

**Masterton District Council**  
**Roading Procurement Strategy**

# **Masterton District Council**

## **Roading Procurement Strategy**

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## Overview

To meet the requirements of the NZTA Procurement Manual this Procurement Strategy generally follows the checklist in Appendix A of the NZTA Procurement Manual 1<sup>st</sup> edition and provides the required information to meet NZTA's requirements. This is a first generation strategy which will be developed further through regular reviews with **MDC's Long Term Council Community Plan**.

This strategy has been prepared by collaboration between the Approved Organisations (AOs) of the Wairarapa, listed below:

South Wairarapa District Council (SWDC)  
Carterton District Council (CDC)  
Masterton District Council (MDC)

to maximise efficiency, share resources and for regional consistency in achieving value for money through robust procurement strategies.

The strategy utilises a common template but has been customised where necessary to reflect each of the Authority's specific requirements. These changes are identified in a different coloured text.

## 1 Executive Summary

### 1.1 Summary Statement

This strategy has been prepared by the AOs of the Wairarapa:

- South Wairarapa District Council
- Carterton District Council
- Masterton District Council

and customised where necessary to reflect each of the Authority's specific circumstance.

**The Procurement Policy objectives are to:**

- provide best value for money over whole-of-life;
- provide open and effective competition;
- provide full and fair opportunity for all eligible suppliers;
- improve business capability, including e-commerce capability;
- require sustainably produced goods or services whenever possible;
- have regard to local, regional or national economic, environmental, and social impacts over their life cycle.

### 1.2 Recommendations

It is recommended that NZTA:

- endorses this procurement strategy.

Note: Council has an existing NZTA approved in-house professional services unit which may be supplemented with procured services in accordance with this strategy.

### **1.3 Corporate Ownership/Endorsement**

Evidence of endorsement of this strategy is appended in Appendix 1.

## **2 Policy Context of the approved Organisation**

### **2.1 Strategic objectives and outcomes**

The Masterton District Council aims to have a transport system that is safe, sustainable, integrated and responsive, enabling safe and efficient passage for people and goods around and through the district.

The Masterton District Council is committed to demonstrate to its ratepayers that it is delivering the lowest long term cost, best value service possible.

### **2.2 Procurement Strategy Objectives and Outcomes**

The Masterton District Council has current purchasing guidelines that are required to be followed in the procurement of goods and services. Its goals align and are those generally set out in the Local Government Act 2002 as detailed above.

In addition, all three Wairarapa Councils (Councils) are committed to providing an open and competitive marketplace across Wairarapa. This is essential to allow the Councils to demonstrate to their ratepayers that they are delivering the lowest cost, best value, service possible.

The Council also recognises that successful contracts are relationship based and can have two, three and even more parties contracted to deliver a single outcome. This relationship involves a sharing of skills, risk and jointly promoting innovation to improve value of the service delivery and is relevant from the smallest of contracts to large performance based, long term contracts. Solid contractual relationships;

- promote stability in the marketplace,
- provide confidence to the Council and the contracting industry,
- encourages investment in systems, training and equipment,

There are no other relevant contextual factors, such as other Council policies, wider Council procurement plans, or any other regulatory requirements that supersede this procurement strategy for the purchase of services for managing the roading asset.

## **2.3 NZTA Procurement Requirements**

The NZTA is committed to the concepts of value for money, maintaining competitive and efficient markets, and fair competition among suppliers. The NZTA's Procurement Manual contains procurement procedures approved by NZTA under s 25(1) of the Land Transport Management Act 2003 (LTMA).

The procurement procedures contained in the manual are approved for use to purchase the goods and services required to deliver the activities that have been funded under s 20 of the LTMA.

The Procurement Manual requires that AOs adopt a strategic approach in procuring their NZTA subsidised transport programme.

## **2.4 Organisational Policies**

Council and its suppliers contracted to procure services on its behalf all have policies on handling conflicts of interest in procuring services. Issues that arise are dealt with on an individual basis in line with those policies.

# **3 Procurement Programme**

## **3.1 Procurement Programme**

Matters to be taken into consideration include:

- Size, type or duration
- Complexity, scale, timing, innovation, risk
- Specialised skills
- Contractors other current commitments
- Encourage local involvement
- Environmental, social and economic impacts

The following tables outline the current roading corridor contracts and their programming for the Approved Organisation:

**Masterton**

<b>Contract</b>	<b>Awarded</b>	<b>Duration</b>	<b>Approx Value (\$)</b>	<b>Delivery Model/Supplier Selection Method</b>	<b>Assessed Risks</b>
Network Maintenance -Roads -Streetlights	2009	3+1+1 years	10M	Staged PQ	L
Reseals -Chipseal -Asphalt	Annual		860k	LPC	M
Rehabs Incl Associated improvements	Annual		1.3M	LPC	L-M

The largest single contract for MDC is the Network Maintenance Contract, which has a term of 3+1+1 years. The NZTA Cost Adjustment Factor is applied annually to the period Network Maintenance Contracts. It has been the practice for the three Councils to tender the network contracts sequentially so that bidders know the outcome of each in turn.

In the short term it is not anticipated that the procurement programmes will change significantly.

In the long term the Authorities may investigate joint services and joint procurement to drive greater efficiencies and effectiveness within the Region.

**3.2 High Risk or Unusual Procurement Activities**

At this time the Approved Organisations have not identified any particularly high risk activities nor the need for unusual procurement activities that are not covered adequately by the NZTA Procurement Manual.

Procurement of energy for street lighting is one component of an individual contract entered into with a retail electricity supplier that covers all requirements of MDC power usage. Supply of energy for NZTA HNO street lighting is via this contract which expires on 30 September, 2010.

