



Ruapehu District Council

Organisation Procurement Strategy

14 September 2010

CONTENTS

Guide to this document.....	5
1. Executive summary.....	7
2. Purpose and scope of strategy	10
2.1 Background.....	10
2.2 Scope	10
2.3 Review	10
3. Current expenditure profile.....	11
3.1 Procurement profile – summary of suppliers and transactions	11
3.2 Category analysis	11
4. Current supplier profile and Commitments	14
4.1 Supplier ranking.....	14
4.2 Current contractual commitments (print A3 only).....	17
4.3 RDC Procurement Activity profile.....	18
4.4 Contract and supplier relationship management.....	19
4.5 Suppliers in the community.....	20
4.5.1 Policy - use of local and smaller suppliers.....	20
4.5.2 Local and small supplier policy at work.....	20
5. Policy and Guidelines.....	21
5.1 Community outcomes	21
5.2 RDC Values Charter.....	22
5.3 Policies.....	24
6. Expenditure programme	25
6.1 Infrastructure Procurement programme and commitments	25
6.2 Corporate expenditure	26
6.3 Community and Regulation services	26
7. Supply market environment.....	27
7.1 Local supply market.....	27
7.2 Supplier interviews	28

7.2.1	Collaborative working practices.....	28
8.	Strategy outline – (programme approach)	30
8.1	Procurement strategy objectives.....	30
8.2	Guiding Principles	30
8.3	Procurement delivery framework	32
8.3.1	One organisation procurement management framework.....	32
8.3.2	Procurement ownership and management structure	33
8.4	Delegations and limits of authority	35
8.5	Strategic drivers 2010 / 11.....	35
8.5.1	Implementing category / classification management.....	35
8.5.2	Cost and value for money	35
8.5.3	Collaborative relationships	36
8.6	Category strategies.....	37
8.6.1	Category management matrix	37
8.6.2	Corporate services strategy	38
8.6.3	Infrastructure strategy	39
8.6.4	Community Services strategy.....	40
8.7	Benefits.....	41
8.8	Risks.....	43
9.	Strategy implementation.....	44
9.1	Infrastructure Procurement Programme 2010 – 2011.....	44
9.2	Implementing the organisation strategy	44
9.3	Strategic initiatives and measures.....	45
9.4	Procurement performance measures and Efficiency Gains	48
9.5	Draft procurement programme.....	48
9.5.1	Implementation programme (Print A3 only)	49
9.6	Strategic Reviews.....	50
	Appendices	51
A.	Local and small suppliers Policy 2010.....	52
B.	Contracts Policy 2010	54

C. Procurement principles (including OAG principles) and activities	60
D. Supplier interview notes.....	66
E. Staff nominated supplier relationships	73
F. Contract commitments.....	75
G. Notes from staff procurement workshop Feb 9 2010.....	78
H. Risk and impact questionnaire and procurement procedures	80
I. Procurement Plan Template.....	83
J. Risk and opportunity template.....	89
K. Collaborative working – a guide for performance management frameworks	91
L. Example Efficiency Gains works sheet.....	99

GUIDE TO THIS DOCUMENT

This strategy has been prepared to provide:

- An understanding of how Ruapehu District Council (RDC) will use procurement principles and tools to gain better value from its suppliers and procurement and purchasing processes
- Provide a procurement strategy that meets New Zealand Transport Agency (NZTA) requirements to develop an endorsed strategy by October 2010.

The report is structured to align as closely as practicable to guidelines given in the NZTA procurement manual released in July 2009 and updated in December 2009, however RDC require a document that can be easily adapted and incorporated into organisation use.

Procurement backgrounder

We recommend that if the reader is not familiar with procurement practices then they should review Appendix C before reading the report.

The following key definitions will also support understanding the strategy:

What is procurement? Supply focused systems, policy, processes and tools to manage risks, relationships and resources with suppliers (from origin to consumption or disposal) to deliver best value outcomes.

What is category management? It is simply a way of managing procurement activity by grouping together related goods and services such as stationery, paper and copiers and managing them to common supply markets. Decisions about what is bought from which suppliers and under what form of contract are made on a category or sub category basis with a view to optimising price, quality and usage

What is supplier relationship management (SRM)? SRM is a comprehensive approach to managing interactions with the organisations that supply the goods and services it uses. The goal of SRM is to streamline and make more effective the processes between an organisation and its suppliers, leverage supplier knowledge to reduce cost and increase value and reduce supply side risk. SRM is 45% people, 45% systems and 10% infrastructure.

What is a preferred supplier – a preferred supplier has an agreement to supply named goods and services at a pre-agreed price and service mix. The arrangement usually does not guarantee exclusivity or quantum but staff are required to utilise preferred suppliers unless they have authority to procure elsewhere. It is most often used in expenditure such as corporate services (stationery, cafeteria, janitorial etc), minor maintenance work (particularly property) and vehicle repairs and fuel.

Document development and stakeholder consultation

Document and stakeholder consultation status	Reviewers	Timing
Supplier interviews and input	Suppliers	<ul style="list-style-type: none"> December 2009
Staff workshop and interviews	Management and staff	<ul style="list-style-type: none"> February 2010
Draft v1.0	Procurement project team	<ul style="list-style-type: none"> Complete February 2010
Draft v1.1	Team leaders	<ul style="list-style-type: none"> Complete March 2010
Draft v 1.1	Initial review by NZTA	<ul style="list-style-type: none"> Complete April 13 2010
Draft 2.0	Strategy team	<ul style="list-style-type: none"> Complete July 1 2010
Draft 3.0	Council	<ul style="list-style-type: none"> Complete 11 August 2010
Draft 3.0	NZTA	<ul style="list-style-type: none"> Complete 25 August 2010
Final	Publicly available and communicated to major suppliers	<ul style="list-style-type: none"> Complete 14 September 2010

Revision history

Revision	Revision Date	Details	Authorised	
			Name/Position	Signature
Final Draft	1/10/2010	Draft for Council Review	Peter Till Group Manager Corporate Service	
Amended				
Amended				
Amended				

1. EXECUTIVE SUMMARY

Introduction

The New Zealand Transport Agency (NZTA) introduced new procurement guidelines (issued in July 2009) which require Ruapehu District Council (RDC) to have an endorsed procurement strategy by October 2010. This requirement has prompted development of this strategy.

Discussions with RDC's leadership established that there is no existing organisation procurement strategy and that staff have concerns about the inefficiency generated by some current processes and policies. Therefore although the strategy only has to address NZTA funded activity RDC recognises there will be value in developing one strategy that supports all procurement activity.

Background

RDC is a significant buyer of goods and services in the Ruapehu District. Its procurement activity ranges from indirect (internal needs) activity such as stationery, vehicles and insurance to direct (customer facing) activity such as infrastructure delivery and maintenance, community library services and animal control. A significant portion of its expenditure has external targeted funding through NZTA and developer contributions which adds to the complexity of the procurement landscape due to additional rules and guidelines to meet funders' requirements. Also, as a local authority spending public funds, RDC should manage its activities to guidance given by the Office of the Auditor General and give the community assurance in terms of fairness, transparency and accountability.

From the procurement perspective it's the breadth of scope of activities that make local government agencies unique and creates the challenge to develop policy, people, processes and systems that can adequately manage this complex mix. Although RDC is not a large council its requirements to meet and manage these complexities are fundamentally no different from large metropolitan councils.

This means that unlike larger councils that have the scale to afford resources dedicated to procurement, almost all of RDC's staff have to participate in procurement activities to some degree. Whether it is sourcing a new maintenance contractor, managing the invoice payment, finding a cleaner or analysing supplier reports - all of RDC staff will be involved in the policy, systems and processes required.

RDC's procurement needs to be delivered both as efficiently as possible and also developed to leverage supplier expertise to supplement its own skills and continually challenge the total cost of doing business.

RDC as a client

RDC currently has some 570 active suppliers with 50 accounting for 90% of expenditure and only 10 accounting for 70% of expenditure. The organisation supports this profile with 30+ term maintenance contracts, 10+ capital works contracts and 70+ informal agreements. In addition, RDC processes some 8,500 invoices per annum.

RDC's procurement strength is in its positive relationships with key strategic suppliers – particularly in infrastructure but also in support activities such as legal services.

Other procurement activities such as tendering and evaluation and performance management are in line with most New Zealand councils.

RDC's procurement weakness is the lack of an integrated and planned approach to strategic supplier relationships that are supported by best practice policy, processes and systems.

Strategic focus areas

In developing this strategy it's recognised that procurement needs to be developed across a number of focus areas. These focus areas are as follows:

- **Transaction management (purchase orders, invoices, claims, retentions, credits and payments).** Current accounts and approval systems need to be reviewed to increase efficiency, focus on exceptions and

support accountability at levels where risk and value will be best managed. Efficient transaction management will also increase RDC's understanding of forward commitments to better manage cash flow and work in progress.

- **Performance management.** Long term and local suppliers have much to contribute but the current performance management regime is not aligned to organisation objectives and does not incentivise strategic contributions, shared accountability or collaborative (across suppliers) working.
- **Policy and delegations.** Policy and delegations do not focus on risk or exceptions management. Neither do they incentivise staff to take ownership for process and outcomes. It also adds to inefficiency by putting approval processes in place that are inappropriate to low value budgeted activity or are duplicated (eg: approving both the purchase order and the invoice for low value expenditure).
- **Regional initiatives and sustainable competition.** There are two opportunities here. The first is to work with other larger local clients to give local suppliers scale that enables them to compete effectively with national suppliers. The second is to work with regional partners more strategically to support long term competitive supply in key services.
- **Category management.** A number of large suppliers are used across the organisation and category management offers the opportunity to create ownership and realise value from those cross organisation or strategic relationships. Also, as with HR, accounts and IT, procurement is a cross organisation discipline that will benefit from centralised management and executive sponsorship.
- **Learning organisation and people development.** RDC will benefit from increasing learning opportunities across staff and supplier relationships to help ensure good practices are promoted and lessons learned are shared. Through clarity of ownership and standardisation staff will also increase their opportunities to be involved with good procurement practices that are then highly transferable across the organisation.

Strategic approach

RDC's approach to procurement development is as follows:

- **Strategy Ownership:** Group Manager Corporate Services owns procurement processes, policy and guides
- **Category management:** RDC will manage procurement under three categories namely: Corporate and Shared Services, Infrastructure and Community Services.
- **Risk and Value:** RDC procurements will managed under three risk/value profiles namely: Low Value (less than \$5,000 and no material risk); Simple (less than \$100k with some risk); and Complex (over \$100k and/or high risk). Each of these three profiles will have an approvals process commensurate with their risk and value profile.
- **Management and Governance:** RDC will build on the Tender Review Group (TRG) as the Governance body for procurement and appoint people to new roles including: Executive Sponsor, Category Managers, Transaction Manager and Procurement Administrator. These roles are necessary to promote standardisation and cross organisation people and systems development and will be filled by current staff which in many cases formalises existing responsibilities.

Implementation initiatives

The implementation of a whole of organisation procurement strategy will not require a large investment in terms of new staff, systems or extensive external input. It will require leadership and a commitment from key staff to undertake the initial development work that will build the platform for ongoing procurement activity. This development work will be focused as follows:

Policy / Process / Category / sub category	Strategy outline: Key issues / opportunities
Transaction management	<ul style="list-style-type: none"> a) Reduce cost through aligning accounting and procurement processes, coding and reporting b) Research and promote use of online tools from existing systems c) Refining the purchasing processes (purchase orders, accounts payable etc)
Strategic relationships – major suppliers	<ul style="list-style-type: none"> a) Increase value from existing long term and strategic supplier relationships b) Formalise preferred suppliers c) Increase cross supplier collaboration in networks and corridors d) Increase knowledge sharing across RDC and strategic suppliers – a best for network approach e) Align suppliers performance to organisation objectives
Policy – delegations, approved procurement methods and approved forms of contract	<ul style="list-style-type: none"> a) Increase ownership of outcomes of procurement processes through more effective delegation b) Simplify low value and low risk procurement activities c) Increased governance and review through TRG and Executive Sponsor.
Regional initiatives	Increase opportunities to manage regional supply competition and market sustainability
Category and sub category management 1) Indirect spend (primarily corporate and community services)	<ul style="list-style-type: none"> a) Reduce cost through increased centralisation and standardisation of procurement activity b) Increase predictability of RDC demand in local supply market c) Reduce cost of low value transactions through tools such as p-cards
Category and sub category management 2) Direct spend (primarily infrastructure and shared services)	<ul style="list-style-type: none"> a) Reduce cost and increase value through cross contract / services collaboration b) Increase predictability of demand c) Increased program alignment – “dig once”

Conclusion

RDC has a good platform to introduce leading procurement practice into the organisation. These include people who want to see improvements, good supplier relationships; suppliers who want to make a greater contribution and systems that are able to support most requirements.

Therefore implementing this strategy has the potential to offer significant benefits for council at a relatively low cost that will help it build on its role as a leader in the community to give customers, suppliers and stakeholder’s confidence that RDC is securing best value from its supply side relationship.

2. PURPOSE AND SCOPE OF STRATEGY

2.1 BACKGROUND

As an approved agency under s.25 of the Land Transport Management ACT 2003 (LTMA) RDC is required by the New Zealand Transport Agency (NZTA) to prepare and maintain a procurement strategy. RDC is permitted to use the new procurement guidelines released in July 2009 provided it advises NZTA of its intent to submit a strategy for NZTA endorsement prior to October 2010. This has been done.

In preparing its approach to development of the strategy RDC identified a number of considerations:

- Roading activities that attract NZTA funding account for over 50% of council's total expenditure
- The principles of the new NZTA procurement manual are relevant and applicable to all areas of expenditure and are representative of current best practice
- Procurement practices used in roading have direct and relevant application to other infrastructure activities
- RDC has developed specific activity or project focused procurement plans from time to time but has no procurement strategy in place for either roading or non roading activities.

This has led RDC to conclude that including all of its expenditure within the scope of this strategy will add short and long term value for council. This is particularly relevant given the NZTA manual's specific alignment to requirements under the Local Government Act 2002 (LGA). Specifically where local authorities are required to:

- Act in an open, transparent and democratically accountable manner
- Act effectively and efficiently
- Undertake commercial transactions in accordance with sound business practice
- Resolve any conflicts in an open, transparent and democratically accountable manner
- Comply with requirements of Part 6 of the LGA in respect of decision making and consultation.

A copy of NZTA's procurement manual can be found at:

<http://www.nzta.govt.nz/planning/funding/procurement/index.html>

2.2 SCOPE

This strategy addresses all of RDC's expenditure with suppliers for the three year period July 2010 to June 2013 and for clarity includes the following:

- Infrastructure services for roads, waters, parks, property and waste
- Corporate support expenditure including stationery, IT, printing and marketing, vehicles and uniforms
- Legal and insurance services
- Cross organisation services such as electricity, gas and telecoms, and
- Community and regulation support services such as animal control, library books and periodicals.

The strategy addresses how RDC will manage procurement of these services including how it will develop processes and policies that better align to best procurement practice.

2.3 REVIEW

The strategy will be reviewed in 2011/12, with reviews in three yearly cycles after that.

3. CURRENT EXPENDITURE PROFILE

In developing RDC's strategy we have first undertaken a desk top review of expenditure to understand RDC's procurement profile.

3.1 PROCUREMENT PROFILE – SUMMARY OF SUPPLIERS AND TRANSACTIONS

	07/08	08/09	09/10 (6 mths)
Number of suppliers	962	658	576
% suppliers supplying 90% goods and services	6%	5%	9%
Number of transactions	N/A	6,346	3,239
Average invoice	\$N/A	\$3,481	\$3,675
Average per supplier	\$33,576	\$33,575	\$20,702
Total external expenditure	\$32,300,000	\$22,092,000	\$11,904,000

Notes:

1. Supplier numbers on the system have reduced by 40% over the last two years due to rationilisation of minor activities with fewer suppliers which follows good procurement practice.
2. This is also reflected in the increase in % of suppliers delivering 90% of goods and services by value.

The above profile is not unusual for local government in that:

- A high proportion of expenditure is with a low number of suppliers reflected through large maintenance contracts and a small pool of suppliers undertaking capital works.
- There are a high number of low value suppliers – many due to individual ratepayer transactions

3.2 CATEGORY ANALYSIS

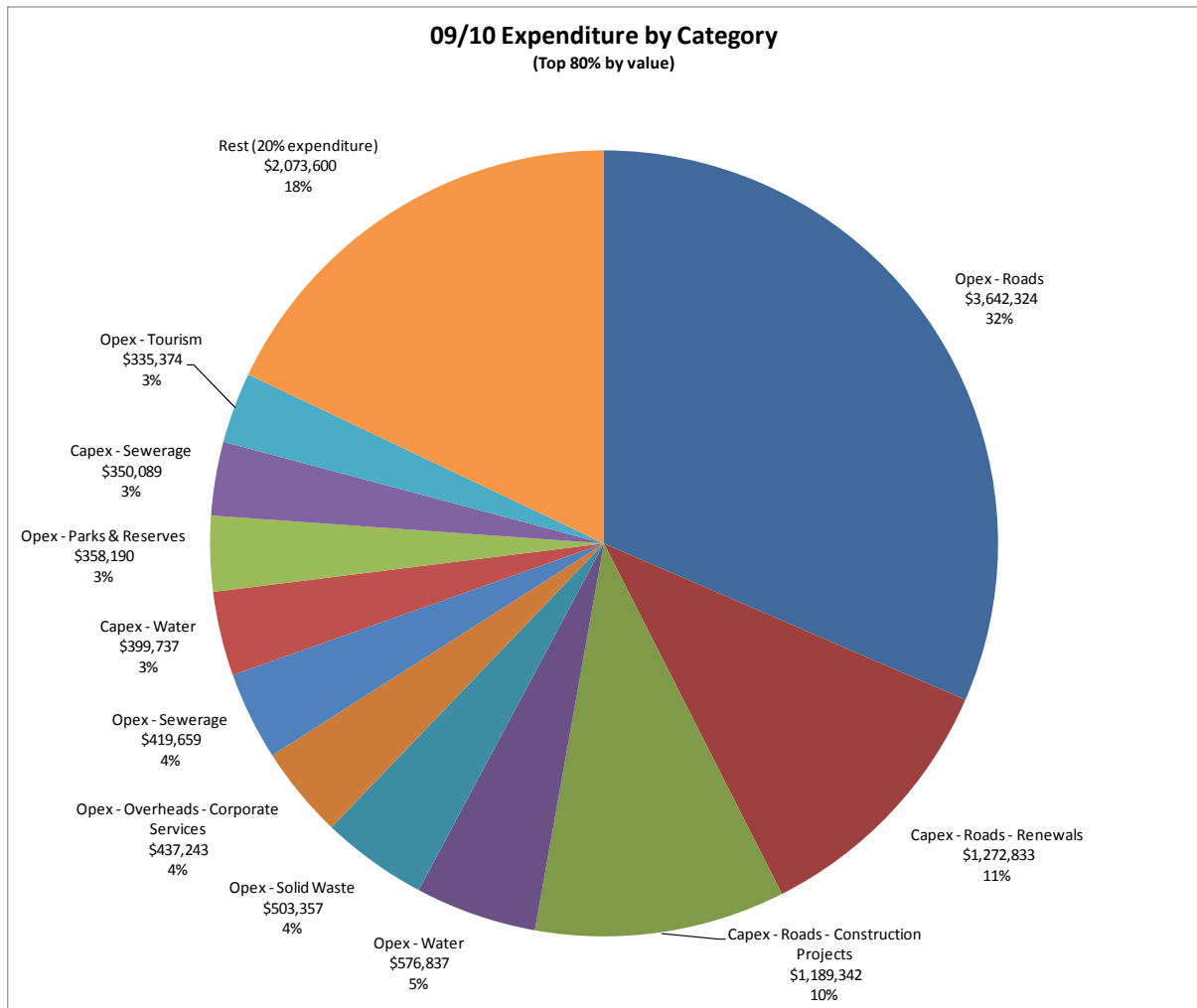
Overall there are no significant surprises but the review has highlighted a number of issues and opportunities to be addressed through the strategy including:

- There are a significant number of high value suppliers being used across different parts of the organisation lending weight to the introduction of procurement categories being managed centrally for the whole organisation.
- Accounting categories do not necessarily align to a supply side procurement profile. This is not unusual in that accounting coding is normally aligned to funding sources whereas procurement is aligned to supply type (goods and services). Most accounting packages have the facility to add a "classification" to the coding process so that data can be collected for the owners of the procurement category. RDC have used this capability however should be reviewed once the recommended category management structure is implemented.

