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Monday, 17 April 2023

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*Te Hui o Te Kaunihera ā-Rohe o Heretaunga*  
**Hastings District Council**  
**Risk and Assurance Committee Meeting**

*Kaupapataka*

# Attachment Document

## Volume 2

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*Te Rā Hui:*  
Meeting date: **Monday, 17 April 2023**

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*Te Wā:*  
Time: **1.00pm**

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*Te Wāhi:*  
Venue: **Council Chamber  
Ground Floor  
Civic Administration Building  
Lyndon Road East  
Hastings**

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**TE KAUNIHERA Ā-ROHE O HERETAUNGA**

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4.	<b>PROCUREMENT STRATEGY</b>	
	Attachment 1: Procurement Strategy 2023 Waka Kotahi Approved	3





# Procurement Strategy

Strategy Expert	Procurement Partnerships Manager
Strategy Owner	GM: Corporate
Owner Department	Procurement
Approval Date	28 March 2023
Version	3.0
Review Date	March 2026



## 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 <sup>th</sup> Ed).	December 2019	Angela Hirst Procurement Partnerships Manager
Complete review and updated Procurement programme, Procurement environment, Approach to delivering the procurement programme and Implementing the strategy	December 2022	Angela Hirst Procurement Partnerships Manager

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## 1 Introduction

This Procurement Strategy provides direction on the procurement of goods, works and services for Hastings District Council (HDC) in a way that is consistent with legislation governing Local Authorities and the requirements of Waka Kotahi New Zealand Transport Agency.

\* It should be noted that for the purposes of aligning with Waka Kotahi guidelines, “services” includes ‘professional services’ and ‘works’ includes, ‘physical works’.

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

- relative geographical isolation of Hawke’s Bay limiting the range of suppliers with the resources and expertise to handle large programmes of work
- the global COVID-19 pandemic impacting material supply shortages and delays, with significant cost increases
- the impact of the 3 Waters legislative changes on what and how Council procures in the future
- responding to Government’s expectations on how Hastings District Council should conduct its procurement activities to achieve public value and broader outcomes
- competing demands for contractors and suppliers by the four other local government authorities and Waka Kotahi in the region
- Continued large public and private sector infrastructure programmes combined with local contractor resource shortages
- increasing skill shortages in procurement and contract management (impacting on both capability and capacity)
- 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
- increase public value
- 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 latest Annual Plan (2022/23) forecast Council Expenditure of \$126.5 million (exclusive of staff costs), increasing to \$144.1 million in the 2030/2031 financial year of the current Long Term Plan (exclusive of staff costs). Council’s investment is aimed at promoting community wellbeing, with particular focus on the eight pillars within Council’s Strategic Framework, as outlined in section 2.1.

In particular, this Strategy shows how Council intends to procure the work identified in the Long Term Plan, providing 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
- the implementation of this Strategy.

#### **Updates from the previous strategy**

This Strategy documents the progress made over the last three years in Section 6 and identifies the priorities for the next three years.

Key achievements include the development and publishing of the:

- Procurement Buyers Guide replacing the Procurement Procedures Manual
- Progressive Procurement Toolkit and Suppliers Guide.

Other changes include the:

- updating of the Contract Management Manual
- implementation of on-line procurement training modules
- updating procurement templates
- the development of a Procurement and Contract Management System which will go live in 2023.

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 in legislative requirements set by Government.

Bruce Allan  
**Deputy Chief Executive**

#### **Approvals**

This Procurement Strategy was reviewed and approved by the Hastings District Council Deputy Chief Executive on 28 March 2023.

Waka Kotahi requires Council to have a procurement strategy that documents its 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 Waka Kotahi on Friday 3 February 2023 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's procurement rules, and a legislative and regulatory framework. This section provides an overview of these policy areas, as outlined in the framework below.

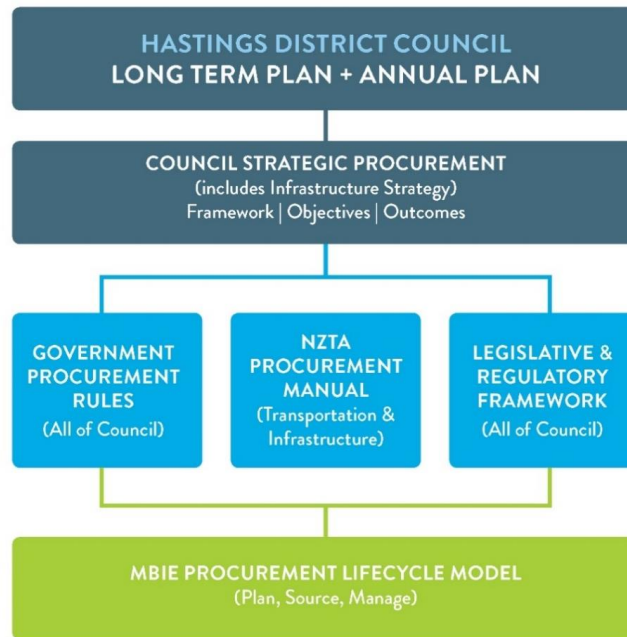


Figure 1 Procurement Policy Framework

### 2.1 Council's strategic objectives and outcomes

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 minimum of 10 years. This allows Council to take a long-term view of its responsibilities while enabling it to adjust to 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 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 Council's budget for each financial year. It explains how Council intends to finance the activities and services it intends to provide during that year as directed by its LTP. It focuses on the adjustments 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 operational 'business as usual' procurements.

Council's Strategic framework, depicted below, outlines Council's overall contribution to community wellbeing, the high level objectives being pursued and the eight priority areas of focus that shape work programmes and decision making.









VISION	Heretaunga whenua houkura, Heretaunga hapori ora - Fertile land, prosperous people			
COMMUNITY WELLBEING	 Economic	 Environmental	 Social	 Cultural
COMMUNITY OUTCOMES	Sufficient and supportive economy	Healthy environment and people	Safe and inclusive place	Vibrant place to live, play and visit
COUNCIL OBJECTIVES	We enable employment and growth * Housing supply matches need * The transport network links people, goods and opportunities	Water and land resources are used wisely * Sustainable development is encouraged and carbon emissions are reduced * The natural environment is enhanced and protected * Council services are green and healthy	Our communities are safe and resilient * Smart innovation connects citizens and services * Our youth have positive pathways	There are great spaces for all people * Civic pride, cultural diversity and relationships are strong
FOUNDATION STRATEGY	District Development Strategy	Eco District Strategy	Great Communities Strategy	
COMMUNITY WELLBEING	 Economic	 Environmental	 Social	 Cultural
The economic powerhouse				
Homes for our people				
Getting around				
Rural living				
Our natural treasures				
Hastings alive				
Pathways for people				
Enhancing where we live				

Figure 2 Strategic Objectives - Long Term Plan 2021-2031

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

Strategic Priority Areas:	Key Focus Areas:
The Economic Powerhouse:	<p>Central Hastings is the District's employment and economic hub, with a focus on:</p> <ul style="list-style-type: none"> <li>growing meaningful work and higher and valued jobs</li> <li>becoming a leader in food and beverage innovation</li> <li>diversifying to a knowledge-based economy</li> <li>developing a Hastings Proud employers initiative</li> <li>positioning as a centre for government relocations</li> <li>enabling innovation in the primary sector.</li> </ul>
Homes for our people	<p>The type of housing available in Hastings should match the diversity and needs of our people while also limiting urban sprawl onto the productive Heretaunga Plains. Moving forward this will require a more compact community connected by a range of effective transport choices, with a focus on:</p> <ul style="list-style-type: none"> <li>protecting our growing soils</li> <li>enabling more compact housing choices within existing urban boundaries</li> <li>working with government and other partners on housing projects</li> <li>rethinking and looking at future opportunities for Council housing.</li> </ul>
Getting around	<p>It is important to connect our people, places, products and markets by providing a safe, effective road network that allows people and goods to travel where they need to go, however they choose. There is a focus on:</p> <ul style="list-style-type: none"> <li>investing in our ageing road assets</li> <li>progressing the use of freight hubs and road/rail/port integration</li> <li>linking transport to urban growth areas</li> <li>advocating for improved regional transport networks</li> <li>developing sustainable transport alternatives.</li> </ul>
Rural living	<p>Hastings' economic success is linked to the success of our rural areas and rural communities who we will support while adapting to the changing environment, with a focus on:</p> <ul style="list-style-type: none"> <li>rural accessibility (roads, bridges)</li> <li>encouraging adaptation to sustainable land uses (in response to issues including climate change, farm ownership, workforce challenges and water access)</li> <li>enhancing rural connectivity (technology and communication)</li> <li>planning for future settlement development (population decline).</li> </ul>
Our natural treasures	<p>Maximising output from the land by retaining versatile and productive soils for food production, managing land use, and managing human behaviour which impacts water quality (an essential resource) is one of the most important themes in Council's strategic direction.</p> <p>As a community we need to waste less and embrace a more sustainable way of living and look after our precious outstanding landscapes such as</p>



	<p>Te Mata Peak. We recognise that the environment cannot be traded for economic gain. There is a focus on:</p> <ul style="list-style-type: none"> <li>• promoting water and energy efficiency</li> <li>• enhancing biodiversity</li> <li>• investing in sustainable infrastructure</li> <li>• promoting climate agility</li> <li>• protecting iconic landscapes</li> <li>• improving the health of waterways.</li> </ul>
Hastings Alive	<p>For successful business investment and expansion and talent attraction and retention, Hastings needs to be a place where people want to be. Encouraging people into Hastings requires an attractive urban environment and a vibrant, multi-functional city centre which is safe and offers a variety of things to do. There is a focus on:</p> <ul style="list-style-type: none"> <li>• getting more people into the city</li> <li>• enhanced central city vibrancy through the city activation plan</li> <li>• growing the youth vibe</li> <li>• uplifting Hastings' smaller town centres</li> <li>• telling our diverse stories to strengthen our identity.</li> </ul>
Pathways for people	<p>Our people ultimately hold the key to our collective success. The people of Hastings are changing in ethnic makeup, age and lifestyle preferences. We need to balance aspirations while meeting our community's varied educational and skill development needs to allow everyone to contribute to our society. Our environment and economy also depend on positive human behaviour and interactions. We want to develop our entrepreneurs who will help create economic sufficiency and growth, with a focus on.</p> <ul style="list-style-type: none"> <li>• developing a Rangatahi Co-lab</li> <li>• connecting people, skills, and jobs through our connector programme</li> <li>• encouraging youth to stay in school</li> <li>• connecting the educational/professional sector link by supporting multiple career pathways.</li> <li>• Improving equity in jobs, income and health outcomes.</li> </ul>
Enhancing where we live	<p>Neighbourhoods nurture family and community. The safety, health, vibrancy and attractiveness of all neighbourhoods is fundamental to wellbeing. Our urban areas need to be resilient to the challenges of the future. Enhancing where we live will address targeted interventions required for some of our communities. There is a focus on:</p> <ul style="list-style-type: none"> <li>• Flaxmere Town Centre rejuvenation</li> <li>• masterplans for Flaxmere and Camberley</li> <li>• working with communities on focused initiatives in neighbourhood uplift areas</li> <li>• enhancing community safety</li> <li>• planning for the future of coastal settlements</li> <li>• enabling marae-based settlement development</li> </ul>

Figure 3 Hastings District Council Community Outcomes

From a procurement perspective the things Council provides to the community can be categorised as below.

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

Figure 4 Council Activities

## 2.2 Infrastructure Strategy

In developing the Long Term Plan 2021-2031, Council identified key challenges that would need to be addressed in developing the Infrastructure Strategy.

The infrastructure Strategy outlines:

- The key infrastructural service considerations the Hastings District community must address over the next 30 years
- The main options for dealing with these issues
- The cost and service delivery implications of these options
- The Council's current preferred scenario for infrastructure provision.

Infrastructure accounts for a significant proportion of the Council's operating and capital expenditure. Encompassing roads, walking and cycle paths, drinking water, storm water, 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 helps Council and the 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 Council's 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, service outcomes, and regulated requirements.

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

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



Figure 5 Service Delivery Framework

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

### 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 (4<sup>th</sup> 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 procurement objectives, in line with the strategic directives set out in the Long Term Plan.

1. **Optimise public value:** maximising 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, works and services. 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).

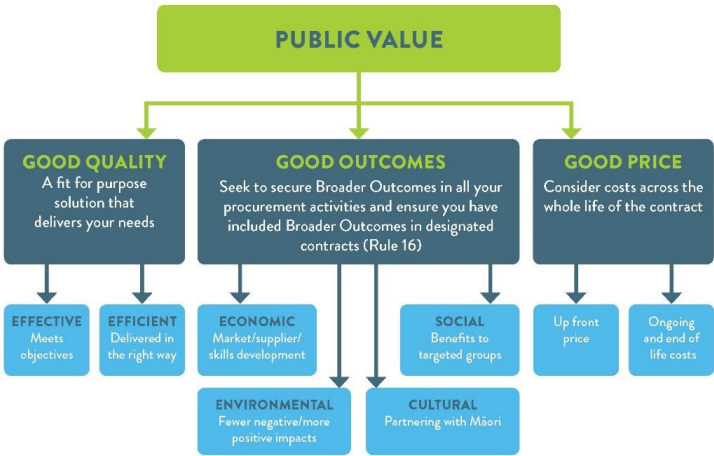


Figure 8 Public Value (Government Procurement Rules (4<sup>th</sup> Edition) 2019)

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

2.4.1.2 Procurement lifecycle

To achieve the desired outcomes, Council has adopted the Government Procurement Lifecycle model. The lifecycle is made up of three key phases: Plan, Source, Manage, within which there are 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.

