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Queenstown Lakes District Council – Programme Delivery

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- Background
- Developing procurement strategy
- Procurement strategy and market engagement
- Current status



In February 2006:

- 2006 draft LTCCP Infrastructure Capital Works programme \$250m for six years
- Delivery rate need to increase from \$20-25m pa to \$40-50m pa
- Previous five year performance:
 - Capital budgets increased by 83%
 - Delivered projects increased by 54%
 - Due to deferrals - delivery rate needed to increase by 138%
- QLDC strong culture of strategic outsourcing – genuine desire to work with suppliers



Delivery rate hampered by:

- Project by project scoping – annual forward works planning cycles
- Limited local professional services resources
- Design then construct process – not enough WIP
- Procurement practice – no development of depth of supply chain or internal SCM capability
- Asset management – renewals programme impacted by AM information

GHD engaged to review procurement practices and develop strategy to deliver LTCCP



Procurement strategy - process





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Procurement Strategy Development



1 – Change time horizons

- Link supplier and contract management to minimum three year planning period
- Develop programme management across three year period – move away from annual CAPEX envelope
- Accelerate design processes – build a bank of projects
- Year round build – break seasonal cycles



2 – Leverage change in profile

- From \$20m to \$40m pa – no longer a small player. Mid - size on council CAPEX table
- Total market capacity Southern Lakes region at least \$200m pa (anecdotal)
- Leverage competitive advantage and create predictability for supply market
- Build on existing relationships – take people with them
- QLDC staff to move from tactical control to strategic planning
- Deliver outcomes – don't prescribe inputs



3 – Organisation change

- Highly outsourced environment but little supplier relationship or market management from 4th party and near none from QLDC
- Focus relationships beyond project to whole of programme / whole of life
- Move from siloed project by project tenders to programme procurement
- Develop robust project and procurement processes



QLDC are delivering a growing capital works programme on time and at best value

- Increase planning period to three years (minimum)
- Offer market commitment that encourages investment in capacity and capability
- Increase depth of supply built on performance and creative tension



Increase competency (people, policy and processes) to implement and support:

- longer, more strategic relationships
- integrated delivery (eg: maintenance and renewals, water and roads)
- value based performance management
- simplified, but robust, approval processes



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Procurement Strategy



- Outcomes and initiatives against strategic framework informed process to develop detail
- Three phases:

May 06

1. align internal processes and structure

Jun –
Dec 06

2. options development

Aug 06 –
Aug 07

3. detailed delivery design then implementation



Concurrent activity

- QLDC internal Infrastructure team increased – (Transport & Water /Waste managers)
- Developing programme management role and associated tools
- Partially owned CCO bought out (eff.1/7/07)
- Maintenance contractors in place (2008)
- BAU - major projects let and renewals ongoing



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Options development & Market engagement



Strategy implementation – market engagement

Consultative EOI prepared – all infrastructure activity (transport, 3 waters and solid waste) including:

- network management road and water
- consultants and contractors - capital works
- 6 years of programme to 2012 (target \$150m design and \$100m construction plus renewals – total programme value \$250m - excludes maintenance)

Maintenance contractors only significant omission



Strategy implementation – market engagement

	under \$100k	\$100 - \$500k	\$500 - \$1000k	over \$1.0m	Totals
Projects	812	298	81	36	1,227
Value	26,700,230	73,420,667	62,397,875	89,130,487	251,649,259
% Projects	66%	24%	7%	3%	
% Value	11%	29%	25%	35%	

Roads Subsidy eligible	\$89.2
Roads Local	\$25.0
<u>Total Roding Overall</u>	\$114.2
Parking	\$19.9
Water Supply	\$42.9
Wastewater	\$64.5
Stormwater	\$5.8
Solid waste	\$4.4



Responses focused on suppliers ideas to address:

- programme management
- project management – who to involve and when
- problem, issue and conflict resolution
- performance management
- knowledge management
- 3 R's - resources, risk and relationships



EOI evaluation in two parts

1. Finalise preferred model for programme engagement of suppliers
2. Establish shortlist of respondents with best fit against preferred model.

