

**BUILDING A BETTER WORLD**

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Subject: Procurement Strategy- 2010/2011 Performance Review

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1. Introduction

The Tasman District Council 2010 Procurement Strategy was adopted in September 2010.

The eleven Supplier Panels, six in Transportation and five in Three Waters were set up in March 2011 following a formal application and assessment procedure.

The performance measures have been taken over the period September 2010 through to August 2011.

The Performance measurement and Monitoring is set out in section 6.3 of the strategy as follows:

“Tasman District Council Engineering Manager is responsible and accountable for the planning process for the Procurement Strategy.

Tasman District Council proposes to establish value for money measures relating to procurement across engineering services. Council believes the measures proposed by NZ Transport Agency (NZTA) are appropriate (with some further definition in some areas) and will endeavour to establish a performance monitoring framework around these measures to target more efficient and effective procurement of services over time.

Council's Engineering Manager will compile and report on the performances measures to the Council and NZTA.

KPI Reporting:

- annual report to NZTA and Council
- LTCCP reporting.”

The measures are to be split against the following groups:

- Three Waters
- Transportation
- all other infrastructure.

The actual measures are detailed in the Tables below.

Table 1 : ALL CONTRACTS - Performance Measures for Period September 2010 to August 2011

Measurement area	Measure name	Description of measure	Unit	Measure	September 2010 to August 2011	Comment
Value for money	Time	Estimated duration of contract and actual duration of contract	%	Actual duration divided by estimated duration for projects completed during the measurement period	164 %	A total of 4 Contracts reached contract completion during period.- Range 56% – 307%
	Cost	Estimated cost of contract and actual cost of contract	%	Actual cost divided by estimated cost for projects completed during the measurement period	78 %	A total of 4 Contracts reached contract completion during period.
	Quality	Tasman District Councils satisfaction with the goods or services purchased		Develop contract completion questionnaire	Not available at this stage	Questionnaire not developed at this stage
Supplier markets		Whether the supplier selection process was supplier panel or direct to market	No. \$	Total number of projects processed through supplier panel, and total value, for the report period	No. 6 \$ 1,033,046	Value is taken as the awarded Contract tender value.
			No. \$	Total number of projects procured by direct to market RFT, and total value, for the reporting period	No. 17 \$ 11,613,733	Value is taken as the awarded Contract tender value.
	Performance	The number of suppliers on panels	%	Number of approved suppliers on panels divided by the number of suppliers who applied	96% - Transportation 95% - Three Waters	11 Panels in total: 6 in Transportation 5 in Three Waters Only 4 Applications for specific panels not approved - 2 of 51 in Transportation & 2 of 38 in Three Waters. Each contractor's application to a panel is a separate "supplier"

Measurement area	Measure name	Description of measure	Unit	Measure	September 2010 to August 2011	Comment
	Competitiveness	The number of bids received	Average no of bids	Number of bids received for direct to market RFT divided by number of direct to market RFTs, for procurement processes completed during the measurement period	Average No. 3	Total of 51 direct to market bids received for the 18 direct to market tenders
	Innovation	Whether alternative bids were permitted	%	Number of alternative bids permitted divided by total number of bids, for procurement processes completed during the measurement period	N/A	There were no conforming alternative bids accepted
		Whether any alternative bids were received	%	Number of alternative bids received divided by number of bids received, for procurement processes during the measurement period	4.4 %	There were 3 of 70 bids received
		What added value alternative bids brought and their associated cost	% & \$	Total dollar benefit (whole of life) of alternatives delivered, for projects completed during the measurement period divided by total value of tenders completed during the period	N/A	There were no conforming alternative bids accepted
Procurement procedures	Efficiency	Comparing the overall cost of the procurement function with the total cost of contracts let	%	Total cost of procurement divided by total value of all contracts per annum	3.8%	6.10 % under Supplier Panels 3.69 % total tenders direct to market.

2. Comments on Performance and Measures to Date – ALL CONTRACTS

This is the first period for reporting and no trends have been established. The following comments reflect the results of the measures obtained to date.

2.1. Value for Money - Time

Four Contracts have been completed, ie Practical Completion Certificate issued during the reporting period.