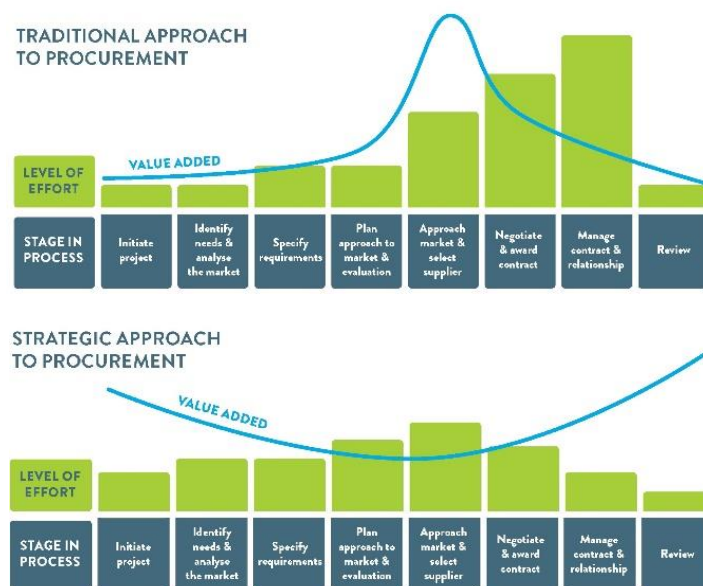


Figure 10 Approaches to Procurement (MBIE)

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 a contract and relationship stage. By placing a higher emphasis on the review phase, it also provides benefits by providing both Council and the supplier the opportunity to share and benefit from feedback, risk analysis and lessons learned. This supports a focus on continuous improvement, and ultimately, potential improvements in public value from future procurements.

### The difference

*Traditional approach to procurement.* Little time is spent on planning with the greatest effort expended on approaching the market. As a consequence of insufficient analysis in the planning stages, increasing levels of effort are required through the contract and relationship management phases. If the procurement is not reviewed there is little opportunity to benefit from lessons learned.

*Strategic approach to procurement.* Methodically working through each stage in the procurement process (planning, researching and analysing) adds significant value to identifying solutions that will meet the needs.

### 2.4.3 Waka Kotahi procurement outcomes

As an approved organisation, Council receives funding from the Waka Kotahi National Land Transport Fund (NLTF) for activities approved in the National Land Transport Programme (NLTP). To maintain its status as an approved organisation, Council must meet the s20 [Land Transport Management Act 2003](#), requirements. The relationship between Waka Kotahi 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 Waka Kotahi, as documented in the [NZTA Procurement Manual Amendment 6](#) (2022). By meeting the

requirements of the manual, Council will also meet the applicable requirements of the Government Procurement Rules (4<sup>th</sup> Edition) 2019.

#### 2.4.4 HDC Buyers Guide and Smart Home of Procurement (SHOP)

The Buyers Guide, ***gives effect to the Procurement Policy***, and has been adopted to support achievement of best public value.

The buyer's guide has been developed to support council wide procurement but makes reference to the Waka Kotahi NZTA *Procurement Manual* for Transport related activities. Refer to the Waka Kotahi Procurement Manual which takes precedence over the Buyers' guide.

Council has procured a procurement and contract management solution. This is being called the smart home of procurement (SHOP). All procurement and contract management activity over \$10,000 will be undertaken in this system.



## 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 Principle, charter and rules

The Government procurement policy framework, [NZ Government Procurement Rules \(4<sup>th</sup> Edition\) 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 (4<sup>th</sup> Edition) 2019 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 must comply with the procurement rules for Waka Kotahi-funded projects. Procurers are encouraged to apply Government Procurement rules as good practice for wider Council applications. Council acknowledges this broad framework supports accountability for spending, sound business practice and better results. By aligning with Government's 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 the spending of rate payer funds is well planned, sourced and managed.

### 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 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 Waka Kotahi to approve activities for NLTF funding (s20) by approved organisations. All expenditure must be made using 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 illustrates that procurement, through an approved procurement procedure under s25, delivers the activity approved for funding.

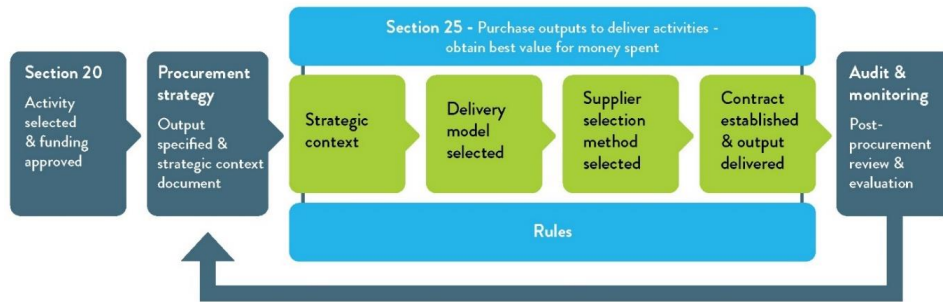


Figure 11: Overall procurement process – from activity selection to output delivery (Recoloured, from NZTA)

#### 2.5.5 National Land Transport Programme (NLTP)

The 2024-2027 National Land Transport Programme is a three-year programme that sets out how Waka Kotahi, working with its partners, invests national land transport funding to ‘create a safer, more accessible, better connected and more resilient transport system’.

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 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 requires all of its suppliers to take practical steps to ensure safe work practices are employed while recognising that in a contracting chain there are shared responsibilities under the HSWA to consult, cooperate and coordinate activities between all parties.



Council requires all of its suppliers to actively explore ways to promote best practice health and safety processes 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 or Gold accredited.

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

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 in an on-going and proactive manner. Effective risk management enhances the ability of Council to achieve intended objectives, minimise any surprises and meet statutory obligations.

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

A risk is considered any uncertainty that could affect the achievement of the objective, either positively or negatively. We manage risk in order to:

- improve decision making
- identify opportunities/innovations
- clearly document risk exposure
- appropriately communicate and report on risks
- integrate risk management culture into our organisation
- ensure we are successful in delivering our objectives.

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



Figure 12 Risk management process

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.

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

Council's 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 risks within the strategic risk register.

The procurement failure risk has been assessed by using a bowtie risk analysis method and then capturing the relevant causes, impacts and associated mitigations. As a result of that, Council has been able to assess and evaluate the level of risk based on the following causes (list is not exhaustive):

- poor contractor management
- contractor failure
- scope change
- flawed evaluation process
- lack of submissions
- poor requirement specification
- inappropriate risk allocation.

##### *Current risk description:*

Procurement policies and practices following government best practice are documented in the Council Buyers' Guide, which is supported by robust templates and overseen by Council's procurement manager and Procurement Steering Group. Standard practices are in place for tender publication, opening and approval to ensure adequate separation of duties and control over decision making.

As a result of the assessment, the level of risk is rated accordingly:

**Inherent risk (IR):** The inherent risk rating for procurement failure is assessed to be Extreme.

**Current risk (CR):** With the existing controls in place, the current risk rating for procurement failure is assessed to be Medium.

##### **Target risk:**

- Option 1: Implementation of the SHOP system and utilisation of it for all procurements. With this in place, the likelihood of the risk will decrease from *Possible* to *Rare*, resulting in a risk rating of Medium.
- Option 2: Implementation and utilisation of the SHOP system, along with compulsory training requirements for specific roles within the organisation. With both these steps\* in place, the likelihood of the risk will decrease from *Possible* to *Rare* and the impact will decrease from *Major* to *Moderate*. These decreases would result in a risk rating of Low.

\*In order for option 2 to be considered fully implemented, and hence the risk rating being considered low, it is expected that personnel who must complete the training have been identified and that there is a completion rate of at least 75% across all required training by those staff.

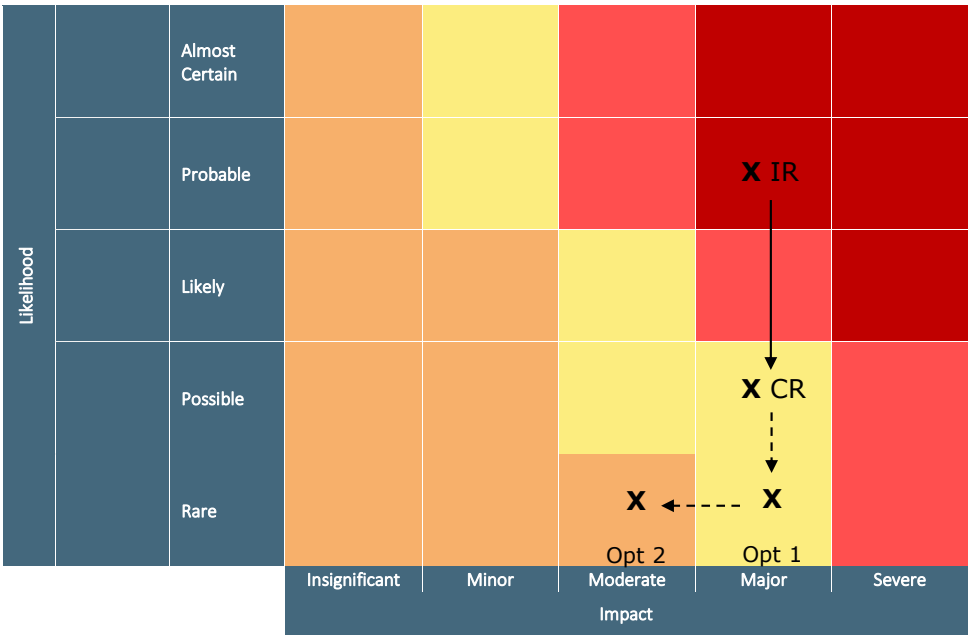


Figure 13 Illustrates control effect on Procurement failure risk

2.7.2 Risk assurance

Council uses an internal risk assurance role to undertake reviews of organisation operations, undertaken to an internal audit standard. This role also provides advice to business units to strengthen the internal control environment, in order to provide reasonable assurance that risk is adequately managed. This approach is built on the Three Lines model, recognised as good business practice.

2.8 Progressive procurement

With an annual procurement programme of approximately \$150 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.

Sustainability is of strategic and statutory importance to Council. The Local Government Act 2002 requires councils to take a sustainable approach by taking into account the social, economic, environmental, and cultural wellbeing of people and communities, maintain and enhance the quality of the environment, and consider the needs of future generations. Sustainability must therefore be considered throughout the entire procurement process.

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

- strategies to avoid unnecessary consumption and manage demand

- minimising environmental impacts of the goods, works or services over the whole-of-life of the goods, works or services
- suppliers' socially responsible practices including compliance with legislative obligations to employees
- the value over the whole of life of the goods, works or services, rather than just the initial cost.

Factors that can impact sustainability decisions include:

- climate change
- ozone depletion
- the need to optimise natural resources
- minimising the use of hazardous substances
- waste minimisation
- job creation
- health and safety compliance
- equality
- 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.

### 2.8.1 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 positive material difference by including objectives that:

- support te ao Māori cultural competency and knowledge within suppliers' workforces
- give due effect to Te Tiriti o Waitangi (Treaty of Waitangi)
- provide employment opportunities and career pathways for Māori
- support partnering or sub-contracting with iwi and hapū organisations, Māori businesses and social enterprises
- encourage the engagement of Māori in the design and/or delivery of goods, works and services.

The Pou Ahurea Team (Māori Relationship Advisors) who work within their own Māori Relationship Framework, Te Kura Nui, will also be informed by the Heretaunga Ararau Te Reo Māori Policy and the Heretaunga Ararau Te Reo Māori Action Plan, which will guide how Council works with mana whenua and other Māori organisations to develop models of partnership that will ensure that Māori have genuine and meaningful input. Council aims to make the Hastings District a place that values Māori business and workforce, heritage, arts, culture, te reo Māori me ōna tikanga.

## 2.9 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.

### 3 Procurement programme

Council’s procurement programme is defined over 10 years to align with the LTP. The current LTP covers the period from 2021 to 2031. 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 context to the procurement strategy.

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

- 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 parks and reserves
- 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 storm water quality and road runoff
- earthquake-prone building legislation.

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

- water investment
- municipal building earthquake strengthening and upgrade (completed)
- bridge strengthening
- wastewater trunk main renewal programme.

#### 3.1 Planned major projects

For the period of 2021-2031, the LTP identified 10 key areas of investment with budgets set to 2031. 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:

Priority	Total Project Value	Category(s)
Safe drinking water	\$65m	Three Waters
Waste water investment	\$108m	Three Waters
Storm water investment	\$36m	Three Waters
Better urban roads	\$183m	Transportation
Better rural roads	\$125m	Transportation
Landfill expansion	\$31m	Waste & Data Services (Solid Waste)
Housing availability	\$39m	Transportation, Three Waters, Public Spaces
Vibrant city centre	\$18.5m	Public Spaces, Transportation, Council Facilities
Parks and reserves	\$39m	Public Spaces
City spaces	\$9.6m	Transportation, Three Waters, Public Spaces

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

Notes: Not all Council projects are detailed and figures exclude any inflation adjustment. Numbers also are not inclusive of funds received from central government initiatives.

