

19 March 2025

File Ref: IRC-8107

s(7)(2)(a)

Tēnā koe s(7)(2)(a)

Thank you for your email dated 11 March 2025 to Te Kaunihera o Pōneke | Wellington City Council (the Council) requesting the following information:

- *Copy of s17A Review.*

Your request has been considered under the Local Government Official Information and Meetings Act 1987 (LGOIMA).

Please see attached s17A review, some information has been redacted under section 7(2)(a) to protect the privacy of the individual.

Below are the documents that fall in scope of your request and my decision to release the documents:

Item	Document Name	Decision
1	WCC Roothing s17A Review	Release with redactions under s7(2)(a)

As per section 7(1) of the LGOIMA, I do not consider that in the circumstances of this response, the withholding of this information is outweighed by the other considerations which render it desirable to in the public interest to make the information available.

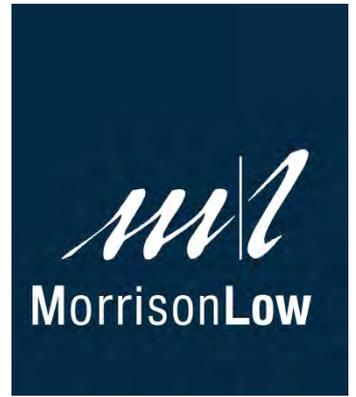
Please note, we may proactively release our response to your request with your personal information removed.

You have the right, by way of complaint under section 28(1) of the LGOIMA, to request an investigation and review of the Council's decision by the Ombudsman. Information about how to make a complaint is available at [www.ombudsman.parliament.nz](http://www.ombudsman.parliament.nz) or freephone 0800 802 602.

If you require further information, please contact [official.information@wcc.govt.nz](mailto:official.information@wcc.govt.nz).

Nāku noa, nā

Asha Harry  
Official Information & Privacy  
Wellington City Council



# Absolutely Positively Wellington City Council

Me Heke Ki Pōneke

## S17A Review of Roding Activity

Wellington City Council

July 2024

**Document status**

Job #	Version	Written	Reviewed	Approved	Report Date
2921	Draft	s(7)(2)(a)	s(7)(2)(a)		26 June 2024
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## Executive Summary

### Overview

This report documents the Service Delivery Review of the land transport activity for Wellington City Council (WCC/Council), incorporating a Section 17A review under the requirements of the Local Government Act (2002).

With the operations and maintenance (O&M) contracts due to expire next year, the main purposes of this review are to:

- a) Explore alternative delivery models and decide whether to continue outsourcing roading operations and maintenance works under the current model or take an alternative approach.
- b) Inform the Procurement Plan, which is subject to NZTA endorsement.

### The current arrangements

WCC has a well-resourced in-house roading team that delivers professional services, contract management and asset management activities but outsources physical works activities.

All physical works are outsourced, including the operations and maintenance which is the focus of this review.

Professional services providers are engaged as and when required to support the in-house team on more complex and large scale works.

### What's working well and what are the challenges and opportunities?

From discussion with key stakeholders and an Issues and Opportunities workshop in May 2024, the following key themes were identified:

- Council has a strong in-house team with the capability and capacity to manage the O&M contracts and provide financial and asset management support.
- There is a general preference to procure contracts separately (compared to the current arrangement where the CBD is awarded to either the successful tenderer for the Northern or Southern Contract) – this will better support a healthy market.
- There needs to be a balance between cost to deliver and reducing barriers to access for tier two contractors and local sub-contractors.
- The current 'bundled scope' contracts model is working well (note that other Wellington councils are typically unbundling works). However, performance has been topical for local councils in the lower North Island.
- The geographic split of contracts (and a requirement that a single supplier cannot be contracted for both the Northern and Southern Contracts) provides a more resilient model than a single contract (both in response to events and reliance on a single supplier).
- Relationships with service providers are generally collaborative but can slip to more master / slave when there are contract / delivery issues.

- WCC relationships with other Wellington regional councils are good and councils are working together on potential future opportunities for collaboration.
- There is an opportunity to strengthen overall performance through contracts by establishing and monitoring appropriate performance measures and targets.

## Recommendations

### s17A Options assessment and preferred way forward

A longlist of delivery model options was identified for the O&M activity and assessed against agreed criteria. In accordance with s17A, these included in-house and outsourcing options as well as options with shared arrangements with other councils. From this, a shortlist of options was identified and considered in further detail to identify a preferred way forward.

The preferred options are:

- **In the short term, an enhanced status quo model should be implemented** - whilst the current model works well, there is room for improvement, with how the works are procured and also in the delivery of the roading activity. The introduction of improvements will both support a more cost-effective service whilst supporting a healthy market.
- **In the longer term, to develop and implement regional initiatives in consultation with the other Wellington Regional Councils** – this work has commenced at a high level, seeking more efficient delivery of the roading activity across the region, and any arrangements made now should be aligned and / or provide flexibility to introduce any such initiatives. This more regional approach to delivery is likely to be developed over the next three to five years.

### The enhanced status quo model

Recognising that the current model is working well, significant changes to the model are not considered necessary. However, a number of opportunities have been identified that could lift overall delivery.

These focussed on:

- **The form of contract model** (scope / boundaries) and how it is procured to provide cost-effective delivery whilst supporting healthy markets.
- **Improvements to the contract** to increase interest in the market and to ensure it is fit-for-purpose and delivers on Council's objectives for the road network and its customers.

Recommendations for the enhanced status quo, for a more cost-effective and efficient delivery whilst supporting a healthy market are:

#### 1. Contract model and procurement

- a. Contracts to be awarded separately – Southern, Northern and CBD.
- b. CBD to be split into Separable Portions, which may be awarded jointly or to 2 separate suppliers – (1) Street cleaning / cleansing and (2) Roading.
- c. The term of contract be 3 + 3 + 3 with extensions at Council's discretion and linked to Contractor performance.

It is also recommended that Council's in-house team structure be reviewed to ensure capability to manage the new arrangements.

## **2. Contract improvements**

- a. The new contracts incorporate initiatives for improvement such as enhanced performance management and fit-for-purpose reporting (to ensure accountability and transparency).
- b. Strengthening of the collaborative arrangements across all parties involved in delivery of the contract.
- c. Provide for potential regional initiatives to be introduced through the term of the contract/s.

## **Where to now**

With the current contracts expiring 30 June 2025, timelines are tight and procurement of the new contracts needs to progress. To ensure this, the following steps are required:

1. This s17A is endorsed by Council.
2. The Procurement Plan is amended to align with the outcomes of this s17A review and endorsement sought through Council and NZTA.
3. The RFP and supporting contract documents are developed and released to market.

