

Report No:	RESC11-09-03
File No:	
Date:	5 September 2011
<b>Decision Required</b>	

## REPORT SUMMARY

**Report to:** Engineering Services  
**Meeting Date:** 15 September 2011  
**Report Author:** Peter Thomson  
**Subject:** **Procurement Strategy 2010 – Annual Review**

### EXECUTIVE SUMMARY

The Procurement Strategy was approved by the Engineering Services Committee in September 2010. This report outlines the first annual review as required under the Land Transport Management Act.

### RECOMMENDATION/S

That the report is received

### DRAFT RESOLUTION

**THAT the report RESC11-09-03 Procurement Strategy Annual Review be received by the Engineering Services Committee; and**

**THAT the Procurement Strategy September 2010 Section 6 be amended to allow the use of Supplier Panels for the delivery of projects estimated to have a contract value of less than \$500,000 with effect from 1 October 2011 as outlined in the report RESC11-09-03.**

Report No:	RESC11-09-03
File No:	
Report Date:	5 September 2011
<b>Decision Required</b>	

**Report to:** Engineering Services  
**Meeting Date:** 15 September 2011  
**Report Author:** Peter Thomson  
**Subject:** **Procurement Strategy 2010 – Annual Review**

## 1. Purpose

1.1 This report presents the first annual review of Performance Measures for the Council's Procurement Strategy 2010.

## 2. Background

2.1 The Council's Procurement Strategy 2010 was adopted by the Engineering Services Committee in September last year. The Strategy was developed as part of a requirement by the New Zealand Transport Agency (NZTA) for all approved organisations to have a Procurement Strategy endorsed by them by 1 October 2010. The strategy enables Council to apply for expenditure from the National Land Transport Fund. Tasman District Council is an approved organisation under the Land Transport Management Act.

## 3. Present Situation/Matters to be Considered

3.1 The Procurement Strategy must comply with the NZTA Procurement Manual. Key NZTA principles for procurement detailed in the Procurement Manual include:

- Best value for money over whole of life.
- Open and effective competition.
- Full and fair opportunity of domestic suppliers.
- Improving business capabilities.

3.2 The NZTA principles align with Tasman District Council's objectives to:

- Implement policies and financial management strategies that advance the Tasman District.
- Sustainably manage infrastructure assets relating to Tasman District.
- Promote sustainable economic development in the Tasman District.

3.3 A copy of the adopted Strategy is included as **Appendix 1**.

3.4 The Strategy covers:

- An analysis of the Council's procurement activity over the next few years.
- The Council's value for money goals and how these might be achieved.
- How the Council will procure projects to meet those goals.
- The delivery and selection methods the Council will use.
- The risks and opportunities in the procurement route identified by Council.
- Whether there is free and fair local market to service the work being procured.

#### **4. Financial/Budgetary Considerations**

- 4.1 Discussion with MWH and the NZ Contractors' Federation has suggested that generally the use of Supplier Panels has worked reasonably well and has encouraged use of the Lowest Price Conforming tender evaluation methodology.
- 4.2 The \$300,000 threshold of Contract value is however limiting the use of the Supplier Panels. This can be seen from the fact that only six contracts were awarded through the Panels at a total award value of \$1,033,046, compared to 17 contracts procured by direct to market request for tenders at a total award value of \$11,613,733.
- 4.3 It is generally agreed among staff, MWH and the NZ Contractors' Federation that the threshold is currently too low and would assist by lifting it to \$500,000.
- 4.4 The likely benefits are expected in reducing the procurement transaction costs (both Council and tenderers), and greater use of the Lowest Price Conforming evaluation method where pre-qualified contractors only are on the Supplier Panels.
- 4.5 Council is currently inviting Contractors to update their attributes on Supplier Panels, and allow any new applications in accordance with the Strategy.

#### **5. Discussion – Annual Report on Performance Measures**

- 5.1 The Strategy contains a list of Performance measures in Table 6-3.
- 5.2 The annual report on Performance Measures has been compiled by MWH and is included in **Appendix 2**.
- 5.3 The establishment of new Supplier Panels was only completed in March 2011. Therefore the evaluation and reporting period for the use of Supplier Panels for

physical works has only been for the seven-month period from March to August 2011.

## 6. Significance

- 6.1 The annual report on Performance Measures is not significant and the proposed increase in the threshold value of Supplier Panel works is not significant pursuant to Section 90(1)(b) of the Local Government Act 2002.

## 7. Recommendation

- 7.1 That the report is received.

## 8. Timeline/Next Steps

- 8.1 The Procurement Strategy will be amended and re-issued via the Tasman District Council website with changes coming into effect from 1 October 2011.

## 9. Draft Resolution

- 9.1 **THAT the report RESC11-09-03 Procurement Strategy Annual Review be received by the Engineering Services Committee; and**
- 9.2 **THAT the Procurement Strategy September 2010 Section 6 be amended to allow the use of Supplier Panels for the delivery of projects estimated to have a contract value of less than \$500,000 with effect from 1 October 2011 as outlined in the report RESC11-09-03.**

### Appendices:

Appendix 1: Procurement Strategy 2010

Appendix 2: Memorandum, 02 September 2011 – MWH to Peter Thomson – Procurement Strategy – 2010/2011 Performance Review