3.1.1 Indicative annual spend by category

Table 2 Planned procurement spend by category for next three years

Category	2023-24	2024-25	2025-26	Three-Year Average:		
				Category Spend	% of Council Spend	% of Asset Spend
Transportation	\$42.28 M	\$42.43 M	\$43.06 M	\$42.59 M	30%	36%
Three Waters	\$30.87 M	\$31.45 M	\$33.77 M	\$32.03 M	22%	27%
Waste & Data Services (Solid Waste)	\$27.3 M	\$27.07 M	\$26.19 M	\$26.85 M	19%	23%
Public Spaces & Building Assets	\$16.85 M	\$18.36 M	\$15.66 M	\$16.96 M	12%	14%
Community Wellbeing & Services	\$7.81 M	\$7.88 M	\$8.38 M	\$8.02 M	6%	N/A
Strategy & Development	\$1.7 M	\$1.48 M	\$1.51 M	\$1.56 M	1%	N/A
Planning & Regulatory	\$3.73 M	\$3.75 M	\$3.77 M	\$3.75 M	3%	N/A
Corporate, People & Capability, CEO Office	\$12.1 M	\$10.02 M	\$10.41 M	\$10.85 M	8%	N/A
Marketing & Communications	\$1.28 M	\$1.35 M	\$1.42 M	\$1.35 M	1%	N/A
Total	\$143.91 M	\$143.8 M	\$144.17 M	\$143.96 M		

Based on the planned spend for the three years to 2026 detailed above, Council’s average procurement expenditure by category is shown in the Figure 14 below.

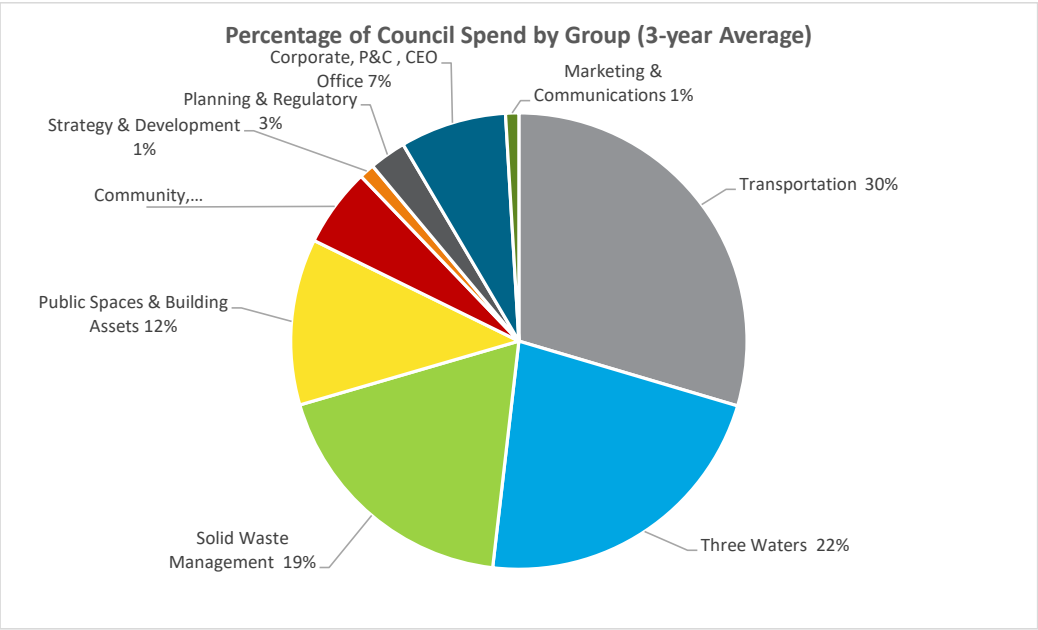


Figure 14 Average percentage of Council Spend by category

Budgets for Transportation, Three Waters, Waste & Data Services (Solid Waste), Public Spaces and Building Assets account for 82% of Councils procurement spend.

The remaining 18% of Council’s spend is spread across the other groups.

3.1.1.1    Asset management

Transportation is traditionally the largest category spend, accounting for an average of 36% of procurement within the Asset Management Group. Following the three waters reform by government transport will be our largest spend category.

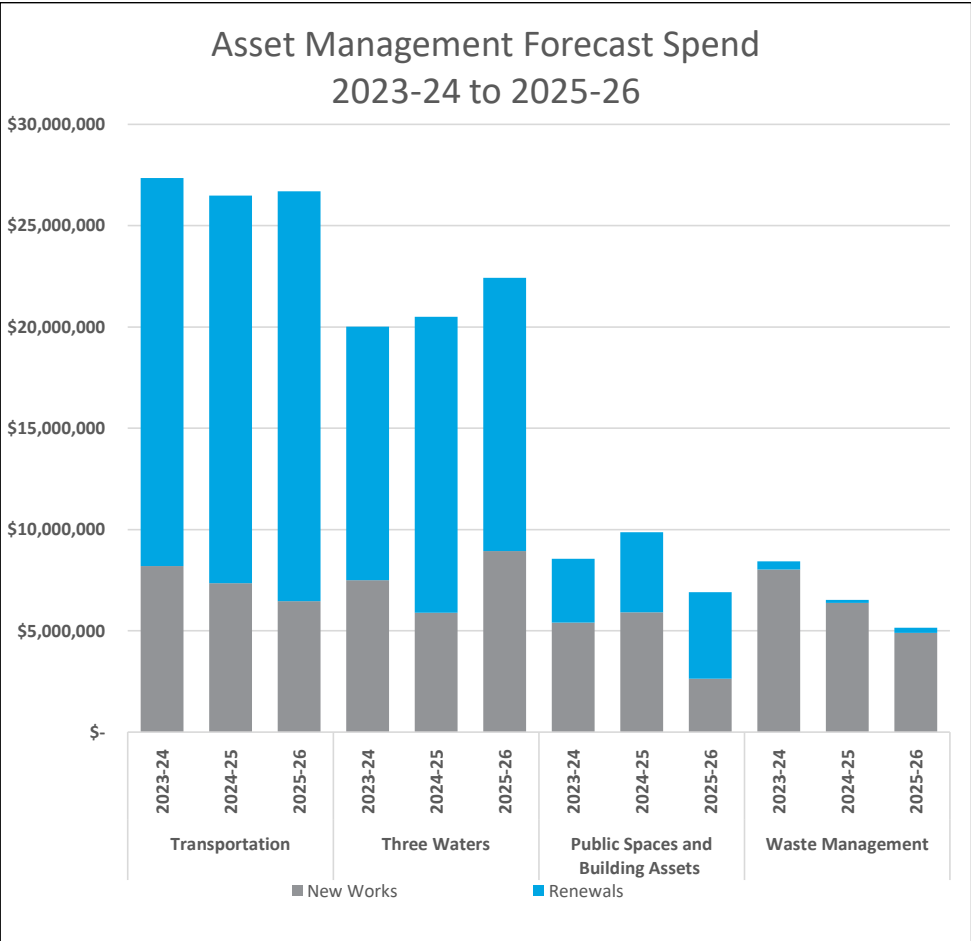


Figure 15 Asset Management Group forecast spend

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	2023-24	\$8.2 M	\$34.08 M	\$42.28 M	\$42.59 M	30%	36%
	2024-25	\$7.34 M	\$35.09 M	\$42.43 M			
	2025-26	\$6.46 M	\$36.61 M	\$43.06 M			
Three Waters	2023-24	\$7.49 M	\$23.38 M	\$30.87 M	\$32.03 M	22%	27%
	2024-25	\$5.9 M	\$25.55 M	\$31.45 M			
	2025-26	\$8.93 M	\$24.84 M	\$33.77 M			
Waste & Data Services (Solid Waste)	2023-24	\$8.02 M	\$19.28 M	\$27.3 M	\$26.85 M	19%	23%
	2024-25	\$6.38 M	\$20.69 M	\$27.07 M			
	2025-26	\$4.9 M	\$21.29 M	\$26.19 M			
Public Spaces & Building Assets	2023-24	\$5.4 M	\$11.45 M	\$16.85 M	\$16.96 M	12%	14%
	2024-25	\$5.92 M	\$12.45 M	\$18.36 M			
	2025-26	\$2.64 M	\$13.02 M	\$15.66 M			

## 3.2 Procurement programme overview

### 3.2.1 Procurement positioning

The procurement positioning matrix is 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 following high-level analysis.

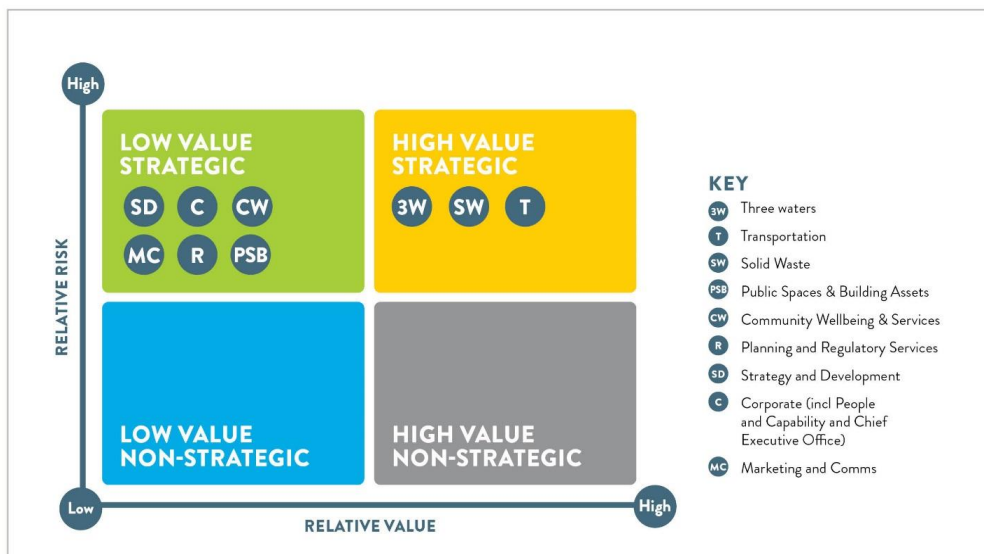


Figure 16 Supply Positioning Matrix (Source: MBIE)



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/storm water/wastewater)
- Transportation
- Public Spaces & Building Assets
- Community Wellbeing & Services
- Waste & Data Services (Solid Waste)
- Planning & Regulatory Services
- Strategy & Development
- Corporate, People & Capability and Chief Executive Office
- Marketing & Communications

#### 3.2.2.1 Three Waters

This category includes the maintenance and renewal activities for Three Waters: drinking water, wastewater and storm water.

Asset Details	Quantity
<b>Storm water</b>	
Mains (km)	312
Open Channels (km)	75
Retention Dams (No.)	8
Pump Stations (No.)	13
<b>Wastewater</b>	
Mains (km)	422
Connections (km)	183

Pump Stations (No.)	49
Treatment Plant (No.)	2
Outfall (km)	3
Water Supply	
Mains (km)	536
Connections (km)	160
Water Treatment Plants/Pump Stations (No.)	25

Table 5 Council Assets - Three Waters

Table 6 Three Waters procurement analysis

THREE WATERS Description	Key projects are as follows:				
	<ul style="list-style-type: none"><li>Wastewater: the continuation of the trunk sewer rehabilitation and replacement programme, pump station, rising main and the treatment plant upgrade works.</li><li>Storm water: standalone storm water improvements, storm water quality improvements and infrastructure upgrades associated with transportation projects.</li><li>Drinking Water: network infrastructure renewals, potential servicing of un-serviced areas.</li></ul>				
	The three waters programme supports Council’s industrial and residential growth strategy. The strategy identifies a range of projects already underway to support a tranche of new growth areas identified in the IAF application submitted by Council in 2022.				
	The plan includes a package of works to the value of \$85M over the next three years, subject to Council approval.				
Sub Categories	Main drinking water supply, community drinking water supplies, storm water, wastewater				
Accountability	Asset Management Group				
Category	Indicative Spend	Year	2023-24	2024-25	2025-26
Positioning		Capital Expenditure	\$7.49 M	\$5.9 M	\$8.93 M
Relative Risk		Operational, Maintenance & Renewal	\$23.38 M	\$25.55 M	\$24.84 M
	Matrix Position	High Value Strategic			
Supplier Market	The top five suppliers for the previous two years include Fulton Hogan Ltd, Drainways Contracting Ltd, City Care Ltd, Stantec NZ and Reliant Solutions.				
Market Summary	The market is buoyant in Hawke’s Bay due to the large programmes to be delivered by Local Authorities and the activity in the land development sector.				
	This creates competing demands for contractors but there are in most cases 3 tender responses to requests for tender.				
	The majority of works contracts are delivered by the local market with only some specialist providers required from out of the region.				
	There is also a competing demand for consultants to undertake design and contract management services. Hawke’s Bay are serviced by local, national and international suppliers but capacity can be a risk to delivery.				
Procurement	Council tenders the majority of the work under the Prequalification and Performance management for Civil Construction system for Three Waters capital and renewal works. There are both local and national suppliers prequalified ( 15 registered) but few national suppliers tender as the value of the contracts are relatively low and find it difficult to compete due to the additional establishment overheads.				
	New contractors have recently joined the prequalification system and there is a recent increase in tenders received. Costs have increased significantly, predominantly as a result of increased labour, plant and materials costs as a result of the global pandemic.				
	In 2021 Council formed a professional engineering services panel with three providers (Stantec NZ, WSP and GHD) to provide engineering investigation design and contract management services.				

3.2.2.2 Transportation

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

Council’s strategy is to fund an increased investment on the transportation infrastructure predominantly over six years, in partnership with Waka Kotahi NZ Transport Agency to get the funding base to a sustainable level to deliver fit for purpose customer levels of service..

Council continues with the seven-year \$10 million programme that commenced in 2018 to strengthen the bridges 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.