# 1 Introduction

This report documents the Service Delivery Review of the roading activity for Wellington City Council (WCC/Council), incorporating a Section 17A review under the requirements of the Local Government Act (2002).

Under the roading activity, Council delivers strategy, asset, network and traffic management, network operations and maintenance, and the delivery of capital works, as well as governance and funding of the activity.

WCC has a well-resourced in-house roading team that delivers the majority of contract management, asset management and professional services tasks. Specialist advice is procured as necessary. The roading operations and maintenance contracts are outsourced and due to expire 30 June 2025 with no further provision for an extension.

Given that the above contracts are due to expire shortly, the main purpose of this review is to undertake a service delivery review of the roading activity, specifically operations and maintenance, to explore alternative delivery models and decide whether to continue under the current model or take an alternative approach.

The review assesses Council's current service delivery model and evaluates a range of other potential service delivery options for the roading activity. It incorporates feedback from Council staff, NZTA and neighbouring councils as well as incumbent and potential service providers.

Further to the s17A requirements, the review incorporates a high-level assessment of the preferred option to deliver a more optimised service delivery.

## 2 Review methodology

### 2.1 Service Delivery Review

Service delivery reviews are a legislative requirement under s17A of the Local Government Act (2002) which states:

*“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.”*

The Act goes on to specify that a review must be undertaken in the following circumstances:

- When a significant change to the level of service is proposed
- Within two years of a contract or binding agreement expiring
- At any other time, but no less than six years following the last review.

Where a review is required to be undertaken, as a minimum, it must consider the following:

- Delivery model through:
  - Council alone; or
  - In a shared governance arrangement with one or more other local authorities.
- Service delivery by:
  - The local authority (i.e., in-house)
  - A CCO owned by the local authority or jointly owned with another shareholder (e.g. another local authority or private party)
  - Another local authority (e.g. through a shared service arrangement); or
  - Another person or agency (e.g. outsourced contract or by opting out).

This s17A review has been triggered by the expiry of Council’s roading O&M contracts in 2025.

### 2.2 Service delivery optimisation

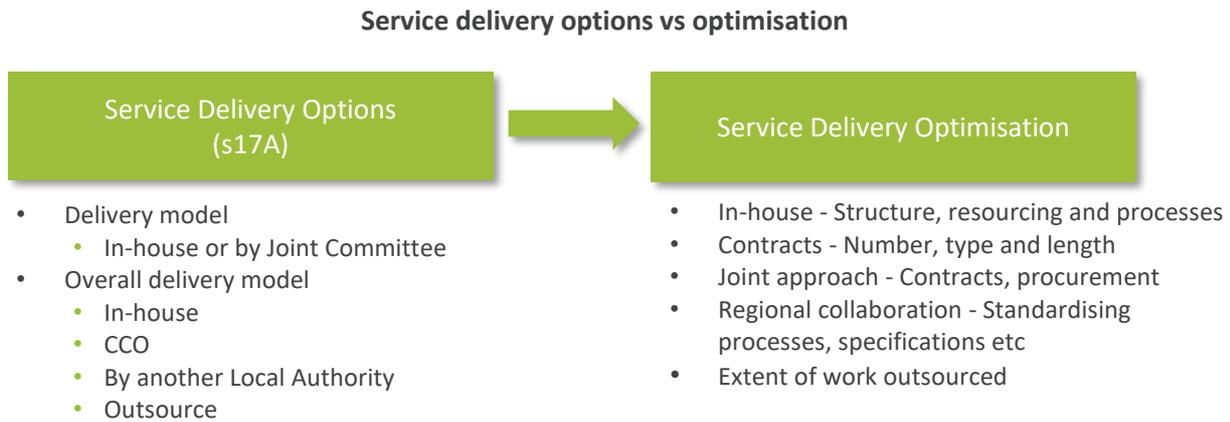
s17A of the Local Government Act is focussed on the overall service delivery mechanism for each council activity that delivers good-quality local infrastructure, local public services, or the performance of regulatory functions.

For the majority of activities, the primary delivery mechanism will not be the only delivery mechanism, with external expertise required to address complex or one-off issues. In-house oversight is provided on all externally sourced work. Settling on one or other primary delivery models under the Act will not reduce the ability of local authorities to deliver activities through such other models.

Once the primary delivery mechanism has been chosen, the local authorities can continue to optimise their service delivery as part of their business-as-usual activities until the next major review.

Any local authority should continually be seeking opportunities to increase the effectiveness and efficiency of the service delivery including having the appropriate internal structure and resourcing, and through opportunities to work collaboratively with other local authorities.

**Figure 1 Ongoing service delivery optimisation after a s17A review**



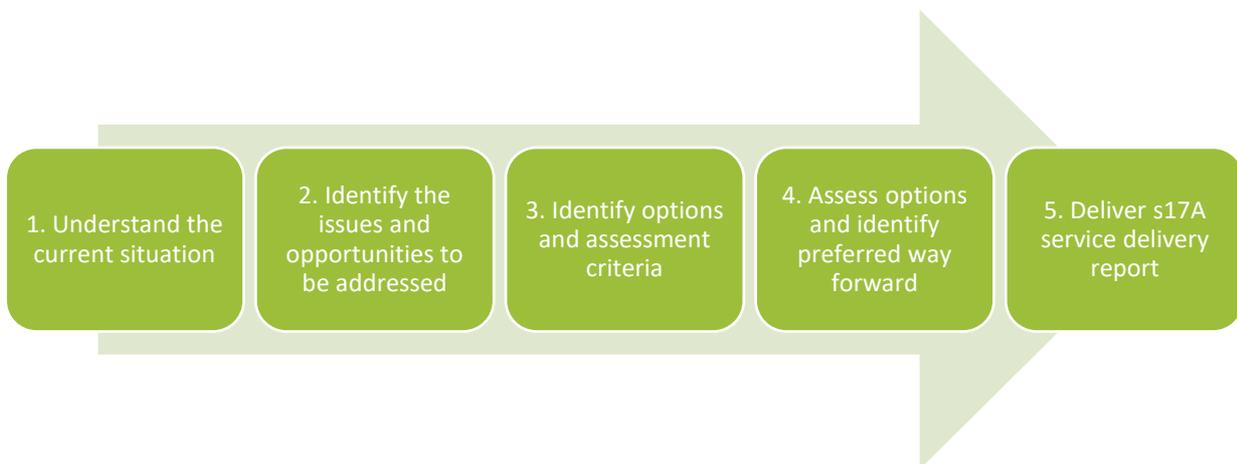
### 2.3 Delivery models and funding

The focus of s17A is on the delivery model and service delivery. Decisions regarding funding are not a key decision-making variable when looking at options. Regardless of which service delivery model is accepted, the funding options remain the same and are continually assessed and refined as part of regular service optimisation reviews, when changes to service are proposed (e.g. as part of the Long Term Plan) or when Council reviews its revenue and financing policy. For this reason, this s17A review focuses on service delivery options and the associated delivery model options, with funding options being optimised as part of the implementation of the preferred service delivery option.

