



Hastings District Council

*Civic Administration Building
Lyndon Road East, Hastings*

Phone: (06) 871 5000

Fax: (06) 871 5100

OPEN

ATTACHMENTS UNDER SEPARATE COVER

RISK AND ASSURANCE COMMITTEE MEETING

Meeting Date: **Monday, 4 May 2020**

Time: **1.00pm**

Venue: **Virtual Meeting via Remote
Access during the Period of
the Covid-19 Pandemic Alert
Level 3 & 4 Lockdown.**

ITEM	SUBJECT	PAGE
4.	PROCUREMENT AND CONTRACT MANAGEMENT	
	Attachment 1: Procurement Policy	1
	Attachment 2: Procurement Strategy	15



Procurement Policy

Policy Expert	Procurement Partnerships Manager
Policy Owner	GM: Corporate
Owner Department	Finance
Approval Date	20 March 2020
Version	2.0
Review Date	December 2021

Item 4

Attachment 1

Change History

Amendment (s)	Date	Updated by and authority
Complete review to incorporate broader outcomes and public value to align with Government Rules of Procurement (4 th Ed).	December 2019	Angela Hirst Procurement Partnerships Manager

Uncontrolled if Printed

Item 4

Attachment 1

Contents

1.	Purpose	4
2.	Scope	4
2.1.	Interpretation	4
3.	Policy Statement	5
3.1.	Mandate and Commitment	5
3.2.	Principles	6
3.3.	Strategic Alignment	6
3.4.	Procurement Objectives	6
3.5.	Public Value	7
3.6.	Environmental Considerations	7
3.7.	Māori, Mana Whenua, Mātaawaka	7
3.8.	Locally-based Suppliers	7
3.9.	Significant Expenditure	8
3.10.	Delegated Financial Authorities	8
3.11.	Competency and Capability	9
3.12.	Risk Management	9
3.13.	Legal and Ethical Considerations	9
3.14.	Supplier Complaints	11
3.15.	Government Collaborative Contracts	11
3.16.	Local Government Arrangements	12
3.17.	Documentation and Publication Requirements	12
4.	Roles and Responsibilities	12
5.	References	13
5.1.	Related Council Policies and Documentation	13
6.	Review	13

1. Purpose

Hastings District Council (Council) spends approximately \$100 million annually on a wide range of works, goods and services that enable the delivery of community infrastructure, facilities and services for the communities of Hastings District.

The scale of Council's procurement programme not only has a budgetary impact, but can also have a significant impact on our local communities, our quality of life, and our economy. Council is also accountable to its rate payers for the manner in which it spends its funds.

Council aims to deliver the best public value for residents, recognising the potential for broader outcomes beyond value for money.

The purpose of this policy is to:

- Define 'procurement' in the context of Council;
- Provide a framework to ensure consistent procurement practices across Council;
- Align procurement with Council's vision and outcomes as set out in the Long Term Plan.
- Define the concepts of Public Value and Broader Outcomes, and how Council aims to maximise these through its procurement.
- Highlight key legislation and policies that procurement activities must align with.

2. Scope

This Procurement Policy covers all activities associated with purchasing by, or on behalf of, Hastings District Council. It applies to all employees, management, and consultants engaged to assist with procurement, elected Council members and Community Board members.

For Council Controlled Organisations (CCOs) this policy shall only apply where Hastings District Council (as the majority shareholder) is the controlling entity.

This policy applies to all procurement activity undertaken by Council, with the exception of:

- Acquisition of art and similar unique items of interest.
- Employment.
- Grants and sponsorship.
- Land acquisition.
- Leasing of Council-owned property and the leasing of property to the Council.
- Payments to government and regulatory bodies.
- Procurement undertaken by Council Controlled Organisations that is not on behalf of the Council.
- Tax.
- Treasury and financial instruments.
- Unsolicited proposals.

2.1. Interpretation

To assist with interpretation of this policy the following general guidance relating to these terms is provided.

Public Value	The principle of public value is not solely focused on price but is about getting the best possible result over the whole-of-life of the goods, services or works. This includes using resources effectively, economically, and without waste, and taking into account the total costs and benefits (total cost of ownership), and its contribution to the results Council is trying to achieve (such as social or environmental outcomes).
---------------------	---

Broader Outcomes	The concept that procurement can and should be used to support wider social, economic, cultural and environmental outcomes that go beyond the immediate purchase of goods and services.
Probity	The quality of having strong moral principles; honesty and decency.

3. Policy Statement

The term 'procurement' covers all aspects of acquiring works, goods and services, including every aspect of the procurement lifecycle (plan, source, manage), and ends with the completion of the service contract or the disposal or repurposing of an asset at the end of its useful life.

All procurement should:

- Meet a justifiable and approved business purpose,
- Be fully accountable and conducted within the requirements of funding agencies,
- Appropriately manage risk,
- Provide the best public value over the whole of life of the goods, service or asset,
- Be conducted with integrity and in a fair and transparent manner,
- Support effective competition, while minimising relationship costs, ongoing operation costs and consequential costs,
- Allow for full and fair opportunity for local suppliers,
- Deliver broader outcomes through the consideration of economic, environmental, social and cultural impacts, and
- Be within the law and in accordance with Council's legal responsibilities.

To maintain Council's integrity, accountability and probity, all procurement activity within Council must be undertaken in accordance with this policy, performed as per the relevant processes documented in the Council [Procurement Procedures Manual \(2015\)](#), and adhere to [Council's Procurement Strategy](#).



3.1. Mandate and Commitment

The Procurement and Contracts Management Team [Finance] are responsible for the development and oversight of the procurement strategy, policy and procedures for Council. The team will provide expertise, guidance, advice and support to employees undertaking procurement in the achievement of Council objectives.

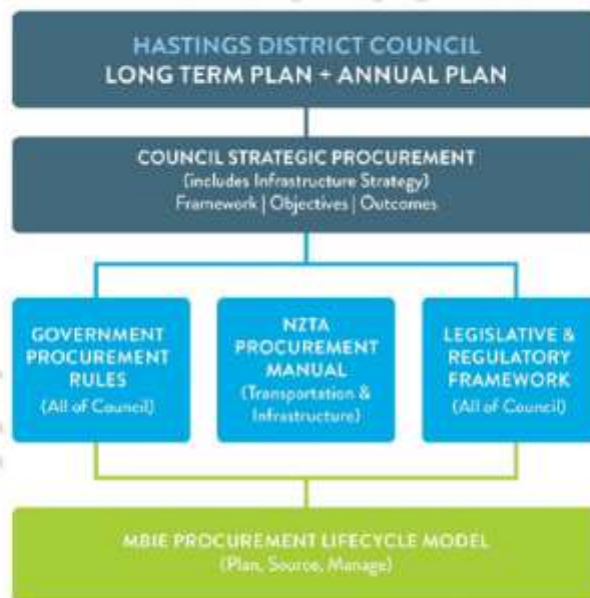
3.2. Principles

Council applies the 'The Five Principles of Government Procurement' and takes into consideration the Government procurement charter and rules, as set out in the Government Procurement Rules (4th Edition) 2019, published by the Ministry of Business, Innovation and Employment (MBIE). Council recognises this publication as providing a best practice framework to guide Council in the delivery of the best 'public value' through its procurement, and to drive innovation and performance. Council is also guided by the Government Procurement Rules for sustainable and inclusive procurement.



3.3. Strategic Alignment

In undertaking procurement, Council must operate within a policy framework which includes wider Council strategic objectives and outcomes, Government and (for transport) the New Zealand Transport Agency (NZTA) procurement rules and a legislative and regulatory framework as outlined in the framework below.



3.4. Procurement Objectives

This policy sits alongside the procurement strategy, which sets out the objectives of Council's procurement programme.

1. **Optimise public value** – maximising the benefits and outcomes generated by Council's procurement activities, through ensuring broader outcomes are considered as part of the procurement evaluation.

2. **Support delivery of Council objectives through efficient and effective procurement** – ensure all procurement activities are conducted in line with Council's Procurement Principles, including the development and maintenance of competitive supply markets.
3. **Build Procurement Capacity and Capability** – develop Council's procurement knowledge, systems, processes, and resources to support efficient and effective procurement to meet and exceed industry best practice.

3.5. Public Value

When assessing procurement options, employees should use 'public value' as a means of determining the best outcome from funds spent.

The value factors not directly linked to price include environmental, social, economic and cultural outcomes. These are considered 'broader outcomes' and can have a profound effect on the local economy and the wellbeing of the community. Council does not place an obligation on employees to use a process that only accepts the lowest quote or tender from a supplier; however, reasons for not doing so should be transparent and justified on a 'whole of life' public value basis.

3.6. Environmental Considerations

As the provider of waste management services to the District, Council has both a moral and operational role in considering the impacts of procurement on the environment.

Employees should factor the following environment considerations when assessing procurement options:

- Reducing reliance on non-renewable resources through use of environmentally sustainable materials,
- Minimising destruction of natural environments,
- Reducing waste throughout the product lifecycle (from sourcing to disposal) including water and energy saving measures and minimisation of emissions or other manufacturing by-products (product stewardship),
- Fair use of resources to ensure no disadvantage is created within the community,
- Encouraging sustainability innovation.

3.7. Social Procurement

Council is drafting a Social Procurement strategy to support employees in delivering social outcomes through procurement. In addition to this, further draft policies (Te Kura Nui Māori Relationship Framework and the Heretaunga Ararau te reo Māori policy) will guide how Council works with mana whenua and other Māori organisations to develop models of partnership that will ensure Māori have a continued mana whenua presence.

These documents should be read in conjunction with this policy.

3.8. Māori, Mana Whenua, Mātaawaka

Hastings District Council is committed to lifting Māori economic and social well-being and recognising Māori cultural values and perspectives. Procurement can make a material difference for positive Māori outcomes through considering broader outcomes which include:

- Provide employment opportunities and career pathways for Māori;
- Support partnering or sub-contracting with iwi and hapū organisations, Māori businesses and social enterprises; and,
- Encourage the engagement of Māori in the design and/or delivery of goods, services and works.

3.9. Locally-based Suppliers

The overarching requirement for Council procurement activities is to optimise public value, which includes promoting the economic growth and wellbeing of Hawke's Bay and the Hastings District. This broader outcome can be achieved through sourcing goods and services through local suppliers where practicable.

A 'local supplier' is defined as a supplier of goods and services operating or based in Hawke's Bay, and employing and developing local people.

Council will foster and encourage a viable and competitive supply market that is able to provide goods and services now and into the future, ensuring the optimisation of public value for ratepayers and service users.

Employees undertaking procurement should choose to procure goods and services from locally-based suppliers where:

- The public value offered by the locally-based supplier is as good as suppliers based outside the District and/or
- There is a need to ensure market capacity and capability in the long-term; and/or
- The community will benefit from selection of a local provider, through stronger commitment and/or local accountability, employment growth or other social benefit.

When it is practical Council will also bundle its procurement activities in such a way that ensures opportunities for locally-based (smaller) suppliers, i.e. where it is cost effective and does not compromise efficient management systems.

3.10. Significant Expenditure

The Hastings District Council Significance and Engagement Policy outlines the policy of Council to determining the significance of issues, proposals, decisions, and other matters, and includes thresholds, criteria and procedures that the Council will use in assessing which issues, proposals, decisions and other matters are deemed to be significant as required by section 90 of the Local Government Act 2002. It also provides a list of assets which Council considers to be strategic assets.

3.11. Delegated Financial Authorities

All employees who make purchases, enter into financial / contractual agreements, give refunds or sign off or approve any form of expenditure are limited in their authority to enter into a Council procurement activity. These limits are recorded in the [Delegated Financial Authority](#) schedule.

Employees must comply with their applicable financial delegations when they procure goods or services.

Employees at all levels of Delegated Financial Authority must comply with the procurement and tender award financial procedures set out in the [Procurement Procedures Manual \(2015\)](#).

3.11.1. Emergency Expenditure

The delegated financial authorities identify which employees can exceed their level of financial authority for:

- Declared emergencies.
- Rural fire, Civil Defence and hazardous substances emergencies.
- Emergency work to prevent immediate risk to public health, or public safety, or to prevent damage to public property or Council assets.

Expenditure in these circumstances must be in accordance with the appropriate emergency expenditure procedures rather than the strict requirements of the policy and the related strategy and procedures.

3.12. Competency and Capability

Every employee, or agent, involved in a procurement process must have the required skills for the type and level of procurement they are engaging in.

For contracts with an estimated total value exceeding \$200,000 (excluding GST) which receive NZTA funding at least one member of the Tender Evaluation Team (TET) must have an NZTA-approved qualification.

Councils Delegated Financial Authorities Schedule¹ highlights what level of procurement each employee can operate within.

3.12.1. Using Consultants to Procure on Councils Behalf

If a consultant is engaged to assist Council in a procurement process, the consultant must observe the same ethical standards, principles and behaviours set out within this document. An employee with the appropriate delegated financial authority must brief and work with the consultant.

3.13. Risk Management

Risk is inherent in all procurement activities and has been identified as one of Council's key risk areas within the strategic risk register. Effective risk management is required to ensure that Council and its ratepayers are not exposed to significant unmitigated risk and future liability. The Procurement Failure risk has been assessed by using a bowtie risk analysis method and then capturing all the relevant threats, consequences and mitigations.

Employees shall proactively identify, evaluate and manage any risks, opportunities and issues at all stages of the procurement process, based on the risks identified in the bow tie analysis and summarised in Section 2.7 of the Procurement Strategy, and in accordance with Councils' [Risk Management Policy and Framework](#) and [Risk Management Handbook](#). The [Risk Management Handbook](#) provides practical guidance to employees on risk management, including a Risk Matrix for determining the level of risk, and a risk evaluation template to ensure all areas of risk are considered.

Internal risk assurance audits of business practice will be performed to internal audit standard to provide reasonable assurance that risk is adequately managed.

3.14. Legal and Ethical Considerations

Council must act ethically and with integrity when procuring goods and services. Employees must:

- Act, and be seen to be acting, in a fair, open and unbiased manner; and
- Observe ethical standards, principles, and behaviour throughout the procurement process.

3.14.1. Compliance with Legislation

In addition to policy and rules, anyone involved in procurement must be aware of relevant statutes that relate to Local Government, contracting, and the common law of contracts. Employees must ensure they comply with all applicable legislation throughout the procurement process. Legislation that may apply to Council procurement activities includes, but is not limited to:

- | | |
|---|---|
| ▪ Commerce Act 1986 | ▪ Local Authorities (Members' Interests) Act 1968 |
| ▪ Construction Contracts Act 2002 | ▪ Local Government Act 2002 |
| ▪ Contracts and Commercial Law Act 2017 | ▪ Local Government Official Information & Meetings Act 1987 |
| ▪ Health and safety at Work Act 2015 | ▪ Official Information Act 1982 |
| ▪ Fair Trading Act 1986 | ▪ Public Audit Act 2001 |
| ▪ Land Transport Management Act 2003 | |

¹ Ref: PMD-01-02-19-42

- [Public Bodies Contracts Act 1959](#)
- [Public Finance Act 1989](#)
- [Public Records Act 2005](#)
- [Trade \(Anti-dumping and Countervailing Duties\) Act 1988](#)

3.14.2. Consultation Obligations

Council's governing legislation, the Local Government Act 2002, includes obligations to consult with the community, or key stakeholders, on 'significant issues' (see section 3.10 of this policy). If a tender or other procurement process might result in significant changes to the original contracted outcome(s) being delivered to the community by Council, the obligations defined through community consultation will need to be considered.

3.14.3. Contractual Considerations

Council must comply with all relevant law on the formation and performance of contracts. Legal risks may exist when procuring through a competitive tender or proposal process. Employees must follow the evaluation process that was set out in the invitation or request for tender.

Council provides a suite of approved procurement contracts, however it is accepted that in some instances a supplier contract may be more suitable.

Where a supplier contract is used, the agreement should be reviewed by Council's General Counsel where any one of the following risk factors were identified as part of the Procurement Plan:

- High value (total financial commitment over the duration of the contract),
- Long term (duration of contract and right of renewals), or
- Reputational risk (sensitive expenditure, limited references for supplier, new/innovative technology)

3.14.4. Public Law Considerations

Council is a public body and as such its tendering processes can be scrutinised by judicial review. Employees should always take into account the risk that its procurement actions and decisions could be subject to judicial review, or a complaint to the Ombudsman or to the Office of the Auditor General.

3.14.5. Intellectual Property Risks

Where procurement involves the purchase of intellectual property rights, such as designs, computer software development, employees need to determine whether the intellectual property rights should belong to Council or to the supplier. Relevant factors may include the effect on the price of the contract and the ongoing ability of the parties to develop innovations.

Employees should refer to [Government Rules of Procurement - Rule 63: Intellectual Property](#) for guidance in preparing a Request for Proposal or Request for Tender where intellectual property is likely to be developed or created during the delivery of outcomes.

3.14.6. Liability

When contracting for goods or services suppliers may look to limit their liability under a contract. Employees should take a risk-based approach when considering an exclusion or limitation on a supplier's liability.

All procurement contracts should state:

- The scope and limit of liability
- Events that might cause liability to be incurred; and
- Number of events to be covered.

Without a limit defined in the contract, the supplier's liability will be determined by general law. In circumstances where there is a limit on a supplier's liability, associated costs to Council should be taken into account when considering that supplier's goods or services.

3.14.7. Conflicts of Interest

As part of Council's obligation to act fairly and openly, employees must take care that decision-making cannot be challenged on the basis of actual or potential bias and/or conflicts of interests. Conflicts of interest may relate to Council Officers who make decisions relating to procurement, including governance, management, operational employees and the person approving the procurement.

Any conflicts of interest identified through the risk management process shall be handled in accordance with the [Conflict of Interest and Gifts Policy in the Hastings District Council Operations Manual](#).

3.14.8. Confidentiality

Confidentiality is a common characteristic of competitive procurement processes and employees should take particular care when handling commercially sensitive information; confidentiality obligations can apply throughout the entire procurement process including after the contract has terminated or expired.

In addition to the [Hastings District Council Staff Policy & Information Manual](#), section 6.12: Confidentiality, employees must:

- Respect the confidentiality and sensitivity of information received in the course of their work
- Not use this information for personal gain
- Not use confidential information to influence, disadvantage, or advantage other participants; and
- Always communicate information accurately, impartially, and in a manner not designed to mislead, to all interested participants.

3.14.8.1. Disclosure under Law

There are times when Council's obligations to ratepayers, under either the [Official Information Act 1982](#) or the [Local Government Official Information and Meetings Act 1987](#), might override the interests of confidentiality. These Acts mean that Council is not able to give suppliers comprehensive assurances about the protection of sensitive information. Note that there are relevant grounds for withholding information under those Acts, such as unreasonable prejudice to the commercial position of a potential supplier, but these can be overridden if there is greater public interest in disclosing the information.

3.14.9. Fraud and Corruption

The Council and executive management regards fraud and corruption as totally unacceptable and will apply a 'Zero Tolerance' approach to fraudulent behaviour, misuse of funds, or corruption.

In accordance with Council's [Fraud and Corruption Policy](#), employees should make themselves familiar with Council's procurement policies, procedures and rules, particularly those which govern and guide processes and functions in relation to their specific role. Ignorance of the Council's procurement policies and processes is not an acceptable excuse if a breach occurs.

3.15. Supplier Complaints

Supplier may make a complaint regarding Council's procurement activities as per the Council's [Complaints and Complaints Policy](#). All supplier complaints are managed in accordance with the [Government Rules of Procurement – Rule 50: Supplier Complaints](#).

3.16. Government Collaborative Contracts

There are three types of collaborative contracts commonly used by Government which Council may choose to join.

- **All of Government (AoG) Contracts**, which are developed, negotiated and managed by MBIE.
- **Syndicated Contracts** where agencies work together to collectively go to market and one agency acts as the contract lead.
- **Common Capability Contracts** which are similar to AoG contracts but are not managed by MBIE.

3.17. Local Government Arrangements

Hastings District Council is one of five Local Territorial Authorities (LTAs) within the Hawke's Bay region. The Councils' recognise the strengths and benefits of collaboration, and have established the Hawke's Bay Local Authority Shared Services (HBLASS) with the goal of improving delivery of service and value in our region.

