

Changing approach to procurement at New Plymouth District Council



Te Kaunihera-ā-Rohe o Ngāmotu
**NEW PLYMOUTH
DISTRICT COUNCIL**
newplymouthnz.com



The presentation will describe how NPDC has changed its approach to procurement and contract management including:

- its overarching procurement strategy
- the adoption of longer term relationship based contracts
- the use of NEC4 to further foster a culture of collaboration
- explore the benefits that have been seen to date

Background to New Plymouth District Council

Population
85,000

8% growth
over next
10 years

10th largest
district in
New Zealand

\$3.3bn
assets

Relatively
isolated

\$70m per
annum
capital
programme

Highly varied asset base



Procurement Strategy

New Approach



- 4 years ago New Infrastructure Manager
- Wanted to be considered as a client of "Choice"
- Led to review of procurement strategy



Enhancing Value for Money by
Building a Culture of Supply Chain
Leadership

- Strategic approach to procurement:
 - Optimise Contracts across asset classes
 - “Bundling” contracts together
- Longer Term Contracts for maintenance type activities
- Development of supply chain workforce plans to develop capability of the supply chain
- Selection of delivery models and basis of payment that incentivise safety performance
- Use of NEC4 contract to improve project management and enhance collaboration

Long Term Contracts

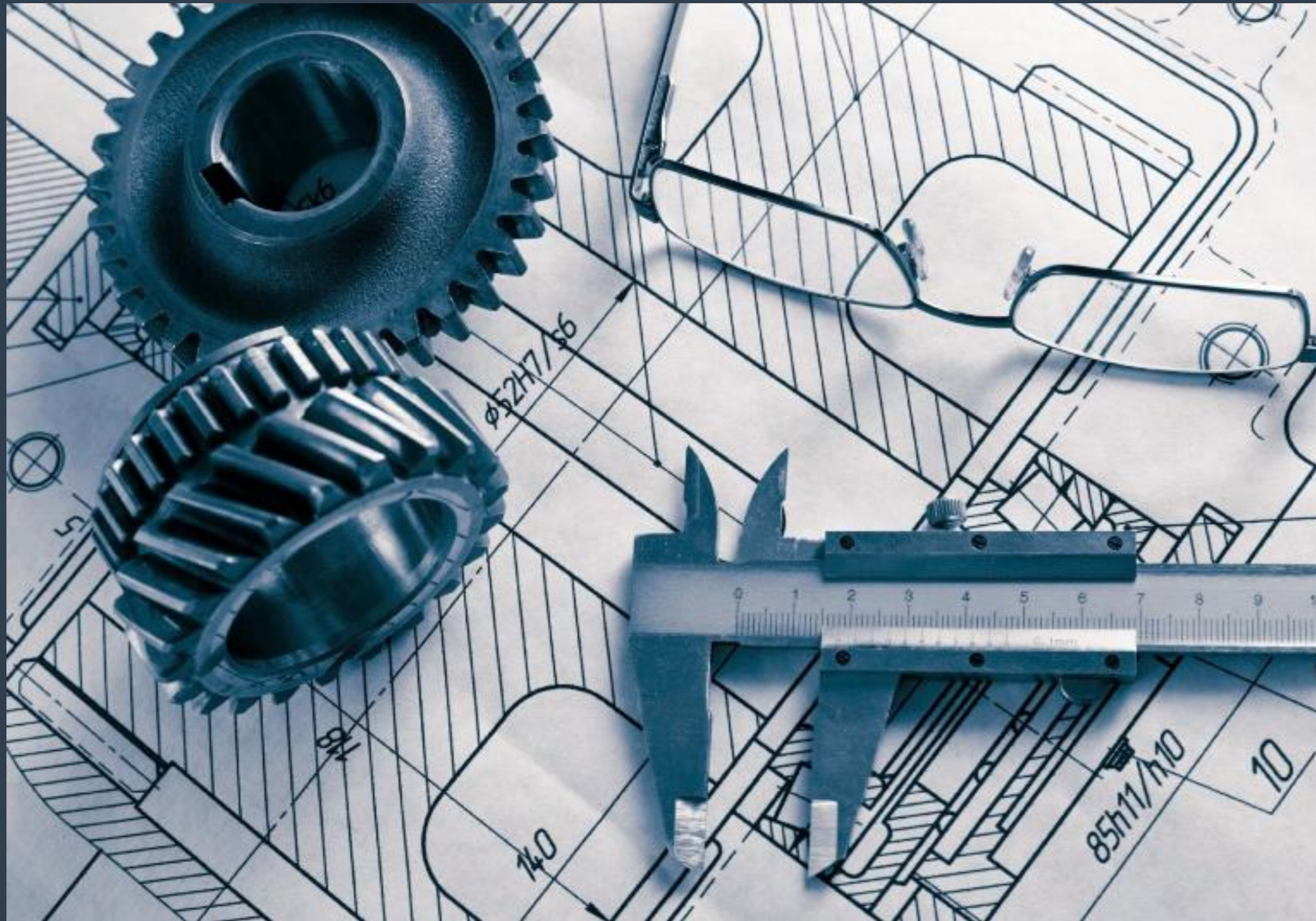
Culture
EATS
STRATEGY
FOR BREAKFAST
- PETER DRUCKER -