Asset Details	Quantity
Sealed pavement (km)	1,306
Unsealed pavement (km)	336
Footpaths (km)	530
Bridges (no.)	262
Off Road Cycleway (km) incl shared path	70.9
Street lights (no.)	7,194

Table 7 Council assets - transportation

Table 8 Transportation Procurement Analysis

<b>TRANSPORTATION</b>					
Description	The Transportation Group manages the delivery of ongoing investment in the transportation network, encompassing roading maintenance, urban and rural pavement treatments, minor safety improvements, walking and cycling pathways, and the construction of new infrastructure to support Council's 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 Spend	Year	2023-24	2024-25	2025-26
Positioning		Capital Expenditure	\$8.2 M	\$7.34 M	\$6.46 M
Relative Risk		Operational, Maintenance & Renewal	\$34.08 M	\$35.09 M	\$36.61 M
Supplier Market	<p><b>Matrix Position</b> High Value Strategic</p> <p>The top five suppliers for the previous two years include Downer (urban maintenance), Fulton Hogan (rural maintenance and capital and renewals programme), Higgins (capital and renewal projects), Russell Roads (capital and renewal projects) and Stantec NZ (professional services).</p>				
Market Summary	<p>The market is buoyant in Hawke's Bay due to the large programmes to be delivered by Local Authorities, Waka Kotahi and the activity in the land development sector.</p> <p>This creates competing demands for contractors but there are in most cases 3 tender responses to requests for tender.</p> <p>The majority of works contracts are delivered by the local market with only some specialist providers required from out of the region.</p> <p>Depending on the scale and complexity of the projects, there is a sufficient local supplier market with a total of eleven contractors prequalified for road construction and eight for bridge construction.</p> <p>There is also a competing demand for consultants to undertake design and contract management services. Hawke's Bay are serviced by local, national and international suppliers but capacity can be a risk to delivery.</p>				
Procurement	<p>Council uses a Prequalification and Performance Management for Civil Construction system for transportation capital and renewal road and bridge work.</p> <p>Term contracts are in place for road, streetlights, traffic signals, road marking, and resurfacing works, while capital works are procured on an individual or combined basis, in most cases using prequalified contractors for both roading and bridge projects.</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. Locally based national companies, 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 2021 Council formed a professional engineering services panel with three providers (Stantec NZ, WSP and GHD) to provide engineering investigation design and contract management services.</p>				

3.2.2.3 Waste & Data Services (Solid Waste)

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

- Omarunui Landfill, jointly owned with Napier City Council (Hastings District Council administers and procures all goods, works and services for the landfill and recoups Napier City Council’s 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, Waimarama, Maraekakaho, Pukehamoamo, Poukawa, Tutira and Waipatiki)
- waste minimisation and education services (including community consultation, waste strategy and implementation).

Note: The Hastings District Council-owned Black Bridge Refuse Transfer Station is leased to a private operator.

Table 9 Waste & Data Services (Solid Waste) procurement analysis

Waste & Data Services (Solid Waste)					
Description	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 is now collected using Council-supplied bins and the refuse using Council-supplied wheelie bins. The Omarunui Landfill has been granted new resource consents so it can extend into Area B of the site. This space is required so that waste can continue to be received beyond 2025.  Area B Enabling Work contract let to Fulton Hogan. Work started week of 23 January 2023.				
Sub Categories	Operations, maintenance and renewals and capital works.				
Accountability	Asset Management Group – Waste & Data Services				
Category	Indicative Spend	Year	2023-24	2024-25	2025-26
Positioning		Capital Expenditure	\$8.02 M	\$6.38 M	\$4.9 M
Relative Risk		Operational, Maintenance & Renewal	\$19.28 M	\$20.69 M	\$21.29 M
Supplier Market	Matrix Position		Low Value Strategic		
	The top five suppliers over the previous two years were Lissette (Omarunui Landfill operations), Smart Environmental, JJ Richards & Sons Pty Ltd, Stantec NZ (Engineering Services), Green Sky Waste Solutions Ltd NZ				
Market Summary	There are a wide range of services required to deliver the Council’s solid waste functions.				
	The recent tendering of term contracts for the collection of refuse and recycling, carting of refuse and the operation of the Omarunui Landfill attracted a number of local and national suppliers.				
	To deliver the services required for the maintenance functions for the Henderson Road transfer station and the Omarunui Landfill, there is available a wide range of local specialist suppliers.				
Procurement	Council awarded new term contracts to local suppliers in 2019, for the carting of refuse from the Henderson Road and for the management of Black Bridge Transfer Station. Council tendered for long term kerbside and drop-off centre recycling services, and refuse kerbside collection services in 2019, with the services commencing in 2020. The tenderers are national suppliers.				

Procurement for contracting waste services is through several term contracts to ensure continuity of service and provide a sufficient period for contractors to manage the required capital investment. The new recycling and refuse kerbside collection contracts are for a seven-year term with three possible extensions of one year.

Council has a term engineering services contract for the Omarunui Landfill development and monitoring, planning services and specialist technical advice provided by national suppliers.

Engineering services are also provided either through the Engineering Services panel or through engagement of specialist suppliers.

For the works required for the maintenance of the Omarunui Landfill, Council has contracts with a wide range of service providers.

#### 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 187 parks and reserves, ranging from city, neighbourhood and rural playgrounds, sports fields and parks, to natural green spaces and road reserves. There are 54 hectares of sports fields, 707 hectares of reserves, 42 playgrounds, 53,000m<sup>2</sup> of street gardens and shrub beds, and some 35,000 street trees.

Council has 151 buildings on Council land; 110 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 &amp; Building Assets procurement analysis

PUBLIC SPACES & BUILDING ASSETS					
Description	This category includes the maintenance and renewal activities of parks and reserves and building assets.				
	The maintenance of public spaces is undertaken by Recreational Services through a term contract. The maintenance of Council-owned building assets is undertaken by Direct Earth Ltd and Almak Pty through a term contract.				
	The Public Spaces team is also responsible for 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 improvements to the Central Plaza and Civic Square, and the development (or upgrades) of pocket parks, laneways and accessibility connections, and central city gateways and streets.				
Sub Categories	Linkages (urban), linkages (ecological), civic space, cultural heritage, open spaces (natural), open spaces (maintained), public gardens, community centre buildings, sport and recreation buildings, streetscapes, public toilets, senior housing, service buildings				
Accountability Category Positioning Relative Risk	Asset Management Group – Public Spaces & Building Assets				
	Indicative Spend	Year	2023-24	2024-25	2025-26
		Capital Expenditure	\$5.4 M	\$5.92 M	\$2.64 M
		Operational, Maintenance & Renewal	\$11.45 M	\$12.45 M	\$13.02 M
	Matrix Position	Low Value Strategic			

Supplier Market	The top five suppliers over the previous two years were Recreational Services (maintenance), Hawke's Bay Regional Council (public spaces maintenance) Downer NZ (urban and parks works and maintenance), Total Plumbing, Creations Paving & Contracting Ltd.
Market Summary	<p>The top supplier list varies from year to year depending on the capital works programme; the list excludes grants to community organisations.</p> <p>The Public Spaces and Building Assets team use local and national suppliers to provide a mix of capital, maintenance and specialist services.</p> <p>For capital and renewal civil works including street upgrade works the team are faced with the same challenges as the three waters and transportation teams having to compete with the same pool of suppliers.</p> <p>For building maintenance works Council has well established relationships with many local smaller suppliers who provide can provide the required services.</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 Public Spaces maintenance is carried out by a national company, Recreational Services, under a term contract.</p> <p>Street upgrades and civil works relating to playground upgrades are generally undertaken using the Council's Prequalification and Performance Management for Civil Construction system which provides a reasonable local supplier market.</p> <p>Council has a preferred supplier list for tenders to the local market for capital and renewal projects.</p> <p>A 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.</p> <p>The street enhancement programme is procured through a combination of prequalified contractors and nominated subcontractors.</p> <p>Several small local suppliers are also used (surveyors, material suppliers etc.) and are procured by invited or open tender.</p> <p>Engineering services are provided either through the Engineering Services panel or through engagement of specialist suppliers.</p>



### 3.2.2.5 Community Wellbeing & Services

The Community Wellbeing & Services group manages Aquatics Hastings and Splash Planet, Camberley Community Centre, Flaxmere Community Centre, Hastings District Libraries, Hastings Sports Centre, Senior Housing, Social and Youth Development, Community Safety, Hastings City Art Gallery and Toitoti – Hawke’s Bay Arts & Events Centre.

The group manages Council facilities and community programmes.

Table 11 Community Wellbeing & Services procurement analysis

COMMUNITY WELLBEING & SERVICES					
Description	The group also manages a range of grants available to community groups and individuals, all with specific criteria designed to enhance the lives of residents through events, programmes, services, and facility improvements				
Sub Categories	Social and youth development services (youth development, senior Housing, community and safety), the services provided out of two community centres, the Hastings Sports Centre, four-public swimming Pools, Splash Planet, three libraries, the Hastings City Art Gallery, and Toitoti – Hawke’s Bay Arts & Events Centre.				
Accountability	Council Facilities & Programmes (MO&R)   Asset Management Group – Public Spaces & Building Assets (Capex)				
Category Positioning Relative Risk	Indicative Spend	Year	2023-24	2024-25	2025-26
		Capital Expenditure	\$0.55 M	\$0.56 M	\$0.94 M
		Operational, Maintenance & Renewal	\$7.25 M	\$7.32 M	\$7.44 M
Supplier Market	Matrix Position Low Value Strategic				
	The top five suppliers for the last two years were Gemco Construction Ltd (Toitoti), Direct Earth Ltd, AON NZ Ltd, Genesis Energy Ltd, Advanced Security Group				
	The top supplier list varies from year to year depending on the capital works programme; the list excludes grants to 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. There are numerous small local contractors available for building maintenance work.				
Procurement	Procurements are achieved via a combination of direct engagements, open and invited tenders and syndicated contracts for both works and services				
	Council has a preferred supplier list for small routine maintenance works (electricians, painters, plumbers etc.)				

### 3.2.2.6 Planning & Regulatory Services

The Planning & Regulatory Group is 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 special projects such as urban design/policy work.

Table 12 Planning & Regulatory Services Procurement Analysis

PLANNING & REGULATORY SERVICES					
Description	The Planning and Regulatory Services Group procures mainly professional services to support Council-wide policy and consenting functions for building, resource and environmental health management, as well as parking, security and animal control services.				
Sub Categories	Building consents, environmental planning, policy and consents, environmental health/liquor, compliance, parking, animal control.				
Accountability	Planning & Regulatory Services				
Category	Indicative Spend	Year	2023-24	2024-25	2025-26
Positioning		Capital Expenditure	-	-	-
Relative Risk		Operational, Maintenance & Renewal	\$3.73m	\$3.75m	\$3.77m
	Matrix Position		Low Value Strategic		
Supplier Market	The top five suppliers for the last two years were Global Integrated, National Process, Jag Contractors, Rice Speir (legal advice), Matthew Casey (legal advice).				
	There is an established market with longstanding relationships with Council which deliver across a variety of disciplines and specialist fields.				
Market Summary	There are several local suppliers with the capacity and capability that provide services to the group. The group 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 legal services is often reactive to situations that arise (sometimes beyond Council’s control).				

### 3.2.2.7 Strategy & Development

The Strategy & Development Group develops and manages significant strategic projects which facilitate residential housing supply and industrial development. It has a strong focus on economic development across the district and the wider region working with external partners.

Table 12 Strategy & Development Procurement analysis

STRATEGY & DEVELOPMENT					
Description	The Strategy & Development 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	Strategy, strategic projects, economic development, district development, democracy and governance, future growth planning and Hastings Futures.				
Accountability	Strategy & Development				
Category Positioning Relative Risk	Indicative Spend	Year	2023-24	2024-25	2025-26
		Capital Expenditure	-	-	-
	Operational, Maintenance & Renewal		\$1.7m	\$1.48m	\$1.51m
Matrix Position		Low Value Strategic			

Supplier Market	The top five suppliers for the last two years were, RTA Studio Ltd, GHD Limited, Grundy Productions, Contextus Solutions Ltd and Strata Group Consulting Engineers.
Market Summary	<p>Strategy &amp; Development 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.</p> <p>There are several national and local suppliers for specialist services which are used dependent upon the competency required.</p>
Procurement	<p>The procurement approach predominately relates to the engagement of specialist and legal advisors. The use of legal services is often reactive to situations that arise (sometimes beyond Council's control).</p> <p>Procurement risks are mitigated through the engagement and selection process.</p> <p>Strategy &amp; Development procures goods, works and services using AoG arrangements and through procurement partnerships with neighbouring local authorities.</p>

### 3.2.2.8 Corporate (Including People & Capability and Chief Executive Office)

The Corporate Group encompasses Finance, Procurement, Customer Service, Information Management & Business Transformation, Risk Management, Business Continuity, Incident and Emergency Management, Records, Facilities management, Security including Facilities Kaitiaki and Skate Park Guardians/Kaitiaki, City Assist, CCTV, Security contract and the Flaxmere land development works.