The following table and chart offer a useful insight into RDC's expenditure profile and uses a simple 80/20 analysis to gain an initial view of where procurement improvement strategies and initiatives should be focused:

Analysis by accounting category:

A) Top 80% categories by value – 2009/10 year to date (Feb 10)



B) Comparison 08/09 and 09/10 year to date

Categories	6 mths 09/10	% 09/10	08/09	% 08/09
Opex - Roads	3,642,324	31.5%	7,354,707	33.7%
Capex - Roads - Renewals	1,272,833	11.0%	3,755,289	17.2%
Capex - Roads - Construction Projects	1,189,342	10.3%	2,108,179	9.7%
Opex - Water	576,837	5.0%	1,042,075	4.8%
Opex - Solid Waste	503,357	4.4%	904,267	4.1%
Opex - Overheads - Corporate Services	437,243	3.8%	690,983	3.2%
Opex - Sewerage	419,659	3.6%	670,540	3.1%
Capex - Water	399,737	3.5%	658,605	3.0%
Opex - Parks & Reserves	358,190	3.1%	688,295	3.2%
Capex - Sewerage	350,089	3.0%	301,104	1.4%
Opex - Regional Tourism Operation	335,374	2.9%	194,628	0.9%
Capex - IT	331,961	2.9%	214,891	1.0%
Opex - Com Facilities	253,827	2.2%	563,944	2.6%
Opex - Overheads - Chief Executives Office	191,488	1.7%	297,053	1.4%
Opex - Resource Management	142,891	1.2%	146,083	0.7%
Opex - RDC Buildings	141,266	1.2%	N/A	
Opex - Regulation - Emergency Management	128,797	1.1%	24,594	0.1%
Opex - Overheads - Asset Management	92,282	0.8%	434,830	2.0%
Capex - Stormwater	87,669	0.8%	262,183	1.2%
Opex - Com Property	87,376	0.8%	150,854	0.7%
Opex - Stormwater	86,321	0.7%	123,141	0.6%
Opex - Economic Development	79,154	0.7%	48,267	0.2%
Opex - Regulation - Building Consents	68,607	0.6%	93,688	0.4%
Opex - Leadership	65,027	0.6%	85,578	0.4%
Opex - Vehicles (O/Heads)	60,138	0.5%	N/A	
Capex - Regulation	39,064	0.3%	9,591	0.0%
Capex - Roads - non subsidised footpath/K&C	37,785	0.3%	411,012	1.9%
Capex - Rec & Com Facilities	26,955	0.2%	49,490	0.2%
Capex - Libraries	26,237	0.2%	96,815	0.4%
Opex - Overheads - Community & Regulation	25,048	0.2%	304,916	1.4%
Capex - Furniture & Fittings	23,227	0.2%	10,786	0.0%
Capex - Roads non subsidised	18,360	0.2%	N/A	
Capex - Solid Waste	15,802	0.1%	34,826	0.2%
Opex - Regulation - Animal Control	13,053	0.1%	30,852	0.1%
Opex - Agencies	12,298	0.1%	N/A	
Capex - Comm Housing	10,167	0.1%	10,567	0.0%
Capex - Taumarunui Admin Building	5,200	0.0%	3,695	0.0%
Capex - Hardware	1,835	0.0%	37,365	0.2%
Opex - Regulation Inspection Services	1,605	0.0%	2,707	0.0%
Opex - Regulation - Environmental Health	162	0.0%	19,126	0.1%
	11,558,586		21,835,524	

4. CURRENT SUPPLIER PROFILE AND COMMITMENTS

This section reviews current supplier activity as the strategy needs to account for the following:

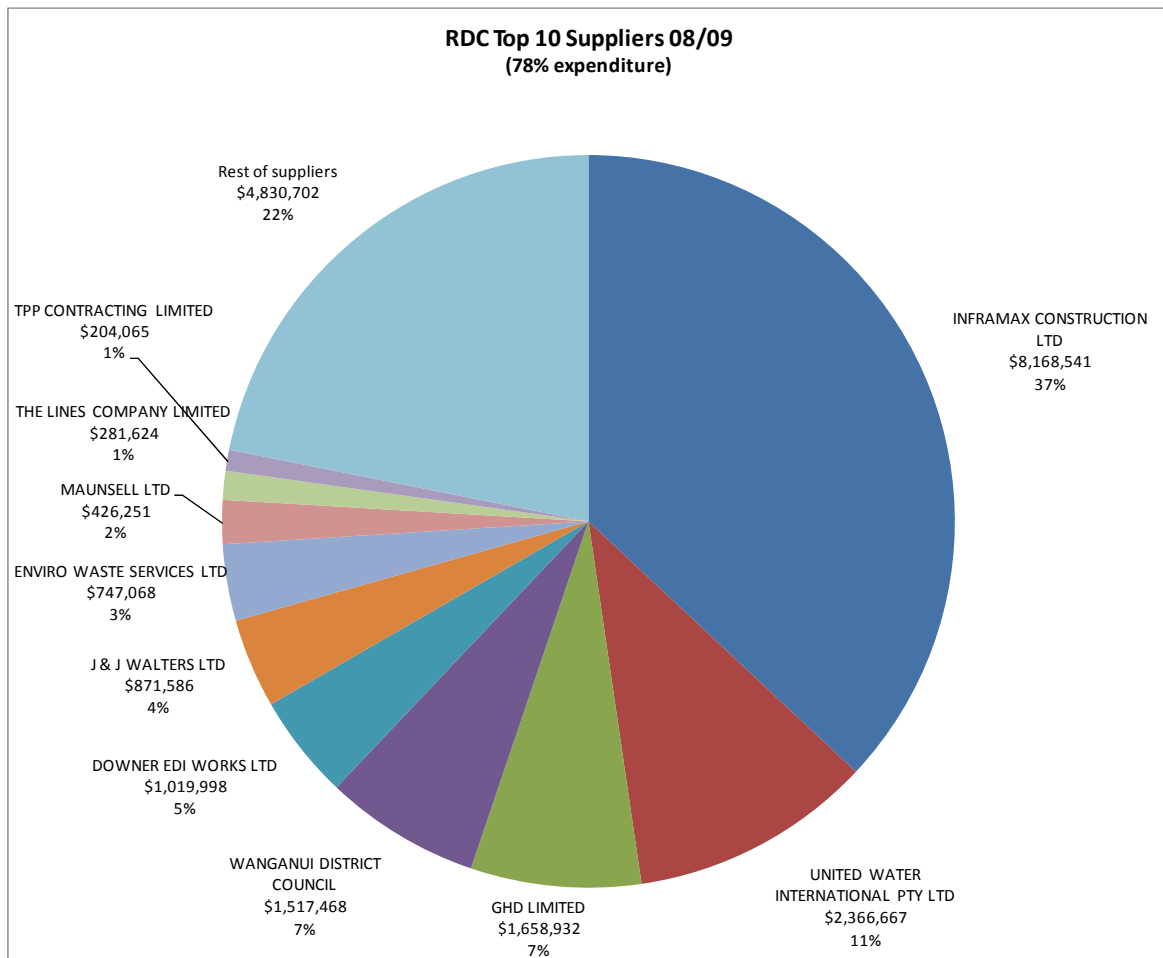
- Who are the major suppliers (both value and impact)
- What are current contractual commitments, and
- What are current supplier relationship management (SRM) activities.

4.1 SUPPLIER RANKING

The following charts add some detail to the high level analysis in 3.1 above. Based on financial records and using a simple “Top 10” analysis this gives a profile of high value suppliers, however please also refer to the list in Appendix E where staff have identified key relationships that impact their daily activities. Those relationships accounted for 80 (12% by number) suppliers.

Therefore there are some 85 suppliers that are seen as significant in terms of either value or impact, (see Appendix C for a definition of impact and value). While this represents less than 15% of all the active suppliers on the accounts database it is still a significant number to be under active management without any overarching guidance or strategy.

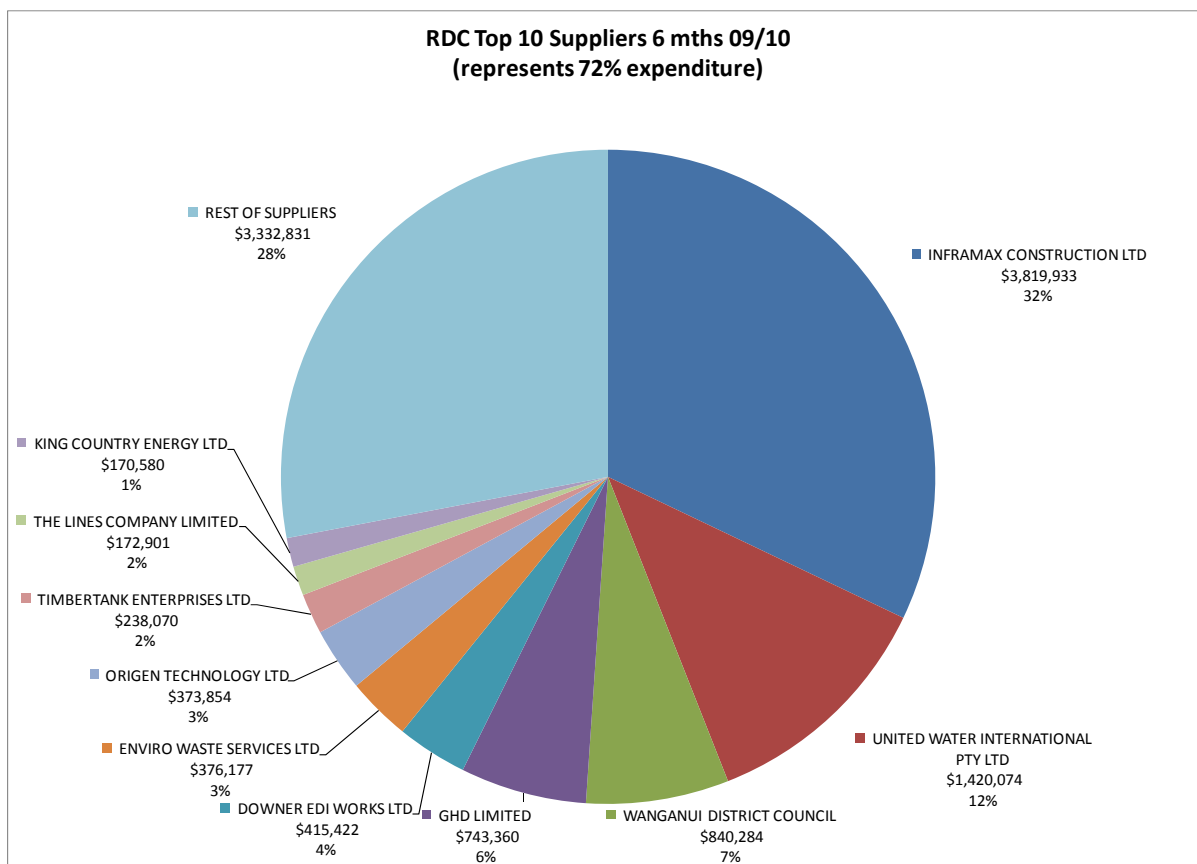
Firstly, the top 10 suppliers who collectively accounted for over three quarters of expenditure (CAPEX and OPEX).



Note: Wanganui District Council refers to Wanganui Pipiriki Road sealing contract

Not surprisingly this summary is dominated by infrastructure suppliers who have been contracted by RDC using procurement practices based on NZTA’s competitive price procedures.

The following chart gives the same summary for the first six months of 09/10



The above charts are also typical of local government and reinforce the fact that the majority of major services are provided through suppliers who have long term relationships with council.

This is an initial indication that while traditional supplier selection based procurement activities are always important RDC will likely secure greater value through an increased focus on supplier relationship management (SRM).

This is an initial indication that while traditional source and selection based procurement activities are always important RDC will likely secure greater value through an increased focus on supplier relationship management (SRM)

This in turn suggests a need to develop single points of ownership for key suppliers or categories so that RDC is able to develop a one organisation view of key relationships. This approach will facilitate implementation of cost and transaction reduction strategies described later in this strategy.

Supplier ranking for 90% expenditure

The following table looks at 08/09 and 09/10 YTD supplier ranking by value. These suppliers represent less than 10% of all the suppliers which indicates that RDC may benefit from some supplier rationalisation to reduce transaction and supplier management costs. Rationalisation will go some way to reduce costs but there will also be opportunities to leverage online or e-tools to reduce transaction costs for the suppliers that remain.

Top 90% suppliers by value

Top 90% Suppliers by value	09/10 YTD	08/09
INFRAMAX CONSTRUCTION LTD	3,819,933	8,168,541
UNITED WATER INTERNATIONAL PTY LTD	1,420,074	2,366,667
WANGANUI DISTRICT COUNCIL	840,284	1,517,468
GHD LIMITED	743,360	1,658,932
DOWNER EDI WORKS LTD	415,422	1,019,998
ENVIRO WASTE SERVICES LTD	376,177	747,068
ORIGEN TECHNOLOGY LTD	373,854	169,287
TIMBERTANK ENTERPRISES LTD	238,070	54,120
THE LINES COMPANY LIMITED	172,901	281,624
KING COUNTRY ENERGY LTD	170,580	195,398
SWITCHED ON TOURISM LIMITED	150,602	29,266
ALF DOWNS & SON LTD	142,466	147,650
CONCRETE STRUCTURES (NZ) LTD	134,316	-
AON NEW ZEALAND	107,935	-
RUAPEHU ALPINE LIFTS	107,214	116,325
AUDIT NEW ZEALAND LTD	92,773	158,263
AECOM NEW ZEALAND LIMITED	92,598	17,638
J & J WALTERS LTD	83,617	871,586
VISIT RUAPEHU	80,000	-
TOTAL LEISURE CONCEPTS	71,111	167,438
QUOTABLE VALUE LTD	69,061	134,472
DEFENCE FORCE NEW ZEALAND	65,250	109,910
Wendy Hansen Contractors	63,798	-
LE PINE & CO.	59,347	76,749
HORIZONS.MW	53,919	82,037
Visit Ruapehu Trust	50,000	-
ACCIDENT COMPENSATION CORPORATION	47,575	44,641
RUAPEHU PROPERTY SERVICES LTD	46,904	88,662
MOBIL OIL NEW ZEALAND LTD	45,638	58,527
DATAKOM SYSTEMS LTD	43,553	33,318
BUILDCON SOLUTIONS LTD	42,882	61,762
RUAPEHU WANGANUI RANGITIKEI ECONOMIC DEVELOPMENT TRUST	42,667	42,667
HAWTHORNE, PHIL	40,265	9,850
COMMTECH SERVICES	35,274	575
DEPARTMENT OF CONSERVATION (TURANGI)	34,053	2,891
GARY JACOBS LIMITED	33,952	194,848
TWEEDALE CONTRACTING LTD	28,355	671
PRICEWATERHOUSE COOPERS	28,103	10,500
GEON MANAWATU	27,656	-
NEW ZEALAND POST LTD	27,073	35,090
GOOD EARTH MATTERS CONSULTING LTD	26,760	41,117
DEPARTMENT OF BUILDING AND HOUSING	25,478	2,561
TPP CONTRACTING LIMITED	25,477	204,065
OFFICE MAX LTD	25,352	25,775
WESTPAC COMMUNITY POOL	25,000	25,000
RUAPEHU SIGNS LTD	23,309	3,779
CHEAL CONSULTANTS	23,048	30,596
Konica U-BIX	22,671	48,032

Notes – the cost of procurement processes

In addition to the contracts that need to be renewed or retendered over the next three years the following will be considered when developing individual procurement plans:

- Breaking contracts into smaller portions may assist local suppliers; however the same supplier is often winning a number of similar contracts that effectively “re-bundles” the work. Therefore consider the potential for contract consolidation by providing for separable portions within a single tender document rather than individual tender documents. This will also reduce the cost of the procurement process.
- Although it is difficult to capture the cost of a procurement process managed internally, experience suggests that a simple tender and contracting process will cost at least \$5k. Experience also suggests that formal procurement processes might yield a price difference of about 10% between the two best prices. Therefore to get a return on the \$5k invested in the procurement process the minimum contract value that should be put through a tender process would be in the vicinity of \$50k.

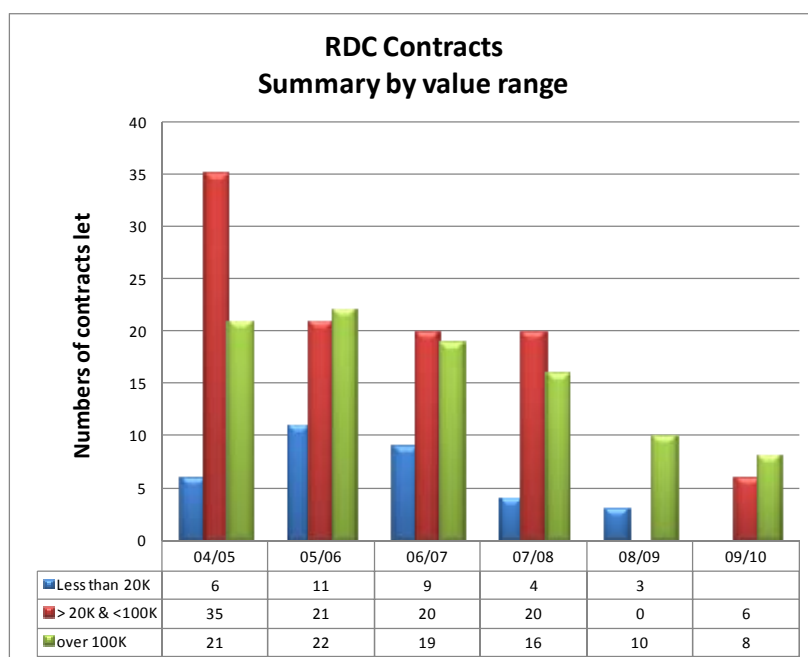
RDC must consider the total cost of procurement when determining its contract bundling or unbundling. Unless there is a significant strategic issue it is difficult to justify the cost of a tender process for anything less than \$50k.

RDC must consider the total cost of procurement when determining its contract bundling or unbundling. There is a cost to Council and therefore ratepayers if it unbundles contracts by service or region to a point where value is lost. Unless there is a significant strategic issue it is difficult to justify the cost of a full public tender process for anything less than \$50k.

As an example - this principle could be applied to RDC’s property contracts where RDC engages directly with one or two master contractors who in turn manage the large number of small urban and rural trades firms as sub contractors. This will reduce the cost of doing business for RDC and enables RDC to better manage its risk in terms of health and safety and the environment.

4.3 RDC PROCUREMENT ACTIVITY PROFILE

Over the last five years RDC has rationalised its procurement activity and is letting fewer contracts each year. This trend is reducing the cost of procurement for RDC and supports a strategy to leverage longer deeper relationships with key suppliers to increase the value RDC receives from those suppliers. The following chart summarises activity over the last six years:



4.4 CONTRACT AND SUPPLIER RELATIONSHIP MANAGEMENT

The following chart/table identifies RDC roles in the management of suppliers and their contracts that are currently formally captured. Note this list is not exhaustive and omits management of key corporate expenditure such as electricity, phones, copiers and IT systems.

Asset Management & Network Management Delivery Structure

CONTRACT	ITEM	Programme Approved By	Work Carried out By	Work / Claim Checked By
1407	GHD Professional Services- Transport contracts	As per below		
1389	Streetlights-2 Years	Consultant (GHD)	Contractor	Consultant
1279	Swimming Pools Maintenance/Year	Council	Council contractors for	Council
1355	RDC Road Maintenance-35 months	Consultant (GHD)	Contractor	Consultant
1041	Parks and Reserves-4 Years	Council	Various contractors	Council
1367	RDC Clean Building-Huia Street	Consultant (GHD)	Contractor	Consultant
1307	Office Cleaning Ohakune-/Library	Council	Various contractors	Council
1310	Toilets-North	Council	Various contractors	Council
1311	Toilets-South	Council	Various contractors	Council
1308	Office Cleaning-Raetihi/Library	Council	Various contractors	Council
1313	Toilet Cleaning-Waiouru	Council	Various contractors	Council
1319	Toilet Cleaning-Ohura	Council	Various contractors	Council
1101	OMR Winter Traffic Management	N/A	Contractor	Consultant
1101	OMR Summer Traffic Management	N/A	Contractor	Consultant
1415	Plumbing Maint-South	Council	Contractor	Council
1416	Building Maint-South	Council	Contractor	Council
1349	Electrical Maint-South	Council	Contractor	Council
1292	Building Maint-North	Council	Contractor	Council
1293	Plumbing Maint-North	Council	Contractor	Council
1409	Electrical Maint-North	Council	Various contractors	Council
1254	Plant Pest Control 2005-10	Consultant (GHD)	Contractor	Consultant
1332	Library-Taumarunui Office Cleaning			
1424	Litter Collection-Taumarunui	Council	Contractor	Council
1404	IOP & Planned Maintenance	Council	Contractor	Council
1402	Building Maintenance-North	Council	Contractor	Council
1099	Kerb Side Collection			
1099	Kerbside Recycling			
1100	Landfill & Transfer Station Maint.			
1039	Water, Sewer, Stormwater Services	Council	Contractor	Council

Capital Works Delivery Structure

Contract No.	Description	Design, Plans, Estimate done by	Tender Let / Contractor engaged by	MS/OA supervisory role carried out by	Approval of Claims	Work Completed by
1249	Reseals 2005-2010	Contractor	GHD	GHD	GHD	Contractor
1421	Raetihi Sewer Reticulation Lining	Contractor	All water, sewer stormwater capital work carried out by United Water	Contractor / C	Council	Contractor
1419	Huia Street Rising main	Contractor	All water, sewer stormwater capital work carried out by United Water	Contractor / C	Council	Contractor
1413	Ohakune WTP Reservoir & Ow hango Reservoir Roof	Contractor	All water, sewer stormwater capital work carried out by United Water	Contractor / C	Council	Contractor
1412	Owhango WTP & Reservoir Roof	Contractor	All water, sewer stormwater capital work carried out by United Water	Contractor / C	Council	Contractor
1355	Pavement Rehab:Ohura Road	GHD	N/A - Existing contract	GHD	GHD	Contractor
1355	Pavement Rehab:Poro-O-Tarao Road	GHD	N/A - Existing contract	GHD	GHD	Contractor
1355	Dobbs Bluff Remediation:OIO Road	GHD	N/A - Existing contract	GHD	GHD	Contractor
1355	Waimarino Tokaanu Road	GHD	N/A - Existing contract	GHD	GHD	Contractor
1355	Shorts Hill-Minor Improvements	GHD	N/A - Existing contract	GHD	GHD	Contractor
1385	Footpath Renewals	GHD	N/A - Existing contract	GHD	GHD	Contractor
1391	Ohakune OMR-Bridge	GHD	N/A - Existing contract	GHD	GHD	Contractor
1430	Taumarunui Domain Toilet	Alex Ferrier	Council	Council	Council	Contractor
1411	Taumarunui Memorial Hall	Paul Gellatly	Council	Council	Council	Contractor
	Disabled Ramps to older persons housing units	Gary Jacobs	Council	Council	Council	Council Contractor
	Ohura playground	Council	Council	Council	Council	Volunteer and Council Contractor
	Ohakune cemetery replacing fence and gates	Council	Council	Council	Council	Council Contractor
	Taumarunui cemetery installation fence and gate	Council	Council	Council	Council	Council Contractor
	Effluent beds Ohura	Council Contractor	Council	Council	Council	Council Contractor

Note: RDC senior management is reviewing contract supervision to ensure that skills that are available in Council are appropriately utilised.

4.5 SUPPLIERS IN THE COMMUNITY

RDC want to actively seek ways in which it can support greater involvement of local suppliers in providing services to council.

However, to be effective RDC must first clearly define what it sees as a local supplier as there is often confusion where people mistake small for local. RDC has to balance size (where a small supplier is unlikely to be a regional or national organisation) with employment, location, business ownership or profit distribution. Likewise small suppliers must recognise that there is a cost of doing business with a public body that requires a level of information and relationship management that they may not be able to adequately resource.

All aspects have their strengths and weaknesses and RDC will need to determine where it should intervene and ensure that intervention does not create perverse behaviour (such as registering a local business address to pass a due diligence test) or create uncompetitive market conditions (such as small suppliers simply having no place in a particular market in NZ).

4.5.1 POLICY - USE OF LOCAL AND SMALLER SUPPLIERS

Staff will required to address local supply in their procurement plans in the context of the policy for local and small suppliers. Please see appendix A for a copy of the draft policy.

The draft is aligned to central government policy provided by the Ministry of Economic Development.

