



# **Kaipara District Council**

## **Procurement Strategy 2019**

December 2019

DRAFT



## Table of Contents

1	Executive summary .....	1
2	Purpose .....	3
3	Strategic context.....	4
	Kaipara Procurement Conditions .....	4
	Alignment with Government Procurement Rules .....	5
	Health & Safety .....	7
4	Kaipara Procurement Objectives.....	8
	Kaipara Procurement Objectives .....	8
5	Procurement Strategy Implementation .....	2
	Stronger oversight, governance and direction .....	2
	Pre-qualification .....	3
	Procurement Plans.....	3
	Gaining Critical Mass .....	6
	Collaborative Opportunities.....	7
	Targets.....	8



## 1 Executive summary


This Procurement Strategy has been developed in response to specific conditions faced by Kaipara in 2019

- We have a **significant Capital Programme**, larger than previous years with increased funding from alternative sources such as the Provincial Growth Fund. Our resources have not increased significantly and therefore we need to be smarter at how we procure services and be more efficient in our procurement activities.
- Northland has a **limited supply chain** which is stretched due to continued growth in all sectors in the region as well as pressure from the Auckland market. This means that we need to actively target new suppliers and grow the resource base available to us in Northland
- Our vision is '**Thriving Communities working together**' and in Kaipara we have a number of communities actively involved in both maintenance and capital projects. This is an important aspect of how we do business however we appreciate the need to support these groups so that they are able to execute the work safely.
- We have a low rating base for a large district and therefore **affordability** and funding through rates continues to be a challenge. This means that we need to continue to focus on getting a good price.
- We are one of the **fastest growing Districts** in New Zealand in particular in Mangawhai where we have an integrated programme (Mangawhai Community Plan) of transport, stormwater and community projects.
- In other parts of Kaipara we have significant **socio-economic challenges** and there is an opportunity, through our procurement activities, to support those people and businesses within our District who would be willing to participate in our activities given the right level of assistance.
- We have relatively high levels of waste to landfill and the vision of our **Waste Management & Minimisation Plan** is 'to make it easy to recycle and manage waste in the Kaipara District and promote the efficient use of resources'

This Procurement Strategy will guide and direct our activities over the next 5 years which incorporates the 2021 to 2025 Long Term Plan. Activities include Capital, Operations, IT and Workplace.

Our **Procurement Objectives** set a clear direction for us, our partners and our supply chain

- Deliver safely – a commitment to reducing harm to us and the people involved in our supply chain
- Create and demonstrate public value through our activities with particular focus on
  - Good price - whole of life costs
  - Good quality - customer centric delivery
  - Good outcomes - Social, cultural, environmental and economic
- Improve the efficiency of how we progress projects through their lifecycle and deliver the capital programme
- increase the ability of our Iwi, communities and businesses' in Kaipara to participate in Council activities;
- increase the size and skill level of the supply chain delivering work in Kaipara;
- support the transition to zero net emissions and promote efficient use of resources



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We will give effect to our Procurement Objectives through

1. Stronger **oversight and guidance** of our activities through a Programme Oversight Group (POG) and standard tools developed through the Procurement and Project Management Office teams to align processes and drive consistently good risk, programme and cost management practices as well as incorporate continuous improvement
2. A stronger focus on **Prequalification** with clear Performance Expectations which align with our business processes and lifecycle of the project
3. **Procurement Plans** (in line with our Procurement Principles)
4. Packaging of work to achieve **critical mass** which allow us to focus on effective relationships with suppliers based on longer-term planning and investment
5. **Collaborative arrangements** including regional procurement opportunities as well as earlier involvement of Contractors in project development

