A photograph of a rugged coastline with white cliffs and turquoise water. The cliffs are layered and show signs of erosion. Waves are crashing against the base of the cliffs, creating white foam. Two small figures of people are visible on the top of the cliff in the distance. The sky is overcast.

# Dunedin City Council Procurement Strategy 2023 - 2026

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## Introduction

The Dunedin City Council's (DCC's) vision is to be "One of the world's great small cities".

The DCC, working with the community and stakeholders, has developed a strategic framework (below) to support the decision-making of key priorities for investment.

To support the DCC strategic framework and the delivery of DCC's long-term plan a comprehensive procurement strategy is required to ensure that we deliver value for money outcomes for our ratepayers and residents. The DCC procurement strategy is intended to be a live, working document that will be updated, amended, and developed as the DCC continues its journey to realise its vision.

The purpose of the DCC procurement strategy is to:

- demonstrate how we will proactively support the delivery of organisational priorities.
- improve commercial discipline.
- manage risk.
- improve the effectiveness and efficiency of the procurement process.
- demonstrate alignment with Waka Kotahi's requirements and their Procurement Manual.
- be a Customer of Choice for our Supply Chain partners.

The DCC embarked on a procurement improvement project in July 2016. Initially supported by contracted resources. A full-time DCC employed Procurement Manager was appointed in March 2018 and a procurement department is now fully operational with five (5) full-time employees. The focus of the Procurement Team is on increasing procurement capacity and capability within DCC and assisting the DCC departments in delivering:

- the Long-Term Plan (LTP)
- business as usual activities
- leveraging procurement for better economic, social, and environmental outcomes

The DCC is now one of the most mature procurers in Local Government. The increased procurement maturity is reflected in this DCC Procurement Strategy and supports the continuous improvement of DCC's procurement capabilities.

The scope of this strategy encompasses the whole procurement lifecycle. This is supported by the DCC to ensure good planning, effective sourcing strategies, contract management, supplier management, review, and the continuous improvement of the team's capabilities exists.



## About DCC

The Dunedin City Council (DCC) is a major buyer in the Dunedin/NZ market contributing to the local, regional, and national economy through procurement activities. In the next 10 years, we have planned a Capital spend of \$750 million plus to replace and build infrastructure in addition to DCC's business-as-usual operational activities.

## Documents that Guide Us

There are several key guiding documents which set the direction of our procurement activities. These include:

- The **Government Procurement Rules (4<sup>th</sup> edition)** produced by MBIE. Whilst local government bodies are not mandated to follow the rules, these rules represent good practice and therefore have been adopted as the guiding principles underpinning our procurement activities.
- The **DCC procurement and contract management policy** which is produced to provide guidance of our procurement activity.
- The **Government Policy Statement (GPS)** produced by Central Government the GPS sets out the Government's priorities, objectives, and funding levels for land transport.
- The **National Land Transport Programme (NLTP)** produced by Central Government the NLTP contains all the land transport activities that the Transport Agency anticipates funding over the next three years.
- The **Long-Term Plan (LTP)** produced by the DCC is a 10-year plan identifying the projects and services the council will deliver for its ratepayers and how they will be funded.
- The **Regional Land Transport Plan (RLTP)** produced by the NZTA, the RLTP is a 10-year plan that details the transport activities to be delivered in the next 3 years, in prioritised order. It also provides the basis for requests for Government Funding through the Transport Agency.
- The **Construction Sector Accord**.
- The **Waka Kotahi Procurement Manual**
- This **Procurement Strategy**.

## Current DCC Strategic Framework

The DCC's vision is to be “**One of the world's great small cities**”. The council, the community and stakeholders has developed a strategic framework to support decision-making with key priorities for investment, effort, and development. This framework covers eight strategies focused on long-term outcomes and Dunedin's development as follows:

- Te Tiriti o Waitangi / Treaty of Waitangi
- The 3 Waters Strategic Direction Statement
- The Spatial Plan
- Economic Development Strategy
- The 30-year integrated Transport Strategy
- Ara Toi Ōtēpoti Arts and Culture Strategy
- Te Ao Turoa, Dunedin's Environment Strategy
- The Parks and Recreation Strategy
- The Social Wellbeing Strategy

The DCC's vision of being **"One of the world's great small cities"** inspires a sustainable, triple-bottom-line approach to our procurement activity and in doing so ensures that we are outcome focused on achieving good economic, social and environmental outcomes.

Figure 1: Council's Current Strategic Framework



## Strategic Refresh

DCC is progressively implementing a refresh of its Strategic Framework to embed the DCC's commitment to the Te Tiriti o Waitangi / of Waitangi and sustainability across DCC's strategies and operational activities. The Strategic Refresh is also an opportunity to ensure that current and future residents' wellbeing is considered across all of the DCC's work activities and to strengthen local decision-making by producing Levels of Service (LoS) that are meaningful to residents and to Council.

The Strategic Refresh work programme is also working to ensure that Council's strategic framework continues to be fit for purpose, particularly when facing sector reform and change; and that Council continues to play an important strategic role in promoting wellbeing for Dunedin people and place.

With this in mind, the work programme needs to be flexible in its approach to prepare Council for changes related to ongoing Government reform, particularly the 'The Future of Local Government' review, the emphasis on residents' wellbeing, and also the Three Waters and Resource Management Act reforms.

A 'refreshed draft' strategic framework has been developed (Figure2). This 'refreshed draft' strategic framework is a visual that has been developed in-house to reimagine strategic alignment while making visible the key components that will help Council deliver improved wellbeing to all Dunedin residents and clarity of alignment across operational activities.

The 'refreshed draft' strategic framework utilises the concept of raraka/weaving to thread the Council's key priorities, namely the Māori Strategic Framework (MSF), the City Portrait, Engagement, and the four wellbeings through all of the Council's operational activities. The 'refreshed draft' strategic framework supports connectedness and takes an integrated approach. Figure 2 shows how each of the four wellbeings (vertical strands), connects to each activity or plan (horizontal strands). The result is an integrated strategic programme that is connected through clarity of shared purpose.

