



ROTORUA
LAKES COUNCIL
Te kaunihera o ngā roto o Rotorua

Transport Procurement Strategy

Revision Information

Version 2.0

Transportation Procurement Strategy 2022

Prepared by

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FORWARD

Purpose of the Transport Procurement Strategy

This strategy is Rotorua Lake Council's (Council) Procurement Strategy for roading works as required by the Waka Kotahi NZ Transport Agency Procurement Manual (latest amendment October 2019). The purpose of the strategy is to demonstrate how Council will procure its approved roading programme in accordance with Council's organisational Procurement Strategy whilst continuing to meet the requirements of the Land Transport Management Act 2003 (LTMA).

Further Reading

- Procurement - A Statement of Good Practice (Office of the Auditor - General, 2007)
- Procurement - Good practice guidelines for public entities (Office of the Auditor - General 2007)
- Managing Conflicts of Interest: Guidance for Public Entities (Office of the Auditor-General, 2007)
- Regional Procurement Principles, Policy and Framework for all Waikato Councils
- Sustainable Procurement in Government – NZ Business Council for Sustainable Development
- An Introduction to Public Procurement – Office of Government Commerce (UK)
- New Zealand Transport Agency Procurement Manual
- New Zealand Transport Agency Programme and Funding Manual
- RLC Sustainability Policy
- Waka Kotahi NZ Transport Agency Procurement Manual Amendment 6 (2019)
- Waka Kotahi NZ Transport Agency National Land Transport Programme (2021-24)
<https://www.nzta.govt.nz/assets/planning-and-investment/nltp/2021/NLTP-2021-24.pdf>
- The Construction Sector Accord (2019) - <https://www.constructionaccord.nz/the-accord/>
- Local Government Procurement (Office of the Auditor - General, 2020) -
<https://oag.parliament.nz/2020/local-govt-procurement/local-govt-procurement-article>
- Introducing our work about Procurement (Office of the Auditor - General 2018)
<https://oag.parliament.nz/2018/procurement>
- Managing Conflicts of Interest: A Guide for the Public Sector (Office of the Auditor-General, 2020) -
<https://oag.parliament.nz/2020/conflicts>
- NZ Government Procurement Rules 4th Ed (MBIE 2020) -
<https://www.procurement.govt.nz/procurement/principles-charter-and-rules/government-procurement-rules/>
- Mastering Procurement: A Structured Approach to Strategic Procurement (MBIE 2011) -
<https://www.procurement.govt.nz/assets/procurement-property/documents/guide-mastering-procurement.pdf>
- The Three Waters Reform Programme - <https://threewaters.govt.nz/>
- Rotorua Lakes Council Long Term Plan 2021-2031 – <https://rlc-ltp-2021-010721-web.pdf>

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1 EXECUTIVE SUMMARY






This document contains the Council’s strategy to deliver the transport investment as committed in the LTP 2022-24 programme.

1.1 Requirements

The LTMA requires recipients of the National Land Transport Programme funding (NLTP) to use procurement procedures designed to obtain best value for money, enable fair competition, and encourage competitive and efficient markets. All Approved Organisations must have a Waka Kotahi endorsed Procurement Strategy. The Strategy will be reviewed and updated regularly and formally reviewed and updated at least once every three years, in conjunction with the Council’s LTP cycle.

1.2 Scope of Roding Business

The Rotorua Lakes Roding network consists of 1008kms of road, (886km sealed and 122km unsealed) or 256kms of footpath, 4845 streetlights, 82 bridges (including 33 major culverts), 37,834m of culvert and over 1,000 intersections. Vehicles travelled a combined 375,123,000 kilometres last year on our network.

Sealed Roads	
	886km of sealed roads
Unsealed Roads	
	122km of unsealed roads
Drainage	
	525km of kerb and channel and 54km of culverts
Structures	
	82 bridges, 33 large culverts / underpasses and 2,663m of retaining walls
Environmental	
	Environmental activities including management of roadside vegetation, street cleaning, and removal of litter and detritus



Traffic Facilities	
	10,555 signs, 3 sets of traffic signals, 4,845 streetlights, road markings and 140 bus shelters
Footpath and Cycling	
	385km of Footpaths and 49 km cycling routes (includes shared path, cycle lane and cycle path)

Figure 1 shows a snapshot of the land transport assets.

The forecast 10-year spend as proposed in the 2021-31 Infrastructure Plan is as follows:

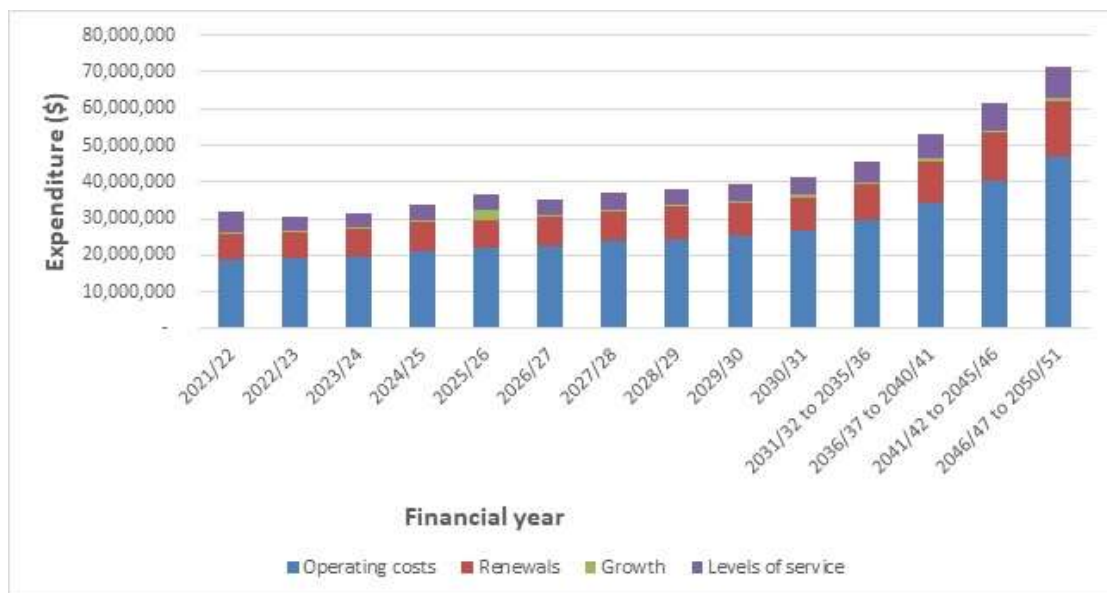


Figure 2 shows the forecast 10-year spend as proposed in the 2021-31 Infrastructure Forecast Plan

Budgeted funding has been maintained close to expected required funding for both Required Funding and LTP Budgeted Funding – Opex & Capex (Renewals and Growth). A number of growth capital projects have been brought forward by Council due to the Government’s Infrastructure Reference Group (IRG) shovel-ready initiative. Other projects that did not make the cut were pushed out further, and are still held for consideration in the future LTP.

1.3 Key issues and opportunities to obtain best value for money

The current key issues are:

- Changing procurement environment with the introduction of MBIE’s Broader Outcomes and greater consideration of risk allocation through procurement.
- Global disruption in the supply chain and international shipping delays.
- Residential construction boom in the district is putting a strain on staff and contractor resources, which affects contractor availability as they may be committed to other lucrative projects already.

- Growth in urban and commercial/industrial areas is driving a greater need for improvements to existing infrastructure.
- Uncertainty around the governance, structure and representation of the Three Waters Reform Programme.
- Succession planning is in the spotlight, and potentially we are losing highly skilled valued team members in both the infrastructure and procurement teams with the next 12 months, one of which is also a qualified Waka Kotahi evaluator.
- Sadly road safety is not improving, and the future programme focusses on reducing deaths and serious injuries. There are opportunities for improved planning and infrastructure that reduces demand for private car use and create safer streets for walking and cycling.

The current opportunities are:

- Rotorua Lakes Integrated Transport Strategy review and update underway to guide need for future planning and investment.
- Expanding broader outcomes to achieve strategic goals of ours and our partners, e.g. training, encouraging more local employment and increasing certainty and resilience in local employment.
- Strategic Partnerships to achieve community outcomes.
- Establish some upfront risk sharing discussions with contractors.