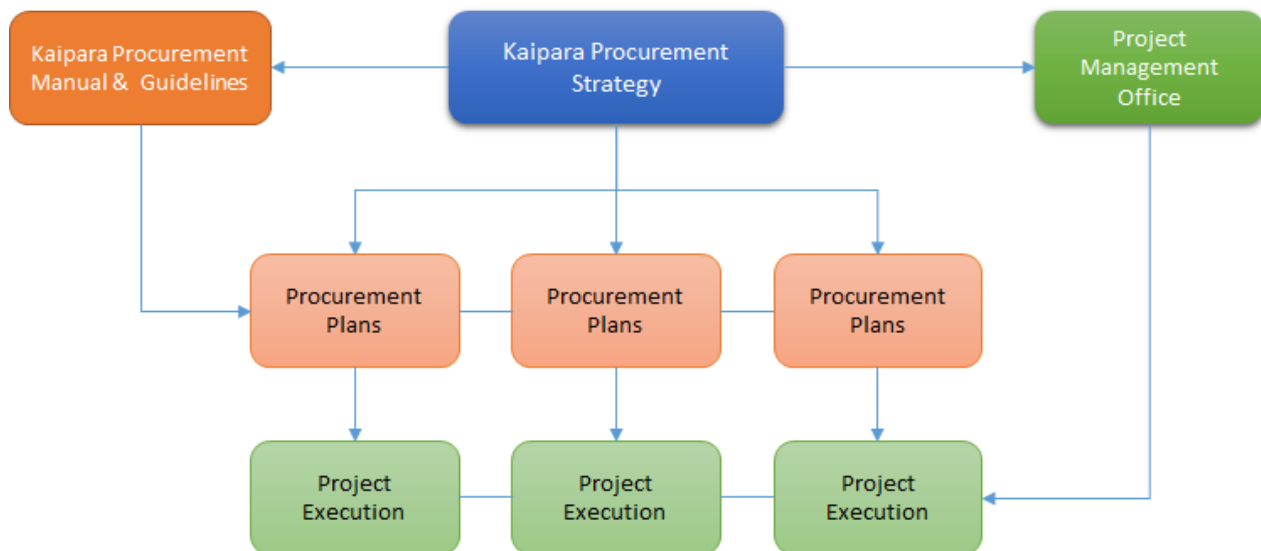
Our policies also provide a clear direction and where necessary will be developed to align with this Procurement Strategy. This includes existing Kaipara and Regional policies such as those relating to Iwi relationships and Waste Minimisation.

The Procurement Strategy is owned by the Procurement team and its implementation across all KDC activities will be governed by the Project Management Office (PMO) and Programme Oversight Group (POG). The Procurement Strategy will be reviewed every three years as part of the Long Term Plan (LTP) process.

## 2 Purpose

Council's role is to provide local leadership and facilitate the delivery of services and activities that promote community well-being throughout the Kaipara District. Procurement is one of the most influential aspects of what we do as a Council and directly impacts the delivery of services and activities.

This Procurement Strategy will guide and direct our activities at both a Procurement level (guided by the Procurement team) and at a Project level (guided by the PMO).



This Procurement Strategy aligns with best practice and policy requirements including the Ministry for Business Innovation and Employment (MBIE) Government Procurement Rules. The 4<sup>th</sup> edition introduces 'Broader Outcomes' and 'Public Value' which is a shift in previous procurement philosophy. Although Local Authorities are not required to follow the rules, it is considered prudent to follow good practice. Also, with the Kaipara programme being partly funded through the National Land Transport Fund and Provincial Growth Fund, it will be effective to be aligned with the expectations of the organisations managing those funds.

Procurement activities provide a unique opportunity to promote broader cultural, economic, environmental and social outcomes for Kaipara. The Broader Outcomes (described in section 3) generally align with Kaipara District Council direction and are intended to ensure that our Procurement activities give effect to what is important to Kaipara.

The aim of this Procurement Strategy is to align procurement activities with:

- Kaipara District Council's direction
  - Vision - Thriving communities working together
  - Values – Trustworthy, Integrity, Respect, Teamwork & Make it Happen
- good practice, in particular
  - achieving Broader Outcomes which are important to Kaipara
  - providing 'Public Value' with a focus on Good Quality, Good Outcomes and Good Price
- other organisational activities including
  - Governance, Risk and Compliance activities
  - Business processes including quality, safety and environmental



### 3 Strategic context

*Why we need to think differently about how we procure services in Kaipara going forward*

#### Kaipara Procurement Conditions

This Procurement Strategy has been developed in response to specific conditions faced by Kaipara in 2019