The 'refreshed draft' strategic framework clearly defines the role of governance to oversee Council's strategic priorities and recognises the importance governance plays in providing oversight across and throughout the framework.

The finely woven pattern at the top of the weave has utilised the concept of Tāniko, which is a method of decorative weaving used in the borders of fine woven garments such as kakahu cloaks, and it is often this part of a woven garment where mana or leadership and authority is portrayed.

The City Portrait, the MSF and Engagement sit at the top of the weave as priority strategies that give effect to Te Tiriti / the Treaty, Sustainability, and our connectedness to the community through engagement.

The area at the bottom of the weave signifies the importance of the 10-year plan which includes reporting on Levels of Service (LoS) and seeking residents' feedback through the long-term planning process.

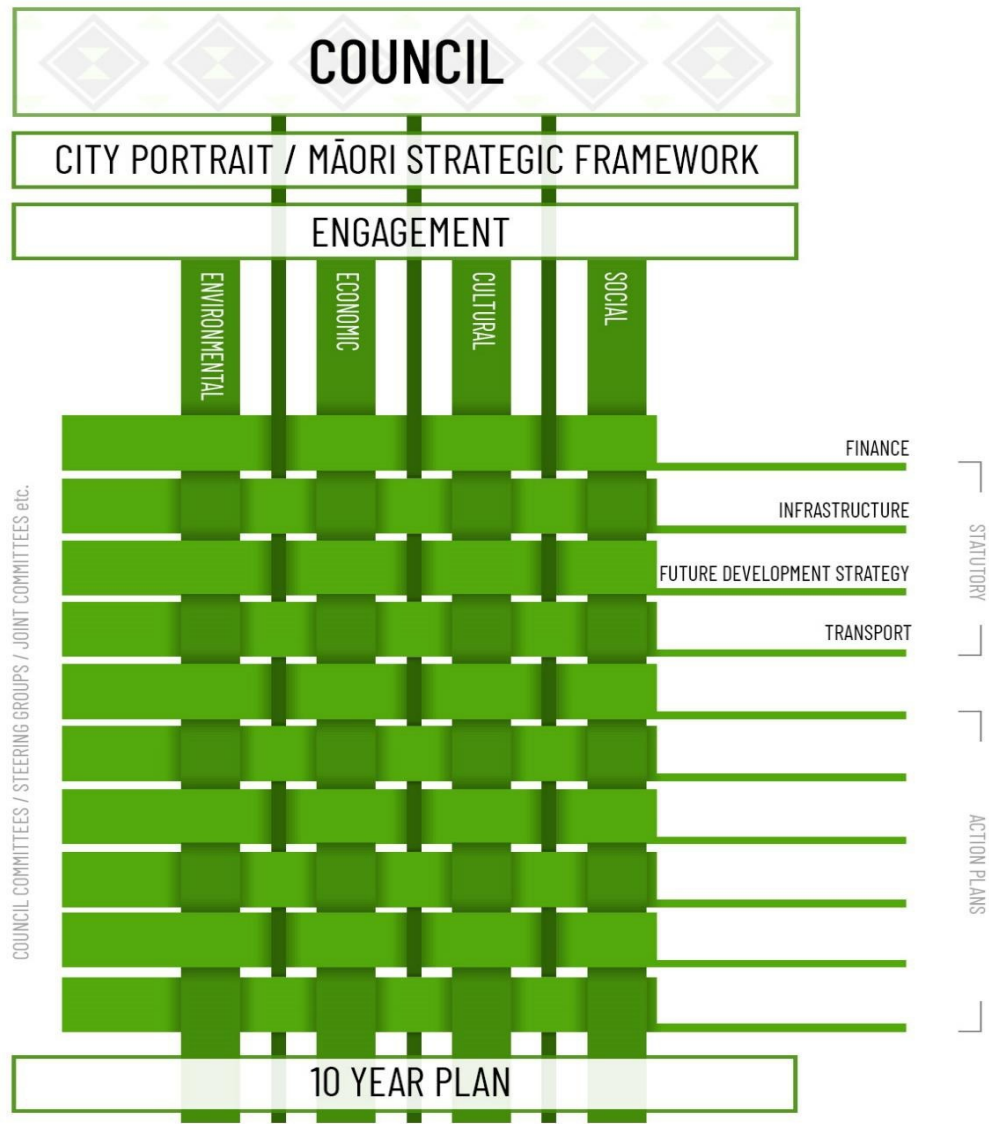
The horizontal strands of the weave each represent specific plans that all contribute to the broader strategic outcomes. Examples of these strands are the recently adopted Housing Action Plan, the South Dunedin Future Programme, and the Play Spaces Action Plan. Each horizontal strand will have specific oversight requirements, and these are represented in the left-hand side of the weave.

When understood from a Māori cultural context this raraka or weaving process is both powerful and uplifting. When weaving, each whenu or strand has its own unique width, shape, texture, and colour. When each strand is arranged in certain ways, patterns are created. Each strand has a place, and each has its own purpose. Collectively every strand brings its own contribution to the entire woven piece. The strength of the final woven piece is determined by the whole as well as the care and attention of the weavers until the woven piece is completed. Utilising this weaving process and the completion of a woven kakahu or cloak as a conceptual framework, provides a useful way to see and understand the parts that make up the whole of the weave.

Our procurement activities will continue to support DCC's staff to support the desired outcomes depicted in the below visual draft strategic framework. Whilst this is a draft and may change as it is further developed, this procurement strategy is drafted to be agile enough to support the final strategic framework.



Figure 1: Refreshed draft Strategic Framework Visual



## Procurement's Vision & Purpose

The Procurement Team have developed a Plan of a page to ensure that their workplan aligns with the DCC Strategy.

The procurement department's vision is:

We are experts in procurement.  
We are known as collaborators, innovators, and are trusted,  
respected and the go-to team.  
We enable the best value for our community.

