



**STRATEGY FOR THE PROCUREMENT OF
TRANSPORT, 3-WATERS AND COMMUNITY
FACILITIES INFRASTRUCTURE**

2018 - 2021

DOCUMENT MANAGEMENT

Purpose	To provide basic information about the document, outline the procedure for amendments, and describe the amendment history.														
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CONTENTS

DOCUMENT MANAGEMENT.....	i
CONTENTS.....	ii
1. EXECUTIVE SUMMARY.....	1
2. RECOMMENDATIONS to NZ TRANSPORT AGENCY.....	3
3. POLICY CONTEXT	4
3.1. INTRODUCTION.....	4
3.2. STRATEGIC OBJECTIVES AND OUTCOMES	4
3.3. OBJECTIVES AND OUTCOMES FOR THE PROCUREMENT STRATEGY	5
3.4. OTHER RELEVANT FACTORS.....	8
3.5. CURRENT LEGISLATION, POLICIES AND DOCUMENTS	8
4. PROCUREMENT PROGRAMME.....	9
4.1. LONG TERM PLAN	9
4.2. EARTHQUAKE REBUILD	9
4.3. BUSINESS AS USUAL.....	11
4.4. IDENTIFICATION OF ANY PENDING HIGH-RISK OR UNUSUAL PROCUREMENT ACTIVITIES.....	14
5. PROCUREMENT ENVIRONMENT	15
5.1. SUPPLY MARKET.....	15
5.2. CURRENT PROCUREMENT SPEND AND PROFILE	17
5.3. PROJECTED COUNCIL SPEND.....	18
5.4. PROCUREMENT PROGRAMMES OF OTHER ORGANISATIONS	19
6. APPROACH TO DELIVERING THE WORK PROGRAMME	20
6.1. PROCUREMENT APPROACH & DELIVERY MODELS	20
6.2. COMBINING CONSTRUCTION WITH MAINTENANCE	23
6.3. COLLABORATION WITH OTHER APPROVED ORGANISATIONS.....	23
6.4. DIRECT APPOINTMENTS AND OTHER PRE-QUALIFICATION ARRANGEMENTS.....	23
6.5. EMERGENCY WORKS.....	24
6.6. SPECIFIC PROJECT STRATEGIES	24
6.7. SUPPLIER SELECTION METHODS.....	26
6.8. ADVANCED COMPONENTS, CUSTOMISED PROCUREMENT PROCEDURES OR VARIATIONS TO PROCUREMENT RULES.....	26
6.9. CONTRACT MANAGEMENT	27
7. IMPLEMENTATION	28
7.1. CAPABILITY AND CAPACITY	28
7.2. INTERNAL PROCUREMENT PROCESSES.....	28
7.3. PERFORMANCE MEASUREMENT	29
7.4. PERFORMANCE MONITORING	29
7.5. PROCUREMENT STRATEGY REVIEW.....	30
7.6. COMMUNICATION PLAN.....	30

7.7.	IMPLEMENTATION PLAN.....	30
7.8.	COUNCIL OWNERSHIP AND INTERNAL ENDORSEMENT	30

1. EXECUTIVE SUMMARY

This Strategy outlines the Council's intentions for the procurement of roading, 3-waters and community facilities infrastructure services and physical works for the period 2018 to 2021.

The Strategy is set in the context of the Council's Procurement Policy that provides direction to staff on the principles required to conduct procurement activities and the Council's Delegations Manual.

The outcomes expected by implementation of this Strategy are intended to achieve the following Procurement Policy objectives:



The November 2016 Kaikōura earthquake significantly disrupted local social, cultural, natural and economic life by heavily damaging the Kaikōura District's infrastructure and changing the geography of the land and resulted in a rebuild programme of around \$40 million.

In addition, the Council's BAU roading, 3-waters and community facilities infrastructure programme is expected to expend around \$ 15 million over the coming three years through contracts still to be tendered.

This Strategy outlines the procurement methodology to be applied to deliver this programme fairly and openly and achieve the best value for money.

Aspects considered include the current local supply market, the District's remote location and the reliance of local contractors on the Council for their sustainability.

In-house engineering capacity is limited, thus, a professional services panel of two suppliers has been established to support both the rebuild and BAU programmes with planning, design and supervisory services.

The predominant construction activity at \$10 million is in the 3 waters area. To provide this a panel of a minimum of two up to a maximum of three providers will be established in June 2018, this panel will include requirements to utilise local contractors. The panel will deliver the significant BAU water supply upgrade programme.

The current road maintenance contract expires in June 2018. It is intended to replace this with a negotiated inclusion of the local roading network into the NZTA State Highway maintenance contract.

Specific procurement plans will be developed for major and/or complex projects to demonstrate how best to achieve the outcomes of this Strategy. These projects will be delivered either through open competitive tendering or by the 3 Waters panel. These projects include:

- Kaikōura Bridges Reconstruction (5 Bridges) – Open market competitive tender
- Clarence Valley Access - Open competitive tender
- Lyell Creek Sewer Replacement - Open market competitive tender or 3 water panel
- Kaikōura Wastewater Aeration Lagoon Replacement - Open market competitive tender or 3 water panel
- Memorial Hall and Cuddon Building Repair and Upgrade - Open market competitive tender
- Kaikōura Airport Terminal Repair - Open market competitive tender

The capacity and capability of internal resource is limited to deliver the intended programme. The Rebuild Group will be supported through the professional services panel. For the longer term the BAU in-house capability requires strengthening to ensure good management of the programme and that value is achieved through a programme of contract and procurement process improvement.

The performance of suppliers will be monitored through good contract performance measures and improved contract management processes. The outcomes will be fed back to suppliers through regular engagement with the sector.

This Strategy will be monitored for achievement of the desired outcomes and updated as required in line with each Annual Plan. The Strategy will be formally reviewed in November 2020 as part of the preparation of the 2021 Long Term Plan.

While the scope of this Strategy is not limited to transport, it is important to note that the New Zealand Transport Agency [NZTA] requires all road controlling authorities to submit a procurement strategy for endorsement and this endorsement once approved is for a maximum period of 3 years. This also fulfils the Council's obligations outlined in the Office of the Auditor General: procurement guidance for public entities but ensures that both ratepayers and taxpayers obtain best value for money.

2. RECOMMENDATIONS to NZ TRANSPORT AGENCY

It is recommended that the New Zealand Transport Agency:

1. Endorse the Kaikōura District Council Procurement Strategy – April 2018 for the procurement of transport activities for the Kaikōura District Council [this document], and;
2. Approve the use of a procurement procedure advanced component for *Procurement procedure 2 - Planning and advice* to procure and establish a panel agreement for professional services to support the roading earthquake rebuild and business as usual activities noting that this approval also applies to *Procurement procedure 1 – Infrastructure*, and;
3. Approve the procurement of road maintenance services for the Kaikōura District Council roading network from 1 July 2018 by way of a negotiated variation to the NZTA Contract 63189 North Canterbury Networks Outcomes Contract (NOC) with a term expiring no later than 30 April 2024.

3. POLICY CONTEXT

3.1. INTRODUCTION

This document is the Strategy for the Procurement of Transport, 3-Waters and Community Facilities Infrastructure and associated Services [the Strategy] for the Kaikōura District Council [the Council].

The development and implementation of this Strategy is influenced by Rule 10.4 of the New Zealand Transport Agency [NZTA] Procurement Manual [the Manual] and Section 25 of the Land Transport Management Act 2003 for transport activities funded through the National Land Transport Programme.

The NZTA requires all road controlling authorities to develop and submit a procurement strategy for endorsement. This not only fulfils the requirements of the Office of the Auditor General, but ensures that both ratepayers and taxpayers obtain best value for money from its transport activities.