- We have a **significant Capital Programme**, larger than previous years with increased funding from alternative sources such as the Provincial Growth Fund. Our resources have not increased significantly and therefore we need to be smarter at how we procure services and be more efficient in our procurement activities.
- The **breadth of contracts** we have with suppliers range from major physical works through to Contract for Services with small community groups. These have different risk and support requirements but are both important
- Northland has a **limited supply chain** which is stretched due to continued growth in all sectors in the region as well as pressure from the Auckland market. This means that we need to actively target new suppliers and grow the resource base available to us in Northland
- Our vision is '**Thriving Communities working together**' and in Kaipara we have a number of communities actively involved in both maintenance and capital projects. This is an important aspect of how we do business however we appreciate the need to support these groups so that they are able to execute the work safely.
- We have a low rating base for a large district and therefore **affordability** and funding through rates continues to be a challenge. This means that we need to continue to focus on getting a good price.
- Good procurement practices set us up for success in the undertaking of our activities. We recognise the need to **improve our safety, environmental and quality performance**.
- We are one of the **fastest growing Districts** in New Zealand in particular in Mangawhai where we have an integrated programme (Mangawhai Community Plan) of transport, stormwater and community projects.
- In parts of Kaipara we have significant **socio-economic challenges** and there is an opportunity, through our procurement activities, to support those people and businesses within our District who would be willing to participate in our activities given the right level of assistance.
- We have relatively high levels of waste to landfill and the vision of our **Waste Management & Minimisation Plan** is 'to make it easy to recycle and manage waste in the Kaipara District and promote the efficient use of resources'

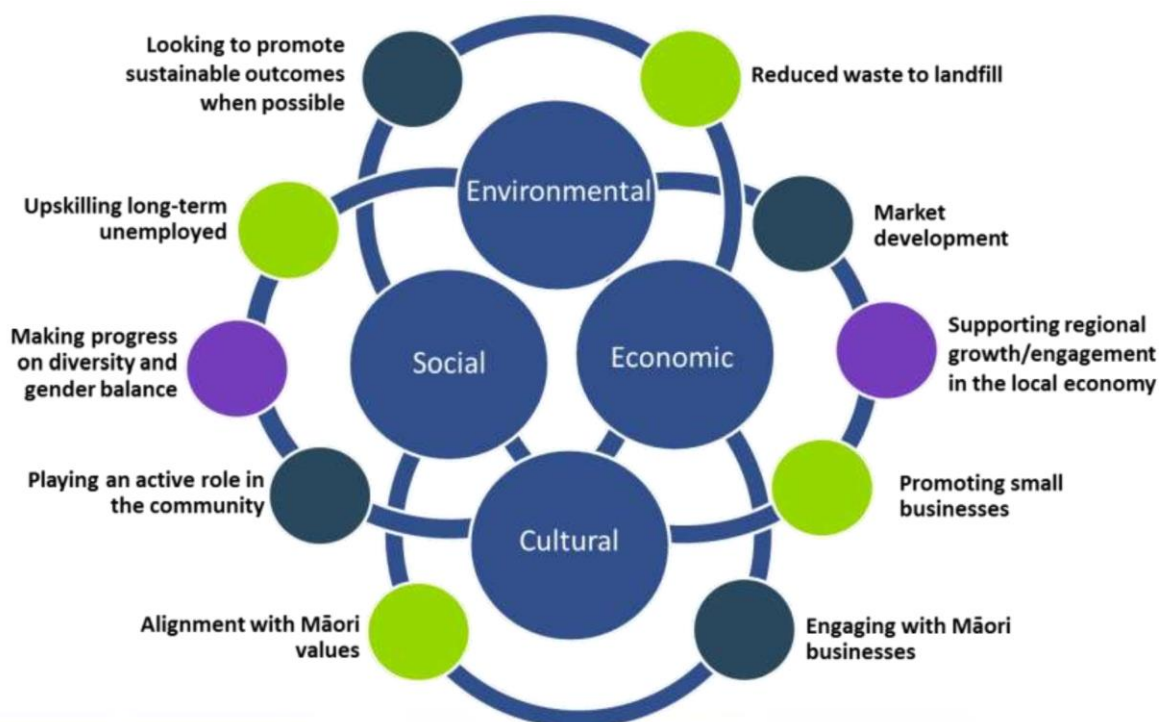
## Alignment with Government Procurement Rules

This Procurement Strategy has been developed with due consideration of the Ministry for Business Innovation and Employment (MBIE) Government Procurement Rules 4<sup>th</sup> edition. Although District Councils are not mandated to apply the rules, there is an opportunity to apply good practice and with many of our contracts utilising Crown investment, there is benefit in achieving a degree of alignment.