## **4 Procurement Environment**

### **4.1 Analysis of Supplier Market**

The local roading construction and maintenance marketplace is dominated by two national contracting firms with the capability to undertake the necessary full service work. There are a limited number of local contracting firms with the capability to undertake physical components of the work required, but have not developed management systems and lack available resources to undertake the full service contracts currently tendered in accordance with expected roading industry standards. A large number of sub-contractors fall below these contractors in terms of systems and capabilities. There is reasonable competition at present and this is encouraged and is expected to continue.

There is sufficient interest in the large road maintenance contracts currently tendered for other large, national, contractors to express interest in and tender for at intervals when these contracts come up for renewal.

The larger civil contracting marketplace in Wairarapa has been fairly static, although this is changing to some extent with the recent global financial crisis. Contractors and consultants traditionally employed in other civil engineering works are looking for alternative work with private developments slowing. This is expected to continue in the short term with subdivision, forestry and vineyard development work slowing and in many instances ceasing.

Councils have, over a period of years, experimented with various models for delivering the relevant services relating to the roading asset. This has transitioned from 'own-forces' delivery in the 1980's, through a multitude of individual contracts for various services in the 1990's, to comprehensive roading maintenance contracts.

Typically the following types of contracts are procured outside the roading maintenance contracts:

- kerb and channel renewal;
- various individual bridge maintenance and retaining structures replacement/upgrading contracts;
- streetlight network maintenance contracts;
- maintenance surfacing – chip reseals and TAC; and,
- various minor improvement works, miscellaneous seal widening, seal extension, and pavement rehabilitation contracts.

These contracts attract interest from smaller contractors within the region, with the resurfacing contracts also attracting interest from the Wellington and Manawatu regions.

In the short term it is not expected that this procurement programme will change significantly. Consideration may be given in the future to revising the scope and geographic coverage of maintenance contracts to ensure that the correct levels of service are achieved.

There is a continuing programme of resurfacing, rehabilitation projects, seal widening and bridge renewals/upgrading planned in the AMPs and Councils RLTP to maintain interest in, and the capability of, the local contracting industry and hence competition.

The projected total expenditure on the roading asset is similar to the current level of expenditure with some minor fluctuations only. While there have been some comments from the smaller players in the contracting industry that there should be further work put onto the open local market for competitive tendering, current analysis of the savings generated from the larger packages demonstrate that overall the best value is being delivered with the current contract arrangements.

## **5 Work Programme Delivery**

Each Authority has a Roading Activity Management Plan for the 3 year period from July 2009 to June 2012.

The 3 year and 10 year forward works programme developed for the LTCCPs from the AMP are given in Appendix 2. **The National Land Transport Programme 2009-2012 for the Wellington Region documents the level of funding approved over the first three years.**

During the three year period no major contracts are due to expire and be retendered as the three Authorities have awarded term network maintenance contracts. These are all five year term. This is the maximum permitted under the current NZTA rules. **Council will consider later as this strategy is developed and refined over the life of this AMP whether extending the term of network maintenance contracts would present an opportunity for further savings.** Contracts with terms longer than 5 years are required to be approved by NZTA.

There has been some consideration to repackaging the contracts to realise further savings to the Councils. There are other delivery models available to Council including traditional models and full PSMC performance contracts. The pure performance based contracts such as the PSMCs do place limits on Council's ability to influence the contracts during their term. Considering all of the issues and in the interest of maintaining a competitive industry it has been determined that the current model, with a full service package, delivers the best overall performance. The medium term of the contracts, and the ability to maintain input into the management of the network at officer level, and thus manage the political environment of a local government body, gives the best outcome.

Other specialist services undertaken under separate contract include professional services, specific bridge maintenance, renewals and upgrades, which only have a moderate contracting base with average competition.

Emergency works do occur from year to year generally as a result of heavy rain and localised flooding. Historically, the scale of these events vary from **\$150,000** every couple of years, to over **\$1,500,000** events approximately every 10-20 years or so. Councils put aside an amount into reserves to cover their share of the cost of these abnormal events with Financial Assistance (subsidies) available. To ensure that Council meets the subsidy requirements it must ensure that value for money is being achieved with minor works being competitively negotiated with the maintenance contractors and larger, significant works being tendered out to the open market, once the site is made safe and open to traffic.

The largest single contract for each of the Councils is their Network Maintenance Contract. It has been the practice to tender these in the same year but sequentially so that bidders know the outcome of each in turn. This has been found to be effective in meeting strategic and procurement objectives.

The Councils recognise the intrinsic value received from some of its existing suppliers with their intimate local knowledge and excellent service delivery. This is particularly relevant to cyclical contracts where the incumbent contractor's value needs to be correctly recognised. This is valued at tender time with quality-price considered, not only lowest price.

Contracts are delivered utilising the following accepted standard conditions of contract:

- NZS 3910:2003 Conditions of Contract for Building and Civil Engineering Construction
- NZS3915:2005 Conditions of Contract for Building and Civil Engineering Construction (where no person is appointed to act as the Engineer to Contract)
- Conditions of Contract for Consultancy Services (2005) (CCCS)

as the basis of the contract with conditions and specifications to standardise the work and realise savings with industry standard contract conditions.

Risk based estimating is utilised giving value through identifying where further investigatory work might drive improved cost certainty.

Risk processes used are covered in the Roding AMP.

## **6 Implementation**

### **6.1 Capability and Capacity**

All procurement related to management of the **MDC** road assets is currently in-house.

Where major purchases are being considered these are referred to Council for consideration and approval as the client organisation. This includes the main network maintenance contracts and any other significant projects. The **Mayor and CEO (jointly), CEO, Manager Assets and Operations, Roding Services Manager and Roding Engineers (2 No)** have certain delegated authorities to approve works. **The Councils delegations policy is appended as Appendix 5.**

Contract payments are authorised by the appropriate Engineer to Contract and vouchers prepared for payment and debited to the appropriate Council budget ledger item.

