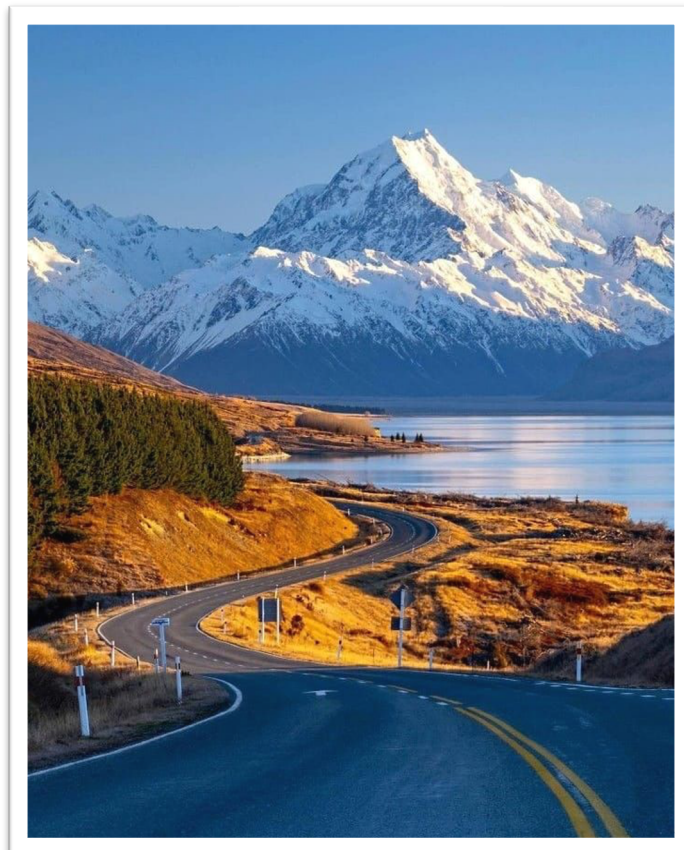




# **Mackenzie**

DISTRICT COUNCIL

## **Procurement Strategy 2023**



## Quality Record Sheet

### Mackenzie District Council Procurement Strategy

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## 1.0 NOTES FOR READERS

This Procurement Strategy has been prepared to outline the Mackenzie District Council's approach to the procurement of goods and services for its delivery functions. The Strategy has been prepared in line with Council's Procurement Policy 2020, and in response to the requirements of Waka Kotahi New Zealand Transport Agency. It is intended to provide guidance for Council staff and information to suppliers about Council's preferred approach.

Since the last iteration of the Procurement Strategy Mackenzie District has procured Physical Works for a wide range of transportation functions through a comprehensive contract. This contract spans the effective period of this version of the Procurement Strategy. Accordingly, procurement activity is expected to be quite minimal.

As well as ensuring processes are robust and fair, Council is mindful it needs to remain flexible and agile in its procurement approach. In seeking the best value for money outcomes for the community, processes need to be efficient, effective and beyond reproach.

This strategy has been reviewed with a focus on robust infrastructure management and efficient service delivery with input from across Council.

A précis of the approach is provided in the Executive Summary while the main document details how procurement occurs in the context of Council and Waka Kotahi requirements.

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### MACKENZIE DISTRICT COUNCIL APPROVALS

#### Recommendations:

1. **Council adopts the Mackenzie District Council's Procurement Strategy dated April 2023**

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### WAKA KOTAHI ENDORSEMENT

#### Recommendations:

1. **Waka Kotahi endorses Mackenzie District Council's Procurement Strategy dated April 2023 in respect to the subsidised Transport Activity 2021-24 and 2024-27.**
  2. ***Waka Kotahi approves the continued use of in-house professional services in accordance with Land Transport Management Act 2003 s26, with much of the scale and scope of services provided remaining similar to that present provided.***
-

## 2.0 EXECUTIVE SUMMARY

### 2.1 Procurement strategy at a glance

The Mackenzie District Council's procurement strategy is directed by the Land Transport Management Act 2003. The strategy signals the Council's intentions for procurement of subsidised land transport activities.

Waka Kotahi requires all road controlling authorities to submit a procurement strategy. This not only fulfils obligations by the Office of the Auditor General but ensures that both taxpayers and rate payers obtain value for money from each roading dollar spent.

### 2.2 Review

The Waka Kotahi Procurement Manual has been the guiding document since 2009 when Mackenzie District prepared its first procurement strategy. This document is one of several reviews since that time and it documents the changes to its delivery model since that time, letting of the Maintenance and Operation of Local Roads with an "aligned" contract document as part of the Aoraki Roads Collaboration. While following a similar approach was used, with specific elements for Mackenzie District.

### 2.3 Delivery Model

The proposed delivery model for the Mackenzie District Council is the Staged Model (as defined in section 6.4 of the Waka Kotahi Procurement Manual). All the land transport activities in Mackenzie District are well defined, low risk and the scope can easily be defined into contract documents.

### 2.4 Programme Delivery for Local Roads

The annual transport programme and proposed supplier selection methods/models are summarised below.