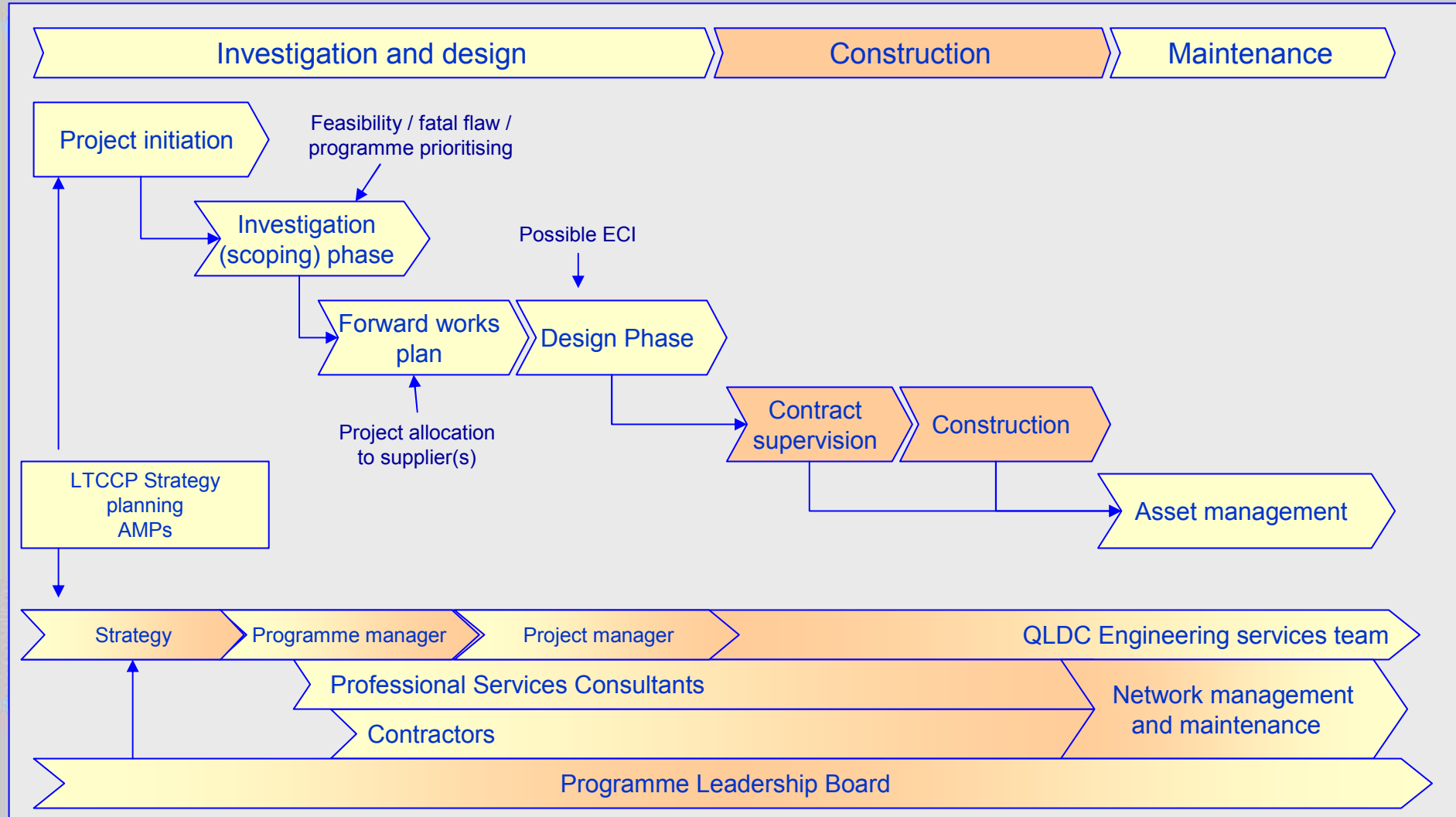


Outcome of EOI

1. Identified preferred consultants for network management and capital works
2. Parked contractor delivery model & selection until after consultant process
3. LTNZ approval given to undertake selection process with short listed consultants
 - Methodology and resources responses then price negotiation (Brooks variation)



Programme engagement (pro-forma)





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Construction contractor engagement



- Stakeholder workshop – Dec 06
- Delivery model finalised – contractor panel
- Procurement plan developed for council and then LTNZ sign off
- Council signed off March 07
- LTNZ approval in process
- Targeting short listing and framework agreements (including initial project allocations) in place by end August 07



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Current status (April 07)