The organisation structure is given in Appendix 3.

Refer to Appendix 4: **MDC** complies with NZTA procurement policies and current purchasing requirements. Project approvals, contract documentation, and tender management are carried out by internal staff or appropriately qualified contracted professional service providers. All tenders are managed **in-house** by **the engineer responsible for the work** and held in a secure location.

Although MDC currently has no one in-house, accredited external tender evaluators are used as required by NZTA procedures. At this time it is recognised that there are insufficient accredited tender evaluators available in the procurement teams. It is a requirement that all tenders over \$200,000 are required to be assessed by a person holding the National Certificate in Civil Engineering – Asset Management (CPP). Further staff is required to be qualified in this qualification.

Policies are routinely discussed with the adjoining local authorities and NZTA HNO officers and consultants. This assists in consistency throughout the greater region and nationally. Council officers and consultant's staff communicate with other roading authorities and suppliers through a range of forums such as the RCA forum, Ingenium, IPENZ, and courses, presentations, etc through the year.

## **6.2 Internal Procurement processes**

The MDC internal procurement processes are attached as Appendix 4.

## **6.3 Performance Measurement and Monitoring**

In line with the requirements of the interim NZTA Procurement Manual, Council intends to align its performance measures and monitor the following indicators to determine the success of this strategy;

### **Achievement of value for money**

- Time – Estimated duration of key contracts versus actual duration of contracts
- Cost – Estimated cost of key contracts versus actual cost of contracts
- Quality – Council's satisfaction with the goods or services procured

### **Regard for markets**

- Fairness – Whether or not the supplier selection process was an open or a closed contests, and the reasons for these decisions
- Competitiveness – Number of bids received and whether alternative bids were permitted and/or received
- Innovation – Whether alternative bids that add value for money were permitted; whether alternative bids were received and accepted or rejected; what added value alternative bids realise and their cost .

### **Efficiency of procurement procedures**

This area of monitoring aims to measure whether the procurement procedures are cost effective and to ensure they are not overly complex. This will be broadly measured by;

- Comparing the overall cost of the procurement function to the total cost of contracts let

### **Compliance with procedures**

This area of monitoring aims to measure how well the Council is complying with this strategy. This will be broadly measured by;

- Number of complaints received on purchasing process

Due to the length of time that it takes to develop a sufficient sample size for these types of performance measures, it is intended that this analysis will be undertaken once, at the end of the life of each AMP, and as part of the development of the next AMP to measure the success or otherwise of this procurement strategy.

Council will continue to rely on NZTA audits to ensure compliance with funding requirements and performance with other RCAs.

Overall success is measured by achievement of the approved programme in the RLTP. Council monitors a range of criteria through its LTCCP processes. These include performance measures in Pavement and Surface Condition, Health & Safety, Financial Performance, and Customer Satisfaction.

### **Data Collection**

Data will be collected in accordance with the NZTA Procurement Manual, Appendix E.

## **6.4 Communication Plan**

As part of the development of the **LTCCP**, consultation will be undertaken with the public in general and this plan can be posted on Council's website. Major financial and policy decisions are referred to Council on a regular basis. Council have endorsed the strategy. Formal communication to the public and the market is through the LTCCP.

Council's Roding Services Manager is responsible for programme development and management of the road network and its assets. Regular meetings and reviews are held with staff and Council's roding delivery team to provide Council with an assurance that it is receiving value for money as a "Smart Buyer" and that its assets are being preserved and managed appropriately.

Each tenderer is currently advised of the outcome of each tender in accordance with the NZTA requirements.

The Councils intend to develop web pages to publish the outcomes for each procurement activity.

## **6.5 Implementation Plan**

The NZTA Procurement Manual has considerable detail on the process for correctly determining which procurement model should be utilised in each situation, ie; staged, design & build, shared risk, and supplier panels.

The Procurement Manual also has considerable detail on the process for correctly determining the supplier selection method;

- Direct appointment
- Closed Contest
- Lowest price conforming
- Price quality
- Purchaser Nominated (Target) price
- Quality based

The following table summarises the approach to be used for supplier selection – in accordance with the NZTA Procurement Manual, Appendices A,B & C:

<b>Programme</b>	<b>Annual Expenditure [\$M] (09/10)</b>	<b>Direct Appointment</b>	<b>Closed Contest</b>	<b>Lowest Price</b>	<b>Price Quality Physical works</b>	<b>Price Quality Professional services</b>	<b>Quality based</b>
Maintenance	<b>2.6</b>	Y	Y	Y	Y		
Renewals	<b>3.2</b>	Y	Y	Y	Y		
Improvements	<b>.2</b>	Y	Y	Y	Y		
Emergency Works	<b>.1</b>	Y	Y	Y	Y		
Professional Services	<b>.1</b>	Y	Y	Y		Y	Y

<b>Supplier Selection Method</b>	<b>Expected Usage</b>	<b>Typical Value</b>	<b>Price weight [%]</b>	<b>Assessed Risk</b>
Direct Appointment	Generally	Up to \$100k*	NA	L
Closed Contest (LPC & PQ)	Generally	Up to \$200k*	See below	L-M
Lowest Price Conforming	Generally	all	100	L-M
Price quality (physical works)	Occasionally	>\$100k	50-70	M
Price quality (professional services)	Rarely	>\$100k	30-50	M-H
Purchaser Nominated Price	Rarely	NA	0	M-H
Quality Based	Rarely	>\$1M	0	M-H
Prequalification	To be reviewed	all	NA	all

\* NZTA upper limit

The method of procurement will be based on the assessment of risk and in accordance with the NZTA Procurement Manual Appendix C.