Programme	Annual Expenditure (\$k)	Price Quality	Lowest Price	Direct Appointment	Closed Contest
Maintenance and Operation	\$1,600	✓  In maintenance contract			
Renewals	\$1,570				
Emergency works	\$ varies				
Low Cost Low Risk	\$ 0.25	✓	✓	✓	
Professional Services	\$ 0.46			✓ Individual engagements	

The Council's "Maintenance and Operation of Local Roads" contract is the largest contract that delivers roading services across the district. The contract was retendered in the first half of 2021, with a comprehensive contract for five years plus extensions established.

## **2.5 Procurement Environment.**

The present delivery of physical works is by external providers and the delivery of professional services is a combination of in-house and external providers. It is proposed that this is still the appropriate method of delivery for land transport activities.

By maintaining an “In-House” service we have experienced staff on hand to deal with the normal operational roading requirements and provide that local “face” for ratepayer contact. Using external consultants, when required, brings the added expertise and/or resource when projects are beyond the capabilities of our staff.

## **2.6 Council Adoption.**

Council will adopt the draft strategy following Waka Kotahi endorsement.

## **2.7 Waka Kotahi Endorsement.**

The Council now requests Waka Kotahi to endorse the procurement strategy.

Upon endorsement and adoption by Council the strategy will be publicly available on Council’s website.

### 3.0 POLICY CONTEXT OF APPROVED ORGANISATION

#### 3.1 Strategic Objectives

The strategic objectives of the Mackenzie District Council are those set out in the Long Term Plan. The overall objective can be summarised as:

*“The outcome desired by the community is to have safe, effective and sustainable water, communication, energy and transport systems in place when required, through sound long term planning and funding”. (Long Term Plan 2021-2031)*

#### 3.2 Ten Year Plan

The ten year plan is detailed in the combination of documents - in the Long Term Plan (LTP), Roding Activity Management Plan and Strategic and Programme Business Case documents.

The following documents were required to feed into the ten year plan

- National Land Transport Programme
- Government Policy Statement on Land Transport Funding
- Canterbury Regional Land Transport Strategy.
- 30 year Infrastructure Strategy
- Roding Asset Management Plan
- Strategic and Programme Business Cases
- Bi-annual Roding Asset Valuation

The Ten Year plan includes the Community Outcomes established through consultation with the public.

This is illustrated in Figure 3-1: Strategic Vision following

#### 3.3 Maori involvement in decision making

Council recognises Ngā papatipu Rūnanga in the Long Term Plan as follows.

*“Three papatipu rūnanga have their rōhe within the Mackenzie District: Te Rūnanga o Arowhenua based at Arowhenua, Temuka; Te Rūnanga o Waihao based to the north of the Waitaki River, South Canterbury; and Te Rūnanga o Moeraki based at Moeraki, North Otago. The Council considers it important to further develop relationships with the papatipu rūnanga who have interests in the district, as the fostering of these relationships is key to assisting the contribution of Māori to decision-making processes. Council will endeavour to extend and promote opportunities for involvement as far as practicable, and as available resources allow.*

*Council provides copies of all plans, including the Long Term Plans and Annual Plans, providing opportunities for papatipu rūnanga to make submissions on any issues deemed appropriate. Early consultation on resource management plans and policies is also undertaken, and opportunities considered for appointments on planning and resource consent hearing committees. Council will continue to work with ngā papatipu rūnanga where processes and decisions will involve, or are relevant to, mana whenua.*

*To maintain good working relationships, Council seeks to meet with papatipu rūnanga a minimum of twice a year to discuss matters of common interest. Council’s Senior Management Team are also available to meet with local Māori on an as required basis.”*



Council is recognising the Broader outcomes that can be achieved through working collaboratively. This is particularly evident with Te Manahuna Ki Uta - Destination Mackenzie where there a strong co-deign in place. This provides a model to be used elsewhere.

**Figure 3-1: Strategic Vision**



### 3.4 Value for Money

For the purposes of this strategy document the Mackenzie District Council defines value for money as:

*“To ensure all roading assets are managed to provide the desired level of service and safety in the most cost effective and achievable manner for existing and future customers.”*

### 3.5 Competitive and Efficient Markets

The roading financials in the LTP provide a statement to the community what the Mackenzie District Council intends to procure.

This statement provides certainty to the market that a minimum of \$3.5M will be spent per annum for the next ten years. However, existing suppliers will still need to recognize that there are uncertainties with that programme due to:

- Variable costs, particularly oil prices effecting market prices
- Council’s ability to fund the “local share”
- Storm events that may impact on Council’s reserves
- Changes in legislation – could increase oil and power prices and reduce the amount of work that can be afforded
- Changes in land use
- Any downward trend in the financial assistance rate or funded programme

The purpose of the procurement strategy is to acknowledge the above but ensure a competitive market is still maintained. Council’s procurement strategy also needs to be flexible to adapt to rapidly changing political and economic factors.

### 3.6 Fair Competition Amongst Suppliers

Waka Kotahi is committed to the concepts of value for money, maintaining competitive and efficient markets, and fair competition among suppliers. The Waka Kotahi Procurement Manual (the manual) contains procurement procedures approved by Waka Kotahi under Section 25(1) of the Land Transport Management Act 2003 (LTMA).