Our purpose is:

To support and ensure the responsible, sustainable, and ethical use  
of Council resources. Fostering partnerships and enhancing the  
procurement maturity of the organisation.

In the past three years we have made excellent progress in our procurement maturity:

- In collaboration with our contractors, we have created standard contract templates to decrease the level of contract tags as well as having a more balanced approach to sharing risk with our contractors.
- Implemented multiple panel contracts to support our focus on delivery.
- Procured new contracts through agile procurement processes leading to reduced procurement timeframe benefiting DCC and its partners.

- Improved the contract creation process by digitising the creation of contracts to make it easier for our staff to create contracts without having to be “legal” experts to write contracts.
- Selected a Contract Management Solution with the aim to implement in 2023 and lift our Contract Management capability.
- Council has mandated the Net Carbon Zero target by 2030 and a new Zero Carbon Policy which means we will need to work closely with our supply chain to achieve this goal.

## How Procurement will support the Strategic Framework

Since developing our last Procurement Strategy in 2018, DCC has continued to mature as a procuring organisation. The focus of the procurement department has been on the sourcing aspect of the Procurement lifecycle. DCC has been successful over the last 4 years to ensure that sourcing strategies have been fit for purpose to achieve the best possible outcomes. Sourcing strategies have been heavily focussed on ensuring enabling contracts were put into place to support project delivery. The DCC procurement strategy has been successful with a nationally significant \$150m capital budget delivery in FY 2021 /22.

## Te Tiriti o Waitangi / Treaty of Waitangi

In its procurement activities, DCC will comply with its responsibilities under Te Tiriti o Waitangi/ Treaty of Waitangi. Procurement in DCC will continue to improve to enable even better support to the organisation. The Maori Strategic Framework will ensure we engage with Mana Whenua appropriately when it comes to procurement activities. Engaging with Maori and Pasifika businesses is an area identified for improvement as we better understand the capacity and capabilities of this part of our supplier market.

The DCC will continue to improve our engagement with our Supply Chain partners. Whilst regular briefings are routinely undertaken for sourcing events, general market briefings remain ad-hoc. Our intention is to achieve a maturity level where the DCC can confidently schedule two general market updates per annum on set dates. Procurement and its stakeholders across DCC continue to work on this. Better engagement with the market will allow us to sustain and/or grow capability and capacity so that we can continue to deliver great procurement outcomes for our community.

Good procurement outcomes with strong engagement with Mana Whenua, our supply chain partners, and DCC staff will support our broader outcomes goals.

## Planning

Whilst the focus has been on delivery in the first couple of years of the current Long-Term Plan 2021 -31, the DCC Procurement Team now look to implement improved planning and contract management capability. These two key components of the procurement lifecycle require further development. Planning has improved in relation to our procurement activities but the DCC can still achieve gains to ensure we become a proactive procurer.

## Key Initiatives

As a procurement department, we have developed our goals and key initiatives which will support us in achieving the desired outcomes:

PEOPLE	QUALITY	CAPABILITY	SYSTEMS & PROCESSES	SUSTAINABILITY
We value our people who are our greatest asset, and they are equipped to deliver exceptional service	We ensure that we deliver consistent high-quality services for our customers	We enhance the procurement and commercial maturity of the organisation	We ensure our processes and systems deliver quality outcomes for our stakeholders	We enable sustainable outcomes
<b>By</b> continuously building and maintaining strong relationships (internal and external) and enhancing our skills and knowledge.	<b>By</b> ensuring quality is designed into our processes and controls are fit for purpose so that we can get it right every time.	<b>By</b> providing on-going and relevant expert advice and support in all matters relating to the procurement life cycle.	<b>By</b> ensuring they are fit for purpose, transparent, efficient and relevant.	<b>By</b> supporting our stakeholders to identify opportunities to deliver broader outcomes through our contracts.

## People

Our people, both within the procurement team as well as other staff in DCC involved in procurement activities are our greatest asset. We will ensure that we provide ongoing training (delivered internally and externally) so that we maintain a culture of continuous improvement. Procurement staff have been trained in Lean-Agile Procurement to add another tool to the DCC sourcing toolbox. The members of the procurement team have also committed to

achieving MCIPS with two members likely achieving this in the next 6 months and the rest over the coming years. Across the DCC a number of staff have undertaken the NZQF Infrastructure Procurement Procedures (Level 6) to increase our NZTA-qualified evaluators availability.

### Quality

The DCC remains focused on the quality of our work by ensuring the right processes and controls are in place. Our approval process for procurement activities is robust but can be further streamlined as the DCC matures, and confidence grows. Workshops have been held with staff to find opportunities for improvement. It is expected that we continue this work over the coming years to ensure our quality remains high whilst we operate in an efficient and effective manner.

### Capability

Capability improvement remains a core focus. We will do this through ongoing training for procurement and other DCC staff. We will introduce a contract management framework as we work through the implementation of a contract management solution to ensure our collective capability in contract management is lifted. A supplier relationship management framework will also be developed and implemented to ensure we maximise our value through our suppliers. This will allow us a more holistic view of our key suppliers across the various contracts we have with our key supply chain partners.

### Systems and Processes

Procurement digitisation is happening across the world and DCC is actively pursuing a more digitised approach. The introduction of the contract management solution is one example of this. Over the recent years we have introduced the automation of government model contracts (GMC) for staff who don't regularly draft contracts. The feedback has been overwhelmingly positive. Work has been undertaken to draft "standard" special NZS conditions in collaboration with some of our key contractors. These have now been automated as well and we will launch this automated contract drafting of the NZS suite of contracts in the not-too-distant future. This will ensure it becomes much easier for staff to draft these contracts without requiring support from legal or procurement resources.

## Sustainability Framework

### Zero Carbon

As referenced previously, DCC is committed to being Net Carbon Zero by 2030. Procurement will be an important enabler to achieve this important objective. The Zero Carbon team and Procurement have been working for some time now to identify opportunities to influence and achieve the right outcomes. We continue to engage with our key suppliers on how they can report on their emissions and what reporting standards may be set in the future, as well as the emission reduction targets that they are required to meet. This will allow us to establish a baseline that we can work from and will allow us to then develop carbon reduction plans for our key contracts.

