Joint Roading Network Procurement Strategy

September 2022

A CLIENT'S OWN CONSULTING TEAM

Amendment Number	Description of Change	Date	Updated By
V1	Initial draft procurement strategy for comment	19 September 2022	Joanna Saywell/ Richard Quinn
V2	Draft for Waka Kotahi Comment	7 October 2022	Joanna Saywell/ Richard Quinn
V3	Updated to incorporate Waka Kotahi comments	23 November 2022	Joanna Saywell/ Richard Quinn

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

1.1 Summary Statements and Key Opportunities

This Procurement Strategy has been developed to maximise value for money opportunities in the delivery of Transport Services for Manawatū District Council (MDC) and Rangitīkei District Council (RDC). It has been developed in compliance with the requirements of Waka Kotahi[1], and contains outline procurement planning information to enable the alignment of both Councils' procurement approaches.

The main opportunities are seen as:

a) the encouragement of national roading contractors to remain within the Manawatū region, and consider expanding into the Rangitīkei region;
b) the sharing of expertise, and knowledge, across neighbouring roading authorities and Waka Kotahi; and
c) the procurement of:
    - roading maintenance services via large contracts that attract healthy competition; and
    - aggregated and coordinated road re-sealing and renewal works via the same contract.

Both councils currently engage the same contractor for roading maintenance, under separate contracts, with both contracts due for replacement in mid-2024.

Working together to tender similar contracts will provide mutual benefits for the staff of both councils, as well as improved value for money through better supply chain resource utilisation and economy of scale.

1.2 Procurement Strategy – Key Recommendations

The current Road Network Maintenance contracts for both councils have 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 covering the same range of roading activities.

Some of these will be provisional and subject to performance considerations during the life of the contract (e.g. some renewal activities). Others will be separately tendered to test market pricing and to give opportunities to other suppliers not involved in the main road network maintenance, ensuring a sustainable market continues to operate.

The scope of work being considered to remain within the road network maintenance contract comprises:

a. General pavement maintenance
b. Routine maintenance including pothole repair, drain clearing, litter and detritus removal, vegetation control, traffic signs and services
c. Pre-reseal repairs

[1] NZTA Procurement Manual – Amendment 6 – April 2022

d. Unsealed road maintenance
e. Reseals and rehabilitation
f. Footpaths
g. Minor bridge repair works
h. Emergency works (first response)

In addition a proportion of the renewals including kerb and channel, rehabilitation and area wide treatment works, and capital new works comprising low cost, low risk and safety improvements may be included within the scope of the works of the main road maintenance contract, at the discretion of the respective Council's and subject to both the on-going performance of the Contractor and the value for money offered.

MDC and RDC currently separately contract both pavement marking and street lighting maintenance works. Both road marking contracts were replaced in 2021 for a 3+3+3 year term. The first terms for both road marking contracts expire 30 June 2024.

Both Councils' street lighting maintenance costs are minimal since the change to LED lanterns. MDC engages a street lighting contractor as and when required whilst RDC has a preferred street lighting contractor. The contract is directly appointed annually.

Other works excluded from the contract that will be managed through separate contracts and procurement processes include structural bridge repairs, bridge inspection and professional services.

The key recommendations within this Procurement Strategy are:

1. That a single separate tender process, for two contracts covering the two Councils' (RDC and MDC) Road Maintenance works will proceed mid-late 2023, with tender evaluation and all required approvals obtained not later than end-March 2024.

2. These new contracts will commence on 1 July 2024 in replacement of the two existing general road maintenance contracts for the respective councils.

3. That a Registration of Interest and interactive tender process be used to ensure effective engagement with the market and to maintain a healthy and competitive tension in the procurement process.

4. That any lessons learnt from the previous contracts be incorporated into the new contract, with improved specification of key work items, and a review of the scheduling approach for cyclic work and other lump sum deliverables.

5. 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 the Waka Kotahi Road to Zero policy.

6. That sustainable market evaluation criteria are included within the contract to encourage the Contractor to consider succession planning and training, together with the incorporation of broader outcome requirements in line with the respective council's broader outcomes policy and requirements.

7. That the regional governance group be maintained, with senior council management input, to ensure each council works together, sharing experiences and resources, and delivering a consistent approach to managing and maintaining a competitive supply chain.

8. That specific specialist activities, such as structural bridge inspection and design services, be collectively procured, through either a joint or syndicated contract, where it provides increased efficiency and effectiveness in the delivery of such services.

9. That other professional services will continue to be provided by a mix of internal and external specialist resources to deliver value, and an appropriate balance of capability between the external provider and client. The aim will be to improve in-house capability and local knowledge while providing ready access to specialist technical expertise, in a way that aligns with each council's strategic objectives.

1.3 Endorsement of the procurement strategy.

This procurement strategy has been updated from a joint procurement strategy developed in 2020 where Manawatū, Rangitīkei and Horowhenua District Councils worked together with Palmerston North City Council. This strategy has been developed slightly ahead of the normal three year cycle to assist with the procurement of the major road maintenance contracts for both districts.

The procurement strategy will help the preparation of the contract documents for the roading maintenance contracts which will be developed at the same time as asset management plans are being up-dated and the Long Term Plans set for each council.

This updated strategy has been discussed and endorsed by Manawatū and Rangitīkei District Councils and Waka Kotahi to ensure agreement with both councils' and the Waka Kotahi procurement principles.

Where differences exist between the strategies that affect mutual contracts, this procurement strategy will take precedence.

This procurement strategy has been developed in order to comply with the requirements of Waka Kotahi and to promote good procurement practice. It is recommended that Waka Kotahi:

1) endorses the Manawatū District Council, and Rangitīkei District Council, Joint Roading Network Procurement Strategy dated September 2022;
2) approves the continued use of in-house professional services by Manawatū District Council, and Rangitīkei District Council, in accordance with s.26 of the Land Transport Management Act, with the same scope and scale as previously engaged.
3) approves the continued use of a variation to the rules in the Procurement manual, section 10.21 Maximum term of a term service contract for infrastructure or planning and advice allowing Manawatū District Council and Rangitīkei District Council to continue to use a maximum term of nine years (3+3+3 years) for the term service contracts for road network maintenance.

The relevant aspects of this procurement strategy will be approved and adopted by each of the two councils at the appropriate governance forum, before this procurement strategy is implemented.

2 Network Characteristics

2.1 Rangitīkei District

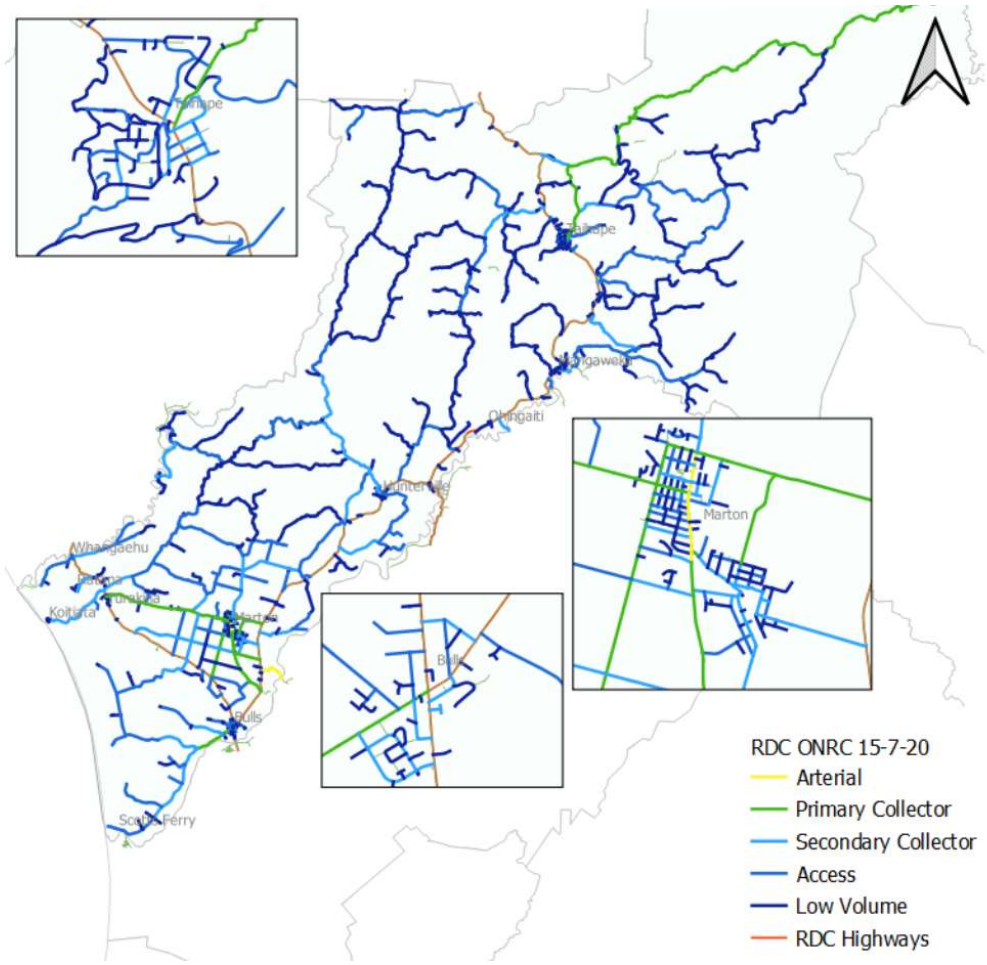


Figure 1: Rangitīkei Roading Hierarchy

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

2.2 Manawatū District

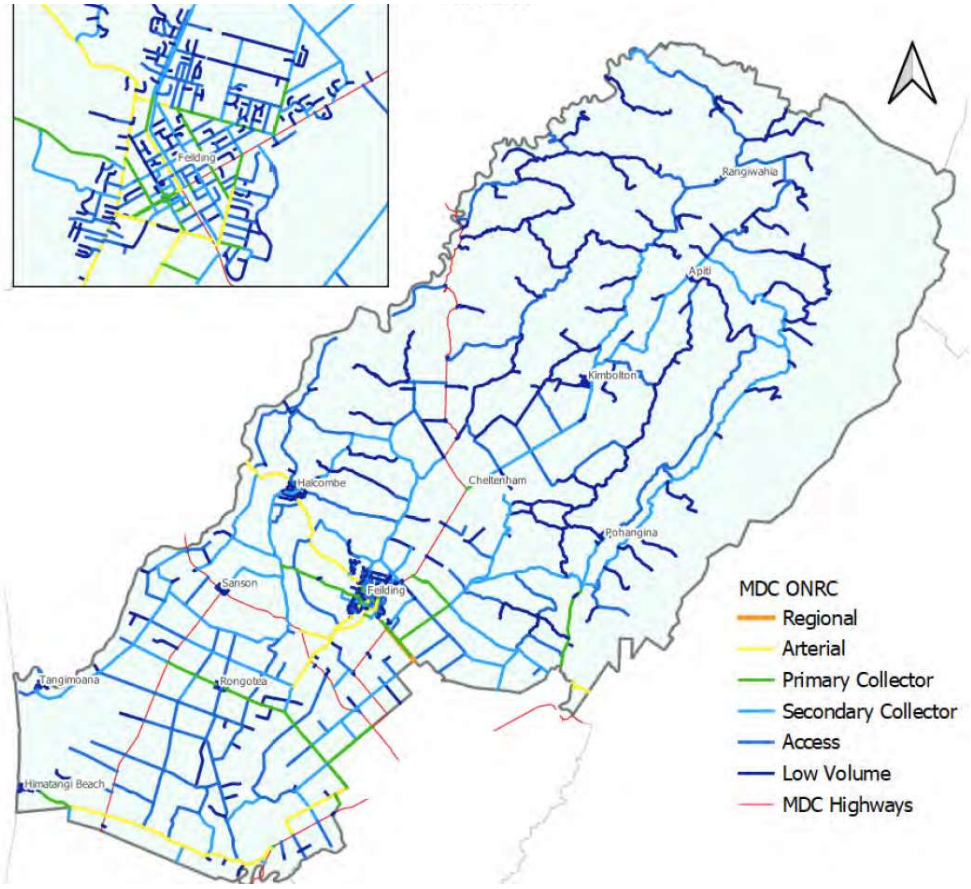


Figure 2: Manawatū Roading Hierarchy

Network Summary – Length (km)

Type	Sealed	Unsealed	Network
Urban	120.97	11.5	132.47
Rural	880.19	355.29	1235.48
Total	1001.16	366.79	1367.95

3 Policy context

3.1 Strategic objectives and outcomes

The goal of this collaborative Procurement Strategy is to maximise efficiency, share and optimise the use of resources, and achieve increased regional consistency and value for money.

The two key strategic outcomes are firstly, to share expertise across councils and secondly, is to encourage healthy competition / value for money tendering for roading contracts while optimising resources.

Both councils have current purchasing guidelines that are required to be followed in the procurement of goods and services. Their goals align with, and are generally as set out in the Local Government Act 2002, Waka Kotahi procedures and MBIE's Procurement Rules.

In addition, the Councils are committed to providing an open and competitive marketplace in the region, and to deliver broader outcomes that improve the community, environmental and social outcomes. This is essential to allow the Councils to demonstrate to their respective ratepayers that they are delivering the best value for money in delivering services possible.

The Councils recognise that successful contracts are based around strong relationships and can involve two, three or more parties jointly contracted to deliver a single outcome. Strong relationships involve a sharing of skills, risk and jointly promoting innovation to improve value of the service delivery. This is relevant from the smallest of contracts to the largest performance based, long term contracts.