In 2008 RLC conducted a major review of procurement practices, and introduced dedicated procurement resource, and the table below shows the timeline:

2008-2012 Early Stage	2012-16 Improvements	2022 Update
Decentralised operating model and a 'silo' based approach to procurement. Engagement of Management Toolbox to improve the procurement function and reduce the number of suppliers.	Centralised procurement of key supply categories, more collaborative teamwork and coordinated organisation-wide focus on procurement.	A recognition that a Centre Led/Hybrid approach would be the best fit; whereby Procurement maintain the procurement policy and processes, and develop strategy and collaborate on major tenders, and supplier relationships.
Buying responsibility at low levels.	Buying responsibility at various levels but now within clear guidelines.	Buyers are well educated and some are training towards Waka Kotahi qualified evaluator status.
Multiple supply relationships.	Fewer supply relationships.	Many new supply relationships with construction and consultancy firms.
Number of suppliers prohibits procurement discipline.	Continuing to manage supplier numbers downward and apply procurement disciplines.	Focus on Spend Analytics with ArcBlue Consulting and application of Pareto analysis; whereby a small number of strategic suppliers generate the vast majority of spend
Relatively few standardised procurement processes.	Procurement business case, analytical process and vendor management process implemented. Procurement policy updated.	Clear policy, strategy, spend data, and procedures.

2008-2012 Early Stage	2012-16 Improvements	2022 Update
No pressure for change.	Climate of change management established and full support for initiatives provided by CE and Management Team. A positive, adaptive continuous improvement culture.	Still a ways to go, with stakeholder management, and engagement with the wider organisational purchasers, to ensure that goals are reached and current strategies are widely adopted.
Manual (written hard copy) purchase orders.	Electronic purchase orders.	TechOne implemented and bedding in is required. Contracts module to follow.
Total annual suppliers >4,000.	Total annual suppliers 2,600 (a reduction of 35%).	Total annual suppliers = 3,000 – an increase of 13% (more local)

Figure 3 shows development in procurement structure, capability and tactics.

1.4 Roading Category Overview

The largest spend categories for RLC are construction, roading and water related activities, for which virtually all work is subject to formal tender processes.

Category	No of suppliers	No of POs	No of contracts	No of trans actions	% of Total Amount	Amount
Construction and operations	83	493	4	1,104	23.01%	\$34,339,226
Roads	26	136	6	375	16.54%	\$24,684,851
Water and sewerage	21	87	2	203	12.39%	\$18,489,781
Parks and gardens	35	196	5	433	9.70%	\$14,483,177
Community support and events	119	274	1	452	7.59%	\$11,326,759
Waste management and landf..	3	32	2	102	5.93%	\$8,847,306
Energy and utilities	9	26	1	549	4.51%	\$6,733,444
IT and telecoms	53	406	1	856	4.46%	\$6,651,937
Business services	94	593	3	1,219	4.00%	\$5,963,747
Repairs and maintenance	45	521	2	1,597	2.36%	\$3,526,147
Facilities management	49	340	0	834	1.92%	\$2,858,650
Insurance	3	9	0	31	1.67%	\$2,487,283
Office related supplies	32	402	0	761	1.31%	\$1,949,025
Parking	2	15	0	34	1.03%	\$1,538,204
Plant and vehicles	55	308	0	459	0.74%	\$1,106,525
HR services	40	144	0	365	0.65%	\$969,126

Figure 4 2020-21 Overall Spend/Category Overview - ArcBlue Spend Analytics (Source ArcBlue Spend Analytics – RLC)

See below for an overview of the recent annual roading spend, including the top eight suppliers by spend.



Figure 5 – 2020-21 Roading Sub Category Overview (Source ArcBlue Spend Analytics – RLC)

1.5 Recommendation

Waka Kotahi:

- Endorses the Rotorua Lakes Council Procurement Strategy.

Rotorua Lakes Council:

- Acknowledges that Waka Kotahi have not approved a variation to allow the Council to extend the following contracts beyond five years, and will request approval in year four of the contract:
 - 19/046 Roading Network Maintenance and Management Contract.
 - 19/061 Streetlight Maintenance and Renewals.
 - 19/048 Bus Shelter Installation and Maintenance.

2 POLICY CONTEXT

2.1 Defining procurement

Procurement means the acquisition of all goods, works and services provided by, or for the Council. Procurement covers every aspect of the procurement cycle from determining and specifying the needs of the service through the Long Term Plan and/or Annual Plan, through to the acquisition and delivery of goods and services as well as the relationship management of the supplier(s) involved. The procurement process finishes at the disposal of those goods or works or when the service contracts or agreements come to an end.

2.2 Strategic Procurement Framework

Waka Kotahi requires Council to have a procurement strategy that documents our long term integrated approach to the procurement of transport sector activities funded under section 25 of the Land Transport Management Act 2003 and its amendments. To develop a consistent and coherent

strategy covering all Council activities, Council's approach has been to develop a Procurement Strategy and Policy for all of Council's procurement activities.

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.

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



Figure 6 Traditional approach to Procurement (MBIE)

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

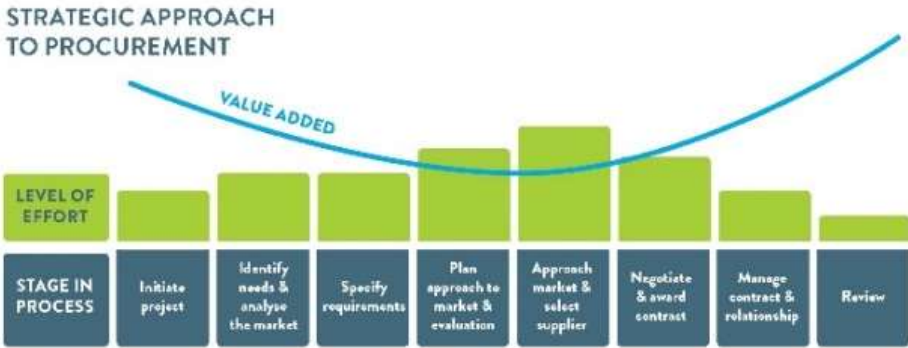


Figure 7 Strategic approach to Procurement (MBIE)

The strategic approach ensures greater emphasis on the planning and review stages. This can reduce the risk of issues arising in the management of the contract and relationship stage. By placing a higher emphasis on the Review phase, this also provides benefits by providing both Council and the

supplier the opportunity to share and benefit from feedback, risk analysis and lessons learned. This also supports a focus on continuous improvement, and ultimately, potential improvements in public value from future procurements.

2.3 Procurement Principles

Council applies the five overarching MBIE procurement principles:



Figure 8 MBIE Procurement Principles, adopted by RLC

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), Office of the Auditor – General guidance and Waka Kotahi procurement rules, and a legislative and regulatory framework. This section will provide an overview of these policy areas, as outlined in the framework below.



Figure 9 Linking RLC Strategic Objectives to the Strategic Procurement Framework

2.4 Alignment to legislative and strategic context

As a public body Council has responsibilities to consider, not just the financial implications for Council of its procurement decisions, but also the short and long term outcomes for the community. The main legislative driver being the Local Government (Community Well-being) Amendment Act 2019, which provides for local authorities to play a broad role in promoting the social, economic, environmental and cultural well-being of their communities, taking a sustainable development approach.

Environmental Opportunities:

- Protecting and sustaining our environment
- Environmental awareness and responsibility is promoted within the community.
- We support programmes that promote environmental benefit and sustainability.
- We are responsive to climate change.

Economically Progressive:

- Supporting a thriving, sustainable economy
- We have financially sustainable decision making and work programmes.
- We provide new infrastructure as an economic stimulus for our district.
- Rotorua Lakes is a great place to invest and do business.

External strategic priorities for the next 3 years:

- Creating vibrant communities – we celebrate all the things residents love about Rotorua Lakes and foster connections with people and places.
- Nurturing and respecting our unique culture and heritage – in partnership with tangata whenua, we increase our communities’ awareness, understanding and appreciation of the district’s history and significant sites.
- Effectively planning and providing for growing communities – our population is increasing because Rotorua Lakes is a desirable place to live, work, play and invest. Growth is forecasted to continue and we need robust planning and infrastructure to create liveable communities.
- Preparing for climate change – we are experiencing the impacts of climate change in Rotorua Lakes and must actively respond to ensure we have resilient communities.
- Leading the recovery of Rotorua Lakes – in partnership with iwi, we lead the community in the economic and social recovery of the district in response to the global COVID-19 pandemic. We enhance our communities’ resilience for the future.

In addition to Council’s own 2030 Vision, and the New Zealand Government’s new/draft 2030 vision for procurement there are requirements from Government on Council around standards of good practice and ensuring delivery of public value. Public value means achieving the best possible value from a procurement. For example, procurement offers the opportunity to support NZ businesses and can also contribute positively towards achieving environmental outcomes by supporting New Zealand’s transition to a low emissions economy or reducing waste.