The procurement of a contract management solution is a key enabler for us to ensure we can measure and track performance in this space of our suppliers. To drive the right behaviours with our suppliers we will undertake Supplier Briefings over the next 3 years specifically aimed at our Zero Carbon programme and carbon reductions plan. Clear targets have been developed and these will be communicated to our suppliers. It is our intention to use these targets as pre-qualification measures to ensure we only work with suppliers who can meet these targets in the future. Whilst we need to further develop our thinking in this space, the DCC is planning that within three years we will use pre-qualification as a tool to only work with suppliers who have met our pre-set carbon emissions reduction targets.

### Broader Outcomes

DCC has been successful in achieving broader outcomes as we procured major, long-term contracts such as the Road Maintenance and Parks and Reserves contract. In both contracts, we have managed to create promise registers that detail the public value we aim to achieve other than the service delivery required from the contractor. Examples of these are:

- Job opportunities for Maori & Pasifika
- Payment of the Living Wage to staff
- Waste reduction
- Great outcomes for people with a disability
- Access to contracts for Local (smaller) Businesses



For the long-term contract where DCC has specific promise registers in place, contractual commitments via KRA's have been agreed and these are reported monthly. The contract management teams for these high-value, long-term contracts meet monthly to ensure the focus remains on the achievement of the broader outcomes DCC looks to achieve. Our ability to report on contract outcomes remains difficult without a contract management system. The introduction of our Contract management system will enable us to track and report on these achievements as of the middle of 2023.

For longer-term, high value contracts our ability to leverage the value of the contract has been accepted by both internal as well as external stakeholders.

### Access for Maori businesses

The DCC Maori Partnership Manager and procurement have been in discussions regarding possibly developing a programme and ongoing support which will be needed to identify businesses, charitable types of projects, and enterprises occurring within under-represented communities (Maori, Indigenous, refugee, other-abled and so forth), scholarships, mentoring opportunities that our contractors could pick up as part of their broader outcomes obligation in some of our contracts. DCC wants to lead in getting people onto a pathway toward leadership roles rather than general labour and construction roles. This thinking requires further development but will be developed further over the next three years to add to the achievement of some of our broader outcomes.

The DCC aims for the next three years is to find opportunities for Maori and Pasifika businesses and create opportunities for them. DCC is currently working on a Maori Strategic Framework. Our procurement activities will ensure they align with this framework as it is further developed to ensure we build strong relationships and deliver good quality outcomes for Mana Whenua. The biggest challenge at this stage is the size, scale and experience of Maori and Pasifika businesses in Dunedin. From a procurement perspective, DCC looks to spend 80% of its spending with its top 20 suppliers. Most of the Maori and Pasifika businesses in Dunedin are small businesses that are not well-equipped to respond to DCC's contracts which are typically delivered by larger, more experienced businesses. These businesses are not as well-versed in responding to tenders.

DCC procurement has been strengthening our relationship with Aukaha, the consultancy arm of Ngai Tahu. We are working on opportunities such as mandatory sub-contracting of Maori and Pasifika businesses to some of the main contractors in Dunedin. This way, these businesses do not have to respond directly to DCC tenders but still have the opportunity to be part of DCC contracts. For smaller contracts, we may invite these businesses to participate in more interactive procurement processes where they can come and present rather than respond in writing to our RFx.

The DCC is also exploring opportunities with Aukaha where they can act as the Project Management entity which sits between DCC and Maori Businesses so Aukaha can assist these businesses with winning contracts with DCC. This may be an option to engage more effectively but needs further defining and refining over the next three years to better understand how this may work. The DCC is committed to undertaking this work to ensure we can deliver on this important objective.

## Risk

DCC continues to pragmatically and maturely assess its risk position. Over the last couple of years, we have moved to a more balanced view on who needs to take what risk in the delivery of projects. There is still work to do in this space as we work with our staff on ensuring risks are identified early and assessed appropriately to ensure the risk is managed by the party best placed to do so. A risk management tool (CAMMS) has been rolled out across the organisation to ensure departments manage their department risks appropriately and 3 years ago we introduced an externally managed Project Management Office (PMO) to ensure we managed our major projects and associated risks appropriately. Whilst improvements were made, DCC decided to resource the PMO internally since 2021 as better alignment with departments is needed and to ensure the PMO does not act as a silo. The PMO team is working through a transformation project to ensure we manage projects consistently across the council within an agreed project management framework. This will allow us to manage risk more consistently as well. We are in an active procurement process currently for a project management software solution as a tool that will support the transformational work the PMO is undertaking. The PMO transformation will also be supported by the introduction of the contract management solution.

To mitigate risks in our projects we have been working on different contracting models to allow risk sharing with our supply chain partners to ensure risk is not transferred unfairly to our contractors. We have introduced cost-reimbursable contracts, NZS contract templates which were drafted with representation from our contractors to have a fair balance of risk sharing as a starting point when we released draft contracts.

DCC is committed to being fully aligned with the Construction Accord and being a responsible principal, whom contractors want to work with.

## Health and Safety

Our drive to keep our people safe remains as strong as ever. We have introduced initiatives like paying for Traffic Management on a day rate, rather than included as a lump sum in our contracts, to ensure that it is given the attention or importance it requires. Whilst this has come at an increased cost, DCC believed it is the correct way to manage Traffic Management. To ensure we can maintain this we will look to engage with our contractors on ways we can maintain an acceptable level of cost whilst maintaining a high level of service.