The objectives of HBLASS are to improve service and value to ratepayers, residents and councils of Hawke's Bay.

In achieving these objectives, for some procurement-related activities Council may enter into an arrangement with one or more members of HBLASS to:

- Access particular expertise within another LTA, for the supply of goods or services.
- Realise potential for enhanced public value through a combined approach to market (for example attract higher-quality suppliers, or gain cost efficiencies through bundling).

Any such arrangement would be on a preferred supplier basis and must:

- Be in accordance with the Local Government Act 2002,
- Comply with the obligations imposed by the funding policies from external agencies such as where relevant NZTA,
- Not be anti-competitive, and
- Provide the best public value.

Express approval must be sought from the Chief Executive to enter into any local government arrangements.

3.18. Documentation and Publication Requirements

Adequate records must be kept of procurement decisions in accordance with [The Public Records Act 2005](#) and in accordance with normal prudent business practice. Information to be retained should include decisions, actions, minutes, reports and correspondence relating to the procurement lifecycle stages of plan, source and manage.

All documentation relating to procurement should be saved to the appropriate location in Council's record management system for a minimum of seven years.

Council will ensure its Procurement Policies, Strategy and Procedures are publically available and current at all times.

3.18.1.1. New Zealand Transport Agency Documentation and Publication Requirements

Council receives funding from NZTA to undertake some transportation projects. The [NZTA Procurement Manual Amendment 5](#) outlines Council's requirements under *Rule 10.6: Documentation and Publication Requirements*, which may also include compliance with the Government Rules of Procurement.

Council employees will comply with the relevant rules of the NZTA Procurement Manual and the Government Rules of Procurement.

4. Roles and Responsibilities

Role	Responsibility
All Employees	<ul style="list-style-type: none"> ▪ Undertake all procurement activities in line with the Procurement Strategy, Policy and Procedures.
Procurement Partnerships Manager	<ul style="list-style-type: none"> ▪ Work to continuously improve Council's procurement and contract management processes, ensuring compliance with all relevant policy and legislative requirements. ▪ Maintain the Procurement Strategy to reflect Council's objectives and budgets, and any changes to relevant policy.

	<ul style="list-style-type: none"> Ensure robust policies, procedures, and templates are available to employees to undertake procurement within Council principles. Provide guidance and support to staff to ensure compliance with Council's procurement processes.
Managers	<ul style="list-style-type: none"> Ensure employees are aware of their procurement requirements as relevant to their role. Support employee development to ensure their capability aligns with the requirements of their role.
GM: Corporate	<ul style="list-style-type: none"> Provide oversight of the Procurement function. Review and approval of the Procurement Policy, Strategy and Procedures.

5. References

In addition to the legislation listed in Section 3.14.1, Council's procurement and contract management function is required to meet the obligations stated in the following Council and Government policy and funding frameworks:

- [Government Procurement Rules](#)
- [NZTA Procurement Manual](#)
- [Office of the Auditor General](#)

5.1. Related Council Policies and Documentation

This policy should be read alongside the following Council policies and documents:

- [Hastings District Council Long Term Plan](#)
- Infrastructure Strategy (Ref: CP-10-1-18-46)
- Significance and Engagement Policy (refer Long Term Plan – Policies)
- [Procurement Procedures](#) (section 5 – Procurement Manual 2015)
- [Hastings District Council Operations Manual](#)
- [Staff Policy and Information Manual](#)
- Protected Disclosures Policy ([Staff Policy and Information Manual](#))
- Conflict of Interest and Gifts policy ([HDC Operations Manual](#)).
- [Purchase Card \(pCard\) Policy And Guidelines](#)
- [Fraud and Corruption Prevention Policy](#)
- [Delegated Financial Authorities](#)
- [Consultant and Contractor Engagement and Review Policy \(T06\)](#)
- [Risk Management Policy and Framework](#)
- Social Procurement Strategy (*draft*)
- Procurement Strategy (*draft*)
- Te Kura Nui Māori Relationship Framework (*draft*)
- Heretaunga Ararau te reo Māori Policy

6. Review

This policy will be reviewed every three years or at the request of Council or in response to changes to legislative and statutory requirements.

Item 4

Attachment 1





Procurement Strategy

Strategy Expert	Procurement Partnerships Manager
Strategy Owner	GM: Corporate
Owner Department	Finance
Approval Date	20 March 2020
Version	2.0
Review Date	December 2021

Item 4

Attachment 2



Change History

Amendment (s)	Date	Updated by and authority
Complete review to incorporate broader outcomes and public value to align with Government Rules of Procurement (4 th Ed).	December 2019	Angela Hirst Procurement Partnerships Manager

Item 4

Attachment 2

Contents

1	Introduction	6
2	Policy Context.....	8
2.1	Council Strategic Objectives and Outcomes.....	8
2.2	Infrastructure Strategy	10
2.3	Strategic Procurement Framework	11
2.3.1	Procurement Principles	11
2.4	Procurement Strategy	12
2.4.1	Objectives and Outcomes	12
2.4.2	Strategic Procurement Approach	13
2.4.3	New Zealand Transport Agency (NZTA) Procurement Outcomes	14
2.5	Legislative and Regulatory Framework.....	14
2.5.1	Government Procurement Principles, Charter and Rules	14
2.5.2	Office of the Auditor General (OAG)	15
2.5.3	Local Government Act 2002 (LGA).....	15
2.5.4	Land Transport Management Act 2003 (LTMA)	15
2.5.5	National Land Transport Programme (NLTP).....	15
2.5.6	Te Tiriti o Waitangi/Treaty of Waitangi	15
2.5.7	Other legislation	15
2.6	Health and Safety	16
2.7	Risk Management Framework.....	16
2.7.1	Risk Assessment – Procurement Failure.....	17
2.7.2	Risk Assurance Controls.....	17
2.8	Sustainability Considerations	17
2.9	Social Procurement	18
2.10	Māori, Mana Whenua, Mātaawaka	18
2.11	Application to Council Controlled Organisations	19
3	Procurement Programme.....	20
3.1	Planned Major Projects	20
3.1.1	Indicative Annual Spend by Category	21
3.2	Procurement Programme Overview.....	23
3.2.1	Procurement Positioning	23
3.2.2	Category Analysis.....	24

3.3	Planned High Risk or Unusual Procurement Activities	35
4	Procurement Environment	36
4.1	Analysis of Supplier Market	36
4.2	Analysis of Current Procurement Spend and Profile	37
4.3	Analysis of Procurement Programme Impact on other Entities	39
5	Approach to Delivering the Procurement Programme.....	41
5.1	Delivery Models.....	41
5.2	Term Contracts.....	43
5.3	Approaching the Market	43
5.3.1	Competitive Approaches	44
5.3.2	Direct Approaches	44
5.4	Supplier Selection.....	45
5.4.1	Evaluation Methods.....	45
5.4.2	Tender Pre-conditions	46
5.4.3	Non-price Attribute Evaluation	47
5.4.4	Non-price Weighting.....	47
5.4.5	Alternative Responses	47
5.4.6	Tender Evaluation Team (TET).....	47
5.4.7	Negotiation with Suppliers	47
5.4.8	Due Diligence.....	47
5.4.9	Notification of Tender Results and Contract Awards	48
5.5	Systems Supporting Supplier Selection	48
5.5.1	Prequalification and Performance Management for Civil Construction	48
5.5.2	Supplier Panels	49
5.6	Professional Services.....	49
5.6.1	Appointment of Hearing Commissioners	49
5.6.2	Legal Services.....	49
5.7	Approach to Contract Management	49
5.7.1	Relationship Management	50
5.7.2	Service Delivery Management	50
5.7.3	Contract Administration	50
5.7.4	Risk Management.....	51
6	Implementing the Strategy.....	52
6.1	Capability and Capacity	52
6.1.1	Summary Analysis.....	52
6.2	Internal Procurement Processes	56
6.3	Performance Measurement and Monitoring	56



6.3.1 Gathering and Analysing Data on Procurement Activities56

6.3.2 Performance Measurement and Monitoring57

6.4 Communication Plan57

6.5 Implementation Plan.....58

6.6 Corporate Ownership and Endorsement.....58

7 Appendices.....59

7.1 Asset Management Maintenance and Long Term Contracts59

7.2 Implementation Plan.....61

Item 4

Attachment 2

1 Introduction

This Procurement Strategy provides direction for when a decision has to be made to procure goods, services or works to deliver on the objectives of Hastings District Council (HDC) in a way that is consistent with legislation governing Local Authorities.

This strategy covers procurement issues throughout all of Council's activities, including procurement of infrastructure and professional services for projects funded by the New Zealand Transport Association (NZTA).

The procurement environment within which Hastings District Council operates presents a range of challenges and opportunities including:

- Provincial location and relatively small value contracts limiting interest from contractors from out of the region.
- Local contractor resource shortages.
- Close proximity to four other local government authorities with similar procurement demands and programmes.
- High demand for infrastructure and commercial construction services.
- Increasing skill shortages in procurement and contract management (impacting on both capability and capacity).
- Responding to Government's expectations on how Hastings District Council should conduct its procurement activities to achieve public value and broader outcomes.
- Responding to changes to Health and Safety legislation and Worksafe guidelines and rules.
- Responding to pending Government legislative changes in the management of Three Waters.
- Encouraging the local supply chain to increase participation with Council.

The purpose of this Strategy is to demonstrate how Council will:

- Support the delivery of Council's strategic priorities.
- Improve public value for money.
- Address the challenges and opportunities identified.
- Improve the efficiency and effectiveness of procurement procedures, including increasing capability.
- Develop effective relationships with suppliers.
- Manage procurement risk and reputation.
- Improve project procurement planning.

This Strategy sits alongside the various strategies, plans and policies of Council to assist with the delivery of the Long Term Plan.

The Long Term Plan 2018-2028 budgets Council expenditure of \$99.6 million in 2020-21 (exclusive of internal staff costs), forecast to decrease to \$92.6 million in the 2027/2028 financial year (exclusive of staff costs). These funds are invested in achieving community outcomes to meet the current and future needs of the Hastings District community for good quality local infrastructure, local public services, and performance of regulatory functions.

In particular, this Strategy shows how Council intends to procure the work identified in the Long Term Plan and provides information on

- the importance of procurement to achieving its overall goals and business strategy,
- delivering economic, social, cultural and environmental outcomes through procurement,
- the policy context within which this strategy exists,
- the types of procurement Council undertakes,
- the value and risk associated with procurement,
- the procurement environment,
- Council's approach to delivering the procurement programme, and

- the implementation of this Strategy.

Updates from the Previous Strategy

This Strategy includes some key changes, namely the separation of the previous 'Procurement Manual' into three distinct documents:

1. Procurement Policy.
2. Procurement Strategy.
3. Procurement Procedures.

Other changes include:

- Adoption of the Government Procurement Lifecycle methodology.
- Incorporation of Council's focus on social outcomes and working with Iwi/Māori.
- Change of emphasis from 'value for money' to 'public value' and broader outcomes, to reflect wider non-financial benefits to the community and economy that can be achieved through Council procurement.
- Inclusion of Council key procurement activities outside of the asset procurement programme.

This Procurement Strategy reflects Council's commitment to maximising public value through the delivery of Hastings District Council's strategic objectives, and to the continuous improvement of procurement capacity and capability.

Review Cycle

The Strategy will be reviewed three yearly, or whenever a material change to Council's procurement programme, policies, or environment occurs or there are changes to legislative requirements set by Government.

Bruce Allan
GM: Corporate

Approvals

This Procurement Strategy was reviewed and approved by the Hastings District Council Chief Executive on 20 March 2020.

The NZTA requires Council to have a procurement strategy that documents our long term integrated approach to the procurement of transport sector activities funded under section 25 of the Land Transport Management Act 2003 and its amendments. To develop a consistent and coherent strategy covering all Council activities, Council's approach has been to develop a Procurement Strategy and Policy for all of Council's Groups (business units). This Procurement Strategy was submitted to NZTA in January 2020 for endorsement.

2 Policy Context

In undertaking procurement, Council must operate within a policy framework which includes wider Council strategic objectives and outcomes, Ministry of Business, Innovation and Employment (MBIE) and NZTA procurement rules, and a legislative and regulatory framework. This section will provide an overview of these policy areas, as outlined in the framework below.

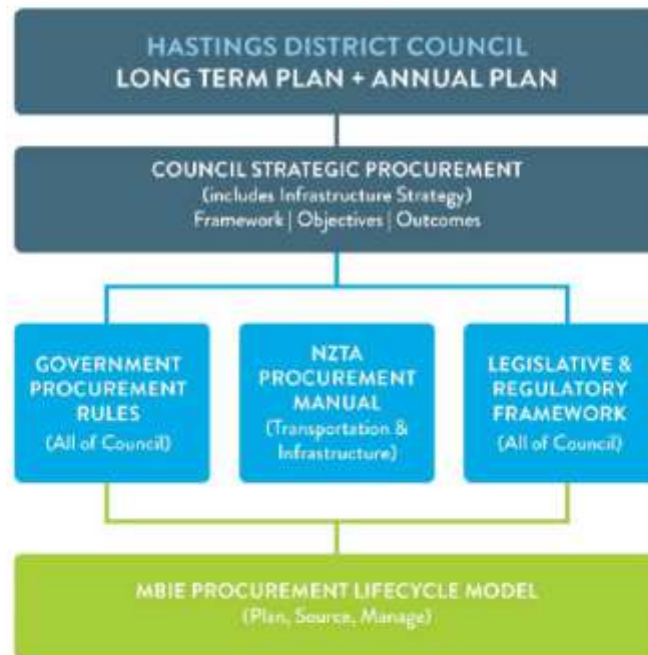


Figure 1 Procurement Policy Framework

2.1 Council Strategic Objectives and Outcomes

The Council is required by the Local Government Act 2002 to develop a Long Term Plan (LTP) every three years. The LTP sets out the activities and services Council intends to provide for a period covering a minimum of 10 years. This allows Council to take a long-term view of its responsibilities while enabling it to adjust for changing financial factors and keep its budgets up-to-date. The LTP is the basis for the Annual Plan, and is the basis upon which the Council sets rates.

The LTP also defines specific strategic objectives and priorities, many of which directly influence Council's procurement activities.

The Annual Plan is the Council's budget for each and every financial year. It explains how the Council intends to finance the activities and services it provides during that year as directed by its LTP. It focuses on the adjustments the Council needs to make in light of the previous year's financial performance, updated financial figures, cost increases and inflation.

The Procurement Strategy addresses how the activities and services that have been identified through the LTP and Annual Plan processes will be delivered. It addresses both the major capital projects that have been planned and also the operational 'business as usual' procurements which are required.

Council's strategic framework has established six broad areas of focus, as outlined in the Long Term Plan 2018-2028 that define the priority areas for investment, as shown in Figure 2.



Figure 2 Strategic Objectives - Long Term Plan 2018-2028

These themes are woven through the community outcomes Council aims to achieve as set out below:

LOCAL INFRASTRUCTURE	LOCAL PUBLIC SERVICES	REGULATORY FUNCTIONS
OUTCOME STATEMENT Local infrastructure which contributes to public health and safety, supports growth, connects communities, activates communities and helps to protect the natural environment.	OUTCOME STATEMENT Local public services which help meet the needs of young and old, people in need, visitors and locals, businesses and households.	OUTCOME STATEMENT Regulatory functions which help to grow a firm and help create a safe and healthy environment for people, which promote the best use of natural resources and which are responsive to community needs.
COUNCIL OBJECTIVES <ul style="list-style-type: none"> Diversity in housing choice Healthy, energy efficient homes Safe multi-functional urban centres Residential development opportunities Places and spaces for recreation Accessible range of safe transport options Safe walking and cycling facilities Efficient movement of goods Infrastructure supporting economic growth Appealing visitor destination Industrial development opportunities Places and spaces for arts, culture, learning Buildings and public spaces enhance district identity Resilience to hazards and shocks A community which wastes less Strong Marine Sustainable use of land and water resources Healthy drinking water and sanitary services Healthy waterways 	COUNCIL OBJECTIVES <ul style="list-style-type: none"> People are safe from crime Fostering recreational participation Assisting youth in education, skill development and jobs Supporting and attracting business Building a resilient and job rich local economy Appealing visitor destination Assistance for people in need Fostering the arts and cultural experience District heritage is conserved for future generations A community which wastes less Effective working relationships with mana whenua Pulling people at the centre of planning and service Resilience to hazards and shocks 	COUNCIL OBJECTIVES <ul style="list-style-type: none"> Resilience to hazards and shocks A more compact urban form Responsive Council planning services Reducing public nuisance and threats to public health & safety Sites and places of significance to mana whenua are protected
AND WHERE APPROPRIATE COUNCIL WORKING WITH OTHERS AS A CONTRIBUTOR TO MEETING THE NEEDS OF OUR COMMUNITY		

Figure 3 Hastings District Council Community Outcomes

Within these three categories, Council provides the following activities aligned with the purpose of the Local Government Act 2002:

Local Infrastructure	Local Public Services	Regulatory Functions
<p>THE THINGS WE DO INCLUDE:</p> <p>Network Infrastructure</p> <ul style="list-style-type: none"> Water supply services. Urban stormwater drainage. Sewage collection, treatment and disposal. Development and maintenance of roads, footpaths and pathways. Provision of regional landfill, transfer stations and related services. Provision of services for land development. <p>Community Infrastructure</p> <ul style="list-style-type: none"> Provision of cemeteries, parks, libraries and recreational assets. Provision of cultural and visitor facilities. Property development/Business Investment – on a business case basis. 	<p>THE THINGS WE DO INCLUDE:</p> <ul style="list-style-type: none"> Insuring for elderly in need. Refuse collection / disposal and related services. Library services. Community safety initiatives. Services aligned to recreation, cultural and visitor infrastructural investment. Project based work on economic and social priorities. Governance and support services. Emergency incident response. 	<p>THE THINGS WE DO INCLUDE:</p> <ul style="list-style-type: none"> Food hygiene inspections. Dog and animal control. Noise and liquor control. Building regulation. Review monitor and enforce land use regulations. Public health and public nuisance inspections. Parking control. Any function provided for under legislation.
AND THE PROVISION OF SUCH OTHER SERVICES AND FACILITIES THAT HAVE COMMUNITY SUPPORT		

Figure 4 Council Activities (Annual Plan 2019)

2.2 Infrastructure Strategy

In developing the Long Term Plan 2018-2028, Council identified key challenges that would need to be addressed in developing the Infrastructure Strategy. Infrastructure accounts for a significant proportion of the Council's operating and capital expenditure. Encompassing roads, walking and cycle paths, drinking water, stormwater, wastewater, solid waste and community infrastructure such as parks, laneways and significant community buildings, this expenditure is essential to transport, safety and health and has a significant impact on the physical environment. The Infrastructure Strategy will help the Council and community to make informed decisions in the next three to ten years, that position the Council to deal with long-term decisions and investments that will occur in the next 10 to 30 years.

Asset management planning is guided by Councils adopted Asset Management (AM) Policy. The AM Policy requires that the management of assets be a systematic process to guide planning, acquisition, operation and maintenance, renewal and disposal of the required assets.

The provision and management by Council of the community's infrastructure assets is to support the delivery of Council's agreed strategic objectives, the service outcomes, and the regulated requirements.

The Council has a continuous improvement approach to its planning for key infrastructural community assets. Various internal and external audits (e.g. NZTA, Office of the Auditor General (OAG), other consultants) have been performed on Councils asset planning over numerous years.

This Strategy is covered in more detail under [Section 3 – Procurement Programme](#).

In managing the required infrastructure the Asset Management Policy notes that Council will take into account:



Figure 5 Service Delivery Framework

2.3 Strategic Procurement Framework

In setting its procurement strategy, policies and procedures, Council applies 'The Five Principles of Government Procurement' and takes into consideration the Government Procurement Charter and rules, as set out in the Government Procurement Rules (4th Edition) 2019, published by MBIE. Council recognises this publication as providing a best practice framework to guide Council in the delivery of the best 'public value' through its procurement, and to drive innovation and performance. Council is also guided by the Government Procurement Rules for sustainable and inclusive procurement.