Strong contractual relationships with the supply chain:

- Promote stability in the marketplace.
- Provide confidence to both Council and the contracting industry.
- Encourage investment in systems, training and equipment.
- Place a value on local knowledge and skills.

The objectives of adopting this procurement strategy are to create:

- A system that enables the Councils to satisfy the Office of the Auditor General and Waka Kotahi requirements helps protect their ability to receive subsidies from Waka Kotahi;
- A system that facilitates, rather than stifles, the delegation of appropriate procurement authority to staff;
- A system that gives appropriate control to senior management allowing them to consider large items of expenditure items, before they happen;
- A system that has a minimum of bureaucracy.

The Councils' goals in co-ordinating and managing the procuring of goods and services are to:

- Conform with any Statutory provisions;
- Protect the Council in a business-like manner; and
- Maximise ratepayer benefit from expenditure of public funds.

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. This will achieve increased road asset longevity, reduce traffic accidents caused by inconsistent road conditions, and promote increased economic growth in the region.

Through a coordinated approach to procurement, both Councils will be benefit from this optimal approach to the delivery of roading services, and an improved interaction with the supply market.

3.2 Waka Kotahi Procurement Requirements

Waka Kotahi is committed to the concepts of:

a) best value for money;
b) maintaining competitive and efficient markets; and
c) fair competition among suppliers.

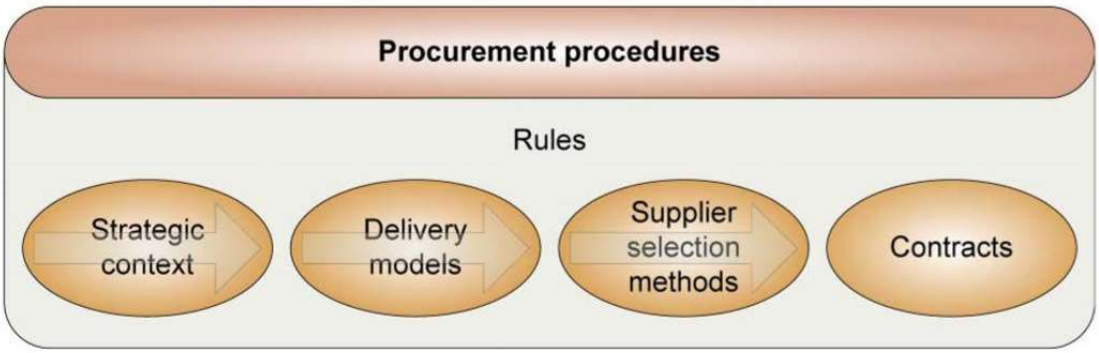
Through their "Road to Zero" programme they are also seeking a significant reduction in road deaths and serious injuries (via their road safety programme) and a significant reduction in the greenhouse gases produced across the transport network.

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, which identifies the key aspects of a fully comprehensive procurement procedure, has been used in the development of this procurement strategy.



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 contracts where contractors from outside the region are encouraged to tender and establish in the region. Such contracts, with a longer tenure will allow contractors to plan their resources to meet expectations. This may include, for example, the establishment of quarries or batching plant resource to service the contracts.

3.3 Other Relevant Factors

3.3.1 Regional Land Transport Plan

Horizons 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:

1. Travel choice – improved access to sustainable and affordable transport modes
2. Connectivity and efficiency - The regional transport network connects central New Zealand and is efficient, reliable and resilient
3. Safety - The transport network is safe for all users.
4. Environment - The impact of transport on the environment, and the transport system's vulnerability to climate change, is minimised
5. 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:

a) **Mode Share** – 15% of travel in the region to be by active or public transport modes by 2030.
b) **Safety** – 40% reduction in deaths and serious injuries on the region's roads by 2030.
c) **Resilience** – 20% reduction in road closures on priority routes associated with natural hazards or unplanned events.
d) **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.

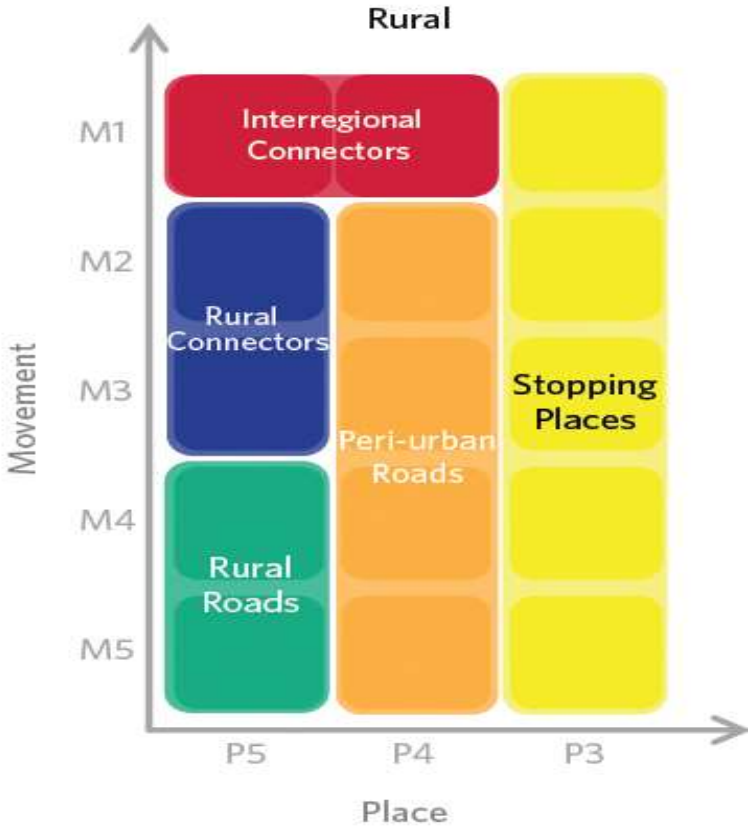
3.3.2 One Network Framework (ONF)

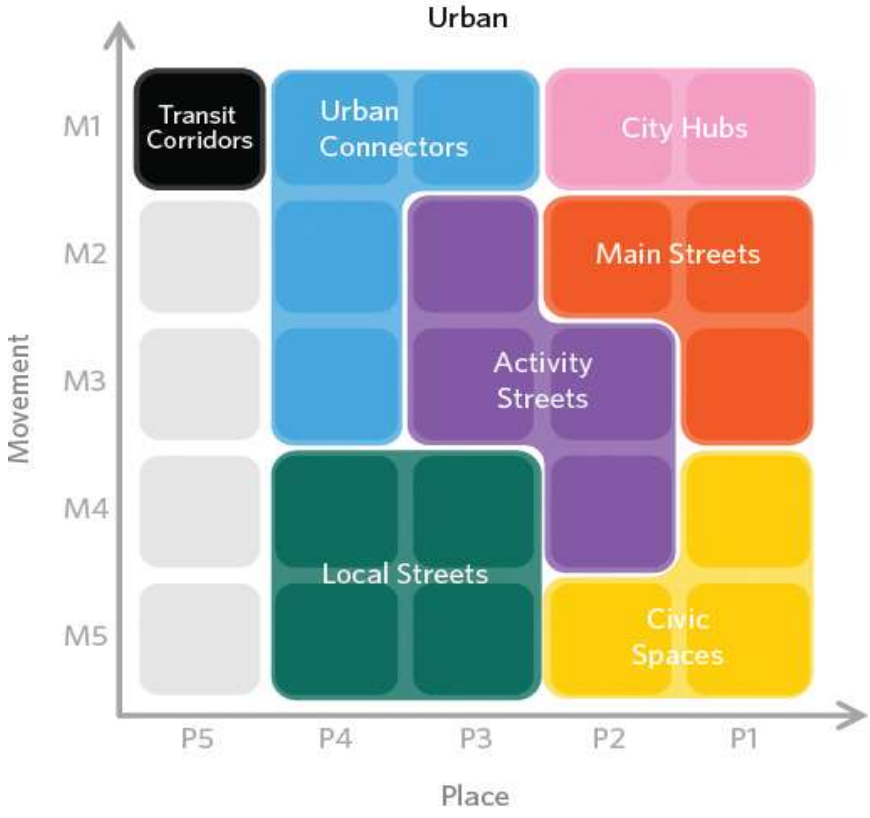
The One Network Framework is the new national classification system. It will be used to determine the function of roads and streets, and inform decision making.

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 Roading 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.


Rural
M1
M2
M3
M4
M5
Movement
Interregional Connectors
Rural Connectors
Peri-urban Roads
Stopping Places
Rural Roads
P5
P4
P3
Place


Urban
M1
M2
M3
M4
M5
Movement
Transit Corridors
Urban Connectors
City Hubs
Main Streets
Activity Streets
Local Streets
Civic Spaces
P5
P4
P3
P2
P1
Place

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.

Both Councils use the ONF classification and performance measures.

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.

3.3.3 Section 17A Delivery of Services

"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.[2]"

The last Section 17A review by Manawatū District Council 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. The reviews need to be undertaken not later than 6 years following the last review.

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. Therefore, the roading maintenance contracts for both Rangitīkei and Manawatū District Councils are currently being reviewed in terms of the Local Government Act.

It is understood that the existing Shared Service Agreement between the two councils was also reviewed in 2017 and it determined that wherever possible professional services and roading management would be delivered in-house as part of the Shared Services.

The current Shared Services Agreement covers both Roading and Three Waters management. Central Government are proposing significant changes to Water management, with the transfer of water assets and responsibility to new water entities (see 3.3.7 below). If this goes ahead as planned it will see the transfer of the management of three waters from councils to the new entities by June 2024. This would have a significant effect on the Shared Services but should not affect Roading management.

MDC and RDC have commissioned Section 17A reviews of the Roading Maintenance contract and Shared Services but the results are not expected back for a few months.

Subject to the findings of the Section 17A Review, it is anticipated that Roading Management (and the bulk of professional services) will remain in-house, either under the Shared Agreement or under separate Roading teams within each council. Similarly, the physical maintenance of the road and resealing operations will continue to be contracted out.

[2] Local Government Act 2002

3.3.4 Long Term Plans (LTP) for Each Respective Council

This procurement strategy needs to be mindful of each contributing council's long term plan. The LTP sets the strategic goals and budgets for the next ten years for each council. The aim of this procurement strategy is to assist both councils in achieving their goals. One consideration is the potential for reducing competition between councils for the same scarce resources within the region.

The budgets for transportation contained within each council's 2021 LTP, and an indication of the level of planned expenditure in the 2024/25 year is included below as this is the year when the roading maintenance contracts start and these are the largest procurement items.

Council	MDC	RDC
	$000	$000
Operating Expenditure		
Payments to staff and suppliers	6,864	7,519
Finance costs	615	333
Internal charges and overheads applied	143	2077
Other operating funding applications	-	-
Total Operating Funding Application	**7,622**	**9,929**
Capital Funding		
Capital Expenditure:		
• to meet additional demand	918	0
• to improve the level of service	3,072	4,830
• to replace existing assets	7,052	6,026
Total Application of Capital Funding	**11,042**	**10,856**

A range of other relevant factors, such as organisational policies, wider organisational procurement plans, or the regulatory environment have been considered in the development of this procurement strategy.

3.3.5 Broader Outcomes

The council's 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 (as described later in this strategy) 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 each council and the legislative imperative of the Land Transport Management Act.

This aspect is discussed further in section 5.6.

3.3.6 Health and 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 5.6 a).

However, given the changes in legislation (Health and Safety at Work Act 2015), amendments to the Code of Practice for Temporary Traffic Management (CoPTTM), 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.

It is also recognised that poorly maintained roads can contribute to road accidents and therefore improved monitoring and timely interventions are required to ensure that roads remain safe for all users.

3.3.7 Three Waters Local Government Reforms

The changes to governance of the three waters has potential to affect the roading procurement in a number of ways. The most immediate could be the loss or transfer of water engineers from the shared services agreement to the new entities. This could leave both councils without in-house expertise in stormwater management.

The roading and water teams currently work together so that any major water upgrades, that could affect the roads, are programmed ahead of any roading upgrades. Both councils use their own in-house water and drainage staff to attend to leaks and service cover adjustments when required. With the creation of the new water entities this collaboration may be lost.

Currently roading and water services are delivered under a shared agreement. If the water reforms proceed, with the creation of the new entities, the continued delivery of shared roading services to both councils may be reviewed.

The reform also has the potential to change how the service are delivered through the contracts tendered by Council. Latest discussions from the three waters reform have been considering whether Council's around the country might be best placed to retain the maintenance function of stormwater assets on their respective networks, but with the maintenance and operation function of other assets being separately managed. If this was to transpire, there is good logic for the maintenance of storm water assets to be included within the Road Maintenance contract. Provision for this amendment to the Road Maintenance contract will be made so that it can respond to this changing demand.

4 Procurement Environment

4.1 Analysis of Supplier Market

Three years ago the current supplier market for local roading construction and maintenance marketplace was dominated by just one national, tier one, contracting firm, Higgins Contractors Ltd., with the capability to undertake the necessary full service work. 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 roading maintenance contract for Palmerston North City Council.

Downers Limited have been managing Alliance contracts for roading 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 roading contractors (including HEB who are 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. It is hoped that the national contractors will be keen to tender for the roading maintenance contracts so that they maintain a presence in the region and won't be too busy trying to finish major capital projects at the time of tender.

Demand for infrastructure for housing developments is very high at the moment but is anticipated to decline over the next few years whilst investment in water projects are likely to decline in 2024 for a few of years until the new water entities are properly established.