Transport users want a system that is accessible for all modes of transport and is safe and reliable. Waka Kotahi and the MDC’s investment in transport services and infrastructure with an Investment Assessment Framework help achieve value for money through:

- Planning to implement activities and programmes in the right way (through business cases).
- Selecting the right things to do (through results alignment).
- Implementing them at the right time and for the right price (through cost benefit appraisal and smart procurement).

The procurement procedures contained in the manual are approved for use to purchase the goods and services required to deliver the activities that have been funded under Section 20 of the LTMA.

The manual requires that Approved Organisations adopt a strategic approach in procuring their Waka Kotahi subsidised transport programme. This procurement strategy shows MDCs long-term view. This will enable roading stakeholders to consider the new procurement environment and, if necessary, take appropriate action.

In summary, our procurement strategy has to ensure the Mackenzie District’s strategic objectives are met and fulfilled.



### 3.7 Organisation-wide Procurement Policy

This procurement strategy is not our organisation-wide procurement policy, but a separate specific document focusing on subsidised land transport activities only.

In 2020 Council adopted a Procurement Policy, many of the principles are valid for reading, however it is specifically excluded with priority given to Waka Kotahi processes.

*This policy excludes:*

*Procurement for roading infrastructure services, a separate Strategy applies to Roothing Infrastructure Services which has been consulted on with Waka Kotahi*

*Employment agreements; and*

*Purchases and procurement of services required for Civil Defence emergencies*

*(Reference: MDC Procurement Policy August 2020)*

*The Procurement Policy establishes a decision-making framework that aligns with these statements:*

- *To achieve Council's procurement objectives and to enhance professional integrity, accountability, and probity, all purchasing activity within Council shall be undertaken in accordance with the policy, principles, and procedures.*
- *The Executive Team, in consultation with the senior management team, shall oversee procurement practice within the Council.*
- *The Council will undertake its purchasing activities in the most effective and efficient manner to minimise the administrative costs associated with purchasing and will ensure that appropriate practices and procedures of internal control and risk management are in place for its purchasing activities.*
- *Council has a commitment to sustainability and environmental protection. This will be pursued by promoting purchasing practices which conserve resources, save energy, minimise waste, and will protect the environment and human health whilst maintaining environmental safety and quality wherever possible.*
- *The Council will achieve the best value by adopting the procurement policies and procedures contained in this Procurement Policy.*
- *The Council officers will act within their delegation in undertaking procurement and contracting activities.*



### 3.7.1 Procurement Approach

Council commitment to suppliers is by way of written agreement. We address simple procurement to long-term relationships by the following:

- **Simple low value, low-risk procurement:**

Our agreement may be in a simple transaction using petty cash, reimbursement, corporate credit card purchase or purchase order. In these cases, our transaction is embraced by normal commercial structures e.g. Consumer Guarantees Act, Fair Trading Act; where a Council purchase order is used our Council Terms and Conditions of purchase and acceptance of the quotation precede.

- **Medium to high value with similar risk profile:**

These are supported commercially with our standard terms and conditions of purchase via the issue of a purchase order and as applicable by mutual agreement by written contract. Contracts refer to legislative background, procurement process, offer and the suppliers' commitment associated with goods and services, and warranties.

The term of contract reflects:

- The Asset/construction/utilities/maintenance being procured.
- A reasonable assessment of time required to complete the program of work e.g. construction of a works pipeline.
- That Council utilise industry standard contracts as the basis of our agreement.
- The term for the provision of services. In general, Council will look to secure a term of 3 years with rights of renewal for a further 1 or 2 years. A moderate term (3 years) provides certainty for Council and Supplier and avails Council of leverage of price.
- Contract terms are conditional on satisfactory performance based on service level agreements.

The Procurement Policy states the objectives are

- Value for money
- Transparency and Accountability
- Fairness and Lawfulness
- Contract and Supplier Relationship Management
- Thinking Strategically
- Managing Risk

### 3.8 Section 17A Service Delivery Review

A Section 17A service delivery review has been completed as per the Local Government Act for the 2015-2020 Road Network Operations and Maintenance Contract (CON1222). The review was triggered by the upcoming expiry of the Road Network Operations and Maintenance Contract on the 30th June 2021.

Mackenzie District Council currently manage the roading network with some assistance from external consultants. Maintenance of the network is through a competitively tendered multi-year contract with a common document written and compiled by the Aoraki Roothing Collaboration (with the aid of a consultant) between the four Councils (Ashburton, Timaru, Waimate & Mackenzie). Other work activities such as resealing (currently a combined 2-year contract with Timaru & Waimate District Council) and large renewal projects are let as competitively priced contracts on an annual basis.

It is noted MDC are not seeing the full potential reached or delivered from the objectives set-out in the collaboration agreement have been achieved successfully and contributed to the betterment of MDC's road maintenance service delivery. Considering the relative size of each roading activity, not every Council is able to support ARC to the level expected and it is apparent that appropriate resourcing is essential to ensure the



timely delivery of inputs. If this does not occur, then each of the other Councils is compromised in terms of timeliness or resource contribution towards achieving the common objectives.