### 2.4 Our approach

The following steps have been completed in undertaking this s17A review:

**Figure 2 Service delivery review approach**



## 3 Current service delivery arrangements

### 3.1 Overview

The Wellington City roading network comprises approximately 700km of roads and 955km of footpaths and cycleways.

Council delivers its roading activity through long term operations and maintenance contracts as well as individual specialist and capital works projects.

Professional services, including asset management and contract management, are predominantly delivered in-house with external providers engaged as required for more complex projects and services.

Governance and funding are delivered by Council.

### 3.2 Delivery of the roading activity

Council currently procures its operations and maintenance works through outsourced contract arrangements.

The roading operations and maintenance contracts are outsourced as below:

- Northern Contract – Downer
- Southern and CBD Contracts – Fulton Hogan

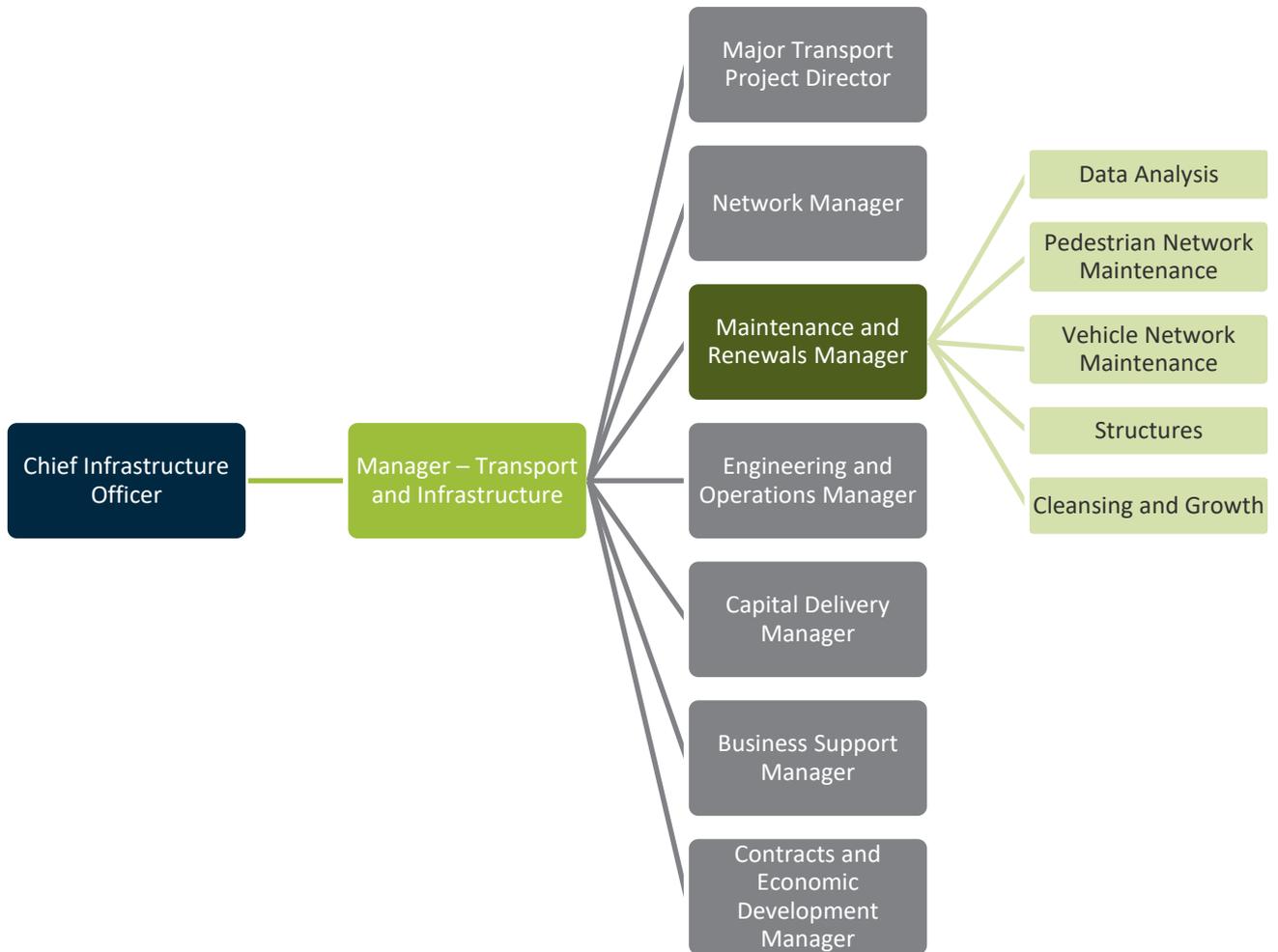
The Contracts have been in place since 1 July 2020 and were awarded on a three + two basis (3+2) with the latest contract expiry date of 30 June 2025. There are no further rights of renewal.

Council has separate O&M contracts for streetlights and traffic signals.

### 3.3 In-house roading team

The figure below shows the organisation structure with responsibility in delivery of the roading activity.

Figure 3 Current WCC Transport and Infrastructure Team



The focus of this review has been on the Maintenance and Renewals activity.

### 3.4 Drivers and Risks

It is important to identify key drivers and risks that impact on service delivery to enable a focused review of the service. Considering discussions through engagement and workshops, key drivers have been identified as:

- **Value for Money** – delivering the best outcomes for the roading network through the efficient and cost-effective use of resources.
- **Healthy markets** – are we supporting a range of service providers through delivery of the roading activity?

Key risks moving forward generally reflect the drivers above but also include:

- Lack of interest for physical works contracts reducing competition on price – how can we make the opportunity attractive to tenderers?
- Affordability – impact on ratepayers.
- Implementation and complexity of the service delivery model and do we have the right people to deliver?

## 4 Performance

### 4.1 Overview

The O&M contracts are both running well with service providers generally meeting performance requirements. The work is being done by experienced and knowledgeable organisations and includes some renewals and minor capex allocation.

Council is able to rely on its in-house team to deliver the network management and contract management activities as needed as well as asset management activities and providing some capital works' design and contract management.

External professional services are engaged as needed to deliver more complex design capability.

Council also has a physical works panel in place for transitional cycleways and minor capital works.

### 4.2 Levels of service

Levels of service have been established for roading activity and are included in the Long Term Plan.

Performance against the levels of service, taken from the Annual Reports, are shown below and show a general compliance with targets.

