

# **SOUTH WAIRARAPA DISTRICT COUNCIL**

**19 SEPTEMBER 2018**

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## **AGENDA ITEM C7**

### **FUTURE ARRANGEMENTS FOR UNDERTAKING ROADING ACTIVITIES**

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#### **Purpose of Report**

For the Council to make a decision on the future arrangements for the delivery of the Council's roading activities.

#### **Recommendations**

That the Council:

1. *Receives the report.*
2. *Notes the Rational Transport Services Delivery Report September 2018 in Appendix 1, and considers the analysis, conclusions and recommendations in the report.*
3. *Having considered the analysis, conclusions and recommendations of the Rational Transport Services Delivery Report September 2018, agrees to combine the Council's roading activities with Carterton and Masterton District Councils across governance, network management/professional services and physical works, as outlined in the attached report, subject to Carterton and Masterton District Councils also agreeing to shared roading management arrangements.*
4. *Agrees if combined roading activities are not supported by Masterton District Council, to combine the Council's roading activities with Carterton District Council across governance, network management/professional services and physical works, as outlined in the attached report, subject to Carterton District Council also agreeing to shared roading management arrangements.*
5. *Agrees to the implementation programme outlined on Page 18 of the Rationale Transport Services Delivery Report September 2018, subject to either one or both Masterton and Carterton District Councils agreeing to combining roading services.*
6. *Notes that if neither Carterton nor Masterton District Councils agree to shared roading services the status quo will continue, and that the Chief Executive will review the current programme management services contract.*

## **1. BACKGROUND**

The Council has recently completed a review of how roading activities are delivered, as required by Section 17A of the Local Government Act 2002. The review was undertaken with Carterton District Council.

Section 17A requires local authorities to:

*".... 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."*

It requires every local authority to review all their services under the following conditions:

- i. When considering any significant change to service levels.
- ii. Within 2 years of the expiry of a contract to deliver any service.
- iii. At least every 6 years.

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

Governance and funding by:

- a. Council alone; or
- b. In a shared governance arrangement with one or more councils.

Service delivery by:

- a. Council (i.e. in-house);
- b. A Council Controlled Organisation owned by Council or jointly owned with another shareholder (e.g. another council or private party);
- c. Another council (e.g. through a shared service arrangement); or
- d. Another person or agency (e.g. out-sourced contract or by opting out).

## **2. REVIEW CONCLUSIONS AND COMMITTEE ENDORSEMENT**

The preferred option from the review was a shared governance arrangement with an out-sourced maintenance contract. Contract management and professional services would be a mix of shared in-house and contracted services.

The collaborative approach would harness the economies of scale and create value in the contract. The scale of the contract may include all transport functions to further increase the contract's value and allow for specialisation in functions and data management.

The Department of Conservation could also be included in the model.

The Infrastructure and Services Committee were presented with the review report and it accepted the findings of the review (Committee meeting 22 August 2018), as did the South Wairarapa District Council. Since then officers have worked with the consultants to provide further definition to the shared governance structure, and on bundling of works and services within the roads contract, including professional services.

Discussions will be held with Masterton District Council through this process and with the New Zealand Transport Authority and the Department of Conservation.

### **3. PROPOSED ROADING ARRANGEMENTS**

In **Appendix 1** is a report assessing the detailed road management options, including: governance; physical works; and network management and professional services. The assessment included detailed analysis of scenarios, taking the top four highest scoring options.

In addition, costs estimates and potential cost savings for Carterton and South Wairarapa of combined physical works were assessed comparing the status quo, and combined physical works contract with two Councils and with three Councils (see page 13 of the report). An analysis of the cost and potential efficiency gains of combined network management is also included (page 15 of the report).

The report identifies Scenario 1 as the preferred option - Carterton, South Wairarapa and Masterton District Councils to combine across governance, network management / professional services and physical works.

This option is dependent on all three councils agreeing to this model. Carterton will be presented with the same analysis and recommendations contained in this report when it meets to make a decision. It is therefore likely that the same decision will be made by both this Council and Carterton. Masterton District Council will receive a different report at its meeting, on the 19<sup>th</sup> September, the contents and conclusion of which are unknown at this stage. While the same shared services options will have been assessed their advice may be different.

If Masterton's decision does not support a three-council shared services approach, the next preferred option in this report is Scenario 2: Carterton and South Wairarapa District Councils to combine across governance, network management / professional services and physical works. While not the optimal model this would be more cost effective than the status quo.

### **4. NEXT STEPS**

If a shared services model is agreed (by two or three councils) a transition into the new approach will start straight away. An implementation programme on page 18 of the report sets out how the current roading activity arrangements will be transitioned into the shared service.

## **5. APPENDICES**

### Appendix 1 – Road Management Options

Contact Officer: Mark Allingham, Group Manager Infrastructure & Services

Reviewed By: Paul Crimp, Chief Executive

# **Appendix 1 – Road Management Options**





Carterton & South Wairarapa  
District Councils

S17A Service Delivery Review of  
Transport Activity

July 2018



Document Title:

Transport Activity – s17A Service Delivery Review

Prepared for:

CARTERTON & SOUTH WAIRARAPA DISTRICT COUNCILS

#### Quality Assurance Statement

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## Executive Summary

Rationale was commissioned to review the delivery of the Land Transport Activity at Carterton District Council (CDC) and South Wairarapa District Council (SWDC). The review was based on discussion with staff and elected members of both councils and also Masterton District Council (MDC), a review of key documents and two workshops.

***In accordance with s17A of the Local Government Act 2002, this report reviews 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',***

***It takes into account governance, funding and service delivery for the land transport activity.***

***This report does not determine the preferred way forward, rather it provides a high-level assessment of potential options for governance, funding and service delivery in terms of the councils' key drivers and risks, the outcome of which is a short-list of viable options for further consideration***

CDC and SWDC land transport activities include strategy and planning, asset management, maintenance, and the design and construction of capital works. It also includes governance and funding of the above for all local roading assets. This report assesses the current service delivery models and evaluates a range of other potential service delivery options.

CDC and SWDC are seeking a more in-depth review than that required under s17A. This will consider the implementation of the identified preferred service delivery option where different to the status quo. This will form part of a separate report.

*With the main road maintenance contract and several others expiring June 2019, this review will enable the implementation of any approved recommendations on improvements to service delivery to be introduced into the new contracts.*

### Current Method of Service Delivery

Network management for the land transport activity is undertaken in-house for both councils with physical works and professional services out-sourced.

The physical works are delivered through a number of separate contracts with varying delivery mechanisms; a combination of separate, combined and shared contracts.

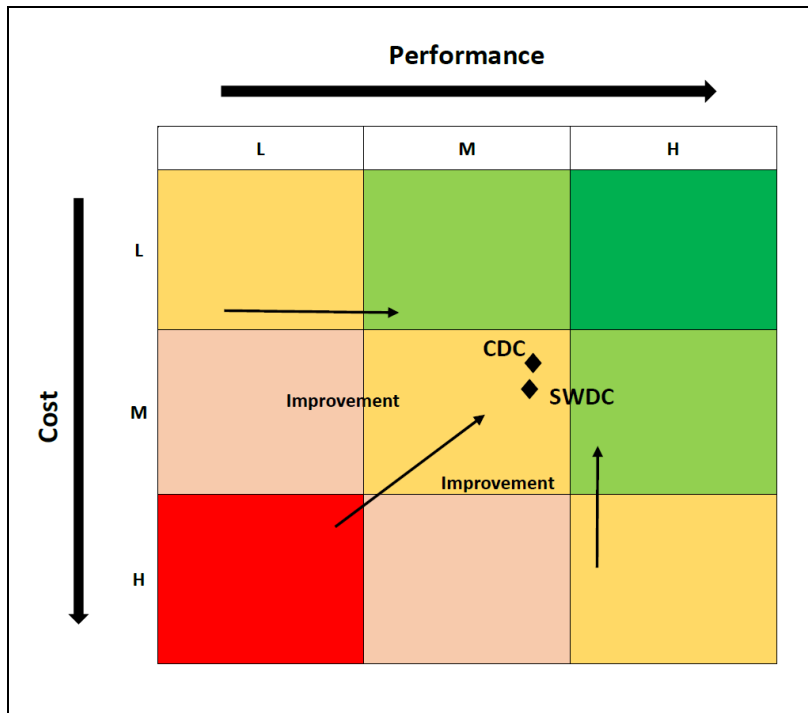
The core Road Maintenance Contract has been standardised across all three Wairarapa Councils, each managed separately in-house, and has been in place since 2013. However the anticipated efficiencies have not been realised.

### Performance

At a workshop (4<sup>th</sup> May 2018) with CDC, SWDC and MDC representatives, a number of key drivers and risks were agreed for assessment of the service delivery options. The key driver for all councils was identified as being 'Efficiency and Value for Money'.