DCC has made some significant Health and Safety improvements and some of our current practices now include:

- The introduction of the DCC Health and Safety Board which has a responsibility to:
  - Gain** an understanding of the operations carried out by the DCC (and its contractors) and the hazards and risks generally associated with those operations
  - Ensure** the DCC (and its contractors) has, and uses, appropriate resources and processes to eliminate or minimise those risks
  - Ensure** the DCC has appropriate processes for receiving and considering information about incidents, hazards, and risks, and for responding in a timely way
- Construction Methodology
  - Revising methodology on-site to better control risk, i.e. project encountering multiple unknown or misaligned services (electrical, telecoms, 3waters, and gas). DCC works with the contractor to come up with a revised methodology comprising of hydro excavation the full length of each trench, down to 1 m depth, with transverse slot trenches every 5 to 10m, also. All additional costs and programme are borne by DCC as principal. The result is a significant reduction in service strikes.
- Contract Specification, basis of payment
  - Removing price tension from traffic management. Several contracts where traffic management is pulled out of physical works rates and paid on a cost-reimbursable basis, so that the contractor can focus on doing the physical works without comprising traffic management and safety within tender tensioned rates. The result is more price tension on physical work components and less risk to workers and the public on or adjacent to work sites.
- Procurement Model
  - Considering minimum pass / fail H&S criteria through procurement. To help ensure all contractors, and subcontractors perform at a minimum standard. Where necessary specific questions relating to specific contract risks are raised requiring specifically considered responses. As a result, contractors are more aware and produce more considered responses to risks raised.
- External and Internal Audit
  - Setting the minimum amount of audits on a set frequency, H&S, and TTM on all major projects, audited by a mix of internal and external reviewers, with results shared with all parties within the contract. The result is increased visibility of H&S, risk, issues, and controls throughout the contract and a reduction of more significant incidents.

Further guidance will be developed and provided to staff as we evolve and learn from the sector. As a result, we have already introduced stronger Health & Safety clauses into our NZS contract templates. The DCC Health and Safety team is working together with the procurement department on a way to ensure Health and Safety is considered appropriately at the sourcing stage as well as during the management of the contract. The new contract

management solution as well as the project management software we are procuring will assist with assurance and visibility that Health and Safety is appropriately considered and managed in our sourcing and management phases.

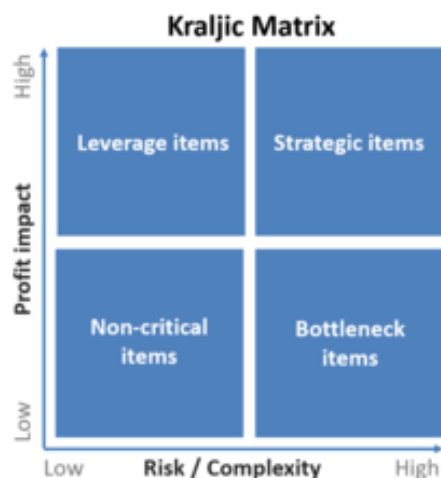
DCC recognises that our contracts are important when it comes to health and safety risk management.

- Risk exposure is created every time work is undertaken on our infrastructure.
- Standards and expectations regarding Health and Safety Performance and investment in Health and Safety risk controls are set through the procurement process.
- Focus will be on the most critical risks, those that have the most severe consequences of serious injury or fatality.
- Procurement plans will detail risk identification, mitigation and how the contractual basis of payment has been selected in order to reduce/eliminate the commercial tension between safety and productivity

## Procurement Programme

DCC's procurement programme remains ambitious with a projected capital delivery of approximately \$190 million in Financial Year (FY) 2022/23. As a council we achieved a 98.8% delivery of the FY 2021/22 capital programme. This achievement was underpinned by the last procurement strategy which was aimed at ensuring enabling contracts such as longer-term commitments; panel contracts were in place to support the various business units in delivering their individual plans. We aim to do the same, where appropriate, to ensure we continue to deliver great outcomes for our community. However, the procurement focus over the coming years must be flexible enough to deal with the external forces challenging the environment. Cost escalations, high inflation are already having an impact on current procurement and contract activities and will continue to do so for the foreseeable future. Our procurement focus will shift, next to service delivery, to opportunities for more efficient, more effective ways of delivery to ensure we achieve value for money and manage increased cost for our community.

As is our standard practice, we will engage with our key stakeholders throughout the DCC to ensure we understand the desired outcomes so we can propose strategies to support achieving those outcomes. We categorise procurement opportunities to ensure we tailor the approach to the appropriate value and risk considerations. The Kraljic matrix is a very useful tool to support this.



Depending on where the procurement activity sits within the matrix, determines the approach. Typically, we will use the following principles:

**Leverage Items:** Low Risk, High Value. We will use short term contracts (maximum of 3 years) to test the market regularly to ensure we achieve value for money.

**Non-critical items:** Low risk, Low value. We will spend as little time as possible on procuring these types of contracts. For these contracts we will opt for longer term contracts with limited emphasis on contract and supplier management.

**Bottleneck items:** High Risk, Low value. Whilst the value is relatively low, these require more active contract and supplier management with medium-term contracts (5-7 years) in place. Typically, the risk will be a limited amount of suppliers to deliver the service. Our goal in this quadrant is to stimulate the market and develop other suppliers so we can minimise the risk and move it to the leverage quadrant.

**Strategic items:** High Risk, High Value. These are some of our key contracts which we have issued as long-term contracts with typically a term of 10 years. Our recently awarded Kerbside Collection and Resource Recovery Park Precinct is even a 20-year contract. For these contracts, we will ensure the maximum effort is put into good contract and supplier management to ensure we achieve the required outcomes. The introduction of our contract management solution,

contract management framework, and supplier relationship management framework will assist staff in supporting them to ensure the appropriate partnership ethos is in place for the delivery of these important contracts.