At this stage the sixty four percent over the estimated duration is considered high. No detailed analysis of the reasons has been undertaken at this stage and the sample number is small.

2.2. Value for Money – Cost

For the four contracts completed during the period the actual cost (at time of practical completion) was on average significantly below the estimated cost at the time of tender.

2.3. Value for Money – Quality

At this stage a detailed quality questionnaire has yet to be developed. There are no known quality issues other than possible minor defects outstanding for the four contracts completed during the period.

2.4. Supplier Markets – Performance

There were six contracts tendered using the supplier panels for a total value (contract award value) of \$1,033,046. This represents 8.4 % of the total contract value let. Some contracts exceeded the maximum estimated value at time of tender of \$300,000 while others were considered to give better value if tendered direct to the market. A few contracts were tendered by invitation only.

It is considered that better use can be made of the supplier panels and that will be encouraged with all involved.

It is also considered that the maximum estimated value of contracts for the panels be increased from \$300,000 to \$500,000.

Only a few (4) suppliers were not approved for the specific panels they applied for. Some suppliers in specific panels did however have low scores, particularly in the required skilled resources. All contractors are being worked with to facilitate and encourage the appropriate training.

2.5. Supplier Markets – Competitiveness

An average number of three bids were received for the direct to market tenders awarded during the reporting period. There was a variation from one to six with a number at four. The average of three would appear acceptable.

There was an average of 38% of suppliers on the supplier panels that submitted a bid for those contracts awarded through the supplier panel process.

2.6. Supplier Markets – Innovation

There were no conforming alternative bids received during the period. This is an area where some additional work with the industry may enable more innovation and whole of life savings to be achieved.

2.7. Procurement Procedures – Efficiency

This measure was to compare the overall cost of procurement function with the total cost of contracts let during the reporting period. The cost of procurement used is the cost direct to Council of preparing the contract documents, inviting tenders, managing enquiries, evaluating tenders received and awarding the contracts. The value of contracts for this measure has

been taken as the value of the Contract awarded. This may differ from the actual final price of the Contract.

On average cost of procurement has been 3.8% of all contracts awarded. For those contracts awarded under the supplier panel process the average cost has been 6.1%; while for those let direct to the market the average cost has been 3.7%. The analysis on the significant difference in average costs has not been undertaken at this stage. The small sample number and lesser individual value of contracts under the supplier panels will have some effect. No trend can be established at this stage.

3. Possible Additional Measures

On further analysis of the current data some possible changes in the measures may be considered appropriate so as to ensure the right drivers are in place to achieve the objectives of the procurement strategy.

One additional measure recommended at this stage is a measure of the timeliness for undertaking the evaluation against what is considered a reasonable period or target. This will encourage more efficiency in the evaluation of tenders.

4. Review of Supplier panels

This is the first reporting period for the Procurement Strategy and the supplier panels have only been in place since March 2011. The opportunity for the updating of their attributes and any new applications is currently available for all contractors in accordance with the Strategy.

Subsequently annual reviews and updates will be available.

Table 2 : THREE WATERS - Performance Measures for period September 2010 to August 2011

Measurement area	Measure name	Description of measure	Unit	Measure	September 2010 to August 2011	Comment
Value for money	Time	Estimated duration of contract and actual duration of contract	%	Actual duration divided by estimated duration for projects completed during the measurement period	122 %	1 contract completed in period
	Cost	Estimated cost of contract and actual cost of contract	%	Actual cost divided by estimated cost for projects completed during the measurement period	73 %	1 contract completed in period
	Quality	Tasman District Councils satisfaction with the goods or services purchased		Develop contract completion questionnaire	Not available at this stage	Questionnaire not developed at this stage
Supplier markets	Performance	Whether the supplier selection process was supplier panel or direct to market	No. \$	Total number of projects processed through supplier panel, and total value, for the report period	No. 3 \$ 754,518	Value is taken as the awarded Contract tender value.
			No. \$	Total number of projects procured by direct to market RFT, and total value, for the reporting period	No. 4 \$ 1,880,779	Value is taken as the awarded Contract tender value.
		The number of suppliers on panels	%	Number of approved suppliers on panels divided by the number of suppliers who applied	95% - Three Waters	11 Panels in total : 6 in Transportation 5 in Three Waters Only 4 Applications for specific panels not approved - 2 of 38 in Three Waters. Each contractor's application to a panel is a separate "supplier"