3.2. STRATEGIC OBJECTIVES AND OUTCOMES

The Council's Annual Plan 2017-2018 outlines the following goals in relation to the provision of infrastructure that are aligned to the levels of service detailed for each activity in the Long-Term Plan 2015-2025.

3.2.1. Roading

The Council's Annual Plan 2017-2018 goal is to:

- *Ensure that infrastructure is well-planned and growth and development are managed and controlled. Ensure roading management contributes to the District's economic wellbeing.*

Sub-Activities include: roads and bridges; footpaths and cycleways; and streetlights.

3.2.2. 3-Waters

The Council's Annual Plan 2017-2018 goals are to;

- *Provide water infrastructure that meets the needs of the community, ensures a healthy standard of living, and minimises effects on the environment.*
- *Protect the health of the District's residents and environment by providing an efficient and effective means of collecting, treating and disposing of sewage effluent.*
- *Protect the health of the District's residents and environment by providing an efficient and effective means of collecting and disposing of stormwater.*

Sub-activities include: urban and rural water supply; sewage collecting, treating and disposal; and stormwater collection and disposal, in defined areas.

3.2.3. Community Facilities

The Council's Annual Plan 2017-2018 goals are to:

- *Restore earthquake affected recreational areas, reserves and facilities as budget allows. To make safe any facilities where budget does not allow for restoration.*
- *Ensure long term planning includes facilities at a level that satisfies the social, economic development, environmental and cultural needs of the community.*

Sub-activities include: parks and reserves; public toilets, community properties; library; airport and harbour.

3.2.4. Earthquake Rebuild

In addition, the Council's District Recovery Plan 2017 outlines the following objective in relation to the reassessment, repair and rebuild on the Council's built environments:

'Build cost-effective and easily accessible infrastructure, transport networks, housing and buildings which are able to withstand extreme weather events, flooding, tsunamis, earthquakes and landslides'.

Together, the goals outlined in the Annual Plan and the broader objective for the Recovery of the District inform the strategic objectives and outcomes for this Strategy.

3.3. OBJECTIVES AND OUTCOMES FOR THE PROCUREMENT STRATEGY

The Council's primary objective for this procurement strategy is to 'enable the delivery of the Council's infrastructure programme on time, and at the best value for money'. In addition to the primary objective, the Council also requires infrastructure procurement to achieve, or contribute towards, the achievement of the following outcomes:



The measures the Council is taking to ensure that the outcomes are achieved are set out below.

Demonstrate Value for Money	
The Council's understanding and position	Council use of resources effectively, economically, and without waste, with due regard for the total costs and benefits will contribute to the outcomes the Council is trying to achieve. In addition, the principle of value for money for procuring goods, services or works does not necessarily mean selecting the lowest price but rather the best possible outcome for the total cost of ownership [or whole-of-life cost].
Methods of promotion	<p>The Council will:</p> <ul style="list-style-type: none"> ▪ Utilise suitably experienced and qualified staff to undertake lead roles in procurement and contract management ▪ Use an effective asset management planning regime to identify the work programme and provide a whole-of-life approach to asset management. ▪ Ensure that the overriding criteria for procurement decision making is the total cost of ownership over the whole of life of the asset. ▪ Include an appropriate balance of financial and non-financial selection criteria in procurement decision making. ▪ Select procurement methods and forms of contract that consider the scale [complexity and risk] of the procurement. ▪ Undertake monitoring on a regular basis during the duration of a contract to ensure value for money is being achieved. ▪ Conduct a Section 17A review of Transport, 3-Waters and Community Facilities delivery as required under the Local Government Act 2002.

Be Fair and Legally Compliant	
The Council's understanding and position	The Council recognises that fair and consistent behaviour in the procurement activity is essential to secure the confidence and best value from suppliers, and that it is consistent with legislative requirements.
Methods of promotion	<p>The Council will:</p> <ul style="list-style-type: none"> ▪ Ensure that the process for evaluating and awarding contracts is fair and un-biased consistent with the Policy and the Office of the Auditor General: Procurement guidelines for public entities. ▪ Ensure that all procurement decisions and their basis are formally documented. ▪ Ensure that staff follow the requirement of all relevant legislation, policy and guidelines.

Encouraging efficient and effective competition	
The Council's understanding and position	The Council recognises that the development of competitive supply markets will ensure sustainable and resilient sources of supply. These are often at a localised level.
Methods of promotion	<p>The Council will:</p> <ul style="list-style-type: none"> ▪ Ensure that suppliers are engaged by way of open tender unless there is good reason to do otherwise. ▪ Ensure that at the expiry of a contractual agreement, the goods, services or works are re-tendered unless there is good reason to do otherwise. ▪ Ensure that the time allowed for the supply market to respond to tenders is appropriate to enable a good level of complete and comprehensive responses. ▪ Ensure that prospective suppliers are aware of the procurement programme.

Manage Risk	
The Council's understanding and position	Council understands that financial, safety and environmental risks are very much influenced by the procurement activity.
Methods of promotion	<p>The Council will:</p> <ul style="list-style-type: none"> ▪ Ensure that procurement documents clearly detail the safety and environmental risks associated with the services. ▪ Ensure that procurement processes assess the capability of each provider to adequately address environmental and health and safety risks. ▪ Ensure that chosen delivery models and contract documentation are appropriate to manage financial risk. ▪ Monitor this Strategy annually against the Annual Plan and update every three years in alignment with the Long Term Plan/3 Year Plan

Support Sustainability	
The Council's understanding and position	Council recognises that the preservation of competitive supply markets will ensure sustainable and resilient sources of supply.
Methods of promotion	<p>The Council will:</p> <ul style="list-style-type: none"> ▪ Ensure that a range of contracts are available to the supply market either directly or indirectly through sub-contract requirements. ▪ Ensure that bundling of services to achieve scale economy alone does not lead to a monopoly situation due to the District's remote location. ▪ Value suppliers who demonstrate continued value for money

Promote Local Wellbeing	
The Council's understanding and position	The Council recognises that the local supply market relies heavily on involvement with Council activity and supports that market where appropriate.
Methods of promotion	<p>The Council will:</p> <ul style="list-style-type: none"> ▪ Encourage utilisation of local sub-contractor supply market ▪ Proactively foster relationships and build supply market capability at a localised level. ▪ Ensure that a range of contracts are available to the local supply market either directly or indirectly through sub-contract requirements. ▪ Promote an increase in local supply market capability. ▪ Promote the retention of specialist skills within the District to operate and maintain essential services.

Promote good Contract and Supplier Relationship Management	
The Council's understanding and position	Council understands that collaboration and engagement with the supplier market when combined with consistent, clear and fair contract management will result in less waste and greater value from the supply chain.
Methods of promotion	<p>The Council will:</p> <ul style="list-style-type: none"> ▪ Ensure that the forward works programme is communicated to the market as soon as possible after it is finalised by the Council. ▪ Ensure that all contracts require contract meetings at appropriate intervals between the Council and supplier representatives. ▪ Undertake supplier evaluation and provide feedback at appropriate intervals for all contracts ▪ Encourage feedback from suppliers to enable continuous improvement ▪ Only utilise suitably experienced and qualified staff to undertake lead roles in contract management.

Provide Transparency and Accountability	
The Council's understanding and position	Council undertakes procurement in an open environment and provides clarity around the accountability for all procurement decisions.
Methods of promotion	<p>The Council will:</p> <ul style="list-style-type: none"> ▪ Publish the upcoming procurement programme on its website ▪ Publish the outcome of procurement activities on its website ▪ Include in its Delegations Manual the details of the officer accountable for making each procurement decision.