Table 13 Corporate (Including People & Capability and Chief Executive Office) Procurement analysis

CORPORATE (Including People & Capability and Chief Executive Office)					
Description	The Corporate group is responsible for supporting the organisation to achieve its goals with a focus on innovation, customer service and organisational safety.				
Sub Categories	Customer services, information management and business transformation, risk and corporate finance, procurement and security. People Experience including payroll, Health & Safety. Pou ahurea matua, legal and major projects.				
Accountability	Corporate, People & Capability and Chief Executive Office				
Category	Indicative Spend	Year	2023-24	2024-25	2025-26
Positioning		Capital Expenditure	\$ .74m	-	-
Relative Risk		Operational, Maintenance & Renewal	\$11.36m	\$10.2m	\$10.41m
	Matrix Position		Low Value Strategic		
Supplier Market	The top five suppliers for the last two years were Downer NZ Ltd, Datacom System Ltd (IT systems), Spark Digital (IT Systems), Fulton Hogan Ltd, GHD Limited.				
Market Summary	Corporate undertakes 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 local and national suppliers. Fleet vehicles, office suppliers are procured through AoG contracts.				
	There are several local suppliers for IT services as well as national suppliers.				
Procurement	The procurement approach varies from term capital, maintenance and supply contracts to direct engagement of specialist services including IT and legal advisors. Procurement risks are mitigated through having long term arrangements with suppliers. Corporate also procure goods and services using AoG arrangements and through procurement partnerships with neighbouring local authorities.				

3.2.2.9 Marketing & Comms

The Marketing, Communications & Engagement Group (MCE) provides a comprehensive range of services to all of Council, including the Mayor’s office.

Table 14 Marketing, communications & engagement procurement analysis

MARKETING, COMMUNICATIONS & ENGAGEMENT					
Description	The Group works with internal and external partners to promote Hastings District by supporting events, tourism and economic growth initiatives through advice, funding, and the development and/or delivery of initiatives to promote the district.				
Sub Categories	Events, marketing and brand, communications and engagement, i-Site, graphic design				
Accountability	Marketing, Communications and Engagement				
Category	Indicative	Year	2023-24	2024-25	2025-26
Positioning	Spend	Capital Expenditure	-	-	-
Relative Risk		Operational, Maintenance & Renewal	\$1.28m	\$1.35m	\$1.42m
Supplier Market	Matrix Position Low Value Strategic The top five suppliers over the last three years were Little Red Robot (graphic design contractor), Input4U (flyer delivery), NZME Publishing (public notices and advertising), Webstar (flyer printing under Brebner AoG contract), and Brebner Print (all other printing – AoG contract). This excludes sponsorship agreements (e.g. Horse of the Year and Arts Inc. Heretaunga).				
Market Summary	MCE uses a diverse range of suppliers to best meet the needs of any given project, activity, or event. Most suppliers for day-to-day operations are based locally, with specialists sourced nationally as required. There are a limited number of suppliers with the scale or capacity to support Council’s marketing and communications activities. Examples of key activities and the supplier base include flyer distribution (Reach Media, Input4U), daily newspaper print advertising (NZME), radio networks (NZME, MediaWorks) and video (Grundy, Engage Media, Indelible).				
Procurement	Council has supplier agreements in place for ongoing procurement (AoG for printing, contracts for service for additional resources). Based on the scale, duration and nature of the project, individual projects are tendered or where relevant, obtained through direct engagement due to factors such as limited supply market, capacity, and specific knowledge relating to Council and/or the project. From time to time, MCE may procure services on behalf of neighbouring councils for joint projects.				

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.

The challenges facing Council in delivering the programme of works are outlined in section 4 below.

Four specific areas of planned increased investment are:

1. Urban and rural roads

In the urban areas there are specific areas of focus on Council’s roads in the coming years to improve road surfaces and pavement, road drainage, footpaths, street lights, traffic signals and walking and cycling infrastructure.

In the rural areas planned improvements include drainage, maintenance and pavement renewals to provide safe roads of an acceptable standard, including continuing the seven-year programme of bridge strengthening works commenced as detailed in the 2018 Long Term Plan.

## 2. Three Waters

Across Council's three waters (drinking, wastewater and storm water) continued investment is required to meet the service levels residents expect. The key aspects are the upgrade of the Wastewater Treatment Plant at East Clive, the renewal of the three trunk wastewater mains and the urban sewer network, storm water quality improvements, and the completion of the drinking water improvement programme to meet drinking water standards.

There is uncertainty regarding the impact of the Three Waters Reform legislation implementation on the programme, however Council is planning to maximise delivery as much as possible during any transition period. The legislation as currently drafted in the water services entity bill will see all of the three waters expenditure and procurement transfer through to the proposed entity c. Council will look to collaborate with entity c in an attempt to achieve procurement efficiency and councils wider procurement outcomes.

## 3. Omarunui Landfill

Council is undertaking the planning, design, consenting, and enabling works for the landfill expansion in Area B to proceed ahead of the current area reaching capacity in five to six years

## 4. Managing growth

Hastings District is experiencing high demand for housing, and Council needs to ensure enough serviced land is available to meet varying housing needs. Council's approach balances a number of factors including avoiding urban development over valuable productive soils and ensuring investment in infrastructure (such as water, waste and roads) is able to be funded through the development contribution charged on new developments.

# 4 Procurement environment

## 4.1 Analysis of 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 changes 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.

### 4.1.1 Market challenges

In the last two years Council has experienced a significant change in the procurement environment as a result of the global COVID-19 pandemic. This has resulted in material supply shortages and delays and significant cost increases for materials sourced both nationally and internationally.

The pandemic has also impacted productivity as businesses have had to manage staff availability throughout the supply chain (clients, professional services providers, suppliers, and contractors). Through the government funding initiatives this period has also seen an increase in the consultant and contractor supply market in the region and the challenge is to maintain this momentum.

The impact of COVID -19 will continue to affect the supply market although it is unknown as to the extent.

Although there is a level of uncertainty regarding Government Three Waters Reform legislation implementation programme and timelines, Council's strategic focus is to have as many contracts in place as possible to maximise delivery through any transition period.

Alongside the uncertainties driven by COVID and proposed legislative changes, the supply chain is further constrained by the tension between increased programmes of work, and skill and staff shortages.

One of Council's strategic objectives is to provide pathways for people in employment and business. This aligns with the procurement strategy of seeking best public value and social outcomes. One aspect of this strategy is providing opportunity for Māori and Pasifika businesses. Council has a number of key focus areas to provide pathways.

#### 4.1.2 The local market

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

Trends in expenditure are influenced by individually significant projects or programmes, for example, 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.

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). The four TLAs and Waka Kotahi have overlapping procurement demands, which can limit the number of tenders/responses leading to an increase in costs.

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 differing nature of projects, and the impact on the community).

In 2021 Council established an Asset Management Group Professional Engineering Services Panel with three locally based suppliers (WSP, Stantec (NZ) and GHD). An objective of the panel is for Council to have multiple suppliers available to be able to deliver the programme.

Council has several maintenance and term contracts with a value of \$100,000 or more listed in Appendix 7.1.

It is through a combination of term and project-specific contracts that Council encourages a competitive environment. Project-specific contracts are procured either through invited or open tenders. Suppliers have the opportunity to become a preferred supplier for a range of goods, works or services or to be prequalified for civil infrastructure.

Council will continue to assess the impact of the procurement approach on the local market by thorough procurement planning to make tender opportunities as attractive to the market as possible.

4.2 Analysis of current procurement spend and profile

Over the previous three years, Council has spent an average of \$152.3 million on procuring goods, works and services. 77% of this is through the Asset Management Group, with three waters being the largest area of spend, accounting for 30% of all of Council’s procurement spend, and 40% of the Asset Management Group spend.

Table 15 Analysis of Council Spend by Category - Previous 3 Years

Category	2019-20	2020-21	2021-22	Three-Year Average:	Three-Year Average:	Three-Year Average:
				Category Spend	% of Council Spend	% of Asset Spend
Transportation	\$32.90 M	\$43.93 M	\$36.22 M	\$37.69 M	25%	32%
Three Waters	\$42.54 M	\$46.76 M	\$49.98 M	\$46.42 M	30%	40%
Waste & Data Services (Solid Waste)	\$13.96 M	\$16.41 M	\$18.43 M	\$16.26 M	11%	14%
Public Spaces & Building Assets	\$16.06 M	\$16.13 M	\$16.52 M	\$16.24 M	11%	14%
Community Wellbeing & Services	\$15.61 M	\$17.48 M	\$15.37 M	\$16.15 M	11%	N/A
Strategy & Development	\$1.38 M	\$2.51 M	\$1.39 M	\$1.76 M	1%	N/A
Planning & Regulatory	\$3.66 M	\$3.64 M	\$2.73 M	\$3.34 M	2%	N/A
Corporate, People & Capability, CEO Office	\$14.81 M	\$11.14 M	\$14.19 M	\$13.38 M	9%	N/A
Marketing, Communications & Engagement	\$8.1 M	\$1.22 M	\$1.14 M	\$1.05 M	1%	N/A
Total	\$141.72 M	\$159.21 M	\$155.96 M	\$152.74 M		

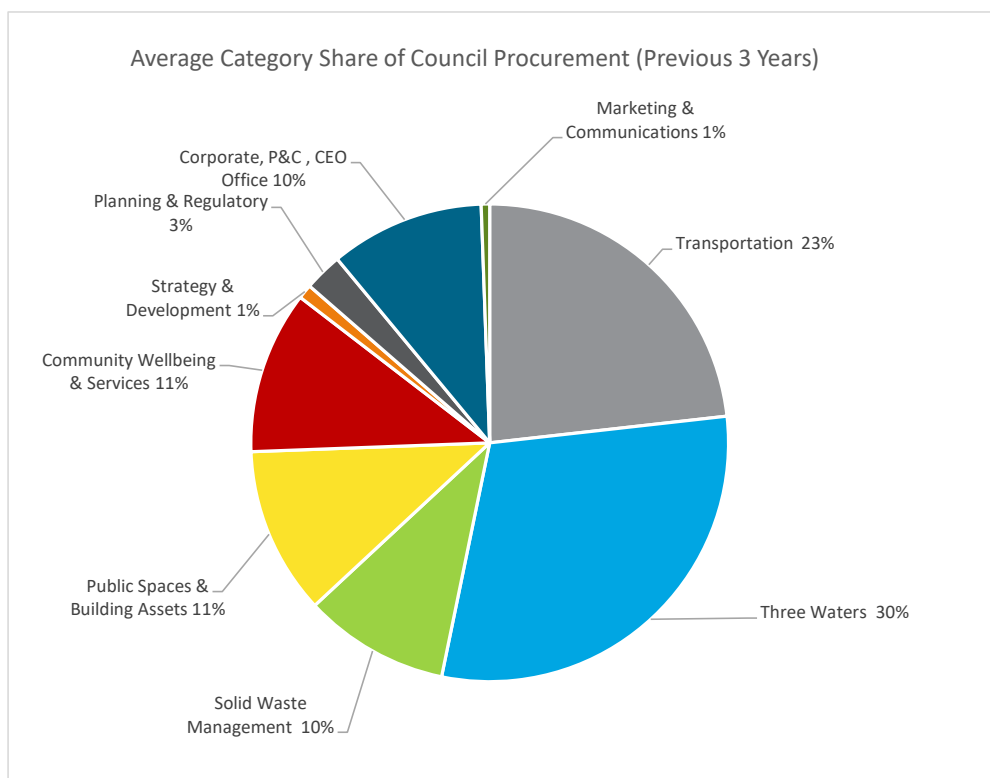


Figure 17 Average category share of Council procurement (previous three years)

Key projects that have impacted on asset management spend have been the drinking water investment strategy (LTP budget \$47.5m) and the transportation, 3 waters and solid waste capital, renewal and operations works.

Table 16 Asset management – top 10 suppliers (last three years)

ASSET MANAGEMENT – TOP TEN SUPPLIERS (LAST 3 YEARS)					3-Year Average	
Supplier	2019-20	2020-21	2021-22	3-Year Average	% AM Spend	% HDC Spend
Fulton Hogan	15,622,390	17,917,962	25,791,436	19,777,263	32%	13%
Downer	10,129,258	11,329,403	11,539,346	10,999,336	18%	7%
Recreation Services	6,403,603	7,331,614	8,856,110	7,530,442	11%	5%
Stantec	8,603,135	6,809,636	4,340,916	6,584,562	11%	4%
Drainways	596,057	4,234,532	10,652,748	5,161,112	8%	3%
City Care Ltd	6,678,335	4,850,686		5,764,511	9%	4%
Higgins	1,417,942	6,630,769	2,951,252	3,666,654	6%	2%
Russell Roads	4,227,542	2,789,518	2,315,969	3,111,010	5%	2%
Genesis Energy	2,060,763	2,176,678	2,412,496	2,216,646	4%	2%
Lisette Limited	1,971,976	2,375,941	1,949,069	2,098,995	3%	1%
<b>Total - Asset Management Spend</b>	<b>57,711,003</b>	<b>66,446,739</b>	<b>70,809,343</b>	<b>66,910,532</b>		
<b>Total - HDC Spend</b>	<b>132,980,904</b>	<b>157,030,652</b>	<b>153,166,409</b>	<b>147,725,988</b>		
<b>% of HDC Spend on Asset Management</b>	<b>43%</b>	<b>42%</b>	<b>46%</b>	<b>45%</b>		



Over the last three years (2019/20 to 2021/22) period, Council has engaged approximately 2000 suppliers each year. The majority of these have been relatively small transactions while our 10 largest suppliers have accounted for as much as 45% of Council expenditure over the three years.