For the physical works delivery element, outsourcing to the private sector remains the only viable option for works delivered under the LTMA. The ARC Councils have developed a network operations and maintenance contract proforma to standardise contracts and management processes across the Council's. While the intention of the approach is to promote effective and efficient delivery of roading activities through the standardised contract and management processes, given the uncertainties regarding performance of the Collaboration MoU, and feedback from MDC staff and Contractors it is recommended the following be implemented:

- The decision to renew and remain part of the ARC agreement should be formally reviewed at Chief Executive level and give effect to the best suited professional services and physical works delivery models for Mackenzie District Council.
- Review and update the procurement strategy to reflect the way forward with the Road maintenance contract physical works procurement and professional services requirements.

A section 17A review for Waste Services has been developed in combination with Waimate and Timaru District Councils, illustrating the commitment to collaborative options.

These reviews have been considered in the development of The Strategy and the recommendations of the reviews, and subsequent decisions of Council is reflected.

### 3.9 Regional Procurement

Council is a partner in the Aoraki Roding Collaboration (ARC) Memorandum of Understanding (MoU), established in 2014 and renewed in 2018. There are three other Councils partners that are party to the agreement, namely:

1. Ashburton District Council;
2. Timaru District Council;
3. Waimate District Council; and
4. Mackenzie District Council.

The MoU was established to facilitate a strong collaborative relationship between the Councils in the delivery of roading professional services and physical works and with a desired intention of achieving the following:

- Improve asset management processes, outcomes and consistency for each of the four District Council road networks.
- Improve investment decision-making, while recognising and accepting appropriate risk.
- Attract, develop, and retain good human resources to effectively deliver the associated work.
- Enhance governance through shared policy and strategy.
- Provide a sustainable market for affordable specialist resources.
- Become "smarter buyers".
- Enhance customer satisfaction.
- To further embed safety in the cultures of the respective organisations

This collaboration agreement (MoU) saw the alignment of contract start dates and duration for the various maintenance contracts for each of the respective districts. A common contract and specification was prepared and tendered. The ARC intention was to allow individual tenders for each district along with an ability to tender for any combination of the districts.

ARC have also developed a common resurfacing contract document and Timaru, Waimate and Mackenzie District Councils have used this to let a two year regional surfacing contract. Ashburton District Council is part

of the MOU but continues to use their own contract, which is now a two year contract as well, tendered on the alternate year to maintain a competitive market. Consideration was given to combining all four contracts but was deemed too large and may eliminate competition in the market with the flow on effect of reduced resources locally. The other three TLA's (McKenzie, Timaru and Waimate) still continue with this contract arrangement to date.

### 3.10 Definitions

The following definitions are based on those contained in the Glossary of the Office of the Auditor-General's (OAG) Procurement Guidance. While not all of the following terms may appear elsewhere in the text of this Procurement Policy statement, it is important nonetheless that they be understood as being common to the procurement process:

**Approved Contractors:** These are Suppliers approved by Council to carry out and control authorised work on Council's current and future infrastructure with approved health and safety certifications and insurances.

**Best value (also known as Value for money)** means the best possible outcome for the whole of life costs, to meet the community's requirements. Best value does not necessarily mean selecting the lowest price. Rather, it means achieving the right quality, quantity and cost at the right time and place, and for the right reasons.

**Contract value** means the sum named in the contract documents as payable for the completion of the contract subject to such adjustments as are provided for in the contract documents.

**Local Supplier:** "Local" means a ratepayer of the Mackenzie District Council and/or an organisation that employs Mackenzie District residents.

**Procurement** covers the process of acquisition of goods, works and services from third parties. There are no dollar limits (either minimum or maximum) on the definition of procurement as it applies in this Policy.

- Procurement is all the business processes associated with purchasing, spanning the whole cycle from the identification of needs to the end of a service contract or the end of the useful life and subsequent disposal of an asset.
- Procurement does not include the making of grants or investments in community development.

**Value for Money:** Value for money means using resources effectively, economically, and without waste, with due regard for the total costs and benefits of an arrangement, and its contribution to the outcomes the entity is trying to achieve.

**Whole of Life Costs** of a procurement option may include any or all of the following:

- One-off costs, such as the purchase or contract price
- On-going costs, such as maintenance and administration costs
- Asset ownership costs, such as debt servicing and depreciation
- Opportunity costs; and
- Non-financial costs, such as environmental or social costs.

### 3.11 Health, Safety and Wellbeing

Council's procurement policy provides a useful description of Council's approach to ensuring the health and safety of suppliers.

Health and safety risks associated with goods and/or services will be considered prior to purchase via a health and safety risk assessment. Any officer procuring goods or services will conduct a risk assessment proportionate to the size, scale and nature of the procurement. The steps required for the risk assessment are as follows:

1. Identify any risks/hazards associated with the procurement
  - a. For 'off the shelf' items: the supplier should have safety information
  - b. For de novo or original construction: risk/hazards should be discussed with the (potential) supplier.
2. Evaluate acceptability of risks/hazards.
3. Apply and document controls in order of elimination or minimization in procurement decision, and ongoing use of the item or service.
4. Identify training needs, approvals and supplementary items such as Personal Protective Equipment requirements.
5. Any documentation will be recorded as outlined in Records Management Process Sheet.

Suppliers of goods or services are required to inform Council of any health and safety risks/hazards associated with using the goods or services prior to purchase. Suppliers of goods or services must take all reasonably practicable steps to detail control measures to eliminate or minimize any health and safety risks/hazards to prevent harm to staff and others.