3.4. OTHER RELEVANT FACTORS

This Strategy has been developed, and must be read, in conjunction with the Council's overarching Procurement Policy and the Council's Delegations Manual. Where an approach is different to the approaches outlined in the Council's Procurement Policy and this Strategy, a specific procurement plan will be prepared and will detail the strategic background to the proposal for authorisation by the Finance and Commercial Manager.

3.5. CURRENT LEGISLATION, POLICIES AND DOCUMENTS

The following policies and documents are relevant to this Strategy and shall be considered by staff in all procurement activities:

- Kaikōura District Council Long Term Plan 2015 – 2025
- Kaikōura District Council – District Recovery Plan 2017
- Kaikōura District Council Annual Plan 2017 – 2018
- Kaikōura District Council Procurement Policy
- Kaikōura District Council Delegations Manual
- Kaikōura District Council District Plan
- Road Efficiency Group – Kaikōura District Council Smart Buyer Self-Assessment
- Regional Land Transport Strategy
- Government Policy Statement on Land Transport Funding
- Local Government Act 2002
- Land Transport Management Act 2003
- NZTA Procurement Manual.

4. PROCUREMENT PROGRAMME

4.1. LONG TERM PLAN

Council has received an Order in Council approving the preparation of a Three Year Plan in 2018 rather than the usual Long Term Plan required by the Local Government Act. This will allow time for full assessment of the consequences of the 2016 earthquake event and its financial impact prior to the development of the 2021 Long Term Plan and the associated 30 Year Infrastructure Strategy and Financial Strategy.

4.2. EARTHQUAKE REBUILD

4.2.1. Background

The Council's procurement activity for the coming three years is dominated by the rebuild requirements arising from the 2016 Kaikōura earthquake. The earthquake resulted in around \$40M of capital expenditure being required across horizontal infrastructure and a further \$1.75M of repairs being required on buildings and facilities.

The physical works required range from small minor repairs to individual large, complex projects. The Council has implemented a Rebuild Group to manage the rebuild programme under the leadership of a Rebuild Director. It is envisaged this group will be in place until mid-2020.

4.2.2. Timeframe

The timeframe for the rebuild is constrained by a limitation on government funding of July 2020 and the need to restore full service quickly.

The majority of the procurement activity will be undertaken in the 17/18 and 18/19 years.

4.2.3. Professional Services

The scope and scale of much of the rebuild is unclear. For this reason, a Professional Services Panel of two suppliers has been engaged through a competitive, price/quality procurement process in December 2017. The panel will be utilised to provide planning, advice, design and contract management services across all rebuild activity including roading, three waters and community facilities.

The procurement of the professional services panel was specifically approved by NZTA in terms of the Land Transport Management Act section 25(1) in December 2017.

4.2.4. Physical Works

Roading

The Kaikōura earthquake resulted in significant damage to the roading network. The Glen Alton Bridge (Clarence Valley) and five other smaller single lane bridges have been damaged beyond economic repair. A separate business case is being developed for the access to Clarence Valley to address the loss of Glen Alton Bridge.

As a result of the earthquake, the business as usual roading procurement programme has been reduced and several specific projects, that were previously envisaged, have been delayed with the priority placed on completing earthquake repairs.

Minor rebuild works such as pavement repair, kerb and channel reinstatement, culvert replacement and minor bridge repairs will be procured through the BAU Road Maintenance Contract to be procured in May 2018.

Major rebuild works are more complex and will be procured as individual projects. Table 1 details the procurement programme.

Table 1 – Roading Rebuild Procurement

Project	Value	Date	Complexity	Risk	Term
Kaikōura Bridges Reconstruction (5 Bridges)	\$ 4.5M	Aug/Sep 2018	M	M	18 months
Clarence Valley Access	\$ 6M – 8M	Early 2019	H	H	2 years

Three Waters

Minor rebuild works such as localised pipeline repair and minor pump station repair will be procured through the Three Waters Operations and Maintenance Contract.

The programme of work required as part of the earthquake rebuild activities includes repairing and replacing the wastewater aeration lagoon, replacing the sewer main along Lyell Creek, replacement of Fords reservoir, repairing Peninsular reservoir and repairing Mackles bore. In addition, the repair of various mains, damage to pump stations and the replacement or repair of manholes is required.

At the date of developing the Strategy, the Council's damage assessment of the stormwater network was ongoing. Thus, expenditure has been assumed in relation to stormwater assets.

It is intended to establish a physical works panel of two suppliers to undertake lower risk and low complexity projects.

Major rebuild works are more complex and will be procured either as part of the 3 waters panel, bundles of similar work or individual projects.

Table 2 details the procurement programme.

Table 2 – Three Waters Rebuild Procurement

Project	Value	Date	Complexity	Risk	Term
Lyell Creek Sewer Replacement	\$ 5.5M	Jun/Jul 2018	H	H	9 months
Kaikōura Wastewater Aeration Lagoon Replacement	\$ 1.7M	Jun/Jul 2018	M	H	9 months
KDC Physical Works Panel – 3 Waters BAU & Rebuild	\$ 4.5M	Jun/Jul 2018	L	L	2 years

Community Facilities

The swimming pool, skate park, tennis courts and Jimmy Armers toilet facilities were all significantly damaged by the earthquake. In addition, five other public toilets require repair or improvement.

The airport terminal building and hangars were damaged by the earthquake. The hangars are currently unable to be used and require urgent repair.

Assessment of damaged buildings has identified that many do not comply with current codes of practice for buildings in terms of strength and/or fire safety. Some also require minor improvements. To provide scale and economy the rebuild and BAU programmes for earthquake affected buildings have been combined in Table 3 below.

Minor rebuild works such as localised building repairs and facility repairs will be procured through a minimum of three priced quotes under existing maintenance contracts or by closed invitation to approved suppliers as appropriate.

Major rebuild works are more complex and will be procured as bundles of similar work or individual projects.

Table 3 details the procurement programme.

Table 3 – Community Facilities Rebuild Procurement

Project	Value	Date	Complexity	Risk	Term
Kaikōura Lions Pool Repair	\$300,000	Jun 2018	M	M	6 months
Memorial Hall and Cuddon Building Repair and Upgrade	\$ 1.4M	Jul 2018	M	H	9 months
Kaikōura Airport Hanger Repair	\$ 190,000	Jul 2018	M	M	6 months
Jimmy Armers Toilet Rebuild	\$ 120,000	Aug 2018	L	L	3 months
Kaikōura Toilets Repairs	\$ 40,000	Aug 2018	L	L	3 months
Kaikōura Airport Terminal Repair	\$ 600,000	Dec 2018	M	H	12 months

4.3. BUSINESS AS USUAL

4.3.1. Background

The Council has current contracts for road maintenance, street light operations and maintenance, three waters operations and maintenance, solid waste operations, toilet maintenance and reserves maintenance. Some of these contracts expire within the coming three years.

Several infrastructure and facilities renewal and upgrade projects are planned over the coming three years.

The procurement programme for these activities is detailed below.

4.3.2. Professional Services

The scope and scale of much of the upcoming work is unclear. For this reason, a Professional Services Panel of two suppliers has been engaged through a competitive, quality-price procurement process in December 2017. The panel will be utilised to provide planning, advice, design and contract management services across all activities including roading, three waters and community facilities.

The procurement of the professional services panel was specifically approved by NZTA in terms of the Land Transport Management Act section 25(1) in December 2017.

4.3.3. Physical Works

Roading

The Council manages public roads [excluding State Highways and other roads designated to the NZ Transport Agency], bridges, footpaths, cycleways, roadside drainage, traffic facilities and street lighting within the District. The Council maintains approximately 205km of local roads and 48 bridges.