The Rules align with the Government's expectations that procurement can be leveraged to achieve **broader outcomes**. They focus on promoting **public value**, and include explicit requirements for agencies to incorporate or consider the **priority outcomes** as part of their procurement opportunities.

### Broader Outcomes

Kaipara District Council supports the central government's expectations that procurement can be leveraged to achieve **broader outcomes**. Broader outcomes require the consideration of not only the whole-of-life cost of the procurement, but also the costs and benefits to society, the environment and the economy.



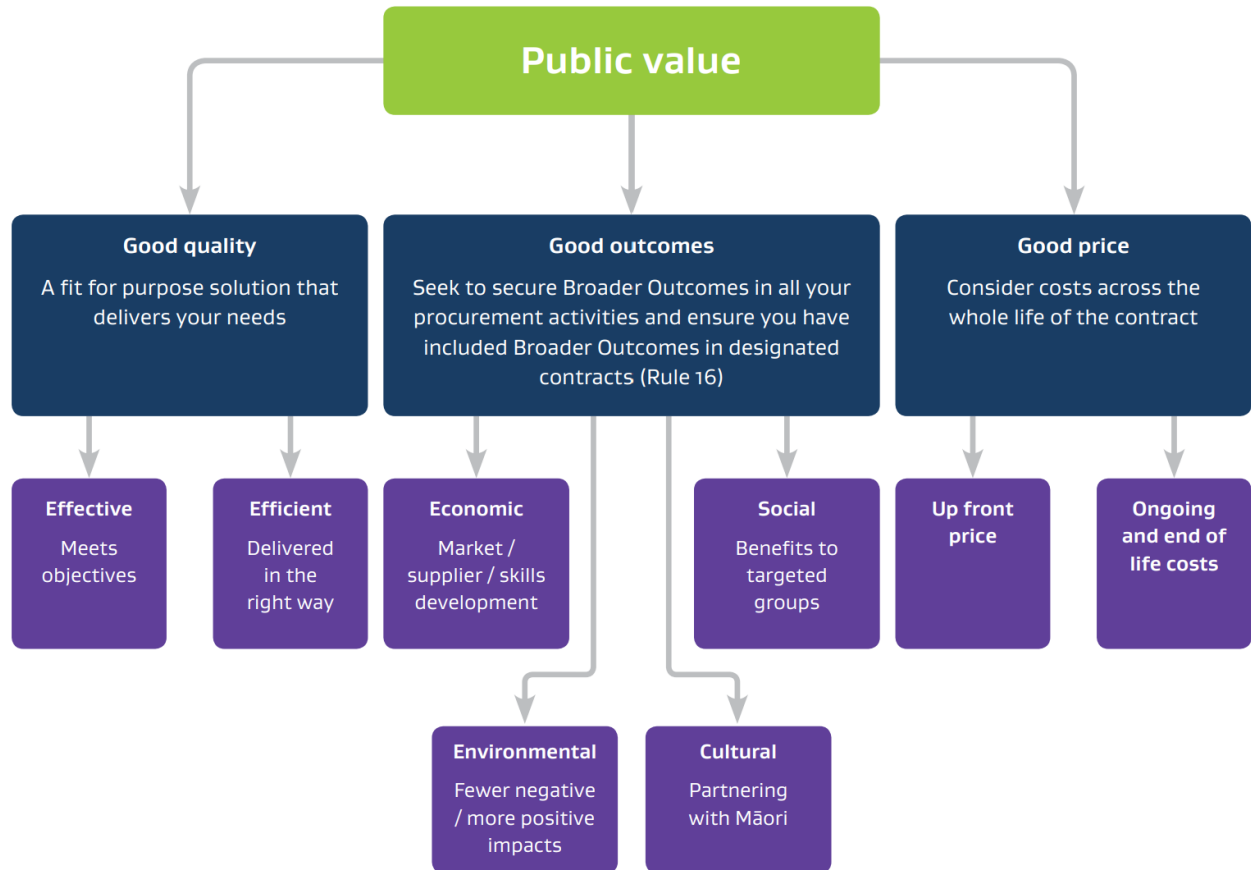
Kaipara District Council supports the achievement of broader outcomes and this is underpinned through existing plans and Policies.