For reference - the full central government policy may be found at:

http://www.med.govt.nz/templates/MultipageDocumentPage_____29471.aspx

4.5.2 LOCAL AND SMALL SUPPLIER POLICY AT WORK

The following gives examples of how RDC expects the local and small supplier policy will impact Ruapehu District businesses:

- RDC will actively promote the use of local trades and materials businesses to larger suppliers delivering complex services (such as roads and property maintenance contracts)
- RDC category managers will actively seek opportunities to consolidate internal consumables purchasing to create predictable volume and usage that allows local suppliers to compete with larger metropolitan based corporate suppliers (such as office or janitorial consumables)
- RDC will recognise the value of community contributions as a quality attribute when selecting suppliers based on a mix of price and quality
- Where it is cost effective to do so, RDC will offer contracts in packages, portions or bundles that allow small and local suppliers an opportunity to bid for all or part of the total tender
- Category managers will actively communicate annual procurement plans to the local supply community (through tools such as a user managed online register of suppliers) so that local suppliers have time to assess what contracts they can develop proposals for or build relationships with other suppliers for those contracts
- Where possible RDC staff will seek to reduce the cost of business for local suppliers through use of tools such as online transactions, short form contracts, standardised compliance management and ease of access to key contract managers.

5. POLICY AND GUIDELINES

5.1 COMMUNITY OUTCOMES

RDC's relationship with suppliers can have both direct and indirect impacts on community outcomes and it is important that both staff and suppliers recognise activities such as pot hole repairs, site health and safety and sports ground maintenance ultimately impact on community outcomes.

Given the high level of outsourcing for core infrastructure and community services there is a very direct link between supplier relationships and RDC's goals for the economic and environmental wellbeing's in particular.

Aligning major procurement to community outcomes

RDC have described 42 specific community outcomes in the 2009 – 19 LTCCP. Of these there are a number that should inform key objectives for suppliers and RDC's supplier relationship managers, and should be referred to in tender documents for major procurement. Relevant outcomes are highlighted in the following table:

The Tender Review Group (TRG) will review and update this table from time to time.

Social well being	
4	A district which takes ownership over issues of health provision, education provision and infrastructure maintenance.
7	Leadership facilitates a coordinated approach in providing effective solutions.
10	Core facilities, services and infrastructure planning and provision (water, sewage, solid waste, power, roading and medical) keep pace with development.
12	Key service providers consult with the community and common goals are identified and worked towards.
15	A sense of community pride and togetherness is fostered where people work towards common goals and speak positively about the community.
18	Excellent standards of safety in the community are promoted and individuals take personal responsibility for their safety.
Environmental well being	
21	Quantity of native flora and fauna is retained and the quality is enhanced.
22	An environment which has an excellent quality of water, soil and air.
23	River catchment areas and waterways are protected from erosion and pollution.
24	A community which promotes a zero waste outlook and encourages minimisation of the impact of waste on the environment.
25	Retains the natural beauty, aesthetic values and vistas of the District.
26	Retains the quality and number of parks and reserves
28	Renewable energy resources and alternative means of energy generation are promoted and available.
29	Public access to bush, waterways, open spaces, and mountains is retained and enhanced.
31	An urban environment which is tidy, clean, safe, easy to get around and beautified.
32	A community that respects and promotes understanding of the environmental values of tangata whenua.

Economic well being	
35	Key organisations facilitate business growth through a co-ordinated approach and support beneficial business and economic conditions.
37	A rail and roading network which is reliable, well-maintained and meets the needs of users.
38	Employment opportunities for school leavers are encouraged and supported through apprenticeships and affirmative employment action by the local business community.
41	A district that has a wide range of business activity, that facilitates and encourages business and economic growth, and provides up skilling and a range of employment opportunities.

There are primarily two ways that suppliers will be aligned to RDC’s community outcomes:

- Procurement evaluation processes. Strategic suppliers should be selected using a combination of price and quality appropriately weighted to reflect the procurement risk and value profile. Using this method, supplier’s alignment to RDC’s strategies and community outcomes can form one of the quality or “non-price” criteria.
- Performance management –the community or strategic outcomes are captured under a Key Result Area (KRA) called “Community outcomes”.

However it is important to recognise only those suppliers that will have a strategic impact should be closely managed to this level of KRA. (Refer to Appendix C).

5.2 RDC VALUES CHARTER

In 2008 RDC developed a values based charter to guide how the organisation and its staff should go about business. Suppliers represent RDC at a number of different levels in the community and it makes sense if the strategic supplier relationships in particular are aligned to this same charter. The values charter is as follows:

Our Purpose

- To see this District prosper through effective management and delivery of high quality assets and services and the provision of innovative customer and community focussed solutions.
- To prosper and achieve real growth we must:
- Earn the trust of communities, customers and employees by being good communicators and consistently delivering on commitments
- Actively manage and improve our high quality assets and services, with consistent commitment to better efficiency and effectiveness of delivery.
- Continue to strive towards a high performance organisation in which every individual accepts responsibility and is rewarded for results delivery.

We value:

- Delivering real solutions - a commitment to approaching every customer and community with the desire to find a satisfying solution to their needs, for a win/win relationship
- Integrity and credibility - includes doing what we say we will do, when we say we will do it and in an ethical manner.
- High performance - the satisfaction and excitement of achieving better results and outcomes than before and stretching our capabilities.
- Respect for each other - the embracing of diversity and enhancing of better outcomes and relationships through openness, sharing, trust, teamwork and involvement.
- The courage to lead change - accepting the responsibility to deliver positive change and continuously questioning and striving for improvement in efficiency and to deliver more for less for our communities and customers.

****We are successful in creating value when:***

- Our District is improving in prosperity through our positive leadership.
- Our communities and customers are acknowledging the value we create for their rate-funded investment and getting satisfying solutions to their needs.
- Our operations are efficient and effective in service delivery
- Every staff member starts each day with a sense of purpose and ends each day with a sense of accomplishment.

****Connecting strategic suppliers to the Values Charter***

This strategy requires strategic suppliers to be managed using collaborative working practices. These practices invariably include a relationship charter that outlines desired outcomes and behaviours. These will often be measured under a key result area (KRA).

RDC relationship managers will include items mentioned under “We are successful in creating value when:” section above in their charter.

5.3 POLICIES

There are a number of policies that need to be considered in the context of RDC's procurement. These include:

- Contracts policy (2010) – the previous policy has been updated and the draft update has been included for review by Council. Subject to Council approval this policy addresses procurement process requirements, tender process protocols, contract terms, and forms of contract and covers all significant expenditure categories. See Appendix B
- NZTA procurement manual – RDC are obliged to work within the guidelines of NZTA's procurement manual for the procurement of any NZTA funded activity. It is useful to note that the 2009 revision of the procurement guidelines have significantly increased the range and scope of procurement options available to RDC once a strategy has been submitted and endorsed by NZTA.
- Sensitive Expenditure 2009 – council staff are frequent users of accommodation, transport options, hospitality and other services in the course of their jobs. The choices they make are subject to public scrutiny of their use of public money and this policy (developed from the office of the Auditor General's Guidelines on Sensitive Expenditure in the Public Sector) addresses this issue and will be addressed through a question in the risk assessment profile (see Appendix H)
- Public Private Partnerships policy – this policy would be applicable in the event that RDC choose to utilise a PPP model to build and or deliver services. This is most likely in a capital intensive project such as a new treatment plant, leisure centre or recycling plant.
- Local supply policy – see 4.5 above
- Privately Funded Road Improvements 2010 – Land Transport Policy 2006
- Local area shared services – RDC is a shareholder council in the Local Area Shared Services company (LASS). Represented by the Chief Executive, the company prioritises and resolves to enter into regional purchasing agreements. For example, in 2008/9 LASS entered into a joint agreement for insurance services.

6. EXPENDITURE PROGRAMME

6.1 INFRASTRUCTURE PROCUREMENT PROGRAMME AND COMMITMENTS

(Excludes internal costs)		000's				
Service	9/10	10/11	11/12	12/13	Notes:	
Roading OPEX	5,873	6,390	5,264	5,387		
Roading CAPEX new	5,569	2,196	1,360	960		
Roading CAPEX renewals	4,452	5,220	5,957	6,105		
3 Waters OPEX	2,917	3,018	2,542	2,546		
3 Waters CAPEX new	2,257	1,874	1,002	1,705		
3 Waters CAPEX renewals	1,493	2,429	2,012	2,201		
Parks & Reserves OPEX	806	820	991	993		
Parks & Reserves CAPEX new	20	21	76	77		
Parks & Reserves CAPEX renewals	-	16	-	-		
Property OPEX	815	817	873	927	Public Toilets, Swimming Pools, Libraries, Cemeteries, Community Halls, Community Housing, Pensioner Housing, Rental properties, airport, forestry	
Property CAPEX new	64	42	43	44		
Property CAPEX renewals	48	132	11	113	Note: No individual project over 100K	
Waste OPEX	1,817	1,978	1,946	1,977		
Waste CAPEX new	146	245	130	81	Note: No individual project over 100K	
Waste Capex Renewals	-	-	-	2		
All other OPEX	1,643	2,032	1,747	1,516		
All other CAPEX new	114	-	-	-		
All other CAPEX Renewals	269	312	228	242		
Itemise all CAPEX over \$100k	9/10	10/11	11/12	12/13		
Renewals					Procurement Method	
Transport						
Pavement Rehabilitation	1,336	2,247	2,447	2,447	Included in Contract 1355 District Road maintenance contract. Contract Period from 1 Aug 2008 to 30 June 2011 plus possible extension to 30 June 2013	
Sealed Road Surfacing	829	830	855	881	Included in Contract 1355 District Road maintenance contract.	
Bridge Renewals	265	234	241	248	Included in Contract 1355 District Road maintenance contract.	
Drainage Renewals	283	283	291	300	Included in Contract 1355 District Road maintenance contract.	
Unsealed Road Metalling	910	912	939	968	Included in Contract 1355 District Road maintenance contract.	
Traffic Services Renewals	283	283	291	300	Included in Contract 1355 District Road maintenance contract.	
Sealed Road Surfacing SPR	174	174	179	185	Included in Contract 1355 District Road maintenance contract.	
Associated Improvements SPR	116	117	121	124	Included in Contract 1355 District Road maintenance contract.	
Water						
Ohura Water pipe replacements				198	Agent (United Water) plus subtender	
Taumarunui Water watermain renewals	106	119	212	212	United Water - existing contract	
Ohakune Water - watermain renewals	123		123	123	United Water - existing contract	
Ohakune Water - pipe replacement			246		United Water - existing contract	
Raetihi Water - pipe replacement		202	197	197	United Water - existing contract	
Raetihi WTP improvements		100			Agent (United Water) plus subtender	
Raetihi WTP investigation		148			Agent (United Water) plus subtender	
Stormwater						
Ohakune stormwater structured rolling replacement programme			161		United Water - existing contract	
Taumarunui stormwater replacement Ward Street drain	100				United Water - existing contract	
Taumarunui stormwater Para Street Drain replacement			104		United Water - existing contract	
Sewerage						
Taumarunui waste water mains renewal	111	230	223	223	United Water - existing contract	
Ohakune sewer pipe line renewals	235	453	314	314	United Water - existing contract	
Raetihi wastewater mains	166	228	221	221	Agent (United Water) plus subtender	
Development						
Transport						
Dobbs Bluff (Netting bluff face)	824				Included in Contract 1355 District Road maintenance contract. Contract Period from 1 Aug 2008 to 30 June 2011 plus possible extension to 30 June 2013	
Raetihi Pipiriki Road - seal extension - finish 11/12	1,610	773	396		Seal extension, earthworks & Professional Services contracts managed by MMH Wanganui. Contracts have been let for the remainder of the work	
Minor Improvements	677	669	706	706	Included in Contract 1355 District Road maintenance contract. Contract Period from 1 Aug 2008 to 30 June 2011 plus possible extension to 30 June 2013	
Seal Extension- Okahakura Saddle - finish 10/11	1,281	513			Included in Contract 1355 District Road maintenance contract. Contract Period from 1 Aug 2008 to 30 June 2011 plus possible extension to 30 June 2013	
OMR Bridge Development - replace existing one way	1,029				Tender. Job completed	
Regulation						
Dog Pound	114				Tender to be put out next month (April 10)	
Water						
Ohura Water Min Health Project	250				Agent (United Water) plus subtender	
National Park WTP waste collection			116		Agent (United Water) plus parent company (Viola)	
Piriaka Water - Link to Taumarunui Network				325	Agent (United Water) plus subcontractor	
Ohakune Water - WTP upgrade	165					
Stormwater						
Ohakune stormwater reticulation extension			132		United Water - existing contract	
Rangataua stormwater improvement programme			171	116	United Water - existing contract	
Taumarunui Stormwater reticulation extension			134		United Water - existing contract	
Taumarunui stormwater Para Street Drain replacement			104		United Water - existing contract	
Sewerage						
Taumarunui sewerage treatment plant facilities			110		Agent (United Water) plus subtender	
Taumarunui Purchase of Generators	150				Agent (United Water) plus subcontractor - job completed	
National Park - Install aerators to Oxidation ponds	163	310			Agent (United Water) plus subtender	
Ohakune Soldiers Rd sewer	330				Agent (United Water) plus subtender	
Ohakune Sewerage Treatment Plant facilities				220	Agent (United Water) plus subtender	
Ohakune WWTP inlet screens		125			Agent (United Water) plus subtender	
Rangataua sewer treatment plant facilities		113			Agent (United Water) plus subtender	

6.2 CORPORATE EXPENDITURE

Until such time that the Category Manager for corporate and shared services (see item 8.0 following) has published a detailed programme staff should note that for the 2010/11 year the following activities will be subject to a competitive process:

- Photocopiers and general printers (multi function devices)

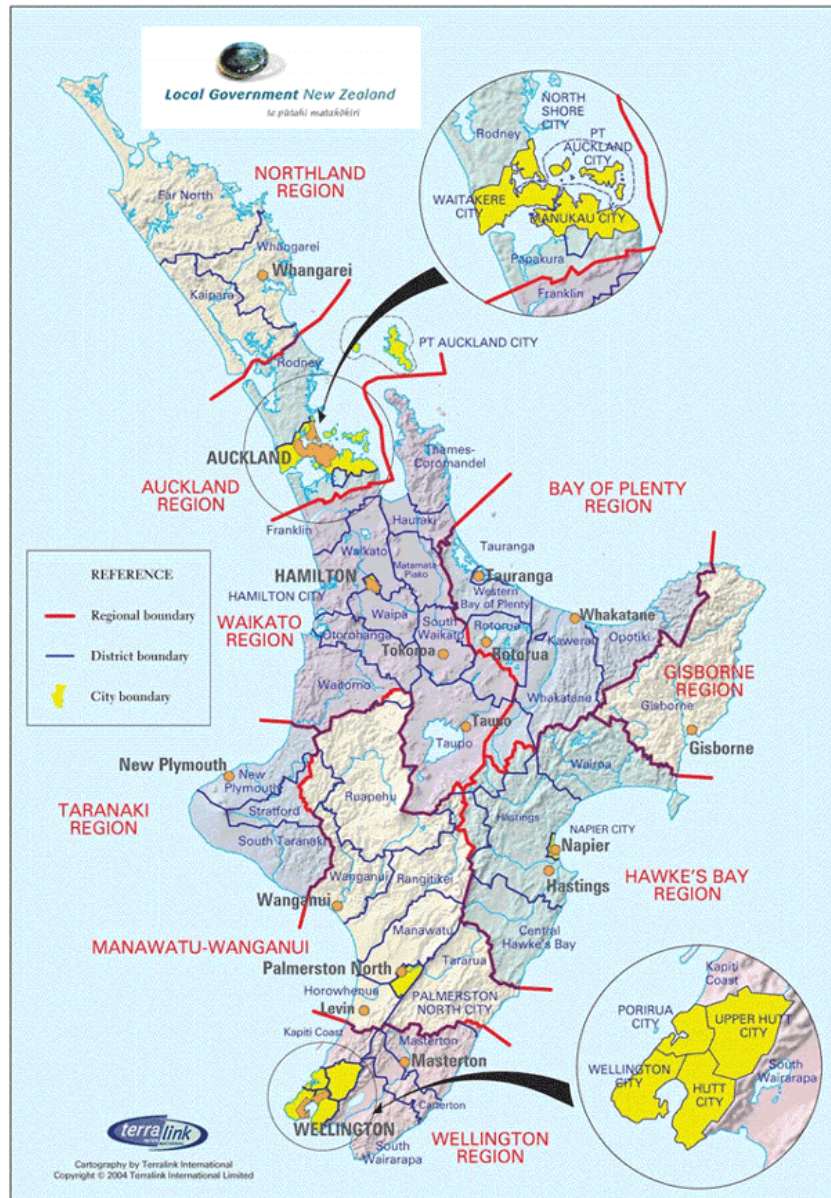
6.3 COMMUNITY AND REGULATION SERVICES

As for corporate expenditure above, until the Category Manager for Community Services has prepared a detailed programme staff should note that for the 2010/11 year the following activities will be subject to a competitive process:

- District Plan Consultancy

7. SUPPLY MARKET ENVIRONMENT

7.1 LOCAL SUPPLY MARKET



RDC is not in close proximity to any large metropolitan areas with Taupo being its nearest neighbour of any significance. With the exception of King Country Energy there are no significant services suppliers with their head offices based in the district.

There are a number of smaller local services suppliers that have bases in the main towns in the district (particularly Taumarunui, Ohakune and Waiouru). There are also important suppliers (such as Inframax) that are based in neighbouring districts.

Although NZ Defence, DOC and Ruapehu Alpine Lifts undertake work NZTA is the only other significant infrastructure client regularly active in the district. The Category Manager for Infrastructure will maintain liaison with NZTA regarding their approach to suppliers for capital works and maintenance activities as it has a

significant impact on market dynamics - particularly those suppliers who operate a works depot or depots in the district.

RDC has accepted a responsibility to support development of local business which means that in order to provide best value for money from its expenditure in the supply market it has to balance the use of local suppliers (see item 4.4 above) with the introduction of larger regional and national suppliers who may offer better value through both scale and advanced technologies and processes.

The presence of NZTA HNO (highways and network operations) is useful in that there are currently two capable roading suppliers with local depots to compete with smaller local suppliers to bid for and deliver capital and emergency works.

To date RDC has been successful in managing this balance through its infrastructure contracts for both capital and maintenance activities. This has included positive interventions with larger suppliers to support the delivery of core services through the employment of local suppliers as sub contractors. The presence of NZTA HNO (highways and network operations) is also useful in that there are currently two capable roading suppliers with local depots to compete with smaller local suppliers to bid for and deliver capital and emergency works.

However the same is not being achieved with non infrastructure spend. There are regional initiatives (such as the Manawatu Wanganui Local Authority Shared Services – MWLASS) which offer the potential to leverage regional activity to increase competition and depth in the market. Through this method RDC is able to mitigate its smaller scale and position to obtain better value for corporate or shared services. This may result in some smaller local suppliers either winning or losing opportunities to supply through larger regional contracts.

RDC make use of a national purchasing arrangement organised through GSB Supply Corp who negotiate bulk contracts on behalf of local and central government agencies which has also helped manage a lack of scale in commodity based supply areas.

However these initiatives do not adequately address the challenge to support local business in a fair and contestable manner. To address this, this strategy specifies an initiative under implementation (section 9 following) where RDC will lead the development of a purchasing group of larger local businesses. Through local coordination organisations such as RDC, King Country Energy, the hospital and the local high school can better leverage procurement opportunities in the area of indirect spend – primarily office consumables, janitorial and cafeteria products. If successful this may flow onto other services – particularly property maintenance, community services such as swimming pools and libraries and also some aspects of larger network management such as tree pruning or spraying.

7.2 SUPPLIER INTERVIEWS

In reviewing the background material for this strategy it has become apparent that RDC's value for money opportunity lies more with developing its existing relationships with significant suppliers rather than sourcing and mobilising new suppliers.

In infrastructure contracts for roads and water networks maintenance are not due for retendering in the short term (2013 for Roads and 2014 for water provided renewals are taken up). There are also few significant capital projects (>\$500k) for procurement in the next three years that have not been contracted.

This reinforces the requirement for this strategy to address supplier relationship and contract management. To assist, a number of interviews were undertaken with significant suppliers across all expenditure categories to gain a view of the supply market's perception of RDC as a client. The detailed summary of these interviews is under Appendix D.

The supplier interviews were then supplemented with interviews with RDC's team leaders to ensure there were no obvious areas of contradiction or concern.

7.2.1 COLLABORATIVE WORKING PRACTICES

The outcomes of both sets of interviews is encouraging and RDC is well placed to work collaboratively with its major suppliers to find and implement innovative solutions that add long term value to RDC and the community. These ideas can be generated through the implementation of tools and practices such as:

- Refining performance management to include recognition for delivering to organisation objectives and ideas that reduce or mitigate cost and increase service levels. (See Appendix K)
- Maintaining common risk and opportunities registers across networks or expenditure categories and leading joint collaborative problem solving workshops with several suppliers
- Using total cost of ownership processes to collectively attack common cost areas such as fuel and pipe (see Appendix C)
- Supporting suppliers with longer views of demand to enable them to forward order or produce product at more optimal levels. For example quarrying chip and aggregate or committing a percentage of likely demand for paper for printers.
- Rationalising transaction management processes to reduce cost including greater use of buyer created invoicing, open purchase orders and common data sets.
- Aligning cross organisation suppliers such as electricity, legal and telecoms services to a common works order or purchasing process and subsequent approval and payment through a single electronic invoice.

RDC is well placed to work collaboratively with its major suppliers to find and implement innovative solutions that add long term value through shared learnings, robust programme planning and asset and network lifecycle management

These initiatives are best implemented within long term relationships where trust has been (or can easily be) established and partners have adopted the principles of shared accountability where risk and cost are managed by those best able to effect positive change leading to mutual benefits. Suppliers can then be effectively aligned to RDC's objectives in a way that improves both their competitive advantage and their shareholder value.

8. STRATEGY OUTLINE – (PROGRAMME APPROACH)

The following outlines RDC strategy for sourcing and managing suppliers. It draws on centralised Category Management as the underlying procurement methodology to establish corporate strategic and activity ownership for expenditure and supplier relationships that – in general – are used or applied across many groups within RDC. The categories are Corporate Services, Infrastructure and Community Services.

This strategy also guides users to manage individual procurement activities and approvals under a simple three tier classification – low value, simple or complex. The classification process seeks to balance both risk and value and prescribes minimum procedural requirements for each level of activity.

Using this methodology the strategy outlines both a high level approach and specific implementation initiatives for each classification for each category.

Strategy development and detail follows:

8.1 PROCUREMENT STRATEGY OBJECTIVES

Council staff participated in a procurement workshop to establish objectives for the strategy. These objectives are aligned to the RDC's organisation Values Charter and expressed as future statements that can be monitored and measured as the strategy is implemented. The success of this strategy will be measured against these outcomes. Accordingly the Tender Review Group (TRG) will initiate reviews of these outcomes from time to time.

Procurement strategic impact and outcomes:

Strategic impact	Supporting the Council charter – To see this District prosper through effective management and delivery of high quality assets and services and the provision of innovative customer and community focused solutions					
Key result areas	Relationships	Capacity and Capability	Policy	Processes	Performance	Value for money
Procurement strategy - objectives	We have created strong relationships with suppliers to improve services and infrastructure delivery and management in the community	We have maintained capacity and capability of people and organisations to sustain competitive delivery of services at best cost	We have maintained procurement policies that support sensible and contestable supplier source, selection and management	We have increased efficiency of our procurement and purchasing processes	We have increased alignment of performance management of key suppliers to the levels of service agreed with the community	We have created meaningful value for money measures for our supplier relationships and procurement and purchasing processes

Note: The workshop notes and alignment to the outcomes can be found under Appendix G.