All goods and/or services purchased will comply with the requirements of the Health and Safety at Work Act 2015, relevant best practice safety standards and other statutory requirements subject to the reasonable constraints of budget resources available.

Health and safety while being a statutory responsibility is also a broader outcome in the consideration of suppliers' abilities.



### 3.12 Sustainability

Sustainable results for the environment and community are broader outcomes that Council seeks to achieve.

This is highlighted in the Procurement Policy which states that Procurement activities will wherever possible support Council's sustainability objectives.

Council is committed to providing leadership that ensures that the Mackenzie District becomes a more sustainable district. All procurements of goods, works, and services must support these objectives. Sustainability involves thinking broadly about objectives, considering long-term as well as short-term effects, assessing indirect as well as direct effects, and taking extra care when changes brought about through procurement might be irreversible or uncertain.

While sustainability is included as an overriding consideration, given the growing strategic importance of sustainability within Council, considerations of sustainability may occur throughout the entire procurement process. In particular, procurement activities will aim to support:

- the reduction and management of waste
- the increased use of recyclable products

- the minimisation of packaging
- the minimisation of greenhouse gas emissions, particularly vehicle emissions
- the use of 'green' building techniques
- water and energy saving measures compliance with relevant occupational health and safety and environmental regulations
- verifying suppliers' sustainable management practices
- rating supplier performance against sustainability criteria
- sustainability improvement targets for suppliers
- the improvement in the sustainability performance of suppliers
- the encouragement of sustainable innovation in the supply of goods and services

### 3.13 Climate Change Response



Council through its long term planning is committed to understanding the effects of climate change and the role of Council in mitigating emissions and managing the impacts through adaptation.

Climate change is also relevant under Waka Kotahi's 'Framework for delivering Broader Outcomes' (2020).

*Climate change is expected to change the frequency and intensity of weather-related events (drought, wildfire, floods and other storms). It is also likely to introduce some long-term shifts in climate patterns both locally and across the country. Increased severe weather events cause more regular flooding which can lead to extensive road, bridge and infrastructure damage costing millions of dollars to repair.*

*The LTP aims to plan for climate change, by investing in the improved resilience of our infrastructure, particularly our three waters and transportation assets, and our emergency management (Civil Defence) activities.*

*Ensuring we are prepared for the changes and challenges presented by a changing climate requires long-term planning. We are proposing several programmes which will improve our resilience. This includes development of a financial reserve to fund activations of our Emergency Operations Centre in response to emergency events.*

### 3.14 Community Outcomes and Broader Outcomes

The outcomes Council seeks for the community are included in Table 3.1: Combining Community Outcomes and Broader Outcomes Table 3.1

The Government Procurement Rules acknowledge the wider benefits associated with procurement. Rule 16. These are described as 'secondary benefits' to the key outcomes of the procurement process which are more transactional. Waka Kotahi's Broader Outcomes framework provides guidance on broader outcomes and options for implementation. This will be considered by Council through its overall approach to procurement.

When combined with the Broader Outcomes described in the Government Procurement guidance there are a number of clear actions for Council to commit to in procurement of goods and services.

**Table 3.1: Combining Community Outcomes and Broader Outcomes**

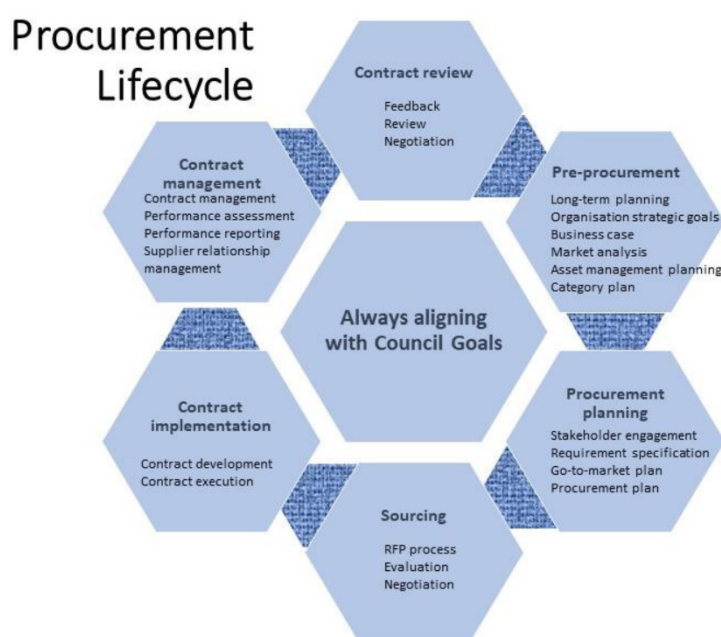
Community Outcomes	Broader Outcomes			Procurement actions
<b>A treasured Environment</b>	Environmentally sustainable practices and outputs			Plan and manage for great results
<b>Resilient Successful Communities</b>	Sustainable, fair and equitable employment environments			Be fair to all suppliers Get the right supplier
<b>Strong and innovative economy</b>	Skills and workforce development	Prosperous and sustainable New Zealand regions	Targeted opportunities for employment	Get the best deal for everyone
<b>Embrace heritage and diversity</b>	Opportunities for Māori enterprises	Opportunities for Pasifika enterprises		Play by the rules

### 3.15 Potential Impacts of Water Reform on Procurement Practices

The pending changes to the delivery of Water Services will have a considerable impact on the scope and size of the procurement task at Council. However, given the overall scale of the range of activities Council is responsible for, the reform is not expected to affect the access to suppliers, or the capacity in-house to coordinate procurement activities.