Broader outcome	Reference
Reduced waste to landfill	Waste Minimisation Plan
Alignment with Maori Values & Engaging with Maori businesses	Mana Enhancing Agreement & MoU

This Procurement Strategy signals support for local businesses and pathways to employment.

**Public value** means getting the best possible result from our procurement, using resources effectively, economically and without waste, and taking into account:

- the total costs and benefits of a procurement (total cost of ownership), and
- its contribution to the results we are trying to achieve.



Achieving Public Value is expected to be a consideration of all our activities from an early stage and considered throughout the lifecycle of the activity. For example

- Economic Partnering with MSD and education sector to develop pathways to employment
- Environment Designing out waste through Asset Management and Project Plans
- Cultural Working with our Iwi partners to establish joint delivery approaches
- Social Recognising equity and distribution as part of our option selection



## Priority Outcomes

Kaipara District Council expectations are aligned with the Governments Priorities and through the implementation of this strategy will continue to deliver associated benefits.

Priority outcomes	Why relevant in Kaipara
increase New Zealand businesses' access to government procurement;	We are actively working with communities to provide them with the skills and capacity to participate safely in our activities
increase the size and skill level of the domestic construction sector workforce;	There is an opportunity for our regional contractors to invest in people, plant and resource There are opportunities to reduce intergenerational dependency on welfare and bring new people into our supply chain
improve conditions for workers in government contracts; and	There is an opportunity to encourage and recognise good practice between our primary contractors and their subcontractors/suppliers
support the transition to a zero net emissions economy and assist the Government meet its goal of significant reduction in waste.	Waste Management & Minimisation Plan 2016 vision: "To make it easy to recycle and manage waste in the Kaipara District and promote the efficient use of resources"

## Health & Safety

The Procurement Strategy recognises the need to give effect to our responsibilities within the Health and Safety at Work Act 2015. In particular

- Clarifying our duties as a PCBU and understanding the relationship with other PCBU
- Formalising our approach to pre-qualification and performance management
- Clarifying our safety expectations with our suppliers
- Risk management

These aspects must be incorporated within our procurement approach and we will expect the detail to be set out in our Procurement and Project Plans



## 4 Kaipara Procurement Objectives

*How we will procure our Infrastructure Services in Kaipara*

### Kaipara Procurement Objectives

Our Procurement Objectives set a clear direction for us, our partners and our supply chain

- Deliver safely – a commitment to reducing harm to us and the people involved in our supply chain
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  - Good price - whole of life costs
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- Improve the efficiency of how we progress projects through their lifecycle to deliver the capital programme
- increase the ability of our Iwi, communities and businesses' in Kaipara to participate in Council activities;
- increase the size and skill level of the supply chain delivering work in Kaipara;
- support the transition to a zero net emissions and promote efficient use of resources

We will give effect to our Procurement Objectives through

6. Stronger **oversight and guidance** of our activities through a Programme Oversight Group (POG) and standard tools developed through the Procurement and Project Management Office teams to align processes and drive consistently good risk, programme and cost management practices as well as incorporate continuous improvement
7. A stronger focus on **Prequalification** with clear Performance Expectations which align with our business processes and lifecycle of the project
8. **Procurement Plans** (in line with our Procurement Principles)
9. Packaging of work to achieve **critical mass** which allow us to focus on effective relationships with suppliers based on longer-term planning and investment
10. **Collaborative arrangements** including regional procurement opportunities as well as earlier involvement of Contractors in project development

Our policies also provide a clear direction and where necessary will be developed to align with this Procurement Strategy. This includes existing Kaipara and Regional policies such as those relating to Iwi relationships and Waste Minimisation.