Analysis of the cost-effectiveness of service delivery of road transport across the two councils has been completed using available data from the NZTA and REG databases. An overall assessment of cost effectiveness is illustrated below. It is based on a combination of the evidence base report produced in May

2018<sup>1</sup> by Rationale (attached as Appendix 2) and the professional judgement of Rationale whom have experience in this analysis.



Both Carterton and South Wairarapa District Councils are performing well in terms of cost-effectiveness when compared to their peer group.

Both councils are spending less than their peer group on maintenance and capital works whilst pavement performance is above their peer groups when looking at smooth travel exposure, roughness and pavement life.

These results are reflected in overall expenditure as well as expenditure per km and per 1000 vkt.

## Service Delivery Options

High level objectives, drivers and risks were developed into Problem Statements and an Investment Logic Map (ILM). The high level objectives agreed through the ILM process were:






The key driver, agreed by all parties, was '**Efficiency and Value for money**'

<sup>1</sup> Review of Carterton District Council and South Wairarapa District Council Transport Services: Evidence Base Report April 2018

Using the drivers and risks identified at the May workshop, a number of options for governance, network management / professional services and physical works were assessed. This included options with MDC as the neighbouring council.

The assessment of options for governance, physical works delivery and network management / professional services concluded the following short-listed options be taken forward for further evaluation:

		<b>Increasing – and more formalised – collaboration</b> 				
<b>Governance</b>		> Each council governs its own network > Potential for issues based collaboration and more opportunities for discussion across councils	> Joint committee with limited delegation across CDC/SWDC councils e.g. approve programmes but no delegation to approve budgets > Option to include NZTA	> Joint committee with limited delegation across 3 councils and possible NZTA inclusion e.g. approve programmes but no delegation to approve budgets > Option to include NZTA	> Fully delegated joint committee across CDC/SWDC (includes budget control) > Option to include NZTA	> Fully delegated joint committee with 3 councils (includes budget control) > Option to include NZTA
		<b>Increasing Potential Economies of Scale</b> 				
<b>Physical Works</b>		> Separate but standardised M&O contracts > Combined across road marking, footpaths, street lighting and reseals/rehabs for some councils	> Separate but standardised M&O contracts with combined contracts across CDC/SWDC for all other works. > Option to include NZTA	> Separate but standardised M&O contracts with combined contracts across CDC/SWDC/MDC for all other works. > Option to include NZTA	> All roading contracts combined across both CDC/SWDC. > Option to include NZTA.	> All roading contracts combined across both CDC/SWDC/MDC . > Option to include NZTA.
		<b>Greater Integration / Collaboration</b> 				
<b>Network Mgt / Professional Services</b>		> NM inhouse with some collaboration to deliver shared physical works. > Professional services outsourced via separate contracts	> NM shared across SWDC/CDC > Professional services integrated across both councils e.g. single contract/panel suppliers > NZTA inclusion is a sub option	> NM shared across SWDC/CDC/MDC > Professional services integrated across all councils e.g. single contract/panel suppliers > NZTA inclusion is a sub option	Fully integrated professional services unit across all 3 councils (minimising need for external consultants) > NZTA inclusion is a sub option	

## Next Steps

The next level of review will comprise evaluating each of the short-listed options in more detail with weightings assigned to each of the objectives, drivers and risks to determine the preferred service delivery mechanism.

This will include an assessment of likely set-up costs for each option against the anticipated benefits and efficiencies to be gained from those options.

Once the overall preferred way forward has been determined, an implementation programme / plan will be developed to ensure the new contracts are in place by June 2019.

## Glossary

The Agency	New Zealand Transport Agency
AMP	Asset / Activity Management Plan
CDC	Carterton District Council
DoC	Department of Conservation
LGA	Local Government Act 2002 and its amendments
LTMA	Land Transport Management Act 2003
MDC	Masterton District Council
NZTA	New Zealand Transport Agency
REG	Roading Efficiency Group

# 1 Introduction

This report provides a Section 17A review of the land transport activity for Carterton District Council (CDC) and South Wairarapa District Council (SWDC).

Rationale was commissioned to review the delivery of the Land Transport Activity at Carterton District Council (CDC) and South Wairarapa District Council (SWDC). The review has been completed following an assessment of current cost-effectiveness based on available evidence, discussion with staff and elected members of both councils and also Masterton District Council (MDC), a review of key documents and two workshops.

***In accordance with s17A of the Local Government Act 2002, this report reviews 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’,***

***It takes into account governance, funding and service delivery for the land transport activity.***

***This report does not determine the preferred option; rather, it provides a high-level assessment of potential options for governance, funding and service delivery in terms of the councils’ key drivers and risks, the outcome of which is a short-list of viable options for further consideration***

The land transport activity includes the asset management, strategic planning and maintenance, renewals and new works for all local roading assets including sealed and unsealed roads, footpaths, drainage, bridges and other structures.

This report assesses the current service delivery models and evaluates a range of the potential service delivery options for the land transport activity. This review incorporates workshop outcomes, documentation review and discussion with CDC and SWDC as well as neighbouring MDC representatives, the New Zealand Transport Agency (NZTA) and the Department of Conservation (DoC).

## 1.1 Requirements of section 17A

Section 17A was inserted in the Local Government Act 2002 by an amendment in 2014. It requires local authorities to:

*“.... 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.”*

It requires every local authority to review all their services under the following conditions:

- When considering any significant change to service levels.
- Within 2 years of the expiry of a contract to deliver any service.
- At least every 6 years.

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

- Governance and funding by:
  - Council alone; or
  - In a shared governance arrangement with one or more councils.
- Service delivery by:
  - Council (i.e. in-house);
  - A CCO owned by Council or jointly owned with another shareholder (e.g. another council or private party);



- Another council (e.g. through a shared service arrangement); or
- Another person or agency (e.g. out-sourced contract or by opting out).

## 1.2 Methodology

This review is being conducted in three phases:

<b>Phase 1</b>	Baseline Evidence Review of relevant information (completed April 2018)
<b>Phase 2</b>	Identification of Issues, Investment Objectives and Options & s17A Service Delivery Review ( <i>this report</i> ). This phase included a workshop with council representatives and stakeholders to identify key drivers, investment objectives, risks and a short-list of options. An ILM and Multi-Criteria Analysis of options was developed to assist with the review of the CDC and SWDC land transport activities under s17A of the LGA .
<b>Phase 3</b>	Further analysis of the short-list options to determine a Preferred Way Forward and an indicative implementation programme / plan.

## 1.3 Comprehensive Service Delivery Review

### 1.3.1 Objectives

Beyond the s17A requirements, the outcomes sought through this service delivery review are:

1. Development and assessment of service delivery options for the land transport activity;
2. Identification of the preferred option including implementation option; and
3. Compliance with s17A service delivery review requirements.

Due to the Wairarapa Councils amalgamation review undertaken in 2017, a formal s17A review has not been undertaken of the land transport activity until now. The result of the amalgamation referendum was to 'retain the status quo' and to not amalgamate the three councils. However, with road maintenance contracts due for expiry in 2019, a comprehensive review of the delivery of service has been initiated across both Carterton and South Wairarapa District Councils.

CDC and SWDC made the decision to undertake this review together due to the close working relationship between them, the concurrent contract expiry and the desire to improve efficiency.

Masterton District Council is undertaking a separate 17A review but has been represented in discussion and a workshop to identify key drivers and risks.

### 1.3.2 Investment Logic Map

Rationale facilitated a workshop on 4<sup>th</sup> May 2018, which included representatives from CDC, SWDC, MDC and NZTA,

Current issues in terms of service delivery were discussed in detail to identify specific Problem Statements and an Investment Logic Map (ILM). (Refer Appendix 1).

The key problem statement to be addressed through the service delivery review was '*Management / Governance Structure currently not supporting collaborative delivery meaning full value is not being achieved*'.

The high-level objectives agreed through the ILM process were:



### 1.3.3 Drivers and Risks

A key part of the May 2018 workshop was to identify the key drivers and risks that impact on service delivery to enable a focused review of the service.

Key drivers for all councils (rated as ‘High’ by all) were:

- Efficiency and Value for Money;
- Standardising customer experience (ONRC);
- Advocacy effectiveness (one voice for Wairarapa) / joined-up decisions;
- Internal capability and capacity.

Key risks generally reflected the drivers but also included:

- Lack of interest / competition for physical works contracts;
- Affordability;
- Implementation of a new model within the available time.

### 1.3.4 Service Delivery Optimisation

Section 17A of the 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.

This report recommends a short-list of options for governance, funding and service delivery, to be taken forward for further assessment.

Subject to endorsement of the short-list of options, the next stage will determine the preferred way forward and an implementation plan will be developed. This will include optimising the overall delivery of the preferred option through the consideration of scope, form and duration of any new contracts.