TOGETHER
EVERYONE
ACHIEVES
MORE

How the change started – Professional Services Contract

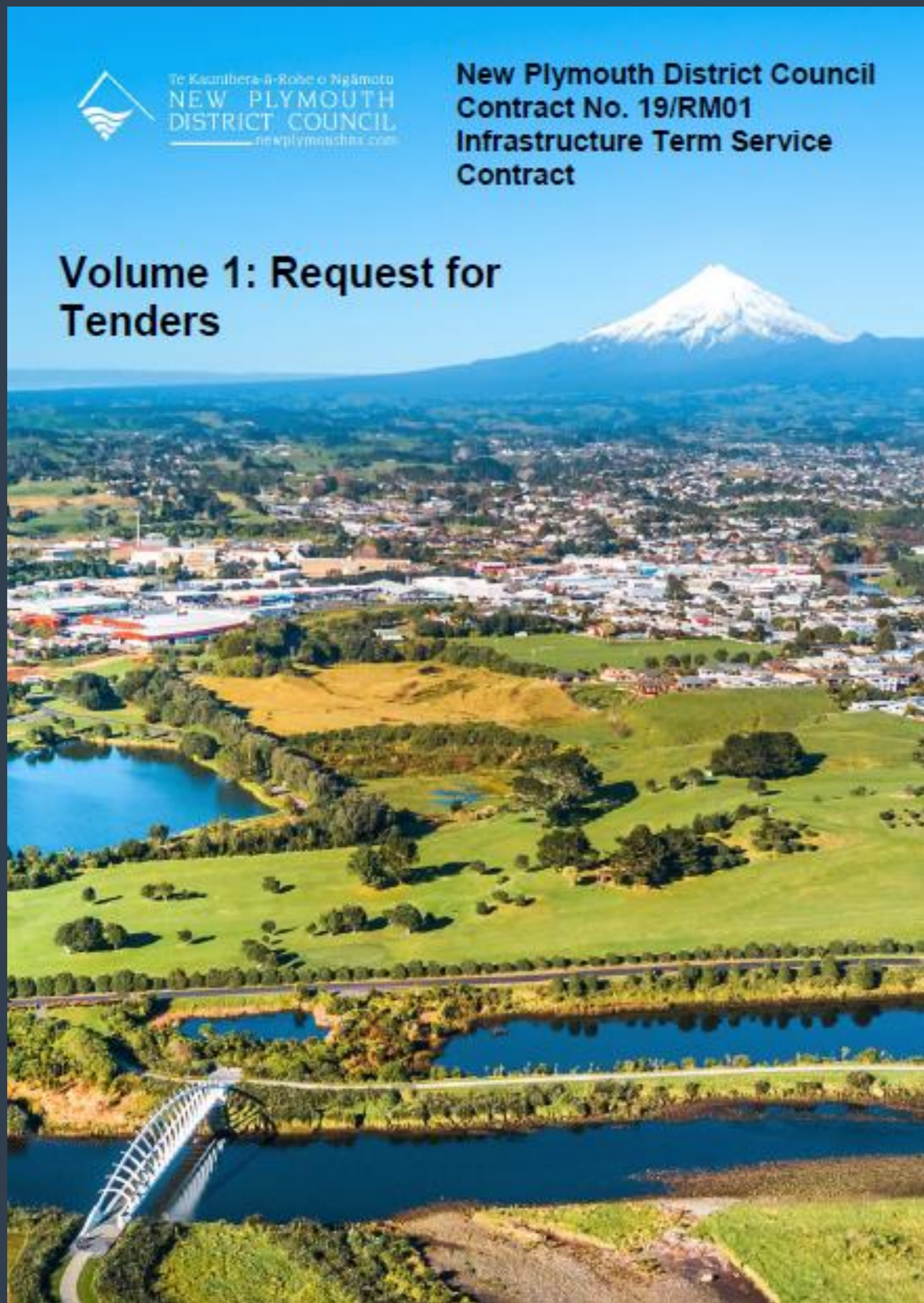
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- Existing Transportation Contract was coming to its end
- Parts of the scope were to be delivered in-house
- To make more attractive brought in other areas of infrastructure (three waters, property)
- Desire to improve collaboration – led to use of NEC3 Professional Services Contract
- In place since 1 July 2016 with WSP-Opus