Measurement area	Measure name	Description of measure	Unit	Measure	September 2010 to August 2011	Comment
	Competitiveness	The number of bids received	Average no of bids	Number of bids received for direct to market RFT divided by number of direct to market RFTs, for procurement processes completed during the measurement period	No. 4	Total of 15 direct to market bids received for the 4 direct to market tenders
	Innovation	Whether alternative bids were permitted	%	Number of alternative bids permitted divided by total number of bids, for procurement processes completed during the measurement period	N/A	There were no conforming alternative bids accepted
		Whether any alternative bids were received	%	Number of alternative bids received divided by number of bids received, for procurement processes during the measurement period	8 %	There were 2 of 25 bids received
		What added value alternative bids brought and their associated cost	% & \$	Total dollar benefit (whole of life) of alternatives delivered, for projects completed during the measurement period divided by total value of tenders completed during the period	N/A	There were no conforming alternative bids accepted
Procurement procedures	Efficiency	Comparing the overall cost of the procurement function with the total cost of contracts let	%	Total cost of procurement divided by total value of all contracts per annum	7.8%	5.45 % under supplier panels. 9.13 % under direct to market

5. Comments on Performance and Measures to Date – THREE WATERS

This is the first period for reporting and no trends have been established. The following comments reflect the results of the measures obtained to date.

5.1. Value for Money - Time

One Contract has been completed, ie Practical Completion Certificate issued during the reporting period.

At this stage the twenty two percent over the estimated duration is considered high. No detailed analysis of the reasons has been undertaken at this stage and the sample number is small.

5.2. Value for Money – Cost

For the one contract completed during the period the actual cost (at time of practical completion) was significantly below the estimated cost at the time of tender.

5.3. Value for Money – Quality

At this stage a detailed quality questionnaire has yet to be developed. There are no known quality issues other than possible minor defects outstanding for the one contract completed during the period.

5.4. Supplier Markets – Performance

There were three contracts tendered using the supplier panels for a total value (contract award value) of \$754,518. This represents 29 % of the total contract value let. Some contracts exceeded the maximum estimated value at time of tender of \$300,000 while others were considered to give better value if tendered direct to the market.

It is considered that better use can be made of the supplier panels and that will be encouraged with all involved.

It is also considered that the maximum estimated value of contracts for the panels be increased from \$300,000 to \$500,000.

Only a few (2) suppliers were not approved for the specific panels they applied for. Some suppliers in specific panels did however have low scores, particularly in the required skilled resources. All contractors are being worked with to facilitate and encourage the appropriate training.

5.5. Supplier Markets – Competitiveness

An average number of four bids were received for the direct to market tenders awarded during the reporting period. There was a variation from two to six with a number at four. The average of four is considered good.

There was an average of 48% of suppliers on the supplier panels that submitted a bid for those contracts awarded through the supplier panel process.

5.6. Supplier Markets – Innovation

There were no conforming alternative bids received during the period. This is an area where some additional work with the industry may enable more innovation and whole of life savings to be achieved.

5.7. Procurement Procedures – Efficiency

This measure was to compare the overall cost of procurement function with the total cost of contracts let during the reporting period. The cost of procurement used is the cost direct to Council of preparing the contract documents, inviting tenders, managing enquiries, evaluating tenders received and awarding the contracts. The value of contracts for this measure has been taken as the value of the Contract awarded. This may differ from the actual final price of the contract.

On average cost of procurement has been 7.8% of all contracts awarded. For those contracts awarded under the supplier panel process the average cost has been 5.5%; while for those let direct to the market the average cost has been 9.13%. The analysis on the significant difference in average costs has not been undertaken at this stage. The small sample number and lesser individual value of contracts under the supplier panels will have some effect. No trend can be established at this stage.