The Approved Organisations have not typically used prequalification systems for procurement, however this is a process which will be explored if it will better meet the objectives of this strategy.

Considering all of the issues raised above, implementation plan is intended to be followed during the life of the LTCCP.

## **6.6 Corporate Ownership and Endorsement**

Refer to Appendix 1 for Council endorsement of this Strategy.

## APPENDIX 1: Council Endorsement



**MASTERTON DISTRICT COUNCIL**  
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**COPY OF AN EXTRACT FROM THE UNCONFIRMED MINUTES OF THE  
ORDINARY MEETING OF THE MASTERTON DISTRICT COUNCIL HELD IN THE  
FRANK CODY LOUNGE, MASTERTON DISTRICT COUNCIL BUILDING, 64  
CHAPEL STREET, MASTERTON ON WEDNESDAY 29<sup>TH</sup> SEPTEMBER 2010**

**Roding Procurement Strategy** (196/10 – Page 361 plus circulated document)

The Manager Assets and Operations advised that the document had been out for submission and returned with comments. NZTA had suggested some minor changes which officers agreed with, and the document needed to be approved so application could be made for the NZTA subsidy.

In response to a request for assurance that best practice was carried out in relation to tendering, the Manager Assets and Operations advised that the same principles were applied to roading contracts as had been applied to the Riversdale and Homebush Wastewater Treatment Schemes.

It was suggested that the changes in the document should have been highlighted so that councillors could identify the changes made.

In response to a question regarding local involvement, the Manager Assets and Operations advised that there were limits under the NZTA rules for best practice. In reality Council planned its work for the year to help local contractors with its procurement purchases. Local knowledge was one of the benefits used in the weighted attributes.

Moved by Councillor J Hooker – **That the Masterton District Council Roding Procurement Strategy be adopted.**

Seconded by Councillor J Callaghan and CARRIED.

I certify this to be an accurate and correct copy of the resolution

.....  
W ten Hove  
**CHIEF EXECUTIVE OFFICER**

30<sup>th</sup> September 2010

## APPENDIX 2: Forward Works Programmes

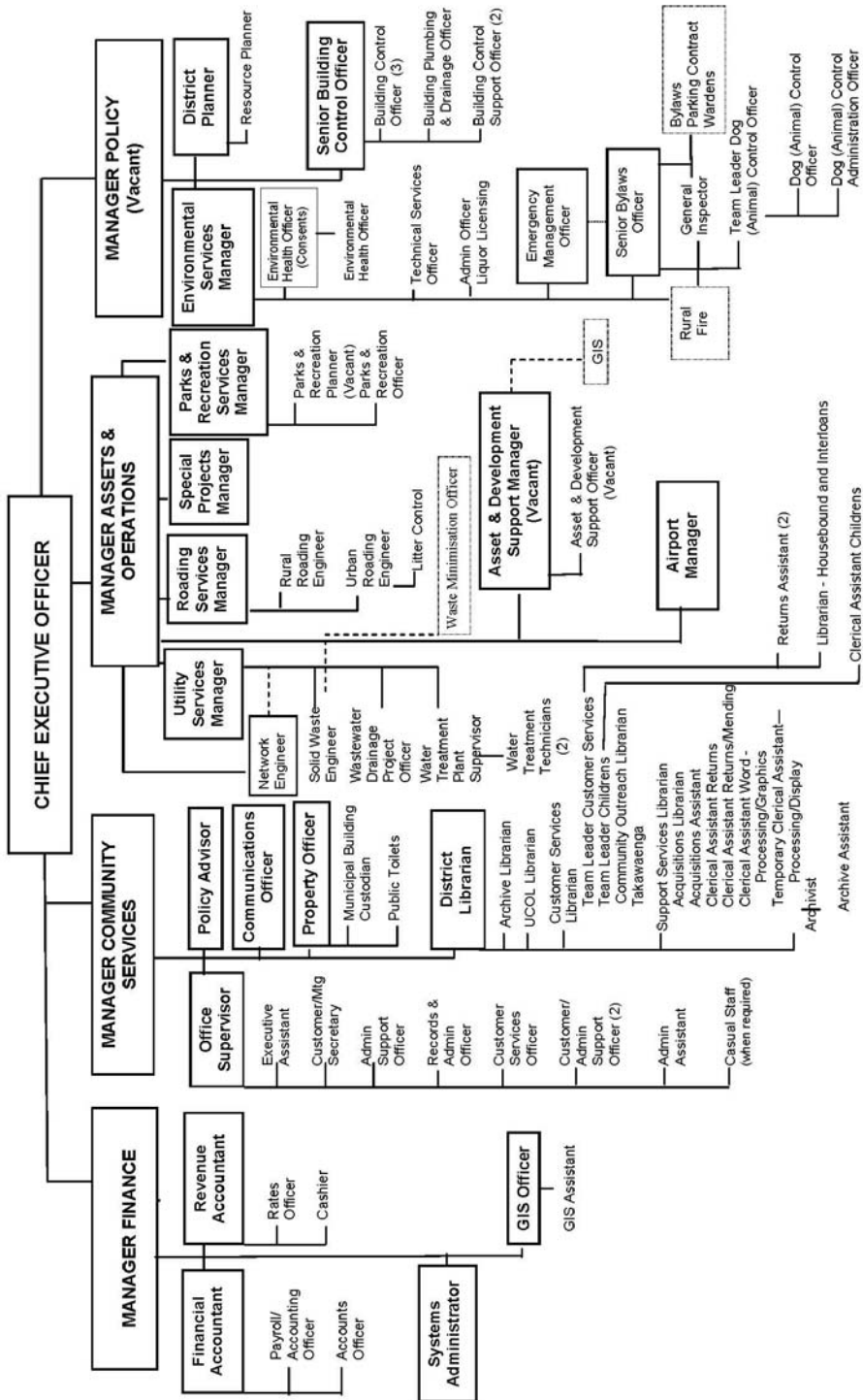
TABLE 7.6a) FINANCIAL FORECAST 2009-2019