Procurement Objectives	Stronger Oversight , Governance & Direction	Pre-qualification	Critical mass	Procurement Plans	Collaborative Arrangements
<b>Deliver safely</b> – a commitment to reducing harm to us and the people involved in our supply chain	Continuous Improvement and early adoption of lessons learnt	Suppliers meet our clear expectations for Safety commitment and compliance	We have suppliers who are able to invest in a safety culture	Safety clearly set out in the evaluation	Safety in Design
Create and demonstrate public value through our activities with particular focus on <ul style="list-style-type: none"> <li>- <b>Good price</b> - whole of life costs</li> <li>- <b>Good quality</b> - customer centric delivery</li> <li>- <b>Good outcomes</b> - Social, cultural, environmental and economic</li> </ul>	Checking we are procuring and delivering the right outcomes	Suppliers understand what is important to us Support local contractors and supply of material	Efficiencies through reduced overhead costs and backlog of work Suppliers able to increase their understanding of customer expectations Contractors can invest in employment and training	Develop evaluation criteria to focus on Public Value	Leverage early contractor involvement Collaboration with MSD and MBIE for Te Ara Mahi
Improve <b>procurement efficiency</b> including how we progress projects through lifecycle to deliver the capital programme		Reduce requirements at tender stage	Reduced number of tenders		Designer and Contractor procured early
increase the <b>ability of our Iwi, communities and businesses' to participate</b> in our activities;		Process and support for community activity	The way we package work can improve the ability to participate	Specification of any intent and how this will work	
<b>increase the size and skill</b> level of the supply chain delivering work in Kaipara;			Investor confidence to support recruitment		Sharing of skills and continuous improvement
support the transition to a zero net emissions and promote efficient use of resources		Preference and weighting given to suppliers that design out waste throughout the supply			Early innovation from an operating perspective Building expectations into our supply chain

## 5 Procurement Strategy Implementation

### *What we will do to implement the Procurement Strategy*

#### **Stronger oversight, governance and direction**

The Procurement team (which sits within Infrastructure Services) is responsible for the Procurement Strategy and its implementation across the organisation. It will be supported in this task through

- Project Teams including a Project Sponsor (PS) who is accountable for the successful execution of the activity
- The Project Management Office (PMO) including the Programme Oversight Group (POG) which consists of senior management
- Health & Safety representation

The POG will have visibility of the activity (or group of activities) through the lifecycle of projects from Procurement to Execution. The POG will have the oversight to check that this is happening in the right way and that the project teams have the right level of support to be successful.

	<b>Responsible</b>	<b>Accountable</b>	<b>Support</b>
Prequalification	<b>Procurement</b> – maintaining an up to date register of prequalified contractors and that contractors have the right capability for the risk associated with the activity	<b>Project Sponsor</b> – For any activity, the PS must be satisfied that the contractor has the right	<b>PM</b> will be expected to have risk assessment for the project or activity  <b>POG</b> will have oversight of gateways and will be able to check that this requirement has been met  <b>H&amp;S</b> will be able to advise on the level of risk and any concerns
Procurement Plan	<b>Project Manager</b> – The PM will develop the Procurement Plan in line with the Procurement Strategy	<b>Project Sponsor</b> – The PS will be accountable for the Plan and depending on the level of risk/value this will come under delegation rules for <b>Council/CEO/GM</b> for approval	<b>Procurement</b> will be able to provide templates and advice on the completion of the plan  <b>POG</b> will have oversight of gateways and will be able to check that this requirement has been met
Project Execution Plan	<b>Project Manager</b> – The PM will develop the Project Plan which should align with the expectations set out in the Procurement Plan	<b>Project Sponsor</b> – The PS will be accountable for the Plan	<b>PMO</b> will be able to provide templates and advice on the completion of the plan  <b>POG</b> will have oversight of gateways and will be able to check that this requirement has been met



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## **Pre-qualification**

There will be an increased focus on our prequalification requirements and relationship with approved suppliers and vendors.

The Procurement team will be responsible for maintaining pre-qualification standards and a register of approved contractors. Performance of contractors will be linked back to the register and to support continuous improvement and where necessary, the removal of contractors who do not align with our quality, safety and environmental expectations.

Currently we require medium to high risk contractors to be a minimum of 75% SiteWise. Going forward, we will look to broaden our expectations so that they align with our Procurement Objectives. There will be an expectation that this will be a relationship with our suppliers and that safety will not just be about SiteWise but will be about a meaningful commitment to working safely.