Table 3: TRANSPORTATION - Performance Measures for period September 2010 to August 2011

Measurement area	Measure name	Description of measure	Unit	Measure	September 2010 to August 2011	Comment
Value for money	Time	Estimated duration of contract and actual duration of contract	%	Actual duration divided by estimated duration for projects completed during the measurement period	177 %	3 contracts completed in period
	Cost	Estimated cost of contract and actual cost of contract	%	Actual cost divided by estimated cost for projects completed during the measurement period	73 %	3 contracts completed in period
	Quality	Tasman District Councils satisfaction with the goods or services purchased		Develop contract completion questionnaire	Not available at this stage	Questionnaire not developed at this stage
Supplier markets	Performance	Whether the supplier selection process was supplier panel or direct to market	No. \$	Total number of projects processed through supplier panel, and total value, for the report period	No. 3 \$ 278,528	Value is taken as the awarded Contract tender value.
			No. \$	Total number of projects procured by direct to market RFT, and total value, for the reporting period	No. 7 \$ 3,163,185	Value is taken as the awarded Contract tender value.
		The number of suppliers on panels	%	Number of approved suppliers on panels divided by the number of suppliers who applied	96% - Transportation	11 Panels in total : 6 in Transportation 5 in Three Waters Only 4 Applications for specific panels not approved - 2 of 51 in Transportation Each contractor's application to a panel is a separate "supplier"

Measurement area	Measure name	Description of measure	Unit	Measure	September 2010 to August 2011	Comment
	Competitiveness	The number of bids received	Average no of bids	Number of bids received for direct to market RFT divided by number of direct to market RFTs, for procurement processes completed during the measurement period	No. 4	Total of 27 direct to market bids received for the 7 direct to market tenders
	Innovation	Whether alternative bids were permitted	%	Number of alternative bids permitted divided by total number of bids, for procurement processes completed during the measurement period	N/A	There were no conforming alternative bids accepted
		Whether any alternative bids were received	%	Number of alternative bids received divided by number of bids received, for procurement processes during the measurement period	2.9 %	There was 1 of 35 bids received
		What added value alternative bids brought and their associated cost	% & \$	Total dollar benefit (whole of life) of alternatives delivered, for projects completed during the measurement period divided by total value of tenders completed during the period	N/A	There were no conforming alternative bids accepted
Procurement procedures	Efficiency	Comparing the overall cost of the procurement function with the total cost of contracts let	%	Total cost of procurement divided by total value of all contracts per annum	3.8%	7.84 % under supplier panels. 3.42% under direct to market

6. Comments on Performance and Measures to Date – TRANSPORTATION

This is the first period for reporting and no trends have been established. The following comments reflect the results of the measures obtained to date.

6.1. Value for Money - Time

Three Contracts have been completed, ie Practical Completion Certificate issued during the reporting period.

At this stage the twenty percent over the estimated duration is considered high. No detailed analysis of the reasons has been undertaken at this stage and the sample number is small.

6.2. Value for Money – Cost

For the four contracts completed during the period the actual cost (at time of practical completion) was on average significantly below the estimated cost at the time of tender.

6.3. Value for Money – Quality

At this stage a detailed quality questionnaire has yet to be developed. There are no known quality issues other than possible minor defects outstanding for the four contracts completed during the period.

6.4. Supplier Markets – Performance

There were three contracts tendered using the supplier panels for a total value (contract award value) of \$278,528. This represents 8.1 % of the total contract value let. Some contracts exceeded the maximum estimated value at time of tender of \$300,000 while others were considered to give better value if tendered direct to the market.

It is considered that better use can be made of the supplier panels and that will be encouraged with all involved.

It is also considered that the maximum estimated value of contracts for the panels be increased from \$300,000 to \$500,000.

Only a few (2) suppliers were not approved for the specific panels they applied for. Some suppliers in specific panels did however have low scores, particularly in the required skilled resources. All contractors are being worked with to facilitate and encourage the appropriate training.

6.5. Supplier Markets – Competitiveness

An average number of three bids were received for the direct to market tenders awarded during the reporting period. There was a variation from one to five. The average of four is considered good.

There was an average of 29% of suppliers on the supplier panels that submitted a bid for those contracts awarded through the supplier panel process.

6.6. Supplier Markets – Innovation

There were no conforming alternative bids received during the period. This is an area where some additional work with the industry may enable more innovation and whole of life savings to be achieved.