			09-10	10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19
BERL INDEX (Sept 2008)	Appvd DLTP 08-09	MDC budget 08-09	1.050	1.033	1.029	1.029	1.024	1.023	1.022	1.023	1.024	1.024
<b>FUTURE MAINTENANCE COSTS (SUBSIDISED) (\$,000)</b>												
111 Sealed pavement maintenance	791	845	788	814	837	861	882	902	922	943	966	989
112 Unsealed pavement maintenance	276	282	296	306	315	324	332	339	347	355	363	372
113 Routine drainage maintenance	391	365	383	396	407	419	429	439	449	459	470	481
-Street cleaning		118	124	128	132	136	139	142	145	148	152	156
114 Structures maintenance	49	50	53	54	56	57	59	60	61	63	64	66
121 Environmental maintenance	261	267	280	290	298	307	314	321	328	336	344	352
123 Traffic services maintenance	107	109	114	118	122	125	128	131	134	137	140	144
124 Cycle path maintenance	1	1	1	10	10	11	11	11	11	12	12	12
131 Level crossing warning devices	10	10	30	31	32	33	34	34	35	36	37	38
151 Network and asset management	324	341	358	370	381	392	401	410	419	429	439	450
	<b>2210</b>	<b>2388</b>	<b>2427</b>	<b>2516</b>	<b>2589</b>	<b>2664</b>	<b>2728</b>	<b>2791</b>	<b>2852</b>	<b>2918</b>	<b>2988</b>	<b>3060</b>
<b>FUTURE RENEWALS COSTS (SUBSIDISED) (\$,000)</b>												
211 Unsealed road metalling	251	257	360	372	383	394	403	412	422	431	442	452
212 Sealed road resurfacing	950	1044	1096	1132	1165	1199	1228	1256	1284	1313	1345	1377
213 Drainage renewals	237	256	319	329	339	349	357	365	373	382	391	400
214 Pavement rehabilitation	1503	1590	1325	1369	1408	1449	1372	1404	1434	1467	1503	1539
215 Structures component replacements	240	246	258	134	138	142	146	149	152	156	160	163
222 Traffic services renewals	241	246	258	267	275	283	289	296	302	309	317	324
231 Associated improvements	280	287	401	414	426	339	347	355	363	371	380	389
	<b>3702</b>	<b>3926</b>	<b>4017</b>	<b>4017</b>	<b>4134</b>	<b>4154</b>	<b>4142</b>	<b>4237</b>	<b>4330</b>	<b>4430</b>	<b>4536</b>	<b>4645</b>
	5912	6314	6445	6534	6723	6819	6870	7028	7183	7348	7524	7705
<b>PROVISIONAL COSTS ONLY (\$,000)</b>												
141 Emergency reinstatement		325	341	353	363	373	382	391	400	409	419	429
241 Preventive maintenance		0	0	0	0	0	0	0	0	0	0	0
<b>IMPROVEMENTS TO ROADS (SUBS.) (\$,000)</b>												
311 Road studies		0	0	0	0	0	0	0	0	0	0	0
321 Traffic management		0	0	0	0	0	0	0	0	0	0	0
322 Bridge renewals *		370	350	0	0	0	120	0	0	110	0	530
323 New roads and bridges		0	0	0	0	0	0	0	0	0	0	0
324 Road reconstruction		0	0	0	0	0	0	0	0	0	0	0
325 Seal extension		0	0	0	0	0	0	0	0	0	0	0
332 Property purchase (local roads)		0	0	0	0	0	0	0	0	0	0	0
333 Advance property purchase		0	0	0	0	0	0	0	0	0	0	0
341 Minor improvements		478	502	518	533	549	562	575	588	601	616	630
<b>DEMAND MGMT &amp; COMM PROGRAMMES (\$,000)</b>												
431 Community co ordination		89	0	0	0	0	0	0	0	0	0	0
432 Community programmes		77	175	180	186	191	196	200	204	209	214	219
433 Community advertising		0	0	0	0	0	0	0	0	0	0	0
<b>TRANSPORT PLANNING (\$,000)</b>												
Studies and strategies *			70									
CRS *				20						20		
Cycling/ Pedestrian strategy *			20	20	20							
Activity management plans *			40	40	40	40	40	40	40	40	40	40
<b>NON SUBSIDISED RURAL (\$,000)</b>												
		158	166	171	176	181	186	190	194	199	203	208
<b>NON SUBSIDISED URBAN (\$,000)</b>												
Footpaths		346	363	375	386	397	407	416	425	435	446	456
Sweeping and cleaning		220	231	239	246	253	259	265	271	277	283	290
Vegetation control		412	432	447	460	473	484	495	506	518	530	543
Street furniture		14	14	15	15	16	16	16	17	17	17	18
Miscellaneous		97	102	105	108	111	114	116	119	122	125	128
Parking areas		120	126	130	134	138	141	144	148	151	155	158

\* indicates items not indexed for inflation

APPENDIX 3: Organisation Chart

MASTERTON DISTRICT COUNCIL  
ORGANISATION CHART - JUNE 2010



## **APPENDIX 4: Internal Procurement Policy**

### **PROCUREMENT POLICY MARCH 2010**

#### **1. PRINCIPLES**

The Procurement Policy is based on the following principles:

**Accountability** – the Council should be accountable for their performance and be able to give complete and accurate accounts of the use they have put public funds to, including funds passed on to others for particular purposes. They should also have suitable governance and management arrangements in place to oversee funding arrangements.