### 3.16 How Objectives Will be Sought

The combination of outcome sought by Council and Waka Kotahi are achieved through implementation processes and actions. Through sound consideration of these actions throughout the procurement lifecycle will bring the outcomes sought.

**Figure 3-2: Procurement Lifecycle (Source Mackenzie Procurement Policy 2020)**




## 4.0 PROCUREMENT PROGRAMME AND DELIVERY

### 4.1 Delivery Model

The delivery model appropriate for the Mackenzie District Council is the staged model. This model requires land transport activities to be well defined, low risk and that the scope can be easily defined into contract documents. The majority of our workload fits this programme.

The maintenance, operation and renewal programme will be delivered through a comprehensive contract with a high level of collaboration between the supplier and Council staff.

Given the challenges for Council and suppliers in attracting and retaining staff there is a one-team approach where relationships are strong with a high degree of trust. Key suppliers and Council staff are expected to be respect each other and support each other to get the job done well.



### 4.2 Procurement Approach

The Mackenzie District approach to procurement will be similar to Waimate District Council, Timaru District Council and Ashburton District Council which are likely to be the staged model:

The reasons for this are:

- Road controlling authorities can very easily combine contracts (should they choose to) if both have similar delivery models and supplier selection methods. There will be implementation difficulties if delivery models are poles apart.
- Contractors and professional service providers can tender for contracts in adjacent road controlling authorities without having to accommodate different procurement methods especially when both Timaru and Waimate Districts are our neighbours.
- There are some minor differences as to how Mackenzie District Council contracts will be packaged, and this will be discussed in our procurement programme below.
- This is our first formal review of the procurement strategy since letting the common maintenance contract and it has incorporated the refinements developed through the collaboration with the ARC group and Waka Kotahi.
- It is suggested that when the Waka Kotahi has reviewed all road controlling authorities' procurement strategies that they produce a summary document with "value for money" ideas or policies that can somehow be shared amongst all parties.

### 4.3 Procurement Options

Mackenzie District Council's programme and preferred procurement is discussed below

#### 4.3.1 Combining with State Highways

There is potential to combine with State Highway contracts for the delivery of some services, but Council considers there is more opportunity for collaboration with its neighbouring Councils. The current contract delivery model for the State Highway maintenance and operation is not one that aligns with Councils preferred model.

### 4.3.2 Collaboration with other Councils

Council has let the road maintenance contracts as standalone using the “aligned” contract documentation prepared by ARC, with a contract term of 5 years. Previously there were opportunities to combine any number of the various contract works for the respective organisations as they were all advertised on the same day, closed on the same day using the aligned documentation; but this did not deliver sufficient benefits for all parties.

Resurfacing has been procured via a joint two year contract with Timaru, Waimate and Mackenzie District Councils. Due to the substantial benefits this has achieved, this will continue into the future. Ashburton currently has a separate and specific contract, tendered on alternate years to allow for spreading of the work in the district and to maintain competition.

The ARC collaboration will continue to investigate opportunities in the field of physical works delivery and asset management.

### 4.3.3 Operation, Maintenance and Renewal of Local Roads

The District maintenance of local roads is serviced through one maintenance contract.

Area	Sealed Roads	Unsealed Roads	Contractor
District	213.3 km	518.8 km	Fulton Hogan Ltd

Historically the district was serviced by four contracts and in 2000 they were combined into two contracts. At the time Council were concerned about maintaining competition in the area and this is still a concern to Mackenzie. In 2010, the two area contracts were let as one contract covering the whole district. With the ARC initiative one contract was let, and this has continued to be the case.

Approximate annual expenditure	\$3.6M
Proposed delivery model	Staged
Proposed supplier selection methods	Price Quality

In the future the intention is to continue with this “aligned” contract document as currently used, ie generally “measure and value” with some lump sum components and is will be a performance based specification. It is likely that this will continue for future procurement of this service.

#### Emergency Works/Environmental Maintenance

The majority of the costs are an accumulation of minor slips and drainage, snow clearance and ice gritting issues over the total network. Our maintenance contracts have specific scheduled rates to accommodate this.

There are snow clearing policies in place that determine the response for a normal event.

For simple projects Council roading engineers and contractors will jointly review emergency work sites such as drop out repairs and coordinate a joint response. This provides value for money by both parties accepting risks and designing an appropriate repair for low volume roads.

The above philosophy is also carried out with larger projects above \$50,000. However, there may be some delay due to obtaining resource consents and landowner negotiations. Once again value for money is gained by a Council engineer/maintenance contractor solution. However, judgement is still required on a case by case basis as to whether the work is negotiated or tendered.

#### 4.3.4 Streetlight Maintenance Contract and Power Supply

The maintenance of streetlights is carried out by Netcon Ltd. This is a “sole” supplier of services being the only company available locally that is licensed to work on the lighting infrastructure.