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 are able to subcontract to the head contractors 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, and setting aside a percentage of contract works ultimately required to be delivered by locally based subcontractors. See section 5.6 Broader Outcomes.

To achieve the best value in the long term for all Councils' procurement, the contracts need 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 have completed a study of the wider supply market, to ensure there is a good understanding of the supply market in setting this procurement strategy (Appendix B).

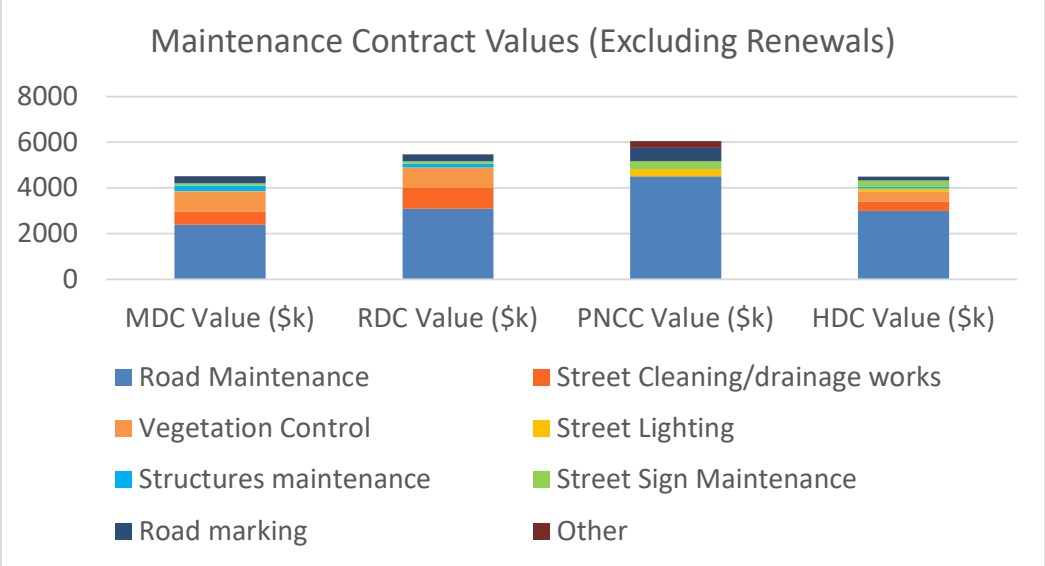
The type of contract and tender selection process needs to be designed to encourage the best contractors to tender, noting that local contractors will not have the same experience and track record as the national companies but may have more local knowledge and access to resources.

Key recommendations for future procurement from the Market Analysis include:

- To maintain interest from national suppliers, provide opportunities for councils' contracts to be tendered 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 tenderers or 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 (where contracts are for more than one council).
- 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.

4.2 Analysis of the current procurement spend and profile

Both district councils have a similar spending profile, although Rangitīkei spends slightly more on road maintenance and slightly less on pavement rehabilitation. Both councils spend approximately $10 to 12 million overall on maintenance and renewals.



4.2.1 Network Data

The following table provides an indication of the relative network lengths and other key asset inventory data:

Work Type	MDC	RDC
Sealed Urban Streets (km)	**126.97**	**84.71**
Sealed rural roads (km)	**880.19**	**716.34**
Unsealed urban roads (km)	**11.5**	**2.67**
Unsealed rural roads (km)	**355.29**	**422.17**
Bridges/large culverts (No,)	**373**	**267**
Footpaths (km)	**132**	**88**
Land Area of District (km^2)	**2,567**	**4,484**
Population (2018 census)	**30,165**	**15,027**

The land area and population has been included to give an idea of the challenges of ensuring people remain connected.

4.3 Impact of the procurement programmes of other approved organisations and other entities

Horowhenua District Council's roading maintenance contract is due for renewal at the same time as Rangitīkei and Manawatū. Nine years ago all three were tendered at the same time and the three councils worked together to prepare and evaluate the tenders.

Horowhenua were considering combining their roading maintenance contract with Palmerston North City Council when Palmerston North's contract was due for renewal.

However, Horowhenua decided that the uncertainty with Covid 19 restrictions at that time meant that they may not be able to manage a change of contractor effectively. They elected to remain with their current provider until the end of the contract term in 2024.

There may be an advantage to another national contractor if all three district councils go to market together as they may be able share the cost of establishing in the area across all three councils.

Horowhenua District Council has been approached to join with Rangitikei and Manawatū in their procurement and contracting processes. At this point in time, little interest has been shown by Horowhenua District Council in collaborating, therefore the opportunity for them to be included within this procurement strategy has not been incorporated.

Three, potentially four if HEB is included, of the national contractors are already well established in the area, so there should be enough of the national contractors to provide competition for the three roading contracts.

The major Waka Kotahi projects in the area include Te Ahu a Turanga, which is scheduled for completion in late 2024, and the extension of the Otaki expressway to north of Levin, which is not scheduled to start construction until 2025. This means that there is a high likelihood that national contractors will be interested in tendering to keep their workers employed and so that they can maintain their presence in the area ready for the next capital project.

4.4 Service Delivery Model

When considering the service delivery models for the different types of procurement it is worth considering the advantages or disadvantages of joint or separate contracts.

The current approach to delivery of general road maintenance services in the region is separate contracts, each managed by their respective councils, albeit that the current roading maintenance contracts for Rangitīkei and Manawatū are managed through the existing Shared Service Agreement between the two councils. These two contracts use similar contract conditions, and have the same contract tenure. The current Contractor for these two contracts is Higgins Contractors Limited.

This approach to the general road maintenance contract provided the ability to share the cost of contract preparation and tender evaluation across the three councils. Each council contract had their own separate schedule of rates and so maintained their own autonomy in terms of the contract spend. Separate contracts and separate contract management ensured that the costs were transparent and any issues with meeting performance criteria could be addressed.

Most professional services or management tasks that are essentially the same for all councils are more efficient if undertaken on a shared basis. For example this Procurement Strategy would cost almost the same to produce for one council as for three.

The advantages of joint delivery versus separate autonomy are summarised below.

	Advantage of Joint Procurement/Delivery	Advantage of Separate Procurement/Delivery
Preparation of Contract documents and tender evaluation	Costs of preparation are shared so costs to individual councils are considerably less. Contractors are able to assess conditions for all contracts at once which should speed up tender process and enable them to offer similar prices across all councils	Individually tailored contract can take account of physical characteristics of the network and specialised performance criteria. No pressure from other councils to accept a lower scoring tenderer so that they can gain an advantage from a group discount.
Contracts	Some savings in management costs for both contractor and council. Main contract is large enough to attract national providers who may be able to provide additional resources from outside the region in an emergency.	Knowledge that all costs are related to particular council. Local contractors may be encouraged to bid if they have enough capacity for one council's work.

	Bulk discounts may be possible for combined contracts e.g. electricity supply or street lighting.	Can help create market tension if different contractors win different council contracts.
In House Services	Savings in duplication. Shared management tasks. Expertise shared across councils. More opportunities for staff training and development in the roading section.	Reporting can align with specific council requirements e.g. annual reports. Staff are closely aligned with particular Council culture and other sections of Council such as finance, or parks and reserves.
Professional Services	Cost sharing for joint reporting or similar types of activity, e.g. asset management plan preparation.	Exclusive job specific contracts. Able to build relationships with trusted local providers via repeat business, e.g. structural designers.

Delivery models can impact 'value for money' significantly as some models are better suited to different market conditions and client objectives.

Research into contract types and their management across eleven case studies in 2016, and recent research by John Jones of Manawatū District Council, noted the advantages and disadvantage of each service delivery model. In the 2016 study the majority of cases indicated that they would choose a different service delivery model type for their next procurement irrespective of the current service delivery model.

Recent research of contract types identified 80% of councils use traditional contracts, 8% have some form of hybrid contract (using a performance bond), and 12% of councils are using the alliance type contract as they have limited in-house resources and have struggled to get staff.

None of the councils surveyed were using the NOC performance based contract, as they did not think that they had the resources to apply the measures required to hold the contractor to account under this delivery model.

Many councils using the alliance contracts found that they work best for complex networks where there is a need for flexibility and risk sharing.

An analysis of costs per kilometre of road maintained per council identified that the Ruamāhanga Roads alliance contract (an alliance with Fulton Hogan, South Wairarapa District Council and Carterton District Council) and the Manawatū and Rangitīkei District Councils' contracts appeared the most successful in meeting performance targets and providing the best value.

It appears that successful contracts promote and encourage a good working relationship between council staff and the contractors' managers. They are very much dependent on the attitudes and personalities of the key people and how risks are managed within the contract.

A range of delivery models were considered. This included the full range of contract models, from a fully relationship contract such as an Alliance, a Performance Specified Maintenance contract (PSMC), a Framework or Network Outcomes Contract (NOC) and the more traditional, NZS3917:2013, contract approach.

All four contract types are discussed in more depth in Appendix A. The determination matrix from the Waka Kotahi Procurement Manual is included below showing how the contract type was

chosen. The different contracts were assessed on their perceived ability to deliver the outcomes sought for each of the drivers.

Based on a simple rating of 1 to 4, with 4 being the best and no weighting applied. Both councils favoured a **traditional** contract based on the preferences given in the matrix below.

Driver	Alliance	Performance	Traditional	Framework
Capability and Capacity Development	3	4	2	1
Appetite for Collaboration	4	1	3	2
Client Programme Control	2	1	3	4
Client Risk Allocation	2	4	3	1
Desired Involvement / Resource Input	1	3	4	2
Flexibility	3	1	4	3
Commercial Tension and Sustainable Pricing	1	3	4	2
Continuous improvement, Network data, Customer care	4	2	3	1
TOTAL SCORE	**20**	**19**	**26**	**16**

This analysis shows a strong preference for a traditional service delivery model. It is seen to perform well across the broad range of drivers identified, it is well known and widely understood, and both Council's current experience working with this service delivery model has been positive.

MDC favour a traditional contract with some performance based elements. RDC also like the budgetary control offered by a traditional contract.

The next highest scoring delivery model is the Alliance. It is considered that the nature of the networks of both council's, and the available resources of council, do not lend themselves well to the application of an Alliance, which performs better with a more complexity or varied network, and with a more strongly resource client team.

5 Contract Details – General Road Maintenance Contract

5.1 Contract Tenure

Whilst the Procurement rules suggest that a maximum contract term of five years is preferable, the additional time and costs of more frequent procurement appear to outweigh the advantages. The main risk with a longer contract term is that the key people will change over that time. Therefore there is a need to maintain a good culture within the respective management teams that allows good relationships to be maintained. Co-location of client and contractor management teams appears to work well in promoting this (e.g. Ruamāhanga Roads in the Wairarapa, and the Whanganui Alliance).

The previous contracts for each of Manawatū, Rangitīkei and Horowhenua District Councils were for an initial period of three years, with provision for two further three year extensions. Palmerston North City Council's contract was for 4 years with an expiry date selected to align with that of the other Councils.

The possible contract term was discussed with both councils, and it was decided that the 3+3+3 term was worthwhile repeating this time in the new contract. This total contract period of nine years has worked well for the two District Councils. It is considered that this provides tenderers with a good incentive to compete for the work, but still give some flexibility to the Councils should there be future changes to the way in which they wish to engage with the supply market in the later years of the contract.

The nine year contract term gives a measure of certainty to both councils when developing their Long Term Plans, it also helps spread the costs of procurement over nine years rather than five, resulting in a saving of 45% of the procurement costs. Similarly, the successful contractors' establishment costs would also be apportioned over nine years rather than five, giving similar savings. Noting that the procurement costs and establishment costs tend to be similar regardless of the size of the council, so are a higher proportion of the overall maintenance budgets for smaller councils.

The overall contract value for each council could be up to $90 million over the nine years. This is large enough to be of interest to the national contractors and also long enough for larger local contractors to consider tendering.

Had the councils selected a five year contract term for the current contract, they would have needed to call for tenders in 2019. At that time there were fewer national contractors established in the region and many local contractors were extremely busy working on land development for private clients. Obtaining a reasonable selection of competitive tenders at that time would have been challenging. The proposed nine year term for this new contract should mean that the main roading projects in the region (the Otaki to north of Levin bypass and the Palmerston North ring road) are either completed or well underway.

5.2 Engineers Estimate

As required by the Price Quality Method (PQM) of supplier selection, an updated engineer's estimate will be used in the formula for selecting tenderers. This will incorporate an updated

Engineers Estimate for the initial period. The engineers estimate will be completed once a schedule of prices has been developed for the tender process.

The Engineers Estimate will be published in the tender documentation to provide tenderers with transparency of the estimated contract amount, giving them a good indication of the level of resource and commitment required to comply with the contract requirements.

5.3 Schedule of Prices

The approach to scheduling of the works is an important consideration in ensuring a clear allocation of risk, and good value for money can be obtained from the Contractor. It also signals the extent of works to be completed, preferences for different treatment types, and the type and quantity of resource that will be required to achieve the specified requirements.

The previous contracts contained similar works schedules which creates a good starting point to develop the new schedules of prices.

The schedule of prices will use a combination of lump sum, unit rates and daywork type items, with a basis of payment describing the performance criteria under which progress payments will be assessed.

To ensure alignment with current contracting industry expectations, additional preliminary and general items will be included to ensure the overheads are clearly determined within the contract pricing.

