



Rangitīkei District Council
Roading Network Procurement
Strategy
March 2024

Amendment Number	Description of Change	Date	Updated By
V1	Initial draft procurement strategy for comment	31 October 2022	Arno Benadie
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Every attempt has been made to ensure that the information in this document is correct at the time of publication. Any errors should be reported as soon as possible so that corrections can be issued. Comments and suggestions for future editions are welcomed.

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1. Executive Summary

This Procurement Strategy sets out Rangitīkei District Council's (RDC) strategic approach to the procurement of land transport activities and includes its long-term goals of maximising sustainable value for money opportunities over the life of the assets and services being procured by RDC. It has been developed in compliance with the requirements of the New Zealand Transport Agency – Waka Kotahi (NZTA) and to fulfil council's obligations required by the Office of the Auditor General (OAG).

RDC has statutory obligations under the Land Transport Management Act 2003 to manage and maintain a road network within the district, providing a safe and efficient road network that enables the movement of people and products, both within and through the district. An effective road network is also essential to ensuring the economic and social wellbeing of the community through the provision of access and mobility for people, goods, and services.

This procurement strategy incorporates the principals of the Government Procurement Charter to seek new and innovative solutions, encouraging collaboration across the sector and being fair and reasonable to suppliers. It also incorporates the commitments of the Construction Sector Accord and incorporates Broader Social Outcomes and Sustainability Policy Principals into the strategy.

The effects of demographics and growth, funding constraints, changing central and local government priorities, legislation and climate change all have significant impact on RDC and the surrounding regions. RDC need the capability, capacity, and flexibility to be able to meet these challenges now and into the future.

This procurement strategy has been reviewed and approved by RDC (subject to NZTA endorsement).

This procurement strategy does not include any advanced procurement procedures or components. Procurement will be in accordance with NZTA's Procurement Manual Amendment 6, using the delivery model and supplier selection model as outlined in this strategy.

It is recommended that NZTA endorse this procurement strategy for a term of 3 years.

2. Introduction

This Procurement Strategy sets out RDC’s strategic approach to procurement of land transport activities. It includes its long-term goals of developing capability and capacity within RDC and the district through collaboration and partnerships, while also maintaining a competitive and sufficient supply market. It is based on growing the local economy while maximising sustainable value for money opportunities over the life of the assets and services being procured by RDC.

All RDC procurement must meet Public Value requirements – “Getting the best possible results, using resources effectively, economically and without waste, and taking into account:

- the total costs and benefits of a procurement (total cost of ownership), and
- its contribution to the results you are trying to achieve.”

Delivering better public value includes securing Broader Outcomes so that the procurements help reduce negative environmental impacts, develop suppliers, and promote regional and economic outcomes.

RDC’s strategic approach is that our roads and infrastructure is well maintained to enable our communities to travel safely, stay connected and have access to all parts of our district so that we can maintain our social and economic well-being.

The strategic objectives include improvements to achieve road safety targets and reduced carbon emissions. Wherever possible, working alongside Waka Kotahi to achieve the Road to Zero targets.

Council aims to deliver the transport activity in alignment with the following strategic objectives:

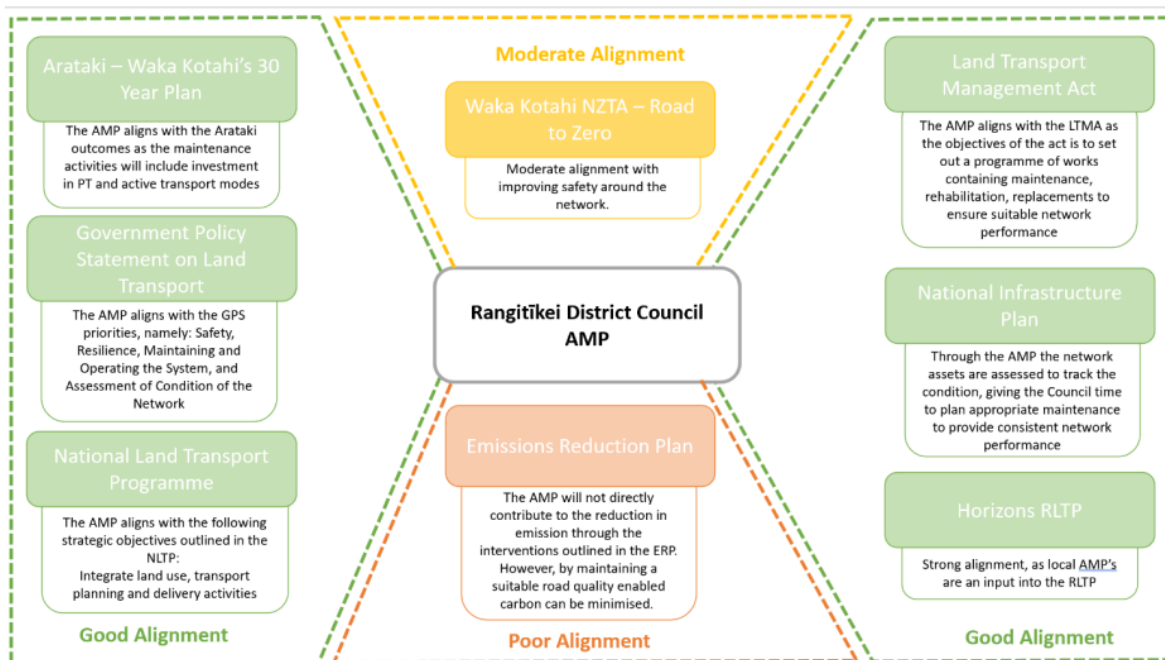


Figure 1 – RDC Transport Activity Management Plan Alignment

Council's 2021-31 Long Term Plan Strategic Objectives

- Delivering Resilient Infrastructure
- Prudent Financial Management
- Growing Strong Communities
- Building a Vibrant Economy

RDC started this journey of investigating other options in March 2023 by considering the benefits and challenges of all possible options available. This Procurement Strategy is based on the outcome of this analysis and proposes a change for the future.

2.1. Legislative and Policy Framework

RDC's procurement of goods and services is consistent with the principles of the Local Government Act 2002 (LGA). This includes the requirements under s14 and ss77-81 of the LGA to obtain the best value for money through procurement:

- Conduct its business in an open, transparent, and democratically accountable manner.
- Give effect to its identified priorities and desired outcomes in an efficient and effective manner.
- Actively seek to collaborate and co-operate with others.
- Undertake commercial transactions in accordance with sound business practice.
- Resolve any conflicts in an open, transparent, and democratically accountable manner.
- Comply with the requirements of part 6 of the LGA in respect to decision making and consultation.

The Principals of Government procurement and the Government Procurement Charter have also been considered in in developing RDC's Procurement Strategy. This includes:

- Plan and manage for great results.
- Be fair to all suppliers.
- Get the right supplier.
- Get the best deal for everyone.
- Play by the rules.

RDC have also considered and included the outcomes from the Government Procurement Charter to seek new and innovative solutions, avoiding the transfer of all risk to suppliers, and supporting greater collaboration across other agencies and businesses. This includes:

- Seek opportunities to include New Zealand Businesses
- Undertake initiatives to contribute to a low emissions economy and promote greener environmental responsibility.
- Look for new and innovative solutions.
- Engage with businesses with good employment practices.

- Promote inclusive economic development within New Zealand
- Manage risk appropriately.
- Encourage collaboration for collective impact.

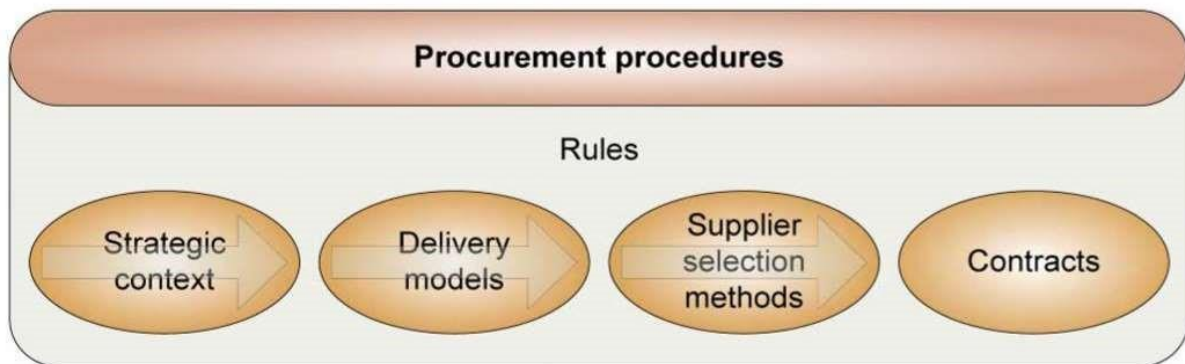
RDC have considered and included the specific commitments of the Construction Sector Accord, Broader Social Outcomes and Sustainability Policy Principles into this procurement strategy.

2.2. Background and Context

The NZTA Procurement Manual contains procurement procedures approved by Waka Kotahi under section 25(1) of the Land Transport Management Act 2003 (LTMA). The procurement procedures contained in the manual are approved for use to purchase the goods and services required to deliver the activities that have been funded under section 20 of the LTMA.

This procurement strategy has been developed in full compliance with the requirements of the NZTA Procurement Manual and recognised good practice. This procurement strategy uses the same terminology and approach to describing the procurement processes proposed and addressing the associated key issues.

The diagram below, extracted from the NZTA’s Procurement Manual, identifies the key aspects of a fully comprehensive procurement procedure, and has been used in the development of this procurement strategy.



RDC’s current road maintenance and renewals contract expires on 30 June 2024. The provision of professional services and contract management of all road maintenance and asset management activities has been supplied to RDC by the Manawatū District Council (MDC) through a Shared Services arrangement.

RDC considers the end of the existing road maintenance contract an opportune time to revisit its strategic direction for this activity. With the rising costs of materials and services in the roading industry, and an increase in severe weather events with associated damage to road networks, the following focus areas became significantly more important to RDC than previously:

- Inhouse capability and capacity to undertake and manage roading and infrastructure activities.

- Inhouse systems, processes, and procedures to effectively and efficiently manage roading and infrastructure activities.
- Improved cost effectiveness of road maintenance and renewals works, including professional services.
- Flexibility in prioritisation of work and budgets.
- Responsiveness and agility to emergency works and climate change drivers.
- An increase in the collection of asset data to allow for improved asset management decision making and knowledge of the network.

The current delivery model with a traditional measure and value contract and MDC supplying the engineering services has not been able to achieve the required outcomes in the focus areas mentioned above. The long-standing shared services relationship with MDC has eroded RDC's in-house expertise in roading activities. For RDC to become a "Smart Customer" once again, with a strong internal view of strategy and priorities, it has become essential to consider other delivery models for this activity.

The main opportunities are seen as:

- Obtain best value for money and attract competent suppliers to the Rangitikei region.
- Developing internal roading and infrastructure capability and capacity within RDC.
- Developing road maintenance and renewals asset management, systems, processes, and procedures to retain intellectual property within RDC.
- The sharing of expertise, and knowledge, across neighbouring roading authorities and NZTA
- The procurement of roading maintenance and renewals services via an aggregated and coordinated road re-sealing and renewal works programme under the same contract.
- Improving Road Safety by having an integrated delivery team, inclusive of Professional Services and performance specified safety outcomes (see figure 1)
- Incorporating initiatives that contribute to a low emissions economy and promote greener environmental responsibility (see figure 1)

2.3. Section 17A Delivery of Services

The Local Government Act 2002 specifies that "A local authority must review the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region for good-quality local infrastructure, local public services, and performance of regulatory functions."

Councils are required to review large contracts and service delivery on a regular basis under Section 17A of the Local Government Act 2002. Large contracts need to be reviewed within two years before their expiry.

The last Section 17A review by MDC on behalf of RDC was conducted in 2017 and concluded that roading maintenance did not need to be reviewed at that time as there was an existing contract commitment with more than two years to run.

Section 17A Reviews also need to be undertaken no later than 6 years following the last review. As a result, a further Section 17A review for the roading maintenance contract for RDC was completed

in April 2023. This review included the provision of professional services as well as the provision of road maintenance activities.

The roading management services are currently provided through this Shared Service model with MDC being the contract manager and holding all of the resources in regard to Engineering Services. There are up to 8 Engineering Services staff at MDC who are involved in RDC roading activities to some extent. Some staff are accommodated in RDC premises and some share time across both districts.

The April 2023 Section 17A review included two key areas:

- engineering services (ES)
- road maintenance services

The Section 17A review included the following options covering the two key areas mentioned above:

Engineering services:

- In-House - RDC only
- In-House - Shared with other Council.