Figure 6 Linking HDC Strategic Objectives to the Strategic Procurement Framework

2.3.1 Procurement Principles

Council applies the five overarching MBIE procurement principles:



Figure 7 MBIE Procurement Principles, adopted by HDC

2.4 Procurement Strategy

2.4.1 Objectives and Outcomes

The major focus for this Procurement Strategy is achieving 'public value', ensuring the optimum utilisation of Council's financial resources. This approach recognises that cost alone is not the only indicator of value.

This Procurement Strategy has been developed to achieve the following strategic procurement objectives, in line with the strategic directives set out in the Long Term Plan:

1. **Optimise public value** – maximising the benefits and outcomes generated by Council's procurement activities, through ensuring broader outcomes are considered as part of the procurement evaluation.
2. **Support delivery of Council objectives through efficient and effective procurement** – ensure all procurement activities are conducted in line with Council's Procurement Principles, including the development and maintenance of competitive supply markets.
3. **Build procurement capacity and capability** – develop Council's procurement knowledge, systems, processes, and resources to support efficient and effective procurement to meet and exceed industry best practice.

2.4.1.1 Public Value

When assessing procurement options, Council uses 'public value' as a means of determining the best outcome from funds to be spent. The principle of public value is not solely focused on price but is about getting the best possible result over the whole-of-life of the goods, services or works. This includes using resources effectively, economically, and without waste, and taking into account the total costs and benefits (total cost of ownership), and its contribution to the results Council is trying to achieve (such as social or environmental outcomes).

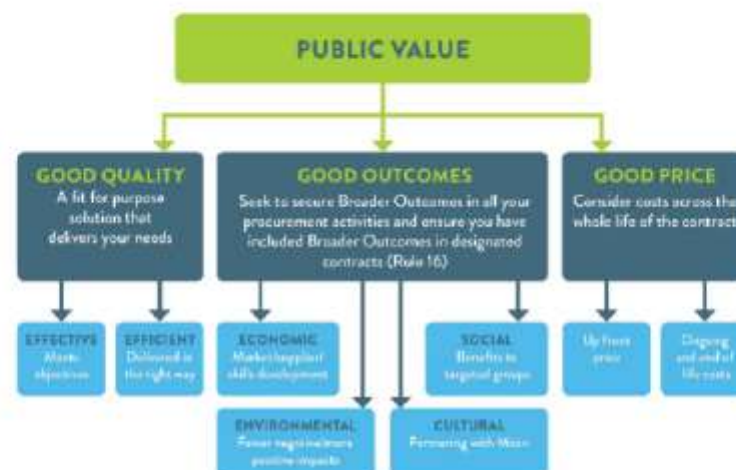


Figure 8 Public Value (Government Procurement Rules (4th Edition) 2019)

The concept of public value does not minimise the importance of achieving a good price (costs across the whole of life of the contract) but encourages employees to consider a broader range of benefits that can be achieved through the procurement of goods and services.

2.4.1.2 Procurement Lifecycle

To achieve the procurement outcomes, Council has adopted the Government Procurement Lifecycle model. The Lifecycle includes three key phases for best practice (Plan, Source, Manage) with eight distinct but interrelated stages.



Figure 9 Procurement Lifecycle Model - (Recoloured from MBIE).

2.4.2 Strategic Procurement Approach

Council takes a strategic approach to procurement, recognising the importance of this function in achieving its broader outcomes, sourcing suppliers and managing relationships to successfully deliver against LTP and Annual Plan objectives and business needs, whilst delivering overall public value.

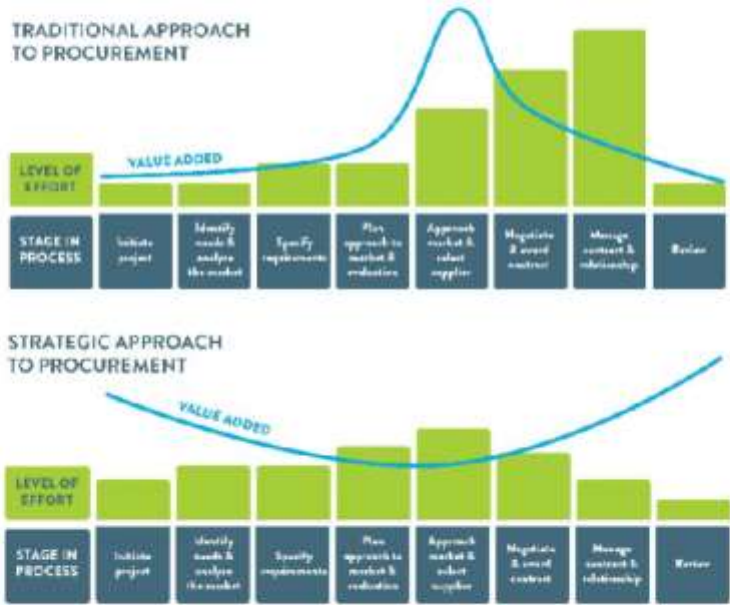


Figure 10 Approaches to Procurement (MBIE)

This approach ensures greater emphasis on the planning and review stages (see Figure 9). This can reduce the risk of issues (and associated costs) in the management of the contract and relationship stage. By placing a higher emphasis on the Review phase, this also provides benefits by providing both Council and the supplier the opportunity to share and benefit from feedback, risk analysis and lessons learned. This also supports a focus on continuous improvement, and ultimately, potential improvements in public value from future procurements.

Traditional approach to procurement - Little time is spent on planning. Effort is generally brought to bear when it comes to approaching the market. As a consequence of insufficient analysis in the planning stages increasing levels of effort are required through contract and relationship management. If the procurement is not reviewed there is little opportunity to benefit from lessons learned.

Strategic approach to procurement - Methodically work through each stage in the procurement process. The time taken to plan, research and analyse add significant value to identifying solutions that will meet the needs. A focus on relationship development and management means that less time is spent resolving issues and more time applied to assessing quality in delivery and identifying opportunities for cost savings and benefit gains. A strategic approach delivers greater value.

2.4.3 New Zealand Transport Agency (NZTA) Procurement Outcomes

As an approved organisation, NZTA pay funds from the National Land Transport Fund (NLTF) to Council for activities approved for funding in the National Land Transport Programme (NLTP). To maintain its status as an approved organisation, Council must meet requirements under s20 of the [Land Transport Management Act 2003](#). The relationship between the NZTA and Council is further explained under [Section 2.5 – Legislative and Regulatory Framework](#).

In addition to Council's objectives, this procurement strategy is required to achieve the procurement outcomes required by the NZTA, as documented in the [NZTA Procurement Manual Amendment 5](#) (2019). By meeting the requirements of the NZTA Procurement Manual, Council will also meet the applicable requirements of the Government Procurement Rules (4th Edition).

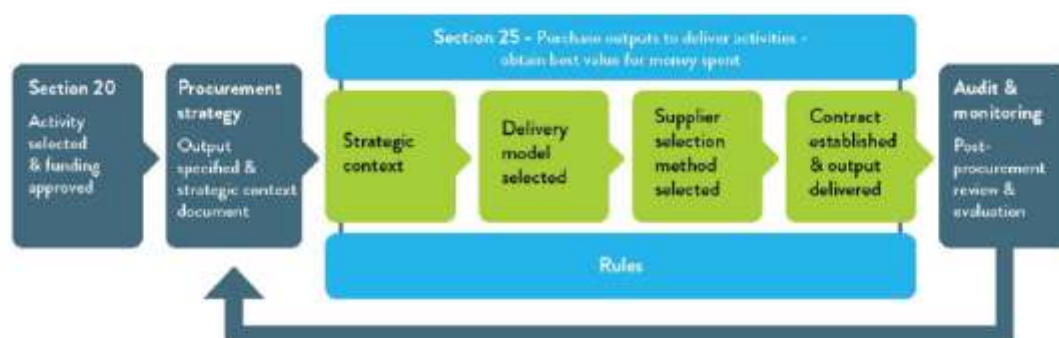


Figure 11: Overall procurement process – from activity selection to output delivery (Recoloured, from NZTA)

2.5 Legislative and Regulatory Framework

Council procurement is governed by a range of guidance and statutory requirements covering both subsidised and unsubsidised work. Those of most significance are outlined below.

2.5.1 Government Procurement Principles, Charter and Rules

The Government procurement policy framework, [NZ Government Procurement Rules \(4th Edition\) 2019](#), sets the Government's expectations for how government agencies should approach procurement activities. It includes procurement principles, charter, rules and best practice guidance.

The Government Procurement Rules (4th Edition) states that Council, as a public sector agency, should have policies in place that incorporate the Five Principles of Procurement and the Procurement Charter. Council is also expected or encourages to apply the rules as good practice. Council acknowledges this broad framework supports accountability for spending, sound business practice and better results. By aligning with the Government Procurement Policy Framework, Council strives to be more attractive to suppliers, engage with businesses in a more productive manner, encourage competitive and efficient markets, and build greater trust with the Hastings District community that expenditure of rate payer funds is well planned, sourced and managed.

The Government Procurement Rules have two compliance levels when considering the NZTA Procurement Manual requirements:

1. Council must comply with the rules for NZTA-funded projects.
2. Council should comply with the rules for wider Council applications as they are Government-endorsed as good practice.

2.5.2 Office of the Auditor General (OAG)

Council's procurement policies should be consistent with the principles laid out in [Procurement Guidance for Public Entities](#), published by the OAG. This defines good practice such as legal implications, ethical standards and accounting for whole of life costs.

2.5.3 Local Government Act 2002 (LGA)

Under the [Local Government Act 2002](#), Council must ensure its procurement activities are carried out in an open, transparent and democratically accountable way. The decisions it makes should be robust and defensible, and ethical and legal considerations must always be taken into account.

2.5.4 Land Transport Management Act 2003 (LTMA)

The [Land Transport Management Act 2003](#) sets out the requirements for the NZTA to approve activities for funding (s20) from the NLTF by approved organisations. All expenditure must be made with an approved procurement procedure (s25), unless exempt (by or under s26). Section 25 of the LTMA requires that these procedures are designed to obtain best value for money spent. Figure 11 above illustrates that procurement, through an approved procurement procedure under s25, delivers the activity approved for funding.

2.5.5 National Land Transport Programme (NLTP)

The [2018-2021 National Land Transport Programme](#) is a three-year programme that sets out how the NZTA, working with its partners, invests national land transport funding to create a safer, more accessible, better connected and more resilient transport system to keep New Zealand moving.

The NLTP sets out activities that can receive funding from the NLTF under the LTMA. The NLTP must give effect to the Government Policy Statement on Land Transport (GPS). Regional Land Transport Plans (RLTPs), developed by local government, must also align with the GPS.

2.5.6 Te Tiriti o Waitangi/Treaty of Waitangi

In undertaking its procurement activities Council will comply with its responsibilities under the Te Tiriti o Waitangi/Treaty of Waitangi.

2.5.7 Other legislation

Other legislation that may apply to Council procurement activities includes, but is not limited to:

- Commerce Act 1986
- Construction Contracts Act 2002
- Contracts and Commercial Law Act 2017
- Health and safety at Work Act 2015
- Fair Trading Act 1986
- Local Authorities (Members' Interests) Act 1968
- Local Government Official Information & Meetings Act 1987
- Official Information Act 1982

- Public Audit Act 2001
- Public Bodies Contracts Act 1959
- Public Finance Act 1989
- Public Records Act 2005
- Trade (Anti-dumping and Countervailing Duties) Act 1988

2.6 Health and Safety

Council recognises its obligations under the Health and Safety at Work Act (HSWA) 2015 and as such requires all of its suppliers to take practical steps to ensure safe work practices are employed. Council requires all of its suppliers to comply with these requirements also recognising that in a contracting chain there are shared responsibilities under HSWA to consult, cooperate and coordinate activities with supplier and contractors.

Council requires all of its suppliers to actively explore ways to promote best practice health and safety throughout the procurement lifecycle, in particular ensuring the key principle of 'health and safety by design' is considered and met.

It is a requirement of Council that contractors undertaking work on behalf of Council are SiteWise Green accredited.

Council's Health and Safety team provide advice on procurement including the procurement planning stage, tender document preparation, contractor health and safety plan reviews, and audits as appropriate.

A comprehensive health and safety training programme is provided to staff by the Health and Safety team and external providers.

2.7 Risk Management Framework

Council is committed to managing risk to the organisation and community in an on-going and proactive manner. Effective risk management enhances the ability of Council to achieve intended objectives and meet statutory obligations.

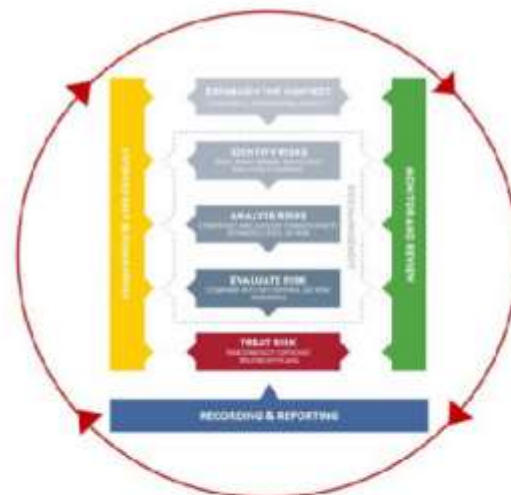
Council applies an Enterprise Risk Management (ERM) approach as an integral part of its management philosophy. Within the Council our framework is aligned to AS/NZS ISO 31000 Risk Management Principles and Guidelines.

Risk is managed in order to:

- Improve decision making.
- Identify innovations.
- Clearly document risk exposure.
- Appropriately communicate and report on risks.
- Integrate risk management culture into our business.

Risk management should be embedded throughout the procurement process and contribute to creating a comprehensive understanding of significant threats and explore opportunities. This enables the minimisation of risk, maximising opportunities for innovation, and the fair and transparent allocation of risk.

To be effective, risk management must begin at the procurement planning stage and continue throughout the process until delivery of goods or end of service contract – a full life cycle approach.



DRAFT Version 10

Item 4

More information can be found in the [Risk Management Policy & Framework](#) and [Risk Management Handbook](#).

The application of risk management relating to construction procurement is in line with the New Zealand Government Procurement [Risk Management Construction Procurement Guidelines \(Oct 2019\) V2.0](#).

2.7.1 Risk Assessment – Procurement Failure

Procurement has been identified as one of Council's key risk areas within the strategic risk register.

The Procurement Failure risk has been assessed by using a bowtie risk analysis method and then capturing all the relevant threats, consequences and mitigations. As a result of that, Council has been able to assess and evaluate the level of risk based on the following criteria (list is not exhaustive):

- Poor procurement practices resulting in poor expenditure decisions,
- Failure in the process of identifying business needs,
- Lack of transparency,
- Conflicts of interest,
- Incorrect scope or ineffective evaluation process,
- Fraud or corruption
- Scope change

As a result the level of risk was rated accordingly:

	Inherent	Residual
Level of Risk	Extreme (16)	Medium (8)
Current Risk Description	Procurement policies and practices following government best practice are documented in the Council Procurement Manual, which is supported by robust templates and overseen by Council's Procurement Manager and Procurement Steering Group. Standing practices are in place for tender publication, opening and approval to ensure adequate separation of duties and control over decision making.	

2.7.2 Risk Assurance Controls

Council uses an internal risk assurance role to undertake reviews of business practice. The reviews are performed to an internal audit standard, and also provide consultancy to business units to strengthen the internal control environment designed to provide reasonable assurance that risk is adequately managed. This approach is built on the Three Lines of Defence model recognised as good business practice.

2.8 Sustainability Considerations

Sustainability is of strategic and statutory importance to Council. The Local Government Act 2002 requires Council to take a sustainable approach by taking into account the social, economic, environmental, and cultural wellbeing of people and communities, the need to maintain and enhance the quality of the environment, and the needs of future generations. Sustainability must therefore be considered throughout the entire procurement process. This is in line with a shift in the Government Procurement Rules (4th Edition) 2019 to focus on the 'broader outcomes' of procurement as shown in Figure 13.

Attachment 2

DRAFT Version 10

Item 4



Figure 12 Examples of Boarder Outcomes - NZ Govt. Procurement Rules (4th Ed) 2019 (recoloured).

Sustainable procurement means that when buying goods or services, Council will consider:

- strategies to avoid unnecessary consumption and manage demand,
- minimising environmental impacts of the goods/services over the whole-of-life of the goods or service,
- suppliers' socially responsible practices including compliance with legislative obligations to employees,
- value over the whole-of-life, rather than just the initial cost.

Issues that impact on sustainability include:

- | | |
|--|--|
| <ul style="list-style-type: none"> • climate change • ozone depletion • optimising use of natural resources • minimise use of hazardous substances • waste minimisation • job creation • health & safety compliance • equality | <ul style="list-style-type: none"> • fair pay for suppliers' staff • economic regeneration • building sustainable markets • legal compliance • public image protection and enhancement • engagement with iwi and hapū organisations, Māori businesses and social enterprises |
|--|--|

2.9 Social Procurement

With an annual procurement programme of approximately \$100 million per year (exclusive of internal staff costs), Council recognises that procurement has a profound effect on the local economy and the wellbeing of its community. In undertaking procurement, Council has the ability to deliver additional benefits to the community and/or meet other strategic objectives through its supply chain. For example reducing unemployment rates, enhancing the skills of the local workforce, or enabling the growth of local markets or suppliers.

2.10 Māori, Mana Whenua, Mātaawaka

Hastings District Council is committed to lifting Māori economic and social well-being and recognising Māori cultural values and perspectives. Social procurement can make a material difference for positive Māori outcomes by including objectives that:

- Support Te Ao Māori cultural competency and knowledge within the supplier's workforce;
- Give due effect to Te Tiriti o Waitangi (Treaty of Waitangi);
- Provide employment opportunities and career pathways for Māori;

Attachment 2

DRAFT Version 10

- Support partnering or sub-contracting with iwi and hapū organisations, Māori businesses and social enterprises; and,
- Encourage the engagement of Māori in the design and/or delivery of goods, services and works.

Council is currently drafting a Social Procurement Strategy to support employees in delivering better social outcomes through procurement. In addition to this, further draft policies (Te Kura Nui Māori Relationship Framework and the Heretaunga Ararau te reo Māori policy) will guide how Council works with mana whenua and other Māori organisations to develop models of partnership that will ensure Māori have a continued mana whenua presence. Council aims to make the Hastings District a place that values Māori business and workforce, heritage, arts, culture, te reo Māori me ōna tikanga, reflected in investment confidence and economic development projects.

2.11 Application to Council Controlled Organisations

For Council Controlled Organisations (CCOs) where Hastings District Council is the controlling entity (majority shareholder), Council expects these CCOs to act in accordance with the principles outlined in this Procurement Strategy.

Where Council is not the majority shareholder, the CCO is not required to comply with Council's Procurement Strategy.

Item 4

Attachment 2

DRAFT Version 10

Item 4

Attachment 2

3 Procurement Programme

Council's procurement programme is defined over 10 years within the LTP. The current LTP covers the period from 2018 to 2028. This section gives an overview of the major planned projects for this period and the budgeted spend for the next three years by category, in order to provide some context to the procurement strategy.

As part of the Long Term Plan, the Infrastructure Strategy identified key challenges for the next 10-30 years, which are:

- Drinking water security, treatment, availability and legislation.
- Ageing transportation and three waters infrastructure.
- Modest levels of forecast population and economic growth.
- An aging population that may place different demands particularly on transport infrastructure and park space.
- Likely change in the transport sector via the advancement of non-petrol vehicle alternatives and self-drive technology.
- Predicted effects of climate change – particularly severity of rainfall events and impacts near our coastline.
- Increasing environmental standards, particularly in relation to stormwater quality and road runoff.
- Earthquake prone building legislation.

Specifically, the key areas of investment focus for the strategy are:

- Water investment.
- Municipal building earthquake strengthening and upgrade.
- Bridge strengthening.
- Wastewater trunk main renewal programme.

3.1 Planned Major Projects

For the period of 2018-2028, the LTP identified ten key areas of investment, with budgets set to 2028. The Category Asset Management Plans provide further analysis and detail on capital expenditure, maintenance and renewals programmes.