When the total Asset Management Group expenditure is analysed the reliance on these large suppliers is even more dominant; 42% of Council's average total annual spend is with the 10 largest suppliers of the Asset Management Group. This is even more obvious when compared to the top 10 non-asset management related suppliers, which account for just 8% 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 17 Top 10 expense areas for non-asset management categories

NON-ASSET MANAGEMENT GROUP EXPENDITURE – TOP TEN (LAST 3 YEARS)				3-Year Average	
Supplier	2019-20	2020-21	2021-22	Average	% HDC Spend
Gemco	7,778,584	6,275,523	6,939,209	6,997,772	5%
Downer	47,401	1,212,855	1,418,930	893,062	1%
Datacom Systems	128,247	306,948	1,757,788	730,994	0%
Genesis Energy	648,188	653,504	655,023	652,238	0%
ADVANCED Security	244,261	504,103	607,111	451,825	0%
GHD Limited	280,461	390,078	612,701	427,747	0%
Spark Digital	288,357	306,857	673,589	422,934	0%
Fulton Hogan			1,004,067	1,004,067	1%
Infocentrik	87,234	611,807	219,603	306,215	0%
RTA Studio	22,500	349,500	487,280	286,427	0%
<b>Total Non-Asset Management Spend</b>	<b>9,525,233</b>	<b>10,611,175</b>	<b>14,375,301</b>	<b>34,511,709</b>	
<i>Total - HDC Spend</i>	<i>132,980,904</i>	<i>157,030,652</i>	<i>153,166,409</i>	<i>147,725,988</i>	
<b>% of HDC Spend</b>	<b>7%</b>	<b>7%</b>	<b>9%</b>	<b>8%</b>	

### 4.3 Analysis of procurement programme impact on other entities

Through senior executive level engagement with the region's four TLA's, Waka Kotahi, the District Health Board (now Te Whatu Ora – Health New Zealand (Hawke's Bay)), and the Port of Napier, Council has an appreciation of the forward works programme of the respective organisations and therefore demand on suppliers.

The Asset Management Group hosts or participates in an annual civil contractor meeting where all the TLA's and Waka Kotahi present their upcoming annual programme and significant projects to contracting companies. The contractors also can present or raise issues.

As noted in section 4.1 there are constraints to integrating the various organisations' work programmes, with this considered wherever possible.

## 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 Buyer’s Guide

### 5.1 Delivery models

Council uses a range of models to deliver goods, works and services. 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
- Project and programme packaging

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

Delivery Model	Description
<b>Staged</b> <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 with 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><b>Best suited to:</b> 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>
<b>Design and Construct</b>	<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><b>Best suited to:</b> medium to large projects where complexity, uncertainty and risk are correspondingly higher as well. It provides more opportunity for suppliers to innovate during delivery. It enables some of the risk to be transferred to the supplier.</p>
<b>Shared Risk</b>	<p>A shared risk delivery model uses an integrated team comprising of the buyer, consultants, 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 requires the necessary capabilities and resources to organise and manage a shared risk model.</p>

	<p>A shared risk delivery model is defined by Waka Kotahi as an advanced delivery model and as such can only be used for Waka Kotahi-funded projects with the Agency’s prior written approval, under s25 of the LTMA.</p> <p><b>Best suited to:</b> 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>
Supplier Panel	<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 specified 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 Waka Kotahi as an advanced delivery model and as such can only be used for Waka Kotahi-funded projects with the Agency’s prior written approval, under s25 of the LTMA.</p> <p><b>Best suited to:</b> programmes with a succession of similar or related activities and/or which included a volume of work too large for one supplier*, or where supplier consistency and establishing a longer term relationship with suppliers adds value. This method is also valuable when specialist skills or equipment are required; there are a number of suppliers who can provide the required outputs; there is an advantage in having a choice of suppliers to select from at reasonably short notice.</p> <p><b>*This may apply to consultants, contractors or suppliers.</b></p>
Collaborative	<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 18 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.

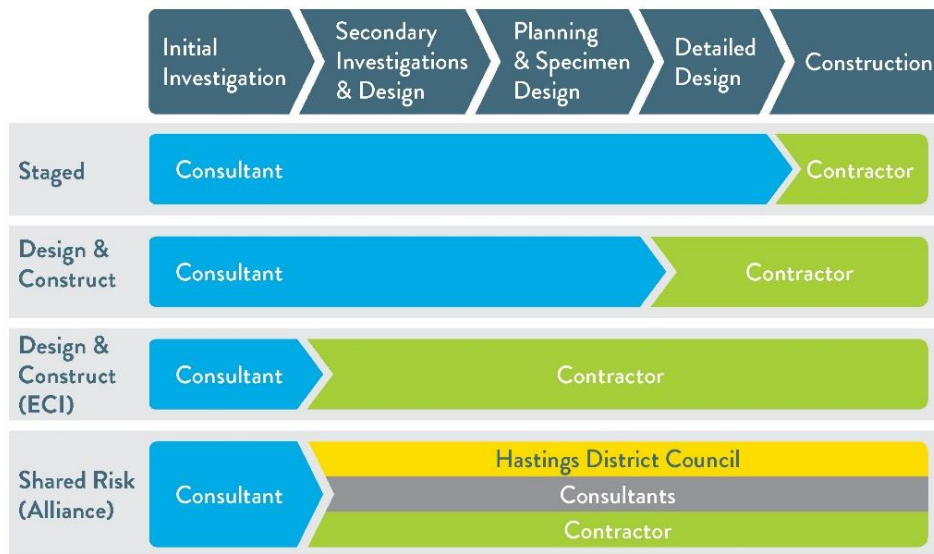


Figure 18 Service Delivery Model Comparison

## 5.2 Term contracts

See Section 7 Appendix 1 for a list of current HDC maintenance and longer term contracts.

### 5.2.1.1 Asset management works term contracts

Council procures transportation, three waters, waste & data services (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 work include roading maintenance (rural and urban), streetlighting, road marking, road surfacing, underground services maintenance (water, storm water, wastewater), Omarunui Landfill management, transfer station management, refuse and recycling collection services, open spaces management, water sampling and testing services, playground equipment supply (panel), 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 Services term contracts

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

The Asset Management Group has contracted its professional engineering services since 2000. The scope includes strategy and policy development, planning, investigation, design, and project and construction monitoring services.

The services cover transportation (Waka Kotahi-subsidised and unsubsidised), three waters, waste & data services (solid waste) management, and parks and reserves.

The Asset Management Group manages a professional engineering services panel (Stantec NZ, WSP and GHD) to deliver the above scope.

The benefit of term contracts such as this, is that collaborative long-term working relationships can be established that provide Council with technical skills to deliver the programme.

### 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.

#### Procurement methods

PROCUREMENT METHOD	RISK L/M/H	TOTAL VALUE (EXCL GST)	3 PHASES OF THE PROCUREMENT LIFECYCLE		
			PLAN	SOURCE	MANAGE
Direct Procurement	L	Under \$5,000 \$5,000 to \$10,000	<ul style="list-style-type: none"> <li>Direct source</li> <li>Confirm price in writing</li> </ul>	<ul style="list-style-type: none"> <li>Use an existing supplier if relevant</li> </ul>	<ul style="list-style-type: none"> <li>Use purchase card/Purchase order process</li> <li>Confirm delivery and pay invoice</li> </ul>
Direct Procurement	L/M/H	\$10,000 to \$100,000	<ul style="list-style-type: none"> <li>Direct source</li> <li>Procurement Plan – Basic or Full</li> <li>Use an existing supplier if relevant</li> <li>Specification criteria</li> <li>Consult procurement team</li> </ul>	<ul style="list-style-type: none"> <li>Original signed contract filed in Council's records management system</li> <li>Consult legal on contract if necessary</li> </ul>	<ul style="list-style-type: none"> <li>Milestone reviews</li> <li>Complete Contract Review</li> <li>Documents filed in Council's records management system</li> </ul>
Closed Competitive Procurement (invited tender)	L/M/H	\$200,000	<ul style="list-style-type: none"> <li>Procurement Plan – Basic or Full</li> <li>Invite existing suppliers if relevant</li> <li>Specifications and evaluation criteria</li> <li>Tender response schedule</li> <li>Tender Evaluation Panel</li> <li>Consult procurement team</li> </ul>	<ul style="list-style-type: none"> <li>Obtain at least three written tenders</li> <li>Use a standard contract template or customised contract</li> <li>Original signed contract filed in Council's records management system</li> <li>Consult legal on contract if necessary</li> </ul>	<ul style="list-style-type: none"> <li>Milestone reviews</li> <li>Complete Contract Review</li> <li>Documents filed in Council's records management system</li> </ul>
Open Competitive Procurement	H	Over \$200,000	<ul style="list-style-type: none"> <li>Procurement Plan – Full or Special purpose</li> <li>Specifications and evaluation criteria</li> <li>Tender response schedule</li> <li>Tender Evaluation Panel</li> <li>Consult procurement team</li> </ul>	<ul style="list-style-type: none"> <li>Open tender advertised on GETS</li> <li>Use a standard contract template or customised contract</li> <li>Original signed contract filed in Council's records management system</li> <li>Consult legal on contract if necessary</li> </ul>	<ul style="list-style-type: none"> <li>Contract management plan</li> <li>Post Rfx review for complex/high value projects</li> <li>Milestone reviews</li> <li>Complete Contract review</li> <li>Documents to be filed in Council's records management system</li> </ul>
Emergency Procurement		\$N/A	Must be a threat to life or Council property and assets	The appropriate delegated authority must approve any emergency procurement	<ul style="list-style-type: none"> <li>Documents filed in Council's records management system</li> <li>Confirm delivery and make payment</li> </ul>

Table 19 procurement methods

Broadly there are two methods used by Council – competitive approaches and direct approaches:

### 5.3.1 Competitive Approaches

COMPETITIVE APPROACHES		
	METHOD	COMMENTS
<b>Open Competitive Procurement</b> <i>Invitation for all interested suppliers to tender.</i>	<b>Used for:</b> Higher value, higher risk goods, works and services  <b>Methods:</b> <ul style="list-style-type: none"> <li>Request for Tender (RFT)</li> <li>Request for Proposal (RFP)</li> <li>Request for Quote (RFQ)</li> </ul>	This is Council's preferred approach when buying goods, works and services because it promotes open and effective competition. All potential suppliers have an opportunity to participate.  However, this method will not always be practical or cost-effective. You should ensure the <b>cost</b> of the process (e.g. advertising, providing documents and evaluating tenders or proposals) is realistic for the procurement size and complexity, and balance this against the <b>benefits</b> .  You <b>should not</b> use an open competitive process: <ul style="list-style-type: none"> <li>when only one source of supply exists</li> <li>when the cost of this process will exceed any direct savings that might be made.</li> </ul>
<b>Closed Competitive Procurement (Invited tender)</b> <i>Invitation to suitable suppliers to tender.</i>	<b>Used for:</b> Low, medium and high-risk works, goods, and services  <b>Methods:</b> <ul style="list-style-type: none"> <li>Request for Tender (RFT)</li> <li>Request for Proposal (RFP)</li> <li>Request for Quote (RFQ)</li> <li>Request for Quote Lite (RFQ-Lite)</li> </ul>	In a closed competitive process, you issue invitations to a predetermined list of suppliers without an open pre-selection or pre-qualification process. This method does not allow equal access to all suppliers in the market. As a result, you might miss a better source of supply.  Examples of situations where a closed competitive process might be justified include that: <ul style="list-style-type: none"> <li>only a limited number of suppliers with the capacity to supply exist</li> <li>you genuinely have very limited time for procurement</li> <li>the cost of conducting an open competitive process outweighs the benefits, so a closed competitive process is more efficient.</li> </ul> <div style="background-color: #2e8b57; color: white; padding: 2px; display: inline-block;">WK</div> <i>Note: For Waka Kotahi-funded projects closed contests can only be used where the value of the work is less than \$200K.</i>
<b>Multi-stage</b> <i>Open invitation for all interested suppliers to respond.</i>  <i>Council then assesses all responses and invites shortlisted suppliers to submit tenders.</i>	<b>Used for:</b> Higher value, higher risk, complex or unique goods, services or works, seeking innovation  <b>Methods:</b> <ul style="list-style-type: none"> <li>open call for Registration of Interest (ROI)</li> <li>closed request to shortlisted suppliers for proposals or tenders (RFT or RFP)</li> </ul>	Multi-stage procurement allows for pre-qualification to establish a list of potential suppliers. The selection of shortlisted suppliers is based on an initial assessment of their ability to fulfil the potential contract from the information supplied in the first-round ROI.  Multi-stage processes are time consuming and expensive for all parties and should only be used when purchasing high value and high-risk goods, services, or works.  This method could include Early Contractor Involvement (ECI).

Table 20 Competitive Approaches

#### 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 types of procurement processes. Days are expressed in clear business days.