As part of the contract development exercise, sub-clause 5 of Section 17A should be noted:

*“If responsibility for delivery of infrastructure, services, or regulatory functions is to be undertaken by a different entity from that responsible for governance, the entity that is responsible for governance must ensure that there is a contract or other binding agreement that clearly specifies—*

- a) the required service levels; and*
- b) the performance measures and targets to be used to assess compliance with the required service levels; and*
- c) how performance is to be assessed and reported; and*
- d) how the costs of delivery are to be met; and*
- e) how any risks are to be managed; and*
- f) what penalties for non-performance may be applied; and*
- g) how accountability is to be enforced.”*

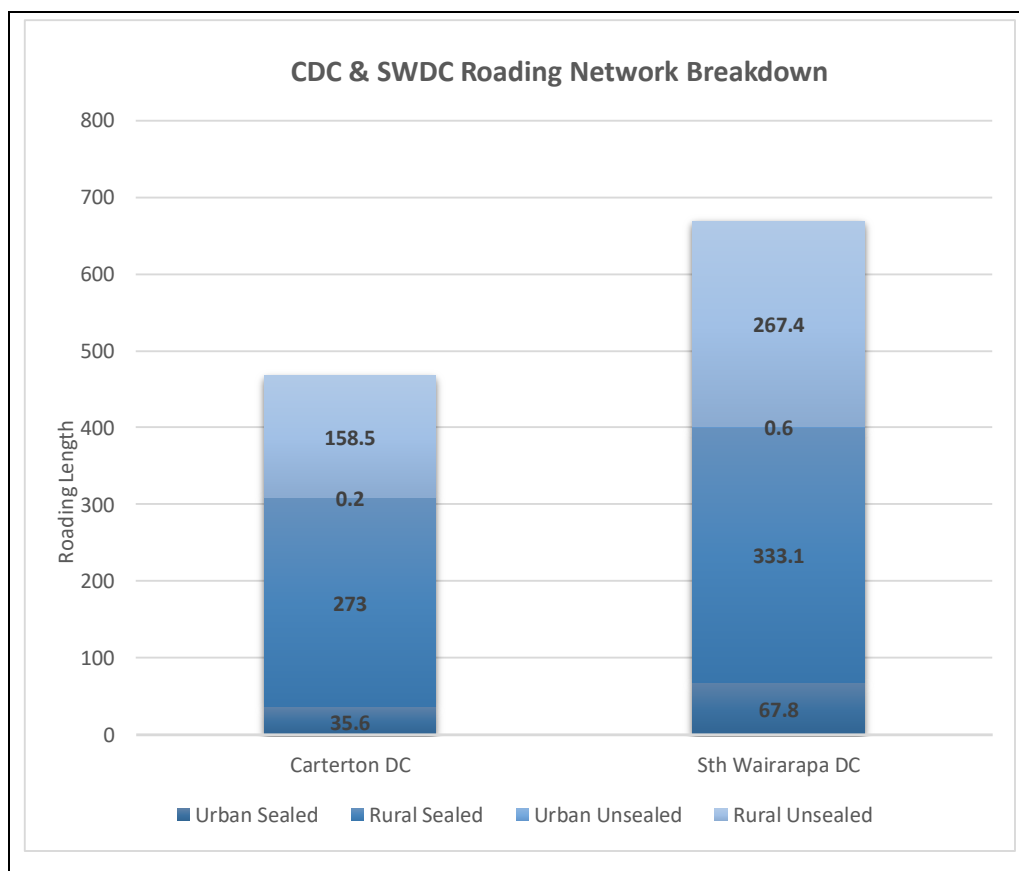
## 2 Current Arrangements

### 2.1 Roothing Overview

The roading network in Carterton and South Wairarapa comprises in the order of 700km of sealed road and 430km of unsealed roads as outlined in the table below:

	Urban Sealed	Rural Sealed	Urban Unsealed	Rural Unsealed	Total Length
Carterton DC	35.6 km	273 km	0.2 km	158.5 km	467.3 km
Sth Wairarapa DC*	67.8 km	333.1 km	0.6 km	267.4 km	668.9 km

\*includes the Cape Palliser Special Purpose Road



Other roading-related assets include bridges, culvert bridges, underpasses, streetlights, drainage, footpaths and retaining structures.

### 2.2 Services Currently Provided

Land transport services in Carterton and South Wairarapa comprise:

- Strategy and Asset Planning:** The primary activities are inputs to councils' long-term plans including 30-year infrastructure strategies and asset management plans. In addition, each Council contributes to the Regional Land Transport Plan and must prepare a programme business case for approval by NZTA as part of the National Land Transport Plan process.

- **Design and professional services:** There are a range of activities that require internal or external design and professional services. For the most part, these are general civil and structural engineering services for implementation of renewals or capital works such as bridge repairs, retaining walls, drainage improvements, safety improvements. Professional services of this nature may extend to procurement and managing delivery. External professional services are also engaged in the strategy and asset planning space either for specialist assistance or to boost capacity in times of peak workload.
- **Capital works delivery:** The most significant part of capital works is the renewal of road pavements and surfacing. Other activities include drainage renewals, new drainage works, bridge renewals, re-alignments or other improvements for safety. Retaining structures, often required as a result of storm event damage, are a common capital works activity.
- **Network Management and Road maintenance:**
  - Pro-active inspection, programming and maintenance aimed at minimising the likelihood of asset failure requiring reactive intervention.
  - Reactive maintenance to address failures on an as-needed basis (including emergency works).

## 2.3 Governance and Delivery Arrangements

Full details of the roading activity and assets are included in:

- Carterton District Council Activity Management Plan, Roding (2017)
- South Wairarapa District Council Land Transport Asset Management Plan (January 2018)

Responsibility for land transport services across the councils is generally allocated in the following manner.

*Note: Arrangements for Masterton District Council have been included where there are shared delivery aspects.*

<b>Governance</b>	Undertaken separately by each Council Some informal collaboration between Councils	
<b>Network Management &amp; Professional Services</b>	<b>Network Management</b> Undertaken in-house with professional service providers engaged as and when required. Professional services for bridge inspections are procured externally with Calibre Consultants currently holding the contract, due to expire June 2019 <b>Renewals and New Works</b> Professional service providers engaged as and when required for design and contract management	
<b>Physical Works</b>	Road Maintenance and Renewals Contract: <ul style="list-style-type: none"> <li>Sealed &amp; unsealed pavements</li> <li>Bridges &amp; culverts</li> <li>Traffic Signs</li> <li>Drainage</li> <li>Retaining walls</li> <li>Street cleaning</li> </ul> <i>Contracts currently held by Fulton Hogan</i> <i>Contracts (3 + 1 + 1) expire June 2019</i>	Standard contract across Carterton, South Wairarapa and Masterton District Councils, all awarded to a single contractor at a discounted price with the aim of delivering efficiencies. The contracts provide for all road maintenance and renewals activities excluding reseals, pavement renewals, vegetation, road marking and streetlights. Routine bridge maintenance included with a separate structural maintenance contract procured approximately every two years. Includes minor safety improvements.
	Street Lighting <i>Currently held by Alf Downs Streetlighting Ltd.</i> <i>Expires June 2019</i>	Combined contract across Carterton, South Wairarapa and Masterton District Councils.
	Footpaths <i>Currently held by Fulton Hogan</i>	Combined contract across Carterton and South Wairarapa District Councils for footpath renewals and new works, Annual programme prepared by the councils.
	Road Markings <i>Currently held by Roadmarkers NZ Ltd.</i>	Carterton and Masterton District Councils combined annual contract / South Wairarapa separate.
	Pavement Reseals & Rehabs <i>Currently held by Higgins.</i> <i>2-year contract expires June 2019</i>	Combined contract across Carterton and South Wairarapa District Councils, Annual programme prepared by the councils.