The level of pre-qualification required will be related to the level of risk in the activity or project being undertaken.

## **Procurement Plans**

The Project Sponsor will responsible for the development and execution of Procurement Plans.

To give effect to this Strategy, all Procurement Plans will

- Include weightings to reflect Procurement Objectives
- Consider opportunities for packaging of work to provide a stronger pipeline of work
- Incorporate safety expectations throughout the lifecycle of the project

All plans should be explicit on the level of risk associated with the activity or project. Risk management must be addressed through the procurement activity as well the project.

Procurement plans should be developed with input from across the organisation with opportunities to increase Critical Mass considered.

The Procurement team will support project teams to develop Procurement Plans which

- Give effect to the Procurement Objectives
- Achieve critical mass
- Provide clear expectations in terms of performance
- Manage risk appropriately
- Are properly resourced

The Procurement Plan will reflect the Procurement Principles which have been adopted from the Government Rules for Procurement.

# The Five Principles of Government Procurement

*The Principles of Government Procurement* apply to all government agencies and provide government's overarching values. They apply even if the *Rules* do not. Agencies should use the *Principles* for guidance and to help make good procurement decisions.

Take time to read the five Principles. You need to understand how they apply to the work that you do.

## 1. PLAN AND MANAGE FOR GREAT RESULTS

- › Identify what you need, including what *Broader Outcomes* should be achieved, and then plan how to get it.
- › Set up a team with the right mix of skills and experience.
- › Involve suppliers early – let them know what you want and keep talking.
- › Take the time to understand the market and your effect on it. Be open to new ideas and solutions.
- › Choose the right process – proportional to the size, complexity and any risks involved.
- › Encourage e-business (for example, tenders sent by email).

## 2. BE FAIR TO ALL SUPPLIERS

- › Create competition and encourage capable suppliers to respond.
- › Treat all suppliers equally – we don't discriminate (this is part of our international obligations).
- › Seek opportunities to involve New Zealand businesses, including Māori, Pasifika and regional businesses and social enterprises.
- › Make it easy for all suppliers (small and large) to do business with government.
- › Be open to subcontracting opportunities in big projects.
- › Clearly explain how you will assess proposals – so suppliers know what to focus on.
- › Talk to unsuccessful suppliers so they can learn and know how to improve next time.

## 3. GET THE RIGHT SUPPLIER

- › Be clear about what you need, and fair in how you assess suppliers – don't string suppliers along.
- › Choose the right supplier who can deliver what you need, at a fair price and on time.
- › Choose suppliers that comply with the Government's *Supplier Code of Conduct*.
- › Build demanding, but fair and productive, relationships with suppliers.
- › Make it worthwhile for suppliers – encourage and reward them to deliver great results.
- › Identify relevant risks and get the right person to manage them.

## 4. GET THE BEST DEAL FOR EVERYONE

- › Get best *public value* – account for all costs and benefits over the lifetime of the goods or services.
- › Make balanced decisions – consider the possible social, environmental, economic and cultural outcomes that should be achieved.
- › Encourage and be receptive to new ideas and ways of doing things – don't be too prescriptive.
- › Take calculated risks and reward new ideas.
- › Have clear performance measures – monitor and manage to make sure you get great results.
- › Work together with suppliers to make ongoing savings and improvements.
- › It's more than just agreeing the deal – be accountable for the results.

## 5. PLAY BY THE RULES

- › Be accountable, transparent and reasonable.
- › Make sure everyone involved in the process acts responsibly, lawfully and with integrity.
- › Stay impartial – identify and manage conflicts of interest.
- › Protect suppliers' *commercially sensitive information* and intellectual property.

The table below illustrates the alignment between the Procurement Principles and our Values.