**Openness** – the Council should be transparent in their administration of funds, both to support accountability and to promote clarity and shared understanding of respective roles and obligations between entities and any external parties entering into funding arrangements.

**Value for money** – the Council should use resources effectively, economically, and without waste, with due regard for the total costs and benefits of an arrangement, and its contribution to the outcomes the entity is trying to achieve. In addition, the principle of value for money for procuring goods or services 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).

**Lawfulness** – the Council must act within the law, and meet their legal obligations.

**Fairness** – the Council must have a general public law obligation to act fairly and reasonably. The Council must be, and must be seen to be, impartial in their decision-making. The Council may also at times need to consider the imbalance of power in some funding arrangements, and whether it is significant enough to require a different approach to the way they conduct the relationship.

**Integrity** – Anyone who is managing public resources must do so with the utmost integrity. The standards applying to public servants and other public employees are clear, and the Council needs to make clear when funding other organisations that they expect similar standards from them.

When deciding how to give effect to the principles, consideration should be given to:

**The goal** – It is important for the Council to focus on what it is trying to achieve. The process should not dominate at the expense of the outcome.

**Simplicity and proportionality** – The requirements put in place for the funding arrangement should be as simple and practical as possible, considering the amounts

involved, the complexity, and the level of risk. It is appropriate to consider compliance costs for both parties, and seek to reduce them where possible.

**The context** – The arrangements need to fit with the overall context of the funding arrangement, including any more general relationships that the external party has with the entity or with other relevant government organisations. For example, a funding arrangement between a department and a non-government organisation may need to take account of any general government policy on relationships with the community and voluntary sector.

**The risk** – the Council needs to identify risks in or around the funding arrangement and to consider how to manage those risks. This should not be seen as encouragement to be overly risk averse. The key is to get the right balance between risk and expected benefit, and to do so consciously.

**The nature of the parties** – The needs and standards of the Council – for example, for accountability or transparency – may be quite different from those that the external party usually encounters. Equally, the external party's needs may be quite different from those of the Council. For example, a non-government organisation may have unique obligations to constituent groups or members. Relationships are likely to proceed more constructively and effectively if each party understands the needs of the other and the consequences of those needs for them.

## **2. OBJECTIVES**

The Procurement Policy objectives are to:

- provide best value for money over whole-of-life;
- provide open and effective competition;
- provide full and fair opportunity for all eligible suppliers;
- improve business capability, including e-commerce capability;
- require sustainably produced goods or services whenever possible;
- have regard to local, regional or national economic, environmental, and social impacts over their life cycle.

## **3. ENGAGEMENT OF EXTERNAL SUPPORT SERVICES AND CONSULTANTS**

As a general guideline, the Council would not usually engage external support:

- where there is an expectation that a conflict of interest could develop;
- to resource core, ongoing functions or activities; or
- to undertake tasks which the Council could more cost-effectively and appropriately resource itself.

The consultancy support services to be considered include:

- **Specialised expertise or skills** - Certain types of expertise or skills may not be available internally, and it is not feasible or desirable to gain the skills through internal training or recruitment.
- **An external or unbiased opinion** - to have an independent evaluation, review or judgement that is not affected by internal considerations or influenced by past events.
- **External advice to management** - At critical stages in the Council's development, management may wish to take external advice – for example, at times of organisational change.
- **To undertake work quickly** - to boost its internal resources by engaging a consultant to help expedite business processes or to complete projects more quickly.
- **Staff training** - it may be impractical to train its staff comprehensively using its own resources and therefore, engage a consultant to undertake aspects of training.
- **One-off Projects**

Engagement of external support services will have regard to:

- description/objectives of the project;
- function and boundaries of the consultancy;
- outcomes and deliverables;
- project timetable – including milestones, deadlines and completion date;
- required knowledge, expertise and experience;
- how the consultancy will be costed – for example, fixed cost, daily or hourly rates and incidentals;
- proposed payment schedule;
- confidentiality requirements;
- conflicts of interest, disclosure, resolution and management;
- professional indemnity and public liability;
- intellectual property;
- contract conditions; and
- selection criteria.

Unless special circumstances exist, engagements anticipated to incur fees above \$50,000 will take place after an open ROI or RFP process, such special circumstances to be approved and noted by the CEO or corporate manager.

#### **4. MATTERS TO CONSIDER IN PROCUREMENT DECISIONS**

The amount of detail to take into account will depend on the value and associated risk of the procurement. The content may include:

- the project scope;
- the procurement method;
- selecting an evaluation model (including the evaluation criteria) and process;

- the type of contract and contractual conditions;
- the responsibilities of the Council's staff and any other stakeholders;
- the risks;
- the need for independent oversight or assurance over the process;
- the timelines and key milestones;
- the resources needed (for example, project manager, evaluation team members, tender or proposal manager, and approving authority); and
- the budget, including the budget for conducting the procurement (for example, for external quality assurance, independent assurance, legal advice, and project management).

## **5. MATTERS TO TAKE INTO ACCOUNT FOR CONTRACTS**

The factors that should be taken into account when selecting the type of contract include:

- the nature of the goods or services;
- the type and complexity of the procurement;
- the likely administrative costs for both parties;
- any likely difficulty in clearly defining the contract requirements;
- how much technical or operational co-ordination the Council will need to provide;
- the intended duration of the contract;
- the likely volatility of cost inputs;
- the extent of risk that either party will have to assume; and
- intellectual property.