## 2.4 Funding and Costs

### 2.4.1 Funding Splits

The operational and capital funding for land transport services across the councils comprise:

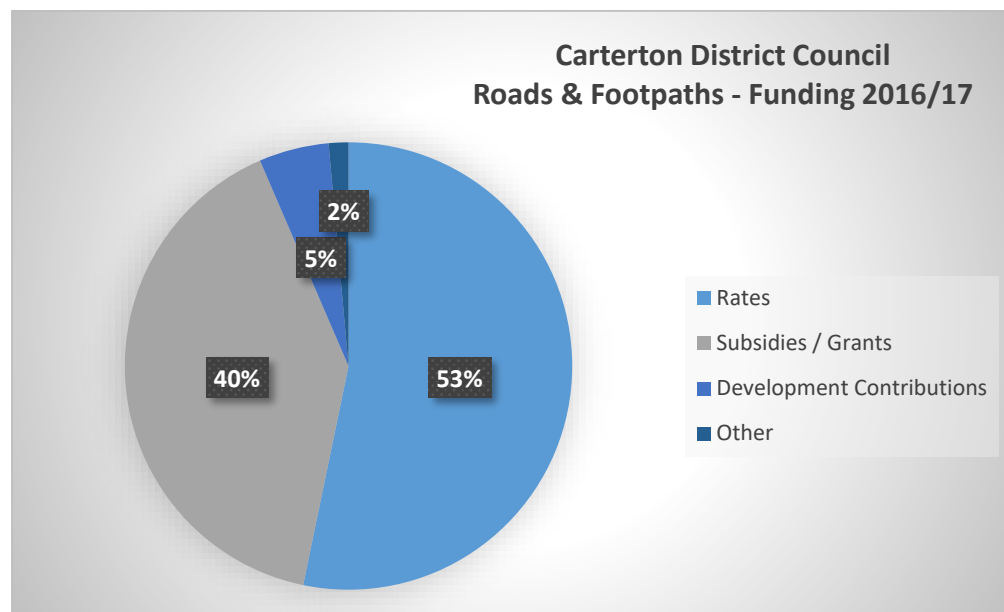
2016/17			
	Operating funding	Capital funding	Total Funding
CDC	2,627,000	879,000	<b>3,506,000</b>
SWDC	4,350,000	1,142,000	<b>5,492,000</b>
Total	<b>6,977,000</b>	<b>2,021,000</b>	<b>8,998,000</b>
Source: 2016/17 Annual Reports			

There are several potential sources of funding for land transport services: general rates, targeted rates, development contributions, fees and user charges, subsidies and grants, and miscellaneous other sources (e.g. infringement fees and local authority fuel taxes).

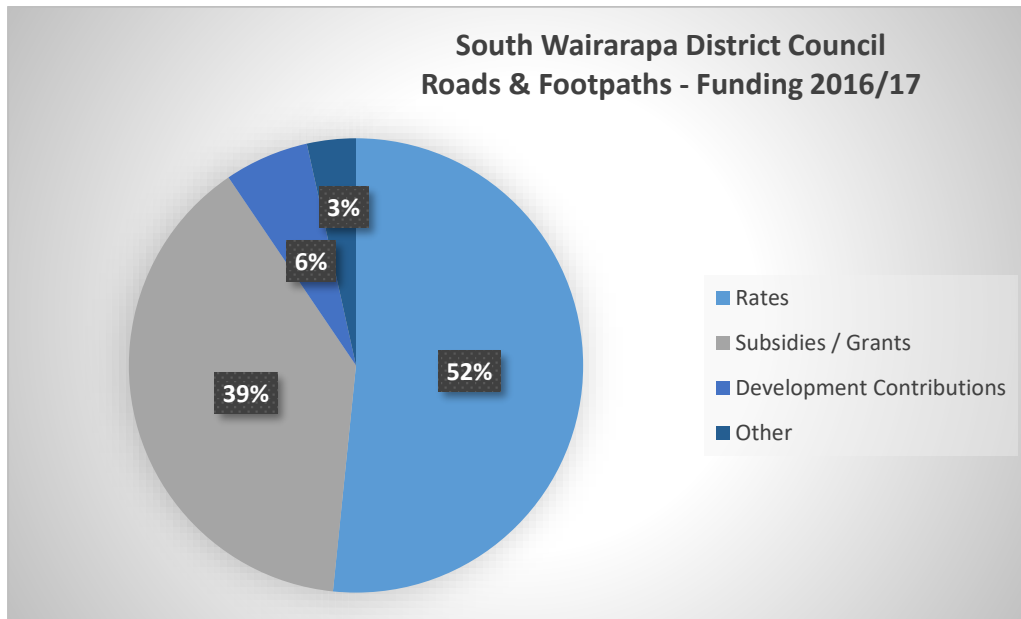
However, as the graphs below show, in practice the majority of funding for land transport across the councils is obtained either from general rates or NZTA subsidies (Funding Assistance Rate – FAR).

Neither CDC or SWDC use targeted rates for the land transport activity.

#### Carterton District Council



## South Wairarapa District Council

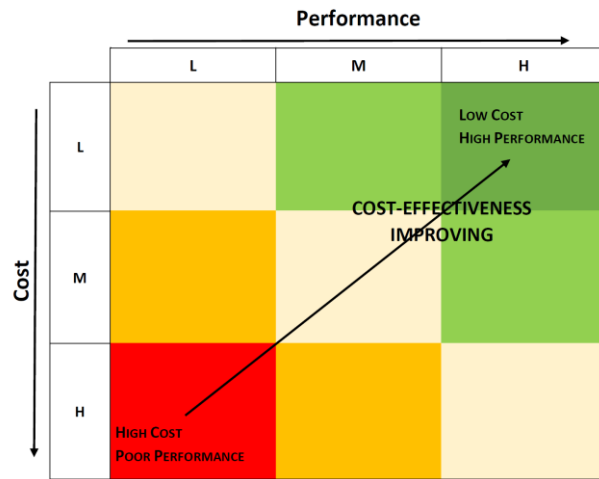




## 3 Assessment of Service Delivery Cost-Effectiveness

### 3.1 Overview

Refer to the Rationale Report titled 'Review of Carterton District Council and South Wairarapa District Council Transport Services: Evidence Base Report April 2018' for more detail (Appendix 2).



Rationale conducted an analysis of the councils' cost-effectiveness identifying current costs and performance by reference to:

- Total expenditure per annum on pavement maintenance, rehabilitation etc.
- Expenditure p.a. on pavement maintenance, rehabilitation etc, per 1,000 vehicle kilometres travelled (VKT).
- Road quality based on the pavement integrity index, condition index, and smooth travel exposure.

All results were then benchmarked against their relevant NZTA peer groups.

### 3.2 Expenditure Across Peer Groups

The diagram below provides an overview of the cost of delivering the land transport activity for CDC and SWDC.

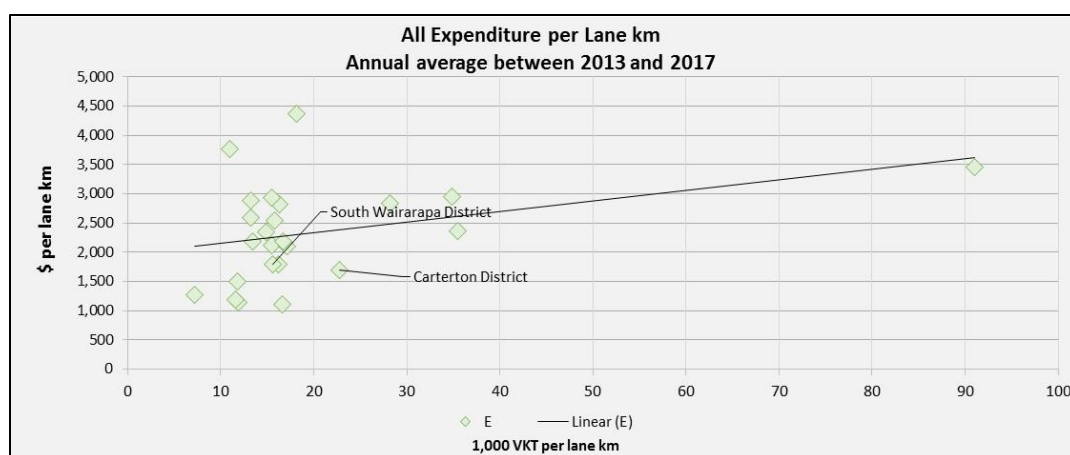
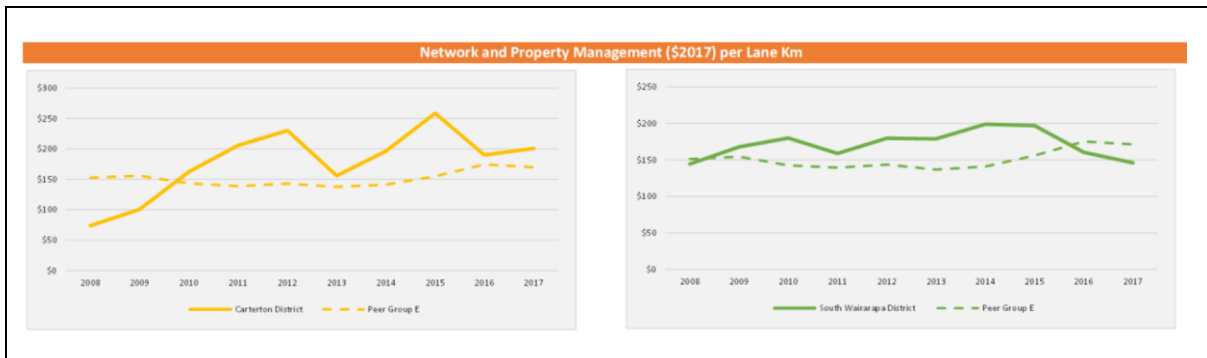


Fig 2: All expenditure per Lane km – Peer Group E

This indicates that, overall, both councils are spending below the indicative average of their peers with similar networks.