### Procurement and Contract Management Policy

The DCC procurement and contract management policy was reviewed in 2022. No major changes were introduced to the policy in anticipation of the finalisation of this strategy. Our policy remains aligned to the Government Rules of Sourcing as well as the Waka Kotahi Procurement Manual. Procurement activities in DCC are required as follows:

\$Value is between \$10,000 and \$24,999; a minimum of two quotes is to be obtained

\$Value is between \$25,000 and \$99,999; a minimum of three quotes is to be obtained

\$Value is over \$100,000; an open tender must be conducted

Transport-related procurement activities have the following thresholds:

\$Value is between \$10,000 and \$24,999; a minimum of two quotes is to be obtained

\$Value is between \$25,000 and \$199,999; a minimum of three quotes is to be obtained

\$Value is over \$200,000; an open tender must be conducted

There are a number of deviations identified in our policy where the above does not need to be followed. These approved deviations are

- (a) A limited number of suppliers available in the market
- (b) A different procurement methodology or process is stipulated by legislation or a professional/regulatory body



(c) An exceptional, urgent or emergency situation where immediate DCC decision making is required and is in the best interests of ratepayers.

(d) Whilst undertaking a properly procured contract for DCC it becomes apparent that an extension/variation to the scope of contract would provide significant economic, logistical and/or timing benefits.

All deviations can only be approved by the DCC Tenders Board to ensure appropriate oversight is in place.

### Sourcing Approaches

Our sourcing approaches will be fit for purpose for the procurement activity. Recently, we completed our first Lean Agile Procurement process which was considered a success. For complex procurement projects, this is a highly effective tool that we now can rely on within our toolbox of sourcing approaches when suitable. DCC is committed to assessing each procurement process in its own merit and tailoring a solution to ensure the right outcomes are delivered for our stakeholders and community. We will continue to use the following strategies and where appropriate we will adapt to suit:

- Traditional design and then build
- Design and build
- ECI models
- Lean-Agile Procurement
- Adapted Agile Procurement

## Market Briefings

DCC has been endeavouring to regularly conduct market briefings to share the upcoming procurement activities with the contractor and consultant market. DCC will continue this important activity to ensure our suppliers are aware of what is coming to market and when. DCC's goal is to undertake two general updates per annum and contract specific briefings as and when required. To date the 6-monthly briefings have not always been happening on a regular basis due to various reasons. However, our commitment is to improve and continue to evolve to ensure DCC remains the customer of choice for our key suppliers. There will be several key outcomes we have outcomes, DCC has identified, and these will require us to communicate clearly with our partners to achieve the required outcomes. Strategic goals such as Zero Carbon by 2030, the new DCC Strategic Framework including the Māori Strategic Framework, the rollout of our Contract Management Solution including a Contract Management Framework, a new Project Management Framework, and other initiatives will need to be shared with our suppliers and future new suppliers to ensure the objectives are clearly understood and our suppliers understand how they can or need to contribute to achieving the outcomes. There will also be a new Long-Term Plan coming which we will need to share and explain to our suppliers so we can ensure we are able to meet the required outcomes.

## Evaluation methodologies

We will continue to use evaluation methodologies that are appropriate and are identified in the Waka Kotahi procurement manual as acceptable and we will typically use:

- Lowest price conforming – where appropriate although we look to limit the use of this evaluation methodology as much as possible.
- Price Quality Method (PQM) – PQM will be used for most of our transport procurement activity where it is determined Lowest Price is not appropriate or price is not a consideration
- Weighted Attributes – this will only be used where it is **not** a transport activity and where appropriate
- Brooks Law – where the price is not weighted (i.e., in an ECI tender). Please note that DCC will not utilise this evaluation methodology in Waka Kotahi funded activities.

## Contract Formats

Our suite of contract formats is mostly condensed to two formats:

- Government Model Contract for Goods / Services – we have an automated contract creation tool to assist staff with the drafting of the contract
- NZS suite of contracts – we have an automated contract creation tool to assist staff with the drafting of the contract
- Use of supplier contracts where appropriate (typically software)

As the NZS Contract suite is reviewed as part of the NZS3910 review (and future NZS contracts), the DCC will ensure it utilises the latest version(s) as templates for staff to use.

All templates loaded into the automated contract creation tool are based on the DCC templates which are well-known by our suppliers and attract a relatively low number of tags. At DCC we are open to the use of other contract formats such as NEC3 or FIDIC but the overwhelming feedback from our suppliers is to retain the NZS suite for construction projects.

### Procurement Workplan and Reporting

All the procurement team activities are now captured and kept up to date online. We utilise Microsoft lists to keep track of the work plan for the next three years. The benefit of using Microsoft lists is that we can use Power BI to build reporting on the procurement activities within DCC. Every procurement activity is captured, and we track this against projected timelines, allocation of procurement resources, estimated versus actual contract price (at the end of sourcing stage), the status of the procurement, what type of tender type (i.e., Open, invited, Panel), contract type and the department(s) involved.







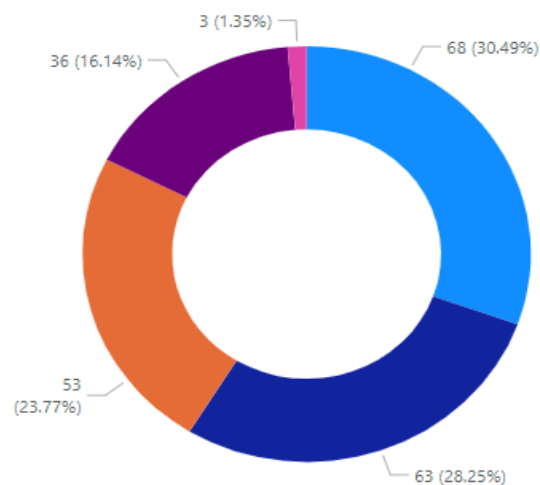
Title ▾	DCC Department ▾	Start of Procure... ▾	End of Procure... ▾	Status ▾	Procurement Le... ▾	Tender Type
Energy Management	Property Services	1/06/2021	July 1	RFX	 Natalie Strong	Open Tender
<input type="radio"/> Construction Main Contra... <div>   </div>	Property Services	1/06/2021	February 1	RFX	 Dave Wish	Open Tender
Biosolid Sludge Solution - Long Term	3 Waters Group	1/07/2021	September 1, 2021	RFX	 Dave Wish	Open Tender
Gordon Road Junction Physical Works - Mo...	Parks and Recreation	1/03/2022	August 2	Contract Finalisation	 Hamish Black	Open Tender

Figure 3: Example of planning through Microsoft lists.