## **6. PURCHASING HIERARCHY**

Other than NZTA subsidised works, consideration will be given to the following purchasing hierarchy:

Maximum Limits:

Up to \$5000	Purchase from preferred local suppliers
\$5000-\$20,000	Quotes to be obtained from three preferred suppliers, unless competitive prices have been obtained from suppliers within the previous 6 months, or where there is a sole supplier of the specified item
\$20,000 - \$50,000	Invited tenders from preferred list
Over \$50,000	Open tenders

Any exception to the above hierarchy needs the confirmation of the officer's manager that a departure is warranted in the circumstances for reasons of efficiency or urgency and will not put the Council at a disadvantage. The consideration for the manager is that the cost of seeking quotes or tenders would be out of proportion to the value of the benefit likely to be obtained or impractical in the circumstances.

## **7. PREFERRED SUPPLIERS**

Suppliers of goods and services should be reviewed at the time of purchase, if this has not been undertaken in the last 12 months, to ensure products and services are regularly tested against the market. GSB contracts are recognised within the preferred supplier category.

## **8. SALE OF SURPLUS PLANT/EQUIPMENT/PROPERTY - PROCEDURES:**

### **Surplus Plant/Equipment**

- If currently valued at less than \$500 (either as a single item or as a 'job lot') the surplus may be disposed of by internal tenders in the first instance.
- If currently valued at \$500 or more, sale of any surplus will be by tender advertised in local papers or through Trade me Auction. Please note that contact should be made with other business units to co-ordinate the sale of surplus items.

**Trades** - Where new plant is being purchased and the surplus plant is to be treated as a trade in, quotes are to be obtained from alternative purchasers of the surplus plant to ensure maximum value of the surplus plant is obtained.

**Property Sales** - All property sales require Council approval. Unless otherwise determined by the Council, the method of sale will be either by advertisement or sale through real estate agents.

Any exceptions to the above procedures needs the confirmation of the officer's manager that a departure is warranted in the circumstances for reasons of efficiency or urgency and will not put the Council at a disadvantage.

## **9. TENDER PROCEDURES**

(A "tender" means a formal offer to supply or purchase specified goods or services at a stated cost or rate)

### **NZTA Procedures**

NZTA procedures will be used for all NZTA funded work.

*Note: Council currently uses the NZTA competitive pricing procedures (CPP) manual as the procurement procedure for roading works (and other major civil works in other areas).*

*This procedure allows higher limits than the purchasing hierarchy proposed – and reflects the lower general risk associated with usually straightforward roading projects.*

*NZTA require this procedure to be replaced by our own procurement strategy by 1st October 2010. It is intended to produce a common procedure based on the CPP for the three Wairarapa councils to minimize cost. This procurement strategy will come before Council this year for approval.*

These procedures may be adopted for tendering purposes for non NZTA work.

## **10. NON NZTA PROCEDURES**

Subject to specific procurement decisions made by Council or any direct legal advice, where NZTA procedures are not, the following procedures will apply:

### **Instructions for Tenders**

Tenders issued should contain information relating to:

- The format in which the tender should be submitted;
- The closing date and time;
- Where to deliver the tenders;
- Tenderers, or their representatives, are invited to the tender opening;
- Identification of the tender (the tender number and subject should be clearly identified on the envelope, the envelope being marked "Tender for .....");
- The specifications;
- Whether deposits should be payable;
- Criteria for the evaluation of tenders;
- Whether alternatives to the specified requirements will be considered;
- Occupational Safety and Health obligations need to be adequately covered; and
- Include reference to relevant conditions of tender.

Note:

Where the value of the impending contract is large, or at the CEO's discretion, legal advice may be sought before tenders are called. It may also be advisable to stipulate when due diligence checks are to occur. Tenders for procurement of goods or services with high risk or complexity should use a two envelope evaluation procedure to ensure a robust process is used for quality risk verse price trade-off.

### **Invitation to Tender**

Tenders will be invited by:

- Placing an advertisement in one or more newspapers which may be read by firms, or persons undertaking contracts; and/or
- Advertising in appropriate trade journals or periodicals.

Advertisements should clearly state:

- \* The Council's name
- \* The nature and purpose of the requirements
- \* When tenders will close
- \* That the Council will not necessarily accept the lowest, (or highest, if applicable) or any, tender.

Note:

For major items, to ensure an adequate number of tenderers are available, or where the timeframe of projects dictate, registration of interest before issuing the invitation to tender should be considered.

A minimum of 10 working days should be allowed between the first publication of the advertisement and the closing date for tenders unless RFIs have been obtained.

### **Receipt, Opening and Custody of Tenders**

The following procedures are adopted:

- Place all tenders received in the main reception counter slot marked 'TENDER' or in a locked box clearly marked "Tender Box" if alternative reception is required;
- Ensure security of tenders received eg: the key to the tender box is to be in the care of an officer not associated with the contract;
- Ensure formal procedures for handling tenders sent through an "open" channel, such as telex, facsimile or electronic mail are covered by relevant instructions to staff;
- Open the tender box as soon as practicable after the closing time. Tenders should be opened without delay. The time of opening needs to be advised so that tenderers can be represented at the opening;
- Open tenders in the presence of at least two officers;
- Have one officer announce the name and amount of each tender, while the other records this information. The list of tenders should be ruled off directly below the last tender entered on the page;
- Have both officers initial the list of tenders;
- Tenderers, or their representatives, are permitted to attend the tender opening. Officers must ensure no discussion takes place on any matter affecting the contract.

### **Receipt of Late Tenders**

Late tenders should not be accepted as this could give an unfair advantage to the late tenderer. Tenders received after the closing time should be returned (unopened) promptly to the tenderer marked: *Received out of time*.