- ✓ Capital works consultants engaged under framework agreement
- ✓ Project scoping / Fwd works plan underway (5 years)
- ✓ Contractor capacity requirements calculated per service
- ✓ Contractor pricing schedules and sample projects almost completed
- ✓ Contractor RFP drafted – subject LTNZ approval
- ✓ Programme leadership board (PLB) established



- ✓ Regular client/consultant operations meetings in place
- ✓ Network management contracts on hold – role of CCO being finalised
- ✓ Ongoing PLB operations group support and performance management being developed
- ✓ Cost control system live April 07
- ✓ Project information database live June 07
- ✓ Initial KPIs and stakeholder KRAs being developed



Features of final delivery model

- Integrated renewals and new works planning
- Three major consultancies established in Queenstown – performance tension
- Contractor panel will include local suppliers – performance tension esp. predictability
- Suppliers have direct relationship with QLDC at programme level
- High % of programme committed – remainder at risk for performance, new entrants, new methodologies
- Projects allocated after scoping – (ECI, bundling, sequencing, major maintenance etc)



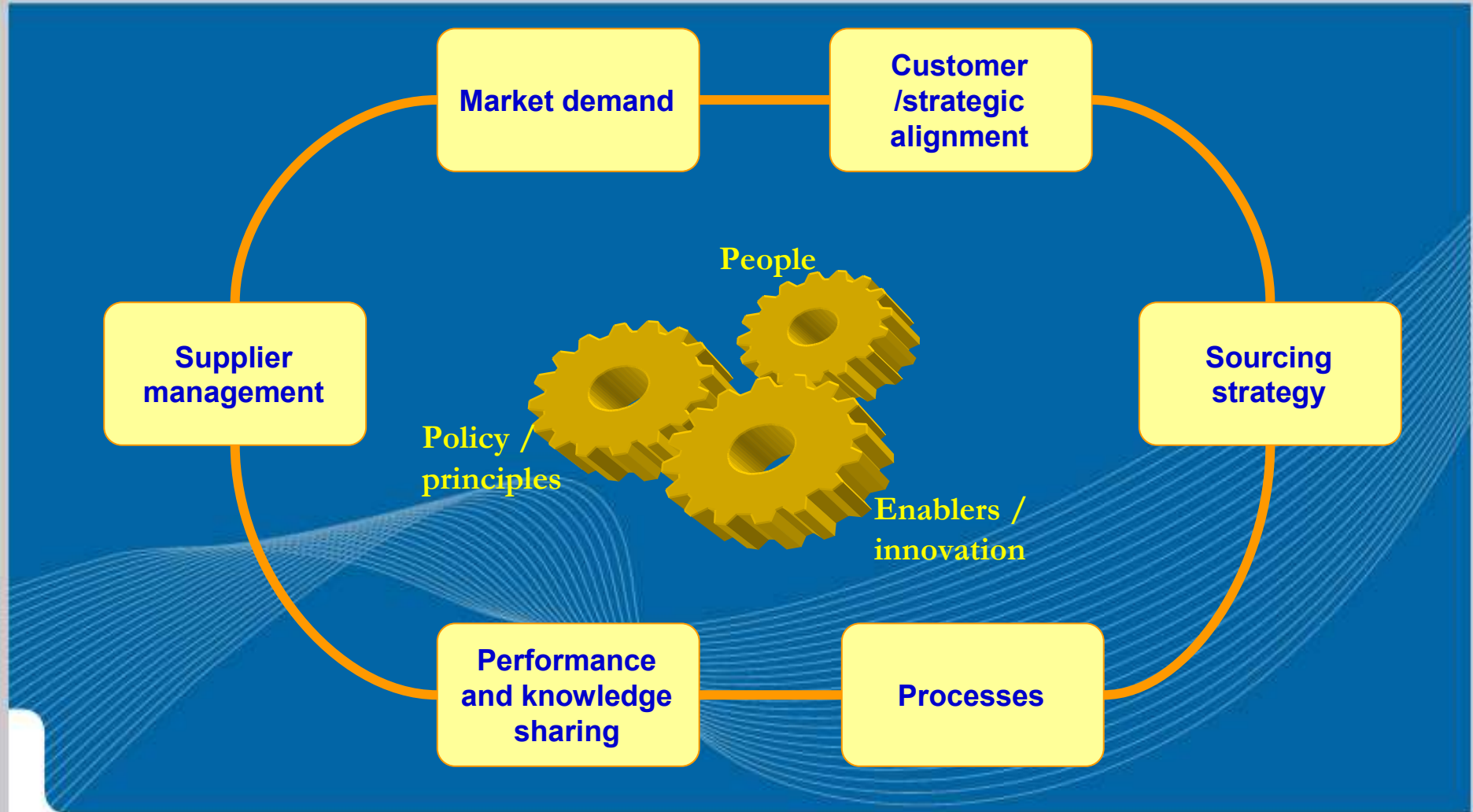
Features of final delivery model

- No additional procurement processes for allocated projects
- Accelerate design processes – “in the bank”
- Client, consultants, NM and contractors participate on PLB
- High performance rewarded with more work – valid low risk procurement option
- Performance management integrated with LTCCP outcomes
- Leverage relationships across transport, 3 waters and solid waste
- Targeting 7.5% improvement in cost