2.5 Alignment to procurement rules

The NZ Government Procurement Rules are the Government’s standards of good practice for government procurement. The Rules focus mainly on the process of sourcing and are a flexible framework designed to help agencies make balanced procurement decisions. As a public sector agency, local councils are encouraged to follow the Rules to achieve Public Value.

Rotorua Lakes Council is also a participating Council in the Waikato Regional Procurement Principles, Policy and Framework, developed by the Waikato LASS, which contains principles to ensure we uphold the integrity of our procurement and provide clear guidance on how procurement is

undertaken. The procurement principles and policy within this document align with the Government Procurement Rules and emphasises the public value aspect that needs to be considered for all procurement.

The regulatory environment outlined above places requirements on us as a Council and impacts how we run our organisation. It allows us to identify if we are merely complying, or if we are exceeding these requirements. We want to use our procurement approach to exceed these requirements and help us to really deliver on our community outcomes.

2.6 Alignment with Waka Kotahi’s Procurement Manual

As an approved organisation, Waka Kotahi pay funds from the National Land Transport Fund (NLTF) to Council for activities approved for funding in the National Land Transport Programme (NLTP). To maintain its status as an approved organisation, Council must meet requirements under s20 of the Land Transport Management Act 2003. The relationship between 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 Waka Kotahi Procurement Manual Amendment 6 (2019). By meeting the requirements of Waka Kotahi Procurement Manual, Council will also meet the applicable requirements of the Government Procurement Rules (4th Edition).



Figure 10: Overall procurement process – from activity selection to output delivery, from the Waka Kotahi Procurement Manual (recoloured)

2.7 Broader outcomes

The Government Procurement Rules requires each agency to consider and incorporate, where appropriate, Broader Outcomes when purchasing goods, services or works. Broader Outcomes are the secondary benefits that are generated from the procurement activity. They are designed to provide public value from government procurement. They can realise environmental, social, economic or cultural benefits. Broader Outcomes require you to consider not only the whole-of-life cost of the procurement, but also the costs and benefits to society, the environment, and the NZ economy. These Broader Outcomes align well with Council’s Community Outcomes. They encourage increasing access for NZ businesses, workforce skills and development training, supporting the procurement of low-waste and low-emissions goods and services, ensuring compliance with employment standards and health and safety requirements. Using the Broader Outcomes and lining these up with our Community Outcomes means that as a Council we will ensure that our procurement is helping to stimulate the Rotorua Lakes economy, supporting local employment and ensuring that local benefit is achieved from how we deliver our services. Waka Kotahi also detail the

four target outcome areas of environment and sustainability; Māori business and Tangata whenua; economic and employment; and community and culture.

The updated Government Procurement Rules include requirements to leverage the following broader outcomes from agency procurement activities and identified specific contracts or sectors.

1. Access for New Zealand businesses - increase New Zealand businesses' access to government procurement; increasing the number of New Zealand businesses contracting directly to government, and within the supply chain. This includes Māori, Pasifika and regional businesses, as well as social enterprises.
2. Construction sector skills and training - grow the size and skill level of the domestic construction sector workforce; the Government is leveraging procurement through construction to encourage businesses to increase the size and skills of their workforces.
3. Employment standards and health and safety - ensure suppliers and their sub-contractors comply with employment standards, and health and safety requirements. This priority protects workers from unfair and unsafe behaviour, and incentivises well-performing firms while ensuring they are not undercut by firms who have reduced costs through poor labour practices.
4. Reducing emissions and waste - support the transition to a net zero emissions economy and assist the Government meet its goal of significant reduction in waste. Aim to achieve positive environmental outcomes through sustainable procurement by buying low emissions and low waste goods, services and works.



Figure 11: Objectives within the Framework for delivering Broader Outcomes - Framework for Delivering Broader Outcomes, Waka Kotahi 2020

2.8 Health and Safety

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

It is a requirement of Council that contractors undertaking work on behalf of Council are SHE prequalified, and some are also SiteWise Green accredited (although this is not a requirement). SHE PreQual requires a pre-qualification which verifies that contractors have effective health and safety management systems and are holding current and relevant insurances.

Council's Health and Safety team provide advice on procurement including the procurement planning stage, tender document preparation, contractor health and safety plan reviews, and audits as appropriate. A comprehensive health and safety training programme is provided to staff by the Health and Safety team and external providers.

There is an opportunity to include some closer scrutiny to tenders, through reviewing their methodology and intended staff hours required to deliver, to consider whether this raises any concerns around fatigue and potential for serious harm incidents.

2.9 Project and Risk Management

The Project Management Lifecycle in Council requires projects to be managed through the following stages:



Figure 12 Project Management Lifecycle

Stage 1: Initiate - consists of a Project Proposal which represents an approval gateway. The proposal defines and justifies launching a project, addresses legislative requirements, outlines the benefits, strategic alignment, key dependencies, and highlights resources required to undertake the project.

Stage 2: Business Case - consists of an analysis demonstrating that the project is feasible and further defining the costs, risks and resources required to deliver the project. It also details the governance of the project. Rotorua Lakes has a template for a simple business case (Procurement Plan) which is used for every project requiring funding approval. The project may then go on to drafting a complex business case (Strategic Assessment).

Stage 3: Plan - consists of the detailed project planning prior to implementation. This stage requires development of the Implementation Plan, which provides an opportunity to redefine scope, refine objectives and develop a course of action and methodology for the delivery of the project. As part of the project planning a risk register is produced and actively managed by the project manager during project implementation.

Stage 4: Implementation - During the implementation stage, the Project Manager will focus on:

- Delivering the project as set out in the Implementation Plan.
- Ensuring that the defined project goals and benefits will be met at project completion.
- Managing risks.
- Project change control if required.
- Communicating and reporting regularly with the Project Sponsor, Business Owner, team members and key stakeholders.
- Following Council processes, for example, procurement and records management.

Stage 5: Close and Evaluate - Once the project has been completed it needs to be closed and evaluated to ensure it meets the original project goals/ benefits, and to ensure outstanding risks and/ or benefit realisation items are passed over from the project team to the Business Owner.

Stage 6: Benefit Realisation - This stage is about monitoring the realisation of the benefits as originally indicated in the business case. Review of benefits to ensure that those identified at the start of the project have been realised, and that any additional benefits that resulted have been acknowledged and maximised.

3 ORGANISATIONAL PROCUREMENT STRATEGY PRINCIPLES

In the current environment where our District is responding to and recovering from a significant and unprecedented global pandemic with a forecasted economic recession expected to last up to 3 years, this procurement strategy will focus on key areas to assist in resetting and rebuilding our Rotorua Lakes economy. We want to support the development of a sustainable and thriving economy, and to be socially responsible using our knowledge and resources within Rotorua Lakes for the benefit of the whole community. We are going to focus on the following principles, which will be updated to address issues as they are identified.

3.1 Principle 1: Public Value

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

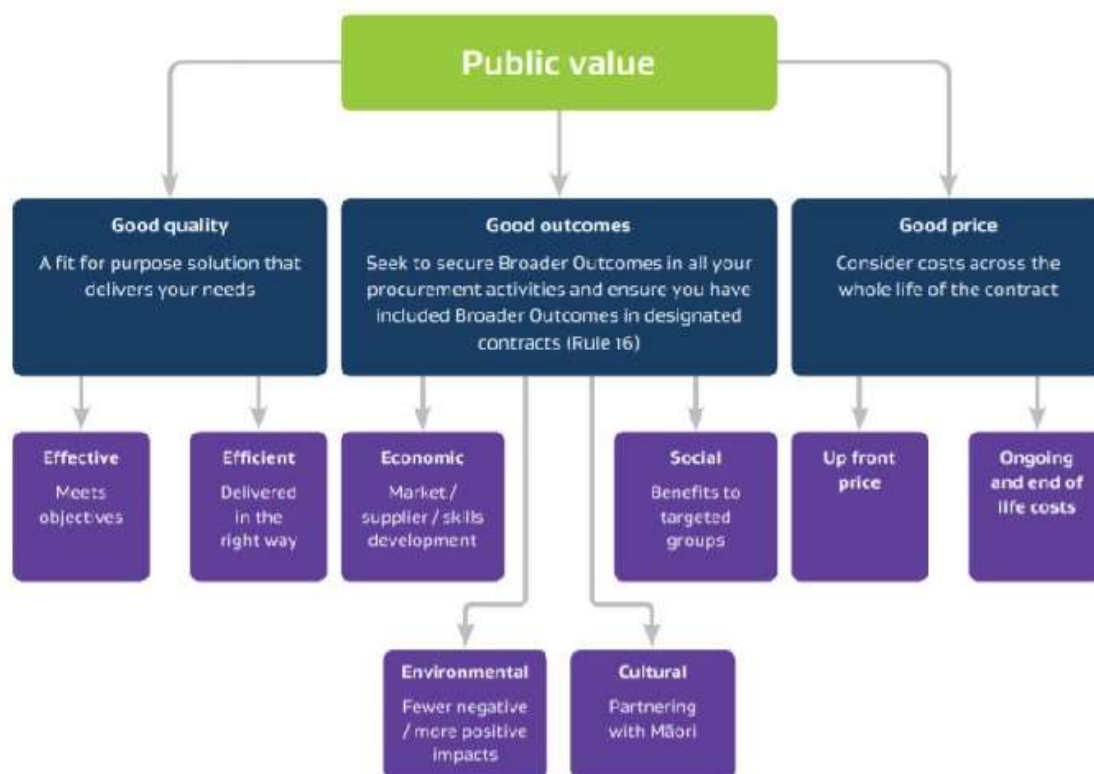


Figure 13: Public Value Guide, extracted from MBIEs Government Procurement Rules, 4th Edition 2019.