6.7. Procurement Procedures – Efficiency

This measure was to compare the overall cost of procurement function with the total cost of contracts let during the reporting period. The cost of procurement used is the cost direct to Council of preparing the contract documents, inviting tenders, managing enquiries, evaluating tenders received and awarding the contracts. The value of contracts for this measure has been taken as the value of the Contract awarded. This may differ from the actual final price of the contract.

On average cost of procurement has been 3.8% of all contracts awarded. For those contracts awarded under the supplier panel process the average cost has been 7.84%; while for those let direct to the market the average cost has been 3.42%. The analysis on the significant difference in average costs has not been undertaken at this stage. The small sample number and lesser individual value of contracts under the supplier panels will have some effect. No trend can be established at this stage.

Table 4 : OTHER INFRASTRUCTURE - Performance Measures for period September 2010 to August 2011

Measurement area	Measure name	Description of measure	Unit	Measure	September 2010 to August 2011	Comment
Value for money	Time	Estimated duration of contract and actual duration of contract	%	Actual duration divided by estimated duration for projects completed during the measurement period	N/A	No contracts completed during period
	Cost	Estimated cost of contract and actual cost of contract	%	Actual cost divided by estimated cost for projects completed during the measurement period	N/A	No contracts completed during period
	Quality	Tasman District Councils satisfaction with the goods or services purchased		Develop contract completion questionnaire	N/A	No contracts completed during period
Supplier markets	Performance	Whether the supplier selection process was supplier panel or direct to market	No. \$	Total number of projects processed through supplier panel, and total value, for the report period	N/A	No supplier panels established for 'other infrastructure'.
			No. \$	Total number of projects procured by direct to market RFT, and total value, for the reporting period	No. 6 \$ 6,569,769	
		The number of suppliers on panels	%	Number of approved suppliers on panels divided by the number of suppliers who applied	N/A	No supplier panels established for 'other infrastructure'.
	Competitiveness	The number of bids received	Average no of bids	Number of bids received for direct to market RFT divided by number of direct to market RFTs, for procurement processes completed during the measurement period	Average No. 2	Total of 9 direct to market bids received for 6 RFTs

Measurement area	Measure name	Description of measure	Unit	Measure	September 2010 to August 2011	Comment
	Innovation	Whether alternative bids were permitted	%	Number of alternative bids permitted divided by total number of bids, for procurement processes completed during the measurement period	N/A	There were no conforming alternative bids accepted
		Whether any alternative bids were received	%	Number of alternative bids received divided by number of bids received, for procurement processes during the measurement period	0	There were no alternative tenders received.
		What added value alternative bids brought and their associated cost	% & \$	Total dollar benefit (whole of life) of alternatives delivered, for projects completed during the measurement period divided by total value of tenders completed during the period	N/A	There were no conforming alternative bids accepted
Procurement procedures	Efficiency	Comparing the overall cost of the procurement function with the total cost of contracts let	%	Total cost of procurement divided by total value of all contracts per annum	2.1%	

7. Comments on Performance and Measures to Date- Other Infrastructure

This is the first period for reporting and no trends have been established. The following comments reflect the results of the measures obtained to date.

7.1. Value for Money - Time

No Contracts have been completed, ie Practical Completion Certificate issued during the reporting period.

7.2. Value for Money – Cost

No contracts completed during the period.

7.3. Value for Money – Quality

At this stage a detailed quality questionnaire has yet to be developed. No contracts completed during the period.

7.4. Supplier Markets – Performance

There were no Contracts tendered using the supplier panels.

7.5. Supplier Markets – Competitiveness

An average number of two bids were received for the direct to market tenders awarded during the reporting period. There was a variation from one to six.

7.6. Supplier Markets – Innovation

There were no conforming alternative bids received during the period. This is an area where some additional work with the industry may enable more innovation and whole of life savings to be achieved.

7.7. Procurement Procedures – Efficiency

This measure was to compare the overall cost of procurement function with the total cost of contracts let during the reporting period. The cost of procurement used is the cost direct to Council of preparing the contract documents, inviting tenders, managing enquiries, evaluating tenders received and awarding the contracts. The value of contracts for this measure has been taken as the value of the Contract awarded. This may differ from the actual final price of the contract.

On average the cost of procurement for the 'Other Infrastructure' contracts has been 2.1% of all contracts awarded.

No trend can be established at this stage.

Ray A Firth
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