A breakdown of the key projects identified in the Long Term Plan are given in the table below:

Priority	Total Project Value	Category(s)
Safe Drinking Water	\$47.5m	Three Waters
Waste water investment	\$14.1m	Three Waters
Storm water investment	\$4.8m	Three Waters
Better roads	\$31m	Transportation
Better bridges	\$9.9m	Transportation
Landfill expansion	\$17.6m	Solid Waste
Housing availability	\$29.7m	Transportation, Three Waters, Public Spaces
Vibrant city centre	\$18.5m	Public Spaces , Transportation, Council Facilities
Enjoyable reserves	\$8.7m	Public Spaces
Industrial development	\$15m	Transportation, Three Waters, Public Spaces

Table 1 Key Projects – Budgeted Spend (total lifetime spend)

Notes: Not all Council projects are detailed, and figures exclude inflation. All projects commenced in or prior to the 2018-2019 Financial Year. The total value is for the life of the project. For further detail on budgeted projects for the current Financial Year, refer to the Council's latest Annual Plan and the relevant Asset Management Plan(s).

DRAFT Version 10

3.1.1 Indicative Annual Spend by Category

Table 2 Planned Procurement Spend by Category for Next Three Years

Category	2020-21	2021-22	2022-23	Three-Year Average:		
				Category Spend	% of Council Spend	% of Asset Spend
Transportation	\$37.12 M	\$32.4 M	\$30.97 M	\$33.5 M	28%	31%
Three Waters	\$63.88 M	\$22.87 M	\$22.51 M	\$36.42 M	30%	34%
Solid Waste Management	\$15.86 M	\$11.27 M	\$9.1 M	\$12.08 M	10%	11%
Community Facilities & Programmes	\$16.98 M	\$7.83 M	\$7.28 M	\$10.7 M	9%	10%
Public Spaces & Building Assets	\$18.39 M	\$15.5 M	\$12.07 M	\$15.32 M	13%	14%
Economic Growth and Organisational Improvements (EGOI)	\$7.54 M	\$5.85 M	\$6.05 M	\$6.48 M	5%	N/A
Planning & Regulatory	\$2.43 M	\$2.34 M	\$2.4 M	\$2.39 M	2%	N/A
HR & Finance	\$1.42 M	\$1.25 M	\$1.21 M	\$1.29 M	1%	N/A
Corporate	\$2.23 M	\$2.6 M	\$2.83 M	\$2.55 M	2%	N/A
Total	\$165.86 M	\$101.9 M	\$94.42 M	\$120.73 M		

Based on the planned spend for the three years to 2023 detailed above, Council's average procurement expenditure by category is shown in the Figure 14 below.

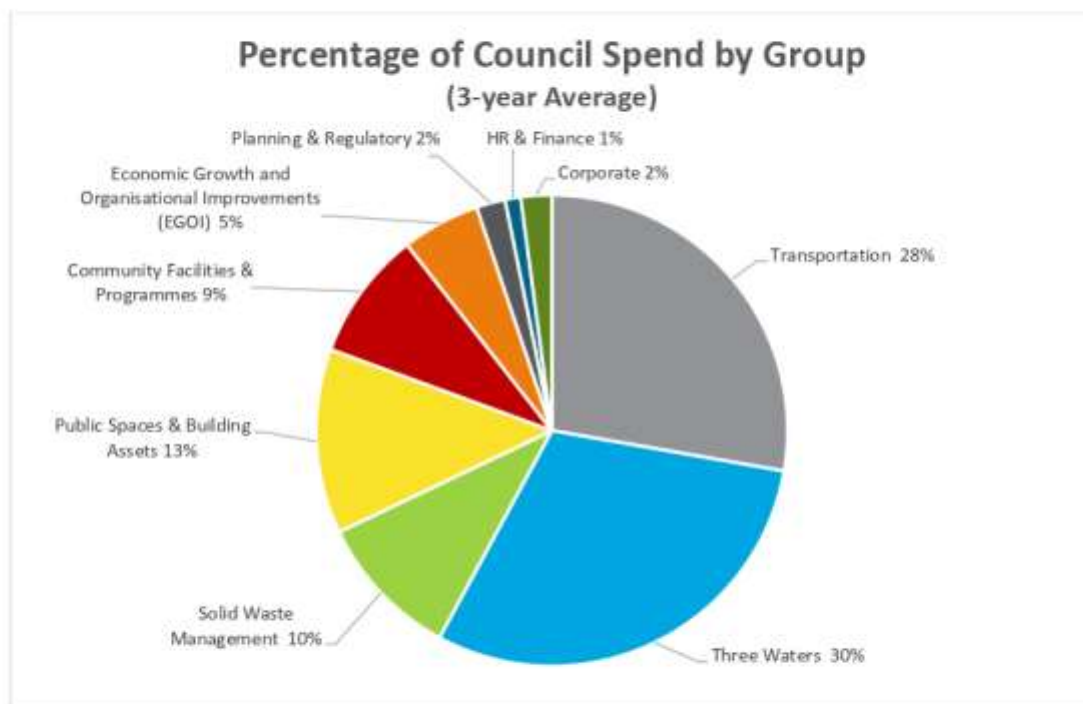


Figure 13 Average Percentage of Council Spend by Group

The asset management areas of Public Spaces & Building Assets, Solid Waste, Three Waters, and Transportation account for 81% of Council's procurement spend. The Building Assets function undertakes the maintenance of all Council's building assets which include offices as well as a wide range of facilities within the community, from rest rooms to Toitoti

DRAFT Version 10

(previously the Hawke's Bay Opera House, currently undergoing a significant renovation project). The Community Facilities and Programmes group is focused on the development and delivery of community programmes both from within Council community facilities and out in the community.

The remaining 19% of Council procurement spend is spread across the Planning & Regulatory and Economic Growth & Operational Improvement (EGOI) groups, and the HR, Finance, and Corporate areas (incorporating Governance, Emergency Response and the Chief Executive contingency fund).

3.1.1.1 Asset Management

Transportation is the largest category spend, accounting for an average of 36% of procurement within the Asset Management group.

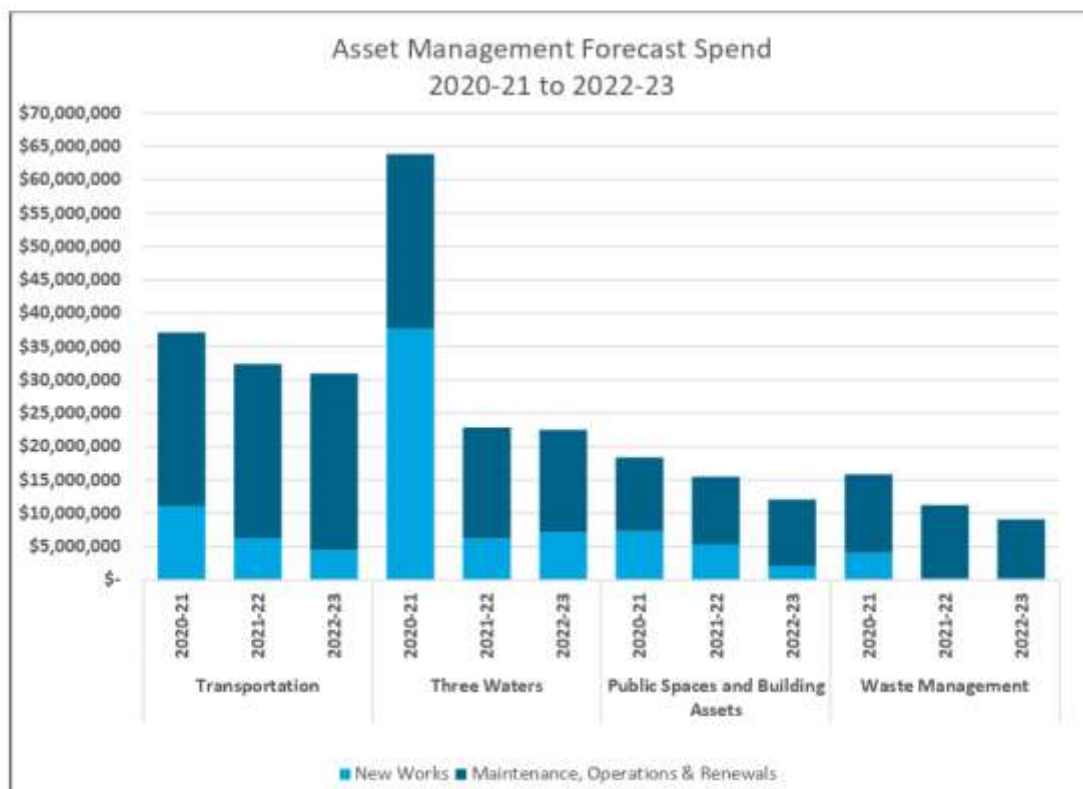


Figure 14 Asset Management Forecast Spend

DRAFT Version 10

Table 3 Asset Management Forecast - New Works, MOR and Analysis

Asset Category	Year	New Works	Maintenance, Operations & Renewals	Total	Three-Year Average		
					Avg \$/Year	% of Council Spend	% of Asset Management Spend
Transportation	2020-21	\$11.1 M	\$26.02 M	\$37.12 M	\$33.5 M	28%	34%
	2021-22	\$6.27 M	\$26.12 M	\$32.4 M			
	2022-23	\$4.47 M	\$26.51 M	\$30.97 M			
Three Waters	2020-21	\$37.67 M	\$26.2 M	\$63.88 M	\$36.42 M	30%	37%
	2021-22	\$6.2 M	\$16.67 M	\$22.87 M			
	2022-23	\$7.26 M	\$15.26 M	\$22.51 M			
Solid Waste Management	2020-21	\$4.06 M	\$11.81 M	\$15.86 M	\$12.08 M	10%	12%
	2021-22	\$2.27 M	\$11.1 M	\$11.27 M			
	2022-23	\$2.27 M	\$8.82 M	\$9.1 M			
Public Spaces & Building Assets	2020-21	\$7.32 M	\$11.07 M	\$18.39 M	\$15.32 M	13%	16%
	2021-22	\$5.3 M	\$10.2 M	\$15.5 M			
	2022-23	\$2.12 M	\$9.95 M	\$12.07 M			

3.2 Procurement Programme Overview

3.2.1 Procurement Positioning

The procurement positioning matrix will be used to inform the approach to market. A high-level analysis of where each procurement category is positioned has been undertaken. It is expected that procurement plans will include a detailed analysis of the market at the time of procurement. This specific analysis may well differ from the following high-level analysis.



Figure 15 Supply Positioning Matrix (Source: MBIE)

DRAFT Version 10

Table 4 Explanation of the Supply Positioning Matrix (Source: MBIE)

Type of Relationship	Agency priority	Description	Approach	Arrangement
Low value strategic	Security of service	Low cost services Strategically important Shortage of providers	Ensure supply	Long term contracts support security of supply Consider developing additional capacity in the supplier community. Maintain a closer relationship to manage problems proactively
High value strategic	Security of service at a good price	High cost services Limited number of suppliers, maybe a single supplier scenario	Manage providers	Med/long term contract to support security of supply Contingency planning Maintain a closer, more collaborative relationship
Low value non-strategic	Maximise efficiency in sourcing services	Low-value/low-risk services Many potential suppliers	Less attention	Standard outcome agreements of shorter term Standard measures, monitoring and reporting Closer monitoring of those suppliers falling below average standards, volumes or outcomes
High value non-strategic	Improving value through actively working with suppliers to seek efficiencies	High-cost/low-risk services Many potential suppliers	Ensure value	Shorter term contracts enable change to achieve better value On-going active sourcing for competitive price Less common for contracts for social services

3.2.2 Category Analysis

Detailed category analysis has been completed for the following categories:

- Three Waters (Drinking/Stormwater/Wastewater)
- Transportation
- Public Spaces & Building Assets
- Community Facilities & Programmes
- Waste & Data Services (Solid Waste)
- Planning & Regulatory Services
- Economic Growth & Organisational Improvement Services

DRAFT Version 10

3.2.2.1 Three Waters

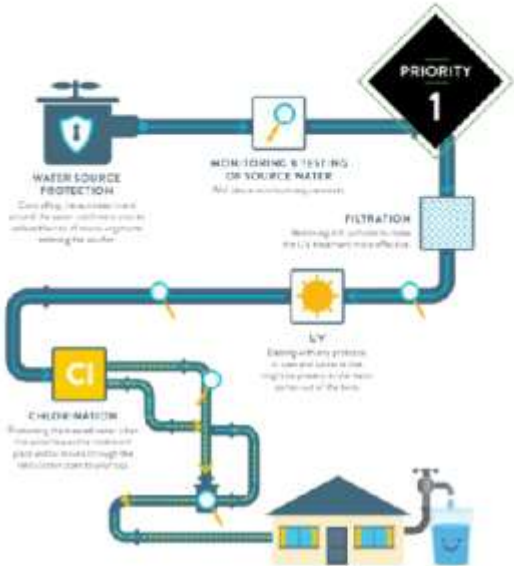
This category includes the maintenance and renewal activities for the three waters, water supply, wastewater and stormwater.

Asset Details	Quantity
Stormwater	
Mains (km)	326
Open Channels (km)	75
Retention Dams (No.)	11
Pump Stations (No.)	11
Wastewater	
Mains (km)	406
Connections (km)	177
Pump Stations (No.)	44
Treatment Plant (No.)	2
Outfall (km)	3
Water Supply	
Mains (km)	505
Connections (km)	164
Water Treatment Plants/Pump Stations (No.)	16

Table 5 Council Assets - Three Waters

Council commenced a period of significant investment in water infrastructure in 2018. The Havelock North Drinking Water Inquiry raised significant issues about the way drinking water supplies are managed and delivered not just in Hastings, but across New Zealand. A safe and resilient water supply within the District is the number one priority for Council, to ensure the health and wellbeing of our communities. Council is focused on ensuring it meets the new guidelines in respect of the Health Act (1956).

Council’s programme of investment in drinking water (to improve the level of service) is significantly higher through to the end of the 2020-2021 financial year, with significant capital works projects planned for completion during this period.



Item 4

Attachment 2

DRAFT Version 10

Table 6 Three Waters Procurement Analysis

THREE WATERS					
Description	<p>The key water supply projects are of a significant scale to improve resilience, being new infrastructure to facilitate the abandonment of the Havelock North Brookvale Bore, new reservoirs, and the treatment of all sources with the installation of UV technology (in addition to chlorine) for the main supply. Small community supply infrastructure and treatment improvements will also be undertaken.</p> <p>The key wastewater projects are the continuation of the trunk sewer rehabilitation and replacement programme and the treatment plant upgrade works.</p> <p>Stormwater works projects include standalone stormwater improvements, stormwater quality improvements and infrastructure upgrades associated with transportation projects.</p> <p>The three waters programme support the Councils industrial and residential growth strategy.</p>				
Sub Categories	Main Drinking Water Supply, Community Drinking Water Supplies, Stormwater, Wastewater				
Accountability	Asset Management Group				
Category	Indicative	Year	2020-21	2021-22	2022-23
Positioning	Spend	Capital Expenditure	\$37.67 M	\$6.2 M	\$7.26 M
Relative Risk		Operational, Maintenance & Renewal	\$26.2 M	\$16.67 M	\$15.26 M
	Matrix Position	High Value Strategic			
Supplier Market	<p>The top five suppliers for the previous two years include City Care (Term Maintenance Contract), March Construction (Havelock North trunk watermain capital works), Fulton Hogan (growth related capital works), Monadelphous (Heretaunga Water and Te Mata water services capital works), and Stantec NZ (professional services).</p>				
Market Summary	<p>The market is dominated by two locally based national contractors Fulton Hogan (capital and renewals) and City Care (maintenance). Medium to small contractors also provide capital and renewal capability and capacity either as contractors or subcontractors generally through the Council Prequalification and Performance Management System.</p>				
Locally Available Suppliers	<p>Contractors: Higgins, Russell Roads, Fulton Hogan, QRS(Wairoa), HBRC Works Group, Drainways, Santo Drainage, City Care, Advanced Plumbing, Dormer Construction, Bay View Pumps.</p> <p>Professional Services: Stantec NZ, GHD, WSP Opus. Nationally available include, Tonkin and Taylor, Good Earth Matters, Lutra, Water Testing HB, AD Reily, BECA, and smaller specialist providers (surveyors, laboratory testing services).</p>				
Procurement	<p>Council use a prequalification and performance management system for three waters capital and renewal works.</p> <p>The risk is significant in relation to the procurement process due to the specialised skills required for the construction of pipelines, treatment plants and water storage reservoirs for the capital and renewal programme. Given the scale of the projects, the small number of suppliers competing for the contracts, and the limited interest to tender from contractors outside of the region, there is a risk of not achieving the budgeted cost for projects.</p> <p>The term water services maintenance contract is to be retendered in 2020. The term professional services contract is to be retendered in 2020.</p>				

Item 4

Attachment 2

3.2.2.2 Transportation

Council has embarked on a seven-year \$10 million programme to strengthen the bridging stock on selected routes to cater for High Productivity Motor Vehicles (HPMV) loadings to provide an efficient network for the transportation of freight and forestry logging.

Council is also implementing a streetlight upgrade programme replacing existing lights with LED technology.

This category includes the maintenance and renewal activities for the transportation assets.

Asset Details	Quantity
Sealed Pavement (km)	1,301
Unsealed Pavement (km)	338
Footpaths (km)	466
Bridges (no.)	257
Off Road Cycleway (km)	19
Street Lights (no.)	7,100

Table 7 Council Assets - Transportation

UPGRADING OUR BRIDGES

DRAFT Version 10

KEY ISSUE

2

Future-proofing key lifelines for our rural communities and key productivity routes for our economy.



Council completed in 2018 the \$25 million Whakatu Arterial project (Te Ara Kahikatea) to improve the efficiency of the region's transportation network, a significant investment in the region's transportation growth strategy.



Figure 16 Whakatu Arterial Link during construction

DRAFT Version 10

Table 8 Transportation Procurement Analysis

TRANSPORTATION					
Description	Transportation manages the delivery of ongoing investment in the transportation network, encompassing roading maintenance, urban and rural area wide pavement treatments, minor safety improvements, walking and cycling pathways and supporting the Councils industrial and residential growth strategy.				
Sub Categories	Sealed pavement and surfacing assets, Unsealed pavement, Footpaths, Bridges and Large Culverts, Other structures, Drainage (culverts, sumps, surface water channels), Street Lights, Traffic Signals, Traffic Services (signs, markings, marker posts, rails, bus shelters), Parking Assets.				
Accountability	Asset Management Group – Transportation				
Category	Indicative	Year	2020-21	2021-22	2022-23
Positioning	Spend	Capital Expenditure	\$11.1 M	\$6.27 M	\$4.47 M
Relative Risk	Operational, Maintenance & Renewal		\$26.02 M	\$26.12 M	\$26.51 M
	Matrix Position	High Value Strategic			
Supplier Market	Top five suppliers for the previous two years include Fulton Hogan (rural maintenance and capital and renewals programme), Downer (urban maintenance), Higgins (capital and renewal projects), Russell Roads (capital and renewal projects) and Stantec NZ (professional services).				
Market Summary	Term contracts are in place for road, streetlights, traffic signals, roadmaking, and resurfacing works and capital works are procured on an individual or combined basis in most cases using prequalified contractors for both roading and bridging projects.				
Locally Available Suppliers	<p>Depending on the scale and complexity of the projects, there is a reasonable local supplier market with a total of eight contractors prequalified for road construction, and six for bridge construction.</p> <p>Contractors (Road Construction): Higgins, Russell Roads, Downer, McNatty Construction, Fulton Hogan, QRS (Wairoa), Drainways, Phoenix Contracting, Berkett, Roadrunners.</p> <p>Contractors (Bridge Construction): Downer, McNatty Construction, Fulton Hogan, QRS (Wairoa), HBRC Works Group, Concrete Structures and Lattey Civil and Precast.</p> <p>Professional Services: Stantec NZ, GHD, WSP Opus, BECA. Nationally available include, Tonkin and Taylor and smaller specialist providers (surveyors, laboratory testing services).</p>				
Procurement	<p>Council use a prequalification and performance management system for transportation capital and renewal roading and bridging works.</p> <p>Requests for tenders generally attract three tenders which is enough to provide a competitive tendering environment.</p> <p>The scale of projects is not large enough to attract contractors from out of the region, but this is not seen as an issue. National companies, locally based, Higgins, Downer and Fulton Hogan can provide additional resources from outside of the region if required.</p> <p>Council has and will continue to use the invited procurement method for specialised bridge strengthening works using the Prequalification and Performance Management for Civil Construction system.</p> <p>In 2018 Council has increased the use of the Price Quality Method of tender evaluation when using pre-qualified contractors, which has seen a positive response from the contractors in terms of the quality of submissions and work outputs.</p> <p>The term professional services contract is to be retendered in 2020.</p>				

DRAFT Version 10

3.2.2.3 Waste & Data Services (Solid Waste)

The Waste & Data Services team consists of the solid waste management team, and the asset team responsible for data relating to Council infrastructure for Three Waters and Public Spaces & Building Assets teams. The solid waste function includes the management of:

- The Omarunui landfill, jointly owned with Napier City Council. Hastings District Council administers and procures all works, goods and services for the landfill, and recoups the Napier City Council share of expenses (36%).
- Henderson Road Refuse Transfer Station and Recycling Centre.
- Weekly kerbside recycling and refuse collection services.
- Seven recycling drop-off centres (Black Bridge, Martin Place, Waimarama, Maraekakaho, Pukehomoamoas, Poukawa, and Tutira.
- Waste minimisation and education services (including community consultation, waste strategy and implementation).