Road maintenance services:

- Contractor Traditional delivery model - RDC only
- Contractor Traditional delivery model - Shared with other Council.
- Integrated Delivery Model, inclusive of Professional Services - RDC on own
- Integrated Delivery Model, inclusive of Professional Services - shared with another other Council.
- Formation of a CCO

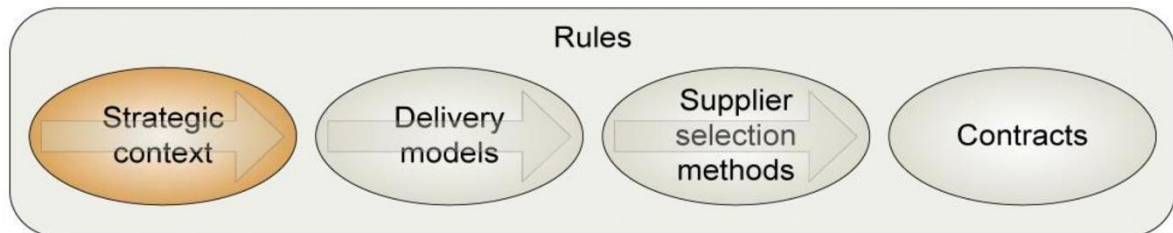
Council Controlled Organisation (CCO) was not reviewed as a viable option, as it was not sustainable or financially viable (a mandatory requirement) as RDC is too small for an Engineering Services CCO. The total weighted attribute score had the Alliance contract delivery model as a shared service with another Council being the highest scoring, on the basis that:

- It is partnered with an established Alliance. If an Alliance was started from scratch substantial efficiencies and benefits would be lost and there is a lot of energy and time required to establish a new Alliance and to align values.
- The delivery of Engineering Services and Roding Maintenance Services should be supplied together to get the full benefits and synergy of existing skills, procedures and local knowledge that already exist in a combined Alliance model.

After many months of collecting data and comparing different models, the option of joining the neighbouring Whanganui Alliance, or developing a stand-alone Alliance proved to be the best suited delivery model. However, this is considered an Advanced Delivery Model, which requires additional NZTA approval. Disappointingly, NZTA have declined to endorse or approve the use of an Alliance by RDC.

As a result, RDC have reviewed other delivery models and concluded that a PSMC outcomes-based model with a specifically designed performance framework will achieve the outcomes RDC is seeking.

2.4. Strategic Approach to Procurement – Strategic Context



The current Road Network Maintenance contract has most of the Road Maintenance and Renewal activities included within the main maintenance contract. It is proposed under this procurement strategy that the scope of the main Road Network Maintenance contract remain similar, covering the same range of roading activities.

RDC identified opportunities for improvement in the delivery of the road maintenance activities that would result in better outcomes for the road network assets and the communities they serve.

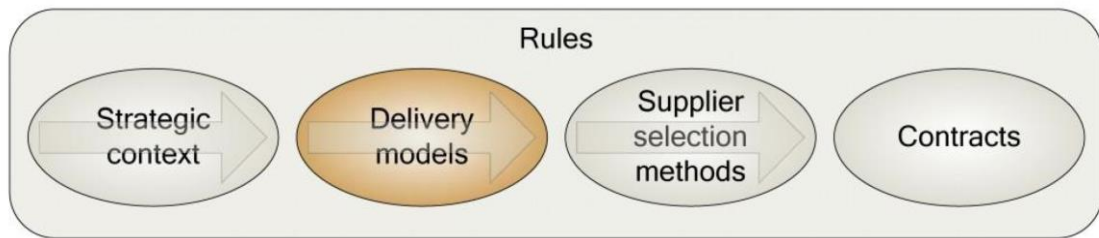
Key challenges include:

- RDC is a small rural Local Authority that has previously struggled to attract, employ, and retain talented and highly skilled staff to deliver road maintenance and road engineering services.
- RDC currently relies on a shared services arrangement with Manawatū District Council for the provision of road engineering services.
- RDC does not currently have the in-house skills to manage the road maintenance contract and there is a strong desire to develop in-house capability and capacity during the next iteration of the Maintenance and Renewals Contract.
- The current contract delivery model has become rigid and does not allow for flexibility, changing demand, climate change or to achieve better outcomes for the RDC road network.
- The current contractor delivery model has a stronger commercial objective rather than a view of core Council values and this creates misalignment with different values and approach.
- Poor road safety and misaligned road safety outcomes (see figure 1)
- The current engineering services and contract delivery model does not create opportunities for asset optimisation, and efficiency gains. The RDC road network will benefit greatly from improved asset and programme management.

- The current engineering services and contract model do not have access to part time or on demand specialist skills that comes at great cost to RDC.

The Council requested investigations into alternative delivery models for the provision of engineering services and the road maintenance contract to determine if other delivery models could deliver outcomes that are better suited to RDC long term objectives and strategic outcomes. These investigations covered all potential delivery models available and included a detailed Section 17A review of the options. A summary of the findings and the Section 17A are included in this document as Appendix 1 and 2.

2.5. Strategic Approach to Procurement – Delivery Model



After many months of collecting data and comparing different models, the option of joining the neighbouring Whanganui Alliance, or developing a stand-alone Alliance proved to be the best suited delivery model. However, this is considered an Advanced Delivery Model, which requires additional NZTA approval. NZTA advised that it would not support the use of an Alliance delivery model by RDC due to the complex nature of the model and lack of in-house capacity and capabilities.

RDC undertook an exercise to select the appropriate delivery model to provide the strategic outcomes RDC are seeking.

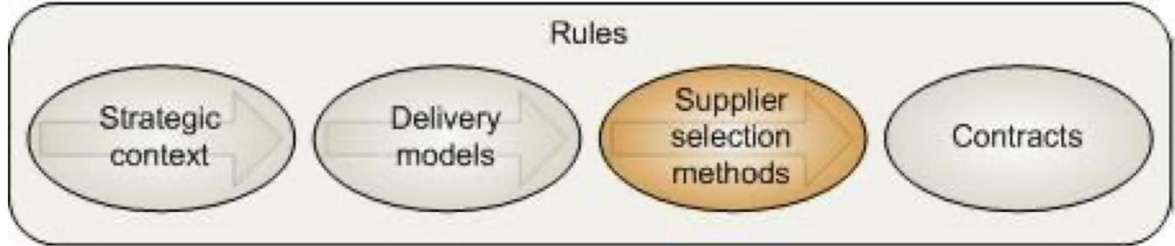
Factors	Rank	Comments
Complexity & Uncertainty	Medium	Emergency work, pressure on funding, climate change, NZGTTM & other change etc.
Scale	Medium	Medium size network & budget likely to attract Tier 1 contractors. Unlikely that Tier 2 or 3 contractors have the capability and capacity to undertake a term maintenance contract
Timing & Urgency	High	Urgent due to LTP funding cycle and tender requirements
Innovation Potential	High	High with the potential to develop capability, systems, process & IP for RDC. Innovative solutions to managing assets & physical works

Risk Management	Medium	Risk that RDC does not have capability, however, can be mitigated through contract requirements and a collaborative approach to sharing risk or allocating to the party best placed to manage
Supplier Market	Low	3 tier 1 suppliers within the wider region all likely to tender. All have Professional Services capability and current/previous PSMC experience

As a result of the analysis and RDC’s desire to achieve its strategic outcomes, a Design & Build – Performance Specified Maintenance Contract (PSMC) is likely to achieve similar outcomes and benefits to an Alliance contract. The benefits of this approach are:

- A PSMC allows RDC to engage a supplier to deliver maintenance outcomes, inclusive of Professional Services. An integrated model will allow RDC initial access to the required skills while it develops in-house capability. A key performance outcome will be to develop these skills for RDC.
- A PSMC will manage the integrity of the assets by using a flexible and cost-effective long-term maintenance strategy of identifying, programming, prioritising, and delivering services to agreed performance criteria. A focus on Road Safety will be a priority.
- A PSMC contract delivery model will deliver better optimised asset management due to the skills involved and the performance outcomes expected. A key performance outcome will be to develop the asset management systems and processes to become RDC intellectual property and knowledge over the course of the contract term.
- The PSMC outcomes can be strongly aligned with Council’s core values and long-term strategies as a requirement will be to set a culture that is aligned with the council’s.
- The PSMC commercial model for RDC will be designed to allocate risk to the party best placed to manage the risk. Collaborative principles will be at the heart of the model to encourage both parties to work together to focus on solutions rather than contractual disputes.
- The PSMC will be more flexible and able to adapt to change quickly as the contact will be outcome based rather than input based.
- The PSMC will encourage regional resilience and emergency response for RDC, which has a long history of extreme weather events and flooding.
- The PSMC will be developed with a governance structure that creates opportunity for senior executive staff from both RDC and the Supplier to contribute to the success of the contract and the long-term stewardship of the assets.

2.6. Strategic Approach to Procurement – Supplier Selection Method



RDC is committed to the Principals of Government procurement and the Government Procurement Charter. It also aligns with the Government Procurement Rules (4th edition) and general industry best practice. This includes:

- Plan and manage for great results.
- Be fair to all suppliers.
- Get the right supplier.
- Get the best deal for everyone.
- Play by the rules.

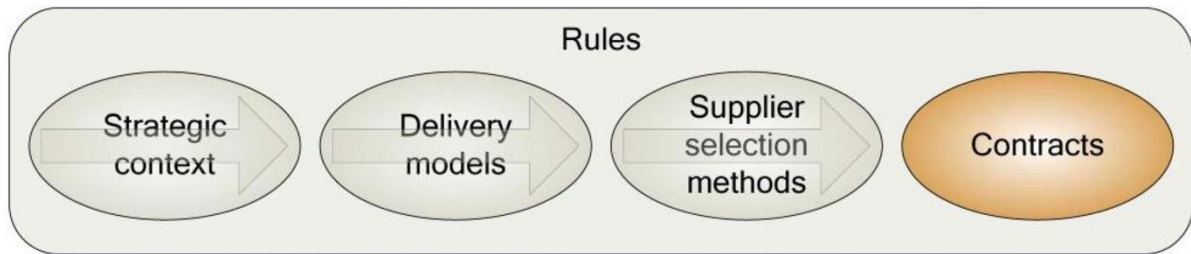
The three aspects of the Waka Kotahi procurement requirements, that are considered key to this Procurement Strategy, along with the mechanism for achieving them, are noted as follows:

- Best value for money – sharing of expertise and improved consistency and longevity of road maintenance.
- Competitive and efficient markets – achieve economies of scale and ensure contracts remain attractive in order to maintain competitive interest with the other large projects in the region that are competing for suppliers.
- Fair competition among suppliers – Encourage wider interest and local resource development through larger, integrated contracts where contractors are encouraged to tender and establish in the region. This includes the use and development of smaller local subcontractors to deliver activities if they meet the value for money outcomes.

The PSMC model that RDC have decided upon involves appointing a single supplier who will assume the responsibility for the overall delivery of the activity and achieving the outcomes specified in the contract documents and performance framework.

RDC recommends the use the Price Quality Method (PQM) to get the right supplier for the PSMC contract.

2.7. Strategic Approach to Procurement – Contract



RDC will use a Standard Form of Contract for the PSMC. PSMC documents will be specifically developed to deliver on the outcomes listed previously in this Procurement Strategy. A Performance Framework will be developed to encourage the supplier to focus on the following outcomes:

- Value for Money – incentives for delivering value for money services and outcomes.
- People & Capability – incentives developing internal roading and infrastructure capability and capacity for RDC.
- Systems & Processes – incentives for developing best in class asset management, systems, processes, and procedures and that these are retained intellectual property within RDC.
- Broader Social Outcomes – incentives for employing local, developing local and contributing to the local economy.
- Environmental Sustainability – incentives for initiatives that contribute to a low emissions economy and promote greener environmental responsibility.
- Health & Safety – incentives for promoting and delivering a Zero Harm approach to all aspects of the PSMC contract, including developing and improving smaller local subcontractors and suppliers.
- Road Safety – incentives for improving road safety outcomes and reducing DSI.

The proposed term of the PSMC is 5 years (3+1+1). NZTA’s Procurement Manual advises that the term for a PSMC is usually longer (up to 10 years), however RDC will reduce risk by applying a shorter term initially.

2.8. Key Recommendations within this Procurement Strategy

- That RDC develop a PSMC model to manage the integrity of the assets using a cost-effective long-term maintenance strategy, based on identifying, programming, prioritising, and delivering services to agreed performance criteria.
- Performance criteria includes the development of skills, systems, processes, and procedures that become the IP of RDC over the term of the contract.
- It is recommended that the supplier, have a dedicated works depot/depots in the Rangitikei district with all engineering and professional services staff dedicated to the RDC network.
- That the new contract will commence on 1 July 2025 in replacement of the existing general road maintenance contract.