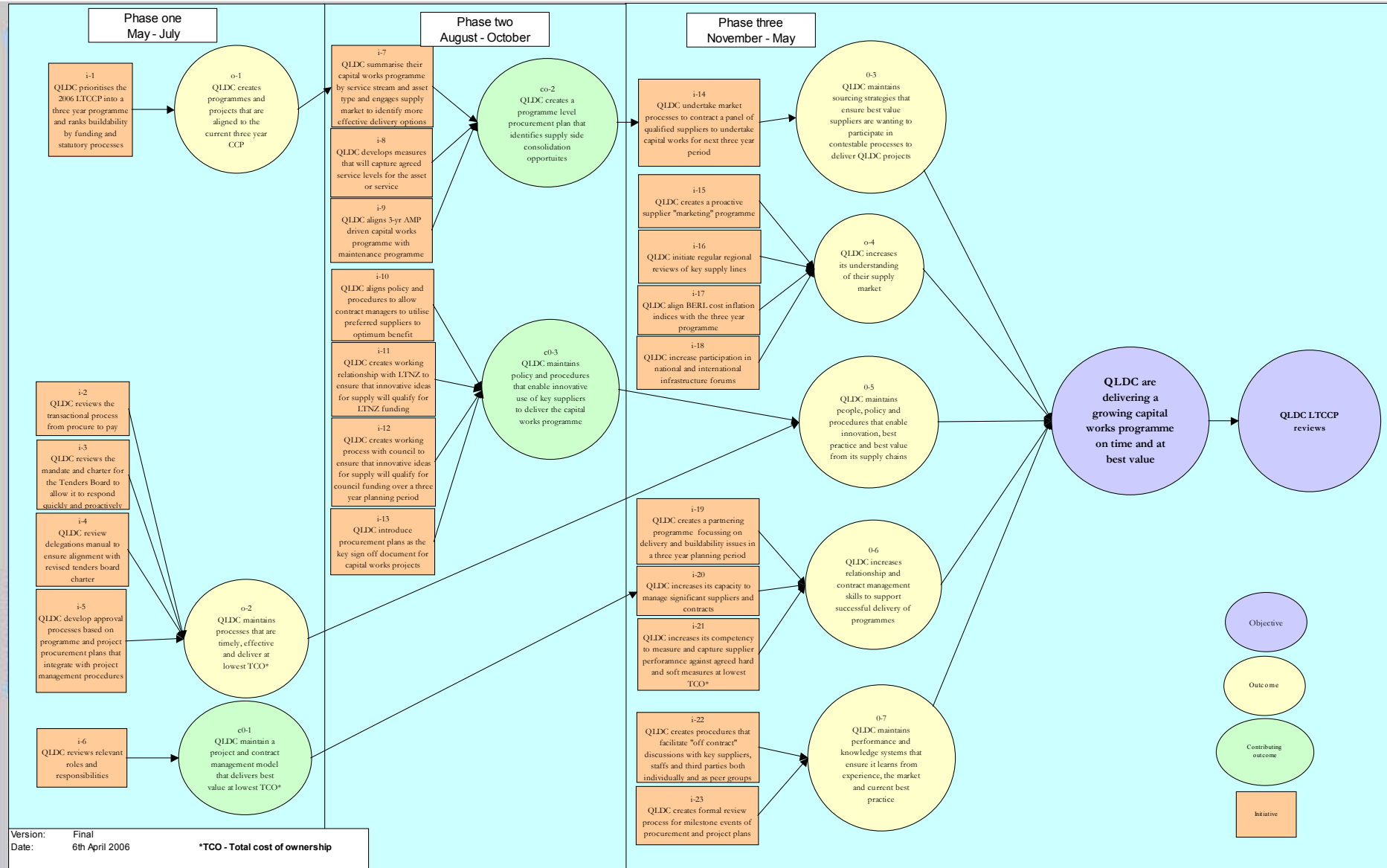


Strategic Framework





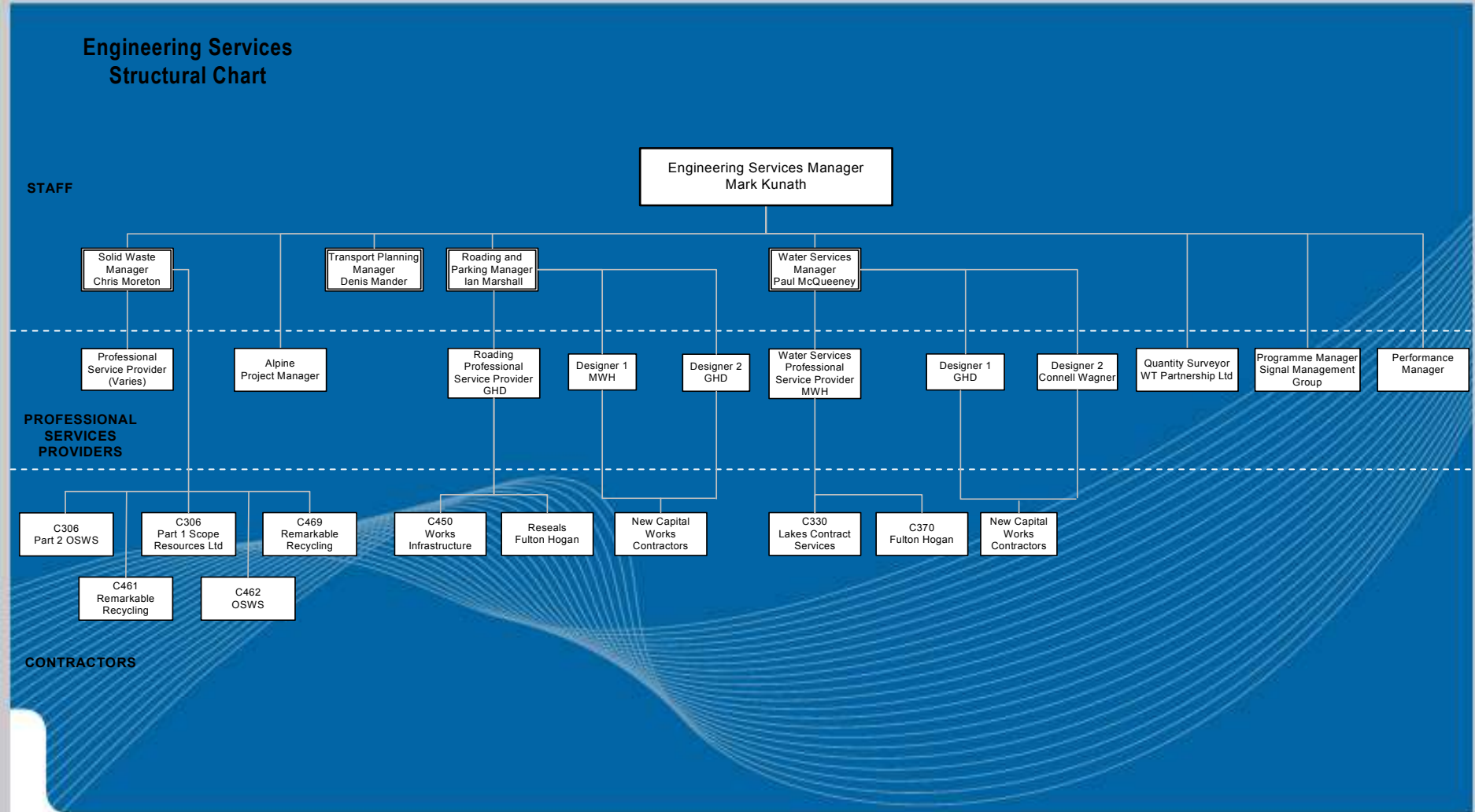
Results Chain





Strategy implementation – delivery structure

Engineering Services Structural Chart





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