**Table 1 Annual Report – service performance results 2022/23 – Network condition and maintenance**

Measure	Target (2022/23 Annual report)	Actual (2022/23 Annual report)*
Roads (%) which meet smooth roads standards	70%	69%
Residents (%) satisfaction with the condition of local roads in their neighbourhood	75%	55% <i>The decline beginning in 2019 is continuing. It is also noted that there were a significant number of winter slips in 2022 (1.143 vs 373 in 2021)</i>
Structures (%) in serviceable (average) condition or better	97%	92%
Customer service requests (%) relating to roads and footpaths that are responded to within timeframe	98%	89%
Footpaths (%) in average condition or better (measured against WCC condition standards)	96%	94%
Residents (%) satisfied with street lighting	75%	62% <i>similar level to last year – likely influenced by lamp issue at end of year</i>
Sealed local road network (%) that is resurfaced	9.4	7.8 <i>Note: improvement on 2021/22</i>

\*Met is within 10% of the target; Not Met is >10% below target

### 4.3 Financial performance

Annual expenditure (opex and capex) is in the order of:

- \$18 million per annum operations and maintenance (approx. split 36% Northern, 37% Southern and 27% CBD).
- \$22 million per annum renewals and upgrades delivered under the O&M contract.

Information provided as part of this review demonstrates that Council is delivering on the works identified through the Long Term Plan and Annual Plans as outlined in the table below:

**Table 2 Summary of Annual Expenditure**

Year	Opex (\$)		Capex (\$)		Combined (\$)	
	Budget	Actual	Budget	Actual	Budget	Actual
2021/22	32.4m	32.8m	46.6m	40.3m	46.2m	42.3m
2022/23	36.7m	40.2m	50.4m	50.7m	45.5m	51.0m

## 5 Where are the challenges and opportunities?

From discussion with key stakeholders and an Issues and Opportunities workshop with Council staff in May 2024, the following section outlines the key challenges and opportunities with regard to the current arrangements:

### The model

- Council has a strong in-house team with the capability and capacity to manage the O&M contracts and provide financial and asset management support.
- There is a general preference to procure contracts separately (compared to the current arrangement where the CBD is awarded to either the successful tenderer for the Northern or Southern Contract) – this will better support a healthy market.
- There needs to be a balance between cost to deliver and **reducing barriers to access for tier two contractors and local sub-contractors**.
- The current 'bundled scope' contracts model is working well (note that other Wellington Councils are typically unbundling works).
- The geographic split of contracts (and a requirement that a single supplier cannot be contracted for both the Northern and Southern Contracts) provides a more resilient model than a single contract (both in response to events and reliance on a single supplier).

### Relationships

- Relationships with service providers are generally collaborative but can slip to more master / slave when there are contract / delivery issues.
- WCC relationships with other Wellington councils are good and councils are working together on potential future opportunities for collaboration and working together.

### Delivery

- Generally delivering to budgets / 90%-95% of work delivered.
- RAMM is well-used and provides fit-for-purpose reporting / asset / financial info etc.

### Performance

- Performance by both Contractors generally meeting requirements.
- Opportunity to strengthen performance of service providers through contracts – do we have the right KPIs and how are they monitored / measured?

## 6 Engagement with stakeholders

Council has undertaken some market engagement as part of the overall procurement process to inform the draft Procurement Plan and Request for Proposals (RFP).

As part of the review, we have also engaged with a number of stakeholders including:

- Council staff
- Neighbouring councils (via the Height work and direct contact)
- NZTA
- Service providers – incumbent and potential.

Refer to Appendix A for a list of those parties engaged with in the review.

Some points for consideration in developing the contract model and method of procurement included:

- The market is currently dominated by 2 key players and it is difficult for other contractors to break into the market.
- Term of contract is key in making a decision on whether or not to tender, and subsequently in ensuring competitive tension. General opinion from the industry is that longer contracts are required to better support the investment required.
- Scale is also a factor with larger contracts supporting the investment required.
- Specialist service providers (street cleaning) would be interested in engagement as a lead contractor – direct relationship, potentially lower overheads, potential for innovation in this space:
  - CBD sufficient as stand-alone street cleaning contract.
  - Suburban contracts not large enough for street cleaning to be stand alone.
- Scope of CBD is quite different to the suburbs – higher level of public interaction, more complex access etc. Supports separating the CBD from the suburbs.
- Asphalt is a key factor in pricing – how can this best be addressed in procurement?
- A single regional contract would not be good for the market and would be high risk from a resilience perspective.
- Varying views on whether unbundling is more expensive – whilst there are more contracts to manage, overheads associated with sub-contractors reduce.

## 7 Regional perspective

WCC has a good relationship with its neighbouring councils on a generally informal basis.

Delivery of maintenance contracts varies across the region but all councils, other than Wellington City, have moved to or are moving towards unbundling of services. This is generally in response to contractor performance, lack of control and the focus on supporting small / local suppliers.

Through facilitated workshops, Wellington City, Porirua City, Kapiti Coast and Hutt City Councils have recently been exploring the potential for a collective approach to road maintenance and for greater collaboration.

It is anticipated that the implementation of any outcomes from this process will be three plus years away but provision can be made now to facilitate future regional approaches such as aligning contract end dates and/or providing flexibility for changes in scope.

## 8 Service delivery options

### 8.1 Overview of options assessment

The options for alternative service delivery arrangements have been assessed against the status quo. These include those options required under s17A as listed in Section 2.1.

A longlist of options was identified for delivery of the operations and maintenance activity and assessed against agreed weighted criteria. From this, a shortlist of options was identified and assessed in further detail against key drivers and risks.

An options workshop with Council staff was held 30 May 2024 to review the initial strawman assessment of options completed by Morrison Low.

### 8.2 Assessment criteria

The following criteria has been agreed for assessing the service delivery options. Weightings were agreed following the Issues and Opportunities workshop 17 May 2024.

**Table 3 Assessment criteria**

Criteria	Weighting	Discussion
<b>Financial criteria</b>		
Establishment/procurement cost	5%	
Governance & management costs	5%	
Delivery cost	30%	
<b>Total</b>	<b>40%</b>	
<b>Non-Financial Criteria</b>		
Ability to control / influence outcomes	20%	<i>Council's ability to directly influence performance and the quality of service provided.</i>
Ability to influence a healthy market	15%	<i>How does the proposed model support a healthy market?</i>
Flexibility to respond to changing requirements	15%	<i>To meet demand of communities / funding changes / legislative change.</i>
Complexities around implementation	10%	<i>How likely is it that the proposed model is achievable?</i>
<b>Total</b>	<b>60%</b>	

## 8.3 Assessment of options

### 8.3.1 Longlist assessment

The longlist of options were assessed against agreed assessment criteria. A summary of the assessment is given in the table below with the full assessment included in Appendix 2.