- That the existing contract is extended for a further 12 months to allow RDC sufficient time to develop the PSMC documents, tender, mobilise and establish the new contract model. The contract extension is to be negotiated with the current supplier to ensure value for money to RDC and NZTA.
- That contract documentation is updated to incorporate the latest legislative requirements (e.g. Health and Safety in Employment), the requirements of the One Network Framework (ONF) and performance measures aimed at achieving targets relating to RDC outcomes and NZTA policies.
- That there is a focus on developing sustainable capability within RDC and the region by setting performance criteria that encourages local employment and the use of local suppliers and subcontractors. This would include assisting suitable local contractors to have the systems and processes to meet the outcomes required by the contract that they might not be able to meet on their own.
- Incorporate initiatives and performance criteria that contribute to a low emissions economy and promotes greener environmental responsibility.
- Incorporate a commercial framework that manages risk appropriately, allows for flexibility and encourages collaboration for collective impact.
- Incorporate initiatives to contribute to a low emissions economy and promote greener environmental responsibility.

2.9. RDC Land Transport Contracts and Procurement Programme

Contract Scope	Term	Procurement Model	Size & Scope of Work	Change in Procurement
Road Maintenance & Renewals	Expires 30 June 2024	Measure & Value awarded to Higgins Contractors 1 July 2015	Road Corridor Maintenance Contract - \$12m per annum. Includes Maintenance & Operations and Renewals activities of all RDC roads and assets within the road reserve.	Yes
Road Maintenance Professional Services	Expires 30 June 2024 (subject to agreement)	Shared Services Agreement with Manawatu District Council commenced 1 July 2008	Professional Services for Asset Management and Contract Management for the Road Corridor Maintenance Contract - \$XM per annum.	Yes
Pavement Marking	Expires 30 June 2030	Measure & Value awarded to	Pavement Re-Marking Contract - \$150K per annum.	No

		Roadrunner Markers LTD Contractors 1 July 2021	3+3+3 year term. 1 st Term expires 30 June 2024	
Street Lighting	Expires 30 June 2032	Measure & Value awarded to Horizon Networks on 1 April 2023	Streetlight maintenance and operations Contract - \$135K per annum. 3+3+3 year term. 1 st Term expires 30 June 2032	No
Structural Bridge Repairs	No fixed term	Suitably qualified consultants as required.	No fixed contract.	No

2.10. Endorsement of the procurement strategy

This procurement strategy has been updated from a joint procurement strategy between MDC & RDC submitted earlier in 2023. This procurement strategy will endorse a new direction for the delivery of roading engineering services and road maintenance activities for RDC, which will be developed at the same time as asset management plans are being updated and the Long-Term Plans are set.

The results of the investigations into alternative road maintenance contract delivery and roading professional services revealed that RDC does not currently have the expertise and staff compliment to be able to do this alone. The PSMC model will allow RDC to work with a supplier to develop people, systems, processes, and procedures to deliver improved outcomes. Continuing with the Shared Services to provide these services is not viable due to MDC pursuing a different contract model and will not resolve the challenges RDC have in rebuilding in-house capability to regain a position of “Smart Customer”.

3. Network Characteristics

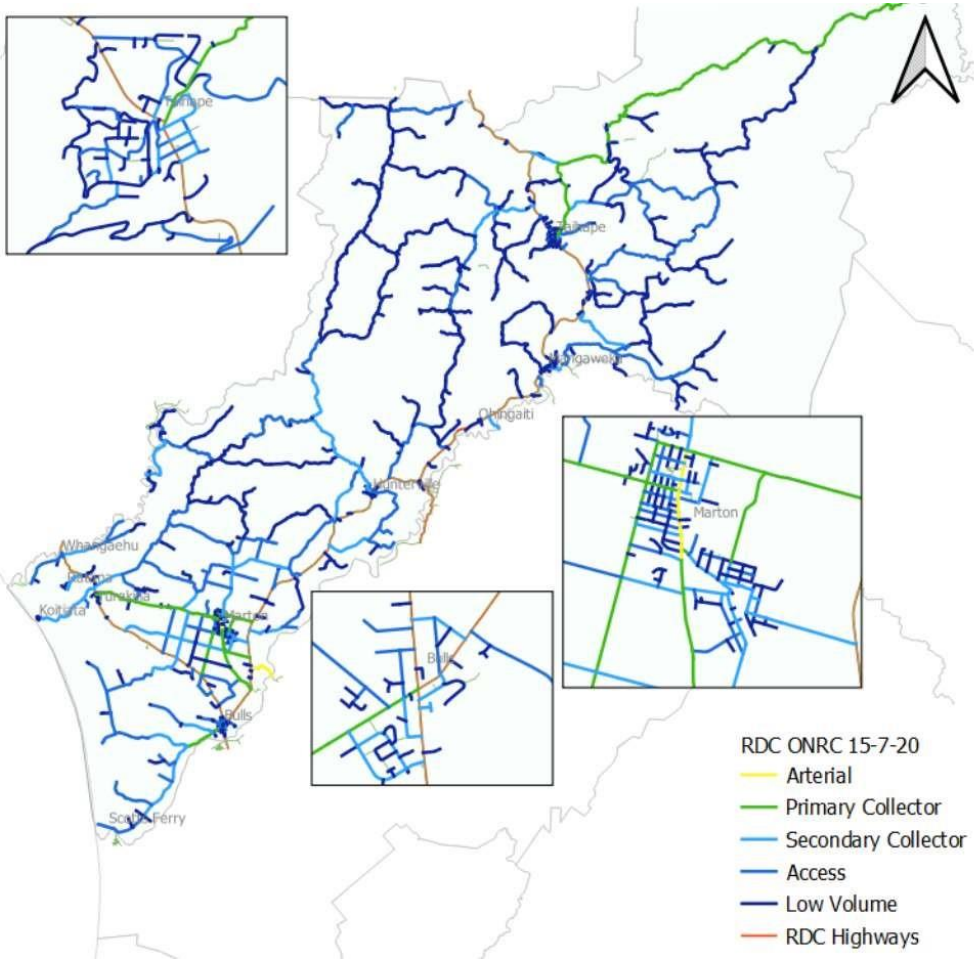


Figure 1: Rangitikei Roading Hierarchy

Network Summary – Length (km)

Type	Sealed	Unsealed	Network
Urban	84.71	2.67	87.38
Rural	716.34	422.17	1138.51
Total	801.05	424.84	1225.89

4. Policy Context

The goal of this Procurement Strategy is to maximise efficiency, optimise the use of resources, build knowledge and capability, and achieve increased regional capacity and value for money.

RDC recognise that successful contracts are based around strong relationships and can involve both buyer and supplier working together to deliver a single outcome. Strong relationships involve a sharing of skills, risk and jointly promoting innovation to improve value of the service delivery.

Key motivation and intentions for pursuing an integrated delivery model included:

- Ensuring that Rangitikei District Council is a “Smart customer” with a strong internal capability for managing its roading assets and activities.
- Delivery of value for money by reducing cost by staff and suppliers spending unnecessary time managing contractual requirements and enabling increased investment in transport assets
- Best for network decision making by having a single delivery team and a fixed profit margin. All investments are made with a ‘best for network’ approach.
- Agility and flexibility by making use of a collaborative supplier relationship that enables effective and efficient change to ever changing network demands.
- Transparency in a contract based on shared and open book decision making and financial mechanisms.
- Growing sector capability by using a collaborative contracting principals and financial mechanisms that enable the development of local contractors, benefiting all partners and the broader sector.
- Collaborative models can be strongly aligned with Council core values and long-term community outcomes and objectives.
- The use of a PSMC model will allow the RDC to have a strong influence on the local communities, contractors, and supply chains.
- Activities can be tailored to encourage the use of local subcontractors and suppliers to deliver specific services or materials.
- The PSMC manages the risk of engaging Tier 2 and 3 contractors for RDC.
Offer Broader Social Outcomes initiatives, programmes and training to the local market and labour force.

The main objective for this procurement strategy is to aid the improvement of the quality and consistency of road management and maintenance in the region and to re-build capability within the RDC. This will achieve increased road asset longevity, reduce traffic accidents caused by inconsistent road conditions, and promote increased economic growth in the region.

5. Procurement of Small to Medium Sized Work

A range of small to medium sized roading related works can be procured separately from the general Road Maintenance Contract. The procurement approach for each of these works will be assessed on its own merit, and in consideration of what approach will deliver the best value for money, and how they will continue to contribute to a healthy and sustainable market in the region.

In addition, where the main general road maintenance contractor is not performing well, and has not sufficiently progressed the forward works programme, the Council will have rights reserved under the contract to procure this work on the open market.

The general approach that will be followed for the range of procurement activities, as per the relevant procurement policy is as follows:

- Low value procurement – this is where there is little, or no risk and the value of the procurement is less than \$50,000. In most cases the goods or services will be provided by a selected supplier in a closed contest process as determined by the relevant delegated authority on a best value for money basis.
- Simple procurement – this is where there is some risk, and the value is estimated to be between \$50,000 to \$250,000. In this case the standard procedure is a minimum of three quotes from invited suppliers (closed contest), but managers may recommend another model (e.g. an open tender or direct award to a high performing supplier) where permitted under Council's Procurement Policy. Waka Kotahi has a requirement for any project exceeding \$200,000 to be openly advertised and procured via a competitive procurement process. Therefore, this value must be adhered to when Council is procuring Roothing related goods and services which attract a subsidy.
- Complex procurement – this is for high risk and/or procurement valued at over \$200,000 for Roothing related goods or services. This is a full process starting with a procurement plan approved by the Council, Chief Executive or General Manager with appropriate delegated authority. Such complex procurement processes will require an open supplier selection process, through a tender or proposal process that provides an opportunity to the supply market.
- Direct Negotiation for Subsequent Stage of Work – Council Policy may allow to negotiate a contract directly with a supplier provided that:
 - the supplier has won a Stage One contract via an openly advertised procurement or closed competitive process.
 - the quoted price for the subsequent stage(s) of the project is reflective of the initial competitively tendered rates.
 - the quality of the Stage One works was delivered at or above the required standard.
 - the health and safety and environmental management of the Stage One works was delivered at or above the required standard.

Note: Council should declare its intention or willingness to negotiate a subsequent stage of works in the Notice of Procurement of the initial stage of the contract.

Through this testing of the market, and giving opportunities to both a range of suppliers, and suppliers that have a proven track record, value for money and sustaining a wider market will be achieved.

The general philosophy of seeking best value for money will always be followed regardless of the supplier selection method used. All selection processes will be documented, and decisions made will be in accordance with Council's delegated financial authority.

6. Procurement of Professional Services

RDC currently makes use of a shared services arrangement with MDC for the provision of professional services associated with the roading activity in the following areas:

- The delivery of community programmes. This activity includes road safety and travel safe initiatives.
- Planning, management, and quality assurance of maintenance, operational and renewal activities.
- Planning, management, and quality assurance of capital works projects including minor improvements.
- Activity Management Plan development, improvement and updating.
- Transport Planning activities.
- Asset data management
- Transport Investment Online (TIO) Programme Management –Financial services

The development of the PSMC will be inclusive of Professional Services. The activities listed above, as well as other transport related Professional Services activities will be incorporated into the PSMC.

Other Planning and Advice activities not included in the PSMC will be procured following Procurement Procedure 2 – Planning and Advice as outlined in NZTA's Procurement Manual (Amendment 6). This could include:

- Travel behaviour change studies and strategies
- Sea freight studies and strategies
- Traffic count surveys
- Initial investigations of infrastructure development proposals
- Passenger transport studies and strategies

7. Other Relevant Factors

7.1. Regional Land Transport Plan

Horizons Regional Council have produced their guidance document “Regional Land Transport Plan 2021 – 2031.” Under changes to the Land Transport Management Act 2003, introduced in 2013, regional transport committees are required to develop a regional land transport plan, in consultation with their community and stakeholders, every six years. These plans are required to be reviewed every three years.

The Plan is a 10-year document. It sets out the strategic direction for land transport in the Horizons Region. It states the regional priorities for the duration of the Plan and outlines the proposed land transport activities that seek to contribute to these priorities and secure and guide investment in the region.

Key objectives include:

- Travel choice - Improved access to sustainable and affordable transport modes.
- Connectivity and efficiency - The regional transport network connects central New Zealand and is efficient, reliable, and resilient.
- Safety - The transport network is safe for all users.
- Environment - The impact of transport on the environment, and the transport system’s vulnerability to climate change, is minimised.
- Land Use Integration - Transport and land use are integrated to support well-connected communities that promote a strong regional economy and liveable region.

Horizons strategic priorities are;

- Connectivity and Access: Provide better transport connections and options to enable efficient and safe movement of people and freight, and improved access to health, social and economic opportunities.
- Safety: Improve the transport network to create a safe transport system for all users.
- Better Travel Options: Make active and public transport, and alternative freight modes, safe, attractive, and viable options for more trips throughout the region.
- Environment: Reduce environmental impacts and carbon emissions from the transport system.
- Resilience: Build resilience into the region’s transport network by strengthening priority transport lifelines.