Approximate annual expenditure	\$0.1M
Proposed delivery model	Staged
Proposed supplier selection methods	Direct appointment
Energy supply is negotiated as part of an “All of Government” supply contract for all Council’s energy needs.	

#### 4.3.5 Surfacing Renewal

This surfacing contract has an annual budget of approximately \$500,000, chip seal in included in the maintenance contract, while Asphalt is separately tendered. Due to the small quantities this will be combined with other agencies where possible.

Proposed supplier selection method	Price Quality
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#### 4.3.6 Low Cost Low Risk

Approximate annual expenditure	\$100,000 (\$290,500 over 2021-24 period)
Proposed delivery method	Staged
Proposed supplier selection method	Lowest price

Many of the projects are low value and negotiated with the area maintenance contractors using existing scheduled rates. The other option is obtaining two to three quotes from local contractors to tender for the work. In line with Waka Kotahi directives, small bridge replacements are funded from this work category and let by open contest.

#### 4.3.7 Professional Services

Approximate annual expenditure	\$200,000
Proposed supplier selection methods	Price/quality (70/30)
Direct appointment	Quality based

Professional services provision for Mackenzie District is generally in-house via an Agreement for the Supply of Roving Administration Services, with supplementation from consultants where expertise beyond that available is required or where workload is too great to adequately advance a project. Supplier selection method will be determined by value, complexity and the expertise of available consultants.

In addition, Council signed a Multi-Party Funding Agreement with Timaru District Council for the provision of professional services to assist with the management of the road network with specialised local government expertise. This agreement was made on the 31 October 2018 and has a term of two years.

#### 4.3.8 Summary

For the Roving and Footpaths activity, Mackenzie District Council intends to follow the Waka Kotahi Procurement Manual’s Procurement Procedure 1 – Infrastructure, and Procurement Procedure 2 – Planning and Advice. In Civil Defence Emergencies (declared or significant), the standard procurement procedures may be suspended.

As a guide the following table indicates the most appropriate approach for different contract values. This is a general guide and circumstances may dictate a different more appropriate approach.



**Table 4.1: Procurement Policy Procedures**

Supplier Selection Process				
Method	Contract Value \$			
	\$0 to 50,000	\$50,001 to 100,000	\$100,001 to 200,000	Over \$200,001
Direct Appointment	✓	✓	✗	✗
Lowest Price Conforming Tender	✓	✓	✓	✓
Purchase Nominated Price <i>(Professional Services only)</i>	✓	✓	✓	✓
Price Quality <i>(eg weighted attributes)</i>	✗	✓	✓	✓
Key	✓ Most Appropriate	✓ Appropriate	✓ Less Appropriate	✗ Generally Not Appropriate
Waka Kotahi Rule 10.9	Direct Appointment			
	Closed Contest			
	Open Contest			

**Table 4.2: Summary of Roading Procurement**

Contract	Incumbent	Comments	Award Date	Duration	Annual Value (\$m)	Procurement Method
Network maintenance	Fulton Hogan	Including footpaths and pavement marking	29 October 2021	5 + 2 + 2 + 1 <i>(Prior approval from Waka Kotahi required beyond year 5)</i>	3.4	Price Quality
Resurfacing	Fulton Hogan	Part of network maintenance contract <i>(Asphalt quantities very small but separate package)</i>	29 October 2021	5 + 2 + 2 + 1	\$0.5	Award to maintenance contractor <i>(Quoted Works)</i> Asphalt - Quoted Works for separate package
Rehabilitation		Part of network maintenance contract <i>(Asphalt separate package)</i>	Annual	Varies	0.2	Award to maintenance contractor.
Renewal		Bridge Construction	By Project	As required	Varies	Lowest Price Conforming
Street light Maintenance		Includes Waka Kotahi State Highway	Annual			Sole Supplier - Netcon
Low Cost Low Risk			By Project	As Required	0.1 per year	By Project
Emergency Works		Generally awarded to Maintenance Contractor				
Professional Services			By Project	As required	0.46	By Project

## 5.0 PROCUREMENT ENVIRONMENT – ANALYSIS OF SUPPLIER MARKET

### 5.1 Professional Services Providers

The Mackenzie District Council uses professional service providers to supplement its In-House Roothing Business Unit in completing its roading programme.

Professional services include:

- Traffic Engineering planning and advice
- soil samples and investigations
- resource consents – geotechnical investigations and land drainage issues
- roading design, testing and quality assurance
- site supervision and contract management
- asset and RAMM management systems
- specialised services like strategy assistance
- Structures Inspections

Mackenzie District generally uses WSP because they are locally based in Timaru and experienced in roading activities. However, their presence in Timaru has diminished in recent times but they are still able to provide specific roading consultancy services from Timaru or their wider regional and national staff resource. In the past we have also used Stantec and GHD. Mackenzie District does not have a formal professional services contract in place with WSP, but as they are engaged on a case by case basis a “Short Form Agreement” is signed by the parties to confirm the deliverables. Council also continues to use

Council continues to use DCL Consulting for its regular structural bridge inspections as they have developed an intimate knowledge of the assets and are able to more efficiently recognise change or deterioration in the structure.