Note: Hastings District Council owns the Black Bridge Refuse Transfer Station, which is leased to a private operator.

Table 9 Solid Waste Management Procurement Analysis

SOLID WASTE					
Description	<p>Following the completion of a joint Hastings District Council and Napier City Council Waste Management and Minimisation Plan (WMMP) Council, in 2019, tendered for recycling and refuse services for commencement in 2020. The service is a significant change for the community as the kerbside recycling will be collected from Council supplied bins and the refuse from a Council supplied wheelie bin.</p> <p>Work has commenced on the consultation and consenting phase for the next stage of the Omarunui landfill expansion, with the consent planned to be lodged in 2020. Construction expenditure is anticipated to be beyond 2022-23.</p>				
Sub Categories	Operations, maintenance and renewals and capital works.				
Accountability	Asset Management Group – Waste & Data Services Management				
Category	Indicative	Year	2020-21	2021-22	2022-23
Positioning	Spend	Capital Expenditure	\$4.06 M	\$0.27 M	\$0.27 M
Relative Risk	Operational, Maintenance & Renewal		\$11.81 M	\$11. M	\$8.82 M
Matrix Position	Low Value Strategic				
Supplier Market	Top five suppliers for previous two years were Green Sky Waste (kerbside recycling services), Stantec NZ (professional services), Lissette (Omarunui Landfill operations), Phoenix Contracting (transfer stations operation) and Waste Management (kerbside rubbish services).				
Market Summary	<p>Council has awarded new term contracts for the management of the Henderson Road and Black Bridge Transfer Stations in 2019 to local suppliers.</p> <p>Council has tendered for the kerbside and drop-off centre recycling services and refuse collection Services in 2019 for commencement in 2020. Tenderers are local and national suppliers.</p>				
Locally Available Suppliers	<p>Contractors: Green Sky Waste, Lissette, Phoenix, Waste Management, Fulton Hogan, Blue Bins, Smart Environmental, JJ Richards.</p> <p>Professional Services: Tonkin and Taylor, Stantec NZ.</p>				
Procurement	<p>Procurement for contracting waste services is through several term contracts to ensure a continuity of service and provide a sufficient period for contractors to manage the required capital investment. The new recycling and refuse contracts are for a 7-year term with 3-year possible extensions. These contracts attract both local and national suppliers.</p> <p>Council also has term professional services for the Omarunui Landfill development and monitoring, planning services and specialist technical advice provided by national suppliers.</p>				

DRAFT Version 10

3.2.2.4 Public Spaces & Building Assets

The Public Spaces and Building Asset Team manages the Council's parks and reserves and Council buildings.

Hastings has 177 parks and reserves, ranging from city, neighbourhood and rural playgrounds, sports fields and parks, to natural green spaces and road reserves. There are currently 56 hectares of sports fields, 698 hectares of reserves, 40 playgrounds, 53,000m² of gardens and shrub beds, and some 33,000 street trees.

Council has 151 buildings on Council land. 110 of these buildings are managed and maintained by Council with the remainder maintained by others. These buildings and properties have a total replacement value of over \$221 million.

There are nine housing complexes across Hastings dedicated to homing older persons in need; seven in Hastings and one each in Flaxmere and Havelock North. The focus is on providing safe, comfortable units that allow residents to have easy access to local services.

Table 10 Public Spaces & Building Assets Procurement Analysis

PUBLIC SPACES & BUILDING ASSETS					
Description	<p>This category includes the maintenance and renewal activities for parks and reserves and building assets.</p> <p>Prior to 2018 the Public Spaces maintenance was undertaken by an in-house Service Delivery Unit. This work has been outsourced and is being undertaken by Recreational Services through a term contract.</p> <p>The Public Spaces team is also responsible for the street enhancement work identified in the City Centre Revitalisation Plan (adopted by Council in February 2019) with a budget of \$18.5 million. This involves the Central Plaza, Civic Square, Pocket parks, laneways and accessibility connections, CBD gateway enhancements and street upgrades.</p> <p>Linkage (Urban), Linkage (Ecological), Civic Space, Cultural Heritage, Open Space (Natural), Open Space (Maintained), Public Gardens, Community Centres, Sport & Recreation, Streetscapes, Public Toilets, Elderly housing, service buildings.</p>				
Sub Categories	Linkage (Urban), Linkage (Ecological), Civic Space, Cultural Heritage, Open Space (Natural), Open Space (Maintained), Public Gardens, Community Centres, Sport & Recreation, Streetscapes, Public Toilets, Elderly Housing, Service Buildings				
Accountability	Asset Management Group – Public Spaces & Building Assets				
Category	Indicative	Year	2020-21	2021-22	2022-23
Positioning	Spend	Capital Expenditure	\$7.32 M	\$5.3 M	\$2.12 M
Relative Risk		Operational, Maintenance & Renewal	\$11.07 M	\$10.2 M	\$9.95 M
	Matrix Position	Low Value Strategic			
Supplier Market	<p>Top five suppliers for previous two years were Recreational Services (maintenance), Hawke's Bay Regional Council (public spaces maintenance) Downer (urban and parks works and maintenance), Higgins Contractors (capital works), Berkett Earthmovers (maintenance works)</p> <p>The top supplier list varies from year to year depending on the capital works programme and excludes any grants to other community organisations.</p>				
Market Summary	<p>The Council outsourced the Public Spaces maintenance to a national company, Recreational Services in 2019 under a term contract.</p> <p>Street upgrades and civil works relating to playground upgrades are generally undertaken using prequalified contractors providing a reasonable local supplier market.</p> <p>A panel supply contract is in place for the supply of playground equipment.</p>				

DRAFT Version 10

Locally Available Suppliers	<p>Council has a preferred supplier list for small routine maintenance works (electricians, painters, plumbers etc.) and tenders to the local market for capital and renewal projects.</p> <p>Contractors: Recreational Services, Creations Paving, Higgins Contractors, Russell Roads, Fulton Hogan, City Care, Downer, Hawke's Bay Regional Council, Berkett Earthmovers, and a range of building capital, renewal and maintenance contractors.</p> <p>Professional Services: Evergreen Landscapes, Citrus Studio, Jackson Engineering, Urbanismplus, Stantec NZ, BECA Ltd</p>
Procurement	<p>Procurement is through a combination of term contracts, panel supply contract and specific one-off engagements tailored to the work scope to achieve the best public value.</p> <p>The panel supply contract for playground equipment caters for the wide variety of equipment on the market and affords the greatest flexibility in procuring the multiple playground components. The street enhancement programme will be procured through a combination of prequalified contractors and nominated subcontractors.</p> <p>Several small local suppliers are also used (surveyors, material suppliers) and are procured by invited or open tender.</p> <p>There is a range of specialist professional services providers available.</p>

Item 4

Attachment 2

DRAFT Version 10

3.2.2.5 Community Facilities & Programmes

The Community Facilities and Programmes group manage facilities such as Splash Planet, four swimming pools, sport centres, community and function centres, libraries, art gallery, i-sites, and the Hawke's Bay arts and events centre (Toitoti).

The group also manages a range of grants available to community groups and, in some cases, individuals, all with specific criteria designed to enhance the lives of residents through events, programmes, services, and facility improvements.

Table 11 Community Facilities & Programmes Procurement Analysis

COMMUNITY FACILITIES & PROGRAMMES					
Description	The group manages Council facilities and community programmes. Council is currently undertaking the strengthening and redevelopment of the Toitoti complex (previously the Hawke's Bay Opera House, Municipal Building and Plaza) which is scheduled to reopen in February 2020.				
Sub Categories	Social & Youth Development (Youth Development, Senior Housing, Community & Safety), Community Facilities (Community Centres [2], Sports Centre, Swimming Pools [4]), Splash Planet, Libraries [3], Art Gallery, Crematorium and Cemeteries.				
Accountability	Council Facilities & Programmes (MO&R) Asset Management Group – Public Spaces & Building Assets (Capex)				
Category	Indicative	Year	2020-21	2021-22	2022-23
Positioning	Spend	Capital Expenditure	\$0.72 M	\$0.47 M	\$0.03 M
Relative Risk	Operational, Maintenance & Renewal		\$16.26 M	\$7.37 M	\$7.25 M
	Matrix Position	Low Value Strategic			
Supplier Market	The top five suppliers for the last two years were Gemco (Toitoti), Holmes Consulting (consulting engineers - Toitoti), Focus Project Management (Toitoti),Wavelength Water Services(swimming pool maintenance services), Mathews and Mathews Architects(professional Services) The top supplier list varies from year to year depending on the capital works programme and excludes any grants to other community organisations.				
Market Summary	With the current buoyant economy there is a shortage of vertical build contractors for capital and renewal projects and this is not expected to change in the short term.Contractors (Capital and renewals): Gemco, Mackersey Construction, Alexander, Stead, Simkin, Pro-Structure. Contractors (Maintenance): Numerous small local contractors.				
Locally Available Suppliers	Council has a preferred supplier list for small routine maintenance works (electricians, painters, plumbers etc.) Contractors (Capital and renewals): Gemco, Mackerseys, Alexander, Stead, Simkin, Pro-Structure. Contractors (Maintenance): Numerous small local contractors. Professional Services: Holmes Consulting, Focus Project Management, Mathews and Mathews Architects, Giblin and associates, Strata, Jackson Engineering, Dave Pearson Architects, Create Ltd, and several smaller consulting companies.				
Procurement	The risk is significant in relation to the procurement process due to the specialised skills required for vertical build and specialised public facilities capital, renewal and maintenance programme. Given the scale of some of the projects, the small number of suppliers competing for the larger contracts, and the limited interest to tender from contractors outside of the region, there is a risk of not achieving the budgeted cost for projects. There is a range of specialist professional service providers available.				

DRAFT Version 10

3.2.2.6 Planning & Regulatory Services

The Planning & Regulatory Group are primarily involved in activities required by statute. These activities include planning and resource consents, building control, environmental and land use policy, regulatory policy, environmental health and animal control. Additional to these activities the Group also undertakes parking control and is responsible for the City Assist, Skatepark guardians and CCTV operations.

Table 12 Planning & Regulatory Services Procurement Analysis

PLANNING & REGULATORY SERVICES					
Description	The Planning and Regulatory Group procure mainly professional services to support Council-wide policy and consenting functions for building, resource and environmental health management as well as services related to parking, security and animal control services.				
Sub Categories	Building Consents, Environmental Planning, Policy and Consents, Environmental Health/Liquor, Compliance, Parking, Security, Animal Control.				
Accountability	Planning & Regulatory Services				
Category	Indicative	Year	2020-21	2021-22	2022-23
Positioning	Spend	Capital Expenditure	-	-	-
Relative Risk	Operational, Maintenance & Renewal		\$2.43m	\$2.34m	\$2.4m
	Matrix Position	Low Value Strategic			
Supplier Market	The top five suppliers for the last two years were Bannister & von Dadelszen (legal advice), Matthew Casey (legal advice), Mackersey Construction (urban redevelopment and upgrades), Advanced Security (security equipment and maintenance), and HSM (security monitoring, equipment and installation).				
Market Summary	There is an established market with longstanding relationships who deliver across a variety of disciplines and specialist fields.				
Locally Available Suppliers	There are several local suppliers with the capacity and capability that provide services to the group. The Group also uses national legal advisors as required.				
Procurement	The procurement approach varies from term capital, maintenance and service contracts to the direct engagement of specialist legal advisors.				
	The use of professional services (e.g. legal) are often reactive to situations that arise (sometimes beyond Council control).				
	Procurement risks are mitigated through having long-term arrangements with suppliers.				

DRAFT Version 10

3.2.2.7 Economic Growth & Organisational Improvement

The Economic Growth & Organisational Improvement (EGOI) Group has a number of significant strategic projects underway, which includes residential housing supply (Howard Street, Havelock Hills, Arataki and Lyndhurst Road), industrial developments at Omahu and Irongate Roads, and business growth projects which included attracting Quest Hotels and NZ Police headquarters to the central city. As strategic projects, procurement is heavily focused on professional services for strategy development, peer reviews and legal advice.

The most significant area of spend for EGOI relates to information systems. Recent projects have focused on delivery improvements in efficiency (Records Management System) and delivering savings through sharing of costs with other local government authorities from the region (for example, the new website developed with HBLASS partners, which won Best Digital Project at the 2019 Association of Local Government Information Management Awards and delivered cost savings through a joint approach to market).

Other areas of significant spend include electricity, fleet vehicles and office supplies which are procured through All of Government (AoG) contracts, and the marketing and communications function (incorporating design, print, advertising and distribution costs).

Table 13 EGOI Procurement Analysis

ECONOMIC GROWTH & ORGANISATIONAL IMPROVEMENT					
Description	The Economic Growth & Organisational Improvement (EGOI) Group works in partnership with other parts of the organisation and the community to promote Council's vision and achieve key outcomes. It is focused on strategic projects to facilitate economic growth, connecting Council with its community, and working to continuously improve the efficiency and effectiveness of internal operations.				
Sub Categories	Marketing & Communications, Customer Services, Strategic Projects, Economic Development, District Development, Democracy & Governance Services, Risk & Corporate Services, Information Services, i-Sites.				
Accountability	Economic Growth & Organisational Improvement				
Category	Indicative	Year	2020-21	2021-22	2022-23
Positioning	Spend	Capital Expenditure	-	-	-
Relative Risk	Operational, Maintenance & Renewal		\$7.54m	\$5.85m	\$6.05m
	Matrix Position	Low Value Strategic			
Supplier Market	The top five suppliers for the last two years were Datacom System (IT systems), Spark Digital (IT Systems), Technology One (IT Systems), Hawkes Bay Regional Council (Coastal Hazards Strategy), and Fuji Xerox (printer services).				
Market Summary	EGOI undertake a diverse range of functions and as such the type of specialist assistance required from the market varies accordingly. The demand is met by both national and local suppliers.				
Locally Available Suppliers	There are several local suppliers for IT support services and professional services as well as national IT system and professional services suppliers.				
Procurement	<p>The procurement approach varies from term capital, maintenance and supply contracts to the direct engagement of specialist legal advisors.</p> <p>The use of professional services (e.g. legal) are often reactive to situations that arise (sometimes beyond Council control).</p> <p>Procurement risks are mitigated through having long term arrangements with suppliers.</p> <p>EGOI also procures goods and services using AoG arrangements and working with neighbouring local authorities.</p>				

DRAFT Version 10

Item 4

Attachment 2

3.3 Planned High Risk or Unusual Procurement Activities

There are no procurements planned by Council that would appear unusual for a local government organisation.

There are currently four projects which present a high-risk to Council at some point of the procurement lifecycle.

Drinking Water – due to the scale or skill complexity of certain stages of this project, the ability to attract several suppliers at a reasonable cost presents a risk to achieving timelines for project delivery, and significant financial risk to budgets and compliance. Failure to deliver the required improvements to meet national drinking water standards also presents a reputational and risk. The driving risk for instigating this project is a public health risk, which remains until key stages of the project are completed.

Three Waters Maintenance and Operations Contract – The Three Waters maintenance and operations term contract is to be retendered in 2020. Council has undertaken a number of site visits to other Councils to observe current practices to inform the contract scope, term, and supplier selection decision making process.

The contract will also need to consider the national and regional three waters review and pending regulatory changes and include the flexibility in the contract to be able to respond to any changes.

Solid Waste Management – Under the Waste Management and Minimisation Plan, Council will be changing from a bagged rubbish collection service to a wheelie bin service, and a new recycling service in 2020. The change to kerbside services will have an impact on customers (in what they pay Council) and on suppliers who offer private wheelie bin services for general waste collection. The change to a Council-funded wheelie bin refuse service and new recycling service presents a reputational risk as the community adjusts to the new service. The contracts have been awarded so the risk is now in the planning and implementation of the new service.

Bridges – New rules introduced by Government have changed the allowable dimension and weight limits for vehicles on New Zealand roads. The updated rules came into effect 1 February 2017. This rule permits increased weights for public transport vehicles, specialist vehicles and longer trucks. Council has assessed all bridges against the new weight limits, and bridges not able to meet the requirements for the heavier weight limit were signposted with weight restrictions in December 2017. Council has prepared and commenced the implementation of a seven-year bridge structural strengthening programme in response to the changes in legislation. Failure to secure suppliers to deliver this programme within budget will restrict productivity and impact on the economy.

Earthquake Building Strengthening – Council is currently strengthening the Hawke's Bay Opera House and undertaking work to strengthen the Municipal Building as part of the Opera House Precinct Project to ensure the buildings meet the Building (Earthquake-prone Buildings) Amendment Act 2016. It is critical the procurement process ensures contractors have the skills, capability and capacity to complete the buildings to code, to ensure the buildings can be enjoyed safely by the community.

Asset Management Professional Services Contract – The Asset Management professional services term contract is to be retendered in 2020. Council is currently considering the scope, term, delivery approach and supplier selection method.

It is likely that a panel approach with two suppliers will be taken to aid market tension and capacity development. In adopting this approach Council needs to consider the risk of spreading the programme of works too thinly and in doing so reduce the ability for supply partners to invest in ongoing development.

A supply panel delivery model is defined by NZTA as an advanced delivery model and as such can only be used with the Transport Agency's prior written approval under s25 of the LTMA.

DRAFT Version 10

Item 4

Attachment 2

4 Procurement Environment

4.1 Analysis of Supplier Market

Council expenditure is heavily weighted towards the Asset Management Group, which comprises Transportation, Three Waters, Solid Waste, and Public Spaces & Building Assets.

Trends in expenditure are influenced by individually significant projects or programmes, for example, the strengthening of the Toitū Hawke's Bay Arts and Events Centre, the water supply capital works strategy, bridge strengthening programme, landfill development, and long-term maintenance and services contracts.

Core functions of the programme can be undertaken by the local supplier market with specialist expertise sourced nationally. For asset management, the suppliers are a mix of small to medium-size suppliers and larger multinationals who have a strong presence in Hawke's Bay. The larger companies can draw on their national expertise to undertake technically specialised projects with regards to both physical works and professional services.

The Council has experienced an increasing programme of work and the capacity and capability of the market to deliver the programme is a concern. This increase is planned to continue and requires a greater emphasis on procurement strategy development and procurement planning.

The region continues to experience a vibrant market with a continued high level of residential, commercial and industrial development which is affecting the capacity of the professional service providers and contractors.

The national skill shortage in the construction industry is evident in Hawke's Bay and Council is experiencing an increase in construction costs due to the combination of this shortage and the local current market conditions. This is particularly evident in the Three Waters construction industry where all contractors find it difficult to employ skilled staff.

There are four other Territorial Local Authorities (TLA) in the region (Napier City Council, Central Hawke's Bay District Council, Wairoa District Council and Hawke's Bay Regional Council) and NZTA with similar procurement demands, which can limit the number of tenders/responses and increase costs.

The establishment of Hawke's Bay Local Authority Shared Services (HBLASS) has enabled Council to derive greater value through their procurement across some areas of the organisation such as IT services and fuel. While the Councils do attempt to coordinate procurement for asset management projects, the nature of the programmes of work can limit the opportunity for this to occur (e.g. complexity, flexibility restricted by seasonality/weather, funding constraints, the nature of the project and impact on the community).