Issues such as increasing costs for works completed at a distance from depots and aggregate sources, and the cost impact of traffic management activities, are being considered so that no disincentive is introduced to provide good service to the extremities of each road network, and that these costs can be fairly apportioned across the districts.

5.4 Cost Fluctuations

Cost fluctuations will be paid under this contract. The approach used will be the Waka Kotahi standard cost fluctuation payment formula, using the quarterly index structure with the Statistics NZ produced indices as the basis for the cost fluctuation payments.

We are aware of the current volatility in the pricing of bitumen, and the cost of a number of other inputs to the contract. We will continue to watch these areas and others, to ensure the regime for cost fluctuation remains fair and appropriate.

5.5 Conditions of Contract

The conditions of contract to be used for the new Contract are the current version of NZS 3917:2013 Conditions of contract for building and civil engineering - Fixed term. The previously

used conditions of contract will be reviewed and updated to ensure they remain relevant with current requirements and legislation.

The Engineer to Contract, and Engineer's Representative are yet to be confirmed. This will be discussed and agreed by the respective Councils' prior to the commencement of the procurement process.

No retentions will be required for the contract. A performance bond was previously provided, but will not be required in this contract.

Subject to progress with the three waters reform it is suggested that an additional schedule be included as a separable portion for stormwater drainage works as it is unclear whether stormwater will form part of the reforms. Should stormwater remain within councils' responsibilities it would be appropriate and most cost efficient to include it with road drainage, in the Road Maintenance contract.

5.6 Broader Outcomes

Since the contract tenure could be for a period of up to nine years it is important that the Contractor is able to commit to and becomes part of the local communities in which it is working.

One of the attributes to be considered when reviewing tenders are the Broader Outcomes, which includes the overall wider benefits to the community from engaging the particular Contractor.

Broader outcomes are the secondary benefits that are generated by the way a good, service or works is produced or delivered (eg 'how' we deliver our projects, in addition to 'what' is being delivered). The how can substantially impact the local community, workforce wellbeing, our construction sector, the environment and many others. These outcomes are in addition to the core scope of the project or contract and can include social, environmental, cultural or economic benefits, delivering long term public value locally, regionally or nationally[3].

Consideration of broader outcomes requires Council to consider not only the whole-of-life cost of the activities, but also the costs and benefits to society, the environment and economy.

Tenderers will be asked to provide evidence showing their commitment to such things as:

a) Health and safety.
b) Environment measures employed to minimise the carbon footprint of the contractors operations, and to ensure the appropriate protection of the environment.
c) Community well-being (e.g. sponsorship of sports clubs).
d) Training, succession planning and development of their staff,
e) Establishment of concrete and bitumen processing or batching plants to serve not only their needs but assist others in the community.
f) Employing local roading staff transferring from the outgoing Contractor in order to retain local knowledge of the road network.
g) Developing good working relationships with neighbouring roading contractors so that they can work together should there be a civil defence emergency.

[3] Taken from Waka Kotahi guidance on procurement.

h) Working together with a range of small to medium sized local suppliers, and helping them sustain and positively develop their operations.

The contract will include a requirement for the minimum amount of work that must be subcontracted to other suppliers, to ensure a sustainable market is maintained over the life of the contract.

5.6.1 Health and Safety

Both councils have developed rigorous health and safety practices with a strong requirement that all contractors comply with council policies in this regard. This is part of the Council's duty as a PCBU and helps ensure that all workers are protected. Compliance with Council's Health and Safety Procedures is a pre-condition on all contracts. How contractors will improve safety for all road users is part of the Broader Outcomes and is measured as part of their performance targets.

Ensuring the health and safety of workers and road users is a high priority with the aim of zero road deaths on Councils roads across both districts. Not only will Contractors need to demonstrate that they are protecting their workers and members of the public who may be driving through work sites. They will also need to pro-actively assess the road network and suggest safety improvements or interventions.

Council favours a risk based approach to Health and Safety rather than a prescriptive approach that may create more risks. For example, Traffic Management Plans need to assess the risks associated with the work proposed rather than relying on prescriptive options given in the Code of Practice for Temporary Traffic Management (CoPTTM), or it's subsequent replacement.

Performance measures will include response and resolution times for urgent works such as reinstatement of safety features.

Contractors will be required to report any accidents or near misses for their staff at regular contract management meetings. They will also be required to assist the investigation and reporting of any traffic accidents on the network so that improvements can be discussed and agreed with the Roading Manager.

One of the mandatory performance measures for roading is the requirement to report the number of deaths or serious injuries on the districts' road. This places the requirement on all parties to work together to reduce New Zealand's high road toll.

Working in rural areas can be isolating for some people, therefore measures to promote mental health and well-being of staff and members of local communities (e.g. via sponsorship of community groups) are considered beneficial. This will be an item that needs to be addressed under health and safety and the review of contractors' H and S documentation and performance.

5.6.2 Environmental Measures and Sustainability

Tenderers will be asked what measures they have in place to help them reduce their carbon footprint. Examples could include the use of electric or hybrid vehicles, the establishment of local depots to reduce travelling, employment of local staff, access to quarried products, or investments they have made in green projects for carbon sequestering.

They will be asked what experience they have in reuse of materials (e.g. recycling pavement layers) and their waste management approaches. This will include how they propose to include these measures in their contract management.

The establishment of local batch processing plants may help reduce the overall carbon footprint for items that would otherwise have to be sourced from outside the region.

The contractor will be required to undertake a carbon audit at the start of the contract and at each review time and will be required to demonstrate a noticeable reduction in carbon emissions.

It is expected that the contractor (or contractors) will be aware of the number of local iwi in the area and their affinity for their local streams and rivers. The contractor will be expected to work with Horizons Regional Council, Council, land owners and local iwi to ensure that runoff from roads or construction areas does not adversely affect any streams or rivers.

Any complaints or abatement notices received regarding the contractor's work practices will be reviewed as part of the performance measures.

Some roads in both districts contain steep cuts that can become unstable in heavy rain, contributing a high soil loading to streams. The contractor will be expected to monitor cut batters and propose measures to reduce frittering where possible.

5.6.3 Training, succession planning and development of staff

It is hoped that the successful contractor will be able to employ most of the staff employed under the outgoing contract to retain local knowledge of the network, as well continuity of local employment. They will be expected to recruit and train new staff to provide graduates, school leavers, or older members of the workforce with local employment and experience. The overall size of the workforce is likely to be small so diversity targets may be difficult to achieve.

Recruitment of staff from local iwi will be encouraged, and will assist in communication with iwi and understanding of cultural issues and areas of cultural significance.

It is highly unlikely that all the staff will remain with the contractor throughout the nine year term. Therefore there will be a requirement in the contract for a minimum number of trainees as well as experienced staff to provide supervision and mentoring.

Inadequate training or lack of appropriately qualified staff will adversely affect overall performance and increase supervision costs for Council. Poor communication by the contractor with local communities will be noticeable in the number of complaints received.

Both councils regularly survey ratepayers to assess customer satisfaction with services provided. The results of such surveys will be included in the assessment of the contractor's overall performance.

5.6.4 Establishment of Concrete or Bitumen batch processing plants to help the wider community

The Manawatū and Rangitīkei districts are well served in terms of local quarries. It is expected that raw construction materials will be sourced locally. Nevertheless, a contractor that can offer batch processing plants for the production of concrete, bitumen, or other roading products that could also assist the wider community, would have a advantage.

Tenderers will need to state in their tenders whether they are already offering this service and if not, when they are intending to offer the service.

5.6.5 Working well with other civil contractors and Maintaining a Sustainable Supply Market

There are a number of large construction projects underway in the region employing a number of civil staff with a wide range of experience and expertise. Attendance at local engineering or roading meetings or social gatherings enables the sharing of knowledge and promotes a spirit of co-operation should the region experience another civil emergency.

The widespread flooding of the region in 2015 occurred around the start of the current contract. The outgoing contractor, Fulton Hogan and the current contractor, Higgins, were able to work together to help the communities in Rangitikei and Manawatū recover.

It is expected that the Roading Maintenance Contractor will be a key contributor to these types of meetings and will establish good connections with other civil contractors so that assistance is available or can be provided when there is an emergency.

The employment of subcontractors to complete aspects of the contract will be mandated through the contract requirements. A minimum subcontracting threshold will be required to be maintained, with the contractor required to demonstrate they have meet this, and how they are contributing to a healthy and sustainable contracting market across the region.

6 Procurement Programme

6.1 Largest Contract - Roading Maintenance Term Contract

The main procurement for both councils covered under this procurement strategy is their respective Road Maintenance contracts. These contracts are estimated to cost around seven to ten million dollars per council per annum, or sixty to eighty million over the life of each contract.

Both councils have found that the contract term of up to nine years has worked well and provided security to the contractor and each council in a time when availability of resources, particularly manpower, is scarce.

Whilst not overly complex these contracts include nearly all routine activities related to maintenance of the road with the exception of any particularly specialised work such as the maintenance of street lighting. Routine maintenance includes vegetation control, some pavement rehabilitation, signage and all street cleaning and drainage works, as well as road resealing and asset renewals. Low cost low risk pavement renewals are likely also be included in the main Road Maintenance contract, but will be considered on a case-by-case basis to ensure best value for money decisions continue to be made.

Both councils have a number of bridges and culverts as part of the road network. The road maintenance contractor will assist with the routine inspection of bridges as part of the contract.

The preferred type of contract for this procurement is a traditional service delivery model. Potential tenderers will be invited to register their interest and will be required to demonstrate their capability as part of the procurement process.

The General Conditions of Contract will be the latest version of NZS 3917.

6.1.1 Indicative Procurement Programme

An indicative procurement programme for the procurement of the RDC and MDC road maintenance contracts is suggested as follows:

ACTIVITY	PROCUREMENT PROGRAMME
Complete Council agreements to Procurement Strategy	November 2022
Waka Kotahi approval of Procurement Strategy	February 2023
Preparation of tender documentation	June 2023
Registration of Interest	July 2023
Industry Combined Briefing	August 2023
Issue Request for Tender	September 2023
Individual Interactive Tender Meetings	October 2023
Close of Tenders	November 2023
Complete evaluation and name preferred tenderer	November 2023
Pre-letting Meeting(s)	December 2023
Approvals and Award of Contract	February 2024

ACTIVITY	PROCUREMENT PROGRAMME
Contract Mobilisation and Establishment	March 2024
Contract Commencement	1 July 2024

The key aspect of this programme is the confirmation of the successful supplier(s) at least four months in advance of the expiry of the existing general road maintenance contracts. 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.

This programme requires that the tender period commence early in September 2023, with any multi-party funding agreements, and joint development of the tender documents completed in advance of the tender period.

6.2 Medium Sized Contracts

Major road rehabilitation projects, public transport related work or any specialised work to structures, including any bridge or main culvert replacements, will be procured under separate contracts when required. They will be project specific contracts and will be considered as medium to large sized if their overall estimated value is over $200,000.

Medium sized contracts will use NZS 3910 for contract terms and conditions and will be openly advertised. They will be subject to the retentions as specified in NZS 3910 and have a Defects Liability Period of at least twelve months.

It is possible that an extreme weather event or an earthquake could damage roads and structures in the network. Where the extent of damage is too great to be managed by the roading maintenance contractor it may be expedient to contract extra assistance. This would need to be assessed at the time with the most practical procurement arrangements determined once the extent of damage is known.

6.3 Smaller Sized Contracts

Contracts for professional services and specialised minor works may be tendered to a selected group of up to three companies who are invited to tender. A consultant or company that wins one tender may be invited to undertake additional similar work for similar fees without the need to tender and subject to satisfactory and timely performance up to a total of $200,000 in any one year.

Engineering firms tendering for professional services shall be bound by the ACENZ Conditions of Engagement.

The specific approach to the procurement of services for both small and medium sized contracts is covered in more detail later in this document.

7 Approach to Delivering the Work Programme

7.1 Confirmation of Specific Strategic Objectives

Both councils want the procurement of roading goods and services to comply with government guidelines for procurement.

All 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 helps reduce negative environmental impacts, develop suppliers and promote regional and economic outcomes.

Both councils are committed to open, transparent and competitive procurement that:

- delivers best value for money (which isn't necessarily the cheapest price)
- does not discriminate against suppliers (whether local, national or international),
- meets agreed OAG standards.[4]

"*Early market engagement and continued open dialogue with suppliers are essential to the results that can be achieved. There are sound commercial reasons why building stronger relationships with business is important. The Rules aim to encourage better commercial practice by promoting these types of behaviours and achieving greater value for money."*

To ensure maximum value for money expenditure the procurement rules aim:

- to provide open and fair competition that supports innovation and helps create a competitive, productive and sustainable market place; and
- for Council to be valued as a desirable principle / client organisation – that demonstrates professional practice and has a reputation for integrity.

The specific strategic outcomes sought from the various procurement classes within Roading are well maintained roads that enable our communities to travel safely, stay connected and have access to all parts of our districts so that we can maintain our social and economic well-being.

Contractors' contributions to Broader Outcomes that are of benefit to the industry or wider community demonstrate the contractors' engagement and are considered desirable qualities to be included in tender evaluation.

[4] Manawatū District Council Procurement Policy 2022, and Rangitīkei District Council Procurement Policy 2014

Both councils have a strong commitment to health and safety, and environmental protection. 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.

7.1.1 Sustainable Market Criteria

The new road maintenance contracts will include the majority of the services required on the road network across the two districts (other than those on the State Highway). Therefore it is important that the procurement approach utilises sustainable market principles, encouraging the supplier to use good practices to enable a sustainable and competitive market to be retained in the region.

