

QLDC Council
18 December 2014

Report for Agenda Item: 13

Department:
Infrastructure

13: Strategy for the Procurement of Transport Infrastructure

Purpose

- 1 To adopt and seek approval from Council to submit the revised Strategy for the Procurement of Transport Infrastructure to the New Zealand Transport Agency for approval.

Recommendation

- 2 *That Council:*
 - a. **Approve** the adoption of the Strategy for the Procurement of Transport Infrastructure, dated November 2014.
 - b. **Authorise** the submission of the Strategy for the Procurement of Transport Infrastructure to the New Zealand Transport Agency for approval.

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26/11/2014

Reviewed and Authorised by:



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4/12/2014

Background

- 3 Queenstown Lakes District Council is an 'approved organisation' subject to the rules contained in the New Zealand Transport Agency (NZTA) Procurement Manual. It has a requirement to produce, maintain, use and review, at a minimum every three years, an approved Strategy for the Procurement of Transport Infrastructure (Procurement Strategy) in order to receive funding for transport activities.
- 4 Council last reviewed its Procurement Strategy in 2011.

- 5 The 2011 Procurement Strategy has served as the basis for this 2014 revision.
- 6 In the development of a Procurement Strategy, the Council is required to assess and document the strategic context as it relates to each procurement activity.
- 7 This assessment must, at a minimum consider:
 - a. Whether the proposed procurement activity is consistent with value for money objectives;
 - b. Whether the proposed procurement activity is consistent with any policies or constraints documented in the procurement strategy;
 - c. Whether any changes in the procurement environment since the development of the procurement strategy will have a material effect on the procurement decisions to be made.
- 8 The current Procurement Strategy was endorsed by Council and NZTA in July 2011. Due to NZTA resourcing constraints, NZTA provided an extension of the 2011 Procurement Strategy to 27 February 2015.

Comment

- 9 A review of the Procurement Strategy commenced in early 2014, with a draft strategy provided to NZTA for comment on 5 June 2014. Following feedback, a revised procurement strategy is presented as Appendix A of this report for Council adoption prior to being submitted to NZTA for final approval.
- 10 The following changes have been incorporated into the proposed 2014 procurement strategy:
 - a. The structure follows the recommended layout contained in the NZTA procurement manual.
 - b. Suppliers, key projects and Council staff responsible for transportation services have been updated.
 - c. A 10 year 'procurement programme' has been included, which identifies the procurement of capital projects, professional services and maintenance contracts.
- 11 The following key challenges have been identified in relation to obtaining value for money:
 - a. There is continuing difficulty obtaining a competitive price for some transport services due to limited suitable suppliers.
 - b. A new internal Infrastructure team has been bedding in since the organisational review in 2013. A further recent review of the current structure has resulted in the establishment of a Project Manager Procurement role that will provide opportunities for implementing contracting improvements.
 - c. Consultant and construction suppliers in the district are well resourced to put together comprehensive tenders and deliver value for money.
 - d. The Council intends to continue to procure services in stages. Capital projects will usually include a design contract followed by one or more construction contracts.

- e. Collaboration opportunities are being kept open with neighbouring authorities and NZTA, an example being the joint contract with NZTA (Highway Network Operations) for the Glenda Drive roundabout and associated roads project.
- 12 The Council's primary infrastructure procurement objective as set out in this strategy is to deliver Council's infrastructure programme on time and at best value and to contribute to the following outcomes:
- a. The Council transport infrastructure programmes and projects are aligned to the current 10-year plan
 - b. The Council processes are timely, effective and deliver at an affordable cost of ownership
 - c. Best value suppliers are participating in contestable processes to deliver Council projects and programmes
 - d. The Council understands its supply market
- 13 The proposed 2014 Procurement Strategy meets the requirements of the NZTA Procurement Manual rules. The policy:
- a. Is consistent with the value for money objectives
 - b. Includes procurement activity that is consistent with the Council's Procurement Policy
 - c. Includes an assessment of changes in the procurement environment that may have a material effect on the procurement decisions being made.

Financial Implications

- 14 The Council receives funding from NZTA for transport activities. A NZTA approved Procurement Strategy is required to enable the continuation of funding for transport activities.
- 15 The Council expects to carry out a significant procurement process for its fixed term contracts in 2015/16 and 2020/21. It is estimated that the value of contracts to be procured will be \$57,550,112. Once in place it is intended that these contracts continue for a term of five years.
- 16 The value of capital projects to be procured over the next ten years varies from a high of \$17,932,841 in 2015/16 to a low of \$3,522,574 in 2022/23.

Local Government Act 2002 Purpose Provisions

- 17 The recommendation contained in this report meets the Local Government Act 2002 purpose provisions set out in section 10 and 11A:
- To meet the current and future needs of communities for good-quality local infrastructure that is most cost-effective for households and businesses.
 - Good-quality in relation to local infrastructure meaning efficient, effective and appropriate to present and anticipated future circumstances.

Council Policies

- 18 The following Council Policies were considered:

- a. The Policy on Significance has been considered. The decision is considered significant as it has the potential to affect over \$48 million of budgeted expenditure over the next three years. However, Council is not being asked to make a decision on the allocation of funds at this stage.
- b. The Council's Procurement Policy has been considered. The decision is in line with the principles of the Procurement Policy to provide value for money through open and effective competition.
- c. The Transport Asset Management Plan includes the procurement of transport infrastructure as a means of maintaining the road network, which has been determined to be a strategic asset by Council.
- d. The procurement of transport infrastructure is a service funded in the Council 10-year Plan.

Consultation

- 19 The review of the proposed 2014 procurement strategy has been carried out in consultation with NZTA, local professional services providers and contractors. The Council is still awaiting further consultation feedback from NZTA, which was anticipated to be provided by 25 November 2014, in order to be considered at the December meeting of Council. Should feedback be received prior to the Council meeting, and if relevant, it will be included as an addendum to the proposed 2014 procurement strategy, at the Council meeting in December.
- 20 There is no requirement for any future consultation to be carried out that is specific to the procurement strategy.

Publicity

- 21 There is no requirement to issue a media statement or public communication required in relation to the decision.

Attachments

- A Strategy for the Procurement of Transport Infrastructure, November 2014