- Joint Management Board to drive/support improvements
- 6 monthly feedback surveys from staff
- 6 monthly team work-shops



- Built on lesson's learnt from professional services contract
- Extensive pre-tender engagement with suppliers
- 10 year period – time for suppliers to invest in people and equipment
- Bundled together around 20 short term (1 to 2 year) contracts
- Covers transportation, water and sewer renewals and parks maintenance
- Around \$15m per annum
- Commenced 1 July 2019 (Downers)
- Used NEC4 Term Services Contract



Project Charter for Property Projects Three Year Framework Contract

Our Vision
Throughout this project and afterwards, people will be saying....

Time	The Programme(s) allowed delivery to realistic time frames of all aspects of projects across a set of delivery dates. NEC4 compliant programme will be produced. The projects will be designed and delivered to meet the test of time.		
Cost	The team will work together to provide transparent cost controls. The team will look to develop standardised designs and components where possible.		
Quality	Our Projects will be completed to a quality which is appropriate to the facility, function, and end-user requirements; as a result of designing and constructing to the appropriate standards.		
H, S & E	We will strive for Zero Harm to people and environment – we will use lead and lag measures to show this.		
End-User Message	The team engaged in great early engagement with stakeholders that resulted in excellent assets for the community.		
Change	We committed to each other to ensure early involvement of the appropriate people and to work efficiently to minimise change. Where change is unavoidable NEC4 procedures will be used.		
Risk	We worked as one team so that risks were identified, managed, owned, minimised and where practical eliminated.		
Team Culture	The team collaborated and worked together to achieve the above outcomes.		

Our Values
Help us to live our Values

How do we do this?
Develop your ideas and tell us about them:

- a one team approach,
- open book,
- best for project outcomes,
- working collaboratively,
- shared overarching programme,
- innovating as the delivery model changes

- Context – approximately 10 contracts of \$100k to \$500k per annum

- Effort spent in writing and evaluating tenders
- Competitive tension led to a focus on cost
- Risk pushed onto contractor and then onto sub-contractors
- Worked with lots of different contractors
- Limited time for contractors to understand the works and constraints
- No construction expertise input into the design process

- Solution

- one contractor on Framework to “call off” individual packages of work
- Allows early contractor involvement
- Open book pricing
- Input into selection of subcontractors

New Engineering Contract



Why?

- Traditional contracts focused on allocation of liability and often written in legalese
- NEC contracts reflect three key principles
 - Clarity
 - Flexibility
 - Stimulus to good management
- Designed for international use (Additional clauses produced for NZ to align with Construction Contracts Act)

New Engineering Contract – Clarity



- Written in plain English
- Use of short sentences (below 40 words)
- Limited cross referencing of clauses



- A suite of contracts
- Different payment options
- Responsibility for design by either party
- Additional secondary clauses that can be added, including:
 - Inflation
 - Key Performance Indicators
 - Limitation of Liability
 - Early Contractor Involvement

New Engineering Contract – What is it?