The Council has an existing roading maintenance contract with HEB Construction Ltd. That contractual agreement concludes on 30 June 2018.

The road maintenance contract includes all roading and footpath related maintenance together with bridge repairs, periodic maintenance renewals and resealing.

The Council has an agreement with MainPower for the operation and maintenance of street lights as a monopoly supplier, this agreement is envisaged to continue.

The Council has an agreement with KiwiRail for the maintenance of level crossings as a monopoly supplier, this agreement is envisaged to continue.

Table 4 details the procurement programme.

Table 4 – Roading BAU Procurement

Project	Value	Date	Complexity	Risk	Term
KDC Roading Network Management & Maintenance	\$ 10M	May 2018	M	M	6 years

Three Waters and Solid Waste

The Council manages the water supply, wastewater collection, treatment and disposal and stormwater collection and disposal in the District.

The water supply network consists of water supply schemes at Kaikōura Urban, Ocean Ridge, Kaikōura Suburban, Kincaid, Fernleigh, Oaro and Peketa area and a rural water supply scheme on the East Coast (Clarence).

The wastewater network consists of wastewater schemes for Kaikōura and Ocean Ridge.

The stormwater network consists of an open drain and reticulated network for Kaikōura Township.

The current maintenance contract for these works is undertaken by Innovative Waste Kaikōura. It has an initial term of 5 years with two five year rights of renewal and currently expires in June 2030.

Minor works such as localised pipeline repair and minor pump station repair will be procured through the Three Waters Operations and Maintenance Contract.

Major renewal works and upgrades will be undertaken through the physical works panel arrangement being implemented as part of the rebuild.

Table 5 details the procurement programme.

Table 5 – Three Waters BAU Procurement

Project	Value	Date	Complexity	Risk	Term
KDC Physical Works Panel – 3 Waters BAU & Rebuild	\$ 4 - 5M	June/Jul 2018	L	L	2 years

Solid Waste

The Council manages a Resource Recovery Centre and landfill site together with recycling and litter bin collections.

The solid waste facilities include the Kaikōura Landfill and Resource Recovery Centre.

Kerbside recycling and litter bin collections are undertaken in Kaikōura, Oaro, Goose Bay, Clarence and Kekerengu.

The services are performed by Innovative Waste Kaikōura a Council Controlled Trading Organisation wholly owned by Kaikōura District Council.

There is no intention to take to market any of the solid waste services in the coming three years.

Community Facilities

The Council manages parks and reserves, public toilets, community properties including the Esplanade offices, swimming pool, memorial hall, Cuddon building, drill hall, the Civic Centre, housing for the elderly, airport and harbour assets.

The Council has an existing maintenance contract for reserves maintenance. The current contract with Delta Utilities has an initial term of 5 years with two five year rights of renewal and currently expires in October 2031.

The Council has an existing maintenance contract for toilet cleaning and maintenance. The current contract has an initial term of 5 years with two five year rights of renewal and currently expires in October 2031. The current contract for these works is undertaken by Innovative Waste Kaikōura. It has an initial term of 5 years with two five year rights of renewal and currently expires in June 2030.

The Council has an existing arrangement with Sport Tasman for operation of the swimming pool. It is not intended to vary this agreement within the coming three years.

The Council undertakes minor building maintenance with in-house resource. Maintenance works requiring external resource is procured by way of quotation from local suppliers in accordance with the Procurement Policy. Where practical three competitive quotations will be obtained

Where upgrades are being undertaken in conjunction with the rebuild programme these projects are documented in Table 3 above.

A number of facilities need improvement or works to address safety issues.

Table 6 details the procurement programme.

Table 6 – Community Facilities BAU Procurement

Project	Value	Date	Complexity	Risk	Term
Old Civic Office, Drill Hall	\$ 20,000	Jun 2018	L	L	2 months
Wharves & Jetty Repairs	\$ 160,000	Jun 2018	L	M	3 months
Walkways & Cycleways	\$ 120,000	Sep 2018	L	L	6 months

4.4. IDENTIFICATION OF ANY PENDING HIGH-RISK OR UNUSUAL PROCUREMENT ACTIVITIES

Several high-risk, high value procurement activities have been identified and form an integral part of the Council’s earthquake rebuild programme. Those specific projects are outlined in Table 7 below.

Table 7 - Table of high-risk or unusual procurement activities

Project	Summary	Estimated Total Value
Kaikōura Bridges Reconstruction (5 Bridges)	Five bridges to be replaced and upgraded.(Hawthorn, Gillings, Rorrison, Evans and Scotts.	\$4.5 million
Clarence Valley Access	Replacement of a 125-metre bridge structure due to earthquake damage.	\$6 - 8 million
Lyell Creek Sewer Replacement	Installation of new pressure sewer and pump stations	\$5.5 million
Kaikōura Wastewater Aeration Lagoon Replacement	Repair or replacement to aeration lagoon.	\$ 1.7 million
Memorial Hall and Cuddon Building Repair and Upgrade	Repair of earthquake damage and compliance upgrades.	\$ 1.4 million
Kaikōura Airport Terminal Repair	Repair or rebuild of airport terminal	\$0.6 million

Procurement strategies are outlined for each of the above projects in Section 6.6. A specific procurement plan will be developed for each project.

5. PROCUREMENT ENVIRONMENT

5.1. SUPPLY MARKET

The Kaikōura District spans from the Haumuri Bluffs in the south to the Kekerengu Valley in the North, covering 2,048 square kilometres of diverse landscape. The inland boundary of the District is the Clarence River and the Inland Kaikōura Range, climbing 2,885 metres and snow covered for much of the year.

Kaikōura District is isolated and far from other district centres. Subsequently, a local supply market has developed to provide capability and capacity to supply the Council with maintenance and capital works requirements.

5.1.1. Physical Works

The local supply market is currently sub-contracted through the existing maintenance contracts and consists of the following suppliers:

Table 8 - Table of local supply market contractors – Roading

Contractor	Core activities
Fissenden Bros	Overlays area-wide pavement treatment, unsealed grading & metalling, high-shoulder, water table clearing, trenching, stabilising & preparation works, slip clearing.
Nigel Ross Contracting	Unsealed & sealed potholes, stabilisations, preparation for asphaltting, sealed and unsealed dig-outs, tree-limb removal.
Shayne Higgs Drainage	Culverts installations, concrete dish channels & drainage works.
Demoworkz	Slip removal, culvert installations, water table works, drop-out repairs, trenching – unsealed, dig-outs – unsealed, sign installation, rock protection works.
Nicholsons Protective Coatings	Mechanical sump cleaning & street sweeping.
Spraymarks	Temporary traffic management.
Innovative Waste Kaikōura	Pothole repairs – sealed and sign maintenance.

Table 9 - Table of local supply market contractors – 3-Waters

Contractor	Core activities
Shayne Higgs Drainage	Culverts installations, concrete dish channels & drainage works, PE welding, pipe laying.
AJ Drainage	Drainage, trenching, underground services, labour hire. Equipment including trucks and excavators.
Fissenden Bros	Road works, aggregate supply, heavy construction. Equipment including trucks, excavators and bulldozers.
Nigel Ross Contracting	Road works, trenching, underground services, metal supply. Equipment supply including trucks and excavators.
Ford Bros	Aggregate supply. Equipment hire including trucks and excavators.
Kevin Rush Excavating	Road works, heavy construction, aggregate supply. Equipment including trucks, and excavators.
Owen Jellyman	Small construction.

	Equipment including truck and excavators.
Kaikōura Liquid Waste	Suction trucks.

In addition, there are a number of builders and tradespeople available to undertake building and maintenance work on community facilities.