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

3.2 Principle 2: Consider Broader Outcomes (non Waka Kotahi-funded projects)

Sustainability is of strategic and statutory importance to Council. The Local Government Act 2002 requires Council to take a sustainable approach by taking into account the social, economic, environmental, and cultural wellbeing of people and communities, the need to maintain and enhance the quality of the environment, and the needs of future generations. Sustainability must therefore be considered throughout the entire procurement process. This is in line with a shift in the Government Procurement Rules (4th Edition) 2019 to focus on the 'broader outcomes' of procurement. RLC has been running various forms of sustainable initiatives, and this has been evolving since the new initiative started in 2013.

Expanding broader outcomes to achieve strategic goals of our own and of our partners, e.g. training, encouraging more local employment and increasing certainty and resilience in local employment.

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

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

Issues that impact on sustainability include:

- climate change
- optimising use of natural resources
- minimising use of hazardous substances
- waste minimisation
- job creation
- health & 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

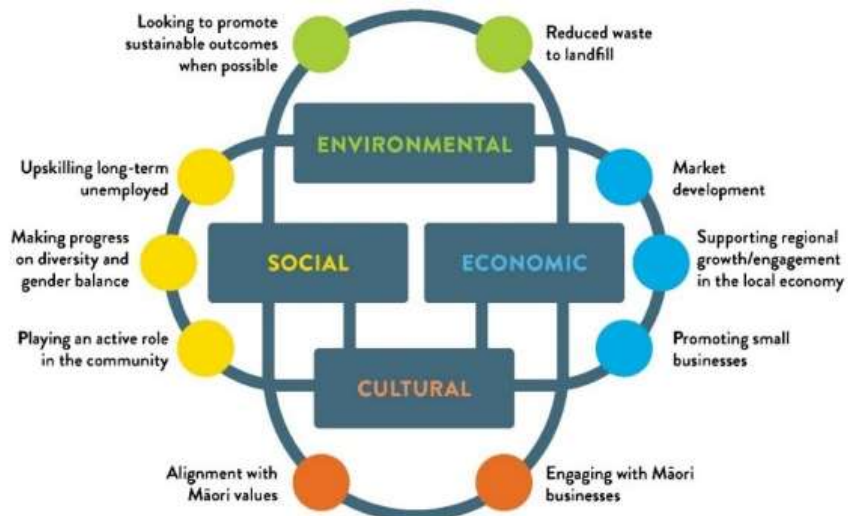


Figure 14 Examples of Broader Outcomes - NZ Govt. Procurement Rules (4th Ed) 2019 (recoloured).

Note: We have been advised by external audit that a 'Buying Local' strategy or attribute is not currently permissible when considering Waka Kotahi funded contracts. However, on non Waka Kotahi funded contracts, a Local Economic Impact and Broader Outcomes component is generally applied to the procurement process as it can impact on the economy directly and indirectly:

Directly:

- By supporting local sustainable businesses that are more likely to survive, expand, innovate, train and invest.
- Supporting training, new opportunities, and employment security.
- Encouraging participation of Maori businesses thereby increasing engagement and employment.
- Including supply chain opportunities to maximise local contribution.
- Supporting local manufacturers and businesses that source goods manufactured locally.

Indirectly:

- Supporting community linkages e.g. local businesses encouraged to support local initiatives, which increases liveability through employment opportunities and encouraging leadership.
- Supporting sustainable activity in the local economy, which can have broader impacts through encouraging more sustainable industries and businesses.

Council chooses to focus on local economic impact of a procurement process rather than trying to define who is a local supplier. This is key because this is where we will see the benefits within our District – employment, involvement in our community and spend within our community. There will often be a requirement for suppliers to have local knowledge and presence in the Rotorua Lakes community e.g. an out of zone business may rent premises in the region or employ local people.

The application of this approach should not in any way conflict with the Government Procurement Rules, which requires that broader outcomes are incorporated in a way that does not discriminate against any supplier.

3.3 Principle 3: Be Sustainable

The procurement system will ensure that opportunities for social, economic, environmental and cultural interests and outcomes will be actively considered. This principle is about wider considerations for our procurement and looks for opportunities to include these and encourage uptake in the Rotorua Lakes community by:

- seeking multiple outcomes from every dollar spent
- encouraging demonstration of greater resource efficiency (e.g. energy generation and use)
- allowing staff to consider wider impacts such as environmental sustainability (e.g. carbon reduction opportunities), and economic sustainability
- supporting innovation and actively search for the best use of our physical resources. The inclusion of a sustainable approach will encourage greening of the supply chain. Using a sustainable approach also requires looking at long term costs and benefits. Short term fixes can impose long term costs on ratepayers.

This principle means that every procurement must consider social, economic, environmental and cultural outcomes or impacts early in the procurement process, but recognises that not every procurement will need to address the full range in the final stages of the procurement process. The opportunity to consider these impacts are applied whenever these are possible, relevant and proportionate.

The Government Procurement Rules include a supplier code of conduct, which outlines expectations of suppliers and their subcontractors around ethical behaviour, labour and human rights, health, safety and security, environmental sustainability and corporate social responsibility. The expectations outlined in this can be applied to our suppliers as these are minimum standards we would expect our suppliers to be implementing. Sustainable outputs and measures can be requested and weighted as part of tenders, which will encourage uptake of environmental practices.

3.4 Māori, Mana Whenua, Mātaawaka

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

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

4 SPEND ANALYSIS

4.1 Roothing Category Analysis (Transport)

Procurement has been gathering quarterly spend data for the last two years, and this valuable analysis is provided by ArcBlue Consulting, via an online Spend Analytics dashboard. The Roothing category has been the biggest category historically in previous years, although recently it has been surpassed by the Construction category. Which is now the biggest spend category, due to significant projects at Te Whare Taonga o Te Arawa - Rotorua Museum and the Sir Howard Morrison Performing Arts Centre (SHMPAC).

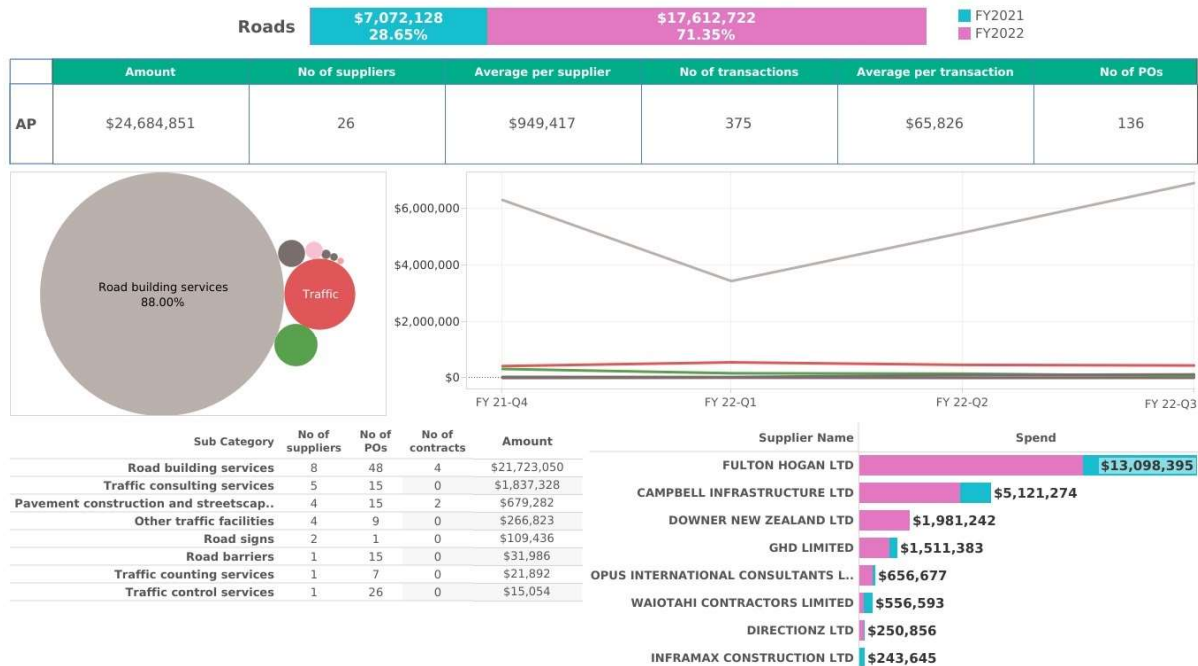


Figure 15 Roothing SubCategory Overview - ArcBlue Spend Analytics (Source ArcBlue Spend Analytics – RLC)

5 PROCUREMENT ENVIRONMENT

A robust procurement process was undertaken for determining the Rooding Network Maintenance and Management Contract. The new Rooding Network Maintenance and Management Contract started on 1 July 2020. Contract Performance Appraisals are undertaken at defined periods throughout the contract to ensure that the contractor is still performing and delivering to agreed levels of service.