CONTRACTS

Engineering and Construction Contract (ECC)	Professional Service Contract (PSC)	Term Service Short Contract (TSSC)
Engineering and Construction Subcontract (ECS)	Professional Service Subcontract (PSS)	Supply Contract (SC)
Engineering and Construction Short Contract (ECSC)	Professional Service Short Contract (PSSC)	Supply Short Contract (SSC)
Engineering and Construction Short Subcontract (ECSS)	Term Service Contract (TSC)	Design Build and Operate Contract (DBO)
	Term Service Subcontract (TSS)	Alliance Contract (ALC)


Framework Contract (FC)
Dispute Resolution Service Contract (DRSC)

USER GUIDES


Volume 1


Establishing a Procurement and Contract Strategy
(x1 book)


Volume 2


Preparing a xxx Contract
(x10 books)

Volume 3


Selecting a Supplier
(x1 book)

Volume 4


Managing a xxx Contract
(x10 books)

Volume 1

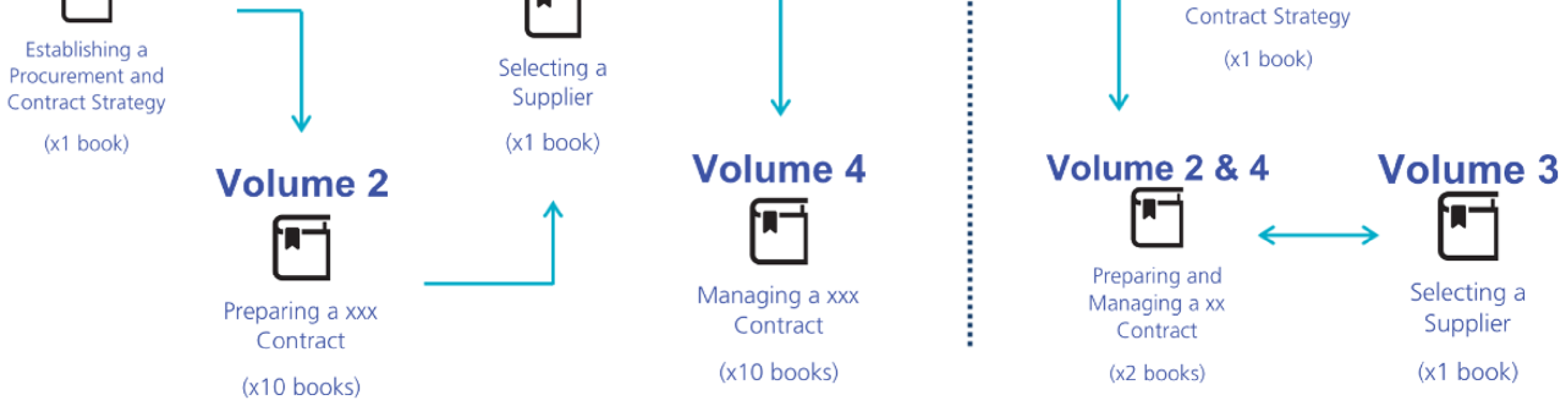

Establishing a Procurement and Contract Strategy
(x1 book)

Volume 2 & 4


Preparing and Managing a xx Contract
(x2 books)

Volume 3


Selecting a Supplier
(x1 book)



New Engineering Contract Main Options

A

Priced contract with *activity schedule*

B

Priced contract with *bill of quantities*

C

Target contract with *activity schedule*

D

Target contract with *bill of quantities*

E

Cost reimbursable contract

F

Management contract



- Clear roles and clear actions defined
- Clear timescales for each action
- Encourages the Client to spend time developing a clear and unambiguous scope
- Better awareness (for all parties) of the likely time for completion and the amount to be paid
- Encourages collaboration

How does it drive collaboration?