**Table 4 Summary of longlist assessment**

Option		Description	Rank	Assessment
Governance and Funding in-house	1	Delivery in-house		Not scored - Not a viable option (LTMA section 25(4)) <i>'It is a condition of every procurement procedure that the Agency or an approved organisation must procure outputs from a provider other than the Agency or that organisation (as the case may require), or its employees'</i>
	2a	Status quo - Traditional	3	<b>Shortlisted - Status quo.</b> Works well and delivers to requirements but room for improvement to drive cost-effectiveness.
	2b	Enhanced status quo	1	<b>Shortlisted - Short Term preferred model</b> <ul style="list-style-type: none"> <li>Service optimisation can help deliver efficiencies.</li> <li>Examples to explore could be contract split (geographic and scope), improved performance management, healthy market support</li> </ul>
	3	Delivery by CCO	4	<b>Not recommended</b> <ul style="list-style-type: none"> <li>More complex model than status quo.</li> <li>Higher governance and ongoing management costs with minimal service delivery benefits over status quo.</li> </ul>

Option		Description	Rank	Assessment
	4	Delivery by another Local Authority	7	<p>Not recommended</p> <ul style="list-style-type: none"> <li>Complex model that is likely to be more expensive and may conflict with WCC priorities.</li> <li>No perceived benefits in delivery of roading activity by another TLA.</li> </ul>
Governance and funding through Joint Committee or other shared governance arrangement	5	Outsourced delivery - joint delivery with another TLA	3	<p><b>Shortlisted - Preferred long-term model</b>, building on the preferred enhanced status quo</p> <ul style="list-style-type: none"> <li>Potential efficiency benefits, the extent of which will depend on final shared arrangements.</li> <li>Current delivery models are not aligned.</li> <li>Would need to manage potential competing priorities.</li> </ul>
	6	Delivery by Joint CCO	5	<p>Not recommended</p> <ul style="list-style-type: none"> <li>Complex model.</li> <li>Would also unlikely be a preferred option of neighbouring councils.</li> <li>Large set-up costs and complexities.</li> </ul>
	7	Delivery by another TLA	8	<p>Not recommended</p> <p>Complex model that is likely to be more expensive and may not support WCC priorities.</p>
	8	Delivery through Alliance	5	<p>Not recommended</p> <ul style="list-style-type: none"> <li>Shared goals and objectives.</li> <li>A high level of maturity is required across all parties.</li> <li>Likely minimal benefit (if any) over current arrangements.</li> </ul>

### 8.3.2 Shortlist assessment

The Enhanced Status Quo option has been assessed as being the preferred way forward in the short term, and then implementing regional initiatives over time. The table below provides a number of sub-options for the enhanced status quo and recommendations based on assessment against further criteria and risks.

**Table 5 Enhanced Status Quo sub-options assessment**

Option	Status Quo	Enhanced status quo						Notes
		3 separate contracts	4 separate contracts	CBD unbundled	Cleansing separated out (3 contracts)	Separate activity-based contracts	Single Contract	
	a	b	c	c(ii)	d	e	f	
<b>Description of option</b>	<ul style="list-style-type: none"> <li>Northern Contract</li> <li>Southern Contract</li> <li>CBD (awarded to winner of Northern or Southern Contract)</li> </ul>	<ul style="list-style-type: none"> <li>Northern Contract</li> <li>Southern Contract</li> <li>CBD</li> </ul>	<ul style="list-style-type: none"> <li>Northern Contract</li> <li>Southern Contract</li> <li>CBD cleansing</li> <li>CBD roading / pavement works</li> </ul>	<ul style="list-style-type: none"> <li>Northern Contract</li> <li>Southern Contract</li> <li>Unbundle CBD eg cleansing / roading &amp; pavement works / Traffic services</li> </ul>	<ul style="list-style-type: none"> <li>Northern Contract</li> <li>Southern Contract</li> <li>Cleansing separated out (either limited to CBD or across the whole City)</li> <li>CBD roading to be morphed into Northern / Southern contracts</li> </ul>	Multiple contracts awarded by activity across whole geographic area Current scope would be 'unbundled'	Single Contract covering whole geographic area and all activities, awarded to one contractor	

Option	Status Quo	Enhanced status quo						Notes
		3 separate contracts	4 separate contracts	CBD unbundled	Cleansing separated out (3 contracts)	Separate activity-based contracts	Single Contract	
	a	b	c	c(ii)	d	e	f	
Assessment criteria / risks								
Political buy-in	5	5	4	3	3	3	1	A significant change in the model and increased risk would see more reluctance from elected members
	Minimal risk with status quo	Limited change (extent of work under contracts unchanged) so unlikely to be a high risk	Limited change to extent of work (cleaning separate in CBD) – low risk	May be some reluctance to change and increased number of contracts	May be some reluctance to change and increased number of contracts	May be some reluctance to change	Significant reluctance - significant change and higher risk than status quo	
Anticipated market interest	1	4	5	3	5	3	1	Need balance to ensure contracts do not become too small which may discourage Tier 1 / 2 suppliers but want to encourage other players into the market. Scale of works is still relatively high value when split geographically (as current)
	Likely limited to Tier 1 contractors (currently 2 dominant suppliers in the region)	Separate CBD contract may increase interest - not excluded from CBD if not bidding for north/south. Still relatively large contracts with each contract covering all activities - likely limited to Tier 1 / 2	Splitting CBD activities will encourage specialist players and hence number. Northern and southern areas will retain Tier 1 interest	Splitting CBD activities will encourage specialist players and hence number. North/South areas will retain Tier 1 interest. Will the CBD works be too small to retain interest? (level of complexity requires experience)	Splitting cleansing activities will encourage smaller / specialist players and hence number. Northern and southern areas will retain Tier 1 interest	Multiple contracts may increase interest but scale may reduce Tier 1 interest (depending on ability to be awarded multiple)	Likely limited to Tier 1 contractors	