8.2 GUIDING PRINCIPLES

Guiding principles serve to challenge current practice and provide a base line for ongoing reviews of existing policy, strategy and procedures.

The principles also an ongoing contribution viz:

- Policy reviews
- Guide category or supplier based business plans
- Anchoring drafting of specific procurement plans, or
- Providing context to performance management key result areas – both internal and external

Guiding principles

Principles: To increase value for money RDC will...	Notes
Align to community outcomes	It is important to develop and maintain a procurement planning discipline that identifies community outcomes that will be impacted by the procurement (see item 5, Appendix I)
Support local suppliers	This has been identified as an important value for RDC. Policy focuses procurement on ensuring equity and fairness in the treatment of smaller local suppliers ie: giving them every opportunity to prove the value of their proposition.
Align to best practice – use NZTA procurement manual as default procurement guide for complex expenditure (see 8.5 following). In particular sections 5,6,7,10 and appendices of the NZTA manual	Roading activity accounts for over 50% of RDC expenditure. An additional 25% of expenditure is with suppliers whose activities include other infrastructure services (eg: waters). NZTA maintain a procurement manual that outlines best practice procurement options in addition to requirements for NLTP funded activities. This manual is under regular review, has useful tools attached to it and is easily accessible on line.
Work collaboratively with major suppliers, neighbouring infrastructure clients and other users of corporate services in the district	RDC will realise opportunities through: <ul style="list-style-type: none"> • increased coordination across the services (waters, roads and property) • increased input from suppliers on issues such as affordability of levels of service, specifications and reporting • leveraging regional demand for generic goods and services and shared services • working with regional partners to sustain effective competition
Manage cross organisation expenditure by programme or corridor focused category	RDC will adopt a centralised procurement approach to large or cross-organisation expenditure such as electricity, stationery and legal services. Similarly reviewing infrastructure demand by corridor rather than discrete service will yield benefits through increased “dig once” activities or reduced re-work due to utilities road openings etc.
Manage key suppliers to a common performance framework	To support collaboration RDC will implement a performance framework that manages suppliers to common key result areas (KRAs) that are weighted according to their relative inputs and impact. (see Appendix K)
Adopt TCO (total cost of ownership) practices to rationalise procurement processes	Competitive processes are critical to developing and sustaining a competitive market however there is little value in taking low value or limited supply procurements through open market processes. Low value and simple procurement activities will not be subject to the same rigour as complex procurement.
Adopt OAG general principles	OAG (Office of the Auditor General) released revised guidelines in 2008 that give public organisations sensible general guidance. These principles can be found in Appendix C.
Capture and report procurement value	RDC will: <ul style="list-style-type: none"> • Measure success against the procurement strategy outcomes • Encourage a total cost of ownership view of relationships (value or cost beyond price) • Implement efficiency gains reporting using hard, soft and strategic value measures (ref: Appendix C & L).

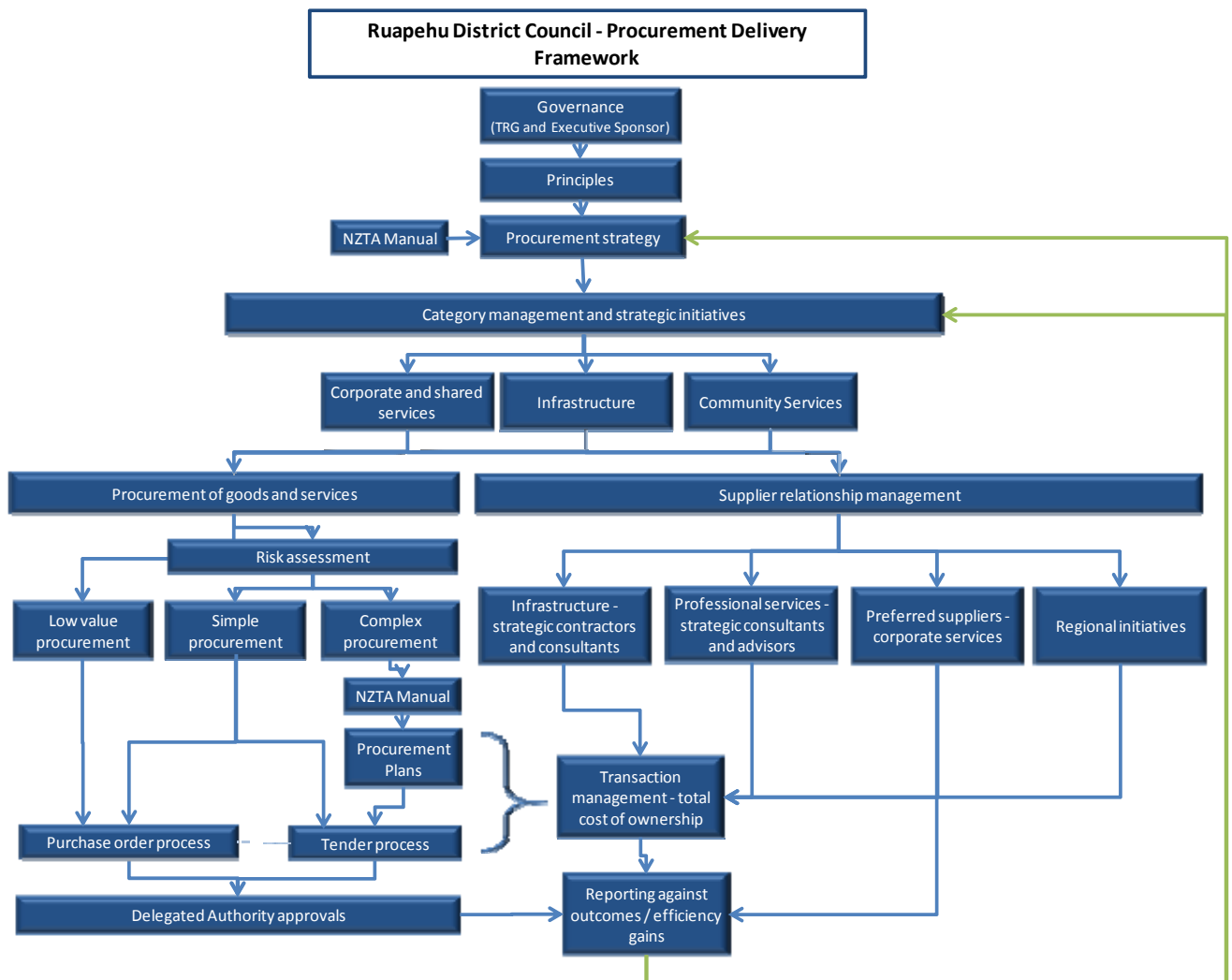
8.3 PROCUREMENT DELIVERY FRAMEWORK

Current best practice recommends the development of a centralised procurement management model so that an organisation can capture cross organisation opportunities. There are two basic versions of the centralised model to consider:

- 1) **Centralised policy and guidance / decentralised activity** – where a central body determines rules and business plans but day to day activity is deployed to individual project or budget holders. This model works well with project based procurement such as for infrastructure and legal services.
- 2) **Centralised policy, guidance and activity** – where all procurement activity runs through a central desk in the organisation (although remote online ordering or limited decentralised purchasing may occur). This model works well for cross organisation requirements such as stationery, paper, vehicles, electricity and insurance.

RDC requires a mix of the above two options and will implement a procurement ownership and management structure based on the following framework:

8.3.1 ONE ORGANISATION PROCUREMENT MANAGEMENT FRAMEWORK

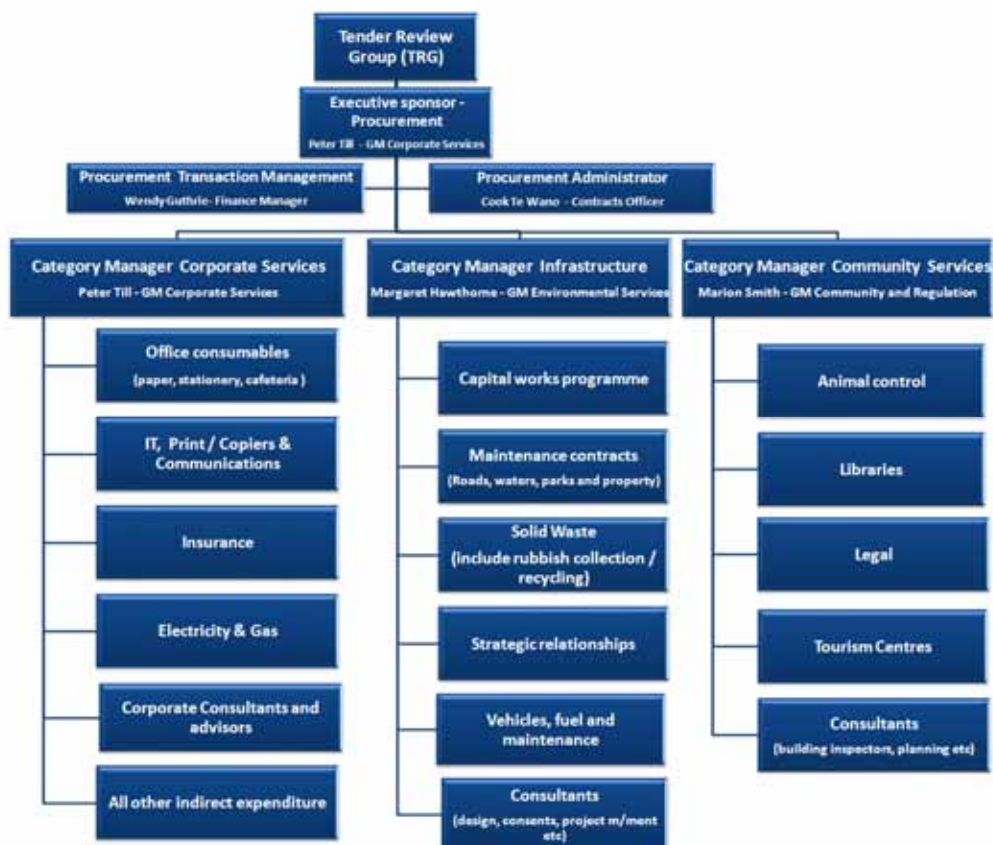


Using this framework the following procurement ownership and management structure seeks to balance the following:

- Discrete ownership of categories with significant expenditure or impact

- Bundle activities for management that have a similar supply base or market dynamic (eg: stationery, paper and janitorial)
- Recognise logical ownership of strategic suppliers (eg: legal services or network management)
- Ensure customer facing activities (direct expenditure) are adequately managed
- Balance centralised process ownership with decentralised activity.

8.3.2 PROCUREMENT OWNERSHIP AND MANAGEMENT STRUCTURE



Although the above may look as if a new “bureaucracy” is being established it is in fact aligned to activity and demand and is a formalisation of many current practices

Firstly, the above represents a transparent allocation of responsibilities to existing staff – most of which they are already undertaking. Secondly, best practices suggest that a one organisation approach to key processes and supply groups is necessary to generate value or savings in both time and cost.

The key roles and their accountabilities are summarised as follows:

Role	Comment	Profile and accountability	Activities
Executive sponsor - procurement	As with other cross organisation processes (HR, accounts) senior level sponsorship will drive culture, value and recognition across the business	Tier 2 manager <ul style="list-style-type: none"> Owns procurement processes, policy and guides Sets priorities and budgets for improvement projects Owns regional buying group initiatives 	<ul style="list-style-type: none"> Chairs tender review group Signs off procurement plans Reports on efficiency gains to stakeholders Champions best practice Champions standardisation and supports category owners Develops regional buying alliances
Procurement transaction manager	Staff feedback suggests the transaction management process is inefficient. There is also a need to better interface category management with accounts.	Senior accounts person <ul style="list-style-type: none"> Owns procurement transaction processes 	<ul style="list-style-type: none"> Align expenditure classifications to category management reporting Develops accounts purchasing system Develops solutions to support significant supplier transactions (eg: electronic invoicing) Develop p-cards for low value transactions
Tender review group (TRG)	Disseminating best practice across an organisation is always a challenge. The TRG is perfectly placed to support the concept of a “learning organisation”	Team leaders on a planned rotation <ul style="list-style-type: none"> Endorsing procurement plans Endorsing supplier recommendation reports Championing best practice 	<ul style="list-style-type: none"> Monthly meetings Tender reviews Procurement process reviews Staff capability and capacity development
Procurement administrator	Most procurement activity is undertaken only sporadically by most staff therefore ready and easy access to current policy, guidelines and other support material is important for an efficient organisation	Administrator <ul style="list-style-type: none"> Responsible for intranet and other tools Secretary to TRG Procurement “Help desk” 	<ul style="list-style-type: none"> Secretary to TRG Coordinates efficiency gains reports for Executive sponsor Manages intranet Manages staff queries Manages tender processes Manages supplier queries Probity for most procurements
Category Managers	Value and efficiency will come from a coordinated approach to major expenditure categories that are aligned to RDC culture and objectives	Group Managers <ul style="list-style-type: none"> Manage suppliers and use of suppliers within category Owns category policy and guidelines Use of delegated authority 	<ul style="list-style-type: none"> Coordinates programme Procurement plans Supplier relationship governance Efficiency gains reports Supplier recommendation reports Process review escalation TRG (on rotation) Supplier relationship management As for category managers
Sub category managers	To manage overall work load Category Managers should delegate management of specific expenditure areas to those best placed to do so	Team leaders and / or direct reports <ul style="list-style-type: none"> Specific sub category plans Strategic supplier relationships Establish and manage preferred supplier agreements. 	

8.4 DELEGATIONS AND LIMITS OF AUTHORITY

RDCs delegations will align to procurement methodology or approval processes and reduce the risk of adding unnecessary cost to its procurement activity through inappropriate use of public tender processes for small value procurements.

Procurement activity will be classified under a simple three tiered approval process that seeks to balance value and risk or complexity with sensible and efficient processes.

The three levels are as follows and are aligned to NZTA dollar value guidelines for simple and complex classes:

- 1) **Low value procurement:** low value low risk procurement - <\$5,000
- 2) **Simple procurement:** low value some risk procurement - >\$5,000 and <\$100,000
- 3) **Complex procurement:** high value or complex procurement - >\$100,000.

Value: the value of the procurement is assessed as the total budget for the project or contract. Services are not to be unbundled from projects (eg: \$20,000 of professional services fees in a \$500,000 capital project is part of a complex procurement). Also the value is based on the total value of the contract over the total term of the contract (eg: \$400,000 for a five year \$80,000 pa contract is a complex procurement). For any panel agreements, the value is a realistic assessment of how much a single supplier might earn over a contract term if they performed well and were awarded their full programme allocation or estimate.

It is important for staff to recognise that for all but low value (<\$5,000) procurement they must seek approval from the appropriate category manager for their proposed approach or for quotes for individual procurements.

Risk and complexity: RDC will complete a simple online risk assessment using a common tool. The TRG should review the individual elements and from time to time determine which risk elements will automatically default to a full complex procurement process.

A copy of the tool together with explanatory notes is included under Appendix H

Procurement approval processes: RDC staff will adhere to the procurement approval processes outlined in Appendix H. The TRG will review these processes from time to time.

8.5 STRATEGIC DRIVERS 2010 / 11

In developing specific strategic initiatives Category Managers will take into account the following drivers that will apply during the implementation of this strategy.

8.5.1 IMPLEMENTING CATEGORY / CLASSIFICATION MANAGEMENT

As described above, centralised ownership of procurement policy and planning for key cross organisation suppliers is a key step in increasing value for money through both stronger supply management and leveraging supplier knowledge to improve RDC's usage of goods and services.

8.5.2 COST AND VALUE FOR MONEY

RDC cannot measure or manage a wider value proposition until it understands total cost in terms of price, usage, transaction costs and cost of levels of service. The reason for this is that non cost value options may require additional funding or may result in cost savings. In either event RDC cannot establish the value for money it is receiving until it has established a robust methodology for measuring the Total Cost of Ownership (TCO) of goods and services.

Category Managers will need to determine at what level TCO needs to be understood to assist with effective decision making for supply ie:

- Inputs costs – internal and/or external labour, materials, goods and services required to complete an activity
- Outputs – the cost of an activity eg: \$/m2 to reinstate footpath opening or the cost per page of colour or black and white printing

- Outcomes – the cost of level of service eg: maintaining water quality to required standards or cost of printing Council agendas and reports

Once this is established then RDC can develop its value for money criteria and be quite specific about its targets and what it is prepared to pay for improved non cost value such as reduced environmental impacts, demonstrable reductions in emissions or increased use of local suppliers.

It is also able to accurately cost the impact of compliance requirements such as the Emissions Trading Scheme (ETS)

Finally, value for money from RDC's suppliers is assessed in the context that they and us must always comply with the law regarding minimum standards such as for environmental, health and safety and waste management.

8.5.3 COLLABORATIVE RELATIONSHIPS

As with other councils RDC has contracted out delivery of services for some time. The result of outsourcing is that over time suppliers will develop a greater knowledge of infrastructure assets and operations than their clients – particularly with regard to the activities and costs required maintaining levels of service agreed with the community.

The logical step now is to leverage collaborative working practices to help clients determine best value for money delivery of levels of service and identify the where and how of service improvements, activity prioritisation or cost reductions.

Project Alliancing has emerged as a particular model for delivery of complex capital projects or programmes and has demonstrated the value of some of the tools that can be used in collaborative working such as:

- Co location of strategic suppliers and/or clients
- Shared risk delivery models (often known as pain/gain)
- Collaborative problem solving – no blame culture
- Transparent cost and margins management.

RDC already has strong relationships with its significant network and asset management suppliers and is well placed to work with them to build a more structured collaborative working model that gives benefit to RDC through:

- Increased understanding of the cost of service
- Collaborative programme planning to optimise “Dig Once” opportunities
- Standardised processes and procedures that drive to lowest cost of doing business
- Coordinated development of value for money priorities across all services
- No surprises culture
- Optimised funding from 3rd parties.

Suppliers in turn gain benefit from:

- Increased predictability of work programmes and overall quantum of work
- Sharing common resources
- Increased opportunities for contract renewals and extensions
- Performance based reward – (in network management this usually means more work)

The drive is to establish and develop cross services collaborative relationships for the preferred and strategic supply contracts that deliver 80% of RDC's expenditure.

8.6 CATEGORY STRATEGIES

Procurement strategy is managed at two levels under the guidance of the TRG.

- 1) Overarching direction for each category and expenditure classification – this section summarises this approach.
- 2) Detailed programmes developed by the category managers. This is covered under Section 9, Implementation which follows:

8.6.1 CATEGORY MANAGEMENT MATRIX

The following table summarises the category management matrix referred to at the beginning of this section:

Category / Classification	Low value	Simple	Complex
Corporate / Shared services			
Infrastructure			
Community Services			

The overarching strategy for each category / classification follows:

8.6.2 CORPORATE SERVICES STRATEGY

Corporate Services	Low value	Simple Complex
Focus	<ul style="list-style-type: none"> • Reduce transaction cost • Staff usage (reduce demand) • Consolidate on preferred suppliers 	<ul style="list-style-type: none"> • Establish preferred suppliers (goods and services accounting for 80% expenditure) • Staff usage (reduce demand) • Regional buying groups (increase scale) • Reduce costs
Supply management	<ul style="list-style-type: none"> • No action 	<ul style="list-style-type: none"> • Prepare annual procurement programme • Communicate programme to supply market (including local suppliers) • Establish preferred suppliers • Establish performance based collaborative relationships with preferred suppliers
Process and systems	<ul style="list-style-type: none"> • Develop electronic transaction tools • Simplify purchasing process 	<ul style="list-style-type: none"> • Increase capability for online purchase orders • Increase capability for open purchase orders for term contracts • Establish online access to preferred supplier catalogues • Increase capability for electronic invoicing and payments
Reporting and measurement	<ul style="list-style-type: none"> • Supplier and transaction counts and recording by sub-category • Transaction costs • Organisation usage 	<ul style="list-style-type: none"> • Number of suppliers per sub category • Efficiency gains reporting from preferred suppliers • Organisation usage • Transaction and supplier relationship management costs
Cost control	<ul style="list-style-type: none"> • Reduce usage and waste • Consolidate usage with preferred suppliers 	<ul style="list-style-type: none"> • Reduce unit costs • Reduce usage and waste • Reduce cost of transaction and compliance
People	<ul style="list-style-type: none"> • Focused waste and usage reduction programmes • Preferred supplier awareness programmes • Online support for purchasing and procurement options • Identify and promote champions for sub categories 	

8.6.3 INFRASTRUCTURE STRATEGY

Infrastructure	Low value	Simple Complex
Focus	<ul style="list-style-type: none"> • Reduce transaction cost • Consolidate on preferred suppliers 	<ul style="list-style-type: none"> • Increase collaboration across maintenance contracts – seek whole of network / corridor opportunities • Increase understanding of impact/cost of 2nd / 3rd tier providers – seek whole of network opportunities • Increase flexibility to manage three year programme within annual planning periods • Reduce costs
Supply management	<ul style="list-style-type: none"> • No action 	<ul style="list-style-type: none"> • Prepare annual procurement programme • Communicate programme to supply market (including local suppliers) • Establish collaborative relationships with major contracted suppliers • Build relationships with other local and regional clients
Process and systems	<ul style="list-style-type: none"> • Simplify purchasing process 	<ul style="list-style-type: none"> • Increase visibility of commitments and seasonal demand on provisional sums through increased capability for open purchase orders • Establish online access to contracted services for customer and emergency response activities • Increase capability for electronic invoicing and payments
Reporting and measurement	<ul style="list-style-type: none"> • No action 	<ul style="list-style-type: none"> • Risk, issues and opportunities registers • Efficiency gains reporting from contracted strategic suppliers • Transaction and supplier relationship management costs
Cost control	<ul style="list-style-type: none"> • Reduce usage and waste • Consolidate usage with preferred suppliers 	<ul style="list-style-type: none"> • Programmed review of levels of service and cost impact of change options • Programmed reviews of input materials and services with strategic suppliers • Reduce usage and waste • Reduce costs of transaction and compliance
People	<ul style="list-style-type: none"> • Focused waste and usage reduction programmes • Contracted supplier awareness programmes • Online support for procurement options • Identify and promote champions for sub categories 	

8.6.4 COMMUNITY SERVICES STRATEGY

Community Services	Low value	Simple	Complex
Focus	<ul style="list-style-type: none"> Reduce transaction cost Consolidate on preferred suppliers 	<ul style="list-style-type: none"> Increase collaboration with strategic suppliers Establish preferred suppliers for common / regular services Increase understanding of costs relative to recoveries Increase supplier understanding of RDC expectations for customer experience Reduce costs 	
Supply management	<ul style="list-style-type: none"> No action 	<ul style="list-style-type: none"> Prepare annual procurement programme Communicate programme to supply market (including local suppliers) Establish collaborative relationships with major suppliers Build relationships with other local and regional clients 	
Process and systems	<ul style="list-style-type: none"> Simplify purchasing process 	<ul style="list-style-type: none"> Increase visibility of commitments and seasonal demand on provisional sums through increased capability for open purchase orders Establish online access to contracted services for customer services activities Increase capability for electronic invoicing and payments 	
Reporting and measurement	<ul style="list-style-type: none"> No action 	<ul style="list-style-type: none"> Risk, issues and opportunities registers from collaborative relationships Efficiency gains reporting from collaborative suppliers Transaction and supplier relationship management costs 	
Cost control	<ul style="list-style-type: none"> Reduce usage and waste Consolidate usage with preferred suppliers 	<ul style="list-style-type: none"> Programmed review of levels of service and recoveries and cost impact of change options Programmed reviews of input materials and services with preferred suppliers Reduce usage and waste Reduce costs of transaction and compliance 	
People	<ul style="list-style-type: none"> Focused waste and usage reduction programmes Contracted supplier awareness programmes (staff and customers) Online support for procurement options Identify and promote champions for sub categories 		

8.7 BENEFITS

The outline strategy is comprehensive and will require strong leadership and staff support to be successful. To assist with this it is useful to summarise how RDC (both organisation and staff) and suppliers will benefit from the various initiatives – particularly how they contribute to the objectives summarised in 8.1 above.