This will be done in two ways through the procurement approach:

- Tenderers will be required to describe in their methodology their approach to working with the subcontracting market, training and succession of employees, and how they will incorporate social procurement and broader outcome philosophies in undertaking the contract works.
- The Contractor will be required to subcontract a minimum of 20% of the Contract Works to other financially separate entities. Their approach to doing this will be included in their tender submission, and they will be required to report annually on the value of works subcontracted to demonstrate compliance with this requirement.

7.1.2 Cost Fluctuations

Cost fluctuations will be paid under the maintenance contracts. The approach used will be the Waka Kotahi standard cost fluctuation payment formula, using the quarterly index structure with the Statistics NZ produced indices as the basis for the cost fluctuation payments.

7.2 Procurement Approach and Shared Opportunities

In 2019 and 2020, through a series of joint workshops with representatives of PNCC, HDC, MDC and RDC and Waka Kotahi, a range of options in relation to the delivery of roading services were considered.

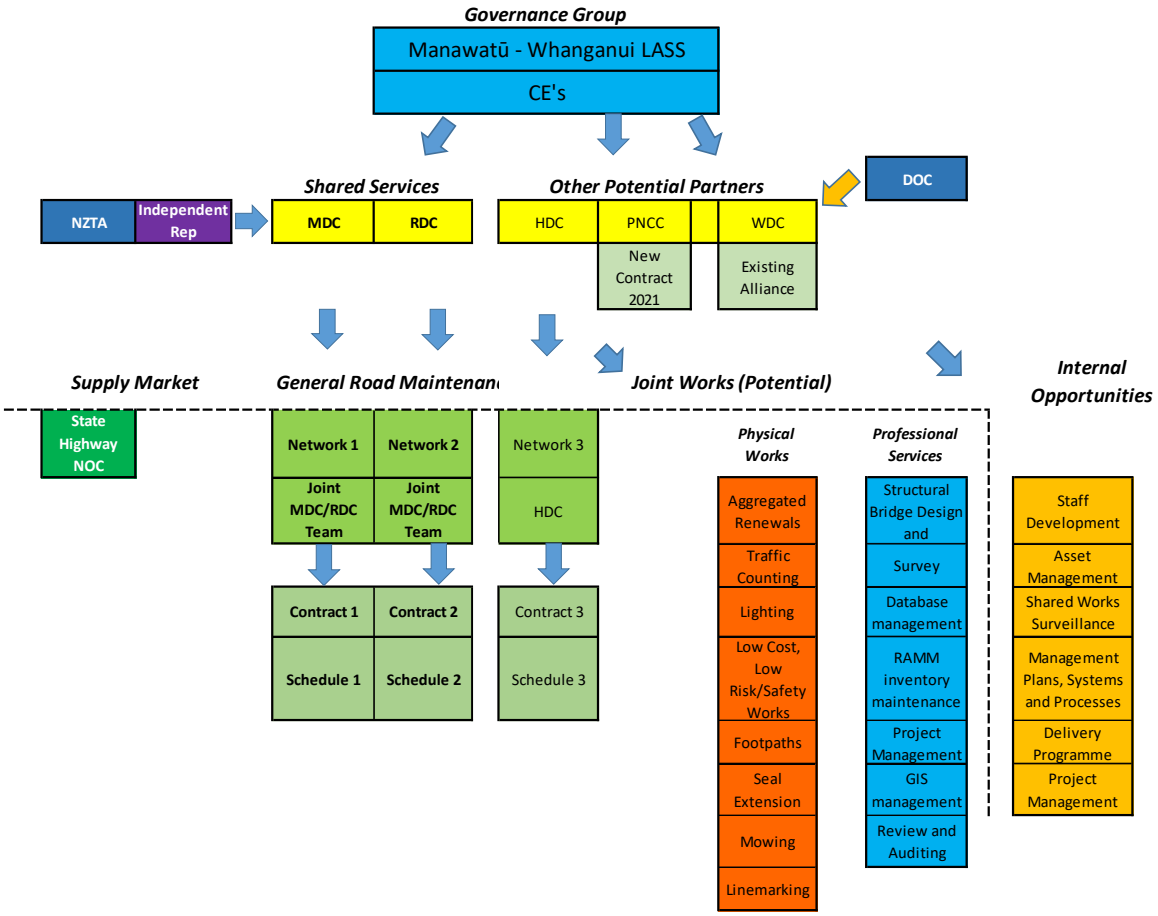
Considerations in these workshops extended to both the best client organisational structure to deliver roading services across the region, as well as the best approach to externally contracting with the supplier market. It was considered critically important by the group that they work together to find both internal and external opportunities that would improve the collective value for money achieved, leveraging the best skills of all parties.

As part of these deliberations, the group also heard from a representative of Carterton DC on their experience in the recent development of a joint contract approach with South Wairarapa DC. In addition a case study from the Northland Transport Alliance was considered, and the Waka Kotahi described their experience on a range of collaborations they are involved in, including Marlborough Roads, Tairāwhiti Roads and West BOP. The group also heard from a representative of the Department of Conservation on their interest to collaborate and over time move to delivering maintenance of their roads in the region through each of the respective Council's maintenance contracts.

Through these discussions an internal organisation structure, matched with an external contract packaging approach was developed. At that time HDC were considering working with PNCC in a joint roading maintenance contract to help increase the volume of work being tendered and hence encourage competitive bids. In 2020, the uncertain times meant that HDC elected to continue with their term contractor until the end of the full nine year term in 2024.

HDC were asked if they wished to join Rangitīkei and Manawatū to share costs for the procurement process, but there has been no response as yet.

The current internal organisation structure is shown below:



The key features shown on this diagram are explained as follows:

- Governance will continue to be provided at a Chief Executive level through the existing Manawatū-Whanganui Local Authority Shared Services (MW LASS) group, which covers a broader range of council services, although noting PNCC are not currently a member of this group (with governance from PNCC provided through separate reporting and oversight or their future inclusion within the MW LASS).
- Senior management meetings will continue to occur across the councils included within the regional cluster albeit that these are now more informal as the opportunities for face-to-face meetings has been limited over the past two years.

- Opportunities will continue to be explored to share best practice solutions, experiences, and resource across the councils. Specific opportunities initially noted include:
    - Staff secondment, mentoring and training
    - Asset management
    - Shared works surveillance
    - Management plans, processes and systems
    - Delivery programme alignment and smoothing
- MDC / RDC will continue to operate under their existing shared service arrangement for road maintenance, with a separate contract for each of the respective networks.
- HDC will advertise their roading maintenance contract at the same time as MDC and RDC.
- All three councils (MDC, RDC and HDC) have high levels of housing development underway at the moment which may benefit from a sharing of capacity for resource consent processing and inspections.
- PNCC have developed and successfully tendered a road maintenance contract which included sufficient capital works items to ensure the healthy competition they were seeking.
- The Waka Kotahi will continue to operate the State Highway network through their Network Outcome Contract (NOC).
- Potential refinements to the hard boundaries of the contract structure noted above will be explored. Specific opportunities include:
    - Foxton / Himitangi Beach road maintenance – develop a better coordinated approach to the delivery of this road maintenance at the far extent of the HDC and MDC networks respectively.
    - Assistance with DOC owned and managed road maintenance.
    - Potential to combine road maintenance inspections with state highway inspections (routes such as State Highway 54 are used to access many of MDC's roads).
- All councils will work together to progress opportunities for increased efficiency in other roading services. This will be through one of two ways. Either through a joint contract, with all councils assisting in the administration and management of the contract. Or it will be through a "syndicated" type arrangement where one council takes a lead in the establishment of the contract, with provision of the services to which it relates to be extended to one or more other councils as required.
- Potential specific opportunities to have collective contracts were noted as follows:

    Professional Services
    - Structural bridge design and inspections
    - Surveying
    - Database management
    - Asset management / RAMM inventory maintenance
    - GIS management
    - Review and auditing

    Physical Works
    - Renewal work not included within road maintenance contracts
    - Traffic counting
    - Lighting
    - Low cost low risk, and safety improvement works
    - Footpaths (renewal and extensions)

- Seal extension
- Mowing
- Linemarking

7.3 MDC and RDC Roading Maintenance Contracts Key Attributes and Best Value for Money Strategy

7.3.1 Roading Maintenance Contracts

The roading maintenance contracts for both councils will comprise approximately $5-6 million of maintenance works each, plus at least $2 million of capital works per annum each. This should ensure that the contracts are sufficiently large to attract interest from local and national suppliers.

The key attributes are that they are long term contracts with work throughout the year. The value of work is enough to pay for the maintenance of a works depot in each district and for full time staff as appropriate.

A contractor that is successful in winning both contracts will likely still need more than one depot covering both districts, but may still be able to provide a more efficient service to both councils overall. The first three year programme of work will be known at the start of the contract so the contractor will be able to schedule the work to accord with work force and equipment availability, allowing for other projects in the area.

Both MDC and RDC, have found that the current 3+3+3 contract term has worked well. The first few years of any new term contract can be challenging as the new contractor becomes familiar with the network, the geology of the region, and the required performance levels. The longer contract term provides security for the contractor to invest in training staff and buying any specialised equipment needed.

The Procurement manual, section 10.21 “Maximum term of a term service contract for infrastructure or planning and advice” stipulates a maximum term service contract of five years, including any initial term plus any term extensions. Manawatū District Council and Rangitīkei District Council would like to continue to use a maximum term of nine years (3+3+3 years) for the term service contract for road network maintenance, so have requested approval to a variation to the Procurement Manual in this respect.

The maintenance part of the contract is not particularly complex with most tasks being of a routine nature. However, innovation should be possible when considering appropriate interventions and availability of materials. The contract will contain a number of performance targets that need to be achieved rather than everything being prescribed.

Shared services across both councils has provided considerable savings in terms of overhead costs, particularly with respect to items such as preparation of contract documentation, evaluation of tenders and contract management.

7.3.1.1 Conditions of Contract

The conditions of contract to be used for the new Contract are NZS 3917:2013. The previously used conditions of contract will be reviewed and updated to ensure they remain relevant with current requirements and legislation.

The Engineer to Contract, and Engineers Representative are yet to be confirmed. This will be discussed and agreed by the two Council's prior to the commencement of the procurement process.

No retentions will be required for the contract. A performance bond was previously provided, but will not be required in this contract.

7.3.2 Reseals and renewals

Under the proposed (MDC and RDC) contracts much of the reseal and renewal programme is completed through the main general road maintenance supplier.

However each contract allows for some works to be completed outside of this. This provides the opportunity for each council, on a case by case basis, to consider specific sites where there could be benefit in working with other councils to form joint delivery contracts. Such an arrangement could enhance the attractiveness of such work to a wider supply pool, increasing the level of competition and potentially improving the level of value for money for each council.

Such works will be considered in the review of each council's works programme, with attributes such as size, type, location and duration taken into account in decisions made around the optimal packaging of the works. Such decisions will be made in the shared services management meetings.

7.3.3 Professional Services, Bridge and Culvert Renewals and Replacements

Some of the councils have in house structural expertise to conduct detailed bridge inspections, but when it comes to structural design of improvements or remedial works, structural engineering consultants are often employed. Often the consultant resource required is from outside the region.

There are numerous road bridges throughout the region, particularly in Rangitīkei and Manawatū due to the geology of the region.

It is considered there is merit in joint procurement of professional structural engineering services across the region. This will enable continuity of work for a structural engineering firm and so that they can maintain an understanding of the region's geology and technical challenges. It could also leverage the collective buying power of all council's, and reduce the administrative costs associated with individual procurement and contract management processes.

Similarly, contractors that develop the necessary skills to maintain bridges can be hard to find so a consolidated delivery programme, better managed through a single engineering consultant, will assist in the planning for the delivery of such work, and the retention of skills.

Part of the assessments of bridges and culverts will include estimates of their current capacity and whether or not they can meet requirements when climate change is taken into account in flow modelling.

7.4 Risks

The following key risks have been identified and have been taken into account 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 is 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 any council may be unable to retain sufficient skilled resource for the management and delivery of its roading services. This shared services approach mitigates this risk by allowing councils to work together to better utilise their resources, and provide internal training and succession opportunities.
- ***Competitiveness*** – There is a risk that a single supplier dominates the market, but this has been partly mitigated through the letting of a large contract for PNCC's roading maintenance to a different supplier. There are now three to four national roading maintenance suppliers available within the region which should encourage a better utilisation of resource and improve the attractiveness to the supplier market of this works. 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 each council. 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 2024 start to the new contracts 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.
- ***Differing Local or Political Drivers impact on the effectiveness of the Shared Services approach*** – Both councils will continue to monitor for differences in objectives or drivers in the design of the delivery approach. The shared services team meet regularly to continue to explore opportunities to provide increasing value, and to monitor the health of the relationship and internal alignment. Preparing separate contracts for each council will help mitigate this risk, should there be a time when the current shared services agreement is no longer considered fit for purpose.
- ***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. Mitigation could include the transfer of staff with stormwater expertise to the roading team when the entities are formed.
- ***Lack of alignment of water projects with roading renewals so potential for damage to newly rehabilitated surfaces*** – Currently MDC and RDC plan water service renewals and roading renewals to a 10 year programme so that any replacement of water services happens before roads are resurfaced. Ideally the new water entities will work to a similar programme.