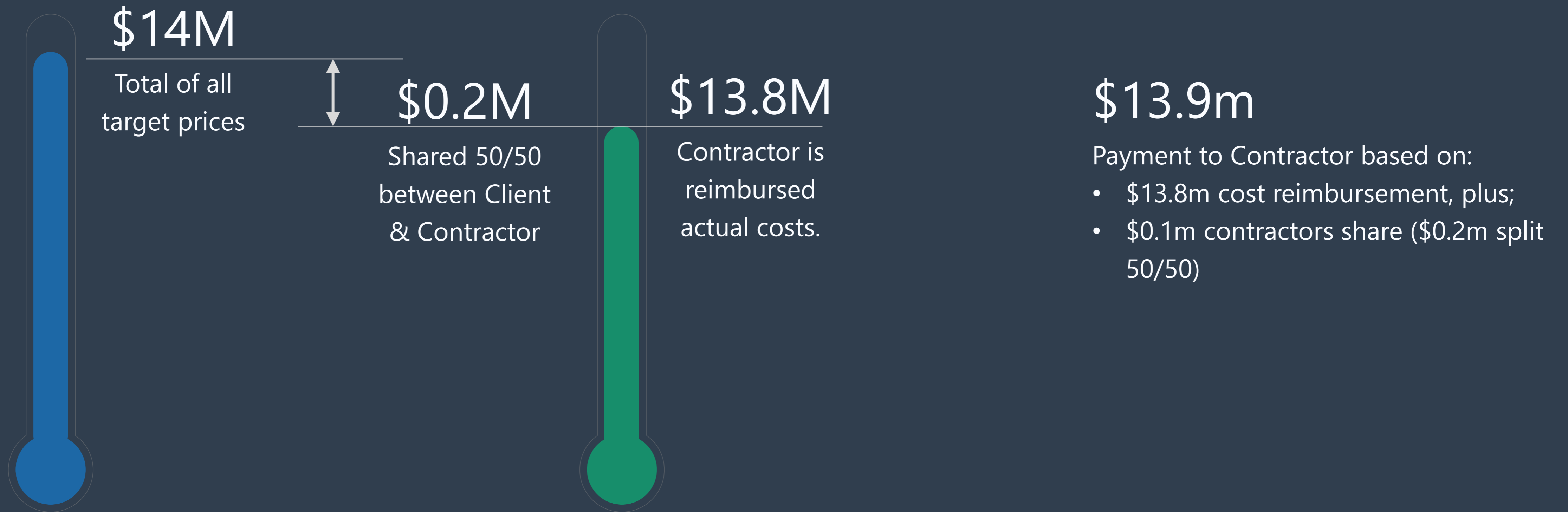
- Early Warnings issued by either party (as soon as they become aware)
- Parties meet to consider how the early warning can be avoided or reduced
- Seek solutions that will bring advantage to all those who will be affected
- Potential sanctions if Early Warning not raised and the risk occurs

Contractor's ideas



- Use of X22 enables a two stage approach to Early Contractor Involvement to be undertaken
- Allows for Contractor's proposals to change the scope
- Use of X21 for Contractor's proposals for reducing operating and maintenance costs

Option C – Activity Schedule with Target Price





- Sharing risks through Target Contracts (Option C and Option D) provides an incentive for parties to work together (win-win)
- For example Productivity – if Client helps Contractor to be more productive then both gain

How did we roll out?



Started with professional services



- Consultants started to feel comfortable and started seeing the benefits

Then moved onto low risk construction project

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- Used engineering and construction short contract
- Gained trust of supply chain in a low risk environment

Use of technology

- Use of cloud based software
- Improve compliance
- Reduce paperwork burden for all parties
- Single source of truth – shared platform – collaboration