### **Consideration and Evaluation of Tenders**

When considering tenders, the following procedures are to be followed:

- Agree on criteria to be used in evaluating tenders (if not already done);
- For large contracts, agree whether presentations are required of tenderers;
- Refer all valid tenders to the officer or team qualified to evaluate the tenders. That officer or team then checks that each tender meets the specified terms and conditions of the

contract. The tenderer's suitability and experience to perform the contract should be verified;

- Give to the officer or team the list of all tenders, as well as all relevant reports;
- Ensure if applicable, that the officer or team meets to consider all tenders (consistent with the Council's delegation policies in respect of entering into contracts), generally no later than 10 working days after the closing date;
- Keep notes of all meetings and supply a copy for the central records delegations file;
- Accept the most advantageous tender. This will normally be the lowest (or highest if applicable) priced tender after considering the relative merits of specification, sample, quality, delivery and other relevant aspects of performance;
- Where the lowest (or highest if applicable) priced tender is not accepted or where all tenders are rejected, record the reasons for the decision and refer to manager/committee for confirmation in accordance with the delegated authority;
- In circumstances where all tenders exceed estimates, but meet all other tender requirements, a report should be prepared for referral to the manager/committee in accordance with the delegated authority;
- Arrange for refunds of deposits if applicable; and
- Check any other reporting requirements in respect of delegated authorities, contracts under seal and the like.

### **Amendment of Tenders**

The NZS3910 standard provisions in respect of errors in tenders are to apply. These provisions are appended to the policy.

Tender specifications may be amended when a tenderer has provided an alternative specification which would result in savings to the Council. However, if the alternative specification differs significantly from the original then other tenderers will be given the opportunity to tender again.

All amendments to tenders, and reasons for them, should be reported to the officer/committee responsible for their consideration.

### **Acceptance of Tenders**

Tenders are to be accepted within the delegated authorities established by the Council. Any others need to go to a manager/committee meeting for acceptance.

### **Notification of Decision**

All tenderers will be informed in writing of the outcome of the tender as soon as possible after the decision. The successful tenderer must be notified and the contract accepted before unsuccessful tenderers are advised. The notification to unsuccessful tenderers will include the name of the successful tenderer, the accepted tender price and the range of tender prices.

## **APPENDIX 5: Delegations Policy**

### **DELEGATIONS POLICY (EXTRACT)**

#### **F. Financial Delegations**

- (1) Subject to F(2) and F(4), that the Chief Executive Officer be authorised to implement any proposal or matter contained within an adopted LTCCP, or annual plan of the Council.**
- (2) Subject to F(4), that authority to enter contracts for the supply of goods or services on behalf of the Council be delegated to all committees to the value of \$1,000,000 and to the Chief Executive Officer to the value of \$200,000.**
- (3) That the Chief Executive Officer may sub-delegate the authority to enter into contracts to each of the Manager Assets and Operations, the Manager Finance, the Manager Community Services and the Manager Policy to a maximum of \$100,000, to business unit and asset managers to a maximum of \$50,000 and to other officers to a maximum of \$10,000.**
- (4) That the authority provided by F(1) and F(2) or sub-delegated under F(3) is subject to the following conditions:**
  - that the proposal or matter is contained within an adopted LTCCP, annual plan or resolution of Council;**
  - where applicable, that there has been compliance with the Council's Procurement Policy requirements;**
  - in relation to acceptance of any tender, that either the lowest cost offer is accepted (as assessed under the terms of the Council's Procurement Policy) or authority is obtained to accept a higher tender in accordance with F(6);**
  - that nothing in F(1) or F(2) authorises an officer to exercise any responsibility, duty or power contained in Clause 32(a) to (f) of Schedule 7 of the Local Government Act 2002.**
- (5) For the purpose of F(2) and F(3), that the value of any continuing contract is measured as the maximum potential liability of the Council under the contract in any calendar year (and where that liability may vary from year to year, as the largest liability of any calendar year during the term of the contract).**
- (6) For the purposes of F(4), that any officer may accept a tender other than the lowest tender where authorised by that officer's immediate superior or the Chief Executive Officer and, in the case of the Chief Executive Officer, by the Chairperson of the relevant Committee.**
- (7) That contracts let by the Chief Executive Officer, Manager Assets & Operations, Manager Finance , Manager Community Services and Manager**

Policy for more than half the authorised value for that officer as set out in F(2) or F(3) be reported back to Council.

- (8) That the Chief Executive Officer, Manager Assets & Operations, Manager Finance, Manager Community Services and Manager Policy be authorised to vary any particular budgetary item contained in the annual plan (subject to the total departmental budget remaining unaltered within the overall budget) by \$20,000 or 5%, whichever is greater, with exceptions beyond this limit being reported.
- (9) That the Chief Executive Officer, Manager Assets & Operations, Manager Finance, Manager Community Services and Manager Policy be authorised to approve for payment any account which may be more than the value specified above, but are contract payments (where the total contract amount has been previously approved), statutory payments (eg GST), or agency payments (eg Greater Wellington Regional Council rates).

(10) **Fees and Charges**

That, subject to any Act, Regulation or Bylaw to the contrary and the Treasury Management Policy contained in the LTCCP, the Chief Executive Officer be authorised to determine fees and charges for any of the Council's facilities and services and further, that the Chief Executive Officer may, at his discretion, vary any of the fees and charges on reasonable grounds determined by him. The relevant parts of the Treasury Management Policy are attached as Appendix B.

(11) **Debts**

That the Chief Executive Officer be authorised to write-off such bad debts as he considers appropriate, subject to all reasonable steps having been taken to obtain recovery. The CEO to report to Council any write-offs of rates debts over the value of \$3,000 for any one ratepayer and sundry debtor accounts over the value of \$1,000.

(12) **Rates**

That the Chief Executive Officer be authorised under section 132 of the Local Government (Rating) Act 2002 to undertake the functions of the Council under that Act, including implementing the rates remission and other polices contained in the LTCCP dealing with rates collection, rates eligibility and relief from paying rates.

- (13) That the Chief Executive Officer be authorised to sub-delegate any of the authorities in (11) and (12) above to the Manager Finance.