PROCESS TYPE		MINIMUM TIME RULE	PRIOR CONTRACTOR AWARENESS OF PROJECT	ALL TENDER DOCUMENTS AVAILABLE ON GETS	SUPPLIER'S TENDERS OR PROPOSALS ACCEPTED ELECTRONICALLY	NEW MINIMUM TIME PERIOD (IF ALL ALLOWABLE DEDUCTIONS APPLY)
<b>One Step Process</b>	RFQ	13	-1	-3	-1	8 days
	RFT/RFP	25	-3	-4	-3	15 days
<b>Multi-Step Process</b>	STEP 1	20	-3	-4	-3	10 days
	STEP 2	25	N/A	-5	-5	15 days

Table 21 Minimum time periods for tendering

5.3.2    Direct Approaches

DIRECT APPROACHES		
	METHOD	COMMENTS
<b>Direct procurement</b> <i>Buy directly from any suitable supplier</i>	<b>Used for:</b> Low to medium risk good, works and services  <b>Methods:</b> <ul style="list-style-type: none"><li>• purchase order</li><li>• purchase card</li><li>• standard contract document</li></ul>	Staff may purchase directly from a supplier when: <ul style="list-style-type: none"><li>• the value of the goods, services or works meets the risk and value criteria</li><li>• it is not practical to aggregate separate orders for the goods, services, or works</li><li>• purchases and processes comply with Council's Sensitive Expenditure Policy</li><li>• a limited number of qualified suppliers exist, e.g. goods, services or works require specialised skills or are very complex</li><li>• the required goods, services or works are available from only one source</li><li>• only one supplier has the capacity to deliver at the time required and this can be adequately proved</li><li>• standardisation or compatibility with existing equipment or services is necessary and can only be achieved using one supplier</li><li>• the supplier involved has already carried out a substantial amount of contributing work and prices have been competitively tested previously</li><li>• the costs of proceeding with a competitive procedure are likely to be greater than any potential savings that may be secured by engaging in a competitive process.</li></ul> Staff must be able to demonstrate the price is consistent with market rates. The required goods, services or works must not be split into components or a succession of purchases in order to achieve a threshold that avoids the need for a competitive process.
<b>Buy directly from a pool of suppliers</b>	<b>Used for:</b> High value, low to medium risk works, goods or services  <b>Methods:</b> <ul style="list-style-type: none"><li>• syndicated contract</li><li>• panel contract</li><li>• collaborative or cluster arrangement</li></ul>	A group of eligible suppliers has been established through an open, competitive process. Council can purchase from these suppliers during an agreed time at fixed rates or based on quotations. <b>WK</b> For Waka Kotahi-funded projects panel and collaborative procurements require Waka Kotahi approval.
<b>Buy selectively from a specific supplier</b>	<b>Used for:</b> Higher value, higher risk procurements where there are special circumstances. Examples are specialised services (planning, valuation, legal, etc.)  <b>Methods:</b> <ul style="list-style-type: none"><li>• contract with individual supplier</li></ul>	Examples of situations where this approach could be used: <ul style="list-style-type: none"><li>• Council needs highly specialist skills or the project involves very complex goods, services or works with a limited number of suppliers</li><li>• there is only one source and this can be verified</li><li>• equipment or service needs to be compatible with existing equipment or services and Council must use the same supplier.</li></ul> Staff must be able to demonstrate that the price is consistent with market rates and be able to justify the decision not to use an open, competitive option. <b>WK</b> For Waka Kotahi-funded contracts direct appointment can only be used where the value of the work is less than \$100K.

Table 22 Direct approaches to market

5.3.2.1.1    Waka Kotahi-funded projects

For transportation projects funded by Waka Kotahi, 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
<b>Simple Score</b>	<b>Suitable for goods and services</b> The simple score method should be used when a procurement is relatively simple with all criteria having the same degree of importance. It can also be used to identify a shortlist in the Registrations of Interest phase of a multi-stage process.
<b>Lowest Price Conforming</b>	<b>Suitable for goods and works</b> The Lowest Price Conforming method should only be used when the required output can be clearly specified; it is expected to be used for low/medium risk tenders.
<b>Price/Quality</b>	<b>Suitable for works and services</b> The Price/Quality method should be used where the specified outputs can be priced by the supplier and where Council determines that best value for money will be obtained by selecting the supplier that offers the best combination of price and quality requirements as defined in the RFx. The Price/Quality method is expected to be used for tenders with medium and high risks.
<b>Purchaser Nominated Price (Target Price)</b>	<b>Suitable for works and services</b> Purchaser nominated price is a supplier selection method through which Council fixes the price to be paid and advises this through the RFP. Proposals must meet the requirements of the RFP and are evaluated based on quality only. This method is typically used for such activities as strategy studies, feasibility studies, transportation studies and investigations. It is not recommended for works or routine services engagements.
<b>Weighted Attributes</b>	<b>Suitable for goods, works and services</b> This method should be used when attempting to balance a trade-off between price and quality using a formula. It is suitable for works and services. <b>WK</b> This method cannot be used when purchasing outputs for activities funded by Waka Kotahi.
<b>Direct Engagement</b>	<b>Suitable for goods, services or works</b> Council's procurement thresholds apply unless express approval is granted to move outside of these. Direct appointment is not available as a method under the Prequalification and Performance Management for Civil Construction system. Direct appointment can only be used where: <ul style="list-style-type: none"> <li>• there are specific risks that limit available suppliers, and/or</li> <li>• it can be demonstrated that an open tender would not add value for money.</li> </ul> Price and other contract terms will then be determined by negotiation. <b>WK</b> For Waka Kotahi-funded works the following financial limits apply: <ul style="list-style-type: none"> <li>• Direct appointment: \$100,000</li> </ul>
<b>Quality-based (Brook's Law)</b>	<b>Suitable for goods, services or works</b> The Quality-based method should be used when Council has determined that best value can be obtained by selecting the best quality services supplier and then negotiating the price with that supplier. <b>WK</b> The method can be used for the purchase of Waka Kotahi-funded services, however for Waka Kohai-funded works approval is required from Waka Kotahi.

Table 23 Evaluation methods

#### 5.4.2 Tender pre-conditions

Pre-conditions (or prequalifying criteria) are prerequisite requirements that must be met for a supplier 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.

Pre-conditions must be included in the requests for proposals, tenders or quotes (RFP/RFT/RFQ)



5.4.3 Non-price attribute evaluation

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

COMPULSORY ATTRIBUTES	<b>Relevant experience</b>	Experience must be 'relevant' to the works or services, particularly technical. Both the supplier and the personnel that will deliver the works or services should be considered.
	<b>Relevant skills</b>	In some instances, the nature of the works or services to be delivered will suggest that relevant skills should be split into two – technical skills and management skills. Where this is done, the above definition for relevant skills will still apply but the descriptions of the two attributes in the RFx will reflect Council's desire to consider these two skill areas separately.
	<b>Methodology</b>	Unlike other non-price attributes, methodology focuses primarily on the output to be supplied and on how the supplier proposes to deliver that output. Other attributes focus more on the characteristics of the supplier and on the resources (including human resources) that are to be employed to deliver the outcome.
ADDITIONAL ATTRIBUTES	<b>Resources</b>	Given the definition of resources as the equipment the supplier proposes to use, this non-price attribute is not usually included when proposals for services alone are being sought.
	<b>Track record</b>	<p>Not to be confused with relevant experience, track record does not have to be demonstrated in delivering the types of works or services similar to those for which proposals are sought – it is simply about the reputation of the supplier for 'delivering'.</p> <p>There is also a difference in focus on who must have the experience and who must have the track record. For track record, it is the track record of the supplier that is important; with relevant experience, both the supplier and the personnel that will deliver the works or services should be considered.</p> <p>Track record is not one of the three required non-price attributes but, in many instances, it will be an essential attribute and a supplier's reputation for delivery will effectively be a prerequisite for selection.</p>
	<b>Financial viability</b>	Information may be sought on the financial viability of potential suppliers which may be reviewed to assess their ability (and the ability of any significant subcontractors) to remain viable through the contract period. The objective is to determine whether a supplier has the financial capability and capacity to establish and manage the contract, including any change requirements.
	<b>Sustainable outcomes</b>	Information may be sought on how a supplier proposes to achieve the project-specific sustainable outcomes (social, cultural, economic and environmental).

Table 24 Non-price attribute evaluation

5.4.4 Non-price weighting

Non-price weightings are to be determined for each specific contract and, for Waka Kotahi-subsidised transportation works, must also comply with that Agency's 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 invitation request 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. RFQ are less likely to allow alternatives as price is the main selection criteria and the goods or services are generally standard items.

#### 5.4.6 Tender Evaluation Team (TET)

To assess tenders, Council establishes 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 Waka Kotahi-funded projects over \$200,000 the TET must include a certified Waka Kotahi Tender Evaluator.

#### 5.4.7 Negotiation with suppliers

As 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

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 Supplier selection systems

#### 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 improved 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 works (having four different complexity levels (A to D)).

The system is used for the majority of works carried out by the Asset Management Group when 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 for four categories of works including bridge construction, transportation infrastructure construction, drinking water networks construction and stormwater/wastewater networks construction. Contractors are assessed across a set of criteria to determine the prequalification classification.

There are currently no prequalification work categories which include less than three registered suppliers at the maximum complexity level. However, in situations where the number of competitive tenders received is 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. transportation with sewer/storm water/water categories) the prequalification level is the category with the highest prequalification requirement.

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 four, and improvements to management, production, health and safety/environment and administration processes (to align more closely with Waka Kotahi's NZTA PACE scoring system). The improvements have been 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 skill requirements, or because of specific risk management requirements). These projects will be tendered using other approved methods.

It is not expected that standard transportation, water, wastewater or storm water works will not fall outside of the prequalification system.

#### *5.5.1.2 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. For Waka Kotahi-funded projects panel and collaborative procurements require Waka Kotahi approval.

#### *5.5.1.3 Appointment of hearing Commissioners*

The appointment of Hearing Commissioners will be by direct engagement, only by Council officers authorised to do so.

#### *5.5.1.4 Appointment of legal services*

Engaging legal advice can range from simple transactional dealings (such as a simple registration of an easement) to more complex litigation. Irrespective of the level of engagement, no legal advice can be sought and no instruction to act can be given to an external lawyer or legal firm without explicit direction or instruction from the relevant group manager.

## 5.6 Approach to contract 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.

Council adopts the MBIE approach to contract management, made up of 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



Figure 19 Approach to Contract Management

5.6.1 Relationship management

In contract management, it is important to develop and maintain effective working relationships with suppliers to ensure:

- roles, responsibilities, and delegated authorities are understood
- effective communication occurs and disputes are minimised and resolved
- Councils’ expectations are met.

Supplier relationship management is the ongoing strategic management of the contract. The relationship management is the ongoing strategic management of the contract. The relationship manager should be appointed as early as possible, to ensure they have a full understanding of the background and objectives of the procurement. The contract manager often assumes this role.



Figure 20 Relationship matrix tool

<b>LOW VALUE STRATEGIC</b>	<ul style="list-style-type: none"> <li>Relatively low-cost project with significant outcomes. Collaborative and open engagement</li> <li>Requires a strategic focus, with risk management a key driver</li> </ul>
<b>HIGH VALUE STRATEGIC</b>	<ul style="list-style-type: none"> <li>Higher cost project with significant outcomes</li> <li>Frequent in-depth engagement</li> <li>Requires multiple levels of engagement, including at operational and executive levels</li> </ul>
<b>LOW VALUE NON-STRATEGIC</b>	<ul style="list-style-type: none"> <li>Lower cost and mostly transactional project, e.g. a single local provider offering training</li> <li>Requires less frequent communication with little if any engagement at a strategic level</li> </ul>
<b>HIGH VALUE NON-STRATEGIC</b>	<ul style="list-style-type: none"> <li>Higher cost but mostly transactional in nature; typically commercial services</li> <li>Requires business focused engagement, rather than collaborative</li> </ul>

Figure 21 Relationship Matrix Diagram (MBIE)

#### 5.6.2 Service delivery management

Managing service delivery ensures that a contract is being delivered to the required levels of performance. In particular it ensures responsibilities are clearly defined and assigned, in order to achieve the objectives.

Performance management includes:

- receiving and reviewing suppliers' reports
- regularly reviewing suppliers' performance and delivery against contract
- aiming for continual improvement
- monitoring to ensure delivery meets requirements, including quality, standards, and service levels
- mitigating risks
- proactively managing under-performance
- monitoring and recording public communication and feedback.

#### 5.6.3 Contract administration

The key procedures involved in contract administration are:

- maintaining contract-related documentation and keeping records
- managing key contract dates
- ordering goods, services or works
- paying for goods, services or works
- monitoring budgets
- controlling changes and variation to the contract
- managing and planning resources
- undertaking management reporting
- managing assets.

## 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, the Procurement Team is there to provide specialist support and guidance to staff members, and grow capacity and capability. This team is supported by specialist areas across the organisation (for example, Risk Management, Finance, and Health and Safety), with contracted expertise sourced as required.

#### 6.1.1 Assessment and implementation

The following table shows the actions from the 2020 strategy providing an update on what was achieved and what will be done in 2023 and onwards.