	Strategy outline: Key issues / opportunities	Contribution to objectives	Benefits
Processes	Reduce cost through aligning accounting and procurement processes, coding and reporting.	<ul style="list-style-type: none"> • Processes – increasing efficiency 	<ul style="list-style-type: none"> • Reduced staff time • Ease of use for staff • Increased transparency of supplier activity • Meaningful information for category and supplier managers
Supplier management	Increase value from existing long term and strategic supplier relationships	<ul style="list-style-type: none"> • Performance – alignment of strategic suppliers to community outcomes and organisation objectives • Value for money – deeper understanding of supply chain costs and impact of RDC demand on those costs 	<ul style="list-style-type: none"> • Key suppliers working toward same objectives • Increased clarity for staff and suppliers for contract renewals or extensions • Better quality reporting through to stake holders – capturing quality and cost • Increased opportunity for bench marking • Better quality evaluation for new contracts • Cost reduction and inflation mitigation
Rules and tools	Increase ownership of outcomes of procurement processes through efficient and effective delegation	<ul style="list-style-type: none"> • Policy – supporting sensible and contestable supplier source, selection and management. • Capacity and capability – increased capability to manage complex or higher risk procurements • Value for money – meaningful measures for procurement and purchasing processes or business cases 	<ul style="list-style-type: none"> • Reduce cost of doing business – more efficient • Increased staff ownership of process and outcomes • Better risk management and probity through focusing on exceptions • Better risk management through use of stronger contracts • Ease of use for staff – common approach across Council and exceptions focused • Better business cases through alignment to common value for money criteria.

	Strategy outline: Key issues / opportunities	Contribution to objectives	Benefits
Regional partners	Increase opportunities to manage regional supply competition and sustainability	<ul style="list-style-type: none"> • Relationships – improving services in the community • Capacity and capability – increased capacity to sustain delivery of services at best cost • Value for money – reduced costs and managed use of local suppliers 	<ul style="list-style-type: none"> • Better management of local supply market – increased predictability and market share for suppliers • Reduced costs – price and usage • Stronger supply options for RDC and partners • Increasing stakeholder confidence in business management
Budget management 1) Indirect spend (primarily corporate and community services)	<p>a) Reduce cost through increased centralisation and standardisation of procurement activity</p> <p>b) Increase predictability of demand in local supply market</p>	<ul style="list-style-type: none"> • Relationships – improving services • Capability and capacity – competitive services from local and national suppliers • Value for money – reduced costs (particularly usage and transaction costs) • Policy – increased alignment to policy 	<ul style="list-style-type: none"> • Increased predictability of demand and requirements for suppliers • Greater supplier contribution to usage opportunities through active relationship management • Reduced transaction costs through increased use of electronic and online tools • Ease of use for staff through online tools and increased service from suppliers
Budget management 2) Direct spend (primarily infrastructure and shared services)	<p>a) Reduce cost and increase value through cross contract / services collaboration</p> <p>b) Increase predictability of demand in local supply market</p>	<ul style="list-style-type: none"> • Relationships – improving services and risk management • Capability and capacity – collaborative services from strategic suppliers – supporting staff development • Value for money – reduced costs, dig once and customer perceptions • Policy - increased alignment to policy 	<ul style="list-style-type: none"> • Reduce costs and network interventions through collaborative programme management • Increased transparency for local suppliers • Reduced cost for response / unplanned activities (eg: reduced overheads content in day rates or better programming of daily works) • Reduced costs / increased supply security through collaborative planning of demand for inputs • Reduced cost through better inflation mitigation management • Increasing customer confidence • Increased standardisation across network • Stronger risk and opportunities management • Suppliers better incentivised to focus on community and organisation objectives

8.8 Risks

In assessing the underlying risks to this strategy there are two questions to consider:

- What if the organisation does nothing?
- What risks are over and above business as usual?

Overall, RDC is no more or less competent than other council's in the way that it procures goods and services with the exception of the good will it has engendered with its main suppliers over the last two years. However doing nothing will mean that it will not leverage this good will to create the collaborative working practices required to gain long term sustainable benefits.

A review of the benefits summary in 8.6 above gives an outline of the risk of doing nothing as few of these benefits will accrue if nothing is done.

There are some benefits that could be realised through a partial implementation of the strategy but without the whole strategy there is a risk that any short term benefits gained will not be sustained over time. There is also a risk that RDC's reputation as a preferred client and its longer term supplier relationships could be compromised if RDC are not able to sustain changes from a partial implementation.

The risks that the strategy could create over and above business as usual activity are largely change management issues such as:

- Staff do not buy into the new regime resulting in inconsistent market and supplier management activities
- Leadership does not adequately resource staff through the change period – particularly time to establish new relationship and performance management frameworks and review any recommend detailed policy changes.
- IT and accounts are not able to support changes to the purchasing and coding processes (which are about using existing tools rather than sourcing new systems).
- Suppliers do not understand the strategy and their role in its success.

Individually these are not high risk issues but illustrate the importance of a holistic approach to implementation. These are change management issues that can be addressed through the leadership team ensuring an appropriate change management plan is in place and is adequately sponsored and resourced.

In summary, while the strategic activities do not require a large budget or people resource to implement they do have to be viewed as part of a change programme that will affect everyone in the organisation and almost all suppliers. Therefore success will require senior executive sponsorship and a change management programme with appropriate project management, milestones, resourcing and measures.

9. STRATEGY IMPLEMENTATION

9.1 INFRASTRUCTURE PROCUREMENT PROGRAMME 2010 – 2013

The following table summarise specific procurement activities scheduled for significant contracts in the next three years. All other significant infrastructure expenditure has been procured as described in 6.1 above.

Note: Transport service contracts are subsidised with NZTA funding.

Contract reference #	Service	Activity	Annual Budget (09/10)	Procurement timing and method
1099	Environmental	Kerb Side Collection	\$142,440	31/01/2011 Procurement plan to be written. Note that contract extensions may be negotiated under essentially same terms and conditions under Heads of Agreement in place.
1100	Environmental	Landfill & Transfer Station Maintenance.	\$75,424	31/01/2011 Procurement plan to be written. Note that contract extensions may be negotiated under essentially same terms and conditions under Heads of Agreement in place.
1101	Transport	OMR Summer & Winter Traffic Management	\$114,583	31/05/2010 Direct negotiation with incumbent as sole supplier of services since 1991. Will seek and negotiate value based options for supply. NZTA approval being sought for the direct negotiation method as prescribed under rule 10.11 of the manual.
1254	Transport	Plant Pest Control 2005-10	\$25,000	30/04/2010 Negotiated annually with supplier based on performance. Current contract is being renegotiated.

9.2 IMPLEMENTING THE ORGANISATION STRATEGY

This strategy recommends policy and procedures to better support implementation of best practice procurement methods and tools.

Successful implementation requires an appropriate change management programme. This programme will be developed in detail when the strategy has been reviewed and adopted by the executive team and they have appointed staff who will be responsible for its implementation.

The detailed programme will be developed through a number of strategic initiatives. These initiatives will help RDC develop its procurement capability and capacity concurrently across a range of focus areas including people, process and systems.

The initiatives are followed by a draft programme of work.

9.3 STRATEGIC INITIATIVES AND MEASURES

Policy / Process / Category / sub category	Outline: Key issues / opportunities	Initiatives summary	Dependencies and measures
Transaction management process	Reduce cost through aligning accounting and procurement processes, coding and reporting. <ul style="list-style-type: none"> Accounts coding / reporting not aligned to category spend Purchase process inefficient – esp. multiple purchases from the same supplier and ad hoc purchases Different processes for contract claims and other purchases – lack of standardisation Process sign offs not understood and expenditure levels too low Limited access to electronic processes for regular suppliers Opportunity for increased buyer created invoices to manage low value transactions in response areas such as property maintenance 	<ul style="list-style-type: none"> Review tools available in accounts system Develop and implement online purchase orders (including multi line open POs) for ALL activity ie: including contract claims Review sign off levels for budgeted activity Review accounts codes to align to category management Develop and implement buyer created invoicing Invite banks to submit proposals for “p-cards” (procurement cards) to replace credit cards, petty cash and POs for low value or ad hoc purchases 	Dependencies: <ul style="list-style-type: none"> Implementation of procurement management structure Approval for TRG to review and change sign off levels for budgeted activity Measures: <ul style="list-style-type: none"> End to end process cost (time at agreed cost eg: \$35/hr staff time and \$50/hr management time) Number of transactions – targeted reduction Accuracy of forward commitment reports
Performance management framework	Increase value from existing long term and strategic supplier relationships <ul style="list-style-type: none"> Strategic suppliers can be managed to common Key Result Areas to achieve “one team” objectives Performance can be aligned to community outcomes Impact of measures not clearly understood by suppliers – renewals / more work / penalties etc 	<ul style="list-style-type: none"> Develop framework (see Appendix K) Identify key strategic relationships by category Identify multi party opportunities Implement performance based strategic relationship management plans with top suppliers in each category. 	Dependencies: <ul style="list-style-type: none"> Agreement on organisation KRAs for procurement Measures: <ul style="list-style-type: none"> Efficiency gains report from each relationship, hard / soft and strategic savings and value

Policy / Process / Category / sub category	Outline: Key issues / opportunities	Initiatives summary	Dependencies and measures
<p>Policy – delegations, approved procurement methods and approved forms of contract</p>	<p>Increase ownership of outcomes of procurement processes through efficient and effective delegation</p> <ul style="list-style-type: none"> • Current delegations or approval levels too low for budgeted procurement activity • Delegations do not align to new NZTA procurement manual • No mechanism to consistently manage optimised approval processes • New forms of contract can offer stronger management of term relationships – particularly collaborative working models • No common procurement guide or policy • RDC should develop a definition of Value for Money (VfM) to guide strategic procurement 	<ul style="list-style-type: none"> • RDC adopts NZTA manual as RDC guide for Complex procurement ie: the NZTA manual becomes the default guidance but is secondary to RDC policy that may arise from time to time. Also modify existing Contracts policy) • Executive team reviews expenditure levels – (ie at what point should budgeted activity go through an additional approval process to ensure appropriate probity and risk mitigation?) • RDC adopts procurement plans (see Appendix I) as the approval process for complex procurement activities. • TRG is required to endorse / approve procurement plans and contracts • TRG delegated responsibility to review procurement methods, contract options and selection models including VfM definition – update Contracts Policy • TRG delegated authority to develop procurement evaluation option guidance – particularly price/quality attributes and weighting 	<p>Dependencies:</p> <ul style="list-style-type: none"> • RDC adopts the strategy (this document) <p>Measures:</p> <ul style="list-style-type: none"> • Common one organisation policy and guidelines for price / quality evaluation • Documented value for money criteria • Quality of procurement plans submitted and approved • Quality and success of procurement processes • Implementation of collaborative contracts for strategic suppliers
<p>Regional initiatives</p>	<p>Increase opportunities to manage regional supply competition and sustainability</p> <ul style="list-style-type: none"> • Continue to leverage MWLASS • Develop regional relationships with Hospital, King Country Energy, High School and others to increase leverage on indirect expenditure such as paper, stationery and telecoms 	<ul style="list-style-type: none"> • Establish ownership of regional initiatives • Establish working groups with category managers 	<p>Dependencies:</p> <ul style="list-style-type: none"> • Regional organisations will want to participate <p>Measures:</p> <ul style="list-style-type: none"> • Cost savings year on year (target 10-20% reductions – cost and usage) • Local supplier involvement in contracts

Policy / Process / Category / sub category	Outline: Key issues / opportunities	Initiatives summary	Dependencies and measures
<p>Category and sub category management</p> <p>1) Indirect spend (primarily corporate and community services)</p>	<p>a) Reduce cost through increased centralisation and standardisation of procurement activity</p> <p>b) Increase predictability of demand in local supply market</p> <ul style="list-style-type: none"> • No ownership of indirect supplier relationships • Supply chain has no long term predictability for supply • Suppliers can make contribution to usage opportunities which significant opportunity for cost reduction • Opportunities to utilise technology to increase access and ease of use for centralised contracts 	<ul style="list-style-type: none"> • Develop sub categories and assign ownership • Develop prioritised procurement programme (list of sub categories to take through market reviews and processes eg, copiers and paper) • Work with regional partners to develop regional initiatives (eg: 2 stationery suppliers with 40% each and remaining 20% on competition) • Develop online ordering and transaction management • Develop regular collaborative usage or buyer behaviour reviews 	<p>Dependencies:</p> <ul style="list-style-type: none"> • Effective regional partnerships being established • Supplier cooperation for usage reviews (sharing best practice client information) <p>Measures:</p> <ul style="list-style-type: none"> • Year on year cost comparisons (possibly inflation adjusted). Price AND usage • Number of regional contracts • Local supplier involvement in contracts
<p>Category and sub category management</p> <p>2) Direct spend (primarily infrastructure and shared services)</p>	<p>a) Reduce cost and increase value through cross contract / services collaboration</p> <p>b) Increase predictability of demand in local supply market</p> <ul style="list-style-type: none"> • Opportunity to manage capital and maintenance programme to 3 year corridor view (dig once) • Better balancing of minor capital works, maintenance activities and opportunities for local suppliers • Increased transparency of value of sub contracts • Reduce cost of common inputs (eg: pipe / concrete products) • Shared responsibility for cost fluctuations • Increased standardisation from common inputs services – (legal, electricity) 	<ul style="list-style-type: none"> • Assign ownership for capital and maintenance programmes and for strategic relationship management • Develop cross contract collaboration model (align to strategic, tactical and operations framework – Appendix K) • Establish common (and online) risk and opportunities register – prioritised • Agree interface between contract claims and purchase orders (POs only way to get common view of commitments against budgets) • Standardise performance management to framework • Develop and agree risk allocation model (RDC, supplier or shared) • Develop programme view of procurement requirements and likely delivery model (see next section) 	<p>Dependencies:</p> <ul style="list-style-type: none"> • Programme view (GIS and budgets) • Performance framework • Supplier cooperation • Reprioritise across financial periods <p>Measures:</p> <ul style="list-style-type: none"> • Reduced costs / efficiency gains – hard, soft and strategic savings or value • Cost fluctuation mitigation • Increased service levels for same cost • Number of projects / activities delivered as single project (dig once) • Customer complaints / bouquets • Rolling 12-24 month programme • Current risk and opportunity register (see Appendix J)

9.4 PROCUREMENT PERFORMANCE MEASURES AND EFFICIENCY GAINS

Current contracts focus suppliers on performance against contracted specifications. RDC does not currently measure the effectiveness and efficiency of its procurement practices. The strategic initiatives above and the strategic objectives in section 8.1 describe RDC's intent to use measures to increase both supplier and staff focus on achieving RDC's wider organisation and community objectives.

The initial focus will be on measuring and reporting cost based efficiency gains using a common tool across strategic supplier relationships and RDC systems and processes.

This tool will be implemented in parallel with other initiatives such as programme reporting, cost fluctuation management and process cost measurement.

A worked example is included under Appendix L.

9.5 DRAFT PROCUREMENT PROGRAMME

Implementing the procurement strategy is in effect a business improvement programme. As such it will require focus and resource to be implemented successfully across all areas of expenditure and transaction management.

RDC's executive will use the following high level programme to assess the potential impact of implementation and if there are any conflicts with other business improvement or wider community initiatives. The programme also gives an indication of dependencies that need to be understood – particularly with regard to improved transaction and process management, strategic supplier relationship management and any regional initiatives.

The programme is attached

9.6 STRATEGIC REVIEWS

The TRG will assess the need for a review of this strategy on an annual basis with a requirement that it is reviewed at least once every three years following an LTCCP year.

APPENDICES

A. LOCAL AND SMALL SUPPLIERS POLICY 2010

SMALL AND LOCAL SUPPLIER POLICY 2010

1. THIS POLICY COVERS:

All contracts with the exception of employment contracts.

2. GENERAL APPROACH

RDC will be a fair but demanding buyer, who will purchase from competitive local suppliers where they offer best value for money.

This policy does not give preference or weighting to local content in itself. Similarly, there should be no discrimination on the basis of ownership of a supplier or preference for local equity in itself. Having given local suppliers full and fair opportunity and assessed any commercial and practical value for money advantages associated with local supply, RDC will buy from the best source available, according to its own judgement of all costs and benefits.

3. GUIDANCE FOR USE OF SMALL AND LOCAL SUPPLIERS

Staff will give due consideration of potential commercial and practical advantages in purchasing locally supplied goods and services. These may include:

- a. a better price and total or whole-of-life ownership cost;
- b. better through-life support (e.g. better availability of spare parts and after-sales service);
- c. shorter supply lines and/or delivery lead times;
- d. reduced inventory costs;
- e. reduction or elimination of exchange rate risks;
- f. easier and cheaper communications/transport;
- g. simpler and cheaper contract administration and dispute resolution;
- h. greater scope for cooperative and innovative product development and influence over the supply base;
- i. continuity of supply and more direct control over orders;
- j. goods/services better adapted to local conditions; and
- k. better knowledge of the producer's reputation and reliability.

In general, it will often make good business sense, in terms of value for money and a reliable supply base, that goods and services should be sourced from local suppliers where the necessary standards of competitiveness, quality and availability are met.

B. CONTRACTS POLICY 2010

CONTRACTS POLICY 2010

1.0 THIS POLICY COVERS:

- All contracts with the exception of employment contracts.
- All monetary sums quoted in this document are GST Exclusive.

2.0 DEFINITIONS

Contract	Any financial arrangements entered into by Council involving an offer and acceptance for the supply of goods and services to Council.
Quotation	The price and terms offered to Council for the supply of goods and services.
Tender	A process where council will invite two or more parties to submit their price, service offering and other terms and conditions for the supply of goods and services.
Preferred suppliers list	The list of Preferred Suppliers maintained by Council. It includes suppliers that Council has found to be dependable for particular types of goods and services and there is a central register of the agreed terms and conditions for each supplier.
Executive Sponsor	The member of the Executive team who holds accountability for the procurement process and associated support tools and policies (including this one)
Procurement Plan	the procurement plan is a detailed project plan to be completed for all complex, and some simple, project or contract procurements to ensure risk, processes, costs and the supply market will be managed appropriately. Procurement plans will be completed by staff with due reference to the prevailing Procurement Strategy which is available from the Procurement Administrator.
Simple procurement	low value some risk procurement - >\$5,000 and <\$100,000
Complex procurement	high value, high risk or complex procurement - >\$100,000.

3.0 REQUIREMENTS FOR QUOTATION AND TENDERS

- 3.1 Written quotations shall be required for all contracts with an estimated value of \$100,000 or more.
- 3.2 A procurement plan that includes all relevant specifications and estimates shall be prepared for all complex and some simple procurement contracts and shall be approved by the Executive Sponsor or his delegate before tenders are called. (The procurement plan template is available through RDC's intranet)

- 3.3 Unless specifically approved through the procurement plan, all complex procurement shall proceed by way of quotation and tender. This will be advertised on GETS and CNI.

CNI Central North Island - Advertised in Wanganui, New Plymouth and Hamilton in addition to Ruapehu District newspapers.

GETS Government Electronic Tenders Service website (www.gets.govt.nz)

4.0 TIME FOR TENDER

Tenders shall close to allow adequate time for response.

5.0 GENERAL CONDITIONS AND FORMS OF CONTRACT

- 5.1 All contracts over \$10,000 shall be given a sequential number and this same number shall be used for the file reference.
- 5.2 Council will maintain general Terms and Conditions for all activities where a separate contract has not been agreed and signed by approved managers. Staff are not to accept suppliers terms and conditions unless approved by the relevant Manager.
- 5.3 Tenders may be let under a number of evaluation and selection methodologies as agreed through the procurement plan approval process (ie: lowest price conforming, price quality, quality only, shortlist then price or direct negotiation). Staff will use guidelines for each methodology as outlined in the New Zealand Transport Agency (NZTA) procurement manual 2009.
- 5.4 The procurement plan and tender documents will include details of the evaluation process including quality criteria and weightings, when price will be opened, the evaluation team and scoring methodologies.
- 5.5 Unless specifically approved otherwise through the procurement plan then Works Contracts for physical works will be let under NZS 3910:2003 "General Conditions of Contract for Building and Civil Engineering Construction."
- 5.6 Unless specifically approved otherwise through the procurement plan then Works and other contracts for design and professional services will be let under ACENZ/IPENZ Conditions of Contract for Consultancy Services 2005 (CCCS). Relevant Managers may approve the use of the short form CCCS contract for contracts with a value less than \$50,000.
- 5.7 Where appropriate staff may propose the use of other established forms of contract through the procurement plan. These include the NEC3 (UK New Engineering Contracts v3) and FIDIC (Federation Internationale des Ingenieurs-Conseils) suites of contracts.
- 5.8 All contracts greater than \$1,000,000 will be subject to legal review of the contract and tender documents by Council's preferred solicitors.

5.9 For other contracts general conditions shall be determined by the appropriate Manager.

6.0 RETENTIONS

6.1 Retentions appropriate to the type of contract will be specified in the Contract documents.

7.0 RECEIPT OF TENDERS

7.1 Physical document delivery

7.1.1 Tenders shall either be placed in a locked tenders box located at the front counter of office nominated in the tender, or posted to the District Council prior to the closing date and time. All posted tenders shall immediately be endorsed with date and time upon receipt and placed in the sealed box until the close of tenders. Late tenders will not be accepted.