Horizons are targeting the following:

- **Mode Share** – 15% of travel in the region to be by active or public transport modes by 2030.
- **Safety** – 40% reduction in deaths and serious injuries on the region’s roads by 2030.

- **Resilience** – 20% reduction in road closures on priority routes associated with natural hazards or unplanned events.
- **Carbon Emissions** – 30% reduction in regional carbon emissions from land transport by 2030.

To achieve these targets, Horizons have produced a list of their priorities for transport initiatives affecting the region. This shows the works directly affecting transportation. Items of particular relevance to this strategy with highest priority are:

- Palmerston North Integrated Transport Initiative (PNITI).
- Local road upgrade projects relating to the Otaki to North of Levin projects.
- State highway 1 and 57 intersection upgrades.
- Capital Connection passenger rail service (procurement of new rolling stock and increased service frequency).
- Manawatū River Bridge (at State Highway 3, Ashhurst) to Ashhurst Cycleway.
- Roberts Line / Kairanga Bunnythorpe Road – intersection safety improvements.
- State Highway 3 Napier to Te Matai Road Intersection improvements.
- State Highway 3 Rangitīkei Line and State Highway 54 intersection improvements.
- State Highway 54 and Kairanga Bunnythorpe Road – intersection safety improvements.
- State Highway 1 North, Bulls to Sanson improvements.

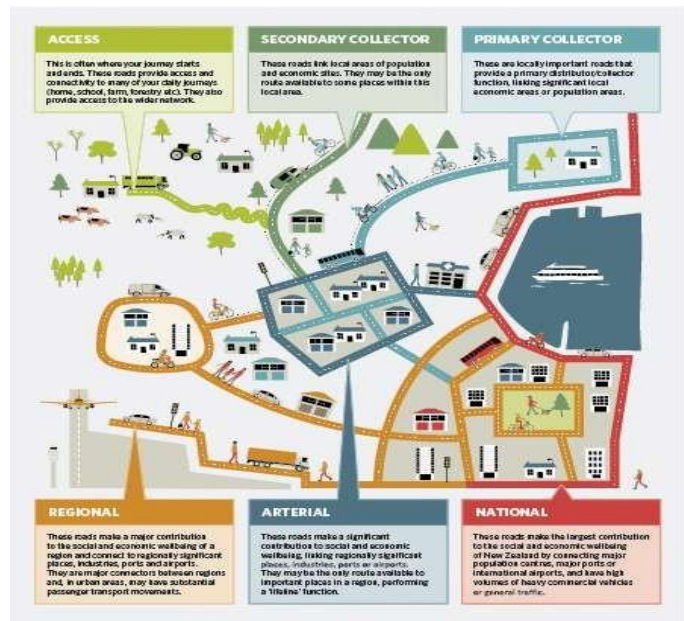
Other major work in the region is discussed in the Market Analysis Report completed prior to the completion of this procurement strategy and informing aspects of it.

This procurement strategy for road maintenance has been developed in consideration of the Regional Land Transport Plan, and the potential impacts this may have on the future of land transport across the region.

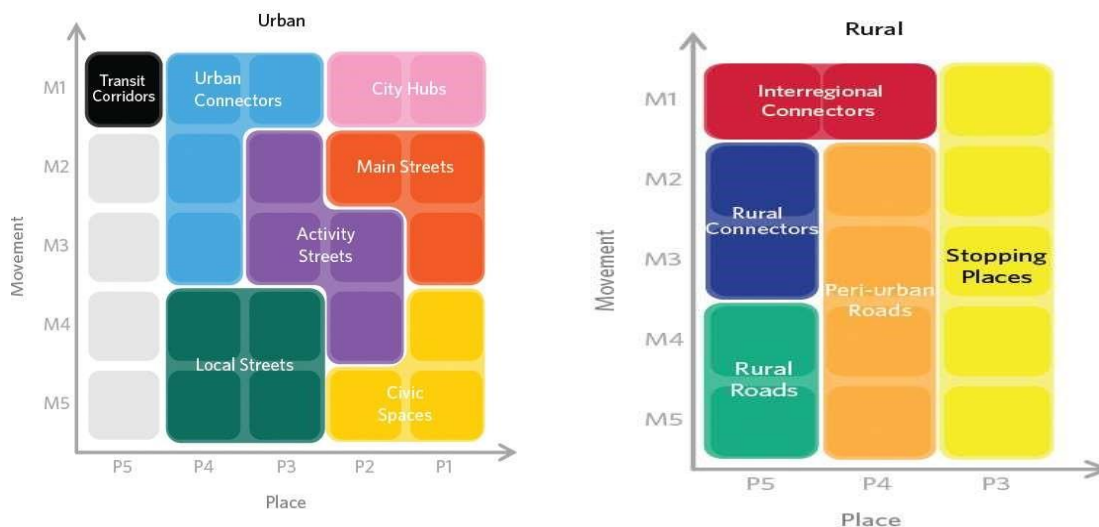
7.2. One Network Framework (ONF)

The One Network Framework is the new national classification system. It will be used to determine the function of roads and streets and inform decision making. This will be incorporated into the PSMC model.

The new One Network Framework acknowledges the transport network has a 'Place' function. This means roads and streets are destinations for people, as well as transport corridors. The new framework also introduces classifications for different modes of transport, recognising that our roads and streets have different functions for different modes.



The One Network Framework (ONF) builds on the One Network Roding Classification system, which divided New Zealand's roads into six categories based on how busy they are, whether they connect to important destinations, or are the only available route. The ONF provides more focus on movement and place to provide integrated planning approaches to transport and land-use.



Using the ONF, local authorities and Waka Kotahi can compare the state of roads across the country, and direct investment where it is needed most. The ONF classification aims to deliver the right level of road infrastructure where it is needed, determined by a robust, impartial, nationally consistent tool.

The ONF is currently being enhanced to better include people that are walking, riding a bike, taking public transport, or using other transport modes. The changes are intended to better reflect that transport corridors are not just for facilitating travel but are also places where people live, socialise, recreate, and do business.

7.3. Broader Social Outcomes

The Council recognise the need to ensure outcomes achieved through all procurement processes give appropriate consideration to all relevant social, economic, and environmental factors. The achievement of best value for money includes consideration of the wider public or community value that can be obtained through the delivery of all services.

It is recognised that the inclusion within contract requirements of broader outcomes requirement, including sustainable market criteria and other relevant social and environmental measures, could lead to better overall outcomes. Ideally the results from the inclusions will be closely aligned with the strategic objectives of council and the legislative imperative of the Land Transport Management Act.

7.4. Health & Safety

All existing and proposed council contracts contain detailed requirements associated with the Health and Safety measures required for the works, and the associated traffic management provisions. (These are discussed more fully in section 5.5).

However, given the changes in legislation (Health and Safety at Work Act 2015), replacement of the Code of Practice for Temporary Traffic Management (CoPTTM) with the New Zealand Guide to Temporary Traffic Management (NZGTTM), and more recently, the increased trend in the occurrence of crashes around the country on road maintenance worksites, these requirements are being reviewed to ensure all parties are fully satisfied that there is appropriate planning, and good levels of training, monitoring and compliance of Health and Safety and Traffic Management.

The PSMC model will allow RDC more flexibility and agility to change and prioritise as these changes occur.

7.5. Performance Measures & Monitoring

Developing a PSMC contract will require a comprehensive and robust Performance Framework that will deliver maintenance outcomes. There is an opportunity to develop performance criteria that is linked to the outcomes outlined in sections 2.5 to 2.8 of this document. There is also the opportunity for a more targeted assessment of performance, and the provision of greater performance incentives to continue to meet the required response times and comply with the contracted level of service.

The PSMC model with the inclusion of a Governance Group, creates the environment to achieve these improved performance management opportunities.

Specific performance criteria will be included in the PSMC documentation.

7.6. Communication Plan

Council's Procurement Strategy will be made publicly available on its website for suppliers to access as a key audience.

Staff will maintain regular contact with Waka Kotahi as well as other Road Controlling Authorities (RCA's) through the Regional Land Transport groups including the Regional Advisory Group (RAG) and Te Ringa Maimoa, the Transport Excellence Partnership.

8. Procurement Environment

8.1. Analysis of Supplier Market

Three years ago, the current supplier market for local road construction and maintenance marketplace was dominated by just one national, tier one, contracting firm, Higgins Contractors Ltd. It was noted that in some cases the available level of resource for some nearby councils was constrained, resulting in high levels of programmed works being incomplete.

Fulton Hogan Limited, secured a substantial contract at Ohakea and are a part of the Alliance currently engaged to deliver the Manawatū Gorge Replacement (Te Ahu a Turanga) project, together with HEB Construction. In 2021, Fulton Hogan were awarded the Road Maintenance contract for Palmerston North City Council.

Downer have held the Alliance contracts for road maintenance for Whanganui District Council and Tararua District Council for a number of years. This means that there are three to four national tier one suppliers (including HEB who are also part of the Te Ahu a Turanga alliance) now based in the region.

There is currently a very high demand for construction staff across the region. Whilst demand for staff for building and housing developments is predicted to decline slightly, the demand for roading resources in the region is anticipated to reach peak demand in early 2024, when Te Ahu a Turanga is nearing completion, with the Otaki to North of Levin project scheduled to start shortly afterwards.

Due to the results of the Section 17A review identifying an integrated delivery model as the best suited solution for RDC, other Alliance contracts in the region was considered as potential partners for this procurement strategy. As noted above, other established integrated delivery contracts in the region are the Tararua Alliance, the Whanganui Alliance and the Fulton Hogan/HEB Alliance.

Demand for infrastructure for housing developments is very high at present but is anticipated to decline over the next few years whilst investment in water projects is likely to decline in 2024 for a few years until 3 water decisions are made.

There are several local contracting firms, currently working on housing developments, with the capability to undertake physical components of the road maintenance work required, but they are likely to lack the developed management systems and available resources to undertake the full-service contracts in accordance with expected roading industry standards. These local firms can subcontract to the lead contractor if required. These local firms can be provided for in this plan by requiring the primary contractor to demonstrate how they will work sustainably with the market to support and develop their capability.

To achieve the best value in the long term for all Councils' procurement, the contract needs to be flexible, collaborative and encourage development of the local contracting market. This will benefit local businesses and the local economy. These goals have been incorporated into consideration of procurement options, and the approach to be taken to contracting roading services in general.

Resolve Group completed a study of the wider supply market, to ensure there is a good understanding of the supply market in setting this procurement strategy.

Key recommendations for future procurement from the Market Analysis include:

- To maintain interest from national suppliers, provide opportunities for councils' contracts to be offered and accepted together if this provides economies of scale and where this is not possible, consider increasing the size of each contract to include more capital works.
- Start the procurement process as early as possible to book capacity and enable the successful tenderer(s) to manage their other workloads and balance their resources.
- Use the Broader Outcomes part of Weighted Attributes to encourage local employment and training where possible.
- Provide assistance and training to sub-contractors (if required) to combat the perception of increased paperwork and other administration.
- Look for opportunities for co-location or staff secondments to help with training and share workload.
- Consider opportunities to share the management of contract risks by including provisions for:
 - price escalation (worldwide fuel prices may drop but wages and the cost of imported goods may increase),
 - extreme weather events or other civil defence emergencies; and
 - changes in government policy and legislation that have cost or programme implications.

8.2. Risks

The following key risks have been identified and have been considered in the development of this procurement strategy:

- **Health and Safety** – Nearly all decisions relating to roading are aimed at improving the health and safety of all road users. Therefore, health and safety are one of the main risks taken into account in this strategy. Risks to health and safety increase if the roads are poorly maintained or hazards are not assessed and remedied where necessary. Repairs to structures and the design of new works all need to ensure the safety of workers during construction, the safety of users, the ability for the works to be inspected and maintained in the future and the ability for the works to be demolished or removed safely if it is no longer required.
- **Internal Resourcing** – There is a risk that council may be unable to retain sufficient skilled resource for the management and delivery of its roading services. The collaborative approach proposed in this strategy mitigates this risk by making use of a PSMC to develop capability & capacity within RDC.
- **Competitiveness** – There is a risk that a single supplier dominates the market, however there are now three to four national road maintenance suppliers available within the region which should encourage a better utilisation of resource and improve the attractiveness to the supplier market in RDC. Performance measures introduced will also require suppliers to continue to demonstrate effective performance in order to secure on-going works.
- **External Resourcing** – There is a risk that other competing work opportunities in the region will make it difficult to retain the skilled workforce required to deliver on the roading works programmes of all councils. The market analysis found that the construction workforce in the region needed to increase by 30-50% over the 2018 figures in order to undertake the region's construction programme. The peak is anticipated in 2022/23 with the high building and housing construction underway in the region. However, the July 2025 start to the new contract is scheduled to be towards the end of the Ta Ahu a Turanga road construction and before work starts on the Otaki to North of Levin project so there are likely to be construction staff available at that time.
- **Loss of in-house stormwater design expertise and separation of water management from Council core activities** – the potential creation of the new Water Entities could mean the loss of valuable expertise in terms of stormwater management, particularly in the design of new roads, up-graded bridges, or culverts, or in civil defence emergencies. This is partly mitigated through the formation of a PSMC contract that is likely to attract and retain skills and capacity to the in-house Professional Services.
- **Price escalation and imported material shortages** – New Zealand is currently experiencing high inflation due to world events. This has already affected fuel prices. The closure of Marsden Point has also meant that all bitumen must be imported. Allowing for price escalation in term contracts will help to manage this risk but may make it difficult to budget effectively. Having a LS type PSMC (capped to RDC approved budget) with flexible commercial terms and conditions will help mitigate this issue.