5.1 Supply Overview

The market available to Rotorua Lakes is influenced by the activity in surrounding Bay of Plenty districts including Tauranga. The long term contracts and incumbent contractors for Bay of Plenty council road maintenance contracts include:

	Activities /Programmes	2021/22 Budget	Contract/s Awarded to
Local road maintenance - Local Roads			
111	Sealed pavement maintenance	\$1,851,994	Fulton Hogan (19/046)
112	Unsealed pavement maintenance	\$180,310	Fulton Hogan (19/046)
113	Routine drainage maintenance	\$558,808	Fulton Hogan (19/046)
114	Structures maintenance	\$116,000	Fulton Hogan (19/046)
121	Environmental maintenance	\$319,529	Fulton Hogan (19/046)
122	Network service maintenance	\$915,721	McKay Limited / Directionz / Roadrunner Markers Ltd
123	Network operations	\$61,000	N/A – mostly delivered under Tauranga CC contract (BOP-wide)
124	Cycle path maintenance	\$47,158	Fulton Hogan (19/046) / Bradstreet Contractors Ltd
125	Footpath maintenance	\$346,670	Fulton Hogan (19/046)
131	Rail level crossing warning devices maintenance	\$10,000	Fulton Hogan (19/046)
140	Minor events	\$50,000	Fulton Hogan (19/046)
151	Network and asset management	\$1,461,851	Fulton Hogan (19/046)
211	Unsealed road metalling	\$599,730	Fulton Hogan (19/046)
212	Sealed road resurfacing	\$3,443,730	Fulton Hogan (19/046)
213	Drainage renewals	\$410,000	Fulton Hogan (19/046) / Tendered
214	Sealed road pavement rehabilitation	\$1,984,000	Tendered
215	Structures component replacements	\$200,000	Fulton Hogan (19/046) / Directionz / Tendered
216	Bridge and structures renewals	\$150,000	Fulton Hogan (19/046) / Directionz / Tendered
221	Environmental renewals	\$0	N/A
222	Traffic services renewals	\$80,000	McKay
224	Cycle path renewal	\$0	N/A
225	Footpath renewal	\$500,000	Fulton Hogan (19/046)
	Subtotal (Entered)	\$13,286,501	
Public transport infrastructure			

532	Low cost / low risk improvements	\$81,000	Combined Road and Traffic Services
	Subtotal	\$81,000	
Walking and cycling improvements			
341	Low cost / low risk improvements	\$800,000	Minor Works Transport / Tendered
	Subtotal	\$800,000	
Road to Zero			
432	Safety promotion, education and advertising (MOR)	\$440,000	N/A – mainly staff time etc
341	Low cost / low risk improvements	\$500,000	Tendered
	Subtotal	\$940,000	
Local road improvements			
341	Low cost / low risk improvements	\$1,225,000	Tendered
	Subtotal	\$1,225,000	
	Grand Total	\$16,332,501	

Figure 16 Programme monitor 21/22 budget (edited from 2021/24 Programme Monitor)

COVID-19 has caused significant disruption to the New Zealand construction industry, consequently the current environment is one of uncertainty. Prior to COVID-19 construction activity was high and additional capacity within the industry generally low. As Councils reviewed their budgets, due to the economic impact of COVID-19, many construction projects were initially postponed. Recent updates to Council's Long Term Plans has seen an appetite to increase rates to enable projects to continue. The Government's shovel-ready project initiative has also contributed further investment, increasing workload within the local area.

Additionally, the availability of staff and materials through impacts to immigration and imports is causing significant impact which has yet to be well understood. As a result costs are increasing, material availability such as bitumen and steel is becoming a concern, and capacity may be constrained.

The Rotorua Lakes contracting approach, with separate contracts for Road Maintenance, Streetlights, Urban Street cleaning, renewals and signage is small scale and managed across a compact, easily accessible and well serviced road network, and can therefore attract a wider range of suppliers that are interested in tendering. This also provides a market opportunity for the contractors that are unable to service the larger Alliance contracts in surrounding towns.

The wide mix of road maintenance providers currently managing road networks in the Bay of Plenty indicates that there is opportunity to attract a high number of bids for the tendering of the general road maintenance contract. However, this has been impacted by the rise of residential contracting, whereby the significant increase in demand in this favourable area, has enabled contractors to choose which contracts they take on or tender for (or not).

5.2 Capital Works Providers

The physical works supplier market in the Bay of Plenty is mature, offers diversity and competition across small, medium and large national suppliers. The central location provides access to the full range of NZ construction suppliers. Rotorua Lakes bundles the small packages of works into larger contracts to keep things manageable whereby smaller local subcontractors are engaged as required by the main contractor. Footpath maintenance and renewals are carried out under the Roding

Network Maintenance and Management Contract. Shared path construction is often carried out under Minor Works – Transport Contract, and larger projects may be tendered separately e.g. CIP projects.

Rotorua Lakes also ensures good clear documentation with robust plans on measure and value contracts to ensure risks are allocated appropriately. Engagement with prospective bidders starts early to ensure they are ready for the tender period. When we have identified an opportunity to explore some upfront risk sharing discussions with contractors, we will consider packages of work to trial this on initially. More of our urban contracts are becoming multi-disciplinary, e.g. stormwater and roading. Rotorua Lakes Council requires SHE Pre-Qual contractor health and safety evaluation for all physical works contractors.

5.3 In-house Professional Services

Professional services are tendered out, or accessed through the Waikato LASS Professional Services Panel (PSP). Rotorua Lakes outsources its pavement rehabilitation and urban upgrade designs for Capital Projects. Some minor pavement design may be carried out in-house where appropriate. Resurfacing seal designs are reviewed by the Transport Infrastructure Networks team, for delivery by the maintenance contractor.

Rotorua Lakes has a combination of professional services and in-house resource for asset management and MSQA capability services within the Transport team. Rotorua Lakes also procures MSQA services to support the delivery of the roading programme for larger projects, on an as required basis.

Rotorua Lakes Council Transport Infrastructure Networks team's organisation chart is shown in Appendix 1.

5.4 Professional Services Providers

The central location of Rotorua Lakes provides a sizeable market of consultant organisations, many of whom are national companies providing services to many regions throughout New Zealand. Similarly, smaller consultancies are also able to provide specialist services.

RLC utilise the Waikato LASS Professional Services Panel (PSP) for small engagements for professional services, and look to spread work packages across the panel, choosing consultants for their strengths.

Current engagements include:

- General structure inspections (including Bridge Management) Beca/Waikato LASS Joint contract, WSP inspections, Pattle Delamore Partners (Three Waters), Data management, RAMM, Specialist SME advice, and small independent consultants as required.

5.5 Future Procurement

Council has received a variable number of bids on its recent tenders, sometimes a low number of bids. Therefore it is believed that best value is being achieved using the Staged (traditional) delivery model with PQM (Price-Quality Methodology) and LPC (Lowest Price Conforming) being the main supplier selection methods utilised (and when appropriate SQP (Supplier Quality Premium)). Where other advanced methods are intended to be used such as Target Price, (PNP) Purchaser Nominated Price, and (QBM) Quality Based Method; this will be by prior approval from Waka Kotahi. Due to the ongoing value being demonstrated by this approach, no changes to the current procurement methodology are planned. However, on occasion similar works may be undertaken as an

addition/variation to an existing contract where this is considered the most prudent and appropriate procurement. The value of the additional work will generally be less than \$100,000.