Reminders

Showing reminders to be actioned by Contractor

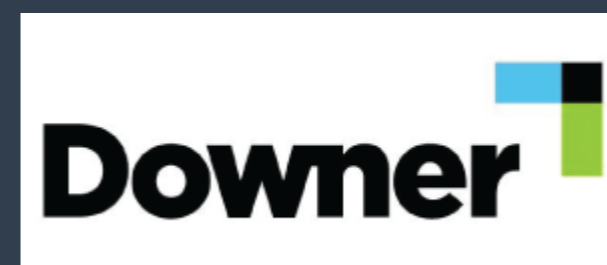
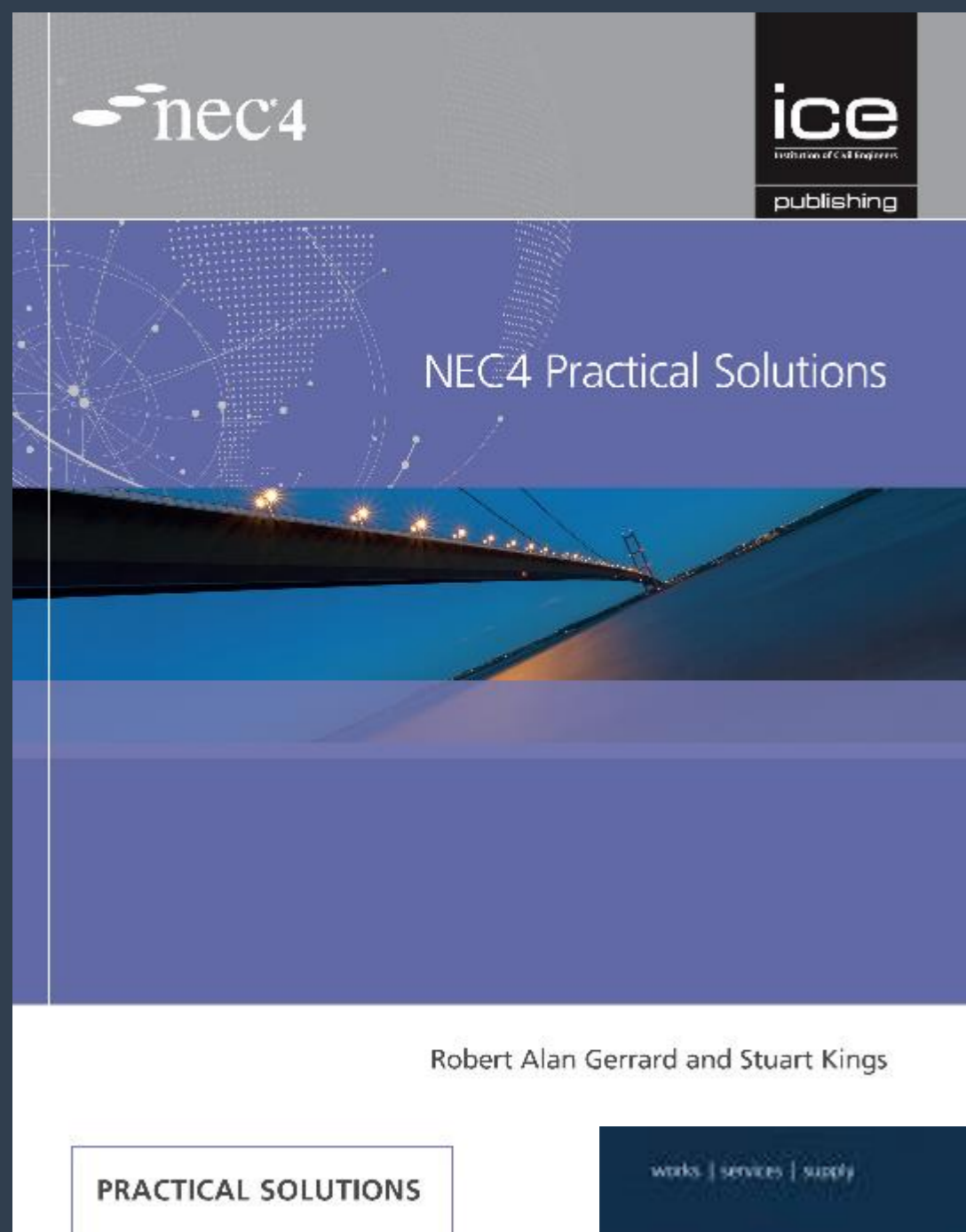
- Early Warnings awaiting a Reply (3)**
 - EW-108: Extra spool pieces - due on Wed, 23-Oct-2019 12 day(s) to go
 - EW-109: Difference in BoQ rate vs Claim rate - due on Thu, 24-Oct-2019 13 day(s) to go
 - EW-110: Unknown water feed to Moa intesection - due on Fri, 25-Oct-2019 14 day(s) to go
- Project Manager awaiting Programme Submission (1)**
 - Programme Required: - due on Tue, 29-Oct-2019 18 day(s) to go
- Project Manager awaiting Quotations for Compensation Events (7)**
 - CE-64: Reinstatment at Moa and 3A - concrete - due on Tue, 01-Oct-2019 10 day(s) overdue
 - CE-67: Service connection to 20 Kelly street - due on Fri, 11-Oct-2019 due today
 - CE-68: As-built and asset data - due on Fri, 11-Oct-2019 due today
 - CE-69: shut down Mahoe and Kelly street - due on Fri, 18-Oct-2019 7 day(s) to go
 - CE-70: 28 Brookes street - due on Fri, 18-Oct-2019 7 day(s) to go
 - CE-71: Manifold Box Upgrades only - due on Fri, 18-Oct-2019 7 day(s) to go
 - CE-72: 52 Cutfeild St - 3 Way manifold - due on Fri, 18-Oct-2019 7 day(s) to go
- Current Defects (1)**
 - DEF-1: Kerb and Channel