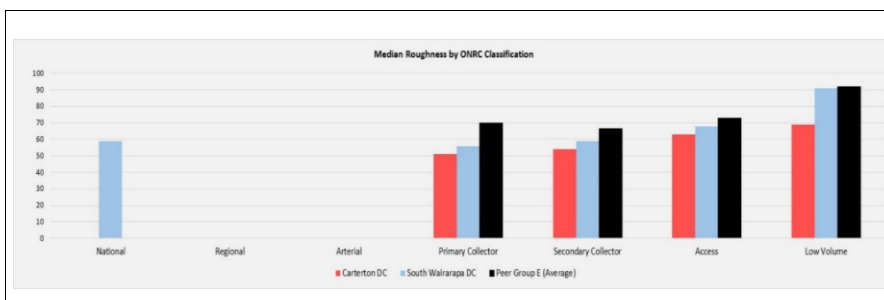
For 'Network and Property Management', both CDC and SWDC spend less than their peer group overall. However, as shown in the graph below, both councils spend more per km length of network than their peer group.



### 3.3 Pavement Performance

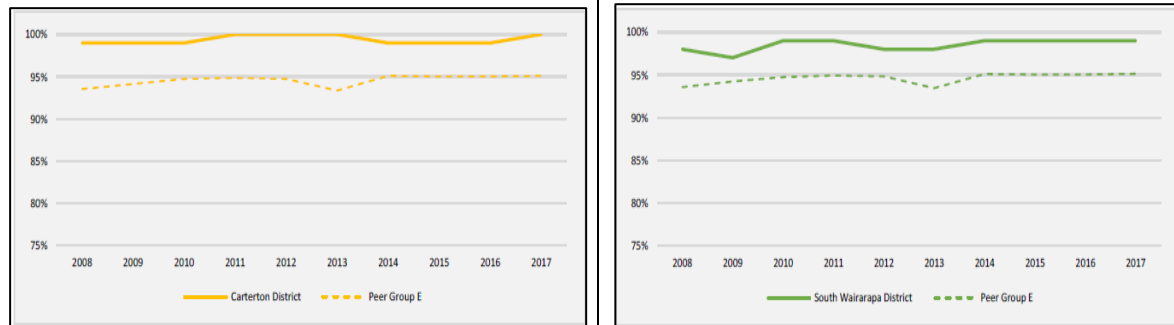
#### Pavement Roughness

Pavement roughness (NAASRA counts) is used as a measure of performance on sealed roads



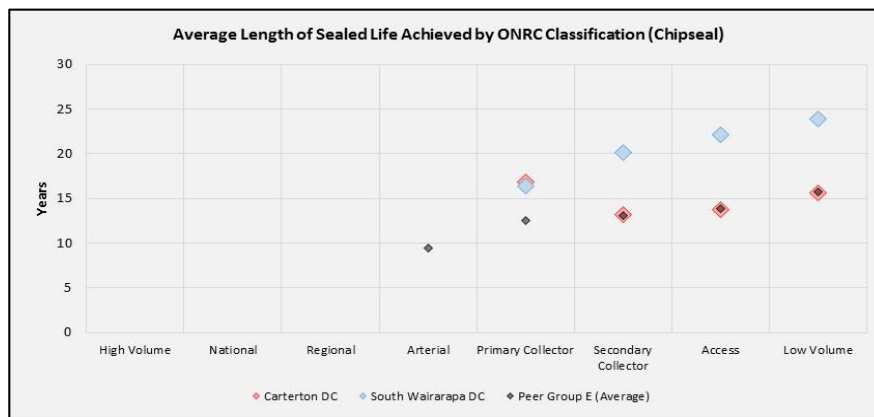
## Smooth Travel Exposure

Smooth travel exposure is considered an important measure of customer experience



## Surface Life

The average length of 'life' of a pavement surface is measured and reported by the ONRC reporting tool to determine whether it is meeting its design life.



Both CDC and SWDC are performing at or above their peer group in terms of pavement performance:

- Pavement roughness for both Carterton and South Wairarapa is lower than the peer group average for all road classifications.
- For both Councils, Smooth Travel Exposure performance is above than their peer group.
- Both councils are achieving similar or longer lives from their surfacing assets, within like classifications of road, when compared to their peer group

## 3.4 Annual Performance Measures

Annual Reports provide information on performance against levels of service agreed through the Annual Plan and Long Term Plan process.

There are no specific cost-effectiveness measures contained within the statutory reporting documents of the local authorities. Nor is there a common performance reporting framework across the councils, and where there are similar performance measures, the performance standards are not necessarily aligned.

Hence, being of limited relevance with regard to this s17A review, this report does not include an assessment of the results.

## 4 Service Delivery Options

Rationale facilitated a second workshop on 6<sup>th</sup> June 2018, including representatives from CDC, SWDC, NZTA and the Department of Conservation (DoC), to consider potential service delivery options as part of the Service Delivery Review.

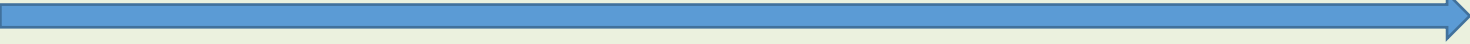
The workshop assessed alternative models with regard to the high-level objectives, key drivers and risks identified at the Phase 1 workshop held in May 2018 in order to determine a short-list of options to be further evaluated.

The sections below provide an overview assessment of a number of options for the land transport activity for:

- Governance;
- Funding; and
- Service Delivery
  - Physical works; and
  - Network Management / Professional Services

## 4.1 Governance

Options for Governance of the land transport activity have been assessed as outlined in the table below. A more-detailed table is included in Appendix 3, looking at each of the drivers and risks.

Options		1 Status Quo	2	3	4	5	6	7
		Increasing and more formalised collaboration 						
Governance		Each council governs its own network, minimal collaboration e.g. RTC	> Each council governs its own network > Potential for issues-based collaboration and more opportunities for discussion across councils	> Joint committee with limited delegation across CDC/SWDC councils e.g. approve programmes but no delegation to approve budgets > Option to include NZTA and/or DOC	> Joint committee with limited delegation across 3 councils and possible NZTA inclusion e.g. approve programmes but no delegation to approve budgets > Option to include NZTA and/or DOC	> Fully delegated joint committee across CDC/SWDC (includes budget control) > Option to include NZTA and/or DOC	> Fully delegated joint committee with 3 councils (includes budget control) > Option to include NZTA and/or DOC	Amalgamation (discounted)
Drivers	Risks							
100%	0%	5	5	3	2	4	1	7
		Shortlisted Options						
75%	25%	6	5	3	2	4	1	7
		Shortlisted Options						
50%	50%	6	5	3	2	4	1	7
		Shortlisted Options						
25%	75%	6	5	3	2	4	1	7
		Shortlisted Options						
0%	100%	6	2	3	3	3	1	7
		Shortlisted Options						

### 4.1.1 Observations

*Note that there are multiple sub-options that would be analysed during optimisation of the preferred option.*

***The assessment suggests that driving improvements through better and increased collaboration will have the greatest impact on improving cost-effectiveness.***

Full amalgamation of the councils has been discounted as this was recently the subject of a referendum, the result of which was to retain the status quo.

The current mechanism, where each council governs its own network separately, does not deliver on the drivers, primarily due to a lack of collaboration between the organisations and has not been shortlisted as an option to consider further.

The option of developing some form of joint committee across two or three councils to better facilitate collaboration will enable the drivers to be achieved whilst managing risk. The overall balance of drivers against risk has little influence in this finding.

Note that at this stage, no analysis has been undertaken on the costs of establishing / managing a joint committee.

It is therefore recommended that the governance arrangements, and the option of establishing a joint committee, be further reviewed. This should include options for:

- Joint committee to be across two or three councils;
- Delegations of the joint committee
- Potential to include NZTA and DoC as part of any joint committee.

## 4.2 Funding Options

The options for funding roading broadly comprise three options:

- The status quo.
- Adopting a common rating policy for general and/or targeted rates; and/or
- Increasing revenue from user fees and charges.

The focus of Section 17A is on service delivery, and decisions regarding funding are not a key decision-making variable when looking at service delivery options. Regardless 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, Regional Land Transport Plan) or when Council reviews its revenue and financing policy. For this reason, this Section 17A review focuses on service delivery options and the associated governance options, with funding options being optimised as part of the implementation of the preferred service delivery option

As a general observation, changes to the mix of funding sources are unlikely to have significant impact on cost-effectiveness. Cost-effectiveness is determined by how money is spent, not where the funding comes from (although increasing the quantum of overall funding may improve or reduce the overall cost-effectiveness of a service).