As most of our Pavement Rehabilitation projects are of a relatively small value (i.e. around \$500,000), the Lowest Price Conforming supplier selection method is generally utilized where the work is of low risk and well scoped (for higher risk projects, PQM is preferable). Consideration is given to combining some of these projects into a slightly more bundled package to gain increased economy of scale. This has proven cost effective and achieved good results, and has attracted and supported competitive small to medium sized local & specialist contractors, in the industry (including bridge inspections) which is a further benefit to the community.

Rotorua Lakes are using the contract filing system (TRIM) and contract management database (Infor) in the interim until the TechOne Contracts module is implemented. Once implemented the integrated contracts module will provide real-time reporting on contracts, and allow for management of contract risk and activities with automated contract reviews including options for Contract KPI, Contractor Performance and internal Risk Management.

The emerging structure is a Centre-Led/Hybrid model, whereby a lean and agile procurement function supports the Transport, Construction and other project teams with clear policy, procedures and guidelines. The Procurement function issues Tenders via Tenderlink and/ or GETS (in accordance with Waka Kotahi Procurement Manual) on behalf of the teams procuring the goods, services or works, and collaborates on major tenders or projects when appropriate or required to do so.

In the future, we will look to require information regarding iwi ownership and local employment information to better understand market availability of broader outcomes.

Smart Buying Approach

Rotorua Lakes aims to develop greater awareness of market constraints, such as for materials and resources, to deliver on contract objectives. Market engagement is one tool that will be carried out to identify likely issues and opportunities in delivery and better understanding of risk sharing between the parties.

We will continue to seek further opportunities to increase the supply base through early engagement and through collaboration with neighbouring road controlling authorities. Opportunities currently include:

- Traffic Signals Management – Bay of Plenty wide, with Tauranga City Council for traffic signals management and maintenance.
- We will continue to work collaboratively with BOP LASS & Waikato LASS authorities as appropriate, and when new opportunities arise.

6 APPROACH TO DELIVERING THE WORK PROGRAMME

6.1 Maintenance & Operation of local Roads

The Transport Activity Management Plan 2022-24 sets out how the roading network will be operated and maintained on a day-to-day basis. Maintenance activities cover:

- programmed maintenance where a base level of maintenance is carried out to a predetermined level of service.
- condition maintenance, where maintenance is carried out as a result of condition or performance evaluation, and
- reactive response where maintenance is carried out in response to reported problems or system defects.

Currently our road maintenance, resealing and 3rd party contract management are delivered through one contract, the Roothing Network Maintenance and Management Contract. This contract enables a contractor to manage and programme all works. It also enables efficiencies in administration costs and economies of scale, all Reseals and footpath renewals are included within this contract. However, pavement rehabilitations, seal extensions and larger area wide treatments are tendered separately as below. Some small area wide treatments are delivered by the Maintenance Contract. We also have short term (3 year) minor works contracts for both roading and storm water.

Rotorua Lakes acknowledges the shift of neighbours towards the fully collaborative Alliance style arrangements, but after consideration of the network need and current arrangement we believe that the more traditional arrangement with Asset Management in-house remains appropriate to meet the needs of the Rotorua Lakes community and for cost efficiency and effectiveness. It also continues to be preferable within the existing contract term to continue to keep some road maintenance elements separate from the General Maintenance Contract to ensure better value and flexibility in the way we manage our road improvements. This also maintains some small packages of work to ensure local/small contractors are able to compete. Additionally; where packages of work tie in with works from other departments, separate contracts enable combining works together.

The General Road Maintenance contract term currently ends on 30 June 2025, with a three year plus two year extension permitted under the contract to potentially extend to 30 June 2030. In preparation for a potential procurement, Rotorua Lakes intends to undertake an LGA s17A review of this contract to determine the best procurement method and contract delivery model to deliver cost efficiency and effectiveness of this service.

Traffic operations is one area where a regional collaborative contract is in effect. Waka Kotahi, Tauranga City Council, Rotorua Lakes Council, Taupo District Council and Whakatane District Council have a single contract for maintenance and operations of traffic signals and electronic signage. The contract is managed by the Tauranga Traffic Operations Centre and delivers efficiencies to all participating authorities, as they have the necessary expertise and integration with State Highway network.

For transport professional services to access a wider market Council has split its operational and capital contracts as capital can be delivered by the wider consulting industry. However operational services must be delivered locally. RLC combined operational professional services with the network maintenance contract, a model based on the Network Operating Contracts. Discussions with the industry have identified that inclusion of the resealing programme into the maintenance contract had some distinct advantages particularly with the pre-seal repair programme. This overall methodology should attract a wider participation in the tender process and add efficiencies to overall delivery. A longer timeframe than five years is required for these contracts (10 years via prior approval by Waka Kotahi) because these required a variation to the Waka Kotahi Procurement Rules.

6.2 Delivering the Programme

The long-term plan 2021 – 2031 identifies five key themes. Each will have a significant procurement focus over the next ten years. They are:

1. Reviving our facilities
2. Environmental sustainability
3. Growing our district
4. Keeping the foot on the pedal of progress.
5. Funding and delivery

Continuing to deliver quality services will always be Council's priority. We also have the responsibility to ensure that the community's significant asset holdings are maintained so they will continue to function now and well into the future. For this reason, significant funds are allocated in the plan to maintain, renew and improve key infrastructure assets such as roads, footpaths, cycleways, stormwater drainage, waste water, water supply as well as sports and recreation, community and cultural facilities. This also includes plans to further develop the local economy through the creation of vibrant, well designed and desirable public places across the district.

A new contract for the provision of various services for the effective management of the Transport Network and assets for a period of 10 years commenced on 1 July 2020. The contract comprises a consolidation of a number of distinct but related services, including:

- Roads and Pavement Maintenance
- Footpath Maintenance
- Local Road Network Traffic Management
- Road Resurfacing (various types)
- Corridor environmental services (cleaning etc)
- Management of 3rd party maintenance contractors
- Asset Management inputs
- Database Management (RAMM)
- Establishing Forward Works Programme
- Some Capital Works

6.3 Current Procurement

Procurement Plans are required for all procurements with anticipated expenditure over \$25,000 and all expenditure over \$50,000 is required to be openly tendered, unless otherwise justified and approved by the Chief Executive in the Procurement Plan.

Direct appointment or 3 quotes may be considered for minor works, specialist or sole suppliers for purchases less than \$25,000.

6.4 Future Procurement

Imminent changes to the Waters Group (drinking water, wastewater and stormwater), as a result of the Nationwide Three Waters Reform Programme, may affect the wider engineering expertise within Council. And there may still be a latent need within Council for resourcing of special projects regionally. However in principle RLC is in favour of the Three Waters Reform Programme providing our concerns are addressed. The reservations we have are with regards to the latest round of proposed changes regarding governance, structure and representation.

The New Zealand Government has a Procurement Strategy in draft 'Procurement for the Future' whereby the strategic direction and actions they are setting out will fundamentally change the way government procurement operates.

Rotorua Lakes is a member of the Waikato Local Authority Shared Services (Waikato LASS), and has agreed to be a party to the Professional Services Panel (PSP) for engagement of consultants. COVID-19 is impacting the supply chain and causing disruption across a range of industries; as a result the normal supply market environment differs from normal. Which is resulting in supply shortages and also price spikes when demand exceeds short to medium term supply. Continuity planning both for Council and contractors is improving. Whilst challenges are better understood and essential services are being managed, changes to alert levels are unpredictable, resulting in disruption, delays and impacting on the ability to deliver programmes.

Minor improvements are generally completed with pavement rehabilitation projects to achieve safety or other improvements with economies of scale within the project. Other improvements generally include the installation of signage or markings and as such are completed as part of the relevant maintenance contracts. Minor structures work, including guard rail improvements and installations will often also be completed under maintenance contracts where relevant rates and resources have been provided in tendering for those contracts. If there is a significant parcel of similar improvements work developed in any year (e.g. pedestrian and cycling improvements) this work would be generally tendered using the lowest price conforming evaluation methodology. In this situation there may be scope for extending the quantity of works under the tendered rates. Miscellaneous minor improvement projects and cycleways may be delivered under the Minor Works – Transport contract.

6.5 Professional Services

The Transport Infrastructure Networks team has a small in-house function to provide network management services to the Council. There is a contract in place for the business unit in line with the NLTP funding. The use of the in-house professional services unit has been previously approved by Waka Kotahi.

Where specialist professional services are required, Rotorua Lakes Council will utilise the Waikato LASS Professional Services Panel, and other long term contracted professional service providers as required. The business unit currently utilises external professional services for investigation, design and some MSQA services. This includes asset management and RAMM database maintenance.

RLC do not currently utilise the Bay of Plenty Road Asset Technical Accord (RATA) which has a goal of achieving best practice road asset management by improving capability, capacity and outcomes through effective collaboration.