- **Climate change** – Extreme weather events over the past few years have increased the risks of flooding, slips and washouts in many parts of the district. Many drainage systems, particularly culverts, are undersized as they were designed for lower intensity storms, thirty or more years ago. Sea level rise has the potential to increase damage to low lying parts of the district. The procurement will need to include a larger allowance for clean-up and remedial works following extreme events. Bridge and culvert inspections will need to include assessments of capacity to cope with higher intensity storm events.

9. Procurement Programme

An indicative procurement programme for the RDC PSMC - Road Maintenance is suggested as follows:

ACTIVITY	PROCUREMENT PROGRAMME
Secure Council approval of updated Procurement Strategy	February 2024
Submit updated Procurement Strategy to NZTA for endorsement	March 2024
Negotiate extension to existing contract with Higgins	February to March 2024
Develop RFP & Contract Documentation	March 2024 to May 2024
Early engagement with Supplier market	May 2024
Let RFP to the market	June 2024 to August 2024
RFP Evaluation	August 2024
Award Contract	September 2024
Contract Mobilisation and Establishment	January 2025
Contract Commencement	1 July 2025

The key aspect of this programme is the confirmation of the successful supplier at least three months in advance of the expiry of the existing general road maintenance contract. This is to ensure continuity of service by providing the Contractor for this new contract with the opportunity to properly plan and mobilise their resources. To this end the above tender programme has been developed.

10. Approvals

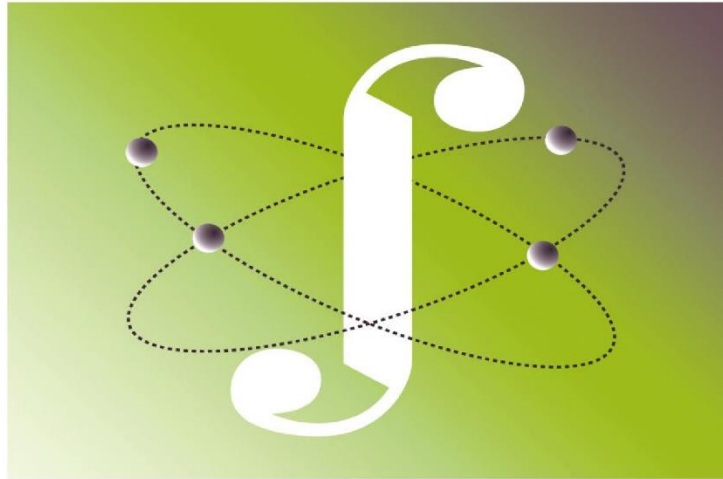
The purpose of this Procurement Strategy is to seek endorsement and approval of the key details of the proposed approach to procurement.

This Procurement Strategy has been reviewed and approved as per below:

Arno Benadie Group Manager Assets and Infrastructure Rangitīkei District Council	
Signature: 	Date: 8 March 2024
Kevin Ross Interim Chief Executive Officer Rangitīkei District Council	
Signature: 	Date: 8 March 2024

Appendix A – Section 17 A Review

The *Integral* Group Ltd



Rangitīkei District Council

Roading Maintenance Services

Section 17(A) Review

Report V2

Prepared by:
Frank Aldridge - Director

29 March 2023

Commercial in Confidence

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1. Introduction

Background

Rangitikei District Council (RDC) is reviewing the provision of its roading maintenance work as per Section 17 (A) of the Local Government Act. They have engaged The *Integral* Group Limited (TIGL) to assist with this process.

These services are currently provided through a shared service model with Manawatu District Council (MDC), with MDC being the contract manager and holding all of the resources in regard to Engineering Services. There are 4 Engineering Services staff at MDC who are dedicated to RDC and are located at RDC.

There are two key areas to review for RDC in this area:

- engineering services (ES) – Asset Management
- road maintenance services – Service Delivery

Options reviewed were:

- In-House - RDC Only (ES only)
- In-House - Shared with other Council (ES only)
- Contractor Traditional - RDC Only
- Contractor - Shared with other Council
- Contractor Alliance - RDC on own
- Contractor Alliance - Shared with other Council
- CCO

The agenda for the evaluation workshop was:

- introduction
- background information
- agree weightings for the criteria
- score each option against the criteria

This note captures the outcomes from the workshop.

Audience

The audience for this report is:

Arno Benadie

1. Introduction, Continued

Evaluation

We have run numerous Section 17(A) workshops and over time refined a common set of evaluation criteria. In the first part of the workshop we agreed relative weightings for these criteria for each of the services listed above to assist making decisions in regard to direction for the area being reviewed.

Briefing material prior to the workshop included:

- a briefing note that set out the format and included pros and cons for each criteria and type of contract model to assist with the evaluation. This is outlined in sections 6.1 – 6.3 of this report.
- the Initial Report for the Alliance Model review (Alliance Report) as this sets out a lot of useful information in regard to Alliance and traditional contracts. Attached with this report
- RDC - Roading Maintenance Services - Appendices B & C. This also covered aspects of the different delivery models. Attached with this report

We reviewed each option against the criteria to arrive at a weighted attribute score to determine the best business model for each area being reviewed.

2.1 Outcome Summary for Engineering Services

Outcome Summary for Engineering services

The areas were reviewed against the criteria and weightings with the following outcomes in the summary table below.

We assessed each area in regard to:

- In-House - RDC Only
- In-House - Shared with other Council
- Contractor Traditional - RDC Only
- Contractor - Shared with other Council
- Contractor Alliance - RDC on own
- Contractor Alliance - Shared with other Council
- CCO

Engineering Services were assessed in terms of proactive, long term asset management services:

- condition assessment
- asset prioritisation
- asset management plans (AMP)
- activity plans

Council Controlled Organisation (CCO) was not reviewed as a viable option as it was not sustainable or financially viable (a mandatory requirement) as RDC is too small for an Engineering Services CCO.

The total weighted attribute score had contracted out Alliance as a shared service with another Council being the highest scoring, on the basis that:

- this is partnered with an established Alliance. If an Alliance was started from scratch some efficiencies and benefits would be lost and there is a lot of energy and time required to establish the Alliance and to align values
- the delivery of Engineering Services and Roading Maintenance Services should go together to get the full benefits and synergy. The right people doing the right things in the right place at the right time.

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2.1 Outcome Summary for Engineering Services, Continued

Outcome for Engineering Services

The recommendation for Engineering Services is:

- to pursue the Alliance contract model – shared with another Council
- this is on the basis that:
 - this is partnered with an established Alliance (not a start-up)
 - the shared service Alliance meets Waka Kotahi – New Zealand Transport Agency (NZTA) requirements, as the funder
 - any shared service Alliance is on terms that are acceptable by RDC. RDC does not want to be the minor partner in a relationship
 - if a shared service model can't be agreed then RDC investigates an Alliance on its own
- that you note that the most value will come from Engineering Services (Asset Management) and Roading Maintenance (Service Delivery) going together

Scoring		The weighted attribute scoring for Engineering Services is set out below											
Engineering Services		In-House RDC Only		In-House Shared with other Council		Contractor Traditional RDC Only		Contractor Shared with other Council		Contractor Alliance RDC on own		Contractor Alliance Shared with other Council	
Needs (example)		Meets Needs (Y/N)		Meets Needs (Y/N)		Meets Needs (Y/N)		Meets Needs (Y/N)		Meets Needs (Y/N)		Meets Needs (Y/N)	
Sustainable and Viable													
Engineering Services		In-House RDC Only		In-House Shared with other Council		Contractor Traditional RDC Only		Contractor Shared with other Council		Contractor Alliance RDC on own		Contractor Alliance Shared with other Council	
Wants	Rankings	Scores 4	Weighted 40	Scores 4	Weighted 40	Scores 7	Weighted 70	Scores 6	Weighted 60	Scores 8	Weighted 80	Scores 9	Weighted 90
Reliable Delivery	10												
Skills	9	4	36	4	36	7	63	6	54	8	72	9	81
Agility & Flexibility	7	4	28	4	28	4	28	4	28	7	49	9	63
Best value for investment	8	4	32	4	32	6	48	6	48	7	56	9	72
Governance, Management and Administration	6	5	30	4	24	4	24	3	18	8	48	9	54
Aligned	4	8	32	4	16	5	20	4	16	7	28	7	28
Totals	Totals	198		176		253		224		333		388	

2.2 Outcome Summary for Roading Maintenance Services

Outcome summary for Roading Maintenance Services

The areas were reviewed against the criteria and weightings with the following outcomes in the summary table below.

We assessed each area in regard to:

- Contractor Traditional - RDC Only
- Contractor - Shared with other Council
- Contractor Alliance - RDC on own
- Contractor Alliance - Shared with other Council
- CCO

Council Controlled Organisation (CCO) was not reviewed as a viable option as it was not financially sustainable or viable (mandatory requirement).

The initial total weighted attribute score had contracted out Alliance as a shared service with another Council being the highest scoring, on the basis that:

- this is partnered with an established Alliance. If an Alliance was started from scratch some efficiencies and benefits would be lost and there is a lot of energy and time required to establish the Alliance and to align values
- the delivery of Engineering Services and Roading Maintenance Services should go together to get the full benefits and synergy. The right people doing the right things in the right place at the right time.

Continued on next page

2.2 Outcome Summary for Roading Maintenance Services, Continued

Outcome for Roading Maintenance Services

The recommendation for Roading Maintenance Services is:

- to pursue the Alliance contract model – shared with another Council
- on the basis that:
 - this is partnered with an established Alliance (not a start-up)
 - the shared service Alliance meets Waka Kotahi – New Zealand Transport Agency (NZTA) requirements, as the funder
 - any shared service Alliance is on terms that are acceptable by RDC.
 - if a shared service model can't be agreed then RDC investigates an Alliance on its own
 - that you note that the most value will come from Engineering Services (Asset Management) and Roading Maintenance (Service Delivery) going together

Scoring		The weighted attribute scoring for Roading Maintenance Services is set out below:								
Roading Maintenance		Meets Needs (Y/N)		Meets Needs (Y/N)		Meets Needs (Y/N)		Meets Needs (Y/N)		
Sustainable and Viable										
Roading Maintenance		Contractor Traditional RDC Only		Contractor Shared with other Council		Contractor Alliance RDC on own		Contractor Alliance Shared with other Council		
Wants		Rankings	Scores	Weighted	Scores	Weighted	Scores	Weighted	Scores	Weighted
Reliable Delivery		10	7	70	6	60	8	80	9	90
Skills		9	6	54	7	63	8	72	9	81
Agility & Flexibility		8	6	48	7	56	8	64	9	72
Best value for investment		7	7	49	6	42	8	56	9	63
Governance, Management and Administration		6	7	42	6	36	8	48	9	54
Aligned		3	5	15	4	12	8	24	8	24
Totals		Totals		278		269		344		384

3.1 Engineering Services Background

Introduction The following information provides a background to these services. We explored this further at the workshop.