Professional services are outsourced with a relatively small percentage undertaken in-house. For professional services, Council spent approximately \$29 million on professional services over the previous three years, of which 77% was spent by the Asset Management Group. The main engineering professional services provider for the Asset Management Group is Stantec NZ through a term contract which runs through to June 2020. Stantec NZ accounts for approximately 73% of Council's professional services spend within the Asset Management group. Council is currently considering the procurement options for the next contract and will be taking into account the balance of in-house versus outsourced services and the sustainability of the supplier market.

The relative geographical isolation of Hawke's Bay limits the range of suppliers with the resources and expertise to handle large programmes of work. The region has not seen many variations in supplier numbers from year to year. The relatively small value physical works contracts limit the interest in contractors from outside of the region to either tender for work or to establish a base in Hawke's Bay.

DRAFT Version 10

Council has several maintenance and term contracts; the current Asset Management Group contracts are listed in Appendix 7.1.

Council is currently considering the procurement strategies for engineering professional services and Three Waters maintenance which will be awarded in 2020.

It is through a combination of term and project-specific contracts that Council encourage a competitive environment. Project-specific contracts are procured either through invited or open tenders. Suppliers have the opportunity to be Council's preferred supplier for a range of goods or services or prequalified for civil infrastructure works as well as participate in an open tender procurement.

Council will continue to assess the impact of the procurement approach selected on the local market by thorough procurement planning, to ensure the best opportunity is made available for suppliers to tender.

4.2 Analysis of Current Procurement Spend and Profile

Over the previous three years, Council has spent an average of \$114 million on procuring goods and services. 76% of this is through the Asset Management Group, with transportation being the largest area of spend, accounting for 31% of all of Council's procurement spend, and 41% of the Asset Management Group spend.

Table 14 Analysis of Council Spend by Category - Previous 3 Years

Category	2016-17	2017-18	2018-19	Three-Year Average:		
				Category Spend	% of Council Spend	% of Asset Spend
Transportation	\$35.29 M	\$35.87 M	\$36.54 M	\$35.9 M	31%	41%
Three Waters	\$23.6 M	\$37.64 M	\$33.23 M	\$31.49 M	28%	36%
Solid Waste Management	\$5.66 M	\$6.67 M	\$7.32 M	\$6.55 M	6%	8%
Community Facilities & Programmes	\$13.57 M	\$12.07 M	\$13.41 M	\$13.02 M	11%	15%
Public Spaces & Building Assets	\$7.7 M	\$13.38 M	\$16.41 M	\$12.5 M	11%	14%
Economic Growth and Organisational Improvements (EGO)	\$6.28 M	\$5.03 M	\$5.59 M	\$5.63 M	5%	N/A
Planning & Regulatory	\$2.62 M	\$4.01 M	\$5.48 M	\$4.04 M	4%	N/A
HR & Finance	\$1.05 M	\$1.4 M	\$1.42 M	\$1.29 M	1%	N/A
Corporate	\$5.47 M	\$2.93 M	\$2.99 M	\$3.8 M	3%	N/A
Total	\$101.25 M	\$119.01 M	\$122.38 M	\$114.21 M		

DRAFT Version 10

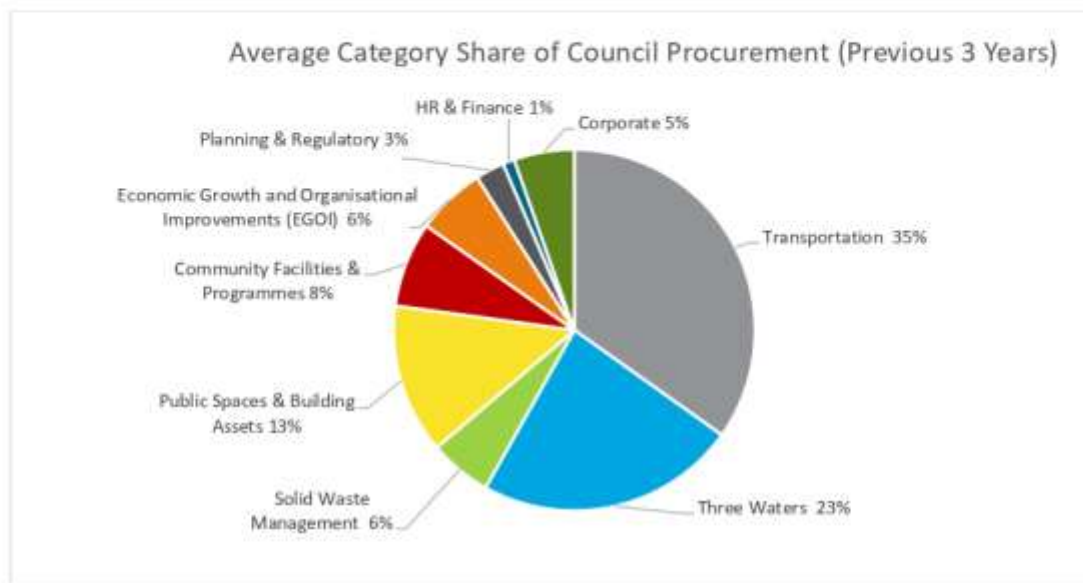


Figure 17 Average Category Share of Council Procurement (Previous 3 Years)

Outside of transportation, key projects that have impacted on asset management spend have been the drinking water investment strategy (LTP budget \$47.5m) and the Hawke's Bay Opera House precinct strengthening project (LTP budget \$35m), now named Toitū Hawke's Bay arts and events centre.

Table 15 Asset Management – Top Ten Suppliers (Last 3 Years)

ASSET MANAGEMENT – TOP TEN SUPPLIERS (LAST 3 YEARS)						3-Year Average	
Categories	Contractor	2016-17	2017-18	2018-19	3-Year Average	% AM Spend	% HDC Spend
T/3W/SW	Fulton Hogan	\$8,287,562	\$11,573,700	\$16,378,778	\$12,080,013	23%	10%
T/3W/P&R	Downer	\$8,639,039	\$9,934,436	\$9,823,543	\$9,465,673	18%	8%
T/3W/SW	Stantec	\$4,584,795	\$5,639,096	\$6,060,616	\$5,428,169	10%	5%
T/3W/P&R	Higgins	\$6,008,752	\$5,354,770	\$4,827,270	\$5,396,931	10%	5%
3W	City Care Ltd	\$3,844,829	\$4,852,476	\$6,513,435	\$5,070,247	10%	4%
T/CF	Gemco	\$962,543	\$5,582,673	\$8,379,506	\$4,974,907	10%	4%
3W	March Construct	-	\$3,312,618	\$6,336,303	\$3,216,307	6%	3%
3W	Monadelphous	\$916,040	\$7,106,178	\$373,415	\$2,798,544	5%	2%
T	Berkett	\$1,805,751	\$1,689,624	\$1,727,141	\$1,740,839	3%	1%
T	Russell Roads	\$1,065,901	\$3,635,662	\$342,683	\$1,681,415	3%	1%
Total - Asset Management Spend		\$36,115,213	\$58,681,231	\$60,762,690	\$51,853,045		
Total - HDC Spend		\$102,900,943	\$121,333,673	\$133,063,941	\$119,099,519		
% of HDC Spend on Asset Management		35%	48%	46%	44%		

Over the last three years (2016/17 to 2018/19) period, Council has engaged approximately 2,000 suppliers each year. However, the majority of these have been relatively small transactions while our ten biggest suppliers having accounted for as much as 49% of Council expenditure (2017-18).

When the total Asset Management Group expenditure is analysed the reliance on these large suppliers is even more dominant; 43% of Council's average total annual spend is with the 10 largest suppliers of the Asset Management Group.

DRAFT Version 10

This is even more obvious when compared to the top ten non-asset management related suppliers, who account for just 2% of Council's annual spend.

The main suppliers by Council group are noted in section 3.2 Procurement Programme Overview.

Outside of asset management activities, Council's key expense areas are highlighted in Table 16.

Table 16 Top 10 Expense Areas for Non-Asset Management Categories

NON-ASSET MANAGEMENT GROUP EXPENDITURE – TOP TEN (LAST 3 YEARS)				3-Year Average	
Contractor	2016-17	2017-18	2018-19	Average	% HDC Spend
Information Systems	\$1.98 M	\$1.71 M	\$2.31 M	\$2.0 M	2%
Parking	\$0.53 M	\$1.27 M	\$2.18 M	\$1.33 M	1%
Economic & Social Development	\$0.64 M	\$0.86 M	\$0.65 M	\$0.72 M	1%
Environmental Policy	\$0.62 M	\$0.47 M	\$0.8 M	\$0.63 M	1%
Corporate Services	\$0.5 M	\$0.74 M	\$0.65 M	\$0.63 M	1%
Contingency Fund	\$1.61 M	\$0.27 M	-	\$0.62 M	1%
Building Control	\$0.39 M	\$0.71 M	\$0.74 M	\$0.61 M	1%
Leadership	\$0.64 M	\$0.6 M	\$0.38 M	\$0.54 M	0%
EM Civil Defence	\$0.21 M	\$0.38 M	\$0.88 M	\$0.49 M	0%
Hastings Events	\$0.54 M	\$0.4 M	\$0.41 M	\$0.45 M	0%
Total Non-Asset Management Spend	\$7.65 M	\$7.41 M	\$9.0 M	\$8.02 M	
Total - HDC Spend	\$101.25 M	\$119.01 M	\$122.38 M	\$119.1 M	
% of HDC Spend	8%	6%	7%	7%	

4.3 Analysis of Procurement Programme Impact on other Entities

Through HBLASS and senior executive level engagement with the four other TLA's and NZTA, the District Health Board and the Port of Napier, Council has an appreciation of the forward works programme of works of the respective organisations and the demand on the suppliers.

The Asset Management Group host an annual civil contractor meeting where all the TLA's and NZTA present to the contractors their upcoming annual programme and other significant issues they face. The contractors also can present or raise issues.

As noted in section 4.1 there are constraints to integrating the various programmes, but this is considered wherever possible. The recent example of the NZTA Links Road Roundabout with the Hastings District Council's Whakatu Arterial project being programmed to ensure both weren't been constructed at the same time demonstrated coordination between agencies for two regionally significant projects.

A further recent example of efficiency gains realised was the collaboration on the issuing of a joint Request for Tender for Refuse and Recycling services by Hastings District Council and Napier City Council to minimise tendering costs and increase the efficiency of the tendering process.

The five TLA's recognise the impact their combined procurement programmes have on the region, and have moved to create a role "to lead, develop and implement a strategic and sustainable procurement model to support the councils to meet their regional collective objectives and deliver a positive impact on economic, environmental, social and cultural wellbeing for our communities".

DRAFT Version 10

The role (Director, Regional Strategic Procurement) has been appointed and will commence in February 2020. The appointee will be responsible for developing strong and effective cross-council strategic procurement leadership, business partner relationships with external service providers as well as key stakeholders, and integrate with business leaders to form on-going strategic partnerships. Council will work alongside the role to implement improvements including the action noted in the implementation plan (section 6.1) to work with suppliers, neighbouring TLAs and NZTA to better coordinate long-term work programmes.

Item 4

Attachment 2

5 Approach to Delivering the Procurement Programme

This section provides a high-level overview of how Council delivers its procurement programme. Detailed information on processes is available in the [Hastings District Council Procurement Procedures Manual](#).

5.1 Delivery Models

Council uses a range of models to deliver goods and services in the achievement of outcomes across the organisation. In selecting the appropriate service delivery model, Council will assess the activity against:

- Complexity
 - Risk profile
 - Innovation potential
 - Timing and urgency
- Scale
 - Size of supplier market
 - Uncertainty
 - Stakeholder requirements
- Level of Council involvement (including capability and capacity)
 - Contract value

The range of delivery models that Council may use to procure goods and services are:

Delivery Model	Description
Staged <i>(Most commonly used)</i>	<p>Under a staged approach, activities are delivered through a staged series of separate contracts (e.g. investigate, design or construct only, sequential staged where full design completed before construction commences, and accelerated staged where construction starts with design partially completed). This is a traditional approach and widely used.</p> <p>Best suited to: small to medium projects where Council wishes to maintain some form of involvement/control over the activity. Complexity, uncertainty and risk are low. Scope is well defined and the opportunity for innovation is low.</p>
Design and Construct	<p>A traditional design and construct (also known as Design-Build) model uses a single contract to complete the detailed design and construction phases. This may also incorporate an Early Contractor Involvement (ECI) approach, whereby the supplier engages the contractor after the initial investigations and seeks to maximise the value that can be achieved from a design and construct model. The design and construct model generally awards contracts as separable portions, conditional on the successful completion of the previous stage.</p> <p>Best suited to: medium to large projects where complexity, uncertainty and risk are correspondingly higher as well. More opportunity for supplier to innovate during delivery. Council wishes to transfer some of the risk to the supplier.</p>
Shared Risk	<p>A shared risk delivery model uses an integrated team comprising of the buyer, consultants and contractors and material suppliers. The team members are incentivised to work collaboratively and impartially to deliver what is best for the project and to achieve high performance standards. Risk is shared by all parties – no party can win at the expense of another. An alliance is an example of a shared risk delivery model. Council will require the necessary capabilities and resources to organise and manage a shared risk model.</p> <p>A shared risk delivery model is defined by NZTA as an advanced delivery model and as such can only be used with the Transport Agency’s prior written approval under s25 of the LTMA.</p>

DRAFT Version 10

	<p>Best suited to: medium to large projects where complexity, uncertainty and risk are high. A single supplier is unlikely to be able to undertake the contract alone. Innovation potential is high.</p>
<i>Supplier Panel</i>	<p>A supplier panel delivery model appoints a group of suppliers that, as a panel, offer the best combination of skills and experience required to deliver a specified group of outputs. Suppliers are appointed to the panel in the first stage of this process, before the allocation of tasks to each appointed supplier in a second stage. This second stage may be by direct appointment or a competitive process with two or more of the panel members.</p> <p>A supplier panel delivery model is defined by NZTA as an advanced delivery model and as such can only be used with the Transport Agency's prior written approval under s25 of the LTMA.</p> <p>Best suited to: programmes with a succession of similar or related activities and/or the volume of work may be too large for one supplier* to undertake, or where supplier consistency and establishing a longer term relationship with suppliers provides value. This method is also valuable where specialist skills or equipment are required; there are a number of suppliers who can provide the required outputs; and/or there is an advantage in having a choice of suppliers to select from at reasonably short notice. *This can apply to consultants, contractors or suppliers.</p>
<i>Collaborative</i>	<p>Under a collaborative delivery model, activities are delivered by leveraging agreements already put in place by other organisations, including MBIE. Common collaborative arrangements include All of Government (AoG) contracts, Common Capability Contracts and Syndicated Contracts, and are expected to provide direct savings as well as reduce demand on Council's procurement capacity.</p>

Table 17 Council Delivery Models

The diagram below illustrates the main differences between the staged, design and construct, and shared risk delivery models. As the complexity of the delivery model increases, the number of contracts decreases, which in turn creates an opportunity to increase the speed of delivery of the project.

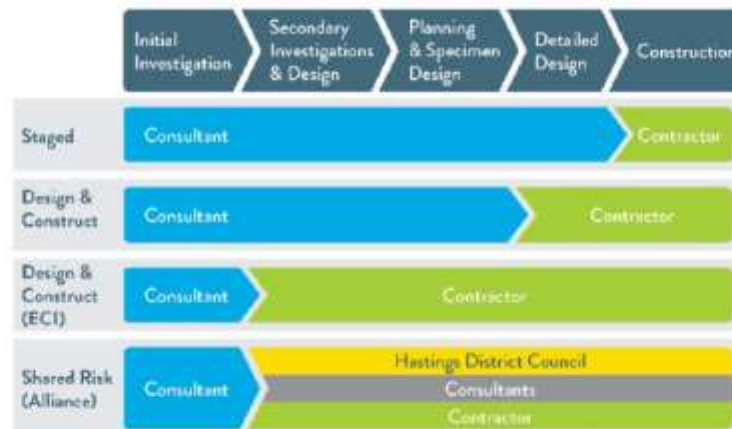


Figure 18 Service Delivery Model Comparison

DRAFT Version 10

Item 4

Attachment 2

5.2 Term Contracts

See Section 7 Appendix 1 for a list of current Asset Management Group Long Term, Maintenance, Operations and Renewals Contracts.

5.2.1.1 Asset Management Term Contracts

Council procure transportation, three waters, solid waste, recycling, and building maintenance works and services through term contracts. These contracts are competitively tendered through an open tender process. The contracts are for a fixed term with possible extensions through mutual agreement based on contractor performance and at the sole discretion of the Principal.

Examples of the type of works include roading maintenance (rural and urban), streetlighting, road marking, road surfacing, underground services maintenance (water, stormwater, wastewater), Omarunui Landfill management, transfer station management, refuse and recycling collection services and building services (air conditioning, fire services, lifts, pump stations, and cleaning.).

The benefit of term contracts such as these is that a collaborative long-term working relationship can be established that provides Council with continuity of supply.

5.2.1.2 Professional Services Term Contracts

Council procures some professional services through term contracts. These contracts are competitively tendered through an open tender process. The contracts are for a fixed term with possible extensions through mutual agreement based on consultant performance and at the sole discretion of the Principal.

In a term contract the consultant is required to provide the necessary skills to deliver the scope of works including the use of specialist sub-consultants.

The Asset Management Group has contracted its engineering professional services since 2000, the scope including strategy and policy development, planning, investigation, design, and project and construction monitoring services. The services cover transportation (NZTA-subsidised and unsubsidised), three waters, solid waste management and parks.

The benefit of term contracts such as this is that a collaborative long-term working relationship can be established that provides Council with technical skills to deliver the programme of works.

5.2.1.3 Other Term Contracts

Council procures a number of other services through term contracts, including IT software and services, fleet vehicles, fuel, insurance, security, office supplies, gas and electricity.

5.3 Approaching the Market

Council chooses its approach to market based on complexity and uncertainty, scale, timing and urgency, innovation potential, risk management and the supplier market.

Broadly there are two categories of methods – Competitive Approaches and Direct Approaches. The tables below provide an overview the methods used by Council within these two categories.

DRAFT Version 10

Item 4

Attachment 2

5.3.1 Competitive Approaches

	Used for	Methods
Open Invitation for all interested suppliers to tender.	Higher-value, higher risk goods and services.	<ul style="list-style-type: none"> Request for Tender (RFT) Request for Proposal (RFP) Request for Quote (RFQ)
Closed Invitation to suitable suppliers to tender.	Low-value, low-risk goods and services.	<ul style="list-style-type: none"> Verbal quote Written quote Request for Tender (RFT) Request for Proposal (RFP) Request for Quote (RFQ)
Multi-stage Open invitation for all interested suppliers to respond. Council then assess all responses and invites shortlisted suppliers to submit tenders.	Higher value, higher risk, complex or unique goods and services, seeking innovation.	<ul style="list-style-type: none"> Open call for registrations / expressions of interests (ROIs / EOIs) Closed request to shortlisted suppliers for proposals or tenders (RFT or RFP) e.g. the Prequalification system

Table 18 Competitive Approaches to Market

5.3.1.1 Electronic Tendering

Council uses The Government Electronic Tendering Services (GETS) to advertise tenders and manage the tender process. The GETS system is used for managing all supplier questions and answers relating to tender queries.

5.3.1.2 Minimum Time Periods for Tendering

The following minimum time periods are applied to the following types of procurement processes. Days are expressed in clear business days.