7.1.2 Tenders shall be opened by Administration in the presence of at least one responsible member of the Unit by whom the tender has been called. All bids received shall be scheduled at the time of opening.

7.1.3 In the case of multiple tenders received from one tenderer a copy of all the papers shall be made before they are put on separate files.

7.1.4 All bids received shall be scheduled at the time of opening of the tenders and the schedule shall be initialled by the person from the Unit concerned.

7.2 Tenders received by FAX

7.2.1 Tenders received by FAX may have issues with confidentiality and timing. FAXs are not always received in Taumarunui immediately after being sent.

7.2.3 If tenderers wish to submit offers or parts of offers by FAX then Council will endeavour to assist on an "all care no responsibility" basis.

7.2.4 It is recommended that tenderers are advised to phone the Tender Administrator immediately prior to sending the FAX.

7.2.5 If the Administration department agrees to accept the tender then they will then take the FAX, place it in a sealed envelope and place it in the tender box.

7.2.6 They will then phone the tenderer to state they have acted in accordance with this procedure.

7.2.7 The tenderer should be advised to assume the documents are not submitted until the phone call is returned.

7.2.8 At least an hour must be allowed for this procedure.

7.2.9 The FAX number for tenders is 0064 7 895 3256

7.3 Tenders received by EMAIL

7.3.1 If tenderers wish to submit offers or parts of offers by EMAIL then Council will endeavour to assist on an “all care no responsibility” basis.

7.3.2 It is recommended that the tenderers are advised to phone the Tender Administrator immediately prior to sending the EMAIL.

7.3.3 The Tender Administrator will then print the EMAIL and place it in a sealed envelope and place it in the tender box. He or she will then phone the tenderer to state they have acted in accordance with this procedure.

7.3.4 The tenderer should be advised to assume the documents are not submitted until the phone call is returned. At least an hour must be allowed for this procedure.

7.3.5 Tenders received by EMAIL may be pass word protected and the pass word sent to Council separately immediately prior to the closing time of the tender.

7.3.6 In order for the tender to be accepted as being on time both the tender and the password must arrive at Council before the deadline.

7.3.7 The EMAIL address for tenders will be as stipulated in the tender documents.

8.0 PRESENTATION AND ACCEPTANCE OF TENDERS

8.1 All tenders shall be subject to the following checking procedures:

- Check that tenders are in accordance with the requirements of the tender document.
- Any tags are to be discussed with the tenderer and removed prior to consideration.
- Check arithmetic.
- Check that the tendered price is realistic.
- Check the tender is in accordance with the competitive pricing procedures where necessary.

8.2 Following evaluation an acceptance report with a recommendation for the preferred tenderer shall be prepared summarising the tendered prices, quality attributes (if used) and supplier quality premium (if used) and be:

- Signed by the evaluating officer.
- Signed by the Manager concerned.
- Approved by the Chief Executive or the Tender Review Group with appropriate authority as determined by the financial delegation from Council.

9.0 NOTIFICATION OF TENDERERS

9.1 Tenders shall be accepted or rejected as appropriate, and the following information supplied to all tenderers who have submitted complying bids where applicable:

- The dollar value of the range of complying tenders
- The quality score range of complying tenders
- The name of the successful tenderer.
- The successful price, (adjusted for supplier quality premium where appropriate).

9.2 In the event of no tender being awarded all tenderers will be informed accordingly, but no information will be supplied on the prices received.

9.3 Contract agreements shall be signed by the Council and the Contractor.

C. PROCUREMENT PRINCIPLES (INCLUDING OAG PRINCIPLES) AND ACTIVITIES

Procurement – Activities and Principles

Procurement in local government is often thought of as the source and selection of suppliers to deliver goods and services. It is important to understand that this is only one facet of procurement and the following is included to help describe the range of procurement skills and practices that will help RDC gain greater value for its community.

Procurement scope

The following illustrates the scope of procurement activities:



This model is particularly relevant for RDC in that significant expenditure is with long term suppliers which highlights the importance of relationship management together with the challenge of a limited supply market and limited internal resources to manage the procurement processes. This begins to illustrate how these factors may have more importance than the source and selection processes alone.

Procurement activities

This diagram summarises procurement activities and illustrates how they align well to the project management lifecycle of plan, do, learn, review that most people are familiar with.



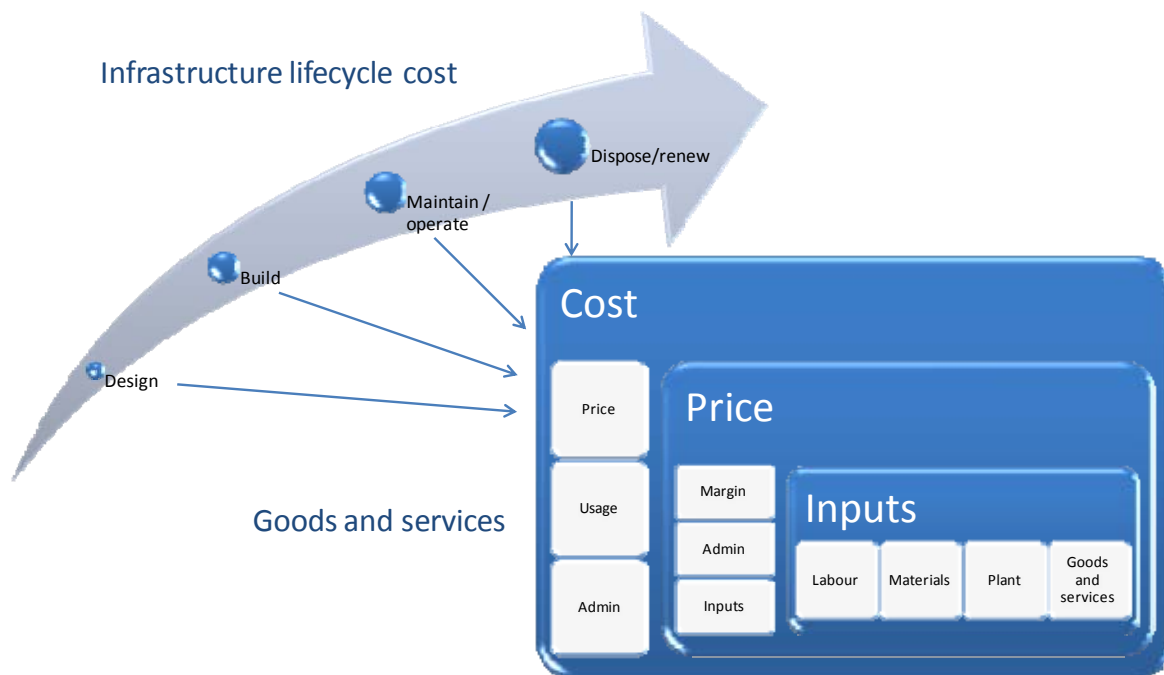
The important points for RDC's procurement approach are:

- Supplier relationship management is probably the single biggest value generation opportunity for RDC
- Supplier source and selection should take place in the context of a wider strategy and be managed by an activity specific procurement plan. These two activities are the way in which councillors (the strategy) and the executive team (the strategy and the procurement plan) can ensure that supplier engagements align with organisation strategy.

Procurement principles

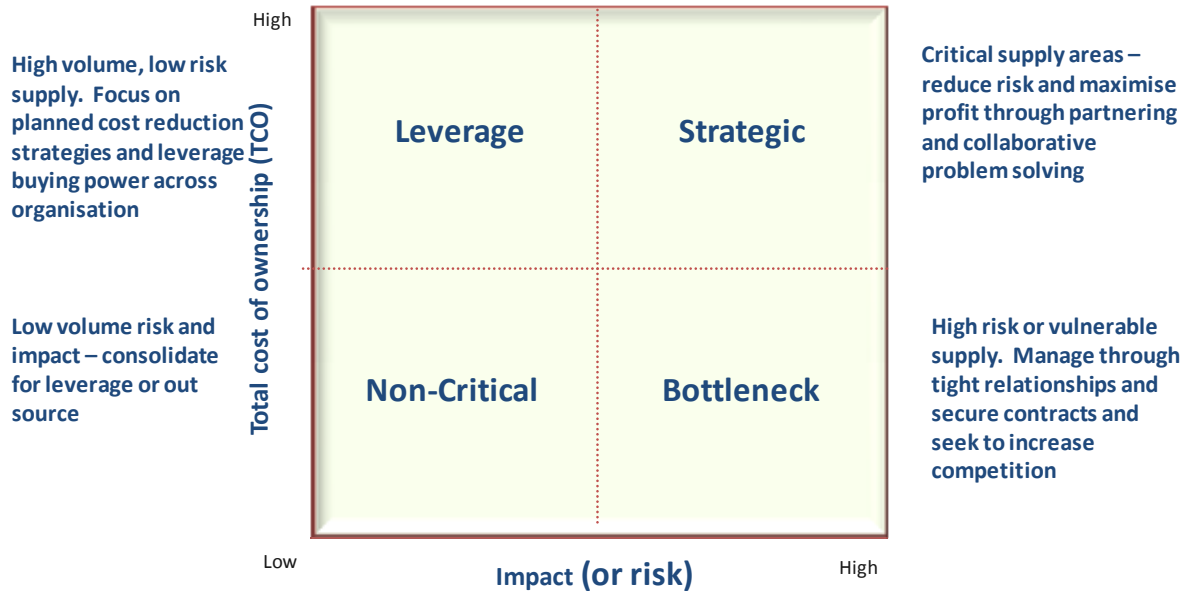
This strategy recommends that RDC develop a set of guiding principles that will help staff prioritise activities and decision making – including price/quality attributes. These principles will often look like policy (eg: use of local suppliers whenever practicable) but will also address fundamental procurement principles such as:

Total cost of ownership (TCO) – TCO is a procurement fundamental that recognises that price is only one part of overall cost. It also helps align procurement to asset lifecycle management and can therefore help facilitate the right conversation with suppliers as illustrated in the following diagram:



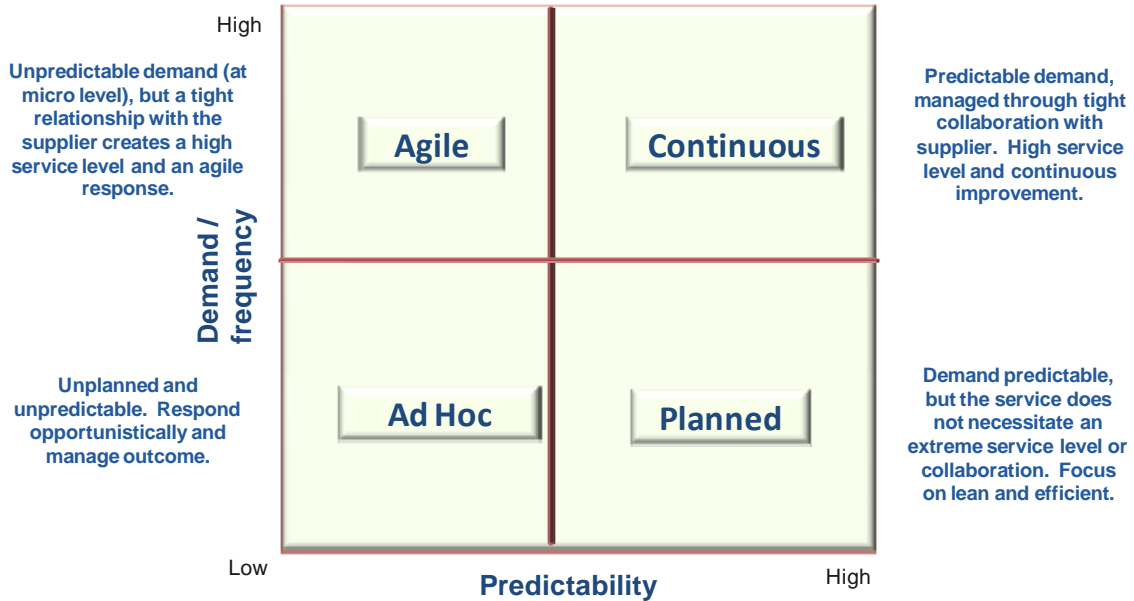
Price and cost – local government agencies such as RDC outsource a significant number of services. A decision has been made that it is more effective and/or efficient to do so. Therefore we should always recognise that price is what we pay for someone else to manage our costs. It is sometimes easier to make progress in terms of cost improvement if we unbundle the or margin from the core costs as it makes core cost more transparent and it's often our own behaviour that is drives cost

Relationship types – it is important to recognise that supplier relationships are not equal and that organisations that understand this will generate greater value from their expenditure. There are two models that are used in procurement to help with this. The first suggests organisations understand the impact of the procurement as per the following diagram:



This model helps us understand the risks and impact and therefore the rigour we should put into the process. Eg: road maintenance would be strategic, parking ticket stock might be viewed as a bottleneck (low value but critical to revenue) and consolidated stationery may be seen as a leverage opportunity.

The second model recognises buyer behaviour in terms of predictability and therefore what type of procurement will yield best value:



Acknowledgement to Gattorna / Christopher 2003

In this case rubbish collection would fall under the “continuous” profile and be managed using lean and continuous improvement principles whilst emergency response work would be seen as “agile” and berm mowing as “planned”.

OAG Principles

The office of the auditor general summarise six principles for procurement in the public sector as follows:

Accountability

- Accountable for performance.
- Accurate accounts of how funds are used.
- Suitable governance and management arrangements to oversee funding arrangements.

Openness

- Transparent in administration of funds.

Value for money

- Use resources effectively, economically and without waste.

Lawfulness

- Act within the law and meet legal obligations.

Fairness

- Must be and be seen as impartial in decision-making.

Integrity

- Manage public resources with the utmost integrity.

Centralised or decentralised procurement – international procurement practice has seen a trend to centralised procurement where there is a single management point for all expenditure in a particular category. This works well with corporate expenditure but has its challenges in infrastructure given the variety of application of services required and therefore the requirement for the project manager or engineer to have significant involvement in each individual procurement (CAPEX or OPEX). There is a compromise where policy and master contracts are negotiated and managed centrally – including performance – but day to day deployment is decentralised.

Value

Procurement activities originally focused on reducing cost but have evolved to include increasing value from supplier relationships. Just as asset management is evolving to better manage lifecycle cost and levels of service, procurement is also focusing on whole of life cost and strategic value.

Value measurement is therefore important and we recommend that supplier organisations establish processes that capture value from their activities and supplier relationships using the following measurement framework:

Hard savings – savings that can be measured in dollar terms and can be redeployed elsewhere either in actual or budgetary terms. Price reductions, lower replacement costs, longer life or reduced usage are all generators of hard savings.

Soft savings – these are most usually measured in a reduction in organisation time to manage the expenditure and can be translated into a dollar value (usually based on an agreed hourly rate for variable costs). Reduced transactions, online or electronic invoicing, reduced supplier management time or centralised purchasing all create soft savings.

Value add or strategic value – this is where you can capture additional value offered by a particular approach. Sometimes this can be translated into dollar terms but more often than not is about an

increased level of service for the same cost. Buying green products that help meet environmental outcomes, decreasing maintenance cycles to reduce asset downtime or using “local” suppliers can all be reported as value add.

Our experience is that after the initial procurement review, savings are often small but frequent and we therefore recommend regular savings or “efficiency gains” reports from category owners to the executive. It’s also important to recognise that savings are also measured as an opportunity cost ie: because a particular approach was taken then costs were avoided and they are also valid value claims.

In summary, we encourage RDC to take a holistic view of procurement and leverage the wide range of skills and tools available to maximise the value it gets from its expenditure

D. SUPPLIER INTERVIEW NOTES

Notes from supplier interviews December 09

A number of suppliers were interviewed to establish an understanding of RDC's suppliers procurement experience and their views on supply opportunities that should be assessed through the course of developing the procurement strategy.

Suppliers were given a questionnaire which was then discussed during an interview. The interview discussions were not limited to the questionnaire topics.

The suppliers interviewed and the notes taken are as follows. Note – no conclusions are made in this summary.

Interviewees:

Company	Representatives	Value to RDC
United Water	Jason Climo	Water services networks managers and contractors 08/09 - \$2.4m (Rank #2)
GHD	Roger Coles	Roading network manager 08/09 \$1.7m (Rank #3)
Downer EDI Works	Carol Woodmass and Tony Hapi	Parks and Reserves contractors (note also NZTA maintenance contractor) 08/09 - \$1.0m (Rank #5)
Office Max	Kane Steward	Corporate office supplies 08/09 - \$25k (Rank # 46)
Cheal	David Forsyth	Planning surveying and consenting consultants 08/09 - \$30k (Rank # 46)
Inframax	John Kahu	Roading maintenance and CAPEX 08/09 \$8.2m (Rank #1)
Kydd Paper Plus	Hamish Kydd	Corporate office supplies 08/09 - \$3k (Rank #68)
Jilesens	Tony Jilesen	Quarry and earthmoving contractors and sub contractors 08/09 \$9k (direct only) Rank #107
Richard Fleury	Richard Fleury	Landscape and concreting contractors direct and

		subcontract 08/09 \$38k Rank #38
--	--	-------------------------------------

1. Background data

Please advise:

<ul style="list-style-type: none"> Number of employees in district 	<ul style="list-style-type: none"> Ranged from none to 44 with most having around 10
<ul style="list-style-type: none"> Number of employees spending greater than 75% of their time on RDC activity 	<ul style="list-style-type: none"> Ranged from none to 30
<ul style="list-style-type: none"> Value of RDC contracts to you as percentage of turnover (regional not national) 	<ul style="list-style-type: none"> Inconsistent responses which was an initial indication of differing views as to local, regional or national supply. Larger contractors had very detailed responses while smaller suppliers varied particularly in terms of recognising sub contract work as RDC work. Also the market business model drove differing views eg: Office Max has a very large number of small customers so RDC seen as valuable even though barely in top 100.

2. Contracting methodology

<ul style="list-style-type: none"> What forms of contract are you aware of and which do you prefer and why? 	<ul style="list-style-type: none"> Larger infrastructure suppliers aware of range of traditional options based on NZS 3910 and variants. Corporate suppliers aware of concept of “preferred supplier” arrangements. Smaller infrastructure suppliers had limited understanding of options and most went with relatively informal arrangements as subbies to master contractors. Limited local experience of newer forms of infrastructure contracts (eg: NEC3) and collaborative relationship models. Suppliers recognise need for competitive model Interesting positive note that RDC seen as preferred benchmark contract by United Water nationally. GHD hold similar view
--	--

<p>▶ What would you recommend as the most effective forms of cost and price management for RDC and why?</p>	<p>▶ Responses generally reflected direct experience only with marked difference between infrastructure and corporate services.</p> <p>▶ Corporate services responses favoured predictability in terms of bundling and volume to generate value. Also recognise buyer behaviour through pricing eg: consolidated orders, on line transactions etc.</p> <p>▶ Infrastructure ideas discussed included:</p> <p>Consolidate spend for inputs such as pipe and concrete products across contracts</p> <p>Forecast volume (demand) and use M&V (m3) rates for quarry products</p> <p>Bundling of subbies work to increase security of forward work load</p> <p>Panel / preferred supplier for consultants (and corporate expenditure)</p> <p>Greater use of transparent or open book cost management</p> <p>General view that lumpsum is highest cost but does provide certainty (provided variations managed)</p> <p>Longer term contracts should have stronger provision for revising rate schedules and more appropriate cost fluctuation management</p> <p>Consultants – more use of time charge against estimate, maybe pain/gain share against that estimate</p>
<p>▶ What are the key incentives RDC can offer for you to deliver increased value for money (eg: drive down cost, increase customer service, increase productivity and / or increase service levels for the same cost?)</p>	<p>▶ A range of responses focussing on recognition, security and predictability including:</p> <p>Recognition for work well done – particularly across the maintenance contract staff.</p> <p>Local employees seen themselves as custodians of networks and therefore have ownership</p> <p>Ongoing work – eg: earning CAPEX renewals if maintenance KPIs met or exceeded</p> <p>Predictability of work for subbies and inputs suppliers – eg: supply contracts against forecast.</p> <p>Predictability for subbies in terms of their contracts or visibility of master contracts</p> <p>Contractors challenge to justify investment in equipment BUT need equipment to win bids...</p> <p>Partnering type relationships with renewals linked directly to</p>

	<p>performance ie: predictability for renewals.</p> <p>Length of contract – longer is better for suppliers</p> <p>Interesting to note that KPIs / KRAs rarely mentioned</p>
--	---

3. Relationship with RDC

<p>▶ How would you describe your relationship with RDC and how has it developed over the last few years?</p>	<p>▶ Suppliers generally happy with RDC relationships and responses not surprising including:</p> <p>Main suppliers prefer direct relationship rather than managed by others</p> <p>Subbies comfortable with relationship with master contractor but want greater visibility, predictability of work</p> <p>Infrastructure suppliers commented positively on efforts by RDC staff to work more closely with them</p> <p>Recognition of weaknesses in relationships when people change – both sides need to take responsibility for relationship management</p> <p>Some recognised opportunity to build further – increase collaboration not just with RDC but across contracts and projects</p> <p>Opportunity to better understand and manage risk sharing through pain/gain type mechanisms</p> <p>Corporate suppliers focussed more on the transaction rather than the relationship – about buyer/supplier transaction behaviour</p>
<p>▶ How do you rate RDC’s contract and relationship management skills compared to other clients – what are the 2-3 things they do really well and what are the 2-3 things they should change / improve to get best value from their relationship with you?</p>	<p>▶ General consensus that RDC skill sets have improved with the current management</p> <p>▶ Larger contractors raised the issue of separate vs integrated network management</p> <p>▶ Improvements could be made in more collaborative approaches to risk and problem identification and resolution</p> <p>▶ Difficult for suppliers to “get back in”. One example where no communication as to why supplier dropped and therefore what they needed to fix.</p>

<ul style="list-style-type: none"> Do all RDC staff treat you the same way – is it a consistent and predictable experience when dealing across RDC? 	<ul style="list-style-type: none"> Infrastructure suppliers positive in this area Corporate suppliers see inconsistency across departments
<ul style="list-style-type: none"> What are your views on merits or otherwise of consolidating services into fewer contracts eg: merging parks and road maintenance into a single contract or having a single supplier for all office machines and consumables? 	<ul style="list-style-type: none"> No surprises in that suppliers ideas based on self interest. Ideas included: <ul style="list-style-type: none"> Improved alignment of network activities eg: who best to undertake footpaths maintenance including kerb and channel and sumps etc Increase clarity of subbies content to address issues about local suppliers Better align subbies skills across networks Unbundle some material supplies and set up supply agreements across all contracts eg: aggregate and pipes Corporate suppliers see opportunity for smarter bundling of requirements eg: cafeteria, IT, safety equipment, records management. Local corporate supplier saw opportunity for regional buying eg: RDC, hospital, King Country Energy and High School. Infrastructure suppliers raised opportunity of regional cooperation with NZTA, Waitomo, Otorohanga, Rangitikei and Taupo but mixed views as to compatibility of organisations Consider regional preferred supplier panels Parks and reserves suppliers suggested bundling and realigning some services such as litter, toilets across facilities management