The local supply market is heavily reliant on the Council for its workload due to the isolated location and small local economy. This situation will become more so as the NCTIR rebuild of SH1 and the Railway comes to an end over the coming two years. The Council's procurement activity will look to secure availability of its programme to local resources through sub-contracting requirements in contracts and a number of smaller scale work packages.

While the capacity and capability of the local supply market has generally increased in response to the Kaikōura earthquake, the Council have identified specific physical works projects and maintenance contracts that require capability, capacity and/or technical skills that are not available in the local market. The Council will seek to openly tender these projects on a project by project basis, or package projects together, to attract and access a wider supply market.

5.1.2. Professional Services

Professional Services suppliers are generally located away from Kaikōura and currently supply services on a visiting basis. This gives access to the capability, capacity and technical skills of a wider supply market and enables the Council to proceed with its activities in a timely manner but often inefficiently. To date several discrete projects have been awarded to professional services suppliers to enable specific projects to proceed to concept design stage including Lyell Creek sewer main; Gilling Lane, Hawthorne Rd, Rorrison's Rd, Evans Bridge, Scotts Road bridges and the aeration lagoon.

To enable greater efficiency through scale the Council has engaged a two-party Professional Services Panel that will be utilised on all of its work programme, unless:

- neither party has the skills or resources required, or
- the project scale is large or highly complex,

in which case separate engagements will be undertaken for discrete projects.

The scale of the activity within the District is insufficient to support the required skills and experience as an in-house unit.

5.2. CURRENT PROCUREMENT SPEND AND PROFILE

An overview of existing contractual arrangements is outlined below based on the 2016/17 financial year. In evaluating its existing contracts, the Council has divided contracts into:

- Large contracts with expenditure over \$500,000
- Medium contracts with expenditure between \$100,000 and \$500,000
- Small contracts with expenditure less than \$100,000

Table 10 - Contractual Agreements 2016/17 – Maintenance & Physical Works

Supplier	Services provided	Contract size
HEB Construction Ltd	Roading maintenance	Large
Innovative Waste Kaikōura Ltd	3-waters maintenance, solid waste management, toilet cleaning	Large
Nigel Ross Contracting	Roading maintenance (sub-contractor)	Medium
Fissenden Bros Ltd	Roading maintenance (sub-contractor)	Medium
Kevin Rush Excavating Ltd	Roading maintenance (sub-contractor)	Medium
Delta Utility Services Ltd	Parks & reserves maintenance	Medium
Meridian Energy Ltd	Electricity	Medium
MainPower Ltd	Street light maintenance	Medium
Harmac Concrete Ltd	Landscaping & concreting	Small
Downer Ltd	Water reticulation earthquake repairs	Small
RAMM Software Ltd	Asset management software	Small
KiwiRail Ltd	Level crossing maintenance	Small

Table 11 - Contractual Agreements 2016/17 – Professional services

Supplier	Services provided	Contract size
MWH	Asset valuations	Medium
GHD	3-waters professional services	Medium
Beca	3-waters professional services	Medium
Fluent Consultants	3-waters professional services	Medium
Low Environmental	3-waters professional services	Large
Opus	Building & bridge assessments	Small

5.3. PROJECTED COUNCIL SPEND

5.3.1. Rebuild

Table 12 outlines the Council's rebuild works programme for horizontal infrastructure from 2016/17 to 2019/20. This programme and the estimates outlined are provisional based on the information available at the time of Strategy development. The rebuild programme is anticipated to end in June 2020

Table 12 - Rebuild Capital Programme

	Full Rebuild Programme		2016 / 2017	2017 / 2018	2018 / 2019	2019 / 2020
	Total Programme Estimate to date	Total spent to date (APR 2018)	Programme Estimate 16/17	Programme Estimate 17/18	Programme Estimate 18/19	Programme Estimate 19/20
Rebuild Directorship	\$ 1,764,165	\$ 370,197	\$ 38,596	\$ 638,650	\$ 756,483	\$ 316,396
Water	\$ 3,310,635	\$ 1,790,599	\$ 1,529,883	\$ 1,113,164	\$ 375,891	\$ 291,697
Stormwater	\$ 739,913	\$ 29,435	\$ 7,320	\$ 100,956	\$ 621,282	\$ 10,355
Sewerage	\$ 11,217,270	\$ 1,865,138	\$ 1,406,297	\$ 1,715,355	\$ 7,399,688	\$ 695,931
Roading	\$ 22,192,077	\$ 6,026,862	\$ 4,362,558	\$ 3,662,377	\$ 8,353,280	\$ 5,813,863
GRAND TOTAL	\$ 39,224,059	\$ 10,082,231	\$ 7,344,653	\$ 7,230,501	\$ 17,506,624	\$ 7,128,241

Tables 13 & 14 outline the Council's BAU works programme for infrastructure and community facilities from 2017/18 to 2020/21. This programme and the estimates outlined are based on the 17/18 Annual Plan and the draft 2018 Three Year Plan.

Table 13 – BAU Capital Programme

	Total Programme	Programme Estimate 17/18	Programme Estimate 18/19	Programme Estimate 19/20	Programme Estimate 20/21
Roading	\$ 2.78M	\$ 943,000	\$ 410,000	\$ 704,000	\$ 727,000
Water Supply	\$ 2.72M	\$ 985,000	\$ 358,000	\$ 786,000	\$ 592,000
Wastewater	\$ 0.16M	\$ 44,000	\$ 20,000	\$ 80,000	\$ 20,000
Stormwater	\$ 0.38M	\$ 248,000	\$ 10,000	\$ 110,000	\$ 11,000
Solid Waste	\$ 0.84M	\$ 8,000	\$ 304,000	\$ 265,000	\$ 265,000
Community Facilities (Incl EQ)	\$ 5.09M	\$ 570,000	\$ 2,414,000	\$ 1,501,000	\$ 602,000
Total	\$ 11.97M	\$ 2,798,000	\$ 3,516,000	\$ 3,446,000	\$ 2,217,000

Table 13 – BAU Operational Programme

	Total Programme	Programme Estimate 17/18	Programme Estimate 18/19	Programme Estimate 19/20	Programme Estimate 20/21
Roading	\$ 4.18M	\$ 649,000	\$ 1,084,000	\$ 1,221,000	\$ 1,221,000
Water Supply	\$ 1.69M	\$ 278,000	\$ 517,000	\$ 430,000	\$ 463,000
Wastewater	\$ 1.06M	\$ 240,000	\$ 267,000	\$ 271,000	\$ 279,000
Stormwater	\$ 0.17M	\$ 42,000	\$ 40,000	\$ 42,000	\$ 43,000
Solid Waste	\$ 1.42M	\$ 336,000	\$ 350,000	\$ 360,000	\$ 370,000
Community Facilities (Incl EQ)	\$ 1.61M	\$ 202,000	\$ 447,000	\$ 476,000	\$ 485,000
Total	\$ 10.13M	\$ 1,747,000	\$ 2,715,000	\$ 2,800,000	\$ 2,861,000

5.4. PROCUREMENT PROGRAMMES OF OTHER ORGANISATIONS

The following organisations are procuring or may procure significant projects that may attract suppliers away from the Council's roading and 3-waters infrastructure projects.

- New Zealand Transport Agency
- Hurunui District Council
- Marlborough District Council
- Marlborough Roads
- North Canterbury Transport Infrastructure Recovery Alliance
- KiwiRail

The Council are mindful that the activities of the organisations outlined above, if procured simultaneously, could place undue pressure on the supply market to respond to tender opportunities and ultimately undermine the Council's ability to obtain best value for money. The Council will continue to collaborate with other organisations to gain visibility of their forward work programme and will take this into consideration when procuring physical works and maintenance requirements.