Option	Status Quo	Enhanced status quo						Notes
		3 separate contracts	4 separate contracts	CBD unbundled	Cleansing separated out (3 contracts)	Separate activity-based contracts	Single Contract	
	a	b	c	c(ii)	d	e	f	
Contract management / impact on in-house team	5	4	3	2	3	1	4	Additional number of contracts may require additional in-house resourcing to manage.
	Minimal risk with status quo (2 suppliers). In-house team adequately resourced	Minimal risk with minimal change (up to 3 suppliers). In-house team adequately resourced	Potentially 4 suppliers to manage - would more contract management staff be needed?	Multiple contracts - more contracts to manage / increased points of contact / more complex for management of contract Also likely to be smaller, less experienced suppliers which may require additional mgt	3 contracts to manage. Would activity overlap (roading / cleansing) add some complexity?	Multiple contracts - more contracts to manage / increased points of contact. Whilst WCC has activity based staff, more complex for management of contract	Single contract to manage but significantly larger contract may have some complexities. In-house activity related roles (reactive works) will be unchanged as they are currently across all contracts	
Supporting a healthy market	3	4	5	5	5	5	1	Need balance to ensure contracts do not become too small which may discourage Tier 1 / 2 suppliers whilst also provision (through direct engagement or as sub-contractor for Tier 2/3) for smaller / local suppliers
	Large scale contracts limiting for smaller contractors to tender as a stand-alone entity	Separately procured CBD contract has potential for smaller contractors to tender as a stand-alone entity	Separating out cleansing will better provide for smaller / specialist contractor (will need TMgt capability)	Unbundling will better provide for smaller / specialist contractor (will need TMgt capability)	Separating out cleansing will better provide for specialist contractor (will need TMgt capability)	Will likely better support the market - different scope / different scales of contract	Tier 2 / 3 contractors unlikely to have capability / capacity to deliver	

Option	Status Quo	Enhanced status quo						Notes
		3 separate contracts	4 separate contracts	CBD unbundled	Cleansing separated out (3 contracts)	Separate activity-based contracts	Single Contract	
	a	b	c	c(ii)	d	e	f	
Cost implications	3	3	4	3	4	1	5	<p>Whilst scale is often a driver of cost-efficiencies, larger contracts may include a high number of sub-contractors which will may have higher overheads from lead supplier. Smaller orgs typically have lower overheads. A higher number of contracts may require additional in-house resources to manage</p>
	Status Quo Price tension through current procurement method	Minimal change in delivery costs - price tension retained through 3 large value contracts	Potential cost-efficiencies with reduced lead contractor overheads around changes to CBD	Potential cost-efficiencies with reduced lead contractor overheads around changes to CBD but more contracts to manage	Potential cost-efficiencies with reduced lead contractor overheads around changes to CBD	Likely highest cost option with multiple contracts with potentially different contractors (different scope)	Scale can deliver cost-efficiencies with single contract	
Complexities – establishment (including time to establish), procurement and delivery	5	5	4	2	1	1	4	<p>Current contracts expire 30/6/25 so a significant change in model would have a higher risk in establishment by this date. Complexities in procurement would also add to timeline Multiple contracts with geographic overlap may have some complexities in delivery</p>
	Low risk - status quo	Low risk - effectively no change to contracts, potentially one extra contractor Simple 3 x contracts procurement process	Some complexities around multiple contracts to procure and establish - limited with contract scopes / boundaries more or less unchanged	Some complexities around multiple contracts of difference scope to procure and establish	Complexities around multiple contracts to procure and establish and changing geographic boundaries	Complexities around multiple contracts of different scope to procure and establish. Significant change from status quo.	Low level of complexity with single contract	

Option	Status Quo	Enhanced status quo						Notes
		3 separate contracts	4 separate contracts	CBD unbundled	Cleansing separated out (3 contracts)	Separate activity-based contracts	Single Contract	
	a	b	c	c(ii)	d	e	f	
Opportunities for innovation	3	3	3	3	3	3	3	Longer term contracts can encourage innovation from larger and / or specialist suppliers
	Potential for innovation through Tier 1 'nationwide' resources	Potential for innovation through wider Tier 1 / 2 resources	Potential for innovation from activity-focussed suppliers	Potential for innovation from activity-focussed suppliers	Potential for innovation from activity-focussed suppliers	Potential for innovation from activity-focussed suppliers	Potential for innovation through Tier 1 'nationwide' resources	
Resilience	4	5	5	5	4	2	1	Resilience considered from a reliance on resources (1 supplier = higher risk) as well as geographic coverage during an emergency event.
	Low risk - split geographic area and 2 suppliers	Low risk - split geographic area and minimum 2 suppliers	Low risk - split geographic area and minimum 2 suppliers - some split in activity	Low risk - split geographic area and potentially multiple suppliers	Low risk - split geographic area and potentially 3 suppliers	Risk where no geographic split and a single supplier for specific activities.	High risk with single contract - resourcing and geography	
<b>Recommendation</b>	<b>Not recommended</b>	<b>Possible</b>	<b>Possible</b>	<b>Not recommended</b>	<b>Not recommended</b>	<b>Not recommended</b>	<b>Not recommended</b>	
Score	29	33	33	26	28	19	20	
Rank	3	1	1	5	4	7	6	

Note: Options a – d inclusive – the Northern and Southern Contracts cannot be held by the same contractor

## 8.4 Summary of findings and recommendations

### 8.4.1 Preferred option

The preferred option is:

- **In the short term, an enhanced status quo model should be implemented** - whilst the current model works well, there is room for improvement, with how the works are procured and also in the delivery of the roading activity. The introduction of improvements will both support a more cost-effective service whilst supporting a healthy market.
- **In the longer term, to develop and implement regional initiatives in consultation with the other Wellington Regional Councils** – this work has commenced at a high level, seeking more efficient delivery of the roading activity across the region, and any arrangements made now should be aligned and / or provide flexibility to introduce any such initiatives. This more regional approach to delivery is likely to be developed over the next three to five years.

The status quo was also shortlisted for comparison but the status quo would not deliver improvements to the current arrangements and outcomes.

### 8.4.2 The Enhanced Status Quo (short term)

Recognising that the current model is working well, significant changes to the model are not considered necessary. However, a number of opportunities have been identified that could lift overall delivery (section 5 above).

Through the review, we considered whether the number, scope and scale of contracts was appropriate to provide a balance between efficiency, cost-effectiveness, interest at the tender box and providing for broader outcomes such as supporting the local economy through engagement of local contractors.

To support this, two areas of ‘enhancement’ were considered in more detail:

- The form of contract model (scope / boundaries) and how it is procured to provide cost-effective delivery whilst supporting healthy markets (see Table 5 above).
  - How many contracts should there be?
  - Should the scope of contracts be area based or activity based or a mix?

It is also recommended that Council’s in-house team structure be reviewed to ensure capability to manage the new arrangements.

*Refer Section 8.5 below for further discussion*

- Improvements to the contract to increase interest in the market and to ensure it is fit-for-purpose and delivers on Council’s objectives for the road network and its customers. In particular this could include:
  - The term of contract (which will also allow alignment to adjacent council contracts for future regional opportunities).
  - improved performance management – have we got the right KPIs and are we managing them?