Plan	Area	Procurement Strategy 2020 actions	Procurement Strategy 2023 actions
	Weaving 'broader outcomes' into procurement, including providing guidance to employees.	<p>Update procurement procedures to align with Plan/Source/Manage lifecycle and reflect broader. <b>Completed via new Buyers' Guide</b></p> <p>Review all Procurement Plans. <b>Completed</b></p> <p>Incorporate contract risk into the Council's Risk Management Policy and Framework. Assigned to Council's risk manager. <b>Completed</b></p> <p>Develop Social Procurement Strategy. <b>Completed via Progressive Procurement Tool Kit and Suppliers' Guide</b></p> <p>Include section on environmental sustainability, product stewardship/waste minimisation in Procurement Plan. <b>Completed via Progressive Procurement Tool Kit and Suppliers' Guide</b></p> <p>Ensure environmental sustainability criteria identified in Procurement Plan are included in procurement templates <b>Completed via Progressive Procurement Tool Kit and Suppliers' Guide</b></p>	<p>Identify priority groups, and establish system for tracking number of suppliers identified as a priority group (e.g. Māori business). To be addressed via SHOP</p> <p>Ensure procurement procedures reflect the principles of Te Kura Nui Māori Relationship Framework and relevant actions deriving from the Heretaunga Ararau te Māori policy</p>
	Working with suppliers, NZTA and other TLA's to attempt to coordinate the asset management work programme is an ongoing focus.	<p>Procurement Strategy and Policy updated and published on internal and external websites. <b>Completed</b></p> <p>Communication plan documented for sharing of asset works programme with suppliers, including longer-term works</p>	

	Suppliers would benefit from a longer-term view of upcoming work to allow them to scale their operations to meet demand.	programme (next three years). <b>Completed</b>	
	Improving the quality/number of conforming tenders to support competitive markets.	Offer annual tendering workshop to encourage supplier participation. <b>Achieved via annual contractors meeting</b>	
Source	Identifying priority groups where broader outcomes can be supported or achieved through procurement.	Implement method for identifying suppliers supporting priority groups in tender phase. <b>Delayed until introduction of SHOP</b>	Implement method for identifying suppliers supporting priority groups in tender phase via SHOP
	Develop number of suppliers offering construction skills training and/or youth employment programmes.	Investigate methods to incentivise construction suppliers to provide skills training and/or youth employment programmes. <b>Completed via Progressive Procurement Tool Kit and Suppliers' Guide (as well as Council's broader programme of supporting industry training initiatives (eg Tumu Timbers and Topline Contracting))</b>	
		Incorporate question relating to construction skills training and youth employment programmes in tender document. <b>Completed via Progressive Procurement Tool Kit and Suppliers' Guide</b>	
		Measure number of suppliers providing construction skills training and/or youth employment programmes as part of delivering outcomes. <b>Delayed until the introduction of SHOP and its reporting structure</b>	Measure number of suppliers providing construction skills training and/or youth employment programmes. If this is a KPI in a contract it can be reported on via SHOP
	Include compliance statement relating to working conditions.	Review all tender documents templates to ensure a statement of compliance with working conditions (Employment Act, H&S at Work Act 2015) is included. <b>Completed</b>	
	Incorporating Government procurement standards for heating, office supplies and vehicles.	Develop environmental sustainability policy that aligns with Government standards; 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 policy).	On receipt of regional and district carbon footprint document, analyse actions that can be included in procurement processes; continue to support the purchase of hybrid vehicles.

		Completed in part via Progressive Procurement Tool Kit and Suppliers' Guide; ongoing actions: Preparation of regional and district carbon footprint analysis underway (Strategic Projects and Partnerships team); increased focus on replacing vehicle fleet with hybrid vehicles where practical	
	Continued focus on increasing competitiveness in supply market for asset works programme	Maintain minimum of three suppliers in prequalification system for all work categories. <b>Completed and ongoing</b>  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). <b>Completed and ongoing</b>	Continue to 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).
Manage	Implement contract management improvements (Crowe Howarth findings).	Develop Contract Management Capability Framework and incorporate into relevant job descriptions. <b>Decision made that procurement capability decisions are made by managers subject to their needs within their team</b>  Complete the documentation of Contract Management policies and procedures. <b>Completed via Buyers' Guide and updating of NZs3910 contract management</b>  Develop Contract Management reporting framework. <b>Delayed until introduction of SHOP</b>	Develop Contract Management reporting framework via SHOP.
	Transition to a contract management system to enable better data capture, contract management processes, insights and analysis to better inform future activities	Investigation, development and implementation of new contract management system. <b>Purchase of contract management system SHOP; in the development/transition phase.</b>	Develop Contract Management reporting framework via SHOP
	Introduce a supplier survey to monitor Council performance and identify opportunities for improvement.	Develop supplier survey for post-contract feedback and establish benchmark; meet or exceed benchmark and/or average feedback rating of 7 or higher in survey. <b>Delayed until introduction of SHOP which will have close-out and debrief capability.</b>  Establish supplier database for Council procurement information/updates (via email). <b>Delayed until introduction of SHOP</b>	Develop supplier survey for post-contract feedback via SHOP.  Establish supplier database for Council procurement information/updates via SHOP.
	Provide greater transparency and information through regular communication with suppliers.		Communication plan documented for sharing of asset works programme with suppliers, including longer-term works programme (next three years). Annual contractors' meeting held to outline project plans.



	Establishing standards for relationship management.	Buyers guide updated to reflect good relationship management principals. <b>Completed</b>	
	Develop reporting template for performance of procurement function.	Implement reporting for support provided (number of Council departments, number of procurement activities). <b>Delayed until introduction of SHOP</b>	Implement reporting for support provided (number of Council departments, number of procurement activities via SHOP.  To be achieved via contract management reporting framework in SHOP
	Contract close out reporting and review.		Implement reporting and contract close-out to incorporate review of Council performance (on time/on budget/within specification) and supplier performance.

#### 6.1.1 Staff capacity and capability

Increasing procurement capacity and capability is an important focus for HDC. Increasing capability is achieved through training modules, group training and one on one support.

To enhance long-term in-house capability, the procurement team has developed and is delivering in-house training for staff relevant to their role and related procurement programme. Council schedules relevant training for staff requiring 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 Waka Kotahi.

The procurement area on the staff intranet (InfoKete) provides an overview of Council's procurement strategy, policy and buyers' guide as well as links to key documents, templates, guides and tools.

### 6.2 Internal procurement processes

Council's procurement processes are defined in the Buyers' guide, and all procurement activities will follow the guidelines and procedures within this guide. The guide, including other key documents are published on the procurement InfoKete page. All procurement activity over \$10k will be undertaken in SHOP, Council's procurement and contract management solution which will be implemented from February 2023.

### 6.3 Performance measurement and monitoring

#### 6.3.1 Gathering and analysing data on procurement activities

Procurement is 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 Waka Kotahi funded procurement procedures are meeting the NZTA Procurement Manual
- provide evidence of how well procedures are meeting the requirements of the OAG
- assess how well council's wider procurement procedures are meeting Government's procurement principals, and ensure that procurement procedures meet OAG requirements
- provide evidence of how well procurement procedures are meeting section 25 of the Land Transport Management Act 2003, in particular to:
  - enable fair competition
  - encourage 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.

Council's new procurement and contract management solution SHOP (2023) records all procurements over \$10,000, which in turn will improve recording and reporting of procurement and contract performance.

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

## 6.4 Communication plan

The communication plan ensures 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
<b>INTERNAL STAKEHOLDERS</b>		
Lead Team	<p>Written overview of strategy with key elements including:</p> <ul style="list-style-type: none"> <li>• Drivers behind the update (MBIE, process improvements)</li> <li>• Relevance to Group activities (e.g. Waka Kotahi-funded work)</li> <li>• Resources available to enable staff to effect the strategy (buyers' guide, My HR Training modules, SHOP roll-out)</li> </ul>	<ul style="list-style-type: none"> <li>• Lead Team Meeting</li> <li>• InfoKete Procurement and Contract Management page.</li> </ul>
Council (elected members)	<ul style="list-style-type: none"> <li>• Overview of strategy, key elements</li> <li>• Drivers behind the update (MBIE, process improvements)</li> </ul>	<ul style="list-style-type: none"> <li>• Information paper.</li> </ul>
Council employees	<ul style="list-style-type: none"> <li>• Overview of strategy, key elements</li> <li>• Drivers behind update (MBIE, process improvements)</li> <li>• Resources they will use to give effect to the strategy</li> </ul>	<ul style="list-style-type: none"> <li>• All staff update</li> </ul>
<b>EXTERNAL STAKEHOLDERS/ENTITIES</b>		
CCOs		

NZTA	<ul style="list-style-type: none"> <li>Overview of strategy, key elements</li> <li>Drivers behind update (MBIE, process improvements)</li> <li>Relevance to Group activities (e.g. Waka Kotahi-funded work),</li> <li>Resources and support available.</li> </ul>	<ul style="list-style-type: none"> <li>Document published on Council website</li> <li>Submission of strategy to Waka Kotahi for endorsement.</li> </ul>
<b>SUPPLIER MARKET</b>		
Strategic Suppliers including: <ul style="list-style-type: none"> <li>engineering Services</li> <li>asset management group suppliers</li> <li>targeted groups</li> </ul>	<ul style="list-style-type: none"> <li>introduce document, purpose</li> <li>drivers behind the update (MBIE, process improvements)</li> <li>why it is relevant to our procurement relationship</li> <li>overview of Council's procurement strategy, outcomes and principles</li> <li>information/resources available</li> <li>receipt of supplier feedback.</li> </ul>	<ul style="list-style-type: none"> <li>meeting with key stakeholders</li> <li>email summary with link to document</li> <li>document published on Council website</li> <li>supplier feedback through contract review process.</li> </ul>
Non-strategic suppliers	<ul style="list-style-type: none"> <li>introduce document, purpose</li> <li>drivers behind the update</li> <li>information/resources available.</li> </ul>	<ul style="list-style-type: none"> <li>email summary with link to document</li> <li>document published on Council website</li> </ul>

## 6.5 Corporate ownership and endorsement

The procurement function is overseen by the procurement governance group consisting of the Group Manager Asset Management, Group Manager Strategy & Development and the Group Manager Corporate. The updated Procurement Policy and Strategy have been approved by the Chief Executive before being submitted for endorsement to Waka Kotahi, as noted in [Section 1](#).

Council maintains regular communication with the Hawke's Bay branch of Civil Contractors New Zealand, consultants, neighbouring authorities and Waka Kotahi on all significant land transport, waste & data services (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 assists local businesses (small and medium-sized enterprises in particular) to build their capacity to enable them to compete for Council contracts.

## 7 Appendices

### 7.1 HDC maintenance and long term contracts over \$100k

The following table provides details of the current maintenance and long-term across Council with a contract value over \$100k.

Table 25 HDC Maintenance & longer term contracts

	Contract Name (number)	Period	Contractor	Tendered Contract Price	Conforming Tenders received	Supplier selection method
1	3 Water Maintenance (CON2020007)	March 2021 5yrs (+1yr +1yr)	Fulton Hogan Ltd.	\$61,000,000	4	PQM
2	Open Spaces Management (CON2018051)	February 2019 4yrs (+2yrs)	Recreational Services	\$5,898,809		Brook's law
3	Urban & Plains pavement corridor management (CON2018007)	June 2018 5yrs (+1yr +1yr)	Downer NZ Ltd.	\$26,927,340	1	PQM
4	Rural pavement and corridor management (CON2017086)	June 2018 5yrs (+1yr +1yr)	Fulton Hogan Ltd.	\$32,095,425	2	PQM
5	Hastings District Pavement Marking (CON2018025)	1 July 2018 4yrs (+1yr)	Road Runner Markers (2007) Ltd	\$1,268,306	2	PQM
6	Henderson Road Transfer Station - Cartage (CON2019043)	2 August 2019 2yrs (+2yrs +2yrs)	Phoenix Contracting	\$362,872	3 + 1 alternative	Lowest Price Conforming
7	Water Sampling and Testing Services-Drinking (Potable) Water (CON2018056)	2018 3yrs (+1yr +1yr)	Water Testing Hawkes Bay Ltd		1	Negotiated
8	CCTV and Trenchless Repair (CON2018050)	1 April 2019 3yrs (+1yr + 1yr)	Davies Waste	\$426,786	3	Lowest Price Conforming

9	WWTP Outfall Diffuser Inspection & Maintenance (CON2019018)	3yrs (+1yr +1yr)	New Zealand Diving & Salvage Ltd	\$703,872	2	Lowest Price Conforming
10	HDC and NCC Joint Kerbside Refuse Collection Contract 2020-2025 (CON2019035)	5yrs (+1yr +1yr +1yr)	JJ Richards & Sons NZ Pty Ltd T/A JJ's Waste & Recycling	\$9,485,754	4	PQM
11	Professional Engineering Services 2021 Panel (CON2019111)	June 2021 3yrs (+1yr +1yr)	Stantec GHD WSP			PQM
12	Playground Supplier Panel	2022 3yrs (+1yr +1yr)	Park Supplies and Playgrounds Limited, Playco Equipment Ltd, Playground Centre Limited, Numat Group Limited, Playground Creations Ltd, Playground People Limited Playtop (safetop Ltd), Playbases Limited Supergreene Enterprises Ltd	\$251,666	10	Brooks Law
13	Syndicated Agreement between NZ Defence & BP Oil for the Provision of Retail Fuel and Services (11708)	1 May 2012 5yrs (+5yrs +5yrs)	Eclipx Fleet Holding NZ Ltd / Fleetsmart (FleetPartners)	\$411,433		
14	AOG Print Technology and Associated Services (PTAS) for HDC MFD's and PaperCut software (Reference OP00754990) - 2022	1 May 2022	Fuji Film Business Innovation NZ Ltd	Total Purchase Price \$233,301 plus rate for no. of copies.	1	Weighted attributes
15	Ōmarunui Plastic and Geo Synthetic Lining	1 February 2022	I.S Dam Lining	\$109,333		Direct Engagement
16	Hastings District Pavement Marking (CON2018025)	1 July 2018 4yrs (+1yr)	Road Runner Markers (2007) Ltd	\$317,076	2	PQM
17	Henderson Road Transfer Station - Cartage (CON2019043)	2 August 2019 2yrs (+2yrs + 2yrs)	Phoenix Contracting	\$362,872	3 + 1 alternative	Lowest Price Conforming

18	Professional Engineering Services - High Speed Road Condition Data Collection Surveys 2018-2021 (CON2018001)	March 2018 3yrs + 1yr + 1yr	WDM Limited	\$199,722	1	Lowest Price Conforming
19	Professional Engineering Services - Asset Information Systems Management 2018-2021 (RAMM) (CON2018002)	June 2018 3yrs + 1yr + 1yr	Beca Ltd	\$856,750	3	PQM
20	Professional Engineering Services - Short Duration Automatic Traffic Count Surveys 2018-2021 (CON2018005)	June 2018 3yrs + 1yr + 1yr	P E Scarrott	\$142,640	3	Lowest Price Conforming