Process Type		Minimum Time Period
One Step Process	RFQ	8 days
	RFT/RFP	15 days
Multi-Step Process	Step 1 RO/I/TP	10 days
	Step 2 RFT/RFP	15 days

Table 19 Minimum Time Periods for Tendering

5.3.2 Direct Approaches

	Used for	Methods
Buy directly from any suitable supplier	Very low value, low risk purchases (typically goods). One-off purchases.	<ul style="list-style-type: none"> Three competitive quotes Electronic Purchase Order (EPO) Credit card Emergency situation
Buy directly from a pool of suppliers through a standing arrangement	High value, low risk goods or services.	<ul style="list-style-type: none"> Syndicated contract Panel contract Standing offer Collaborative or cluster arrangement
Buy selectively from a specific supplier	Higher value, higher risk procurements where there are special circumstances (typically specialised professional services such as planning, valuation, legal etc.).	<ul style="list-style-type: none"> Contract with individual supplier

Table 20 Direct Approaches to Market

DRAFT Version 10

5.3.2.1 Financial Limits for Direct Appointment

Council restricts the use of direct appointment to low value/low risk procurement with thresholds as outlined below. The use of direct appointment for professional services is also capped as shown.

Contract for	Low risk/Low Value Procurement	Professional services
Direct appointment	\$70,000	\$25,000
Closed contest	\$70,000	\$25,000
<i>Permissible Limit Increases</i>		
Group Manager Approval	Up to \$120,000	-
CE Approval	Over \$120,000	Up to \$100,000

Table 21 Financial Limits for Direct Appointment

The direct appointment limit for professional services can be extended to \$100,000 in cases where the Chief Executive's explicit approval has been obtained, and where it can be shown that such an approach will not compromise the level of competition within the market.

5.3.2.1.1 NZTA-Funded Projects

For transportation projects funded by the NZTA, direct appointment is permitted where the contract cost estimate is less than or equal to the limits set out in the table below as outlined in the NZTA Procurement Manual Amendment 5, Rule 10.9.

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

5.4 Supplier Selection

In determining the supplier selection method, Council considers the relative importance of price and quality. Quality outcomes may include broader outcomes (environmental, social, economic and cultural). Considerations are:

- Focus on price – all participants must meet quality requirements and the supplier is then chosen on the basis of price.
- Focus on both price and quality – the quality attributes of the suppliers are graded and the preferred supplier is selected by balancing price and quality.
- Focus on quality – the preferred supplier is selected on the basis of quality, with the price being negotiated afterwards.

5.4.1 Evaluation Methods

The following methods are used when selecting suppliers.

Evaluation Method	Considerations
Lowest Price Conforming The preferred supplier meets all the requirements set out in the RFT/RFP/RFQ and offers the lowest-priced proposal.	Physical Works Used for tenders falling within the low to low/medium risk. Professional Services Only be used in circumstances where the output can be very clearly specified, and where it can be shown to both deliver best public value and meets the requirements as set out in the RFT/RFP/RFQ.
Price/Quality method The quality attributes of suppliers whose proposals meet the RFP's requirements are graded, and the preferred supplier is selected by balancing price and quality through the use of a formula. Supplier quality premiums are influenced by:	Physical Works Used for tenders where there are specialised levels of expertise required to manage the risks or complexity. Professional Services

DRAFT Version 10

<ul style="list-style-type: none"> The price estimate Chosen non-price attributes How the non-price attributes are graded (the spread of grades) Weights given to the non-price attributes Weight given to price. 	Used where the specified outputs can be priced by the supplier and where Council determines that best public value will be obtained by selecting the supplier that offers the best combination of price and quality requirements as defined in the RFT/RFP/RFQ.
Purchaser Nominated Price (Target Price) A supplier selection method where the Council fixes the price to be paid and proposals are evaluated on the basis of quality (non-price attributes) only.	Physical Works It is not recommended for physical works or routine professional services engagements. Professional Services This method is typically used for such activities as strategy studies, feasibility studies transportation studies and investigations.
Weighted Attributes A supplier selection model that seeks to balance the trade-off between price and quality. Under this model, the price and non-price attributes are weighted and graded to reflect their relative importance and the preferred supplier selected by balancing price and quality through the use of a weighting formula.	Physical Works This method is suitable for physical works but is not used when purchasing outputs for activities funded under section 20 of the LTMA. Professional Services This method is suitable for Professional Services, however this method is not used when purchasing outputs for activities funded under section 20 of the LTMA.
Direct Appointment A supplier selection method in which the purchaser selects a single supplier and negotiates the contract terms, including price.	Physical Works Direct appointment, and a closed contest involving at least three suppliers can only be used where: <ul style="list-style-type: none"> There are specific risks that limit available suppliers, and/or It can be demonstrated that an open tender would not add value for money. An emergency situation exists. There are not enough suppliers for a competitive process. Professional Services Direct Appointment of a supplier for Professional Services can be used where the value of the work is less than \$25,000. However this method should only be used in circumstances noted above.
Quality based (Brook's Law) Where the scope of the outputs (works or services) cannot be fully described, and the best public value will be obtained by selecting the supplier on the basis of supplier quality alone. There is no competition on price.	Physical Works This method is not to be used for physical works. Professional Services This method is generally used for high value/high risk professional services contracts, and/or where Council has determined that best value can be obtained by selecting the best quality supplier and then negotiating the price with that supplier. Note, in this context, this method does not constitute an 'advanced' mechanism in NZTA terms.

Table 22 Evaluation Methods

5.4.2 Tender Pre-conditions

Pre-conditions (or prequalifying criteria) are prerequisite requirements that must be met to be considered for the contract opportunity. The purpose of pre-conditions is not to limit market competition, but to ensure suppliers have the minimum capability and capacity to deliver the contract.

Suppliers who meet all of the pre-conditions are then eligible to be assessed against the scored evaluation criteria.

DRAFT Version 10

Item 4

Pre-conditions will be included in the RFP/RFT/RFQ.

5.4.3 Non-price Attribute Evaluation

In evaluating a proposal or tender, Council uses the following non-price attributes:

Required	Relevant Experience	The supplier's previous experience in technical areas relevant to the outputs being purchased.
	Relevant Skills	The competence of the personnel the supplier proposes to use, with particular regard to their skills and experience in areas relevant to the outputs being purchased.
	Methodology	The procedures or processes the supplier proposes to use to achieve the specified end result.
	Health & Safety	The supplier's ability to maintain Health & Safety standards as required under the Health & Safety at Work 2015.
Optional	Track Record	The supplier's record of performance relating to delivering required outcomes on time, to budget and to quality standards.
	Resources	The equipment, facility or intellectual property the supplier proposes to use in delivering the outcome.
	Technical Requirements	The ability of the supplier to meet the technical or functional outcomes required.
	Financial Viability	The supplier's ability to fund the delivery of the outputs being purchased.

5.4.4 Non-price Weighting

Non-price weightings are to be determined for each specific contract and, for NZTA subsidised transportation works, must also comply with NZTA rules. Weightings may be a combination of percentages or on a pass/fail basis.

5.4.5 Alternative Responses

In some cases, Council may invite alternative responses to an RFP/RFT/RFQ. The RFP/RFT/RFQ must clearly state whether alternative tenders or proposals are permitted and if an alternative must be accompanied by a conforming tender or not. When submitting an alternative response, suppliers should clearly quantify the added value they believe the proposal offers.

5.4.6 Tender Evaluation Team (TET)

To assess tenders, Council will establish a team with a minimum of three evaluators which may include individuals with technical, cultural, financial or legal expertise, depending on the project requirements. The TET team may request additional expert advice from outside of the team during the evaluation process. All team members are required to complete a Conflict of Interest declaration and sign a Confidentiality Agreement.

For NZTA-funded projects over \$200,000 the TET must include a certified NZTA Tender Evaluator.

5.4.7 Negotiation with Suppliers

Where appropriate, Council will negotiate with the preferred supplier(s) prior to tender acceptance or contract award. Negotiation may be used to clarify understanding on aspects of the proposal or tender, test underlying assumptions, or to achieve an improvement in value.

5.4.8 Due Diligence

Council undertakes due diligence to independently verify the ability of the supplier to fully deliver the outcomes required over the duration of the contract.

Due diligence may include:

- Reference checks
- Analysis of ownership
- Qualification checks
- Analysis of Delivery
- Analysis of Finances
- Site visit (to supplier)
- Site visit (customer)
- Reputation research
- Security checks

Attachment 2

If a serious issue arises during due diligence that cannot be resolved by the supplier, they will be removed from further consideration and the next ranked supplier promoted to preferred status.

5.4.9 Notification of Tender Results and Contract Awards

Council will notify all suppliers in writing of the tender outcome. All suppliers are offered the opportunity to receive feedback on their response. This is recognised as an important step for improving the quality of submissions and supporting a competitive market.

5.5 Systems Supporting Supplier Selection

5.5.1 Prequalification and Performance Management for Civil Construction

The Council prequalification and performance management system is aimed at simplifying the tender process, reducing tendering costs, and encouraging on-going supplier performance.

Prequalification involves suppliers being assessed over a range of quality criteria and then being registered for specific categories, complexity and size of infrastructure physical work (having four different complexity levels (A to D)).

The system is used for the majority of physical works carried out by Asset Management, where the work fits within one of the defined prequalification work categories. For further details refer to the [Hastings District Council Pre-Qualification Manual](#).

Council maintains a list of pre-qualified contractors currently for eight categories of physical works involving, bridge, sewer, water and stormwater construction, as well as the construction of vehicle crossings. Contractors are assessed across a set of criteria to determine the prequalification classification.

Where a project does not meet the work category criteria, the approach to supplier selection for physical works is defined in the following section [Outside the Prequalification Scheme](#).

There are currently no prequalification work categories which include less than three registered suppliers at the maximum complexity level. However, in certain situations where the number of competitive tenders received may be limited (e.g. due to contractors other commitments or a more specialised aspect of parts of the work) then Council may choose to optimise public value by tendering outside the prequalification system.

The defined level at which work is tendered is determined by the Project Manager in conjunction with the Engineer to Contract.

Where prequalification work is bundled (e.g. roading renewals with sewer/stormwater/water categories) the prequalification level is the category with the highest prequalification level.

The prequalification system uses either the Lowest Price Conforming or Price Quality methods for supplier selection.

The system has been in place since 2009 and in 2018 a formal review was undertaken to determine whether the system was meeting the original objectives and delivering the intended value. The review recommended improvements to the system including changes to the system governance, a reduction in categories from eight to five, reporting, documentation, training and performance management systems (to align closer to the NZTA PACE scoring system). The improvements are currently being implemented.

The improvements to the reporting procedures emphasise the requirement to receive feedback from contractors on issues and continuous improvement opportunities.

5.5.1.1 Outside the Prequalification System

Not all programmed work fits within the prequalification system categories, or best public value might be achieved by not using the system (usually due to the scale of the work, specialist skills, or because of specific risk management requirements). These projects will be tendered using other approved methods.

DRAFT Version 10

Item 4

It is not expected that the programmed standard roading, water, wastewater or stormwater physical works will fit into this category.

5.5.2 Supplier Panels

Where a particular procurement is covered by the scope of an established supplier panel (see Supplier Panels under [Delivery Models](#)), Council will use the panel to deliver that work.

5.6 Professional Services

Council procures professional services Council-wide, however the most significant spend relates to professional services for asset management (Transportation, Three Waters, Solid Waste Management and Public Spaces & Building Assets). Professional services are typically provided by consulting engineers in relation to strategy or policy development, planning, investigation, design, project and contract management services.

5.6.1 Appointment of Hearing Commissioners

The appointment of Hearing Commissioners will be by direct engagement. Commissioners are accredited and will be selected based on the requisite technical background, experience and independence.

In accordance with the procurement policy, staff will ensure public value is obtained when appointing Hearing Commissioners.

5.6.2 Legal Services

Engaging legal advice can range from simple transactional dealings (such as a simple registration of an easement) to more complex litigation. Council procures legal services from a range of providers depending on the type of advice required. Council maintains a register of legal firms based on their specialist knowledge.

Attachment 2

5.7 Approach to Contract Management

Council adopts the MBIE approach to Contract Management. This methodology bases the achievement of successful contract management outcomes on three 'pillars'; relationship management, service delivery management and contract administration. The methods associated with each pillar vary based on the nature of the relationship with the supplier as per the procurement positioning matrix (refer Section 3.2.1, Figure 15 Supply Positioning Matrix (Source: MBIE)).



Figure 19 Approach to Contract Management – Sourced from MBIE

DRAFT Version 10

5.7.1 Relationship Management

Relationship management is a critical aspect of contract management, as it is important to develop and maintain effective working relationships with suppliers. The nature of the procurement helps define the level of relationship that is required, as described in the Relationship Matrix diagram below.



Figure 20 Relationship Matrix Diagram (MBIE)

5.7.2 Service Delivery Management

Council monitors service delivery through regular meetings with providers, site visits and observations and reporting, to manage the supplier's performance against the contracted requirements.

These activities are used to discuss the standard of delivery, identify actionable improvements, identification and management of risks, monitoring of health & safety management, analysis of performance against objectives, and to recognise excellence in delivery.

5.7.3 Contract Administration

Contract administration includes records management, change control, management reporting and asset management.

Records management

The Public Records Act 2005, requires that Council:

- Creates and maintains full and accurate records in accordance with normal, prudent business practice. These include records of activities carried out by contractors on Council's behalf. Records must also be accessible in the future
- Disposes of records appropriately through destruction or transfer to archives.

All contracts for asset management are recorded in the Contract Register, with contract-related documentation and reports saved to Council's content management system.

DRAFT Version 10

Item 4

Change control

Contracts should include change-control procedures that clearly identify the parties' roles and responsibilities, along with the procedures for raising, evaluating, costing and approving change requests.

Management reporting

Performance reports and management information should be defined before and during contract negotiations and recorded in the contract.

Asset Management

Where Council retains ownership of assets the supplier buys or uses in delivering its services (such as laptop computers), Council retains responsibility for those assets. While the supplier has physical control of the assets, they must provide day-to-day asset management until the return of the assets at the end of the contract.

5.7.4 Risk Management

While Council drives a culture of risk management at all phases of procurement, there are significant risks relevant to the successful delivery of the procurement outcomes that need to be monitored during the contract management phase (relationship management, service delivery management and contract administration). The following table provides an example of how the Council Risk Management Framework can be used.

CATEGORY	RISK DESCRIPTION	CONSEQUENCES	MITIGATION
PEOPLE SAFETY	<ul style="list-style-type: none"> Health and Safety requirements not followed 	<ul style="list-style-type: none"> Serious injury Prosecution and fines 	<ul style="list-style-type: none"> Audit/monitor activity against Health and Safety plan Monitor regular reporting from Contractor
FINANCIAL	<ul style="list-style-type: none"> Unauthorised increase in scope of work 	<ul style="list-style-type: none"> Unanticipated cost increases Contract disputes 	<ul style="list-style-type: none"> Ensure contract amendments are in writing Record discussions and negotiations Confirm instructions in writing.
SERVICE DELIVERY	<ul style="list-style-type: none"> Inadequately administering the contract 	<ul style="list-style-type: none"> Cost increases Failure of contract Full benefits not achieved Delivery of unsatisfactory product Contract/supply disputes 	<ul style="list-style-type: none"> Maintain up-to-date procedures and practices Ensure staff are trained & in contract planning and management
LEGAL COMPLIANCE	<ul style="list-style-type: none"> Commencement of work by the supplier before contract is exchanged or letter of intent is issued 	<ul style="list-style-type: none"> Potential liability to pay for unauthorised work Possibility of legal action for perceived breach of contract 	<ul style="list-style-type: none"> Confirm verbal acceptance of contract with written advice Accept all contracts in writing Ensure approvals are received before allowing work to start
REPUTATION	<ul style="list-style-type: none"> Key personnel not available 	<ul style="list-style-type: none"> Progress disrupted Less expertise 	<ul style="list-style-type: none"> Include requirement in specification and ensure compliance Accept risk and manage possible delay

Table 23 Examples of Risk Mitigation by Category

Attachment 2

DRAFT Version 10

Item 4

6 Implementing the Strategy

6.1 Capability and Capacity

Council recognises that a critical factor in achieving best public value is having the capability and capacity to successfully deliver the procurement programme.


Whilst procurement is devolved across Council, a Procurement team has been established to provide specialist support and guidance to staff members, and grow capacity and capability. This team is supported by specialist areas from across the organisation (for example, Risk Management, Finance, and Health and Safety) with contracted expertise as required.

6.1.1 Summary Analysis

The following tables provide an overview of Council's self-assessment relating to its procurement capacity and capability for each stage of the procurement lifecycle. The associated actions are based on the implementation plan (Appendix 7.2) and are subject to change based on annual review.

	Assessed as having no significant areas for improvement. Focus on continuous improvement		Gaps identified and plans established for improvement.		Significant gap(s) identified which expose Council to procurement risk. Urgency required in addressing issues.
---	--	---	--	---	--

6.1.1.1 Organisational Capacity & Capability (by lifecycle stage)


Plan	Rating and Explanation	
		
	Until recently, understanding of planning had been limited to the Asset Management group. Significant improvements have been achieved through the creation of a Procurement function, a roll-out of in-house training, and communication of resources and support available via Council intranet (InfoKete). Further training is planned across all Council Groups on the tools and processes.	
Plan	Development Area	Action(s)
	Weaving 'broader outcomes' into procurement, including providing guidance to employees (on all stages).	<ol style="list-style-type: none"> 1. Update Procurement Procedures to align with Plan/Source/Manage lifecycle, and to reflect broader outcomes (impacts all phases). 2. Review all Procurement Plans. 3. Incorporate contract risk into the Council's Risk Management Policy and Framework. 4. Identify priority groups, and establish system for tracking no. of suppliers identified as a priority group (e.g. Māori). 5. Develop Social Procurement Strategy. 6. Ensure procurement procedures reflect the principles of the Te Kura Nui Māori Relationship Framework and relevant actions deriving from the Heretaunga Ararau te reo Māori policy. 7. Include section on environmental sustainability, product stewardship/waste minimisation in Procurement Plan. 8. Ensure environmental sustainability criteria identified in Procurement Plan are included in tender documents.
	Working with suppliers, NZTA and other TLA's to attempt to coordinate the asset management work	9. Procurement Strategy and Policy updated and published on internal and external websites.

Attachment 2

DRAFT Version 10

Item 4

programme is an ongoing focus. Suppliers would benefit from a longer-term view of upcoming work to allow them to scale their operations to meet demand.	10. Communication plan documented for sharing of asset works programme with suppliers, including longer-term works programme (next three years).
Improving the quality/number of conforming tenders to support competitive markets.	11. Offer annual tendering workshop to encourage supplier participation.

Source	Rating and Explanation	
	 Well established systems for sourcing with a range of templates available via staff intranet. Development opportunities related to integration of broader outcomes and ensuring competitive markets for asset works. Tenders currently include relevant health & safety requirements but not working conditions.	
	Development Area	Action(s)
	Identifying priority groups where broader outcomes can be supported or achieved through procurement.	1. Implement method for identifying suppliers supporting priority groups in tender phase.
	Develop number of suppliers offering construction skills training and/or youth employment programmes.	2. Investigate methods to incentivise construction suppliers to provide skills training and/or youth employment programmes. 3. Incorporate question relating to construction skills training and youth employment programmes in tender document. 4. Measure number of suppliers providing construction skills training and/or youth employment programmes as part of delivering outcomes.
	Include compliance statement relating to working conditions.	5. Review all tender documents templates to ensure a statement of compliance with working conditions (Employment Act, H&S at Work Act 2015) is included.
	Incorporating Government procurement standards for heating, office supplies and vehicles.	6. Develop environmental sustainability policy that aligns with Government standards including: <ul style="list-style-type: none"> ○ Include emission ratings when weighting procurement of heating systems. ○ Where possible, procure office supplies which are recyclable, reusable or low waste. ○ Reduce fleet emissions through replacement of fleet vehicles with electric or hybrid technology where practicable and affordable (currently active but not in policy).
	Continued focus on increasing competitiveness in supply market for asset works programme.	7. Maintain minimum of three suppliers in prequalification system for all work categories. 8. Identify opportunities to increase market competition for High Risk/High Value procurement contracts (e.g. through scheduling of work, choice of contract delivery models, and structure of work programme).