*Refer Section 8.6 below for further discussion*

### 8.4.3 Introducing regional initiatives (medium to long term)

In the longer term (3-5 years), opportunities with adjacent neighbours should be further explored to deliver benefits across the parties. This could include:

- Providing for alignment of the end of the O&M contracts across neighbouring council contracts (gives more opportunity for working together in the future).
- Shared resources.
- Identifying opportunities for shared contracts and or shared procurement.
- Using shared specifications for consistency.

Commitment from all parties needs to be sought in the first instance.

## 8.5 Preferred form of contract

To support the enhanced status quo model the form of contract was investigated (as shown in table 5 above) with the following recommendations:

**Table 6 Preferred contract forms for the Enhanced Status Quo**

Option	Benefits	Recommended way forward
<p><b>Option b</b> Geographic boundaries unchanged. To procure the three geographic areas (Northern, Southern and CBD) separately (compared to the current model of awarding the CBD with either the Northern or Southern areas).</p>	<ul style="list-style-type: none"> <li>• Opportunity for up to 3 organisations to hold a contract, not limited to 2 (of a scale that would typically exclude Tier 2 suppliers).</li> <li>• Whilst allowing for a third organisation, the scale of contracts is still attractive to Tier 1 suppliers. This will encourage interest at the tender box.</li> <li>• Complexities of this new arrangement would be limited with no change to scope and geographic boundaries essentially unchanged – this is of particular advantage with current contracts expiring 2025.</li> <li>• In-house team adequately resourced for 3 separate contracts – limited change in contract management.</li> <li>• No complexities in procurement with 3 separate contracts although provision for discounts on award of multiple contracts could be considered.</li> </ul>	<p><b>3 separate contracts awarded separately.</b></p> <ul style="list-style-type: none"> <li>• Potential to allow discounts for multiple contract but at Council’s discretion.</li> <li>• Northern and Southern must be held by separate contractors.</li> </ul>
<p><b>Option c</b> Northern and Southern contracts – status quo. CBD scope to be potentially split as follows:</p> <ul style="list-style-type: none"> <li>• All activities or</li> <li>• Split roading and street cleaning.</li> </ul>	<ul style="list-style-type: none"> <li>• A 4<sup>th</sup> contract to manage may require in-house changes (but not considered a significant issue).</li> <li>• Providing for the ability to tender on just street cleaning will likely increase the number of tenderers (this is supported by specialist suppliers in the region). <ul style="list-style-type: none"> <li>○ Direct relationship between parties for this activity.</li> <li>○ Specialist providers can drive innovation in this space.</li> </ul> </li> <li>• Procuring as separable portions will allow Council to award as a single geographic package or as 2 contracts split by activity. <ul style="list-style-type: none"> <li>○ Provides flexibility in procurement.</li> </ul> </li> </ul>	<p><b>CBD to be split into separable portions:</b></p> <ul style="list-style-type: none"> <li>• <b>Street cleaning / cleansing</b></li> <li>• <b>Roading activities</b></li> </ul> <p>Separable portions will allow Council to award the CBD separately or together.</p>

## 8.6 Further opportunities to improve service delivery

The s17A review is a legislated requirement that considers the model of delivery for the roading activity.

As noted in Section 2.2, once the primary model of delivery has been selected, Council can optimise service delivery as part of their business-as-usual activities. Council needs to be continually seeking opportunities to increase the effectiveness and efficiency of the service delivery including having the appropriate internal structure and resourcing as well as looking for opportunities to work collaboratively with other local authorities and stakeholders.

Service optimisation initiatives can be introduced as appropriate and through the new contracts.

### 8.6.1 In-house capability and capacity

Council has a well-resourced in-house roading team.

However, it is recommended that the capability and capacity of the team be reviewed in light of the proposed contract arrangements.

The challenge is getting the right structure that supports the council outcomes sought such as value for money and efficiency.

### 8.6.2 Contracts

Whilst it has been recognised that the current contracts are fit-for-purpose and are delivering positive outcomes, they need to be periodically reviewed to ensure efficiencies and value for money and to ensure interest at the tender box.

FieldForce4 undertook a review of the current contract in 2022 with the objective of identifying potential improvement opportunities and incorporating those into the 2023 contract extension. Recommendations from that review related to:

- Visibility in terms of performance monitoring and programming
- A more structured approach to collaboration
- Redefine auditing processes
- Improvements in data collection through consistent use of technology
- Improved contract management.

As well as providing for these improvements (where not already incorporated), further potential initiatives are outlined in the table below:

**Table 7 Contract improvement options**

Consideration	Discussion
Contract duration	<p>The current contract was awarded on a 3 + 2 term to a total of 5 years.</p> <ul style="list-style-type: none"> <li>• Engagement with stakeholders indicates that a longer term contract is more favourable, proving certainty for investment.</li> <li>• A three year base term with provision for rollovers to a nominal nine years (3 + 3 + 3) is considered appropriate and aligns to the regional collaboration discussions.</li> <li>• A longer term also potentially reduces the overall cost of procurement being less frequent.</li> </ul> <p>Some concerns over alignment with the LTP timeframes and capital works can be addressed through drafting of the contract documents.</p>
Performance management	<p>How can we improve performance management:</p> <ul style="list-style-type: none"> <li>• Reporting and transparency</li> <li>• Have we got the right KPIs?</li> <li>• How are KPIs monitored?</li> <li>• What are the implications of non-performance or good performance?</li> </ul>
Collaborative partnering	<p>The collaborative arrangement currently works well until there is an issue and then a more traditional approach is adopted.</p> <p>How can we better support this intent at all levels, from governance through to operations and delivery.</p>
Broader outcomes	<p>The contract documents and method of evaluation of proposals should provide a balance in terms of broader outcomes against value for money such as:</p> <ul style="list-style-type: none"> <li>• Environmental responsibility</li> <li>• Social responsibility</li> <li>• Staff wellbeing</li> </ul>
Regional collaboration	<p>To enable the introduction of regional initiatives in the 3-5 year timeline, provide some flexibility in the new contracts to allow this.</p>

## 9 Where to now

With the current contracts expiring 30 June 2025, timelines are tight and procurement of the new contracts needs to progress. To ensure this, the following steps are required:

1. This s17A is endorsed by Council.
2. The Procurement Plan is amended to align with the outcomes of this s17A review and endorsement sought through Council and NZTA.
3. The RFP and supporting contract documents are developed, incorporating any agreed amendments from this review, and released to market.

## Appendix A Stakeholder engagement

The table below lists the stakeholders we engaged with for the service delivery review.