Services in scope	The delivery of engineering services needed for the management and maintenance of the roading network.
Services out of scope	Peripheral roading activities such as streetlighting and street cleaning contracts.
How currently supplied	Inhouse by MDC under a shared services agreement with RDC. 4 staff are located at RDC and employed by MDC and on-charged to RDC
Annual cost	Between \$500k and \$600k
Type of contract	Bespoke written contract between the two Councils Shared service agreement. Aspects are covered in the Alliance Report
Term of last contract	The current contract does not have a defined term and has no official end date. The contract includes a 3 month termination clause.
When last tendered	It was never tendered, just negotiated between the two Councils. The contract started in 2008.
Any issues with current arrangements	Due to the on-charging cost of the contract at 1.6 of an FTE for staff dedicated to RDC it is less cost effective than other options. The shared services came into being to resolve staff shortages at RDC. At the time RDC struggled to attract and employ engineering staff. Outdated asset management practices.
What do other councils do	There is a mix of councils providing these services inhouse themselves or contracting to Engineering Services Consultants. Some also do this as a shared service model with neighbouring councils: <ul style="list-style-type: none"> ▪ South Wairarapa District Council and Carterton District Council (Ruamahunga Roads) Some provide the services through an Alliance contract with the supplier as part of a wider roading maintenance Alliance contract: <ul style="list-style-type: none"> ▪ Whanganui District Council (WDC) ▪ Tararua District Council (TDC) ▪ Waikato District Council ▪ Tasman District Council

3.1 Engineering Services Background, Continued

What do neighbouring councils do	<ul style="list-style-type: none"> ▪ WDC as noted above ▪ Ruapehu – about one FTE and outsource all other roading engineering activities to consultants (GHD) ▪ Others discussed were: <ul style="list-style-type: none"> ▪ South Taranaki District Council ▪ TDC as noted above
Who does this well	<ul style="list-style-type: none"> ▪ WDC ▪ TDC
Any other comments	<p>Engineering services are a critical part of the asset planning and optimisation part of providing the overall roading maintenance services.</p>

3.2 Roading Maintenance Services Background

Introduction The following information provides a background to these services. We explored this further at the workshop.

Services in scope	Roading maintenance
Services out of scope	Any engineering services regarding roading that is not included in the roading maintenance contract. Peripheral roading activities such as streetlighting and street cleaning contracts.
How currently supplied	<ul style="list-style-type: none"> ▪ shared service model with MDC ▪ MDC contract with Higgins ▪ traditional contract
Annual cost	Between \$12 million and \$15 million per annum plus \$5m to \$7m capital projects
Type of contract	<ul style="list-style-type: none"> ▪ shared service contract with MDC ▪ RDC has no direct control over the contract with Higgins
Term of last contract	The current contract had a total contract term of 9 years in a 3 + 3 + 3 year configuration.
When last tendered	2013
Any issues with current arrangements	<ul style="list-style-type: none"> ▪ lack of transparency ▪ poor asset optimisation – condition assessment, planning, optimisation ▪ poor roading outcomes for the community
What do other councils do	There is a mix: <ul style="list-style-type: none"> ▪ traditional contracts with contractors ▪ shared service models ▪ Alliance contracts ▪ Council Controlled Organisations (CCOs) – these can be owned by one council or multiple
What do neighbouring councils do	<ul style="list-style-type: none"> ▪ WDC Alliance with Downer ▪ TDC Alliance with Downer ▪ Ruapehu - outsource to Inframax (CCO owned by Otorohanga and Waitomo District Councils) ▪ Others discussed were: <ul style="list-style-type: none"> ▪ South Taranaki District Council

Who does this well	<ul style="list-style-type: none">▪ WDC▪ TDC▪ Waikato District Council
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3.2 Roading Maintenance Services Background, Continued

Any other comments	The current traditional contract model is no longer delivering the outcomes expected from elected members and the community. This is an opportune time to consider alternative options that might be better suited for RDC requirements.
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4.0 Needs and Wants Criteria

Introduction The evaluation criteria are set out below. The first part of the workshop agreed the weightings. The business options were then measured against the criteria and weightings allocated at the workshop

For the purpose of this review the following definitions apply:

Need	A need is a requirement that that the business model option must meet. If it doesn't then that option is discarded.
Want	A want is a "nice to have". Some wants are still significant and as such will have a higher weighting. The wants were ranked to allocate weightings for the evaluation.

Group	Comments	Ranking – Engineering Services	Ranking – Roading Maintenance Services
Sustainable and Viable	<ul style="list-style-type: none"> ▪ Stable ▪ Profitable ▪ Enduring 	Need	Need
Skills	<ul style="list-style-type: none"> ▪ Best people ▪ Experience Access ▪ to Best Practice ▪ Availability 	9	9
Reliable	<ul style="list-style-type: none"> ▪ Reliable ▪ Consistent ▪ Risk management 	10	10
Aligned	<ul style="list-style-type: none"> ▪ Control the alignment with council vision ▪ Collaborative 	4	3
Best Value for Investment	<ul style="list-style-type: none"> ▪ Costs ▪ Innovation ▪ Value add 	8	7
Agility and Flexibility	<ul style="list-style-type: none"> ▪ Change ▪ Legislative and Political ▪ Weather ▪ Innovation 	7	8
Governance, Management and Administration	<ul style="list-style-type: none"> ▪ Clarity ▪ Reporting ▪ Efficient 	6	6

5.0 Business Model Evaluation

Introduction There are various options that the council could apply. There are also variants for the different options. As noted above, these include:

- inhouse - RDC only (ES only)
- inhouse - shared with other council (ES only)
- contractor traditional - RDC only
- contractor - shared with other council
- contractor alliance - RDC on own
- contractor alliance - shared with other council
- CCO

The following sections will provide comments in regard to the different business models for:

- inhouse
- contractor
- CCO

Pros and cons of each model were outlined in the briefing material provided prior to the workshop.

From a sustainability and viability point of view (mandatory requirement), the CCO model was discarded for both the roading maintenance and engineering services as it would not be sustainable or financially viable. As such it was not evaluated any further.

5.1 Business Model Evaluation for Engineering Services

Evaluation Comments The following comments were agreed by the team in relation to the scoring of the in-house and contractor business models

Criteria	Comments
Skills	<ul style="list-style-type: none"> ▪ Inhouse is difficult to attract the highly specialised skills. An ES team at RDC would be small and would also make it harder to have a career path for the specialist asset management engineers. ▪ Some key roles wouldn't be full time. Harder to manage in inhouse model. ▪ Contractors have a greater ability to attract these skills and an Alliance has a level greater level again as there are opportunities for people in the Alliance and also other Alliances around the country. RDC would have access to these skills through the contractor's wider team, particularly in a shared service Alliance where there these have already been set up and there is more scale
Reliable - quality & meeting service levels	<ul style="list-style-type: none"> ▪ Inhouse models - difficult to attract top quality asset engineers and asset managers so consequently delivery is lower. In a shared service model the other council has different priorities so RDC might not get the desired outcomes. ▪ Traditional contractor models – typically not dedicated resources (across multiple clients). Rigidity of contracts make it harder to make changes to get better outcomes ▪ In the traditional model where RDC has a shared service there is competing resource which becomes stretched and the delivery is not as good. The service levels can be governed by the other council, particularly if they are larger and have more sway with the contractor ▪ Alliance – these models deliver better optimised asset management due to the skills involved and the incentivised models. A shared service Alliance would be better than an RDC Alliance as it already has the base team that is used to operating in the optimised manner (not starting from scratch)

Business Model Evaluation for Engineering Services, Continued

Criteria	Comments
Aligned	<ul style="list-style-type: none"> ▪ Inhouse is totally aligned as it would be council staff. When the inhouse model is shared with another council there can be differences in core values and misalignment with the different values and approaches ▪ Contractor models have a stronger commercial objective than councils and are often not strongly aligned ▪ Alliance models can be strongly aligned as they set their own culture and this should be aligned with the councils values and principles ▪ Having a shared service Alliance model could potentially be less aligned than if it was RDC on its own.
Best Value for Investment	<ul style="list-style-type: none"> ▪ The value from Engineering Services comes from optimising the assets. This comes from having the specialist skills required and delivering well ▪ Traditional contracts do not typically have the same performance drivers and incentives to drive better value ▪ Inhouse models may have lower salary costs, but don't reflect the gains from asset optimisation. Therefore might deliver a lot less value than they saved ▪ Inhouse shared services can have additional administration costs, as has been the case for RDC, where there is an additional overhead cost passed onto RDC ▪ If there is a strong inhouse team there is value added by not having to rely on external contractors ▪ The Alliance model adds value through asset optimisation and incentivised performance models to drive better behaviours and results ▪ The Alliance model needs less management and contract management staff as person-marking is reduced or eliminated ▪ A shared service Alliance model can utilise existing knowledge and capability and there are economies of scale

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Business Model Evaluation for Engineering Services, Continued

Criteria	Comments
Agility and Flexibility	<ul style="list-style-type: none"> ▪ Inhouse models do not have the same access to part time or on demand specialist skills ▪ Employing or reducing staff is slower and less flexible than contractor models ▪ Contractor traditional model is more rigid as a lot of the scope and terms are fixed. As such, they are slower to react to changing environments ▪ The Alliance models are more flexible by nature as the profit margins are fixed regardless of the type of work carried out ▪ A shared service Alliance has access to a greater and wider range of people and can bring in or move resources more easily ▪ The Alliance can easily change direction when necessary and it's easier to scale, particularly in a shared service model where there is a larger and wider base team
Governance, Management and Administration	<ul style="list-style-type: none"> ▪ Inhouse is easier than shared to manage and administer the team ▪ Alliance is easier in this area than traditional contracting models as they are completely transparent ▪ In an Alliance model the council only has to manage the Alliance Manager (through the Principals Group) ▪ Performance management in an Alliance is faster than inhouse or traditional models ▪ The management of a traditional contract model depends largely on the contract managers from each party. ▪ Traditional contractor models are more difficult when they are in a shared model as there is less visibility

5.2 Business Model Evaluation for Roading Maintenance Services

Evaluation The following comments were agreed by the team in relation to the scoring **Comments** of the contractor business models

Criteria	Comments
Skills	<ul style="list-style-type: none"> ▪ Inhouse and traditional models struggle to attract skills ▪ Larger contractor models and Alliance models score higher as they are easier to attract the necessary skills, they have dedicated resources to attract, retain and train staff ▪ Alliances score higher due to the enhanced career opportunities ▪ Shared Alliance model scores higher as it is easier to attract skills for a greater geographic area
Reliable - quality & meeting service levels	<ul style="list-style-type: none"> ▪ Traditional contract models depend a lot on the quality of the contract managers. ▪ In the traditional shared service model RDC is not prioritised and they are always reactive ▪ Alliance models are more proactive and efficient, they are also incentivised to get it right ▪ A shared service Alliance is already starting with proven performance
Aligned	<ul style="list-style-type: none"> ▪ Traditional models have more commercial and profit agendas ▪ In traditional shared models, the larger council takes has control ▪ Alliance models have a shared culture and goals that are designed to achieve the Council's goals ▪ Shared existing Alliance models bring with them experience and maturity so score slightly higher in this area
Best Value for Investment	<ul style="list-style-type: none"> ▪ Alliance models means less admin, they are more proactive and less reactive than traditional models ▪ Shared Alliance models have more value for money as there are greater opportunities for increasing economies of scale. This could extend to new equipment that can't be justified under an RDC Alliance, or that of the partner, but can in a shared service model

5.2 Business Model Evaluation for Roading Maintenance Services, Continued

Criteria	Comments
Agility and Flexibility	<ul style="list-style-type: none"> ▪ Contractor traditional model is more rigid as a lot of the scope and terms are fixed. As such, they are slower to react to changing environments ▪ The Alliance models are more flexible by nature as the profit margins are fixed regardless of the type of work carried out ▪ The Alliance can easily change direction when necessary and it's easier to scale, particularly in a shared service model where there is a larger and wider base team ▪ A shared service Alliance has access to a greater and wider range of people and can bring in or move resources more easily ▪ Greater opportunities for regional resilience and emergency response
Governance, Management and Administration	<ul style="list-style-type: none"> ▪ Alliance is easier in this area than traditional contracting models as they are completely transparent ▪ In an Alliance model the council only has to manage the Alliance Manager (through the Principals Group) ▪ Performance management in an Alliance is faster than inhouse or traditional models ▪ The management of a traditional contract model depends largely on the contract managers from each party. ▪ Traditional contractor models are more difficult when they are in a shared model as there is less visibility ▪ Managing contractors is more difficult in shared services as there is more distance and not as easy to be in daily contact

6.1 In-House Option - Briefing Material

In-House

Area	Pros	Cons
Sustainable <ul style="list-style-type: none"> ▪ Enduring ▪ Stable ▪ Profitable 	<ul style="list-style-type: none"> ▪ Council shouldn't go into liquidation 	<ul style="list-style-type: none"> ▪ More potential for political interference ▪ Council might have greater costs which may have to be passed on to rate-payers ▪ Retaining staff issues ▪ Doesn't necessarily deliver levels of service
Skills <ul style="list-style-type: none"> ▪ Best people ▪ Experience ▪ Access to Best practice 	<ul style="list-style-type: none"> ▪ Retain institutional knowledge 	<ul style="list-style-type: none"> ▪ Would have to recruit staff ▪ Key staff leave, the council is responsible for the gap ▪ Harder to attract specialist skills to country towns ▪ May not have specialist skills ▪ Key people risks ▪ Harder to get rid of non-performing staff ▪ Don't have the same access to specialist skills (as a contractor does)
Reliable and consistent	<ul style="list-style-type: none"> ▪ Council has control of staff 	<ul style="list-style-type: none"> ▪ Retaining staff issues Not the same commercial drivers on performance

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6.1 In-House Option - Briefing Material, Continued

In-House, cont.