	Trustworthy	Integrity	Respect	Teamwork	Make it Happen	Kaipara Procurement Principles
1. Plan and manage for great results						<p>We will assess health and safety risks in the preplanning phase, ensuring we include all the key stakeholders and including all the necessary (and required) engagement and consultation.</p> <p>We will</p> <ul style="list-style-type: none"> <li>manage and communicate the integrated infrastructure programme</li> <li>manage risk in a holistic and transparent way</li> </ul> <p>We will support early collaboration with Contractors</p>
2. Be fair to all suppliers						<p>We will develop contract packages to optimise market response</p> <p>We will seek opportunities to leverage local suppliers</p> <p>We will support capacity building for our Iwi, communities and businesses' in Kaipara</p>
3. Get the right supplier						<p>We will be clear on what requirements are needed for work and develop prequalification requirements; while leveraging working with communities to provide them with the skills and capacity to participate safely in our activities where appropriate.</p> <p>Be clear on the outcomes required and seek the optimum balance between price and quality, and attributes.</p> <p>Seek opportunities for enduring relationship contracts including Frameworks</p>
4. Get the best deal for everyone						<p>We will remain focused on a good price but with balanced consideration of all Public Value in our tenders</p> <p>We will encourage and recognise good practice between our primary contractors and their subcontractors/suppliers.</p> <p>We will create packages of work which combine different investment streams and deliver great community outcomes.</p>
5. Play by the rules						<p>We will have a plan to manage conflicts of interest and probity risk at a portfolio and project level.</p> <p>We'll follow the rules we set for each procurement plan.</p>



## Gaining Critical Mass

We will achieve efficiencies where we can create critical mass. This is about thinking more strategically about our activities. Critical mass could be increasing what we buy in a single activity (e.g. regional purchasing power) or aligning different activities in one area (e.g. packaging)

### *Programme*

A programme based approach to procurement will allow us to realise efficiencies – both for the supply chain and for our suppliers.

- We will develop and provide our supply chain with a long term, integrated infrastructure programme. This will be updated quarterly and communicated.
- We will look to create packages of work which combine different investment streams. An example of this is the Mangawhai Community Plan which includes stormwater, roading and community projects.

### *Framework Contracts*

A Panel is generally a pre-qualified list of suppliers to deliver services. A Framework agreement establishes terms governing contracts that may be awarded during the life of the agreement. It allows us to develop a commercial relationship with suppliers on a basis of good performance resulting in ongoing work.

A Framework agreement includes performance management and with a number of parties prequalified (the panel component) allows the right balance between good price, good quality and good outcomes to be achieved.

Framework management is a way of forming stronger relationships with suppliers which allows us to focus on continuous improvement and achieving our more ambitious objectives.

Three Panels have been identified for Capital activities which will sit within a Framework Agreement. Procurement Plans will be developed for each of these areas.







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## Collaborative Opportunities

We will focus on improving our relationships with our Regional Councils, suppliers and other agencies.

- Regional Collaboration
  - Establish Regional Engineering Standards
  - Procurement opportunities and sharing of resources
- Suppliers
  - Active relationship through bodies such as ACENZ and CCNZ
  - Relationship managers for all top tier suppliers (related to risk and value)
  - Building Relationships through Earlier Contractor Involvement (ECI) and Frameworks
- Other Agencies
  - Te Ara Mahi Kaipara – A specific delivery vehicle for connecting MSD clients with employers and training opportunities
  - Seek procurement and best practice advice from key agencies such as NZTA and MBIE

## Targets

The Procurement Team will develop and monitor targets which will be considered as part of the review of the Procurement Strategy. The review will be undertaken as part of the LTP review.

Objective	Measurement
<b>Stronger oversight, governance and direction</b>	
Project Execution Plans & Contract Management Plans	% of projects with PEP and CMP
Risk registers in place	% of contracts with active risk registers
<b>Pre-qualification</b>	
Approved supplier register	% of suppliers on register
<b>Critical Mass</b>	
Improving procurement and delivery efficiency	Reduction in the # of contracts Increase in average value of contracts
Increase local employment	# of at risk MSD clients brought into the workforce (MSD)
<b>Procurement Plans</b>	
Procurement Plans to include attributes aligned with Procurement Objectives – in particular safety	% of contracts with attributes demonstrating a link to Procurement Objectives
Roll out performance evaluation on all contracts	% of contracts with performance assessment
<b>Collaborative Arrangements</b>	
Target specific opportunities	# regional collaboration activities
Connect workers with suppliers	Work force planning established
Contractor collaboration	# ECI type contracts in place