6.6 Sustainable Transport - Cycling and Cycleways

The focus is on safer streets and cycling as transport is valued across Council, and therefore significant investment in cycleways has been made and is planned going forward. Road safety education is also delivered in tandem by a contractor to Council.

6.7 Local Authority Shared Services

There are two Local Authority Shared Services entities that overlap the Rotorua region. Waikato Local Authority Shared Services (Waikato LASS) was established in 2005 to promote shared services between local authorities across the Waikato region, and the Bay of Plenty Local Authority Shared Services (BOP LASS) was established in 2008 to promote shared services between local authorities across the Bay of Plenty region. By working together with either Waikato LASS or BOP LASS RLC can reduce costs, achieve effectiveness and efficiency gains, reduce duplication of effort and eliminate waste through repetition, promote and contribute to the development of best practice, and improve customers' experiences.

In 2019 Waikato LASS retendered its Professional Services Panel, and has since rebranded as Co Lab. This provides a framework arrangement with a panel of professional service providers to offer Waikato LASS members better value for money, greater capacity and access to a wider range of expertise than other procurement arrangements. It allows the Participating Councils to select from a pre-approved panel of those professional service providers it wishes to use for any particular engagement on terms and conditions already agreed, without having to enter into a new contract with the professional service providers each time this occurs. This avoids both the cost and delay (for

both Councils and professional service providers) of conducting a fresh procurement for each piece of work.

6.8 Project Management

Management of capital projects is undertaken in-house where possible. The Transport Infrastructure Network team manages many of its smaller or less complex projects themselves. Rotorua Lakes also has a strategic Infrastructure Team that provides specialist project management services and advice to wider council to deliver the major and complex capital projects programme.

7 IMPLEMENTATION

7.1 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. Procurement is Centre Led (or hybrid) across Council, however the Procurement Team Lead has responsibility for the development of the organisation's procurement policies and strategies and in the provision of advice and recommendations on procurement matters. Within Council there is also support available from some specialists in the implementation of procurement processes to ensure compliance with policies and processes. Council has no internal specialist roading design team and relies on the consulting industry to deliver the roading programme. There is limited availability in the local consulting engineer market. Council outsources the professional services management of the roading network and all significant works (over \$50,000) by competitive tender.

Within the Transport and Project Delivery teams, Rotorua Lakes utilises in-house expertise to manage tenders where possible.

The number of qualified Waka Kotahi tender evaluators is as follows:

- Trained - 1 staff
- Training - 5 staff

The teams are continuing to encourage training of staff to further develop skills within the team in relation to procurement expertise.

There is a need for 'smarter buyers' (pages 36 and 37 of the RMTF report). This is a theme that underpins a number of the conclusions of a recent review is that RCA's (Road Controlling Authorities) must be both efficient and effective managers of their road assets and smart buyers of the services they require. These issues strongly relate to the concept of 'smart procurement' with a balanced focus across 'the three E's':

1. Economy – through securing (or supporting) the provision of products, materials and expertise at the quality, in the volumes and at the times and locations required, at the lowest price.
2. Efficiency – through the processes used, including standard documentation and contracting forms selected for achieving best cost / quality and outcomes; and knowledge of the product / materials and supplier market applied
3. Effectiveness – taking opportunities for changing from traditional products and materials by maintaining support for innovation in the nature and characteristics of products and materials, and for a strong supplier market.

The impact of raising the capability of RCA's would include reduced supplier selection process costs, better management of risk and more objective assessment of performance for use in future supplier

selection processes. The contracting industry has provided the following useful analysis of the characteristics of a smart buyer: Some RCAs are smart buyers but this is believed to be the exception.

The Smart Buyer self-assessment for the Transport team shows a developing in procurement function, detailed scoring is shown in Appendix 2.



Figure 17 RLC Transport Procurement RCA Smart Buyer Self-Assessment

Probity auditors are managed internally at Rotorua Lakes through the use of qualified tender evaluators and the Procurement Team Lead. Probity auditors will be selected for their independence from the team managing the procurement. The Engineer to Contract role is generally outsourced externally, although we have in-house capacity which is dedicated to specific non-Waka Kotahi projects. Safety auditor capacity is resourced through the Professional Services Panel by regionally based consultants if required.

7.2 Tender Evaluation

To assess tenders, Council will establish a team with a minimum of three evaluators which may include individuals with technical, cultural, financial or legal expertise, depending on the project requirements. The TET (Tender Evaluation 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 Confidentially Agreement. For Waka Kotahi-funded projects over \$200,000 the TET must include a certified Waka Kotahi Tender Evaluator.

7.3 Negotiation with Suppliers

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

7.4 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.

7.5 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.

7.6 Performance Measurement and Monitoring

All contracts are required to be approved in our contracts module, and standard review requirements are currently being developed for the module. This will include requirements to review aspects such as Health & Safety, contractor performance, delivery on agreed outcomes which may include local contribution. Recently we have introduced annual reviews of KPI's to provide additional feedback to contractors throughout the contract. This is particularly valuable to our longer term maintenance contracts where continuous improvement is encouraged.

7.7 Communications Plan

Council intends to work more closely with local suppliers and will allow more regular market briefing sessions for public tenders. Rotorua Lakes has a general desire to work alongside industry to help develop our supplier base and their ability to compete for tenders. Council is using Tenderlink to advertise on Waka Kotahi funded contracts. Advertisements must also be advertised through GETS as required in Rule 10.6 of the Procurement Manual. Rotorua Lakes will provide its work programme pipeline on its website, and will utilise GETS to advertise notices of upcoming tender opportunities. Rotorua Lakes will publish this strategy on its website once adopted by Council to allow transparency.

7.8 Implementation Plan

The Transportation Activity Management Plan provides details of the investment programme and intentions of Council to invest in the procurement programme. Projects within the TAMP have been allocated to project managers and will be developed in accordance with the Project Management Lifecycle. In addition, the Transportation team is currently undertaking development of a capacity plan and a programme delivery plan to create a more detailed plan to ensure appropriate resourcing is in place to deliver on the 2022-24 forward works and capital projects programmes.

7.9 Corporate Ownership and Internal Endorsement

This Procurement Strategy is owned by the Manager - Transport Infrastructure Networks. Implementation of the procurement programme will be undertaken by the Transport Team with

support from the Procurement Team Lead and Project Delivery team. Internal endorsement of this procurement strategy is required from the Manager - Transport Infrastructure Networks and Procurement Team Lead.

8 CONCLUSION

8.1 Conclusion

The Procurement Strategy Principles outlined earlier for the organisation have a clear line of sight to Council’s vision and Community Outcomes. They provide a high level approach which focus on key areas. These Principles may be added or changed as our economy or environment changes because we want to make our strategy appropriate and agile to cope with the now and also to help us think about the future. The Principles will translate further into real processes and actions that will help staff to meet the Principles and through that, ensure that we are achieving the vision of Rotorua Lakes:

Rotorua: Vision 2030

<p>This is our home, we are its people. We're the heart of Te Arawa and a centre for Māori culture and expression. We're innovative and we share what we learn. We're driving opportunity, enterprise and diversity. We're supporting a legacy of sustainability for our environment. Rotorua is a place for everyone... Tatau tatau - We together.</p>	<p>Koinei tō tātau kāinga. Ko tātau ōna tāngata. Nā tātau tonu i ora ai te ahurea Māori me ōna āhuratanga katoa. He iwi auaha tātau e tuku nei i tā tātau e ako nei. E kokiri nei tātau i te angitu, i te hihiri me ngā rerekētanga maha. E kaha tautoko nei tātau i whakapūmāutanga o te taiao. Mō te katoa a Rotorua Tatau tatau</p>
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Figure 18 Rotorua: Vision 2030