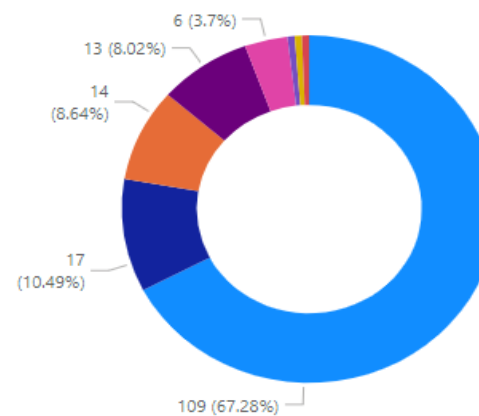
Count of Title by Procurement Lead



Procurement Lead

● Dave Wish  
● Natalie Strong  
● Serge Kolman  
● Hamish Black  
● Bruce Buxton

Count of Title by Tender Type



Tender Type

● Open Tender  
● LTES Competitive  
● Direct Source  
● LTES Direct  
● Invited Tender  
● Open Tender - Panel Arra...  
● RFP  
● TBC - Open Tender/ Fund...

DCC Department

All

Modified By

All

Start of Procurement Process

29/01/2020

09/02/2024

End of Procurement Process

01/02/2020

01/12/2024

Created

30/08/2021

21/10/2022

Figure 4: Example reporting from Power BI

## Market Analysis

**Market Size and Structure:** The transportation industry in New Zealand is significant and diverse, encompassing various sectors such as road, rail, maritime, and aviation. The market size for transportation-related goods, services, and works is substantial, with many local and international suppliers operating in the market. The market structure is competitive, with both large and small suppliers offering a range of products and services. As per DCC's previous procurement strategy, staff has been working on bringing additional capacity to Dunedin to ensure sufficient capability and capacity was available to support the DCC's ambitious long-term plan. Over the last three years, two (2) Tier 1 contractors have entered the local Dunedin market on the back of long-term contracts allowing the establishment in Dunedin. The Dunedin market now consists of four (4) Tier 1 contractors as well as a range of Tier 2 contractors. With the establishment of Tier 1 contractors, new Tier 2 contractors have entered the Dunedin market. The addition of two Tier 1 contractors and several Tier 2 contractors has created a healthy market with ample capacity to allow DCC to deliver the LTP.

**Market Trends and Dynamics:** Several market trends and dynamics can impact DCC's procurement strategy. These include:

**Technological Advancements:** The transportation industry is witnessing rapid technological advancements, including innovations in intelligent transportation systems, electric and autonomous vehicles, and digital infrastructure. These advancements can significantly impact procurement decisions, as DCC may need to procure technologically advanced products or services to meet its project requirements. For example, on procurement's work plan are projects such as license plate recognition where technology is improving the efficiency of the service delivery and therefore driving cost down.

**Sustainability and Environmental Considerations:** There is an increasing focus on sustainability and environmental considerations in the transportation industry, with a growing demand for green and eco-friendly solutions. DCC will need to consider procuring goods, services, and works that align with its sustainability goals and comply with environmental regulations. Zero Carbon is a key deliverable for DCC and the procurement function in collaboration with the Zero Carbon team has developed carbon emissions reduction targets which will be imposed on our supply chain partners. Collateral is being developed to enable DCC to engage with the market in a meaningful way to ensure our partners can implement the required changes to ensure they meet the DCC Zero Carbon targets.



**Supply Chain Disruptions:** The transportation industry is susceptible to supply chain disruptions due to various factors such as natural disasters, geopolitical events, and global pandemics. DCC needs to be aware of potential disruptions and develop contingency plans to mitigate risks and ensure the continuity of procurement processes. Especially the COVID pandemic in recent years has taught us valuable lessons which may not have been considered fully prior to the pandemic. DCC has put strong Business Continuity Plans in place as well as developing strong contractual clauses which protect both the DCC as well as the suppliers. DCC will continue to monitor supply chain disruptions as they arise and respond accordingly but always with a collaborative approach to ensure we act as partners to our key suppliers.

**Changing Regulations:** The transportation industry is subject to changing regulations and policies related to procurement, safety, labour, and environmental standards. DCC will stay updated with the latest regulations and adapt its procurement strategy accordingly to ensure compliance if and when required.

**Emerging Local Suppliers:** There may be emerging local suppliers in New Zealand that can provide goods, services, or works for DCC transportation projects. These suppliers may offer competitive pricing, local expertise, and innovative solutions. DCC will actively identify and engage with such suppliers to promote local industry development and diversity in its procurement approach. This aligns with well with how DCC procurement has operated in the last five years and how it deals with suppliers.

**Key Players and Market Share:** The transportation industry in New Zealand comprises various key players, including manufacturers, contractors, consultants, and service providers. These players may have different market shares depending on the segment and region. DCC has identified the key players in the relevant segments and assessed their market share to understand the competitive landscape and negotiate favourable procurement terms. For example, we have negotiated standard special conditions and in the 3 Waters space have agreed on rates for low-risk pipeline renewals. DCC will continue to investigate opportunities to work smarter with its key suppliers to ensure both parties' needs are well considered, and risk is shared appropriately.

**Market Risks and Challenges:** The transportation industry also faces several risks and challenges that can impact DCC's procurement strategy. These risks may include:

**Price Volatility:** Prices of goods, services, and works in the transportation industry can be volatile due to various factors such as fluctuations in commodity prices, exchange rates, and inflation. DCC has considered potential price risks and developed strategies to mitigate them, such as long-term contracts, and price and escalation clauses. The current economic climate is seriously impacting the cost of current and future contracts. All DCC's procurement planning is based on what the correct procurement strategy is to source a good or service and price volatility is and will feature heavily in our consideration of how we manage the risk and who is best placed to manage the risk.