- ***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 has to be imported. Overseas processed or manufactured goods are experiencing supply disruptions due to the ongoing effects of the pandemic. Allowing for price escalation in term contracts will help to manage this risk but may make it difficult to budget effectively.
- ***Climate change*** – Extreme weather events over the past few years have increased the risks of flooding, slips and wash-out in many parts of the two districts. 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.

7.5 Professional Services

Within the current level of resourcing within the Council's, it is expected many of the management and planning services required to support road maintenance within the districts will be provided by the internal Council resource. This resource will be shared across the wider Councils where possible, with the opportunity for co-location to ensure good utilisation and alignment noted. Potential for co-location with the general road maintenance contractor may also be explored, as is the practice of Waka Kotahi on some of its NOCs.

There will be requirements for both general support and specialist services, such as bridge engineering and safety improvement design works, asset management support, and the design and management of capital improvement projects, where Professional Services will be required. Network Management support is usually completed internally.

The two councils have identified a goal of ensuring good access to wider and shared expertise, and minimising the Professional Services overhead by having internal resources completing the day to day management and planning activities for the roading network.

The procurement approach adopted for engaging external Professional Services will utilise either an open or closed procurement process, depending on the contract values, and in compliance with the requirements of the Waka Kotahi procurement manual. See comments in Section 8 below.

8 Procurement Strategy Implementation

8.1 Capability and Capacity

With a clear Procurement Strategy, the councils will have the capability and capacity to manage whichever type of contract is preferred. However, it is suggested that an allowance be made for training and succession planning within Council in relation to managing their contracts. Risks can be addressed by:

- *Ensuring an open environment where ideas are shared*
- *Ensuring professional training is available to all members to develop their skill sets*
- *'Growing our own' engineers from cadet level up*
- *Ensuring that succession planning occurs*

8.1.1.1 Contract Model Match

The shared services are capable of administering their own road maintenance contracts. The roading asset management team or resources within councils will help with the identification of forward works programmes and the understanding of the roading assets.

Both councils have experience with the Traditional contract model and currently have the staff required for managing delivery under this model.

Assessment of optimal technical / support resourcing levels and development of necessary skills to service each contract model (including the current Traditional contract), will be a consideration for model selection.

8.1.2 In-House Professional Services MDC and RDC

Currently Manawatū District Council staff provide professional services to MDC and RDC in the following areas:

- The delivery of the 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 in-house shared professional services roading department, supported by external resources (consultants) as necessary, has adequate capacity to procure the services and works included in this strategy.

The current Transport activities organisation structure for Manawatū District Council is shown in Appendix 3 below. Each role is outlined as follows:

Asset Management	
Role	**Responsibility**
Roading Manager	The strategic oversight of the roading network across the Manawatū and Rangitīkei Districts. This senior 'client' role is responsible for the development of the Activity Management Plan including the long term planning of renewal and capital programmes.
Asset Management Team Leader Programme Delivery Engineer Asset Coordinator	Technical leadership and day-to-day support to the Roading Manager, these roles ensure the successful delivery of asset management outcomes. - Asset inventory and database management. - Data trend analysis, failure mode analysis, strategy assignment, treatment selection and the development of the forward works programmes of renewals, including NPV analysis, business case writing and attending programme validation inspections of the network. - Work with operational staff to ensure maintenance intervention strategies are followed and decisions are made with a "best for network" approach.

Operational Management	
Role	**Responsibility**
Maintenance and Operations Manager	Operational leadership, staff management and direction for the roading operations teams in Manawatū and Rangitīkei District Councils.
Programme Delivery Manager RDC Roading Advisor RDC	Provide technical and professional advice that ensures the long-term integrity of roading assets and sustainable transport options for the district along with ensuring key capital projects fully comply with standards and relevant legislation.
Project Engineer	- Preparation of contract documentation - Managing the processes associated with the provision of fault data and condition assessment. - Development & monitoring of monthly maintenance programmes of works. - Managing asset renewal projects through the design phase and through to construction hand over - Performance assessment of completed renewals works - Management of monthly performance reports.

Technicians (x2)	- Provide assistance to Maintenance and Operations Manager and Programme Delivery Manager
Corridor Access Co-ordinator	Processing all Corridor Access Requests (CAR) applications and issuing Works Access Permits (WAP) to carry out work in the road corridor. These are key processes that will ensure that the proposed traffic management is appropriate for the road environment and ensures the safety of road users and road workers. This is a key role that reviews a variety of applications, approving traffic management plans, methodologies and timings.

Infrastructure Support	
Role	**Responsibility**
Team Leader	The Team Leader – Infrastructure Support is responsible for leading a team of technical support staff who deliver support functions to the Infrastructure Group.
Support Officers	Provides technical and administrative support to the Roading Infrastructure Group

8.2 Procurement Processes

8.2.1 Roading Maintenance Contracts

The largest part of this procurement strategy relates to the procurement of the long term roading maintenance suppliers.

Workshops have been held with RDC and MDC and the analysis of the contract matrix has determined that the preferred contract is a traditional form as this provides the level of control that the councils consider appropriate (see Section 4.4 for the Service Delivery Model matrix).

These tenders will be a two stage open tender process with potential tenderers invited to register their interest.

Tenders will be evaluated using the Price Quality Method, a two envelop process where the tenderers capability and expertise are evaluated and scored prior to opening their prices. The attributes and prices are weighted so that best value for money tenders can be determined.

Due to the size of the potential contracts, the two-three highest scoring tenderers for each contract will be invited to present to the evaluation team. This will enable the evaluation team to explore any differences and determine whether the successful contractor will work well with the roading team.

8.2.2 Small to Medium Roading Works

A range of small to medium sized roading related works will be procured separately from the general road maintenance contract. These contracts are likely to be procured through a mix of individual contracts for each Council and combined contracts including two, three or all four of the Councils. 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's will have rights reserved under the contract to tender works in 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 for RDC or $100,000 for MDC Contracts. 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 for RDC or between $100,000 and $500,000 for MDC contracts. 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 their Council's Procurement Policy. The New Zealand Transport Agency (NZTA) has a requirement for any project in excess of $200,000 to be openly advertised and procured via a competitive procurement process. Therefore, this value must be adhered to when Council is procuring Roading related goods and services which attract an NZTA subsidy.
- **Complex procurement** – this is for high risk and/or procurement valued at over $200,000 for Roading related goods or services for either council, $250,000 for RDC or over $500,000 for MDC contracts. This is a full process starting with a procurement plan approved by the respective 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:
    a. the supplier has won a Stage One contract via an openly advertised procurement or closed competitive process
    b. the quoted price for the subsequent stage(s) of the project is reflective of the initial competitively tendered rates
    c. the quality of the Stage One works was delivered at or above the required standard
    d. 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.

Note – the value is the total potential value of the contract, i.e. if it is valued at $50,000 per annum and it's a three-year contract then the procurement value is $150,000.

Expanding on the above, for works excluded from the main Road Network Maintenance Contract the following range of options will be considered in determining the best approach to supplier selection:

VALUE	SUPPLIER SELECTION METHOD				
	Direct Appointment	Closed Contest (LPC)	Open Contest – Lowest Price Conforming (Price 100%)	Open Contest – Price Quality (Price 40%-60%)	Open Contest – Quality Based
Professional Services					
<$50k					
$50-$100k	MDC Only				
$100-$200k					
>$200k[5]					
Physical Works					
<$50k					
$50-$100k	MDC Only				
$100-$200k					
>$200k					

Through this testing the market, and giving opportunities to both a range of suppliers, and suppliers that have a proven track record, both 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 make will be in accordance with each Council's delegated financial authority.

8.2.3 Contract Development

The documentation to support the request for tender (RFT) for the maintenance contracts will be developed in full compliance with this procurement strategy. The document will be based on the previous general road maintenance contract, with updates for key items such as:

- ONF requirements such as:
  - Response times related to the Road Classification (a table of response times against Classification and a table of Roads with their Classification).

[5] $200,000 is currently the maximum contract value that Waka Kotahi will permit procurement under a closed contest.

    - Data collection as required for producing the Programme Business Cases in the Asset Plans for the different funding categories.
- Incorporation of new Traffic Management guidelines or requirements, currently being developed by Waka Kotahi.
- Revised schedule of prices to capture preferences in terms of management and incentives to achieve performance, and in particular the approach for cyclic items and the best scheduling of the works across each district.
- Revised quantities to match the future expected routine maintenance needs.
- Rationalisation of reporting requirements and alignment to support internal Council reports in order to simplify reporting processes for all.
- Clear liaison requirements with Waka Kotahi and their NOC supplier.
- Ensuring the unique network specific issues across the two districts are well captured in the new contract requirements.
- Consideration of likely issues on the contract such as:
    - Increased asset deterioration due forestry.
    - Prioritisation of routine maintenance works, and emergency works during for example large storm events.
    - Maintaining good asset data inventories.
- Sustainable market criteria and succession and training requirements will be included in the contract specification.
- The inclusion of a performance assessment process (based on the PACE process)
- Other changes from the latest NZTA pro forma where relevant.

Additional updates over and above those listed will be considered by the TET as they are encountered.

8.2.4 Prequalification

As a prerequisite to tendering for the road maintenance contract, tenderers will be required to demonstrate their current (at the time tenders close) prequalification to Waka Kotahi physical works prequalification process.

The minimum requirement will be Waka Kotahi prequalification for Routine and Minor Works (1A or 1B), Surfacing (2A or 2B) and Construction (4B). Tenderers that do not hold current certification demonstrating their prequalification to this level at the time tenders close will be deemed non-conforming.

Through the Registration of Interest process as described below, the required level of prequalification has been signalled early enough to enable interested suppliers sufficient time to obtain the required level of prequalification, where they do not currently hold this.

8.2.5 Registration of Interest

A registration of interest (ROI) process will be advertised on GETS to gauge the level of interest from the supply market in tendering for the MDC/RDC contracts.

Interested parties will be required to respond with a simple letter confirming their interest in participating in the process, and their point of contact for enquiries.

Only parties registered through this process will be invited to attend the industry briefing, and will be communicated with in the tender period.

Where either a large or very small number of responses are received to this ROI, additional measures may be considered in order to ensure sufficient levels of competition in the tender process are maintained.

8.2.6 Supplier selection method

A Price Quality method (PQM) suppler selection process will be used for the evaluation of tenders for the MDC and RDC road maintenance contract. The process will follow Waka Kotahi approved process for PQM supplier selection. This is considered to provide the best value for money approach to the market, with other options such as Lowest Price and Quality based supplier selection considered to provide lessor value for money with their over emphasis on price and quality respectively.

The PQM process will incorporate non-price attributes in the evaluation of tenders, with an overall weighting of 60% non-price, and 40% price.

The specific non-price attributes and their weightings will be developed and approved through a separate procurement plan.

8.2.7 Interactive Tender Process

An interactive tender process will be used to tender all general road maintenance works. This will include the following key steps:

- An industry briefing will be held to outline the key aspects of the process, and to respond to any initial questions from the industry on the contract documents.
- An individual interactive meeting will be held with each tenderer to allow them the opportunity to discuss in confidence any aspect of their developing tender submission.
- A traditional query and notice process will be used to provide for written formal responses and updates to contract documentation through the process.

The aim of the interactive process is to ensure a high standard of tenders are received, well aligned to the collective requirements of all Councils.

A pre-letting meeting will be held with the preferred tenderer to confirm and finalise aspects of their tender submission and ensure good alignment with the joint client expectations across the road networks.

8.2.8 Detailed Procurement Plans

A detailed procurement plan will be developed and agreed for each procurement activity undertaken under this procurement strategy.

This procurement plan will detail the specific weightings and attributes to be used in the procurement process, as well as the allocation of risk, the procurement programme, and the resources to be used in the evaluation of tenders and the management of procurement and delivery.

8.2.9 Contract Approvals

The approving managers and processes for approvals relating to this procurement process is to be determined in advance of the commencement of the procurement process to ensure clarity of expectations and expediency in the obtaining all necessary approvals.

It is the responsibility of each of the Council's TET members to ensure that the approval processes are in place for their respective Council such that all necessary approvals can be obtained without delay to the procurement programme.

8.3 Performance Measures and Monitoring

A need for increased supplier collaboration has been identified and for a forum where both supplier and Council representatives can discuss performance issues in an open and positive environment. 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.

Accordingly both Councils intend to utilise the Waka Kotahi PACE system for the recording of performance assessments. The Waka Kotahi standard processes will be modified to suit the needs of the road network maintenance contracts, and the specific outcomes of greatest importance to the District Councils.

Aspects of the contract process, such as tender pledges included within the non-price attributes and sustainable market minimum thresholds will be checked periodically (at a minimum annually) and included within the Council PACE system.

The Council PACE scores recorded will be an important input into decision making around additional works that the Contractor will be asked to price, as well as a key input into consideration of the tenure extension.

8.4 Communication Plan

8.4.1 Internal Stakeholders

This Procurement Strategy has been prepared in accordance with the requirements of the Transportation teams in both councils and has been discussed and approved by the Executive teams of both councils.

8.4.2 Other approved organisations or entities

A draft of this Procurement Strategy was sent to Waka Kotahi for comment and approval prior to finalisation.

Horowhenua District Council have also been consulted to determine whether they wish to follow a similar procurement programme for their Roading Maintenance Contract. This has not been incorporated into this procurement strategy.

8.4.3 Supplier market

The supplier market identified in the Supply Market Analysis will be invited to meetings to register their interest in tendering whilst the final tender documentation is being prepared.

8.5 Implementation Plan

An indicative procurement plan for the Roading Maintenance procurement for both councils is given in the above section. The aim is to replace both the current contracts on 1 July 2024.