Who	Organisation	Role in relation to review
<ul style="list-style-type: none"> <li>Brad Singh – Roading Manager</li> <li>Kylie Hook – O&amp;M</li> <li>Graeme Bruce</li> <li>Mel Ahnau</li> <li>Sarah Bu</li> <li>Ross Bayer</li> </ul>	Wellington City Council	Council
s(7)(2)(a)	NZTA	Procurement Advisor
	Upper Hutt City Council	Neighbouring council (not part of Height collaboration work)
	Fulton Hogan	Incumbent supplier
	JFC	Potential supplier
	Downer	Incumbent supplier
	HEB	Potential supplier
	InterGroup	Potential supplier (street cleaning)
	Civic Waste	Potential supplier (street cleaning)

## Appendix B Options Assessment

Service delivery options		Governance and funding in-house				Governance and funding through Joint Committee or other shared governance arrangement				
		Delivery all in-house	Outsourced		Delivery by CCO	Delivery by another Local Authority	Outsourced delivery - joint delivery with another TLA	Delivery by Joint CCO	Delivery by another TLA	Delivery through Alliance
			Status quo	Enhanced status quo						
		1	2a	2b	3	4	5	6	7	8
<b>Description of option</b>		Council purchases plant and equipment and employs staff to provide O&M services.	Operations and maintenance continues to be out-sourced as 3 separate contracts (with award of CBD to a holder of northern or southern contract).	Contract/s continue to be outsourced but with a review of contract delivery to deliver a more cost-effective service that supports a healthy market	Council forms a CCO or CTO for the delivery and management of all roading services. Planning and administration would be undertaken by a centralised team within the CCO.	Neighbouring council delivers O&M works on behalf of WCC. WCC sets strategic direction and undertakes planning	Works procured jointly with neighbouring council/s	Council forms a joint CCO or CTO with neighbouring council(s) for the delivery and management of all roading services. Planning and administration would be undertaken by a centralised team within the CCO.	Physical works delivered by another TLA on behalf of WCC. WCC provides strategic and planning input through joint agreement.	Alliance between WCC and O&M Contractor/s
	Weighting									
<b>Financial criteria</b>										
Establishment/procurement cost	5%		3	3	1	2	2	1	2	1
Governance and management costs	5%		3	3	1	1	2	1	1	1
Delivery cost	30%		3	4	3	2	5	3	2	3
<b>Financial score</b>	<b>40%</b>		<b>1.2</b>	<b>1.5</b>	<b>1.0</b>	<b>0.8</b>	<b>1.7</b>	<b>1.0</b>	<b>0.8</b>	<b>1.0</b>
<b>Financial Commentary</b>			Status quo.	Overall scope would be unchanged so changes in total cost would be related to potential efficiencies associated with an enhanced model. Minimal change to governance and management costs (dependent on final arrangements)	Establishment costs for a CCO and ongoing higher governance costs. Minimal change to delivery costs - CCO would still have to tender on the open market	Costs likely to increase with another TLA delivering the works. Governance costs likely to increase with complexities and would be a cost to establishing a new model	Potential efficiencies of scale, depending on extent of joint delivery. Will be set up and costs associated with a more complex governance and management structure	High establishment costs for a joint arrangement and ongoing higher governance costs. Minimal change to delivery costs	High establishment costs. Likely increase in management and governance costs with separation from WCC. Although WCC would not employ staff, likely higher costs, paying another council to deliver the works	High establishment costs and ongoing higher governance costs. Establishment costs in recruiting additional staff. Compared to current arrangements, unlikely to be significant cost-benefit
<b>Non-financial criteria</b>										
Ability to control / influence outcomes	20%		3	3	2	2	2	2	1	2
Ability to influence a healthy market	15%		3	4	3	1	3	3	1	3
Flexibility to respond to changing requirements	15%		3	4	3	2	2	2	2	2
Complexities around implementation	10%		3	3	2	1	2	1	1	1
<b>Non-financial score</b>	<b>60%</b>		<b>1.8</b>	<b>2.1</b>	<b>1.5</b>	<b>1.0</b>	<b>1.4</b>	<b>1.3</b>	<b>0.8</b>	<b>1.3</b>
<b>Non-Financial Commentary</b>			Status quo Works well and delivers to requirements but room for improvement to drive cost-effectiveness.	Current model is working well but there is room for further optimisation of the services e.g. review of contract delivery (number of contracts / method of procurement / scope etc), improved performance management etc	Complexities of establishing a CCO. Unlikely to be benefits over status quo in delivery	Complexities around management of works and priorities. Would be some loss of ownership with less control over delivery. No perceived benefits in delivery by another TLA	Potential benefits in some areas such as consistencies in specs, regional delivery of some activities etc. Would need roading contracts to align in timeframes and scope (don't currently). Potential complexities in set-up, management and governance.	Complexities of establishing a joint CCO with minimal service delivery benefits over status quo.	Potentially some loss of control and local line of sight (more likely other councils than WCC due to size under a joint committee). Differing priorities. Likely complexities in governance structure where WCC does not actually provide the services	Need high level of maturity and trust to be effective but will have limited benefit over current collaborative arrangements. Complexities in setting up. Benefit would be shared goals and objectives
<b>Total score (out of 5)</b>			<b>3.0</b>	<b>3.6</b>	<b>2.5</b>	<b>1.7</b>	<b>3.1</b>	<b>2.3</b>	<b>1.5</b>	<b>2.3</b>
<b>TOTAL SCORE (%)</b>			<b>60%</b>	<b>72%</b>	<b>50%</b>	<b>34%</b>	<b>61%</b>	<b>45%</b>	<b>30%</b>	<b>45%</b>
<b>Rank</b>			<b>3</b>	<b>1</b>	<b>4</b>	<b>7</b>	<b>2</b>	<b>5</b>	<b>8</b>	<b>5</b>
<b>Outcome</b>		<b>Discounted</b>	<b>Shortlisted</b>	<b>Shortlisted</b>	<b>Not recommended</b>	<b>Not recommended</b>	<b>Shortlisted</b>	<b>Not recommended</b>	<b>Not recommended</b>	<b>Not recommended</b>
<b>Overall Commentary</b>		n/a	Status quo Meets requirements but room for improvement through service optimisation to drive cost-effectiveness	<b>Short Term preferred model</b> Service optimisation can help deliver efficiencies. Examples to explore could be contract split (geographic and scope), improved performance management, healthy market support	More complex model than status quo. Higher governance and ongoing management costs with minimal service delivery benefits over status quo.	Complex model that is likely to be more expensive and may conflict with WCC priorities. No perceived benefits in delivery of roading activity by another TLA	<b>Preferred long term model, building on the preferred enhanced status quo</b> Potential efficiency benefits, the extent of which will depend on final shared arrangements. Current delivery models are not aligned. Would need to manage potential competing priorities.	Complex model. Would also unlikely be a preferred option of neighbouring councils. Large set-up costs and complexities	Complex model that is likely to be more expensive and may not support WCC priorities	Shared goals and objectives. A high level of maturity is required across all parties. Likely minimal benefit (if any) over current arrangements