Area	Pros	Cons
Control the alignment with council vision	<ul style="list-style-type: none"> ▪ Council controls ▪ Branding ▪ Direct interface with customers ▪ Councillors have direct influence on outcomes ▪ Control over risks 	<ul style="list-style-type: none"> ▪ Doesn't necessarily deliver levels of service ▪ Brand damage affects council reputation ▪ May not be commercially customer focussed ▪ Councils seen as not customer focussed in general ▪ Councillors have direct influence on outcomes, political interference ▪ Responsible for all risks
Best Value for Investment <ul style="list-style-type: none"> ▪ Costs ▪ Innovation ▪ Value add 	<ul style="list-style-type: none"> ▪ Council controls all ▪ Profits reinvested (if there are any) ▪ Controls rates and fees to align with social goals 	<ul style="list-style-type: none"> ▪ Might not have same purchasing power as external ▪ Might have greater overheads – duplication of overheads ▪ May be less efficient – greater costs ▪ May lack commercial and marketing ability ▪ May not need full time resources for specialist skills, no ability to spread these resources, so over-invested ▪ May not have same level of innovation ▪ Would require investment in staff and resources ▪ Extra governance and management

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6.1 In-House Option - Briefing Material, Continued

In-House, cont.

Area	Pros	Cons
Agility and Flexibility <ul style="list-style-type: none"> ▪ Change ▪ Legislative ▪ Political ▪ Weather ▪ Innovation 	<ul style="list-style-type: none"> ▪ One entity ▪ Council already exists ▪ Council can change direction if it wants 	<ul style="list-style-type: none"> ▪ Have to set up, new staff, new assets, systems, software, processes ▪ Exposure if council gets it wrong ▪ Political interface – too easy to change direction ▪ Lose focus and stability
Governance, Management and Administration <ul style="list-style-type: none"> ▪ Clarity ▪ Reporting ▪ Efficient 	<ul style="list-style-type: none"> ▪ Council controls ▪ Direct interface with customers ▪ Councillors have direct influence on outcomes ▪ Councillors have governance role – well defined ▪ Control over risks ▪ Direct reporting 	<ul style="list-style-type: none"> ▪ Councillors have direct influence on outcomes, political interference ▪ Councillors are not necessarily experts in topics ▪ May not be commercially customer focussed ▪ Councils seen as not customer focussed in general (perception) ▪ Responsible for all risks ▪ Doesn't necessarily deliver levels of service

6.2 Council Controlled Organisation – Briefing Material

CCO

Area	Pros	Cons
Sustainable <ul style="list-style-type: none"> ▪ Enduring ▪ Stable ▪ Profitable 	<ul style="list-style-type: none"> ▪ Will be enduring if run well and profitable ▪ Less political interference ▪ Can earn a profit 	<ul style="list-style-type: none"> ▪ Has ability to go into liquidation ▪ Harder to get rid of them as a supplier if not performing
Skills <ul style="list-style-type: none"> ▪ Best people ▪ Experience ▪ Access to Best Practice 	<ul style="list-style-type: none"> ▪ Retain institutional knowledge provided they remain the supplier ▪ Can leverage skills by doing business for other councils ▪ May get better people on the Board 	<ul style="list-style-type: none"> ▪ Key staff leave, the CCO is responsible for the gap ▪ Potentially harder to attract specialist skills to country towns ▪ May not have specialist skills ▪ Will have to find and attract new staff to set up ▪ High reliance on key people ▪ Also have to find good Governance people
Reliable and consistent	<ul style="list-style-type: none"> ▪ Will be reliable if run well and profitable ▪ Less political interference 	<ul style="list-style-type: none"> ▪ Has ability to go into liquidation ▪ Harder to get rid of them as a supplier if not performing ▪ Doesn't necessarily have better performance

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6.2 Council Controlled Organisation – Briefing Material, Continued

CCO, cont.

Area	Pros	Cons
Control the alignment with council vision	<ul style="list-style-type: none"> ▪ Council controls through statement of intent (SOI) ▪ Hopefully good governance through external board ▪ Companies Act requirements 	<ul style="list-style-type: none"> ▪ Doesn't necessarily deliver levels of service ▪ Brand damage affects council reputation ▪ May not be commercially customer focussed ▪ Harder to terminate agreement if not performing ▪ CCO might have other clients, so council becomes less of a priority ▪ CCO might move away from core business

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6.2 Council Controlled Organisation Briefing Material, Continued

CCO, cont.

Area	Pros	Cons
<p>Best Value for Investment</p> <ul style="list-style-type: none"> ▪ Costs ▪ Innovation ▪ Value add 	<ul style="list-style-type: none"> ▪ Controlled through statement of intent (SOI) ▪ Profits reinvested (if there are any) ▪ Controls rates and fees to align with social goals through SOI ▪ Can get external grant funding ▪ Can incentivise staff 	<ul style="list-style-type: none"> ▪ Should have to compete with contract market to be transparent and competitive (might lose the contract) ▪ Might not have same purchasing power as external – but greater than inhouse ▪ Might have greater overheads – duplication of overheads with council ▪ May lack commercial and marketing ability ▪ May not need full time resources for specialist skills, no ability to spread these resources ▪ Would require investment in staff and resources ▪ High set up fees ▪ Directors' fees ▪ Reporting and governance costs ▪ Pays tax on profit ▪ Incentivising staff may be in conflict with council objectives ▪ Governance costs about \$500k

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6.2 Council Controlled Organisation Briefing Material, Continued

CCO, cont.

Area	Pros	Cons
Agility and Flexibility <ul style="list-style-type: none"> ▪ Change ▪ Legislative ▪ Political ▪ Weather ▪ Innovation 	<ul style="list-style-type: none"> ▪ Focussed objectives ▪ Transparent ▪ Council can change direction if it wants through SOI ▪ Possibly more nimble than council 	<ul style="list-style-type: none"> ▪ High set up fees ▪ Additional governance ▪ More complex to set up, new staff, new assets, systems, software ▪ Conflict of interest if Councillor on Board of CCO ▪ CCO might move away from core business ▪ Tension if council doesn't like what the CCO is doing and tries to control it ▪ Separate out assets and overheads ▪ May be harder to change direction than inhouse as tied to contract ▪ Might lose contract ▪ Board might be difficult to deal with
Governance, Management and Administration <ul style="list-style-type: none"> ▪ Clarity ▪ Reporting ▪ Efficient 	<ul style="list-style-type: none"> ▪ Council controls through statement of intent (SOI) ▪ Hopefully good governance through external board ▪ Companies Act requirements 	<ul style="list-style-type: none"> ▪ Doesn't necessarily deliver levels of service ▪ Brand damage affects council reputation ▪ May not be commercially customer focussed ▪ Harder to terminate agreement if not performing ▪ CCO might have other clients, so council becomes less of a priority ▪ CCO might move away from core business

6.3 Contractor Model – Briefing Material

Contractor

Area	Pros	Cons
Sustainable <ul style="list-style-type: none"> ▪ Enduring ▪ Stable ▪ Profitable 	<ul style="list-style-type: none"> ▪ Will be enduring if run well and profitable ▪ Fair pricing and contract required 	<ul style="list-style-type: none"> ▪ Has ability to go into liquidation ▪ Longer term contract required for greater stability and investment
Skills <ul style="list-style-type: none"> ▪ Best people ▪ Experience ▪ Access to Best Practice 	<ul style="list-style-type: none"> ▪ Contractor's core business ▪ Can leverage off skills across whole organisation ▪ Can attract staff into town as part of progression path ▪ Contractor responsible for finding and retaining staff to meet performance standards ▪ Contractor can bring innovation and improvements ▪ Professional development greater ▪ Responsible for all HR aspects 	<ul style="list-style-type: none"> ▪ Key management may be out of town ▪ Council might lose institutional knowledge
Reliable and consistent	<ul style="list-style-type: none"> ▪ Will be reliable if run well and profitable ▪ Less political interference ▪ If right contractual model then incentivised to be consistently good 	<ul style="list-style-type: none"> ▪ May have more commercial drivers ▪ Might perform poorly if wrong contractual model

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6.3 Contractor Model – Briefing Material, Continued

Contractor, cont.

Area	Pros	Cons
Control the alignment with council vision	<ul style="list-style-type: none"> ▪ Council controls though contract 	<ul style="list-style-type: none"> ▪ May focus on profit rather than community outcomes ▪ Difficult to accurately specify requirements in the contract ▪ Doesn't necessarily deliver levels of service – depends on contract model ▪ Will have other clients – council might not be priority
Best Value for Investment <ul style="list-style-type: none"> ▪ Costs ▪ Innovation ▪ Value add 	<ul style="list-style-type: none"> ▪ Controlled through contract ▪ Controls rates and fees to align with social goals through contract ▪ Greater purchasing power ▪ Better quality systems and processes ▪ Own systems and overheads – spread over multiple clients ▪ More commercially driven to increase utilisation of the plant and equipment ▪ Potential to share profits through collaborative contracting model ▪ Profit/loss risk with contractor ▪ May invest in plant and equipment 	<ul style="list-style-type: none"> ▪ Profit motive might not align with community goals ▪ Wrong contract model might disadvantage council ▪ Wrong model might run down the assets

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6.3 Contractor Model – Briefing Material, Continued

Contractor, cont.

Area	Pros	Cons
Agility and Flexibility <ul style="list-style-type: none"> ▪ Change ▪ Legislative ▪ Political ▪ Weather ▪ Innovation 	<ul style="list-style-type: none"> ▪ Right contractual model is simple ▪ Less political interference ▪ Can do through flexible and collaborative contract model 	<ul style="list-style-type: none"> ▪ Wrong contractual model requires more administration and management ▪ Wrong model and unclear specifications leads to disputes over maintenance of assets ▪ Wrong contract model makes harder to change requirements
Governance, Management and Administration <ul style="list-style-type: none"> ▪ Clarity ▪ Reporting ▪ Efficient 	<ul style="list-style-type: none"> ▪ Council controls through contract ▪ Right contract model reduces admin 	<ul style="list-style-type: none"> ▪ May focus on profit rather than community outcomes ▪ Difficult to accurately specify requirements in the contract ▪ Doesn't necessarily deliver levels of service – depends on contract model ▪ Will have other clients – council might not be priority

Appendix B – Summary of the RDC delivery model decision making process.

Context

Rangitikei District Council's current road maintenance contract expires on 30 June 2024.

Council is required to develop a procurement strategy that is acceptable to Waka Kotahi, and the Office of the Auditor General. The procurement strategy will guide the preparation of the contract documents for the road maintenance contract.

Council needs to consider future alignment with Manawatu District Council (MDC) for the provision of roading engineering services, and that will be dependent on what contract delivery model is selected by Council.

At the March 2023 Council meeting a report was presented that considered the use of alternative contract delivery models available to RDC for the procurement of a future road maintenance contract.

Council agreed to investigate these delivery models in more detail and for the findings to be presented to Councillors at the April 2023 meeting to assist in future decision making.

Two key areas of delivery were considered in these detailed investigations:

- Engineering services (ES) – Asset Management/Roading Design/Project Management/Contract Management etc.
- Road maintenance services – Service Delivery of maintenance and construction works.

The report presented to the April 2023 Council meeting summarised the findings of a Section 17A review of the following options for the provision of the road maintenance contract as well as the provision of the engineering services associated with this contract:

- In-House - RDC only (Engineering Services).
- In-House - Shared with another Council (Engineering Services).
- Contractor Traditional model - RDC only.
- Contractor Traditional Model - Shared with other Council.
- Contractor Alliance model - RDC only.
- Contractor Alliance model - Shared with other Council.
- CCO.

The review made use of a common set of evaluation criteria that has been developed and refined over time. Each option is reviewed against the evaluation criteria to arrive at a weighted attribute score to determine the best business model for each area being reviewed.

The total weighted attribute scores for Engineering Services and Road Maintenance Services had the Alliance Contract model shared with another Council achieving the highest score. This is partnered with an established Alliance (not a new start-up).

If an Alliance was started from scratch some efficiencies and benefits would be lost and there is a lot of energy and time required to establish the Alliance and to align values. The delivery of Engineering Services and the Road Maintenance Contract should go together to get the full benefits and synergy.

Once it was determined through the Section 17A review process that an Alliance contract delivery model would be best suited for RDC, a third report was presented to Council during the June 2023 meeting that described the details of how more investigations will be conducted to identify the best suited Alliance configuration for the current RDC circumstances.

This report gave Councillors the opportunity to consider the priority weightings used to compare the non-price attributes that will be achieved by these different delivery model configurations. This was achieved by making use of a pseudo-Request for Proposal (RFP) process where the non-price attribute outcomes of the different Alliance configurations could be compared on an equal basis.