4. Open forum

- An opportunity for you to raise any issues that you think are pertinent to RDC getting greater value from its relationships with you and other suppliers.
- A range of ideas presented including:
 - RDC must not underestimate value of local knowledge of networks and use tools such as ECI (early contractor involvement) to leverage contractor knowledge into design activities.
 - Focus on growing current supplier capability
 - Unbundle CAPEX from maintenance and increase contestability for CAPEX projects
 - Develop closer relationships with utilities and lines/telecoms companies – align work programmes and leverage competence eg: Inframax to do reinstatements for United.
 - Use collaborative work practices to improve programme alignment and synchronisation eg: water and utilities works prior to a pavement rehab.
 - RDC be clearer about opportunities for local business (corporate suppliers especially)

- Smarter use of GIS to integrate work programmes
- Get better clarity of GSB contracts for corporate spend. GSB gives price security but at what cost the risk management (eg: paper supply is a commodity with daily fluctuations)
- Library book buying – buyers are cherry picking and no supplier has any security. What cost the process vs a consolidated buying service? RDC to understand real cost of process.
- What place local event and corporate sponsorship?
- RDC be clearer about value of local supply when master contractors selecting subbies – price / quality or simply lowest price conforming?
-

E. STAFF NOMINATED SUPPLIER RELATIONSHIPS

December 2009

Supplier Relationships	Description	Not in 08/09 or 09/10 data
Creditor	Contract / What For Etc	
Adcorp	Advertising	
AECOM NZ Ltd	Professional Service Contractor for District Plan Review and RMA work when RDC overloaded	
Alex Ferrier Building Services	Building plans etc	
Alisco NZ	Hand Towels and Mat contractor	
Annette Dowie Travel Broker	Flight bookings for Council	No
Aon New Zealand	For insurances, Indemnities etc	
Audit New Zealand	Annual auditing	
Baycorp	Debt collection agency	
Beaurepairs	Tyres supplier	
Blair Bacon	After hours Animal Control sub-contractor	No
Bond and Bond Te Rapa, HAMILTON	IT	No
Buildcom	Buildcom does most of our Building plan checks. We will be seeking others. Contractors must meet building accreditation requirements.	No
Buildcon Solutions Ltd	Professional Service-Building Consent Processing	
Cheal	Professional Services-for surveys, investigations	
Chubb NZ	Building security contractor	
ComTech	IT	No
Connect NZ	IT	
Critchlow	CRS Data for GIS	
D & C Tyres	Courier delivery between RDC offices	
Datacom	IT	
Datamail	Generates and distributes rates invoices and checks for data accuracy	
David Bateman	Library books supplier	
Department of Labour	Contract for Hazardous Substances	
EAP Services Ltd	Services: counselling sessions & advices	
Elldex Packing LTd	Rubbish bags supplier	No
Emblem NZ Ltd	Uniform Embroidery supplier	
Energy Centrepoint	Supplies and delivers gas for the buildings' heating system	
Fairfax Waikato Regional	Advertising	
Farmlands,	dog biscuit supplier - RDC discount	
Fuji Xerox	Photocopier provider (lease)	
Gary Kidd Engineering Ltd	Services	
Gavin Barton	After hours Animal Control contractor	
Gen-I	IT	
Gillard Motors	Vehicle Maintenance	
GSB Supply Corp Ltd	Computer hardware & software supplier	
Harland Graphics Ltd	Printing services & stationery	
Harpercollins Publishers Ltd	Library books supplier	
Hi Chem	Solvents and cleaners supplier	No
Hirequip	Port-a-loo hire for landfill and transfer stations	
I Sites	Contract for services with Switched On Tourism-site contract 3 years reviewable. Two information centres Taumarunui and Ohakune. Switched on Tourism (Garry Brunton) won the tender on price and presentation to Council	No
Infinity	IT	No
King Country Energy	Power supplier	
King Country Motors	Vehicle Maintenance	
King Country Vet	Services: Animal Euthanasia	
KONICA	IT	
Kydds Paper Plus	A4 paper and other stationery items cheaper than office max. Library books	
Le Pine	Professional Services: Legal services	
Leading Edge	IT	
Local Area Shared Services Company	RDC a shareholder for shared services	No
Microsoft	IT	No
Miller Books	Library books supplier	
Mitre 10,	general supplies, pound and vehicles - RDC Discount	
Mobil	Fuel supplier for RDC fleet	
Motochek, Land Transport	Compliance - owners car vehicle details	No
New World,	dog food supplier	Duplicate
NZ Post	prepaid envelopes	
Office Max	general stationery, IT supplies and tea/coffee etc	
Ohakune New World	Tea room supplies for Southern offices	
Origen Technology	Council's system provider	
Penguin Books	Library books supplier	No
PriceWaterhouseCoopers	Organisational reviews, and, assistance of personnel from time-to-time	
QV	Contract for Valuation and property data	
Radio House	IT	
Random House	Library books supplier	
Solutions Group	Photocopier Lease	No
Sport Wanganui	Contract for recreation services	
Supply Link OPD	IT	
Taumarunui New World	Tea room supplies for Northern offices	Duplicate
Telecom	Landline and Mobile service provider	
Terralink	Property information & Certificates of Title	
The Lines Co	Power lines supplier	
Tourism Resource Consultants	Contract for cycle way project management	No
Tree Line Arbor Care Ltd	Services: clearing, trimming, cutting down trees within Council reserves	
Uniform Centre	Uniform supplier	No
Vet Ent,	preferred Vet supplier and euthanizing	
Visit Ruapehu RTO	Visit Ruapehu Trust is contracted for 3 years for delivery of Regional Tourism activity. Council decision not tendered.	No
Wanganui Motors	Vehicle Maintenance	
Wanganui Newspapers	Advertising	
Westpac Trust Grant	Agreement for pool	
Works Downer EDI	rubbish removal & pound location (power, water, rates)	

F. CONTRACT COMMITMENTS

December 2009

MAINTENANCE COMMITMENT TO PAY FROM 1 JULY 2009									
CONTR ACT	ITEM	Asset Dept	Contractor	CONTRACT PRICE	TO PAY BETWEEN		TO PAY BETWEEN		COMMENTS
					1 JULY 2009-30 JUNE 2010	1 JULY 2010-30 JUNE 2011	1 JULY 2011-30 JUNE 2014		
	District Land Transport								
1407	GHD Professional Services-3 Years	Transport	GHD	3,815,142	1,271,714	1,271,714	1,271,714	0.00	Started 1 July 2009-30 June 2011 (Possible extension to 30 June 2014)
	TOTAL :			3,815,142.00	1,271,714.00	1,271,714.00	1,271,714.00	0.00	
1389	Streetlights-2 Years Started 1 November 2008	Transport	Aif Downs	238,751.00	119,376	29,844	29,844	0.00	Started 1 October 2008-30 September 2010 (Possible extension to September 2013)
	TOTAL :			238,751.00	119,376.00	29,844.00	29,844.00	0.00	
1279	Swimming Pools Maintenance/Year	Property	Total Leisure Concepts	125,869	125,869	157,336	157,336	0.00	Extended to 30 September 2010 (Possible extensions to 30 September 2010)
	TOTAL :			125,869.00	125,869.00	157,336.00	157,336.00	0.00	
1355	RDC Road Maintenance-35 months	Transport	Inframax	17,955,055	6,156,019	6,156,019	6,156,019	0.00	Started 1 August 2008-30 June 2011 (Possible extensions to June 2013)
	TOTAL :			17,955,054.81	6,156,019.00	6,156,019.00	6,156,019.00	0.00	
1041	Parks and Reserves-4 Years	Property	Downer Edi Works	3,133,333	800,000	800,000	800,000	333,000.00	Started 1 December 2002 Extended to 30 November 2011
	TOTAL :			3,133,333.00	800,000.00	800,000.00	800,000.00	333,000.00	
1367	RDC Clean Building-Huia Street	Property	ISS Facilities Services	34,390	34,390	34,390	34,390	8572.00	Started 15 January 2008 Extended to 14 January 2013
	TOTAL :			34,390.00	34,390.00	34,390.00	34,390.00	8572.00	
1307	Office Cleaning Ohakune-Library	Property	Ruapehu Property Services	10,608	10,608	10,608	10,608	2652.00	Started 1 October 2006 Extended to 30 September 2011
	TOTAL :			10,608.00	10,608.00	10,608.00	10,608.00	2652.00	
1310	Toilets-North	Property	Ruapehu Property Services	17,856.00	17,856.00	17,856	17,856	4464.00	Started 1 October 2006 Extended to 30 September 2011
	TOTAL :			17,856.00	17,856.00	17,856.00	17,856.00	4464.00	
1311	Toilets-South	Property	Ruapehu Property Services	28,224.00	28,224	28,224	28,224	7056.00	Started 1 October 2006 Extended to 30 September 2011
	TOTAL :			28,224.00	28,224.00	28,224.00	28,224.00	7056.00	
1308	Office Cleaning-Raetihi/Library	Property	Ruapehu Property Services	3,869.00	3,869	3,869	3,869	967.00	Started 1 October 2006 Extended to 30 September 2011
	TOTAL :			3,869.00	3,869.00	3,869.00	3,869.00	967.00	
1313	Toilet Cleaning-Waiouru	Property	Ruapehu Property Services	19,344.00	19,344.00	19,344	19,344	4836.00	Started 1 October 2006 Extended to 30 September 2011
	TOTAL :			19,344.00	19,344.00	19,344.00	19,344.00	4836.00	
1319	Toilet Cleaning-Ohura	Property	David Wilson 2 Tui Street, Ohura	1,500.00	1,500.00	1,500	1,500	375.00	Started 1 October 2006 Extended to 30 September 2011
	TOTAL :			1,500.00	1,500.00	1,500.00	1,500.00	375.00	
1101	OMR Winter Traffic Management	Transport	Ruapehu Alpine Lifts	125,000.00	114,583.00			0.00	Extended to 31 May 2010
	TOTAL :			125,000.00	114,583.00	0.00	0.00	0.00	
1101	OMR Summer Traffic Management	Transport	Ruapehu Alpine Lifts	8,000.00	8,000.00			0.00	Extended to 31 May 2010
	TOTAL :			8,000.00	8,000.00	0.00	0.00	0.00	
1415	Plumbing Maint-South	Property	B & M Plumbing Ltd	10,000.00	10,000.00			0.00	Rates Only-Start 1 July 2009-30 June 2010 Possible extension to 30 June 2012
	TOTAL :			10,000.00	10,000.00	0.00	0.00	0.00	
1416	Building Maint-South	Property	P C Hawthorne	10,000.00	10,000.00			0.00	Rates Only-Start 1 July 2009-30 June 2010 Possible extension to 30 June 2012
	TOTAL :			10,000.00	10,000.00	0.00	0.00	0.00	
1349	Electrical Maint-South	Property	Ridley Electrical Ltd	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	Rates Only-Start 1 July 2007 Extended to 30 June 2012
	TOTAL :			10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	
1292	Building Maint-North	Property	Gary Jacobs Ltd	10,000.00	10,000.00			0.00	Rates Only-Starts 1 July 2006 Extended to 30 June 2010
	TOTAL :			10,000.00	10,000.00	0.00	0.00	0.00	
1293	Plumbing Maint-North	Property	Taumarunui Plumbing Ltd	10,000.00	10,000.00			0.00	Rates Only-Starts 1 July 2009-30 June 2010 Possible extn to 30 June 2013
	TOTAL :			10,000.00	10,000.00	0.00	0.00	0.00	
1409	Electrical Maint-North	Property	Fred Bacon Electrical Ltd	10,000.00	10,000.00			0.00	Rates Only-Starts 1 July 2009-30 June 2010 Possible extn to 30 June 2013
	TOTAL :			10,000.00	10,000.00	0.00	0.00	0.00	
1249	Reseals 2005-2010	Transport	J & J Walters Ltd	865,000.00	880,000.00			0.00	Started 1 July 2005 Contract ends 28 February 2010
	TOTAL :			865,000.00	880,000.00	0.00	0.00	0.00	
1254	Plant Pest Control 2005-10	Transport	Agspec Services Ltd	25,000.00	25,000			0.00	Started 1 July 2005 Contract ends 30 April 2010
	TOTAL :			25,000.00	25,000.00	0.00	0.00	0.00	
1332	Library-Taumarunui Office Cleaning	Property	Ruapehu Property Services	2,600.00	2,600.00	2,600	2,600	0.00	Started 1 October 2006 Extended to 30 September 2011
	TOTAL :			2,600.00	2,600.00	2,600.00	2,600.00	0.00	
1424	Litter Collection-Taumarunui	Property	William Crawford 28a Haurangi Tce, Taumarunui	15,600.00	15,600.00	15,600.00	15,600.00	15,600.00	Started 1 July 2009 Contract ends 30 June 2012
	TOTAL :			15,600.00	15,600.00	15,600.00	15,600.00	15,600.00	
1404	IQP & Planned Maintenance Council Office Buildings - South	Property	Chubb Maintenance Ltd	14,900.00	14,900.00	14,900.00	14,900.00	14,900.00	Started 1 January 2009 Contract ends 30 June 2012
	TOTAL :			14,900.00	14,900.00	14,900.00	14,900.00	14,900.00	
1402	Planned Maintenance-North ROUTINE MAINTENANCE AGREEMENTS – TAUMARUNUI AIRPORT, TAUMARUNUI PUBLIC LIBRARY AND VARIATION TO HUIA STREET ADMINISTRATION BUILDING	Property	Chubb Maintenance Ltd	31,568.28	31,568.28	31,568.28	31,568.28	31,568.28	Started 1 January 2009 Contract ends 30 June 2012
	TOTAL :			31,568.28	31,568.28	31,568.28	31,568.28	31,568.28	
	TOTAL ROADS etc:			26,312,858.09	9,621,644.28	8,575,528.28	433,990.28		
	District Refuse								
1099	Kerb Side Collection	Environment	Supa Bins	1,111,401.00	142,440.41			0.00	Period 1 July 2008-31 January 2010 Includes 8% CCI + 5% CCI
	TOTAL :			1,111,401.00	142,440.41	0.00	0.00	0.00	
1099	Kerbside Recycling	Environment	Supa Bins	90,864.00	32,463.09			0.00	Period 1 July 2008-31 January 2010 Includes 5% CCI
	TOTAL :			90,864.00	32,463.09	0.00	0.00	0.00	
1100	Landfill & Transfer Station Maint.	Environment	Supa Bins	588,500.00	75,424.13			0.00	Period 1 July 2008-31 January 2010 Includes 8% CCI + 5% CCI
	TOTAL :			588,500.00	75,424.13	0.00	0.00	0.00	
	TOTAL REFUSE :			1,790,765.00	250,327.64	0.00	0.00	0.00	
	District Water								
1039	Water, Sewer, Stormwater Services (4years)	Environment	United Water	1,770,120	442,530	442,530	590,040	590,040	Started 1 November 2004 1 November 2008- 31 October 2012
	TOTAL :			1,770,120.00	442,530.00	442,530.00	590,040.00	590,040.00	
	TOTAL WATER :			1,770,120.00	442,530.00	442,530.00	590,040.00	590,040.00	
	TOTAL OF MAINTENANCE WORKS			29,873,743.09	10,314,501.92	9,018,058.28	1,024,030.28		20,356,590.48

CAPITAL COMMITMENT TO PAY FROM 1 JULY 2009

CONTRACT	ITEM-CAPITAL WORKS	Asset Dept	Contractor	CONTRACT PRICE	PAID	TO PAY STILL	COMMENTS
	Water Services						
1421	Raetihi Sewer Reticulation Lining	Environmental	Pipe Technologies Ltd	55,000.00	5,060.00	49,940.00	
	TOTAL :			55,000.00	5,060.00	49,940.00	
1419	Huia Street Rising main	Environmental	United Water	302,605.55	137,591.00	165,014.55	
	TOTAL :			302,605.55	137,591.00	165,014.55	
1413	Ohakune WTP Reservoir & Owhango Reservoir Roof			328,000.00	0.00	328,000.00	
	TOTAL :			328,000.00	0.00	328,000.00	
1412	Owhango WTP & Reservoir Roof	Environmental	United Water	137,960.00	0.00	137,960.00	
	TOTAL :			137,960.00	0.00	137,960.00	
	TOTAL :			823,565.55	142,651.00	680,914.55	
	District Land Transport						
1355	Pavement Rehab:Ohura Road	Transport	Inframax	396,090.00	376,087.00	20,003.00	Expenditure Forecast \$419200
	TOTAL :			396,090.00	376,087.00	20,003.00	
1355	Pavement Rehab:Poru-O-Tarao Road	Transport	Inframax	265,839.00	125,026.00	140,813.00	Expenditure Forecast \$312212
	TOTAL :			265,839.00	125,026.00	140,813.00	
1355	Dobbs Bluff Remediation:OIO Road	Transport	Inframax	450,000.00	118,405.00	331,595.00	Expenditure Forecast \$450000
	TOTAL :			450,000.00	118,405.00	331,595.00	
1355	Waimarino Tokaanu Road	Transport	Inframax	244,278.00	214,838.00	29,440.00	Expenditure Forecast \$268706
	TOTAL :			244,278.00	214,838.00	29,440.00	
1355	Shorts Hill-Minor Improvements	Transport	Inframax	171,504.00	167,834.00	3,670.00	Expenditure Forecast \$188655
	TOTAL :			171,504.00	167,834.00	3,670.00	
1385	Footpath Renewals	Transport	Contract Not let yet	208,090.00	178,694.00	29,396.00	Expenditure Forecast \$200000
	TOTAL :			208,090.00	178,694.00	29,396.00	
1391	Ohakune OMR-Bridge	Transport	Concrete Structures	638,957.00	0.00	638,957.00	
	TOTAL :			638,957.00	0.00	638,957.00	
	TOTAL :			2,374,758.00	1,180,884.00	1,193,874.00	

G. NOTES FROM STAFF PROCUREMENT WORKSHOP FEB 9 2010

Procurement strategy - impact	Supporting the Council charter - to see this District prosper through effective management and delivery of high quality assets and services and the provision of innovative customer and community focussed solutions					
Procurement strategy - outcomes	Relationships	Capacity and Capability	Policy	Processes	Performance	Value for money
	We have created strong relationships with suppliers to improve services delivery and infrastructure management in the community	We have maintained capacity and capability of people and organisations to deliver predictable services at best cost and contribute to sustainable competition in the region.	We have maintained procurement policies that support sensible and contestable source, selection and management of our suppliers	We have eliminated waste in our procurement and purchasing processes	We have increased alignment of performance management of key suppliers to the levels of service agreed with the community	We have created meaningful value for money measures for our supplier relationships and procurement and purchasing processes
	Relationships on large contracts	Key contractor personnel	Delegations - limits of authority, roles and responsibilities	Minor purchasing - specifically repeat purchases	Setting KPIs reflective of goals (less non compliance)	Risk allocation vs. day works
	GHD for contract supervision and professional advice	Asset management tools - technology (GIS, aerial photos, cell phones etc)	Clarity / thresholds for political intervention	Contracts claims process / remittance process	Stock calls statistics and reimbursements	Process needed for access to smaller (local) contractors
	Internal supplier relationship management team	HDC procurement knowledge / tendering process knowledge (Cook)	Budget authority ownership (no secondary sign off)	Collecting correct information (less working off reports)	Access to goods and services	List services
	Good relationships with suppliers / contractors (maintaining enduring relationships and working through pricing opportunities)	Contractors local knowledge	Policy around home life balance (not required to analyse every month account) not a procurement issue	Fair and robust procurement process	Levels of service meet the standard (AMP and SLA KPIs)	Ratepayers getting value for money (benchmarking, silence, less complaints)
	Managing budgets across projects in same site	After hours rural fire contract	Delegations reflect the work environment (not having to go to manager for day to day activities)	Repeat purchase orders (repeat POs will just happen)	Good monitoring of contract outcomes with teeth (everything is delivered as expected)	Low cost of procurement process (process easy to use and spending less time procuring goods)
	Relationship evolution	Euthanasing fees and service	Transparent budget setting process (financial ??)	All obligations are appropriately approved (number of payments without a PO or approved cert.)	Brochure sales - library books	Sustainable competition
	NZS 3910	Services and suppliers list on intranet (ones top shop for all organisation)	If budgeted - be able to spend it	Minimal bureaucracy (staff survey and being able to purchase things in a timely manner)		Evaluation of payback for rates spent (value for money)
	Contract documents work well	Knowledge pool	Roles able to make decisions without being grilled	Good technology		Day works - or use local suppliers
		Back ups for key contractor and staff personnel (documented process in place)	Phone charges for cell phone calls (HR issue)	Improve invoicing process		Risk allocation
		Financial robustness - budget and accounting management within team	Library budget in wrong place (Finance issue)	Purchase orders procedure		Keeping up with industry cost changes to maintain levels of service
		Budget manager training	Budget setting and delegations within budgets	Communicating supplier options within council		
		Staff capability (development and skill sets)	Tender policy	Someone manage all councils requirements		
	Key	Supply base mapping	Financial policy and different economic signals	Multiple purchase orders		
	What works well	Competition for council work (number of entities competing)	3 price requirement for small property jobs	Portability if information		
	What needs to change	Deal more with local suppliers	Thresholds / delegations for competitive processes	Procure to pay process		
	What success looks like and measures			Ownership of procurement process		

H. RISK AND IMPACT QUESTIONNAIRE AND PROCUREMENT PROCEDURES

Risk and impact questionnaire

Note: guides are displayed for information purposes (change to A3 for publication)