If required, roading renewals and rehabilitation that is outside the maintenance procurement will be advertised as closely as possible to the start of each financial year, once the works and budgets are approved, so that the work can be completed well before the end of the construction season.

MDC and RDC Road marking contracts are 3+3+3. First term expires 30 June 2024. MDC engages a street lighting contractor as and when required, now that all street lights are LED maintenance is minimal. RDC has a preferred street lighting contractor. The contract is directly appointed annually.

Bridge and culverts will continue to be inspected by council staff. Any professional services required for additional works will be tendered in accordance with the expected scope and this procurement strategy.

9 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:

Hamish Waugh **Group Manager** **Manawatū District Council**	
Signature:	Date:
Arno Benadie **Group Manager** **Rangitīkei District Council**	
Signature:	Date:

A Addendum A – Maintenance Contract Model Options Considered

A.1 Road Efficiency Group Developments

The Road Efficiency Group (REG) has promulgated the "Road Maintenance Procurement: Delivery Model Selection Guidelines, March 2018". This publication outlines the contract delivery models in general use and the advantages/disadvantages of each. It concludes that the selection of the appropriate delivery model is subject to the specific drivers of the individual Council.

Before delving into each of the particular contract models presented by the Road Efficiency Group, it is appropriate to provide some context within which the contract models sit. Delivery models can generally be described as:

- Input Driven
- Output Driven
- Outcomes Based

A.1.1 Input Driven Delivery Models

These input driven delivery models focus on tightly specifying Client requirements and then employing labour organisations to undertake the works. Traditionally, the Client would have the in-house expertise to carry out the management and governance functions. The contractor would supply plant, labour and materials and execute works under the direction of the Client. The Contractor would be paid per unit of input (labour, plant, and materials provided). This gives rise to the 'Master/Servant' type contractual relationship.

The management of this form of delivery has a strong focus on the cost/efficiency of the work. Effectiveness and management of the asset would not be a consideration for the Contractor and there is little scope or incentive for contractor innovation.

The project management risks lie largely with the Client. Due to the tight specification and management this is commonly referred to as a Framework or Panel type contract.

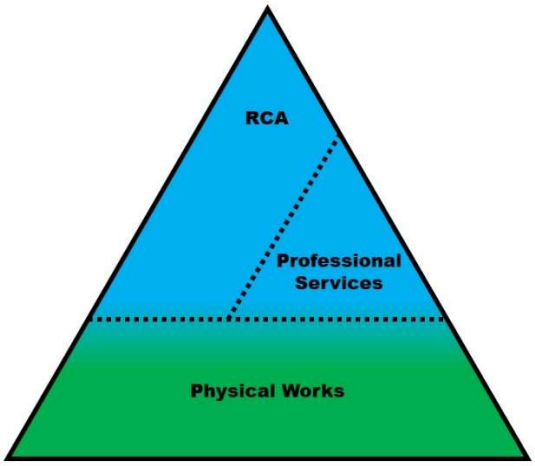


Figure 3: Input Based Contract Structure

A.1.2 Output Driven Delivery Models

Output driven delivery models maintain a focus on tightly specifying Client requirements, with some limitations on the scope for innovation, and require the contractor to take responsibility their workforce efficiency through the commercial structure.

The contractor is paid per unit of output (completed product) delivered. For example, per square metre, lineal metre, cubic metre of final product. There is a reliance on the Contractor to manage its workforce and quality assurance systems to reduce the level of Client supervision required.

This form of model is still widely used in New Zealand's roading industry and has become known as the 'Traditional' or 'Conventional' model. The model used today has evolved somewhat to enable the client to benefit from the knowledge base of the contracting industry. This evolution has resulted in the inclusion of:

- Interactive tendering processes
- Early Contractor Involvement
- Lump sum and performance based elements

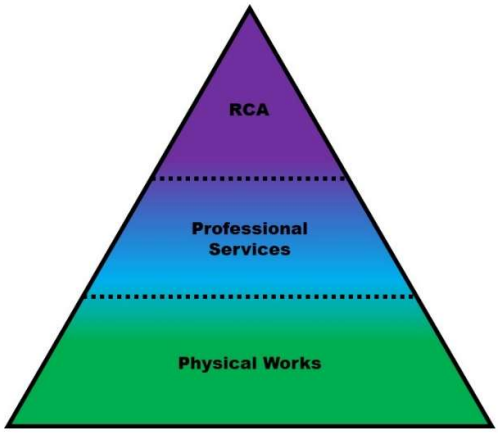


Figure 4: Outcome Driven Contract Structure

A.1.3 Outcomes Based Delivery Models

The outcome based, or fully performance specified delivery models place the full responsibility on the Contractor for the overall performance of the road asset. This would include all required interventions such as pavement rehabilitation and resurfacing. At the end of the contract period, and regular intervals in between, the Contractor will demonstrate that the asset meets the agreed standard for return to the Client.

The Client's specifications are focused on the user experience as well as the long term (residual life) of the asset. This model requires the Contactor to undertake good asset management practices and encourages good asset stewardship and innovation.

The Contractor will require comprehensive asset data to evaluate its risks prior to entering into a contractual agreement.

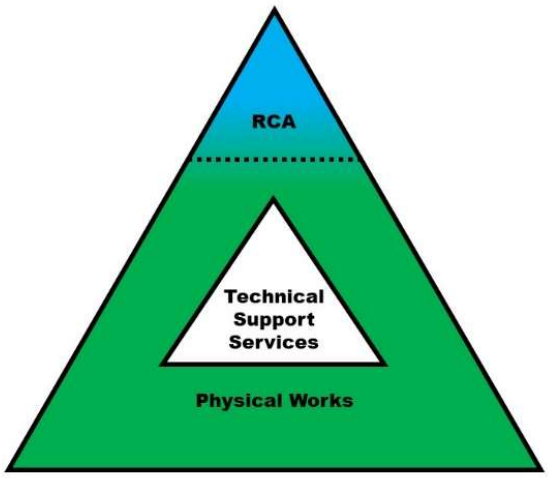


Figure 5: Outcome Based Contract Structure

A.2 Complexity of Delivery Models

The contract complexities and the cost of procurement tend to increase as the contract models move from input based contracts to outcome based contracts. These complexities include:

- Increasing difficulty if the contract fails during the contract tenure.
- Increasing need for certainty in client's requirements before outsourcing.
- Increasing need for accuracy and reliability of asset information.
- Increased need for data, both asset information and condition data (current and historical).

It follows that the more complex the delivery model, the longer it will take to successfully negotiate the terms of a contractual agreement. The change to the more complex delivery models requires adaption of skillsets to service the contracts, representing a change for both the Client and Contractor organisations involved. This change comes with the associated change costs and the disruption that occurs with significant changes to business practices.

A.3 Road Efficiency Group Contract Models

The REG has identified contract models[6] currently used by Road Controlling Authorities across the country. These are:

- Framework / Panel
- Traditional
- Performance Based
- Collaborative / Alliance

The following Figure 4 illustrates how these contract models fit into the spectrum of delivery models described in Sections 4.1 to 4.3 above.

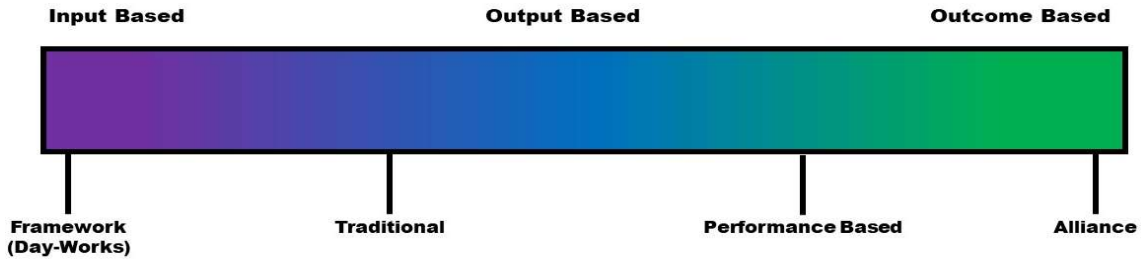


Figure A4 Contract Models in Context

A.3.1 Framework or Panel Agreements

The REG describes the framework approach as a separation of the design / asset management and construction functions. The Client establishes panels of prequalified suppliers that match the skills and experience sought. The Client may then seek to engage a panel member under a framework agreement to provide whatever services are required.

The framework agreement is unlikely to be a contract in itself but would specify the terms and conditions that would apply if a panel member were engaged by the Client. A contract is formed when a panel member is specifically engaged to deliver a particular scope of work.

Payment is usually made on a measure and value basis, at rates agreed when establishing the pre-qualified panel of suppliers.

In New Zealand, framework agreements have mainly been used for road maintenance consultancy services. It is rarely used for physical works contracts, due to intensive resource inputs required from the Principal.

[6] NZTA Road Efficiency Group (REG), (25 August 2016), *Road Maintenance Procurement: Delivery Model Guidelines* (Final Draft)[6]

The primary advantages and disadvantages of the Framework Agreement model for road maintenance contracts are highlighted in the table below.

Framework or Panel Agreement	
Advantages	**Disadvantages**
It provides the Principal with the ability to directly control the quality of the maintenance outputs. This achieves consistency when there are a number of similar activities across a programme	Very resource intensive for client in terms of determining work programmes, scope and coordination
Provides a choice of suppliers for selection at short notice.	A high level of capability and capacity of Principal staff is necessary to successfully deliver the required outputs.
The agreement duration can be over a longer period, so long-term relationships with a supplier(s) can be developed.	No incentive for Contractor innovation. Difficult for new suppliers to be added to panel.
	Contractor may not be able to mobilise quickly in an emergency due to other commitments

A.3.2 Traditional Contracts

The existing Rangitīkei and Manawatū Councils road maintenance contracts are 'Traditional' contract with a schedule of quantities indicating work output required. Council staff control the programming, design, asset management and administration of the physical works contract. The contractor manages the cost risk of producing the outputs, (scheduled items).

A review of the current contract documents has identified several enhancements that could be contained in the contract conditions, such as:

- Inclusion of an interactive tender process
- The introduction of a Contractor performance assessment system (e.g. NZTA's PACE system)
- Requirement for consistency with each Council's objectives
- Linking contractor performance to remuneration with an at risk payment mechanism
- Including a separable portion for stormwater works should councils lose their own in house drainage staff

The current contracts rely on in-house professional services developing and maintaining a positive working relationship between the Council and the Contractor. This relationship (a partnered relationship rather than a master/servant relationship) is developed outside of the contract requirements and has been conducive to achieving the objectives of all parties. There is a risk with the Traditional model that the contract relationship can become adversarial particularly if the Contractor's pricing does not match their costs. This contract model loses efficiency when the relationship becomes adversarial because of the time wasted by the parties on disputes rather than focusing on work productivity.

It has been identified that the dynamics between contracted parties could change with any change in key contract personnel.

However, the efficient performance of the Traditional contract model is the model option least affected by staff changes.

The primary advantages and disadvantages of the Traditional contract model for road maintenance contracts are given in the table below.

Traditional Contract Model	
Advantages	**Disadvantages**
Simple and widely used throughout the industry	There can be a poor alignment of objectives leading to adversarial behaviour.
Direct owner participation and control, offering a level of certainty (subject to correct scoping of contract works)	Larger client/consultant resource is needed to administer the contract than a Performance Based Contract.
Suitable for both experienced and inexperienced clients	Higher transactional cost is incurred due to the nature of the contract structure
Suitable for all sizes of contractors	Contractor innovation is not naturally incentivised
Enhancements can be accommodated in a more straight-forward manner	Contractor has the opportunity to load rates when measure and value is used
Flexibility regarding funding levels and levels of service changes	Less certainty for Contractor to commit to increasing resources
Network knowledge acquired by senior personnel is retained when there is a change of contractor	

A.3.3 Performance Based

Performance Based Contracts (PBC) look to draw on the experience and expertise of the Contractor and encourages Contractor innovation to improve value for money for the Contractor. The PBC does this by providing a single contract for maintenance and management of the road network and if the Contractor can achieve the outcome required with less work then he can achieve greater profit savings. This opportunity could encourage the Contractor to provide a lower initial price.

The risks of running and managing the network are shifted to the Contractor for a period (typically 10 years). The Contractor seeks to maximise the utility for the road user while reducing his costs through innovation. The Client manages by measuring if the outcomes required are being delivered. The model fails when the outcomes have not been correctly identified in the contract, the outcomes are not effectively measured and evaluated, and the outcomes delivery is not assertively enforced (note the commercial tension for the Contractor is to minimise the work he does to achieve the outcomes). The outcomes usually specified in this form of model are likely to be the following types of requirements: customer satisfaction levels, pavement conditions and residual life measurement, safety performance metrics etc.

The Contractor is required to develop systems of reporting to demonstrate that the network condition meets the minimum specified requirement and is achieving the desired outcomes. The

Client undertakes an auditing role. At the end of the contract period, the Contractor will hand back the network to the Client in a pre-agreed acceptable condition.

The primary advantages and disadvantages of the Performance Based Contract model for road maintenance contracts are given below.