The Council's facilities earthquake rebuild programme is estimated at \$4.52 million over a three-year period. The Council is mindful of the pressures locally in response to the earthquake residential and commercial repair and rebuild activities. The Council is also mindful that much of the rebuild activity in the Christchurch market that attracted small to medium sized contractors has been completed and the market has plateaued. The Council will monitor procurement in this sector and may adjust its programme if value is not being secured through its procurement programme.

Currently, the Council utilises the large scale of the NCTIR rebuild to source resources that are not normally available locally through collaboration with NCTIR. Examples include Health and Safety support resource.

The Council shares IT resource with Hurunui DC under a shared service arrangement.

The proposal to become part of the NZTA road maintenance contract will enable the Council to gain efficiency in the procurement and management of road maintenance activities and achieve improved co-ordination of programmes.

6. APPROACH TO DELIVERING THE WORK PROGRAMME

6.1. PROCUREMENT APPROACH & DELIVERY MODELS

6.1.1. General

The Council will generally take a staged approach to the design and construction of infrastructure assets. This approach typically requires a design contract [concept design and/or detailed design] followed by one or more construction contracts.

6.1.2. Professional Services

The quantum of earthquake rebuild and the scope of the constituent projects is unclear at this stage. Investigation, assessment and concept design is still required for many projects. This is also the case for the BAU programmes where specific renewal/upgrade projects are still to be identified.

As discussed earlier in the Strategy there are no professional services providers based locally and securing services on individual engagements is inefficient.

In these circumstances it has been determined that a panel agreement is the most advantageous delivery approach, a price/quality supplier selection method was utilised to appoint two suppliers to the panel with a term of up to 3 years. The scope of works for the panel covers roading, 3 waters, solid waste and community facilities activities.

The procurement approach for invitation was via an open market Request for Proposal and a price/quality method was utilised for supplier selection.

Council's commenced the procurement for professional services in October 2017 to ensure that the necessary agreement/s are in place to support the timely delivery of earthquake rebuild activities.

Under the terms of the engagement the following has been provided:

- The form of contractual agreement is the ACENZ Conditions of Contract for Consultancy Services (CCCS).
- The contractual term is two years, with a right of renewal for a further 12-month period.
- A direct appointment [non-competitive basis up to a maximum of \$100,000] and price / quality supplier selection method [competitive basis above \$100,000] will be utilised to determine the allocation of work to panellists to ensure value for money is achieved and work can be allocated in an efficient manner.
- The Council will monitor performance and has reserved the right to review the appointment of panel members and add and/or remove panel members, if required.
- The Council has reserved the right to tender separately the concept and detailed design requirements for physical works projects of significant spend and/or complexity. Projects where a separate procurement approach may apply are outlined in *Table 7 - Table of high-risk or unusual procurement activities*.

The proposed procurement was specifically approved by NZTA in December 2017.

Contracts were finalised and awarded to Stantec and Jacobs as the two panel members in March 2018.

6.1.3. Roading Maintenance

The Council manages public roads [excluding State Highways and other roads designated to the NZ Transport Agency], bridges, footpaths, cycleways, roadside drainage, traffic facilities and

street lighting within the District. The Council maintains approximately 205km of local roads and 48 bridges.

The Council indicated to NZTA in April 2016 that it wished to become part of the upcoming North Canterbury NOC contract. The Kaikōura DC network was not included in tender documents released in November 2016 due to the disruption caused by the Kaikōura Earthquake. However, a pricing schedule for the Kaikōura DC network was issued to tenderers and included in their submissions. At the conclusion of the NOC non-price attribute evaluation the preferred tenderer was Downer Ltd. Their price proposal was opened and ultimately the contract was awarded to Downer Ltd. The price schedule for the Kaikōura DC network was considered to be too high and not presenting value and so was not accepted. Instead the Kaikōura DC extended its contract with HEB for a further year to 30 June 2018.

The Council has an existing roading maintenance contract with HEB Construction Ltd. That contractual agreement concludes on 30 June 2018.

The road maintenance contract includes all roading and footpath related maintenance together with bridge repairs, periodic maintenance renewals and resealing.

Council has undertaken a detailed assessment of delivery options as a S17a review under the requirements of the Local Government Act. This assessment clearly demonstrates that the option that provides the greatest value and benefit is a collaboration with NZTA to become part of their Network Outcomes Contract (NOC). The main reasons driving this outcome are:

- Efficiency in the delivery of management activities
- Efficient access to specialist services – road marking, reseals, roughness survey
- Efficient access to support services – bridge inspection, geotechnical assessment
- Efficient access to a wider resource pool based locally
- Effective collaboration and prioritisation of emergency response
- One Network approach

Council has requested approval from NZTA to procure the road maintenance activity, including renewals, through a negotiation with NZTA and Downer to vary the existing NZTA Contract 63189 North Canterbury NOC contract to include the Kaikōura District Council road network from 1 July 2018. This variation would have an initial term to 30 April 2022 with two one-year rights of renewal with a term expiring no later than 30 April 2024.

The works will be undertaken under a staged delivery model.

6.1.4. 3-Waters Physical Works

The Councils water reticulation, waste water and stormwater infrastructure assets were significantly damaged by the Kaikōura earthquakes. While minor works and earthquake repairs may be undertaken through the existing maintenance contract, the Council require additional capacity and capability within an agile delivery framework to undertake the rebuild and repair of more significant network assets and delivery of a significant upgrade programme.

The Council's preferred procurement approach is to procure and establish a three waters physical works panel agreement to address this requirement.

By using a panel, the Value for Money and Efficient and Effective Competition outcomes will be achieved through the scale of the work programme offered and the efficiency in procurement.

The contract will require a proportion of the work to go to local sub-contractors (20 – 40%) thus achieving the Sustainability and Local Wellbeing outcomes.

The procurement approach will be by way of open market request for proposal. The supplier selection will utilise a price/quality evaluation model to appoint two members to the panel.

Under the terms of the engagement the following would be provided:

- A contractual term of two years, with a right of renewal for a further 12-month period.

- Direct appointment [non-competitive basis up to a maximum of \$100,000] and price / quality supplier selection method [competitive basis above \$100,000] will be utilised to determine the allocation of work to panellists to ensure value for money is achieved and work can be allocated in an efficient manner.
- The Council will monitor performance and will reserve the right to review the appointment of panel members and add and/or remove panel members, if required.
- The Council will reserve the right to tender separately the physical works projects of significant spend and/or complexity.

The Council will bundle projects into work packages, where appropriate, based upon the similarity of works to be undertaken. (e.g. pump stations, manhole covers, water reticulation).

The programme of projects to be undertaken by the panel is detailed in Table 14.

Table 14 - 3 Waters Panel Projects

Project	Value	Complexity	Risk
Fords Reservoir Replacement	\$ 800,000	M	M
Peninsular Reservoir Repair Mackles Bore Repair	\$ 250,000	L	L
Pipeline & Pump Station Repairs	Unknown	L	L
Stormwater Repairs	Unknown	L	L
Water supply upgrades	\$ 1.4M	M	M
Water supply renewals	\$ 720,000	L	L
Wastewater upgrades	\$ 54,000	L	L
Stormwater upgrades	\$ 90,000	L	L

The works will be undertaken under a staged delivery model.

6.1.5. Solid Waste and Community Facilities

A number of buildings and facilities suffered earthquake damage and require repair. In, addition a number of upgrades are required to address compliance and safety issues. The Council will appoint contractors to complete the physical works.

The Council's will utilise a variety of procurement models as detailed in Table 15 below.