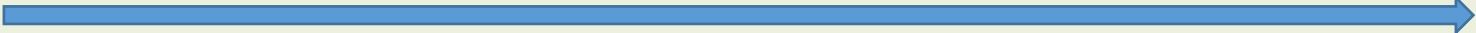
Changes to the *mix* of funding sources are unlikely to have significant impact on cost-effectiveness, and there are no readily identifiable additional sources of funding for transport services.

It is recommended that:

- the existing funding arrangements are endorsed for the time being; and
- the merits of alignment of funding policies across the councils be investigated.

### 4.3 Network Management and Professional Services

Options for network management and delivery of the land transport professional services have been assessed as outlined in the table below. A more-detailed table is included in Appendix 3, looking at each of the drivers and risks.

Options		1	2	3 Status Quo	4	5	6
		Greater Integration / Collaboration 					
<b>Network Management &amp; Professional Services</b>		All NM and PS fully outsourced via separate contracts for each council.	NM inhouse with no shared physical works contracts and professional services outsourced via separate contracts	> NM inhouse with some collaboration to deliver shared physical works. > Professional services outsourced via separate contracts	> NM shared across SWDC/CDC > Professional services integrated across both councils e.g. single contract/panel suppliers > NZTA and/or DOC inclusion is a sub option	> NM shared across SWDC/CDC/MDC > Professional services integrated across all councils e.g. single contract/panel suppliers > NZTA and/or DOC inclusion is a sub option	Fully integrated professional services unit across all 3 councils (minimising need for external consultants) > NZTA and/or DOC inclusion is a sub option
Drivers	Risks						
100%	0%	5	5	4	3	2	1
		Shortlisted Options					
75%	25%	6	5	4	3	2	1
		Shortlisted Options					
50%	50%	6	5	4	3	2	1
		Shortlisted Options					
25%	75%	6	5	2	3	4	1
		Shortlisted Options					
0%	100%	6	5	1	2	4	3
		Shortlisted Options					



### 4.3.1 Observations

*Note that there are multiple sub-options that would be analysed during optimisation of the preferred option.*

***The assessment suggests that driving improvements through shared network management and professional services will better deliver on potential benefits and efficiencies through collaboration and integration.***

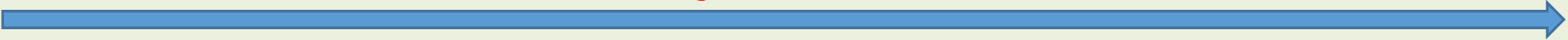
There are favourable options for combining network management and/ or professional services across two or three councils.

The status quo, where network management is undertaken in-house by each council and professional services are out-sourced through individual contracts, is unlikely to deliver favourably on the drivers. However, the high-level MCA identifies that a higher focus on risk over drivers may change this - the status quo likely having less risk in terms of changing models.

The integration of network management and professional services may be influenced by the final governance arrangements and should be reviewed in conjunction with this.

## 4.4 Physical works

Options for delivery of the land transport activity physical works have been assessed as outlined in the table below. A more-detailed table is included in Appendix 3, looking at each of the drivers and risks.

Options		1	2 Status Quo	3	4	5	6	7
		Increasing <i>Potential Economies of Scale</i> 						
Physical Works		Separate Contracts across all councils	> Separate but standardised M&O contracts > Combined across road marking, footpaths, street lighting and reseals/rehabs for some councils	> Separate but standardised M&O contracts with combined contracts across CDC/SWDC for all other works. > Option to include NZTA and/or DOC.	> Separate but standardised M&O contracts with combined contracts across CDC/SWDC/MDC for all other works. > Option to include NZTA and/or DOC.	> All roading contracts combined across both CDC/SWDC. > Option to include NZTA and/or DOC.	> All roading contracts combined across both CDC/SWDC/MDC. > Option to include NZTA and/or DOC.	CCO (discounted due to LTMA requirements)
Drivers	Risks							
100%	0%	5	5	3	3	1	1	7
		Shortlisted Options						
75%	25%	6	5	3	4	1	2	7
		Shortlisted Options						
50%	50%	6	5	3	4	1	2	7
		Shortlisted Options						
25%	75%	6	4	3	5	1	2	7
		Shortlisted Options						
0%	100%	6	4	2	5	1	3	7
		Shortlisted Options						

#### 4.4.1 Observations

*Note that there are multiple sub-options that would be analysed during optimisation of the preferred option.*

***The assessment suggests that driving improvements through standard and / or combined contracts will better deliver on efficiencies through potential economies of scale.***

A Council Controlled Organisation (CCO) option has been discounted due to Land Transport Management Act (LTMA) requirements. Section 25(4) of the LTMA states '*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*'. This means that whilst it is entirely acceptable for a Council or Councils to establish a CCO for physical works delivery, that CCO is simply competing in the market against established contractors.

Combining contracts will better meet drivers but risk increases when a third council is introduced, particularly in relation to ongoing political buy-in. Administrative risk increases with more parties involved as well.

The status quo, where each council governs its own network separately, will not deliver as well on drivers when compared to more combined contracts due to economies of scale but this option may become more favourable where risk is seen as the key factor over drivers.

The combining of contracts across 2 vs 3 councils may be influenced by the final governance arrangements and obviously must be reviewed in conjunction with this.

## 5 Conclusions and Recommendations

### 5.1 General Discussion

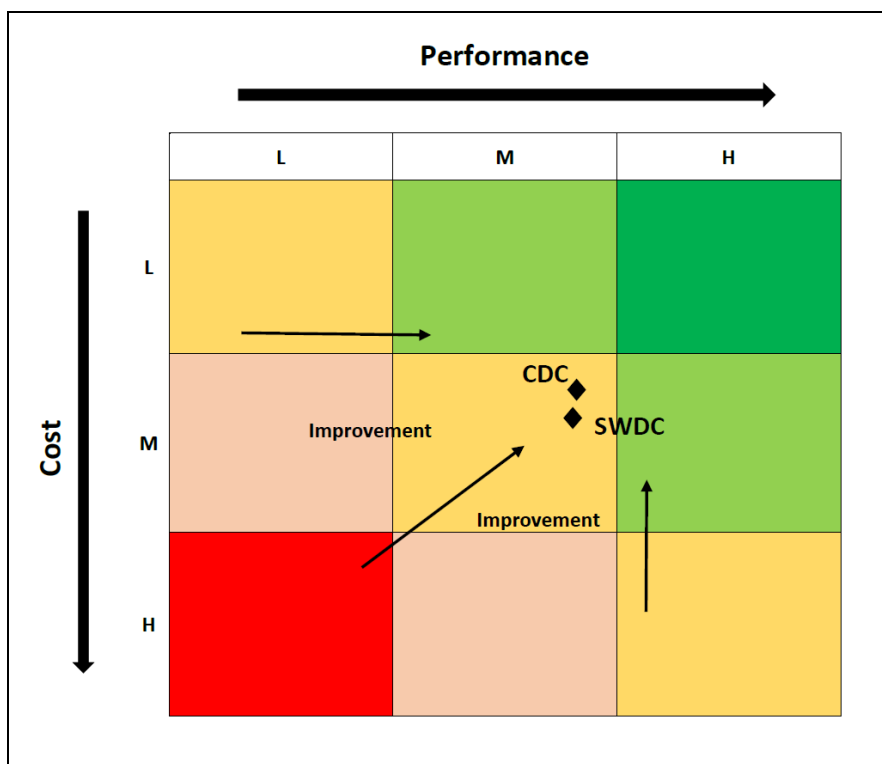
‘Efficiency and value for money’ is the key driver for change.

Discussion with representatives from the three Wairarapa Councils at a workshop on 4<sup>th</sup> May 2018 identified a number of areas where cost-effectiveness could be improved such as:

- Key to success is improved and more collaboration across either CDC and SWDC or across all 3 Wairarapa councils.
- A reduction in the number of term maintenance contracts will potentially drive significant market competition as contractors seek to secure contracts of a scope and scale that allows a sustainable business to operate effectively and will consequently improve efficiency and cost-effectiveness.

### 5.2 Cost-Effectiveness

Analysis of the cost-effectiveness of service delivery of road transport across the two councils has been completed using available data from the NZTA and REG databases. An overall assessment of cost effectiveness is illustrated below. It is based on a combination of the results within this report and the professional judgement of Rationale whom have experience in this analysis.



**Both Carterton and South Wairarapa District Councils are performing well in terms of cost-effectiveness when compared to their peer group**

- Both councils are spending less than their peer group on maintenance and capital works; and
- Pavement performance is above their peer groups when looking at smooth travel exposure, roughness and pavement life.

Some work has already been undertaken to address efficiency and cost-effectiveness such as the standardisation of the road maintenance contracts and some shared services / delivery of physical works

across either two or three of the Wairarapa councils. Through this service delivery review, this approach will be enhanced to deliver further improvements.