**Quality and Safety:** Ensuring quality and safety in transportation projects is critical. DCC needs to carefully evaluate suppliers' quality control processes, certifications, and safety records to minimize the risk of defects, delays, and accidents. DCC is in the process of implementing its contract management solution which will be an important tool to ensure staff can capture the required information to ensure our suppliers are doing the right thing for their people and manage quality outputs.

**Supplier Performance:** The performance of suppliers can impact project timelines, costs, and quality. DCC assesses suppliers' financial stability, track record, and capabilities to ensure they can deliver as per the contract requirements. Our sourcing activities are now of a maturity that ensures we capture these requirements. The contract management solution will assist with measuring and monitoring the performance of our suppliers, not only on a project-to-project basis but also holistically across the DCC. This will allow DCC to roll out its Supplier Relationship Management Framework to ensure our staff manages supplier relationships as they should be managed based on their relative importance.

## Projected Procurement activities

Below is an extract of the current work plan but is not the full list of planned activities. Please note that all the listed activities will be Open Tenders in line with the DCC Procurement and Contract Management Policy

Department	Activity	Financial Year the procurement process will occur	Estimated Value as per current Long Term Plan	Proposed approach & Contract Term
Transport	Tunnels Trail	2023 / 2024	\$10m	ECI contract; Separable portions; NZS3910;
Transport	Kerb & Channel	2023/ 2024	\$10m	PQM Open RFP; Will be tendered as 2 separate contracts but with an option to award as 1 contract; 3 years; NZS3917
Transport	Footpaths	2023/ 2024	\$14.9m	PQM; 3 years; NZ3917
Transport	Pavement Rehabs	2022 /2023, 2023 /2024, 2024 /2025	\$7m	Lowest Price; 1 year each. NZS3910
Transport	Harbour Arterial Efficiency Improvements. Stage 1 complete. Business Cases for Stage 2 (Thomas burns Street) and Stage 3 (Strathallan Street) are with Waka Kotahi currently. Stage 4 (Ward	2023 /2024, 2024 /2025	\$7M	PQM Open RFP, Contract term dependent on construction timelines; NZS3910; Stage 3 will be tendered first, and Stage 2 will follow a few months later.

	Street) is at this stage expected to be much further away.			Both stages are expected to be tendered in FY 2023/ 2024.
Transport	Central City Bike Hubs	2023/ 2024	\$1.8m	PQM Open RFP for a Design and Build, Contract Term dependent on construction time, NZS3917
Transport	Albany Street Cycleway	2023/ 2024	\$2.5m	PQM Open RFP, Contract Term dependent on construction time, NZS3910
Transport	School Road Safety Improvements	2023 / 2024	\$3.9m	PQM open RFP, Contract Term dependent on construction time, NZS3910
Transport	Transport choices programme – South Dunedin Schools	2023/ 2024	\$2.7m	PQM open RFP, Contract Term dependent on construction time, NZS3910
Transport	Transport choices programme – Safer Streets (Package 1)	2023/ 2024	\$6.6m	PQM open RFP, Contract Term dependent on construction time, NZS3910
PMO	Project Management Software	2022 / 2023	\$400k	Lean Agile with weighted attributes; 7 years; Supplier Contract
Property	Vertical Construction Panel	2023 / 2024	\$20m	Brooks Law; 5 years; NZS3917
Parks & Reserves	Skateparks	2022 / 2023	\$2.5m	Weighted Attributes; 2 years; NZS3910

## External Professional Services

We continue to utilise the Long-Term Engineering & Support Services (LTES) panel (approved by Waka Kotahi as part of our previously endorsed strategy) for the remainder of the term of this panel contract. The LTES panel will expire in September 2023 but has a right of extension for a further 2 years. DCC procurement is to seek feedback from the DCC's executive team on what the future of the panel could look like. At the time of writing this strategy, it is anticipated that DCC will be executing the right of extension.

The LTES panel is a DCC-wide panel contract for professional services and is a well-established, mature contract that has worked very well for DCC since its inception. In late 2024 / early 2025 we will determine the future requirement for externally provided professional services and the best mechanism to deliver this. If required, we will seek a separate endorsement from Waka Kotahi for the proposed approach and contract format. Most Waka Kotahi co-funded external professional services are funded through work categories 151 (network and asset management), 324 (road improvements), 341 (low-cost, low-risk improvements) and 432 (safety promotion, education, and advertising).

## In-house Professional Services

In-house professional services through the DCC transport team are used in some instances to carry out early investigations, tender management, contract management, and project management. The mixture of professional services providers ensures access to the required skills at the appropriate time. Most Waka Kotahi co-funded in-house professional services are funded through work categories 151 (network and asset management) and 432 (safety promotion, education, and advertising). Council staff provides in-house professional services in the following areas:

- Management of the road, cycle, and footpath network.
- Planning, documentation, specifications, management and quality assurance of maintenance, operational and renewal activities.
- Travel demand management promotion, education, and information to influence modal shift.

- Management of asset management systems, specifically Road Assessment and Maintenance Management (RAMM).
- Asset condition rating and forward work programme validation.
- Activity Management plan updates. Improvement work being funded through work category 003 (activity management planning improvement).
- Planning, management, Engineer to Contract, Engineers Representative and quality assurance of capital works projects including minor improvements
- Traffic Engineering and concept development.
- Traffic services particularly in relation to SCATS operations for all signalised intersections on the SH and local roading network. Funded through work category 123 (Network Operations).
- Transport planning activities including modelling.
- Road safety education in schools, driver education, walking and cycling safety information and activities
- Provision of integrated advice, information, and support to community groups.
- Financial management and administration of Transport activities.

## Future Opportunities

A discussion paper will be submitted to DCC's Executive Leadership Team to discuss the possible benefits of a regional procurement model across Otago and what this could look like. With the local government reform, this is an opportune time to look at closer collaboration between local government entities. Procurement as a shared service across various councils is already in place for councils in the North Island and we will draw upon their experiences when the discussion paper is drafted.