By utilising a variety of procurement models a number of outcomes will be achieved as follows:

- Value for money – through competitive pricing
- Efficient and effective competition – through competitive pricing
- Sustainability & Local Wellbeing – through making smaller contracts available to local suppliers

Table 15 – Community Facilities Projects

Project	Value	Complexity	Risk	Supplier Selection
Kaikōura Lions Pool Repair	\$300,000	M	M	Price/Quality
Kaikōura Airport Hanger Repair	\$ 190,000	M	M	Lowest Price Conforming
Jimmy Armers Toilet Rebuild	\$ 120,000	L	L	Lowest Price Conforming
Kaikōura Toilets Repairs	\$ 40,000	L	L	Lowest Price Conforming
Old Civic Office, Drill Hall	\$ 20,000	L	L	3 Priced quotes
Wharves & Jetty Repairs	\$ 160,000	L	M	3 Priced quotes
Walkways & Cycleways	\$ 120,000	L	L	Maintenance Contract

The works will be undertaken under a staged delivery model.

6.2. COMBINING CONSTRUCTION WITH MAINTENANCE

The Council’s current approach has been to include minor construction requirements into single maintenance contract agreements for both roading and 3-waters.

Significant projects with a high-level of expenditure and/or risk have been, and will continue to be, procured on a project by project basis with the procurement approach and delivery model outlined in a specific procurement plan.

6.3. COLLABORATION WITH OTHER APPROVED ORGANISATIONS

This Strategy envisages that the Council may seek to collaborate with other approved organisations for the delivery of roading maintenance and earthquake rebuild activities where that approach positions the Council to best achieve the outcomes outlined in this document.

The Council currently collaborates with NZTA and the North Canterbury Transport Infrastructure Recovery Alliance in relation to earthquake rebuild activities and other opportunities to gain efficiency benefits such as reseal programming.

The Council will participate in All-of Government collaborative procurement opportunity for the provision of electricity.

6.4. DIRECT APPOINTMENTS AND OTHER PRE-QUALIFICATION ARRANGEMENTS

The Council procurement activities are consistent with the Policy, the Council’s Delegations Manual and the NZTA Procurement Manual requirements.

This Strategy envisages that the panel agreements for professional services and 3 waters physical works will allow for direct appointment to occur up to the level outlined in the NZTA Procurement Manual (\$100k).

The pre-qualification of contractors and consultants requires a significant administration input by both principal and supplier. In the local constrained market, the benefits of pre-qualification, and the burden that places on suppliers, is unlikely to result in efficiency gains across the sector.

The pro-active use of performance monitoring and track record evaluation is perceived to be more efficient, fair and open.

6.5. EMERGENCY WORKS

Practical considerations, the need to respond in a timely manner and Council's remote location mean that the Council need to utilise existing contractual arrangements to respond to emergency incidents and natural events.

In an emergency or natural event, it may not be possible for the Council to satisfy the principle of open and effective competition throughout the procurement process. The Council may therefore dispense with parts of the procurement process if it needs to react quickly to genuinely unforeseen events.

Response is the immediate action required to:

- Protect life, property, or equipment immediately at risk; or
- Where there is a need to restore standards of public health, welfare, or safety without delay

As far as possible maintenance contracts will include provisions and a price basis for initial response to emergencies and natural events to ensure value for money.

Procurement of services for recovery from emergencies and natural events will be procured in accordance with the Policy and NZTA requirements.

6.6. SPECIFIC PROJECT STRATEGIES

The Council has considered specific project strategies for those projects that have been identified as high value, high risk and/or unique as identified in Section 3.2 - *Table 7 - Table of high-risk or unusual procurement activities*.

6.6.1. Kaikōura Bridge Replacement (5bridges)

Gilling Lane, Hawthorne Rd, Scotts Rd, Rorrisons Rd and Evans bridges were significantly damaged by the Kaikōura earthquakes and require replacement. A professional services consultancy has been engaged to provide conceptual and detailed design for each structure.

The Council's approach will be to package the five bridges into a single procurement to ensure that the procurement is attractive and value for money is achieved through the economies and efficiencies of delivering the combined works. The procurement approach will consist of an open market Request for Tender. It is envisaged that the procurement would utilise interactive tendering with shortlisted tenderers to clarify aspects of the tender and reduce risk for the supply market, explore areas of innovation and opportunities for greater efficiency in the delivery of the requirements.

This procurement will utilise the price/quality supplier selection model with a focus on the mandatory attributes as outlined within the NZTA Procurement Manual. The weightings will be determined and outlined in a procurement plan.

The delivery model will be a staged model.

6.6.2. Clarence Valley Access

Council has commenced consultation and engagement with stakeholders in relation to this project. The outcome of the consultation process and the NZTA Business Case process will assist Council and NZTA in determining an appropriate solution and delivery model for future access to the Clarence Valley. The Council are unable to determine an appropriate procurement approach until the solution and appropriate delivery model has been determined.

The Council will outline its intended delivery model and procurement approach in a comprehensive procurement plan to be approved by NZTA if required.

6.6.3. Lyell Creek Sewer Replacement

The existing rising main route and associated pump station were significantly damaged by the earthquake. The preferred solution is the construction of a new pressure main and associated pump stations along Beach Road from Lyell Creek Pump Station to Mill Road Pump Station.

A procurement plan evaluating the supplier selection and delivery model will be developed for this project.

The procurement approach will be open market either as a stand-alone project or as part of the 3 waters panel procurement. It is envisaged that the procurement would utilise interactive tendering with shortlisted tenderers to clarify aspects of the tender and reduce risk for the supply market, explore areas of innovation and opportunities for greater efficiency in the delivery of the requirements.

This procurement will utilise the price/quality supplier selection model with a focus on the mandatory attributes as outlined within the NZTA Procurement Manual.

The delivery model will be a staged model.

6.6.4. Kaikōura Wastewater Aeration Lagoon Replacement

The existing aeration lagoon was significantly damaged by the earthquake. The preferred solution is the construction of a new aeration lagoon at the treatment plant.

A procurement plan evaluating the supplier selection and delivery model will be developed for this project.

The procurement approach will be open market either as a stand-alone project or as part of the 3 waters panel procurement. It is envisaged that the procurement would utilise interactive tendering with shortlisted tenderers to clarify aspects of the tender and reduce risk for the supply market, explore areas of innovation and opportunities for greater efficiency in the delivery of the requirements.

This procurement will utilise the price/quality supplier selection model with a focus on the mandatory attributes as outlined within the NZTA Procurement Manual.

The delivery model will be a staged model.

6.6.5. Memorial Hall and Cuddon Building Repairs

Both the Memorial Hall and the Cuddon Building suffered minor damage during the Kaikōura earthquake but both need significant upgrades to become Building Code compliant for structure and fire.

The Council's will utilise a two-stage procurement, consisting of a registration of interest followed by a request for proposal. Interactive tendering may take place with the shortlisted respondents.

A price/quality evaluation model will be utilised for both stages of the procurement.

A procurement plan outlining the attributes, weightings and delivery model will be developed for this project.

6.6.6. Kaikōura Airport Terminal Repairs

The airport terminal situated at Peketa suffered significant damage during the Kaikōura earthquake. Repairs to the building have been undertaken to make it safe.

The Council's will utilise a two-stage procurement, consisting of a registration of interest followed by a request for proposal. Interactive tendering may take place with the shortlisted respondents.

A price/quality evaluation model will be utilised for both stages of the procurement.

A procurement plan outlining the attributes, weightings and delivery model will be developed for this project.