Performance Based	
Advantages	**Disadvantages**
Enables client to focus on big picture outcomes and not get distracted operationally	Reduced flexibility regarding funding levels and levels of service changes
Client performance expectations are clearly defined	Procurement process is longer and more expensive
Significant risk transferred to contractor	Requires extensive asset data for procurement and definition of outcomes
Potential cost certainty and savings resulting from aggregation and bundling	Lack of direct client participation, control and flexibility
Contractors are incentivised to improve their efficiency and minimise waste	
Provides a clear financial incentive for contractors to meet performance standards	
Minimal transactional costs	

A.3.4 Alliancing / Collaborative

An Alliancing contract recognises the expertise within industry organisations and seeks to benefit from the best that each contracted party has to offer. Client staff are embedded in the alliance team and are an integral part of the management structure. It moves from a risk allocation approach to a collective sharing management and sharing of risks. The shared risk approach gives rise to the concept of 'pain share/gain share'

The alliancing team will be comprised of highly skilled staff, primarily focused on the alliance objectives and outcomes desired and a culture shift is likely to be required. Payment is structured to encourage innovation that will improve efficiency and reduce costs.

The Auditor General[7] cites the National Alliance Contracting Guidelines from the Australian Department of Infrastructure and Transport saying that projects suitable for alliance contracting generally have one or more of the following characteristics:

[7] Controller and Auditor General, 2013 November, '*Effectiveness and efficiency of arrangements to repair pipes and roads in Christchurch'* (ISBN 978-0-478-41040-2 (online))

- The project has risks that cannot be adequately defined or measured in a business case or before tendering.
- The financial cost of transferring risk is prohibitive.
- The project needs to be started as early as possible before the risks can be fully identified and/or project(s) scope can be finalised, and the owner is prepared to take the commercial risk of a suboptimal price outcome.
- The owner has superior knowledge, skills, and capacity to influence or participate in the development and delivery of the project.
- A collective approach to assessing and managing risk will produce a better outcome.

The primary advantages and disadvantages of an Alliancing Contract model for road maintenance contracts are given below.

Alliance	
Advantages	**Disadvantages**
Greater transparency over project costs. Client gains a share of any cost savings and value for money initiatives.	Difficult to ascertain and fix contract price at outset.
Enhances client participation, control and flexibility.	Relatively complex and requires extensive coordination. Requires a high level of client involvement and relies on a very capable client.
Supports a best for network approach. Collaborative and non-adversarial long-term strategic partnerships. Allows optimal use of combined client/contractor resources. Good quality/level of Service.	Has been a lengthy and expensive procurement process in the past (but reducing with experience)
Incentivises continuous improvement and value for money.	Difficult to show any price tension.
Provides flexibility to handle budget and levels of service changes.	Only works if there is a collaborative culture between client, contractor and consultant staff.
Better at handling more complex networks	Longer to set up contract at the start and more difficult to change contractor at the end of the term.

A.4 Assessment of Drivers

The REG Road Maintenance Procurement Guidelines identifies a number of key organisation drivers that should be considered in the selection of an appropriate contract model. The situation for all councils has been assessed through interviews with key personnel, and the review of respective publications including:

a. Long Term Plans
b. Annual Reports

A.4.1 Capability and Capacity Development

All council's recognise the importance of building and maintaining both the capability of their resources, and those of the supply chain. This is a particularly important issue in the current market, with access to resources more highly constrained than they have ever been.

A.4.1.1 Contract Model Match

The performance model provides for the highest level of resource development and control, with the supply provided the ability to best manage this for their own team. It also allow the client to reduce its inputs to the daily management of the contract, focussing more on the performance monitoring and management activities.

A.4.2 Appetite for Collaboration

All council's recognise the importance of collaboration with neighbouring councils with regard to optimising the limited resources available to manage the roading networks. The current difficulties with resource constraints of the incumbent contractor, Higgins, as the main roading maintenance contractor in the region mean that resources are sometimes stretched. Collaboration on programmes with all councils will help alleviate pinch points and allow contractors to predict and manage resourcing issues.

A.4.2.1 Contract Model Match

The desire for a more collaborative approach, by the councils, and their strong relationship with suppliers lends itself to the alliancing model. The Alliance model provides for the highest level of flexibility and will accommodate a wide variety of other programmes of work.

It is noted that there is the opportunity to achieve effective informal collaboration under the existing traditional maintenance contract. Further enhancement of the contract could be made to continue to facilitate this collaboration in future.

The framework agreement and performance based contract models offers the least opportunity to establish a collaborative environment.

A.4.3 Client Programme Control

The Councils currently use their own shared services staff to administer the maintenance contract and supervise the road maintenance works. They intend to continue to use these in-house services in the same capacity for the next maintenance contract cycle.

Annual budgets can change due to unforeseen events or changes to policies and subsidies. At these times, being able to reduce the volume of work required without incurring penalties can be an advantage.

A.4.3.1 Contract Model Match

The highest level of direct control is offered by the Framework Agreement or the Traditional contract models. The councils are familiar with the extent of their influence under a Traditional contract but can also see some opportunity to improve the overall benefits of this arrangement. The Alliance model allows for the Client to influence the collective decisions, as an alliance partner, but does not extend to direct control.

The Performance Based Contract model offers the least amount of direct control as the asset management function and associated risk is assigned to the Contractor.

A.4.4 Contractor Risk Allocation

The councils have indicated that they are prepared to take on risk providing that this yields an appropriate reward. This means the councils are not averse to altering the risk profile to obtain longer term benefits for the network.

A.4.4.1 Contract Model Match

The councils are well aware of the procurement risks and have demonstrated that they are sufficiently capable of managing adopted risks associated with the Traditional model.

An Alliance Contract provides the best environment for sharing of risk and collaboration. A Traditional Contract enables the Client to assign risks where they can be better managed by the Contractor.

Under a Framework Agreement, the Client adopts most of the risk, while a Performance Based Contract allocates most risk to the Contractor.

A.4.5 Desired Involvement / Resource Input

The current maintenance contract is managed with a relationship based approach and a high degree of trust and professional respect. However, the schedule of required renewal work including re-sealing and AWT works is often varied during the year which has caused issues with timely delivery by the contractor.

An alliance or joint contract between neighbouring councils and the development of a shared programme is likely to take up a considerable amount of resource at the start of the contract and each year once individual council's programmes are determined. This will require a disciplined approach to developing the forward works programme well ahead so that all the resourcing issues can be managed effectively.

A.4.5.1 Contract Model Match

The Framework Agreement and Alliance Contract models will likely require additional council resources, particularly when developing the forward works programme and assessing safety improvements.

The Traditional contract will require a level of involvement and input similar to that of the current contract (subject to the quality of the successful Contractor).

A Performance Based Contract could be administered with less Client input, as the Client role would reduce to an auditing type role. Further training of staff would be required to provide them with the skills to administer this form of contract.

A.4.6 Flexibility (Scope of Work changes)

It is expected, with the introduction of ONF, changes to traffic management requirements, and possible funding changes, that flexibility to change the scope or quantum of work to be delivered through any contract will be required in the near future.

A.4.6.1 Contract Model Match

A Framework Agreement and Alliance Contract will maximise the flexibility available to the Client, and the Performance Based Contract model provides the least flexibility. The Traditional contract

offers flexibility through adjustment of quantities or for larger changes through the contract variation process which works well where the level of available funding changes.

A.4.7 Commercial Tension and Sustainable Pricing

A key objective for PNCC is to be *"a Driven and Enabling Council",* which is mirrored in similar objectives for the other councils. Where possible the councils are keen for more competition within the marketplace to ensure commercial tension in a healthy and dynamic market.

A.4.7.1 Contract Model Match

Framework agreements have the contractor rates pre-agreed for unit inputs. The ability to load rates in favour of the Contractor is reduced.

The Traditional Contract and Performance Based Contract are competitively tendered. Competition on is on a 'level playing field'. The final cost of the construction is subject to the accuracy of the schedule of works estimates and often, the value for money obtained through the negotiation of contract variations (on a non-competitive basis).

While there is an ability to procure Competitive Alliance Contracts however, these can create perverse drivers that undermine the Alliance approach. It is generally difficult to demonstrate that value for money outcomes under alliance contracts.

A.4.8 Other Drivers

In accordance with the NZTA Road Efficiency Group (REG) "Road Maintenance Procurement: Delivery Model Selection Guidelines, March 2018", the following drivers should also be considered when selecting the appropriate contract model for network maintenance contracts.

- Appetite for continuous improvement
- Network data availability – To achieve an efficient contract price for an Alliance and Performance Based model the performance of the network needs to be easily interpreted from the asset data. Most of the Councils that have transitioned from a Traditional model to an Alliance or Performance model have had to invest heavily in improving their asset data prior to tendering.
- Customer care – It is always important to improve the responsiveness to customers. The outcome focus models, Performance and Alliance models, focus the Contractor more on achievement of customer satisfaction. However, no significant customer satisfaction issues have been identified with the current Traditional delivery model provided the levels of investment are provided to deliver on the agreed levels of service.

The councils have demonstrated a desire for continuous improvement.

The current contracts for each of Manawatū, Rangitīkei and Horowhenua District Councils were for an initial period of three years, with provision for two further three year extensions.

This total contract period of nine years is sought as a departure from the Waka Kotahi procurement guidelines.

The Engineers Estimate should be published in the tender documentation to provide tenderers with transparency of the estimated contract amount, giving them a good indication of the level of resource and commitment required to comply with the contract requirements.

Cost fluctuations will need to be paid under this contract. The approach used could be the Waka Kotahi standard cost fluctuation payment formula, using the quarterly index structure with the Statistics NZ produced indices as the basis for the cost fluctuation payments.

Addendum B – Roading / Infrastructure Team Organisation Charts

The organisation structure of Infrastructure Group within MDC and RDC as at August 2022 is shown on the next page

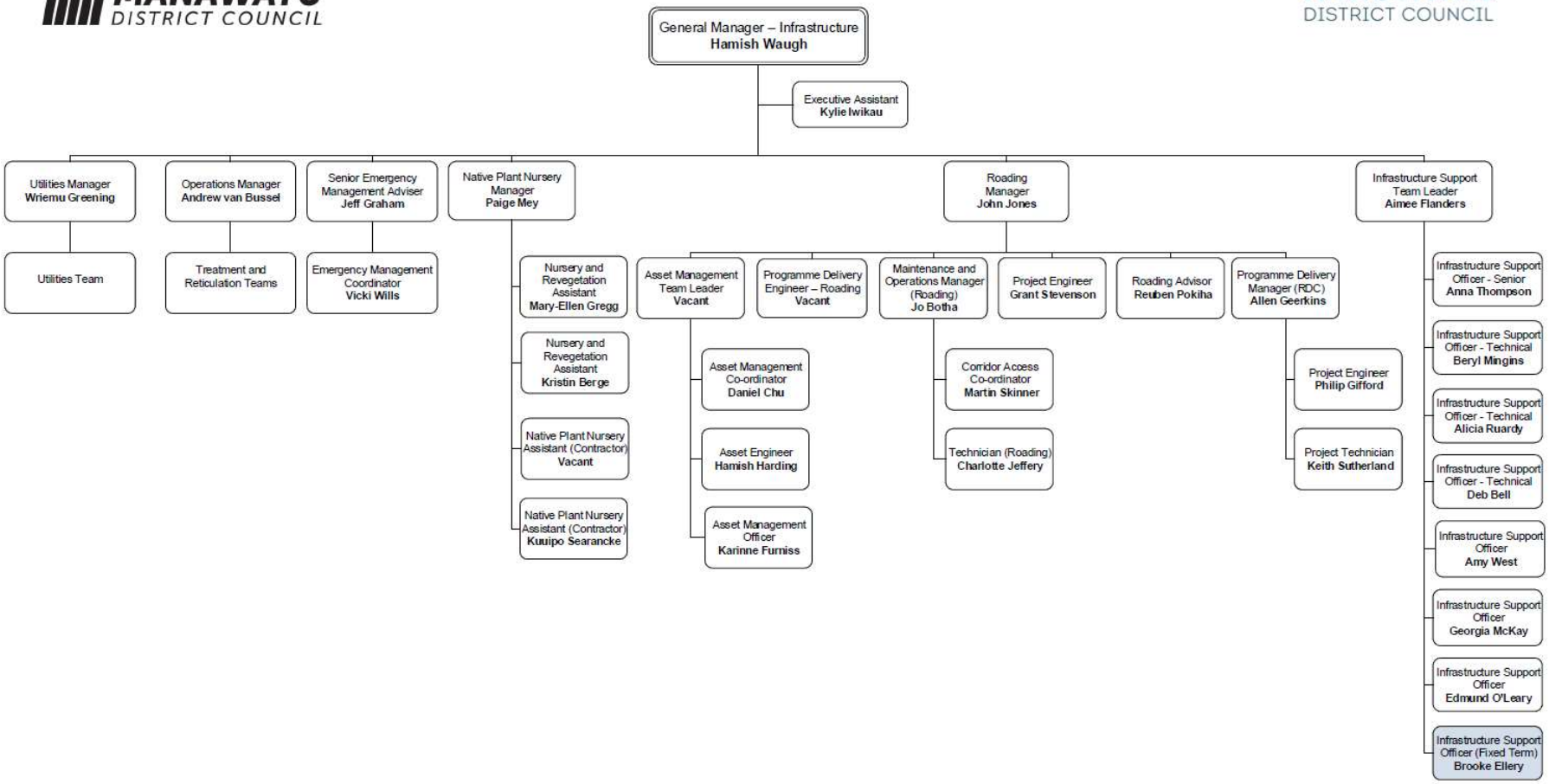
Resolve GROUP

MANAWATU DISTRICT COUNCIL

Infrastructure

as at August 2022

RANGITIKEI DISTRICT COUNCIL



A CLIENT'S OWN CONSULTING TEAM