Early Warnings Register

Ref	Cross Ref	Communicated	Author	From	Title	Reply Due	Reply Date	Avoided / Passed
EW-110		11-Oct-2019	Luphus Oosthuizen	Project Manager	Unknown water feed to Moa intesection	25-Oct-2019		
EW-109		10-Oct-2019	Luphus Oosthuizen	Project Manager	Difference in BoQ rate vs Claim rate	24-Oct-2019		
EW-108		09-Oct-2019	Luphus Oosthuizen	Project Manager	Extra spool pieces	23-Oct-2019		
EW-107		09-Oct-2019	Luphus Oosthuizen	Project Manager	Hot mix reinstatement of Moa Intersection	23-Oct-2019		09-Oct-2019
EW-106		03-Oct-2019	Scott Ryan	Contractor	52 Cutfeild St - 3 Way manifold	17-Oct-2019		04-Oct-2019
EW-105		03-Oct-2019	Scott Ryan	Contractor	Manifold Box Upgrades only	17-Oct-2019		04-Oct-2019
EW-104		27-Sep-2019	Katie Armstrong	Project Manager	Walkover for Maire Street	11-Oct-2019	01-Oct-2019	
EW-103		27-Sep-2019	Luphus Oosthuizen	Project Manager	Adjustment of road level at Brown and Kelly int.	11-Oct-2019	01-Oct-2019	09-Oct-2019
EW-102	missing water service	27-Sep-2019	Deon Kumm	Contractor	28 Brookes street	11-Oct-2019	01-Oct-2019	09-Oct-2019
EW-101		26-Sep-2019	Luphus Oosthuizen	Project Manager	Additional Concrete work on Cutfield Street	10-Oct-2019	01-Oct-2019	
EW-100		25-Sep-2019	Deon Kumm	Contractor	shut down Mahoe and Kelly street	09-Oct-2019	26-Sep-2019	26-Sep-2019
EW-99		25-Sep-2019	Katie Armstrong	Project Manager	Broken sewer lateral on the cnr of Rata and Brown Street	09-Oct-2019	25-Sep-2019	26-Sep-2019
EW-98		19-Sep-2019	Luphus Oosthuizen	Project Manager	Service connection to 20 Kelly street	03-Oct-2019	20-Sep-2019	26-Sep-2019
EW-97		16-Sep-2019	Katie Armstrong	Project Manager	Kelly Street Church Customer Query	30-Sep-2019	17-Sep-2019	18-Sep-2019
EW-96		13-Sep-2019	Katie Armstrong	Project Manager	Pipe samples of shutdowns and installing new tees	27-Sep-2019	17-Sep-2019	
EW-95		13-Sep-2019	Katie Armstrong	Project Manager	Coupons from live taps	27-Sep-2019	13-Sep-2019	09-Oct-2019

Training and learning – all parties

- Training events – included consultants and contractors free of charge
- Other resources – including books and webinars (free)
- NEC Project Manager accreditation (Sept 19):



Benefits to date



- Emulsion Plant – Operational Dec 19. Replaces cut back bitumen with sprayed emulsion – Health and Safety and Environmental benefits
- Forward facing chip spreaders – removes reversing risk, also combines two items of plant
- Workforce development – initial sessions held
- Co-location of NPDC staff with Downers staff by Nov 19



Pukekura Park Sludge Removal



- Unsuccessful in 2013 – contractor went into liquidation
- Request for Proposals – evaluated on Brooke's law
- Two stage approach
- Stage 1 was a pilot using NEC4 ECC Option E (cost plus)
- Stage 1 was successful. Stage 2 will be NEC4 Option B (re-measure)



Professional Services Contract



- Regular workshops held to drive continuous improvement
- Worked together to refine our safety in design procedures
- Joint developed and launched a lesson's learned system
- Take on board feedback – improved monthly reporting
- Shared programme, easier for WSP-Opus to resource

Thanks for listening!