities Cost Centres Property and Facilities Cost Centres
\$5,000	x	x
\$2,000	Planning Officer LIM Officer Executive Assistant - Planning and Infrastructure Environmental Health Officer Consent Officer – Building Regulatory Support – Building Waste Minimisation Officer Property and Facilities Administrator	Planning Cost Centres LIM Cost Centres Planning and Environment Cost Centres Environmental Health Cost Centres Regulatory Services Cost Centres Regulatory Services Cost Centres Waste Minimisation Cost Centres Property and Facilities Cost Centres

Pecuniary Interests and Conflict of Interest

As with much of provincial New Zealand there are strong relationships within and across community sectors. The council is aware of this and to avoid any risk of inappropriate decision making or impression of bias, maintains a register of conflicts of interest. Where such conflicts could, or could be seen to influence a procurement process, those persons identified are excluded from decision making.

Probity and Specialist Advisors

Qualified tender evaluators are required for all contracts with an estimated value over \$200,000 where the works will receive financial assistance from Waka Kotahi. Project managers will determine if a qualified tender evaluator is required for other evaluations

For significant contracts, particularly multi-year contracts, the council considers the involvement of a probity auditor, or a specialist advisor for tender evaluations and/or negotiations.

A relationship exists with appropriate suppliers so these skills can be accessed.

Contract Management Approach

All physical works are undertaken by contractors as part of maintenance or capital works contracts. These works are managed by a combination of council's in-house Professional Services Unit and external specialists.

Engineering and infrastructure planning services are managed by the in-house Professional Services Unit as well as external specialists where appropriate.

The outcomes achieved through the shared risk contract model have proven to be excellent and a topic of papers presented to the sector by the council and Contractor staff. Strong relationships and a focus on results is key to this.

7.3 Performance Measurement and Monitoring

The appropriateness and effectiveness of this strategy will be evaluated on an on-going basis as works and services are procured; and reviewed regularly.

Broadly the success of transportation service delivery can be measured by:

1. Volume of public demand
2. Response times
3. Achievement of program
4. Actual expenditure against forecast expenditure
5. Cost effectiveness of our service

Transparency and accountability checks occur through the council's normal business practices including audits by Audit New Zealand and procedural and technical audits by Waka Kotahi on subsidised transport activities. Results from audits have been positive to date.

Achievement is tracked through the council's quarterly reporting systems as well as the Waka Kotahi Performance Monitor. Currently there is no key performance indicator framework for procurement, this will be considered as part of the wider the council documentation.

Future Endorsement and Revision

In terms of Waka Kotahi Procurement Manual Rule 10.4, endorsement of the Procurement Strategy is required at least every three years. A review shall be undertaken prior to seeking such endorsement.

Any significant departures from the approach discussed in this strategy will be the subject of special application to the council and Waka Kotahi.

7.4 Improvement Plan

The council acknowledges there are opportunities to improve this strategy and the council's procurement processes.

The items identified in the REG Procurement Self-Assessment are being addressed through the development of this Procurement Strategy and the Activity Management Plan and supporting Business Cases that will form the basis of investment included as part of the 2021 LTP and NLTP.

7.5 Communication Plan

This third iteration is an update of the first and second Waka Kotahi endorsed strategy and outlines the changes that the council has made to the in-house Rooding Unit and highlights the council's collaboration and commitment to on-going improvement.

Dates of versions and their adoption/endorsement are included in the Preface to this Strategy.

The council will provide opportunities for key stakeholders to comment on the strategy, including suppliers, neighbouring Local Authorities and associated entities.

7.6 Approval and Implementation Responsibilities

The following council staff are responsible for the approval and implementation of the Procurement Strategy:

Approval of Plan

Elected members of Central Otago District Council.

Implementation of Plan

Saskia Righarts (GM Business Support), Quinton Penniall (Infrastructure Manager)

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