6.7. SUPPLIER SELECTION METHODS

Supplier selection will follow the requirements of the Policy and will be consistent with the Office of the Auditor General: Procurement guidance for public entities and the NZTA procurement manual. A procurement plan will be developed for significant procurement activities that will outline the supplier selection method and rationale. Where panel agreements are established and utilised for physical works and professional services, the method for the allocation of work will be outlined in the panel agreement.

6.8. ADVANCED COMPONENTS, CUSTOMISED PROCUREMENT PROCEDURES OR VARIATIONS TO PROCUREMENT RULES

6.8.1. Alternative procurement processes

Where exceptional or large projects may require alternative procurement processes to be considered and used [such as private public partnerships], the Council will consider these on a case by case basis and will consult and seek endorsement from relevant stakeholders, where necessary. In some cases, it may be necessary to deviate from this Strategy, in which case approval from NZTA will be sought prior to proceeding with procurement.

At this stage no alternative procurement processes are envisaged within the upcoming three years.

6.8.2. Advanced procurement models

The Council has determined that a panel agreement is the most advantageous procurement approach to procure professional services to support the roading, 3 waters, solid waste and community facilities earthquake professional services requirements as outlined in Section 6.1.2 - Professional Services. This model was approved by NZTA in December 2017.

The Council has determined that a panel agreement is the most advantageous procurement approach to procure physical works services to support the 3 waters rebuild and BAU construction requirements as outlined in Section 6.1.4 - 3 Waters. This model was approved by NZTA in December 2017.

In addition, the Council may also seek to participate in the All of Government collaborative procurement agreements, particularly as they relate to electricity supply. Procurement under those agreements will be undertaken in accordance with the buyer's guidance provided by the Ministry of Business, Innovation and Employment.

6.9. CONTRACT MANAGEMENT

Contract management will be undertaken as a combination of internal and external resources to achieve the greatest efficiency and to right size the skill levels required.

Large and complex infrastructure projects or bundles of works will be managed through the professional services panel. Smaller projects. Community Facility projects and routine works will be directly managed by in-house resources.

However, the overview of the performance of contract management will be the responsibility of the Rebuild director or Asset Manager, as appropriate.

Council will continue to manage contract administration and payment processes and will maintain documentation for each contract in its contract management system.

7. IMPLEMENTATION

7.1. CAPABILITY AND CAPACITY

The Kaikōura earthquake infrastructure rebuild is led by the Rebuild Programme Director and supported by the Rebuild Programme Co-ordinator, this is the Rebuild Group.

The delivery of business as usual roading maintenance and physical works requirements is led by the Asset Manager supported by two assistant engineers and a contract administrator, this is the Works and Services Group.

The Council has recently completed a Roading Efficiency Group – Smart Buyer Self-Assessment to identify areas for improvement in the capability and capacity with the intention of becoming Smart Buyers. The development and implementation of this Strategy targets several aspects where improvement has been identified.

The core capability of the resource within the Rebuild Group is sufficient to manage the programme but will need to be supported with engineering, administration and supervisory staff. It is envisaged that these resources will be sourced from the professional services panel engaged to provide services to the Council.

It is planned to strengthen the core capability of the resource within the Works and Services Group to manage the programme and to close some skills gaps. Two additional full time staff will be added to the Group in Oct/Nov 2018. However, there will still be an ongoing lack of the skills needed for specialist advice, investigation and design It is envisaged that these resources will be supported from the professional services panel engaged to provide services to the Council.

7.2. INTERNAL PROCUREMENT PROCESSES

The Policy outlines how goods, services and works should be procured by the Council. This Policy has been developed with reference to the Office of the Auditor General's: Procurement guidance for public entities [Controller and Auditor General, 2008].

7.2.1. Policy Objectives

The objectives of the Policy are to provide clear direction to management and employees in relation to procurement activities. Specifically, the Policy establishes a decision-making framework that:

- Delivers best value for money through the most appropriate supplier;
- Ensures procurement is conducted in a transparent and accountable manner;
- Ensures open and effective competition;
- Appropriately manages risk e.g. health and safety, contractual, financial and operational;
- Supports sustainability;
- Ensures procurement activities are conducted in accordance with the Council's legal obligations;
- Promotes efficient procurement practices and their continuous improvement.

7.2.2. Policy Principles

The Policy outlines the principles that should be taken into consideration when procuring goods, services and works for, and on behalf, of the Council. Those principles include:

- Value for money
- Transparency and accountability
- Encouraging open and effective competition

- Managing risk
- Thinking strategically
- Supporting sustainability
- Promoting local economic wellbeing
- Fairness and lawfulness
- Contract and supplier relationship management

The Council are in the process of revising and refreshing several of their internal procurement processes to ensure that they are aligned with:

- NZTA Procurement Manual
- Mastering Procurement: A structured approach to strategic procurement guidance from the Ministry of Business, Innovation and Employment and
- Accepted good public sector procurement practices.

Several procurement processes are undergoing improvement including:

- Enhancing the contract management system
- Monitoring, review and documentation of contractor performance
- Standardised tender and contract documentation

7.3. PERFORMANCE MEASUREMENT

The Council collects information on its procurement activities through the following methods:

- Reviews of existing contractual agreements
- Ongoing maintenance of project files with all key information
- Regular contract control group meetings with suppliers
- Supplier de-briefs following procurement activities
- Internal discussions between technical staff
- Stakeholder feedback including regular meeting with NZTA
- Networking with other approved organisations
- Industry forums

The present system obtains the information requested by NZTA under Section 11 of the NZTA Procurement Manual, and sufficient information to enable the Council to monitor progress against its own procurement outcomes as outlined in this document.

The Council will undertake regular reviews of the quality and quantity of information obtained, and the results of any audits, to ensure that the Council is working towards meeting the outcomes envisaged in the Strategy. Additional information gathering methods and exercises will be added as and when required.

7.4. PERFORMANCE MONITORING

The implementation of this Strategy will be monitored by reviewing the past year's procurement activities and processes against this document. This review will be reported to the Council's elected members at the end of each financial year.

The supply market will be monitored by measuring the following:

- The number of tenders per procurement activity;
- The spread of prices received from the tenders for procurement activity;
- Stakeholder feedback in relation to existing contractual agreements and procurement activities.

7.5. PROCUREMENT STRATEGY REVIEW

This Strategy will be reviewed annually as part of the development of each Annual Plan to ensure that there are no significant changes to the Three Year Plan that are inconsistent with this Strategy. As part of this review the previous year's procurement programme and existing contracts will be considered against achievement of value for money of the procurement process and the services being delivered through that process.

This Strategy will be reviewed and updated every three years commencing in November 2020 to ensure alignment with the Council's Long Term Plan and Land Transport Programme and submitted to NZTA for endorsement.

7.6. COMMUNICATION PLAN

The Council has identified the following stakeholder groups that may be interested in this Strategy:

- Current and potential Consultants
- Other approved organisations
- NZTA
- KiwiRail
- IPENZ, ACNEZ, New Zealand Contractors Federation.

To ensure that the Strategy is accessible to a wide audience of interested stakeholders in an open and transparent manner it will be available from the Council's website www.Kaikōura.govt.nz

A Notice will be loaded onto GETS providing a hyperlink through to the Council's website so interested parties know the Strategy is available for downloading.

7.7. IMPLEMENTATION PLAN

The procurement of Transport, 3-Waters and Community Facilities Infrastructure and associated Services will be undertaken in accordance with this Strategy through instruction from the Rebuild Programme Director and/or the Asset Manager.

7.8. COUNCIL OWNERSHIP AND INTERNAL ENDORSEMENT

The Strategy is owned by the Finance and Commercial Manager. The Rebuild Programme Director and the Asset Manager are jointly responsible for the implementation of the Strategy and the achievement of, and/or contribution towards, the outcomes outlined in this document.