Ruapehu District Council		Procurement reference and date	
<p>Procurement risk assessment tool (hover over question for guidance notes)</p> <p>Risk – Chance or possibility of loss or failure</p>			
	Score Y if...	Y or N	
1. What is the risk if the supplier fails or terminates?	High	n	<p>What is the risk if the supplier fails or terminates? A supplier may fail by not providing or undertaking the deliverables under the contract in a timely manner, by going into receivership or by terminating the contract. Rating score Guide Low: 1 Although there may be some delays it will be relatively easy to find another supplier to complete the task. High: 3 Without robust dispute resolution clauses in a contract and a back-up plan it is likely the procurement will not proceed.</p>
2. What is the risk of the contract not clearly defining requirements or deliverables?	High	n	
3. What is the total value of the contract?	> \$100k	n	<p>What is the risk of the contract not clearly defining requirements or deliverables? A contract can fail if it does not sufficiently define the deliverables. Rating Score Guide Low: 1 The requirements of the procurement are well understood and can be clearly and concisely communicated with little to no risk of misunderstanding. High: 3 The requirements are complex. It is a new area of instruction and/or the outcomes are not clear.</p>
4. How risky is the procurement – ie: the likelihood of something going wrong or causing material delays?	High	n	
5. Risk of failing to comply with legislative requirements?	High	n	<p>What is the total value of the contract? Note: if it is a continuing contract, calculate the total value. Rating Score Range Low: 1 \$0 to \$100,000 High: 7 \$100,000</p>
6. What is the risk of loss if the timeframe(s) is not met?	High	n	
7. Level of intellectual property involved?	Complex	n	<p>How risky is the procurement – ie: the likelihood of something going wrong? This is identified by considering the following: <ul style="list-style-type: none"> Who will manage the contract on behalf of RDC? What work is to be performed? What reliance will RDC place on the work? Are there special hazards involved like working in a busy public space or special construction methods like underpinning of existing structures? What would be the 'worst case scenario' if everything went wrong? How much material damage could be done by the above scenario to the place of the event and the surrounding property? How likely is it that a claim could happen/has there been a history of claims for this kind of project/event? Will the supplier have the relevant and appropriate level of experience or technical expertise? What will be the impact of consulting and consultation processes? Will they be straightforward? </p>
8. Is expenditure covered by Sensitive Expenditure policy?	Yes	y	
<p>Impact – The potential effect on all parties and activities</p>			
9. What is the level of public visibility?	High	n	<p>Risk of failing to comply with legislative requirements? This is identified by considering the following: <ul style="list-style-type: none"> Who will manage the contract on behalf of RDC? What work is to be performed? What reliance will RDC place on the work? Are there special hazards involved like working in a busy public space or special construction methods like underpinning of existing structures? What would be the 'worst case scenario' if everything went wrong? How much material damage could be done by the above scenario to the place of the event and the surrounding property? How likely is it that a claim could happen/has there been a history of claims for this kind of project/event? Will the supplier have the relevant and appropriate level of experience or technical expertise? What will be the impact of consulting and consultation processes? Will they be straightforward? </p>
10. What is the public interest?	High	n	
11. What is the impact on the market or relevant industry?	High	n	<p>Rating Score Range Low: 1 High: 3</p>
12. What is the impact of failing to meet timeframes?	High	n	
13. What is the impact on other RDC projects and activities?	High	n	<p>Risk of failing to comply with legislative requirements? RDC is a territorial authority and its powers and obligations are defined by statute, such as the Local Government Act 2002. Legislation impacts on all of our activities setting timeframes and limiting our right to act in certain ways. We need to be conscious of any risk we run in failing to comply with the requirements of the Health and Safety in Employment Act. This must be considered and may well result in a score of "4" for this question, not because it is difficult to comply with, but because it has stringent requirements that vary depending on the type of contract. Rating Score Guide Simple: 1 General legislative requirements, but nothing specific to the procurement. Complex: 4 Rigid timeframes or complex requirements specific to the procurement, for example payment requirements under the Construction Act.</p>
14. What is the impact on external projects and activities?	High	y	
15. What impact of quality and experience on the outcomes?	High	n	<p>What is the risk of loss if the timeframe(s) is not met? Basically time may be a critical factor. In some instances funding may be dependent on a procurement being completed within a certain period. Risks can include: <ul style="list-style-type: none"> loss of funding expiry of regulatory consents failure to meet subsequent contractual obligations financial loss </p>
16. What is the impact on sustainability outcomes	High	y	
<p>Result = Simple Procurement</p> <p>Note: you have identified one or more areas of risk or impact. Please ensure these are properly addressed through procurement planning, supplier briefing and contracting documents as appropriate. Choose the most effective option available.</p>			
<p>Proceed to procurement process on next tab</p>			
<p>What is the level of public visibility? While the procurement may have some level of visibility in the immediate community, the public awareness would not translate into wider public interest. An example would be roadworks on a specific street, potentially scoring low. However if the street was of significant heritage value or in the CBD, the procurement's public visibility may result in a high score. Rating Score Low: 1 High: 3</p>			
<p>What is the public interest? Likelihood of the public taking an active interest and perhaps initiating action through media or political channels. You should also consider a high score when public safety or wellbeing would be compromised by the failure of the contract. It does not mean you will not proceed with the procurement, but a stake holders analysis and communication/consultation plan would be critical for the success of the procurement. Also making provision for contingency plans would be advisable. Rating Score Low: 1 High: 3</p>			
<p>What is the impact on the market or relevant industry? Depending on the stability of the industry in question the procurement could have an impact on our ability to do business in the future and may even result in some local businesses losing significant business. Again this may not prevent the procurement from proceeding, but you will be aware of the impacts and may be in a position to plan the procurement differently to manage that impact. Rating Score Low: 1 Market contains a variety of appropriate providers. High: 3 We could create a monopoly or dominate market resources or be seen to exclude a "local provider".</p>			
<p>What is the impact of failing to meet timeframes? Delays can result in additional/increased process costs. It can also have nuisance value in the inconvenience caused (in addition to any potential financial loss under Risk question 6). Rating Score Low: 1 High: 3</p>			
<p>What is the impact on other RDC projects and activities? It may be that other operations within RDC are affected by your procurement. A stakeholders analysis should identify who might be affected or have an interest and set out how to manage that involvement. Rating Score Guide: Low: 1 Limited involvement from other operations within RDC and would be useful to keep the identified groups advised of progress. High: 4 Significant impact on or interest for other business groups and it would be beneficial to involve those groups at the planning stage of the procurement and possibly in any competitive process decided on for the selection of a supplier.</p>			
<p>What is the impact on external projects and activities? As a territorial authority we can have a huge impact on procurements being undertaken by external groups and vice versa. We should give consideration to activities being undertaken in the market place. For example are other authorities tendering for services in the same area we intend to, and will there be a scarcity of resources? Will the procurement have spin off benefits or impacts on local commercial operations? Is the procurement part of another commercial project eg: an urban development project. Rating Score: Low: 1 High: 3</p>			
<p>What is the impact of quality and experience on the outcomes? If it is critical to the success of a procurement that the supplier chosen is able to 'hit the ground running' then you will be unlikely to pick a supplier which will require time to learn and understand the activities required. In other circumstances you may wish to develop an innovative supplier and a longer implementation period will be less of an issue. Similarly a good enough job may be as acceptable as an excellent job and so cost will be more of a driver than quality outcomes. But you should always keep in mind the impact of a decline in service levels to ratepayers. You must consider whether a possible cost saving is worth compromising quality. Rating Score: Low: 1 High: 3</p>			
<p>What is the impact on sustainability outcomes? Is this procurement going to have a measurable effect on sustainability issues such as whole of life costing, waste minimisation, local employment or cultural integration? Will the procurement offer an opportunity to demonstrate innovation or improvement in terms of environmental management, planning, community well being or financial management? Rating Score: Low: 1 High: 3</p>			

I. PROCUREMENT PLAN TEMPLATE

Procurement Plan Template

NOTE: this template will be updated to include appropriate references to policy and guidance once the strategy has been adopted by Council

Guide to completing this template:

- ▶ Assume the reader knows nothing
- ▶ Summarise succinctly so the reader knows what it is about
- ▶ Make sure the case supports the recommendation
- ▶ Make sure the recommendation is clear

Title:	Procurement plan for [contract description]
Report to:	Insert the name and position of the recipient/s authorised to approve the procurement plan. Refer to the Delegations flowchart for guidance.
Author(s):	Insert your name/s and position/s as the author/s of the procurement plan.
Date:	
Contract name:	Insert the name of the contract, for example "Central Business District Street cleaning 2006". Should be consistent with CCP description if possible.
Contract number:	All contracts are required to have a unique number to avoid confusion with other similar contracts, and to provide for easy filing and subsequent retrieval. Check whether there are any specific requirements within your group or team.

1.0 Summary and conclusions

Insert 2 or 3 concise paragraphs on why the plan is being written, the key issues it addresses and your major conclusions. This should be a précis of the procurement plan, not merely a repeat of paragraphs from the narrative.

2.0 Recommendations

Specify what you recommend be adopted, for example "That the project manager undertake a request for proposals for the procurement of street cleaning services in the Central Business District". Recommendations should be limited to one paragraph, self contained and self explanatory (without the need for the reader to refer to another document). They should stand alone as an explanation of the procurement plan.

3.0 Background

Document the context for the procurement, ie: why you are writing the procurement plan and any relevant history to the procurement. If possible begin by linking the procurement to the LTCCP

4.0 Statement of requirements

- 4.1 **Purpose** Describe in broad terms what is to be achieved by the procurement

- 4.2 **Scope** Document what is included and what is excluded within the scope of the procurement (e.g. maintain building, but do not include lift maintenance). Identify constraints, such as timeframes
- 4.3 **Results** Document what the results (outcomes, objectives, and/or deliverables) of the procurement should be and what it will deliver to you
- 4.4 **Performance and technical specifications** Describe the deliverables and key performance indicators and how the supplier will deliver goods and services to the required standards
- 4.5 **Health and safety requirements** RDC has extensive obligations as a principle under the terms of the Health and Safety Act. Describe any likely health and safety requirements for this procurement. Identify all known hazards.
- 4.6 **Sustainability** TDC has specific sustainability objectives specified in the CCP. Describe any social or environmental impacts, considerations or benefits arising from this procurement.

5.0 Procurement impact

Describe how the procurement will align to, or impact, organisation and community objectives and outcomes.

6.0 Purchase strategy

6.1 Supplier range

Describe why you have chosen the supplier range. For example “I intend issuing invitations to all potential suppliers because”, or “I intend issuing invitations to the following selected suppliers because....”

6.2 Procurement method

Document the chosen procurement method and describe why you have chosen that method. For example “The chosen procurement method is a request for proposals. This procurement method was chosen because we know there have been recent technological developments in this area that we do not fully understand and a request for proposal allows for the supplier to introduce greater innovation in how it delivers the services.” Also ensure your proposed method is compliant with any requirements of affected organisations such as Land Transport NZ.

7.0 Evaluation plan

7.1 Evaluation team

Identify who will be evaluating the supplier offers and why that individual or those individuals have been chosen, that is what special skills, knowledge or background they will bring to the process. Also confirm whether they have completed a confidentiality and conflict of interest declaration and have committed the time necessary to be a member of the evaluation team

7.2 Evaluation method

Identify the evaluation method you will use to evaluate supplier offers, for example Brooks law, price quality, lowest price conforming.

6.3 Evaluation process

Describe the evaluation process (eg: one or two envelopes, interviews and scoring methodology) including any approval or reporting steps required under the Delegations register.

8.0 Contract management structure

Give consideration to the following for any collaborative or term based agreement

- Relationship description – describe the overall nature of the desired relationship
- Relationship charter – describe how the supplier and client parties will be aligned to best for project or best for programme
- Contract and relationship management structure – develop accountability, reporting and escalation protocols
- Pricing and cost management – how to manage cost over time and align basis of payment to performance and outcomes
- Communication and stakeholder management – who, when and how of communications including complaints and customer enquiry management
- Performance management and quality assurance – KRA framework and detail of lead lag measures to support overall project and supplier performance. Clarity of accountability in team environment.
- Risk, opportunity and value management – including continuous improvement, collaborative problem solving and innovation
- Reporting and information management – no duplication or waste and “one version of the truth”
- Escalation and problem solving – including across supply side teams.

9.0 Issues / risks

9.1 Results of risk / impact assessment

You should complete a risk and impact assessment for all procurements and attach a copy to this plan. Document the reasons for the risk and impact score and describe how you will manage the identified risks and impacts.

Make specific notes and references to any market driven issue such as having to source from a monopoly supplier.

9.2 Legal advice requirements

If your procurement is high risk or high value, or you anticipate amending / creating templates to meet unique requirements you may require legal advice. This will have a budget implication.

9.3 Process deviation

In some instances, given the issues and risks you may require a deviation from a normal process. For example there may be only one supplier able to provide the services required but the risk and value profile of the procurement dictates that you should undertake a competitive process. You can recommend that there be a deviation from the requirement to go to a competitive process. Detail here the normal requirements, the deviation proposed and the reasons for the deviation.

9.4 Probity auditor

Best practice recommends the appointment of a probity (process) auditor for competitive processes. A probity auditor ensures the procurement is undertaken in accordance with the business rules and the

general law, as detailed in the procurement plan. The probity auditor may be an internally appointed person or may be externally appointed. State whether a probity auditor is to be appointed, describe why (or why not) and identify who will be the probity auditor.

9.5 Other risks (optional)

This is simply a catch all for any other risks, for example you could advise that the weather will not be an issue for a construction procurement due to the type of building method that will be used. You would also identify any internal key stakeholders at this point and document how you will manage any such stakeholders

10.0 Budget

Provide confirmation of budget approval and sign off for funding sources and cash flow timing. If expenditure exceeds approved budget explain the nature and timing of deferrals and/or deletions required to cover the shortfall. If the funding is sourced from financial contributions, development levies, targeted rates or other dedicated reserves, identify the funding source and total amount available at the time of this plan.

Tick the type of expenditure (right mouse click on box > properties > in default value, select 'checked' > ok)

- Capex with consequential opex
- Capex without consequential opex
- Operational expenditure

10.1 Budget confirmation

Confirm you have the budget and the authority to spend it. It may also be necessary to detail the source/s of funding, provision for any contingencies and the possibility of unanticipated costs. When proposing a capital project, funding for the entire project must be stated. If funding requires other projects to be deleted or deferred this must be explicitly stated. Should funding be sourced from financial contributions (development levies) or other dedicated reserves then you must ensure you have secured sufficient resources within that fund. Full consequential operating expenditure must be included. The operating expenses may vary year to year so it may be necessary to include an average for the first 3 or 5 years

10.2 Delegated authority

Document what authorisations are required for the approval of the procurement

10.3 Savings

If you have evidence that the procurement will result in savings for RDC you should detail that evidence here.

11.0 Internal resourcing requirements

Advise whether there will be any internal resourcing requirements such as new equipment, upgrading existing technology and creating an interface with other suppliers. There may also be resourcing required for the evaluation, such as use of external evaluators, appointment of external probity auditors and contracting of consultants to support a competitive process.

12.0 Relationship management

Describe what provisions will be made for the management of the contract to ensure the deliverables are met. Consideration must be given to the resources required to appropriately manage the relationship such as who has the skills and experience to manage the relationship and whether there are sufficient resources currently in place

13.0 References

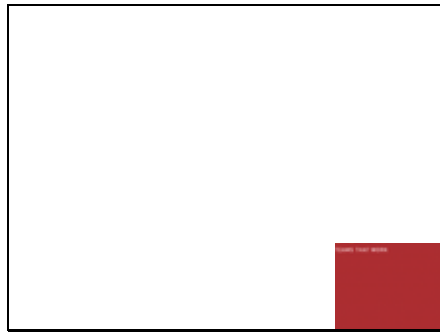
List any sources and relevant references your procurement plan has used so that the reader understands the trail of information contained in the report. This will also help with any subsequent audit of your procurement

	Name and title of signatories	Signature
Author(s)		
Reviewer		
Approver		

J. RISK AND OPPORTUNITY TEMPLATE

K. COLLABORATIVE WORKING – A GUIDE FOR PERFORMANCE MANAGEMENT FRAMEWORKS

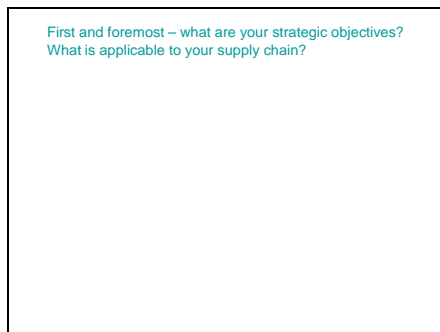
Slide 1



Slide 2




Slide 3



Slide 4

The principle of shared accountability

...at what point does the client directly impact performance



Slide 5

shared accountability...

Parks maintenance	Parks meet community needs	<ul style="list-style-type: none">• Grass areas• Gardens• Paths• Litter• Playgrounds• etc	<ul style="list-style-type: none">• Mowing• Fertilising• Planting• Weed control• Bin MTS• etc
Accountability	Client sets expectations? Supplier solely accountable for delivering outcomes?	Client determines components of park (amenity vs sports?) Supplier solely accountable for determining specs to deliver components?	Supplier solely accountable for inputs (tasks and frequencies)? Supplier/client work together to establish best sustainable mix?

...what are you procuring / contracting to?

Slide 6

Managing suppliers to strategic objectives

- Develop a framework that suits your organisation
- Build on what you have - evolution
- Integrate internal performance regimes
- Collaboration - build trust and shared accountability

Slide 7

Develop a framework

...that suits your organisation



Slide 8

Develop a framework

...that suits your organisation

Slide 9


Develop a framework

...that suits your organisation

Slide 16

...one framework for all

- one framework can support all supplier relationships
- use weightings to recognise relative strategic impact and value
- strategy visible to all suppliers
- regular reviews manage changing needs and priorities
- internal performance easily aligned relative to role and impact



Slide 17

Lessons learned

- Client managers integration – use personal development plans
- Embrace the subjective – if 9/10 think its OK, it probably is
- Review weights and measures every year – keep it relevant
- Quality assurance NOT audit

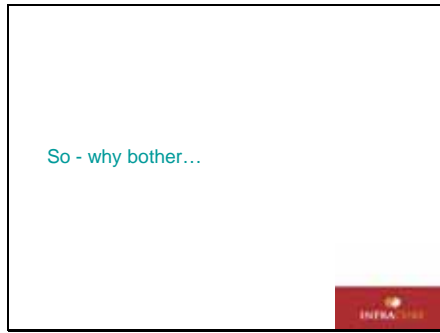
Slide 18

Lessons learned cont.

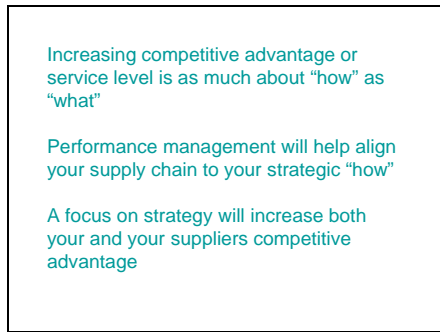
- Only invest leadership time in strategic suppliers
- Internal partners will need education

Encourage aspirations – set high performance and a “want it all” culture

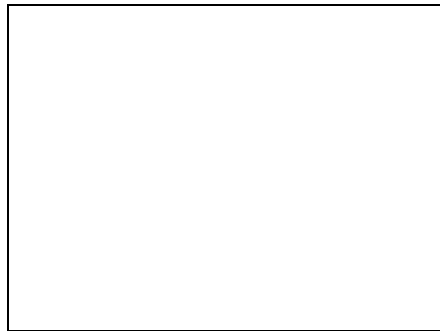
Slide 19



Slide 20



Slide 21



L. EXAMPLE EFFICIENCY GAINS WORKS SHEET

\$ Spend to date (excl gst)	1,502,076.00
------------------------------------	--------------

2008/2009 Savings sheet
Hard savings, soft savings and value added savings

Hard savings		Potential savings						Actual savings YTD			
Description of savings	Financial year saving started	Quantity impacted per annum	Price difference	Savings per annum	First month benefit realised this year	One-off saving? Yes / No	Potential savings this period	Quantity impacted for this period	Price difference	Saving this period	Percentage achieved
Contractual savings				\$0			\$0		\$0.00	\$0	N/A
				\$0			\$0		\$0.00	\$0	N/A
Additional savings											
				\$0			\$0		\$0.00	\$0	N/A
Cost avoidance / Efficiency savings											
Use of supervisors ute to enable collection of branches before a RFS is created	2009	220	\$24.32	\$5,350	1	no	\$5,350	220	\$24.32	\$5,350	100%
Crews picking up debris without council incurring a 7.1 charge	2009	35	\$24.32	\$851	1	yes	\$851	35	\$24.32	\$851	100%
No 7.1 charge for reassignments and planting enquiries and requests	2009	60	\$26.53	\$1,592	8	no	\$663	3	\$663.25	\$663	100%
Eliminating road control costs on St Andrews Rd	2009	1	\$1,150.00	\$1,150	1	yes	\$1,150	1	\$1,150.00	\$1,150	100%
Internal crews doing traffic management St Georges Rd	2009	1	\$100.00	\$100	1	yes	\$100	1	\$100.00	\$100	100%
Eliminating road control costs Richmond Rd	2009	4	\$1,150.00	\$4,600	1	yes	\$4,600	4	\$1,150.00	\$4,600	100%
Avoiding Traffic Management by using Shop Car parks and driveways on New North road	2009	1	\$800.00	\$800	1	yes	\$800	1	\$800.00	\$800	100%
Avoiding Traffic Management by using adjacent paddock to fell tree in St Lukes Road	2009	1	\$1,500.00	\$1,500	1	yes	\$1,500	1	\$1,500.00	\$1,500	100%
Potential savings				\$14,443			\$13,515	Actual savings		\$13,515	100%
								% Saving against total			1%

Soft savings		Potential savings						Actual savings			
Description of savings	Financial year saving started	Quantity impacted per annum	Price difference	Savings per annum	First month benefit realised this year	One-off saving? Yes / No	Potential savings this period	Quantity impacted for this period	Price difference	Saving this period	Percentage achieved
Consolidated invoicing	2009	12	\$100.00	\$1,200.00	1		\$1,200	12	\$100.00	\$1,200	100%
Annual leave coverage for CRO		80	\$50.00	\$4,000.00	1	yes	\$4,000	80	\$50.00	\$4,000	100%
				\$0.00	1		\$0		\$0.00	\$0	N/A
Potential savings				\$5,200.00			\$5,200	Actual savings		\$5,200	100%
								% Saving against total			0%

Value added saving		Potential savings						Actual savings			
Description of savings	Financial year saving started	Quantity impacted per annum	Price difference	Savings per annum	First month benefit realised this year	One-off saving? Yes / No	Potential savings this period	Quantity impacted for this period	Price difference	Saving this period	Percentage achieved
Selbourne St timing avoiding parked cars speeding up work		1	\$600.00	\$600.00	1	yes	\$600	1	\$600.00	\$600	100%
Mopbile training unit, taken to site, reducing down time.				\$0.00	1		\$0		\$0.00	\$0	N/A
				\$0.00	1		\$0		\$0.00	\$0	N/A
Potential savings				\$600.00			\$600	Actual savings		\$600	100%
								% Saving against total			0%

GHD Ltd
Level 16 ASB Bank Centre,
135 Albert Street,
Auckland 1036
P: 09 307 7373

DOCUMENT STATUS

Date	Status	Prepared by	Reviewed by
25 Feb 2010	Draft v1.0	Tim Munro	Peter Till
22 Mar 2010	Draft 1.1	Tim Munro	Team Leaders
14 May 2010	Draft v2.0	Tim Munro	Team leaders Strategy Team Chief Executive
1 July 2010	Draft v3.0	Tim Munro	Council
25 August 2010	Draft v3.0	Tim Munro	NZTA
14 September 2010	Final	Tim Munro	Council