### 5.3 Service Funding

Cost-effectiveness is determined by how money is spent, not where the funding comes from (although increasing the quantum of overall funding may improve or reduce the overall cost-effectiveness of a service).

Changes to the *mix* of funding sources are unlikely to have significant impact on cost-effectiveness, and there are no readily identifiable additional sources of funding for transport services. It is recommended that the existing funding arrangements are endorsed for the time being.

It is also recommended that investigating the merits of alignment of funding policies across the region is considered as part of the existing regional collaboration processes.




### 5.4 Service Delivery and Governance

A high-level review of a number of options for service delivery has been undertaken to enable an overarching assessment of possible changes that could be made to improve service delivery.

Following a high-level Multi-Criteria Assessment (MCA) of options for governance, physical works and network management / professional services, options for collaboration, integration and combining of physical works contracts have been identified and short-listed to improve cost-effectiveness and efficiency.

Consequently, those service delivery mechanisms that continue to have disaggregated models of governance and operation are unlikely to provide the same degree of improvement that more collaborative models will provide.

The table below identifies those options, that have, through the MCA process, been short-listed for further consideration:

<b>Increasing – and more formalised – collaboration</b> 				
<b>Governance</b>	<ul style="list-style-type: none"> <li>&gt; Each council governs its own network</li> <li>&gt; Potential for issues based collaboration and more opportunities for discussion across councils</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Joint committee with limited delegation across CDC/SWDC councils e.g. approve programmes but no delegation to approve budgets</li> <li>&gt; Option to include NZTA</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Joint committee with limited delegation across 3 councils and possible NZTA inclusion e.g. approve programmes but no delegation to approve budgets</li> <li>&gt; Option to include NZTA</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Fully delegated joint committee across CDC/SWDC (includes budget control)</li> <li>&gt; Option to include NZTA</li> </ul>
<b>Increasing Potential Economies of Scale</b> 				
<b>Physical Works</b>	<ul style="list-style-type: none"> <li>&gt; Separate but standardised M&amp;O contracts</li> <li>&gt; Combined across road marking, footpaths, street lighting and reseals/rehabs for some councils</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Separate but standardised M&amp;O contracts with combined contracts across CDC/SWDC for all other works.</li> <li>&gt; Option to include NZTA</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Separate but standardised M&amp;O contracts with combined contracts across CDC/SWDC/MDC for all other works.</li> <li>&gt; Option to include NZTA</li> </ul>	<ul style="list-style-type: none"> <li>&gt; All roading contracts combined across both CDC/SWDC.</li> <li>&gt; Option to include NZTA.</li> </ul>
<b>Greater Integration / Collaboration</b> 				
<b>Network Mgt / Professional Services</b>	<ul style="list-style-type: none"> <li>&gt; NM inhouse with some collaboration to deliver shared physical works.</li> <li>&gt; Professional services outsourced via separate contracts</li> </ul>	<ul style="list-style-type: none"> <li>&gt; NM shared across SWDC/CDC</li> <li>&gt; Professional services integrated across both councils e.g. single contract/panel suppliers</li> <li>&gt; NZTA inclusion is a sub option</li> </ul>	<ul style="list-style-type: none"> <li>&gt; NM shared across SWDC/CDC/MDC</li> <li>&gt; Professional services integrated across all councils e.g. single contract/panel suppliers</li> <li>&gt; NZTA inclusion is a sub option</li> </ul>	<ul style="list-style-type: none"> <li>Fully integrated professional services unit across all 3 councils (minimising need for external consultants)</li> <li>&gt; NZTA inclusion is a sub option</li> </ul>

## 5.5 Next Steps

Following this s17A review, the next steps for the land transport activity will comprise evaluating each of the short-listed options in more detail with weightings assigned to each of the objectives, drivers and risks to determine the preferred service delivery mechanism, the preferred way forward.

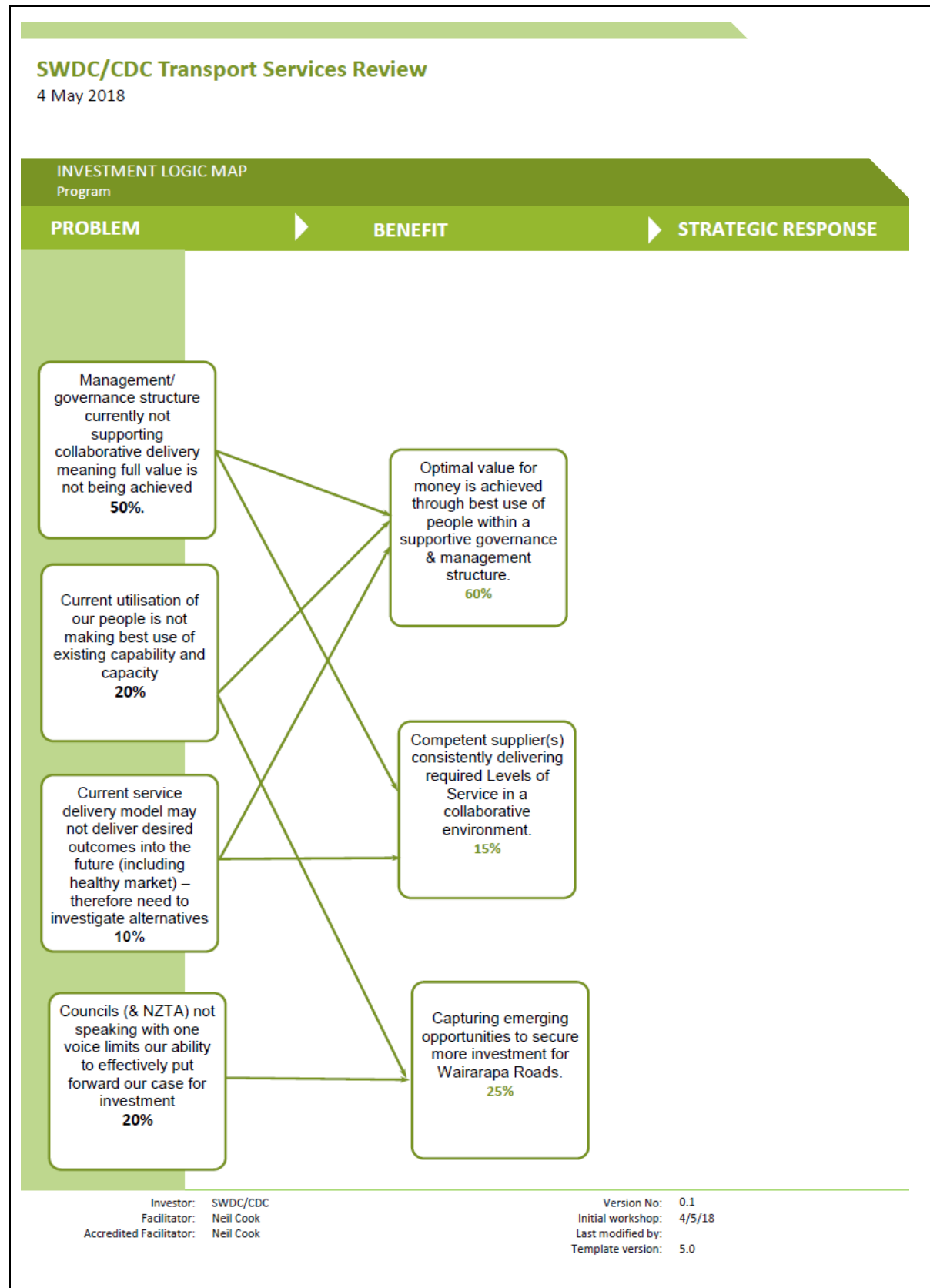
This will include an assessment of likely set-up costs for each option against the anticipated benefits and efficiencies to be gained from those options.