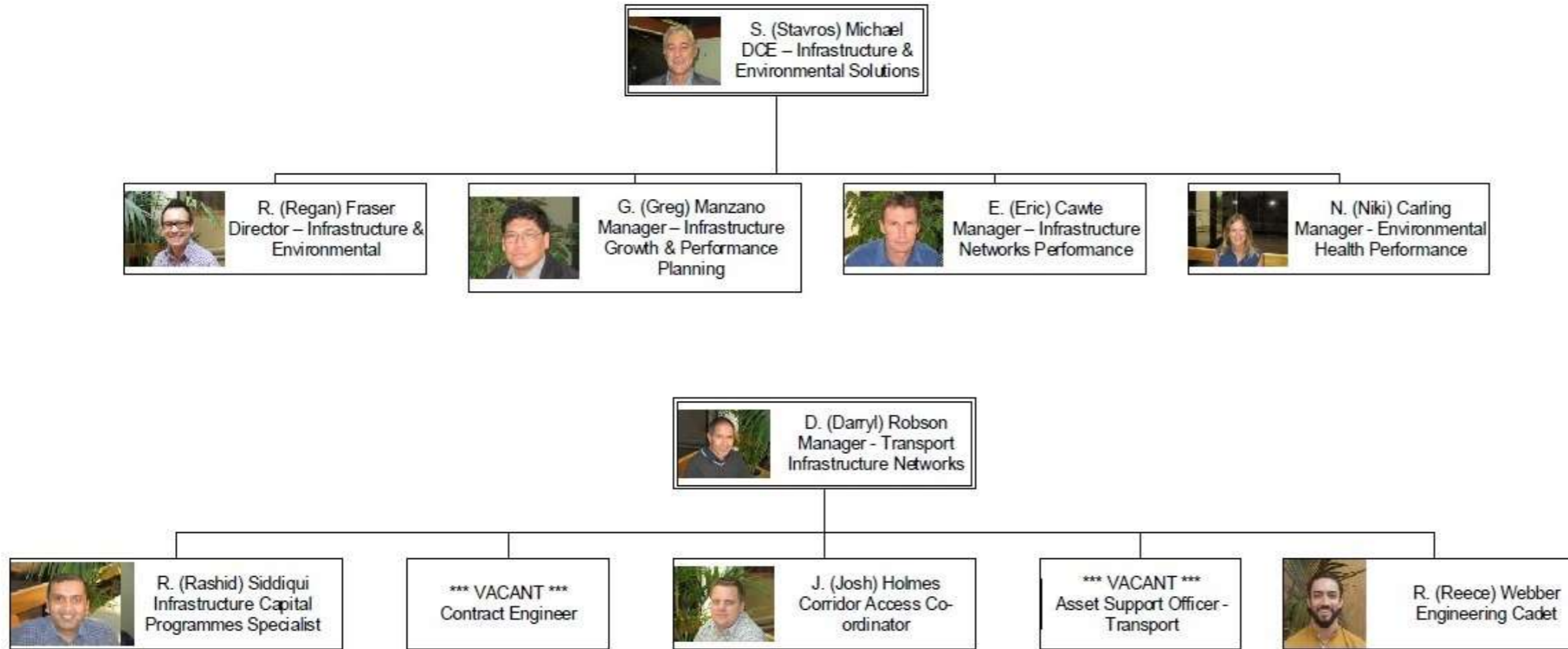
The New Zealand Government also has a 2030 Vision for Procurement Strategy:

'A fair, transparent, inclusive and efficient procurement system that delivers high public value to all New Zealanders'.

There is an opportunity to become a ‘Smart Buyer’ over the next few years, improve the Smart buyer self-assessment score from its currently rating of developing.

Council recognises that a critical factor in achieving best public value is having the capability and capacity to successfully deliver the procurement programme. Clear visibility of procurement spend is also a key asset in not only focussing the combined efforts of the Infrastructure team, but also shaping the strategic direction.

Appendix 1 – Organisation Chart



Appendix 2 – Smart Buyer Self-Assessment

Procurement SMART goals

Smart buyers have:

- An improved understanding of costs that better inform their decision making process.
- An understanding of the impact delivery models and supplier selection criteria can have on the value of contracts.
- Robust forward work programmes that are communicated to the industry and supported by budgets that allows the work to be completed.
- Knowledge of the network to determine treatments required based on physical evidence and supported by knowledge of the costs involved.
- In-house expertise that aids the decision making process and allows acceptance of innovative solutions possibly with or without the involvement of consultants.
- A clear understanding of risk and how it is allocated and managed.
- An understanding that lowest price will not always deliver desirable outcomes.
- An understanding that being prepared to pay more may result in enhanced whole of life value for money.

Not so smart buyers:

- Award contracts predominately based on price – with little appreciation of any risk to best value for money.
- Outsource work to the detriment of asset knowledge.
- Choose contract forms that are fashionable, not well understood and poorly managed.
- Lack technical and contractual management skills.
- Lack asset management skills that prevent the development of robust forward work programmes.
- Do not support forward work programmes with appropriate budgets.

Weightings for non-price criteria include Broader Outcomes with minimum weighting of 5% (range of 5-15%)

Rotorua Lakes are using checklist to ensure all relevant documents are recorded in Council’s contract filing system (TRIM), in the interim until the TechOne contracts module is implemented. Contract reviews will then be recorded in the contracts module, and we expect that achievement against some of the goals which relate to individual contracts.

The goals will be measured as part of the overall procurement strategy review every 3 years and will be reported through to council.

REG | THE ROAD EFFICIENCY GROUP

This assessment is based on the Smart Buyer Principles identified in the Road Maintenance Task Force Report. Score the following by ticking the appropriate box - (1) Disagree to (5) Strongly Agree.

Whenever you score yourself “4 or 5” think of an example you can use to justify your score to an independent auditor or the other attendees at this workshop.

Assessment statement	Score				
	1	2	3	4	5
Our Organisation					
1. Fully understands the different contracting models available.					✓
2. Holds meetings that update the contracting industry on the forward works programme and any changes in approach, and proactively engages with the contracting industry to ensure it gains optimal value from any changes being implemented.				✓	
3. Has sufficient robust data (or is in the process of gathering robust data) on our networks to enable optimal integrated decision-making.				✓	
4. Has access to expertise that fully enables best use of the data available.				✓	
5. Is open to alternative solutions to those proposed in the contract documents.					✓

6.	Understands risk and how to allocate and manage it.					✓
7.	Has a Council that is prepared to pay more now to achieve a lower whole of life cost.			✓		
8.	Actively pursues value for money & does not always award contracts to the lowest price.				✓	
9.	Is able to manage supplier relationships/contracts to ensure optimal expenditure, which sustains infrastructural assets at appropriate levels of service.				✓	
10.	Supports ongoing skill and competency training and development for staff.			✓		
11.	Actively shares and gains knowledge within the sector.				✓	
12.	Is effective in keeping up with best practice in procurement, including best practice RFP/contract documentation.				✓	
13.	Regularly seeks and receives candid feedback from suppliers on its own performance as a client and consistently looks to improve its performance.				✓	
14.	Explores opportunities for collaboration by either sharing in-house resources with neighbours, or by procuring together or tendering together. That exploration could be through an LGA s17A evaluation of transport function delivery options.				✓	
Number of ticks in each column				2	9	3
Multiplying factor		x1	x2	x3	x4	x5
Total Score in Column				6	36	15
Total Score		57				

Score: Interpretation

65 to 70: Our organisation is a Smart Buyer - people love working for us and with us!

55 to 64: Our organisation has embraced Smart Buyer principles but can still improve.

45 to 54: Our organisation gets by but has opportunities for improvement.

30 to 44: Our organisation is not rocking the boat when it comes to pursuing value for money.

0 to 29: Our organisation is a bit of a basket case!

If you were to repeat this assessment in one or two years' time, how do you expect it will have changed? Which questions will show the greatest change (up or down)? and what action/inaction will have been the driver of that change?

Appendix 3 – Existing Term Service Transport Contracts

Contract Description	Supplier	Contract Number	Total Contract Value (\$)	Start Date	End Date	Revised End Date	Duration (Years)	Procurement Method	Opportunities for Innovation and Broader Outcomes
Roading Network Maintenance and Management Contract 2020-2030	Fulton Hogan	19-046	\$127,000,000	July 2020	June 2025	June 2030	5 + 3 + 2	Two-stage (ROI & RFT) – Quality Based Selection	
Bus Shelter Installation and Maintenance 2020-2030	Combined Road & Traffic Systems Ltd	19-048	\$3,733,362	October 2020	June 2030	June 2030	10	Price Quality Method	
Streetlight LED Conversion & Maintenance Contract 2020-2030	McKay Ltd	19-061	\$4,548,079	July 2020	June 2025	June 2030	5 + 3 + 2	Price Quality Method	
Signs and Street Furniture Maintenance 2020-2023	Directionz Limited	19-059	\$1,195,080	March 2020	March 2022	March 2023	2 + 1	Lowest Price Conforming	
Professional Services for Capital Projects – Transport 2020 - 2025	GHD	20-007	\$4,208,100	July 2020	June 2023	June 2025	3 + 2	Quality Based Selection	
Rotorua District Roadmarking 2021-2024	Roadrunner Markers Ltd	21-023	\$853,727	July 2021	June 2024		2 + 1	Lowest Price Conforming	
Minor Works Transport Network 2022 - 2025	Campbell Infrastructure Ltd	22-015	\$3,887,168	July 2022	June 2023		3	Lowest Price Conforming	