The options that this virtual RFP process considered and assessed against were:

- Making use of the existing Whanganui Alliance by forming part of that Alliance under the same contract conditions.
- Having a sub-contract relationship with Downer Limited using the same contract conditions, but independent of the Whanganui Alliance.
- Downer and RDC staff form an Alliance accommodated in a premises in the RDC district and operate independently from the Whanganui Alliance.
- RDC going out to the market and have an Alliance completely independent from Downer and the Whanganui Alliance.

The evaluation criteria used was developed in line with Waka Kotahi requirements and in line with other Road Maintenance contract RFP processes normally used.

Discussion of results

The pseudo-RFP process evaluation has been completed in accordance with what was presented to Council in June 2023. This report summarises and documents the results from this review. The evaluation process included the following:

- a process similar to a request for proposal (RFP) to the market.
- RDC developed the evaluation criteria and weightings and then created questions based on these.

- The Whanganui Alliance was requested to develop a RFP and present to those questions. The evaluation team assessed scoring against each of the different options.
- An assessment of what the answers to the same questions would probably be if RDC went to market was then completed. RDC cannot go to market formally for this contract unless it is actually formally going to the market (RDC can't 'test' the market). This is a legal requirement and in fairness to suppliers, so they are not exposed to an expensive process unless it is genuine.

As mentioned earlier in this report, the options that this virtual RFP considered and assess against were:

- Making use of the existing Whanganui Alliance by forming part of that Alliance under the same contract conditions.
- Having a sub-contract relationship with Downer using the same contract conditions, but independent of the Whanganui Alliance.
- Downer and RDC staff create an Alliance accommodated in a premises in the RDC district and operate independently from the Whanganui Alliance.
- RDC going out to the market and having an Alliance completely independent from Downer and the Whanganui Alliance.

The non-mandatory non-price attributes with the proposed score weightings were presented to Councillors in the June 2023 report. The endorsed evaluation criteria and weighted scored are captured in the table below:

Non-Mandatory	Areas	Rankings
	Proven Track record	35%
	<ul style="list-style-type: none"> ▪ Delivering similar successful services: <ul style="list-style-type: none"> ▪ similar work - Roothing Alliance Contracts of similar scale in the region ▪ using RAMM 	100%
	Resources	30%
	<ul style="list-style-type: none"> ▪ team <ul style="list-style-type: none"> ▪ relevant experience – Alliance Contracts ▪ capacity ▪ knowledge of the district ▪ specialist skills & qualifications ▪ range of experience across team ▪ cultural fit with council 	40%
	<ul style="list-style-type: none"> ▪ Principals Group – Governance 	25%
	<ul style="list-style-type: none"> ▪ building capability & capacity – recruit, train, retain 	15%
	<ul style="list-style-type: none"> ▪ equipment and systems 	20%

Methodology	25%
<ul style="list-style-type: none"> ▪ methodology to deliver the services: <ul style="list-style-type: none"> ▪ plan - expert asset management ▪ shift to proactive work ▪ optimising traffic management & safety 	40%
<ul style="list-style-type: none"> ▪ deliver <ul style="list-style-type: none"> ▪ programmed work ▪ optimising traffic management & safety ▪ emergency works ▪ shift to proactive work ▪ utilisation of local sub-contractors ▪ using RAMM 	20%
<ul style="list-style-type: none"> ▪ quality – measure and reporting 	15%
<ul style="list-style-type: none"> ▪ running shared service model so that RDC is equal partner 	25%
Value for Money	10%
<ul style="list-style-type: none"> ▪ transparent pricing models 	40%
<ul style="list-style-type: none"> ▪ value add and innovation <ul style="list-style-type: none"> ▪ innovation ▪ specialist knowledge ▪ four well-beings <ul style="list-style-type: none"> ▪ environmental ▪ social / cultural 	60%

RDC prepared a series of questions to better understand how each delivery model will be able to achieve the desired non-price attributes and outcomes. The RFP evaluation process included responses to the questions based on the three different alliance options that included Downer and the Whanganui Alliance. This evaluation was conducted in a face-to-face workshop with the Whanganui Alliance. This workshop considered how each of the different options would work at a practical level and how the parties would operate together.

The fourth option available was completed by the evaluation team to represent the scores likely to be achieved by the open market.

Results

The presentation from the Whanganui Alliance team during the one-day workshop delivered detailed information and answers to the non-price attribute questions. The following information is worth noting in this report:

<p>Proven Track record</p>	<p>The Whanganui Alliance is an existing and proven contract model (15 years). Downer is highly experienced at implementing and operating Alliance contracts, and the Whanganui Alliance is one of the longest standing Alliances in the country. They have a strong proven track record in delivering results.</p>
<p>Team and resources</p>	<p>The team proposed are experienced Alliance personnel:</p> <ul style="list-style-type: none"> • experienced at Alliance contracts so able to operate straight away. • experienced and knowledgeable of the region and district. They live here. The team are largely from the Whanganui Alliance and the Tararua Alliance • the Principals Group proposed are highly experienced at Alliance Principals Group roles. • the team are mostly already operating in the Whanganui or Tararua Alliances and as such can be transitioned to this joint Alliance quickly and easily. • Downer has 4 Alliance contracts in the Central Region, and they have dedicated HR staff focussed on recruiting and building capacity. They have career paths through their various Alliance contracts to grow staff. They also have a cohort of Alliance Managers that collaborate to tackle industry issues. • the Whanganui Alliance has existing equipment on the network ready to transition and will invest in further equipment for this contract. • having the combined contract would allow for better utilisation of equipment, particularly specialised equipment. This equates to lower operating costs and productivity gains. • there are cost savings from both WDC and RDC by combining the fixed overhead components of the contracts. The combined overheads would be significantly less than the sum of the two if done individually. This is a direct saving that can be invested back into the districts' roads.
<p>Methodology</p>	<p>The planning part of the delivery methodology is the key to delivering improved optimisation of assets:</p> <ul style="list-style-type: none"> • proven specialist asset management team available. • greater access to accurate condition data. • data driven risk-based decision making. • move from inefficient and ineffective reactive work to proactive work that is better planned and much more efficient. This will result in additional cost savings. • optimising traffic management costs and safety by improved planning and coordination. • accurate data in RAMM enables improved planning.
<p>Delivery</p>	<p>The delivery is driven by improved planning (above) and key points are:</p> <ul style="list-style-type: none"> • optimal delivery across both districts. • each district can back the other up in emergency events. • delivery teams inform the planning teams about what they are seeing, what works and what they could improve. • monthly reviews of costs against budget. • dispatches are loaded and tracked in RAMM, so in emergency events network status can be reported in real time.

	<ul style="list-style-type: none"> • RAMM data properly utilised can demonstrate where the forward works programme is and when tasks are scheduled. • having accurate data has enabled other Alliance contracts to get fast access to Government funding for relief after cyclone Gabrielle. Other contracts have failed to get funding as they did not have the condition status evidence that the funders require. • the Alliance model can deliver emergency works at a much more cost-effective rate as the overheads are already accounted for (not charged again).
Local contractors	<p>The Alliance has the ability to improve the utilisation of local contractors:</p> <ul style="list-style-type: none"> • they can mentor local contractors and lift their level of competence in the areas of health and safety and data provision. Tier 2 and 3 contractors often struggle to meet Waka Kotahi requirements. • some of the contracts that failed to get emergency relief funding post cyclone Gabrielle were not able to provide accurate data due to using a number of smaller local subcontractors. • the Alliance can manage the risk of engaging a number of sub-contractors, council is not resourced to do this directly.
Quality	<p>Availability of a dedicated team to deliver quality:</p> <ul style="list-style-type: none"> • team to measure quality and link back to planning. • performance framework agreed with elected members to measure performance. • financial incentives linked to the performance framework.
Equal partner	<p>Key elements to address the concern of not being an equal partner under the</p> <p>Whanganui Alliance are:</p> <ul style="list-style-type: none"> • WDC and RDC are actually similar in scale and type. • collaborative approach to setting up the relationship, so it is balanced from the outset. • benefits to WDC by having RDC as a partner. • equal representation at the Principals Group governance level. • depots and dedicated roles in each district. • complete transparency and independent audit of finances. • visibility and easy reporting for all key areas.
Value	<p>Additional value for money and value add aspects include:</p> <ul style="list-style-type: none"> • innovation – Road Science team. • new road surfacing product. • specialist equipment that improves productivity, quality, and safety. • the savings remain in the district. • social initiatives. • cultural – Downer is involved in several cultural employment programmes and can attract central Government funding for these programmes, so the district benefits and the Government contributes funding. • numerous environment initiatives to reduce waste.

The following scores are based on the options assessed by the evaluation team. The evaluation team also assessed the likely outcome if RDC were to go out to market, and this is compared with RDC doing an Alliance on its own. This is also captured in the scoring.

- Joint services using the Whanganui Alliance – 96%
- Using the Terms of the Whanganui Alliance, but separate operations – 86%
- RDC doing an Alliance on its own with Downer – 83%
- RDC going to the market for an Alliance and potential score from another contractor – 57%

Areas	Joint Service Whanganui Alliance				WDC Alliance Contract but Separate Operations			RDC Alliance on its own			Other Contractor Alliance		
	Rankings	Scores	Weighted	Total Weighted	Scores	Weighted	Total Weighted	Scores	Weighted	Total Weighted	Scores	Weighted	Total Weighted
Resources	30	100%											
Team: - relevant experience - with Alliances - capacity - knowledge of the district - specialist skills & qualifications - range of experience across team - cultural fit with council	40%	9	3.6	108	7	2.8	84	6	2.4	72	5	2	60
Principals Group	25%	9.5	2.375	71.25	8	2	60	8	2	60	5	1.25	37.5
Building Capability & Capacity recruit, train, retain	15%	9	1.35	40.5	8	1.2	36	8	1.2	36	8	1.2	36
Equipment & systems	20%	9	1.8	54	8	1.6	48	8	1.6	48	7	1.4	42
Methodology	25	100%											
Fit for purpose methodology to deliver the services in scope and to standard: Plan - expert asset management - shift to proactive work - optimising traffic management & safety	40%	9.5	3.8	95	8	3.2	80	8	3.2	80	6	2.4	60
Deliver * work * optimising traffic management & safety * emergency works * using RAMM	20%	9.5	1.9	47.5	8	1.6	40	8	1.6	40	6	1.2	30
Quality - measure and report	15%	9	1.35	33.75	8	1.2	30	7	1.05	26.25	7	1.05	26.25
Running shared service model so that RDC is equal partner	25%	9.5	2.375	59.375	8	2	50	5	1.25	31.25	6	1.5	37.5
Proven Track Record	35	100%											
Delivering similar successful services: Roading Alliance Contracts of similar scale in the region	100%	10	10	350	10	10	350	10	10	350	5	5	175
Value for Money	10	100%											
Costs - costs model	40%	9	3.6	36	8	3.2	32	8	3.2	32	5	2	20
Value Adds - Innovation - specialist knowledge - Four Well-Beings * environmental * social/ cultural	60%	10	6	60	9	5.4	54	9	5.4	54	7	4.2	42
Totals				955.38			864			829.5			566.25

Conclusions

The current road maintenance contract expires in June 2024. Both RDC and MDC are in the process of considering the procurement strategy for securing a new contract by 1 July 2024.

In February 2023 RDC opted to investigate other contract delivery models. At the March 2023 Council meeting a report was presented that considered the use of alternative contract delivery model options available to RDC. Council agreed to investigate these delivery models in more detail and for the findings to be presented to Councillors at the April 2023 meeting to assist in future decision making.

The report presented to the April 2023 Council meeting summarised the findings of a review for the provision of the road maintenance contract as well as the provision of the engineering services associated with this contract. The total weighted attribute scores for Engineering Services and the Road Maintenance contract had the Alliance Contract model shared with another Council achieving the highest score.

During the April Council meeting it was agreed that staff would investigate the following delivery options in more detail:

- RDC make use of the existing Whanganui Alliance by forming part of that Alliance under the same contract conditions.
- RDC have a sub-contract relationship with Downer using the same contract conditions, but independent of the Whanganui Alliance.
- RDC create an Alliance with Downer and operate completely independently from Whanganui.
- RDC investigate an Alliance model completely independent from Downer and the Whanganui Alliance.

During the June 2023 Council meeting, the methodology of making use of a virtual Request for Proposal to score the non-price attributes that will be achieved by the different delivery model options was endorsed.

This work has now been completed and the results described in this report. The option that scored the highest is making use of the existing Whanganui Alliance by forming part of that Alliance under the same contract conditions.

All the detailed investigations completed to date returned the same result with an Alliance delivery model in partnership with the Whanganui Alliance producing the best outcomes for RDC. The conclusion of the process is that RDC should adopt the use of the Whanganui Alliance for the provision of the new road maintenance contract.

The variation of the current Procurement Strategy will be subject to Waka Kotahi endorsement.