Attachment 2

DRAFT Version 10

Manage	Rating and Explanation:	
		<p>Council's contract management, data management and contract record management are currently completed using spreadsheets, and limited to asset management contracts. Recent improvements include the development of a Contract Management Manual for employees using NZS3910 conditions of contract (August 2018) and the development of a Draft Contract Management Capability Matrix (November 2018).</p> <p>Council appointed Crowe Horwath to conduct an audit which included a review of its Contract Management systems in October 2018 and June 2019. The recommended actions are incorporated in the implementation plan.</p>
	Development Area	Action(s)
	Implement Contract Management improvements (Crowe Horwath findings).	<ol style="list-style-type: none"> 1. Develop Contract Management Capability Framework and incorporate into relevant job descriptions. 2. Complete the documentation of Contract Management policies and procedures. 3. Develop Contract Management reporting framework.
	Transition to a Contract Management System to enable better data capture, contract management processes, insights and analysis to better inform future activities.	<ol style="list-style-type: none"> 4. Investigation, development and implementation of new Contract Management System.
	Introducing a supplier survey to monitor Council performance and identify opportunities for improvement.	<ol style="list-style-type: none"> 5. Develop Supplier Survey for post-contract feedback and establish benchmark. 6. Meet or exceed benchmark and/or average feedback rating of 7 or higher in Supplier Survey. 7. Establish supplier database for Council procurement information/updates (via email).
	Provide greater transparency and information through regular communication with suppliers.	<ol style="list-style-type: none"> 8. Communication plan documented for sharing of asset works programme with suppliers, including longer-term works programme (next three years).
	Establishing standards for Relationship Management.	<ol style="list-style-type: none"> 9. Relationship Management standards established relative to matrix quadrants.
	Develop reporting template for performance of Procurement function.	<ol style="list-style-type: none"> 10. Implement reporting for support provided (No. of Council departments, No. of procurement activities).

6.1.1.2 Staff Capability and Capacity

HDC will be monitoring staff capability with the introduction of a matrix matching positions against procurement requirements, and tracking of staff who have attended training relative to their required knowledge level.

Proficiency Levels

Novice - No formal training, basic familiarity with role - some knowledge of procurement practices.

Basic - Developing skills, basic training, occasional or new in role, - good knowledge of procurement practices.





Intermediate - Competent skills, reasonably regular in role, able to work unassisted - very good experience and knowledge of procurement practices.

Advanced - Highly skilled, regular in role, procurement specialist, provider of mentoring/support/training - excellent knowledge of procurement practices and procedures.

DRAFT Version 10

Item 4

Attachment 2

Capability Level	Capability & Capacity Assessment	Explanation	Actions
Novice		Council does not currently link procurement capability to job descriptions (at any capability level), and has limited knowledge of a new employee's previous experience. This needs to be captured to enable appropriate training to be planned.	<ol style="list-style-type: none"> 1. Work with HR to assess roles for procurement capability requirements. 2. Develop procurement training plan based on required capability.
Basic		<p>Council has just begun to monitor which employees have attended its internal training sessions. Currently the sessions are:</p> <ul style="list-style-type: none"> - HDC Procurement 101 training. - HDC Contract Management training. <p>Council has recently developed a Procurement and Contracts Management area on its staff intranet (InfoKete) to support employees with templates and resources.</p>	<ol style="list-style-type: none"> 1. Continue to support basic knowledge with a minimum of one InfoKete tip/tool/article published every quarter. 2. Refresh resources to reflect new procurement strategy and policy. 3. Continue to run internal training to ensure all employees targeted for training have attended.
Intermediate		<p>There is currently limited knowledge of training and/or qualifications held at this level. Council aims to build its knowledge of intermediate-level employees through developing a database of:</p> <ul style="list-style-type: none"> - No. of staff holding Level 6 NZ Certificate in Infrastructure (Procurement Procedures). - No. of staff who have attended Clever Buying course. - No. of staff who have attended external Contract Management training. <p>Council is aware that more employees holding Level 6 NZ Certificate in Infrastructure (Procurement Procedures) are required.</p> <p>Contract Management has been identified as an area for improving organisational capability, and so employee capability in this area will need to be developed to ensure new processes and systems are adhered to.</p>	<ol style="list-style-type: none"> 1. Increase number of employees trained to intermediate level in procurement stages of Plan, Source and Manage (identify target % of identified roles). 2. Increase number of staff with Level 6 NZ Certificate in Infrastructure (Procurement Procedures). 3. Develop procurement capability framework and matrix. Framework to link job description and DFA. 4. Develop training framework to plan internal and external training to align with capability requirements (Basic to Expert). 5. Develop Contract Management Capability Framework and incorporate into relevant job descriptions.
Advanced		<p>Currently there is one full-time staff member providing procurement and contract management expertise and support to Council staff. This is currently being assessed against organisational needs.</p> <p>As for Intermediate levels, Council currently has no method for monitoring the capability of staff to determine the level of Advanced practitioners. This may include:</p> <ul style="list-style-type: none"> - No. of staff holding Level 6 NZ Certificate in Infrastructure (Procurement Procedures) and confident in procurement. - No. of staff with procurement as a primary role within job description, and deemed to be experienced and confident in procurement. 	<ol style="list-style-type: none"> 1. Confirm roles and responsibilities/staffing level for Procurement team. 2. Set annual target for staff holding Level 6 NZ Certificate in Infrastructure (Procurement Procedures). 3. Use consultants to provide procurement expertise to bridge experience knowledge gaps, and to assess and recommend capability and capacity improvements.

DRAFT Version 10

Item 4

6.1.1.3 Enhancing Capability

To enhance long-term in-house capability, the Procurement team is developing and delivering in-house training for staff relevant to their role and related procurement programme. For staff who require specialist procurement capability as part of their role, including the Level 6 NZ Certificate in Infrastructure (Procurement Procedures) qualification, required for evaluating tenders for work programmes funded by NZTA, Council schedules relevant training.

A Procurement and Contract Management area on the staff intranet (InfoKete) provides an overview of Council's procurement strategy, policy and procedures, as well as links to key documents, templates, guides and tools.

Council also receives procurement and contract management expertise through its consulting engineers. This includes assessments and reviews of Council processes, systems and capability, as well as day-to-day support of procurement function.

6.2 Internal Procurement Processes

Council's procurement processes are defined in the Procurement Procedures Manual, and it is expected that all procurement activities will follow the guidelines and procedures within this manual. The manual, including key reference charts are published on the staff intranet. The manual is to be updated in 2020 to reflect the Plan/Source/Manage procurement lifecycle.

6.3 Performance Measurement and Monitoring

6.3.1 Gathering and Analysing Data on Procurement Activities

Procurement forms a significant function of Council's activities, therefore it is important information on procurement is gathered and analysed in order to:

- Provide evidence of how well the procurement procedures are meeting the guidelines and requirements of the OAG, NZ Government Procurement Rules, and the NZTA Procurement Manual.
- Provide evidence of how well the procurement procedures are meeting section 25 of the Land Transport Management Act 2003, in particular:
 - enabling fair competition
 - encouraging competitive and efficient markets
- Monitor performance against Council procurement objectives (see Section 2.4).
- Improve decision making and facilitate continuous improvement in procurement practice and procurement policy.
- Determine how well procurement procedures are being followed.
- Gain an understanding of what contractual obligations Council has at any one time.

The primary objective of gathering and analysing this data is to help continuously improve Council's procurement strategy, policy and procedures.

An important source of data is feedback from the suppliers on issues that affect their ability to deliver effectively and efficiently. This is a key element of the procurement review process.

The Asset Management Group maintains a database to track the status of contracts within this group, and there is a separate database for other Council term contracts. Council plans to implement a Contract Management System which will improve recording and reporting on contract performance.

Attachment 2

DRAFT Version 10

Council's Prequalification and Performance Management System for Civil Construction is aligned to the NZTA Performance Assessment by Coordinated Evaluation (PACE) System.

6.3.2 Performance Measurement and Monitoring

Asset Management maintains a number of KPIs for physical works contracts, some of which are required by NZTA. These include

- Number of contract tenderers
- Estimated/Actual price
- Expected/actual start and duration
- Contractor performance assessment

6.4 Communication Plan

The communication plan is an important phase in ensuring all stakeholders are aware of Council's procurement strategy and how it impacts them.

Council has identified the following stakeholders and developed a plan to communicate the appropriate level of information and detail relevant to their role in the procurement environment (purchaser or supplier and their position on the procurement positioning and relationship management matrixes).

STAKEHOLDER	KEY MESSAGE	CHANNELS/TOOLS
INTERNAL STAKEHOLDERS		
Lead Team	<ul style="list-style-type: none"> - Overview of strategy, key elements. - Drivers behind the update (MBIE, process improvements). - Relevance to Group activities (e.g. NZTA-funded work). - Communication and implementation plan. - Resources available. - Actions for implementation/monitoring within their teams. 	<ul style="list-style-type: none"> - Presentation. - InfoKete Procurement & Contract Management page.
Asset Management Team & targeted roles (based on DFA)	<ul style="list-style-type: none"> - Drivers behind the update (MBIE, process improvements). - General overview plus refresher training on key elements (Procurement Programme, Environment and Delivery). 	<ul style="list-style-type: none"> - Presentation & Training. - InfoKete Procurement & Contract Management page.
Council (Elected Members)	<ul style="list-style-type: none"> - Overview of strategy, key elements. - Drivers behind the update (MBIE, process improvements). 	<ul style="list-style-type: none"> - Information paper.
Council employees	<ul style="list-style-type: none"> - Overview of strategy, key elements. - Drivers behind the update (MBIE, process improvements). - Resources and support available. 	<ul style="list-style-type: none"> - CE Weekly Video. - All staff email. - InfoKete article. - InfoKete Procurement & Contract Management page.
EXTERNAL STAKEHOLDERS/ENTITIES		
CCOs	<ul style="list-style-type: none"> - Overview of strategy, key elements. 	<ul style="list-style-type: none"> - Email summary with link to document.
HBLASS		

DRAFT Version 10

NZTA	<ul style="list-style-type: none"> - Drivers behind the update (MBIE, process improvements). - Relevance to Group activities (e.g. NZTA-funded work). - Resources and support available. 	<ul style="list-style-type: none"> - Document published on Council website. - Submission of strategy to NZTA for endorsement.
SUPPLIER MARKET		
Strategic Suppliers including:	<ul style="list-style-type: none"> - Introduce document, purpose. - Drivers behind the update (MBIE, process improvements). - Why it is relevant to our procurement relationship. - Overview of Council's procurement strategy, outcomes and principles. - Explanation of Broader Outcomes and Public Value, and what this means for suppliers. - Information/resources available. - Receipt of supplier feedback. 	<ul style="list-style-type: none"> - Meeting with key stakeholders. - Email summary with link to document. - Document published on Council website. - Supplier feedback through contract review process.
Non-Strategic Suppliers	<ul style="list-style-type: none"> - Introduce document, purpose. - Drivers behind the update. - Information/resources available 	<ul style="list-style-type: none"> - Email summary with link to document - Document published on Council website

6.5 Implementation Plan

An implementation plan which incorporates all key activities related to the procurement objectives set out in [Section 2.4](#) is included in Appendix 7.2.

6.6 Corporate Ownership and Endorsement

This procurement strategy was developed in 2019 to align with the release of the Government Procurement Rules (4th Edition) 2019, and the revised NZTA Procurement Manual which reflects the key themes of this document.

The projects sponsors for the re-development of the Procurement Strategy, Policy and Procedures are the Group Manager of Asset Management, Group Manager of Economic Growth and Organisational Improvement and the Chief Financial Officer. The Procurement Policy and Strategy have been approved by the Chief Executive before being submitted for endorsement to the NZTA as noted in [Section 1](#).

Council maintains regular communication with the Hawke's Bay branch of Civil Contractors New Zealand, consultants, neighbouring authorities and NZTA on all significant land transport, solid waste and water services procurement matters. By providing high quality information and early advice of pending work programmes, including information on Council's website, Council will assist local businesses (small and medium-sized enterprises in particular) to build their capacity to encourage them to compete for Council contracts.

7 Appendices

7.1 Asset Management Maintenance and Long Term Contracts

The following table provides details of the current maintenance and long-term contracts for asset management. A separate database for non-asset related long term contracts.

Table 24 HDC Maintenance & longer term contracts

	Contract Name (number)	Period	Contractor	Approx./ Indicative Annual Value	Conforming Tenders received	Supplier selection method	Price Range
1	Rural Pavement and Corridor Management Contract (CON2017086)	1 Jul 18 - 4yrs (+1yr option)	Fulton Hogan	\$8,023,856.20	2	PQM Price 50%	\$32,095,424.78 - \$35,970,322.51
2	Urban and Plains Pavement and Corridor Management Contract (CON2018007)	1 Jul 18 - 4yrs (+1yr option)	Downer NZ Ltd	\$6,731,835.88	1	PQM Price 50%	\$26,927,339.50
3	Hastings District Network Maintenance and Renewals - Street Lighting and Traffic Signals 2018-22 (CON2018024)	1 Jul 18 - 4yrs (+1yr option)	Pope Electrical	\$657,750.38	1	PQM Price 50%	\$2,631,001.50
4	Hastings District Pavement Marking (CON2018025)	1 Jul 18 - 4yrs (+1y option)	Road Runner Markers (2007) Ltd	\$317,076.41	2	PQM Price 50%	\$1,268,305.64 - \$1,491,825.59
5	Omarunui Landfill Plant Management (CON2014004)	3 Nov 14 - 2yrs (+3yr x 1yr option)	MW Lissette Ltd	\$547,000.00	4 + 1 alternative		\$1,095,000.00 - \$996,409.00
6	Henderson Road Transfer Station - Cartage (CON2019043)	2 Aug 19 - 2yrs (+2yr +2yrs option)	Phoenix Contracting	\$362,872.00	3 + 1 alternative	Lowest Price Conforming	\$362,872 - \$698,000 (over 1 year)
7	Black Bridge Transfer Station Management and Operation (CON2019047)	6 Sep 19 - 2yrs (+1yr option)	DJ Monty Holdings Ltd trading as Bin Hire	\$60,000.00	1	Lowest Price Conforming	\$120,000.00
8	Building Services Maintenance and Renewals (CON2018104)	4 Mar 19 4yrs (+1yr option)	Almak Ltd	\$80,942.00	1	PQM Price 50%	\$320,000.00

DRAFT Version 10

9	Open Spaces Management (CON2018051)	2 Feb 19 (4yrs + 2yr option)	Recreational Services	\$5,898,809.65			
EXPIRING LONG TERM CONTRACTS DUE FOR RENEWAL IN 2020							
10	Underground Services Maintenance – Hastings District (CON2011001)	July 2011 - 2016 1 Sep 11 – 30 Jun 16 5yrs (+2yr + 2yr extensions)	City Care Ltd	\$2.36m + variations	4	Expression of Interest / Invited Tenderer / Negotiated	\$10,774,434 - \$13,898,779
11	Professional Engineering Services Alliance (CON2012020)	1 October 2012 – 30 September 2016 4yrs (plus 1yr + 2yr extensions)	MWH (now Stantec)	\$1.7m	4	Quality Based	N/A
NEW CONTRACTS IN EVALUATION STAGE - DUE 2020							
12	Hastings/ Napier Refuse Collection – Hastings District (CON2013007)	May 2013 – 2018 5yrs (+2yr option)	Transpacific Industries Group Ltd	\$253k	5	Weighted Attribute Negotiation with Preferred Tenderer	\$253,200 – \$543,913
13	Hastings / Napier Kerbside Recycling Collection – Hastings District (CON2013008)	May 2013 - 2018 5yrs (+2yr option)	Green Sky Waste Solutions Ltd	\$612k	4	Weighted Attribute Negotiation with Preferred Tenderer	\$612,000 – \$823,801
NEW CONTRACT IN EVALUATION STAGE DUE 2020							

DRAFT Version 10

7.2 Implementation Plan

The implementation plan is subject to change dependant on priorities and interdependencies.

Objective	Outcomes	Activities/KPI	Lifecycle Phase	Implementation Date
Optimise Public Value <i>(What we achieve)</i>		<i>Recognise broader outcomes in procurement</i>		
	- Provide opportunities for Maori, Pacifica and target businesses/groups.	- Identify priority groups and establish process for tracking no. of suppliers identified as a priority group (Maori etc.). - Develop Social Procurement Strategy - Ensure procurement procedures reflect Te Kura Nui Maori Relationship Framework principles and relevant actions deriving from the Heretaunga Ararau te reo Māori policy. - Implement method for identifying suppliers supporting priority groups in tender phase.	- Plan - Plan - Plan	- 2022 - 2021 - 2020
	- Recognise suppliers offering construction skills training or youth employment programmes in tender evaluation process.	- Investigate methods to incentivise suppliers to provide construction skills training and/or youth employment programmes. - Incorporate question relating to construction skills training and youth employment programmes in tender document where appropriate. - Measure no. of suppliers providing construction skills training and/or youth employment programmes as part of delivering outcome.	- Source - Source - Source	- 2021 - 2021 - 2021
	- Ensure suppliers comply with employment standards.	- Review all tender documents templates to ensure a statement of compliance with working conditions (Employment Act, H&S at Work Act) is included.	- Source	- 2020
	- Minimise waste and emissions.	- Include section on environmental sustainability, product stewardship/waste minimisation in Procurement Plan.	- Plan	- 2020
	- Promote responsible sourcing through procurement of goods.	- Ensure environmental sustainability criteria identified in Procurement Plan are included in tender documents. - Develop environmental sustainability policy that aligns with Government standards including: o Include emission rating when weighting procurement of heating systems. o Where possible, procure office supplies which are recyclable, reusable or low waste. o Reduce fleet emissions through replacement of fleet vehicles with electric or hybrid technology where practicable (currently active but not in policy).	- Plan - Source	- 2020 - 2021
Support delivery of Council objectives through efficient and effective procurement <i>(What we do)</i>		<i>Ensure all procurement activities are conducted in line with Procurement Principles.</i>		
	- Ensure transparent processes	- Procurement Strategy and Policy published on internal and external websites. - Communication plan documented for sharing of asset works programme with suppliers, TLAs and NZTA including longer-term works programme (next three years). - Tendering workshop offered annually to encourage supplier participation.	- Plan - Plan - Plan	- 2020 - 2020 - 2021

DRAFT Version 10

Build Procurement Capacity & Capability <i>(Who does it and how we do it)</i>	- Develop supplier pool to ensure competitive market	- Maintain minimum of three suppliers in prequalification system for all work categories. - Identify opportunities to increase market competition for High Risk/High Value procurement contracts (e.g. through scheduling of work, choice of contract delivery models, and structure of work programme).	- Source - Source	- Ongoing - 2021
	- Council regarded as an attractive customer by suppliers	- Develop Supplier Survey for post-contract feedback and establish benchmark. - Meet or exceed benchmark and/or average feedback rating of 7 or higher in Supplier Survey. - Establish supplier database for Council procurement information/updates (via email). - Relationship Management standards established relative to matrix quadrants.	- Manage - Manage - Manage - Manage	- 2022 - 2020-21 - 2020 - 2021
	- Provide support & advice to Council staff	- Implement reporting for support provided (No. of Council departments, No. of procurement activities). - Minimum of one Info Kete tips/tools/announcement articles published every quarter.	- Manage	- 2020
	- Develop people	- Confirm roles and responsibilities/staffing level for Procurement team. - Set annual target for number of staff holding Level 6 NZ Certificate in Infrastructure (Procurement Procedures). - Increase number of staff with the Level 6 NZ Certificate in Infrastructure (Procurement Procedures). - Develop procurement capability framework and matrix. Framework to link job description and DFA. - Develop Contract Management Capability Framework and incorporate into relevant job descriptions. - Increase number of employees trained to intermediate level in procurement stages of Plan, Source and Manage (identify target % of identified roles). - Develop training framework to align internal and external training against capability requirements (Basic to Expert).	- Manage - Manage - Manage - All - Manage - All - All	- 2020 - 2020 - 2020-21 - 2021 - 2021 - 2021 - 2021
	- Develop systems	- Investigation, development and implementation of new Contract Management System.	- Manage	- 2019-21
	- Develop processes	- Update Procurement Procedures to align with Plan/Source/Manage lifecycle. - Incorporate contract risk into the Council's Risk Management Policy and Framework. - Review Procurement Plans - Develop Contract Management reporting framework. - Complete the documentation of Contract Management policies and procedures (as per Crowe Howarth audit).	- All - All - Source - Manage - Manage	- 2020 - 2020 - 2020 - 2021 - 2021
	- Develop resources	- Refresh resources to reflect new procurement strategy and policy	- All	- 2020

Item 4

Attachment 2