The proposed next steps are consequently:

1. Evaluation of the shortlisted options through further development of the MCA framework:
  - a. Detailed assessment of short-listed options with weightings applied to the identified drivers and risks and also against the agreed objectives;
  - b. Combined review of the short-listed options for governance, physical works and network management / professional services to determine overall preferred option.
  - c. An overview assessment of the cost of implementation against the likely benefits and efficiencies gained through, for example, collaboration, integration and economies of scale (note that due to a general lack of comparators nationally this assessment will, by necessity, be at an overview level).
2. Prepare an Implementation Plan for the preferred way forward including:
  - a. Developing preferred / agreed governance arrangement;
  - b. Develop preferred contract arrangement for physical works and professional services such as bundling options / combining of contracts to deliver on preferred service delivery mechanism;
  - c. Timeframe for implementation to enable physical works contracts to be in place by 1<sup>st</sup> July 2019




## Appendix 1 – Investment Logic Map



## **Appendix 2 – Review of Carterton District Council and South Wairarapa District Council Transport Services: Evidence Base Report April 2018**

## Appendix 3: MCA Detail

<div><div>rationale</div><div>&gt;</div></div>		Options	1	2	3	4	5	6	
		Network Management & Professional Services	All NM and PS fully outsourced via separate contracts for each council.	NM inhouse with no shared physical works contracts and professional services outsourced via separate contracts	> NM inhouse with some collaboration to deliver shared physical works. > Professional services outsourced via separate contracts	> NM shared across SWDC/CDC > Professional services integrated across both councils e.g. single contract/panel suppliers > NZTA and/or DOC inclusion is a sub option	> NM shared across SWDC/CDC/MDC > Professional services integrated across all councils e.g. single contract/panel suppliers > NZTA and/or DOC inclusion is a sub option	Fully integrated professional services unit across all 3 councils (minimising need for external consultants) > NZTA and/or DOC inclusion is a sub option	
Key Drivers									
Efficiency & Value for money		100%	L	L	M	M	H	H	
Standardise customer experience (ONRC)		100%	L	L	M	M	H	H	
Advocacy effectiveness (one voice for Wairarapa)/Joined up decisions		100%	L	L	M	M	M	M	
Communication to Elected reps/ community		100%	H	H	M	M	L	L	
Improved data quality		100%	L	L	M	M	H	H	
Dealing with council workforce issues inhouse - capability, capacity, age & attracting/retaining staff		100%	L	L	L	M	M	H	
Resilience/Emergency Response		100%	L	L	L	M	M	H	
Sustainable pricing		100%	L	L	M	M	H	H	
Manage growth traffic/population		100%	L	L	M	M	H	H	
			0.41	0.41	0.59	0.67	0.81	0.89	
Risks									
Lack of interest/competition for Physical works contracts		100%	M	M	M	L	L	L	
Network demand - ability to adjust to changing demand - incorporating future demand into contract - changing tech (e.g. autonomous vehicles)		100%	H	H	M	M	L	L	
Sustainability of workforce/loss of knowledge base (inhouse)		100%	H	H	M	M	L	L	
Different standards across councils		100%	H	H	M	M	L	L	
Competing demands on contractor/Equity across councils		100%	M	M	M	M	L	L	
Affordability		100%	H	H	M	M	M	L	
Implementation/Admin/Complexity of model		100%	M	L	L	M	H	H	
Political buy in (ongoing)		100%	H	M	L	L	M	H	
Responsiveness to politicians customers		100%	L	L	M	M	H	H	
Model fails and/or is not enduring		100%	H	M	L	M	H	M	
Implementation of model within remaining time		100%	L	L	L	L	H	H	
			-0.79	-0.70	-0.55	-0.58	-0.64	-0.61	
		Drivers	Risks						
		100%	0%	5	5	4	3	2	1
							Shortlisted Options		
		75%	25%	6	5	4	3	2	1
							Shortlisted Options		
		50%	50%	6	5	4	3	2	1
							Shortlisted Options		
		25%	75%	6	5	2	3	4	1
							Shortlisted Options		
		0%	100%	6	5	1	2	4	3
							Shortlisted Options		

<div>  </div>		Options	1	2 Status Quo	3	4	5	6	7
		Physical Works	Separate Contracts across all councils	> Separate but standardised M&O contracts > Combined across road marking, footpaths, street lighting and reseals/rehabs for some councils	> Separate but standardised M&O contracts with combined contracts across CDC/SWDC for all other works. > Option to include NZTA and/or DOC.	> Separate but standardised M&O contracts with combined contracts across CDC/SWDC/MDC for all other works. > Option to include NZTA and/or DOC.	> All roading contracts combined across both CDC/SWDC. > Option to include NZTA and/or DOC.	> All roading contracts combined across both CDC/SWDC/MDC > Option to include NZTA and/or DOC.	CCO (discounted due to LTMA requirements)
<b>Key Drivers</b>									
Efficiency & Value for money	100%		L	L	M	M	H	H	L
Standardise customer experience (ONRC)	100%		L	L	M	M	M	M	L
Advocacy effectiveness (one voice for Wairarapa)/Joined up decisions	100%		L	L	L	L	L	L	L
Communication to Elected reps/ community	100%		H	H	M	M	L	L	L
Improved data quality	100%		L	L	L	L	M	M	L
Dealing with council workforce issues inhouse - capability, capacity, age & attracting/retaining staff	100%		L	L	L	L	M	M	L
Resilience/Emergency Response	100%		L	L	L	L	M	M	L
Sustainable pricing	100%		L	L	L	L	M	M	L
Manage growth traffic/population	100%		L	L	L	L	L	L	L
			0.41	0.41	0.44	0.44	0.59	0.59	0.33
<b>Risks</b>									
Lack of interest/competition for Physical works contracts	100%		H	H	H	M	M	L	H
Network demand - ability to adjust to changing demand - incorporating future demand into contract - changing tech (e.g. autonomous vehicles)	100%		L	L	L	L	L	L	H
Sustainability of workforce/loss of knowledge base (inhouse)	100%		H	H	M	M	L	L	H
Different standards across councils	100%		M	L	L	L	L	L	H
Competing demands on contractor/Equity across councils	100%		H	M	M	M	L	L	H
Affordability	100%		H	H	M	M	L	L	H
Implementation/Admin/Complexity of model	100%		L	L	M	M	H	H	H
Political buy in (ongoing)	100%		M	M	L	L	M	M	H
Responsiveness to politicians customers	100%		L	L	L	M	M	H	H
Model fails and/or is not enduring	100%		M	M	L	M	L	M	H
Implementation of model within remaining time	100%		L	L	L	H	M	H	H
			-0.67	-0.60	-0.53	-0.63	-0.50	-0.57	-1.00
		Drivers	Risks						
		100%	0%	5	5	3	3	1	7
				Shortlisted Options					
		75%	25%	6	5	3	4	1	7
				Shortlisted Options					
		50%	50%	6	5	3	4	1	7
				Shortlisted Options					
		25%	75%	6	4	3	5	1	7
				Shortlisted Options					
		0%	100%	6	4	2	5	1	7
				Shortlisted Options					

		Options	1 Status Quo	2	3	4	5	6	7
rationale >		Governance	Each council governs its own network, minimal collaboration e.g. RTC	> Each council governs its own network > Potential for issues based collaboration and more opportunities for discussion across councils	> Joint committee with limited delegation across CDC/SWDC councils e.g. approve programmes but no delegation to approve budgets > Option to include NZTA and/or DOC	> Joint committee with limited delegation across 3 councils and possible NZTA inclusion e.g. approve programmes but no delegation to approve budgets > Option to include	> Fully delegated joint committee across CDC/SWDC (includes budget control) > Option to include NZTA and/or DOC	> Fully delegated joint committee with 3 councils (includes budget control) > Option to include NZTA and/or DOC	Amalgamation (discounted)
Key Drivers									
Efficiency & Value for money	100%		L	L	M	H	M	H	L
Standardise customer experience (ONRC)	100%		L	L	M	H	M	H	L
Advocacy effectiveness (one voice for	100%		L	L	M	M	M	H	L
Communication to Elected reps/ community	100%		H	H	M	M	L	L	L
Improved data quality	100%		L	L	L	L	L	L	L
Dealing with council workforce issues	100%		L	L	L	L	L	L	L
Resilience/Emergency Response	100%		L	L	M	M	M	H	L
Sustainable pricing	100%		L	L	L	L	L	L	L
Manage growth traffic/population	100%		L	L	M	H	M	H	L
			0.41	0.41	0.56	0.67	0.52	0.70	0.33
Risks									
Lack of interest/competition for Physical work	100%		M	M	M	M	M	L	H
Network demand	100%		H	H	M	L	M	L	H
Sustainability of workforce/loss of knowledge	100%		L	L	L	L	L	L	H
Different standards across councils	100%		H	H	M	L	M	L	H
Competing demands on contractor/Equity across	100%		H	H	M	L	M	L	H
Affordability	100%		L	L	L	L	L	L	H
Implementation/Admin/Complexity of model	100%		L	L	M	H	M	H	H
Political buy in (ongoing)	100%		M	L	M	M	H	H	H
Responsiveness to politicians	100%		L	L	M	M	H	H	H
Model fails and/or is not enduring	100%		M	L	M	H	M	H	H
Implementation of model within remaining time	100%		L	L	M	H	M	H	H
			-0.67	-0.60	-0.53	-0.63	-0.50	-0.57	-1.00
		Drivers	Risks						
		100%	0%	5	5	3	2	4	1
				Shortlisted Options					
		75%	25%	6	5	3	2	4	1
				Shortlisted Options					
		50%	50%	6	5	3	2	4	1
				Shortlisted Options					
		25%	75%	6	5	3	2	4	1
				Shortlisted Options					
		0%	100%	6	2	3	3	3	1
				Shortlisted Options					