Consultants provide value for money through specialised skills sets and additional resourcing which the Council does not possess. This provides MDC with access to a wider range of skills and support from those staff directly working on the transport activity with local authority experience. It also allows TDC to add to and upskill their staff to assist both organisations.

The RAMM database is hosted in Auckland by RAMM Software Ltd. The advantage of this is that the data is always backed up and we are always dealing with the latest software that has been correctly installed and is reliable. There are no costs associated with installing new software. Bi-annual roughness and rating services are acquired by closed competition.

In recent times, Waugh Infrastructure Management Ltd for specialist support in writing our strategic documents for our funding bid to Waka Kotahi and updating the Activity Management plan for transport.

Also, we have used Abely in the traffic engineering space to plan for and develop strategies to deal with the increased growth across the district. They also provide traffic engineering advice to analyse the information provided as part of the increased development growth Council is experiencing.

### 5.2 Physical Works Contractors

Historically, road construction projects and maintenance contracts were carried out using Council workforces. This ceased in 1998.

It is considered that tendering out this work is still in the best interests of the ratepayers because:

- there is a sufficient number of contractors in the current market to ensure competitive tendering
- the cost of re-establishing, maintaining and depreciating construction plant, depot and staff would make this unviable

Historically, the Mackenzie District Council has two large national/international contractors, Fulton Hogan Ltd and Downer NZ Ltd operating in the region along with a medium-sized Oamaru based company Whitestone Ltd. As the district is bisected by a state highway the Network Outcomes Contractor also has a visible presence.

Mackenzie is also serviced by contractors based in Ashburton and Timaru. There are also some highly skilled local contractors that are able to undertake a variety of smaller projects including small scale bridge construction, small road re-alignments and earthworks, such as sight benching.

There are other specialist contractors who have specific skill sets, vital for the continuation of the roading network, for instance, road marking and streetlight maintenance.

### **5.3 Other Road Controlling Authorities**

The other influences on our procurement environment are the Waka Kotahi, Timaru District Council, Ashburton District Council and Waimate District Council. The Waka Kotahi highway managers have regular liaison meetings with all three authorities. These meetings are vital, not only for information sharing but upcoming maintenance and construction contract discussions to ensure we work in where appropriate or stagger contracts to avoid overloading the contractor tendering teams. This means that that there is certainty around workload and commitments to ensure the best price is achieved.

Mackenzie District roading team has a close working relationship with our neighbouring Council's through the Aoraki Roding Collaboration (ARC).

The Waka Kotahi run a Network Operating Contract for the South Canterbury state highway network. The contract started in April 2014 and is due for renewal.

### **5.4 Analysis of the Impact of the Procurement Programmes on Other Approved Organisations and Other Entities**

Mackenzie District Council is actively involved with neighbouring authorities, particularly through the Aoraki Roding Collaboration. There are also strong relationships across Canterbury.



Council's Roding network linkages with other organisations include:

- Waka Kotahi – integrated state highway network across and beyond the District
- Environment Canterbury – regional transport planning and provision of public transport services
- Timaru District Council – numerous connections
- Waimate District Council - numerous connections

There are no roading connections with Ashburton, Waitaki or Westland District Councils

Multi-agency relationships exist within the following activities:

- Rural Fire
- Rural Water Supply (Downlands)
- Waste Disposal
- South Canterbury Road Safety



Discussion with Neighbouring Authorities reinforce the current approach that agencies will continue to consider opportunities to work together on a case by case basis.

While Mackenzie District Council is a significant buyer of goods and services within the District, the proportion is insufficient to affect the composition of suppliers when compared to other entities. For this reason, Council is mindful of the bundling of works and the role of in house teams to ensure there is adequate capacity and competition within the sector.

Council does not see its procurement approach having a significant impact on other authorities.

In the broad supplier market, the procurement decisions made by Council are not regarded as significant, the impact on local suppliers is more pronounced. This includes Consultants, Contractors and Sub-Contractors.

## 5.5 Waka Kotahi Delegations and works

Waka Kotahi Highways have delegated authority to Mackenzie District Council for the following works:

- Streetlight maintenance
- Streetlight electricity supply

Street sweeping and sump cleaning is also undertaken on state highways within townships.

These are procured as part of the road maintenance contract, streetlight maintenance contract and Councils overall electricity purchase

## 6.0 IMPLEMENTATION

### 6.1 Organisational Chart

The Mackenzie District Council in-house service delivery business unit provides services and maintains physical assets for land transport and local roads in the district and regional land transport planning through the Technical Officers Group that reports to the Regional Land Transport Committee.

This includes Council's subsidised Land Transport Programme in accordance with the Waka Kotahi Planning, programming and Funding Manual.

The Mackenzie District Roding Business Unit services all district land transport functions. It has 4.0 full time equivalents to service an annual budget of around four million dollars per year

The Roding Business Unit reports to the Engineering Manager, which is overseen by General Manager Operations. The Roding Manager's role is to efficiently manage the District's capital and infrastructure and the provision of all associated services related to land transport.

The roles and responsibilities of the roading section are discussed below:

Role	Target FTE	Tasks
<b>Engineering Manager</b>	0.6	Asset management planning and control
<b>Roding Manager</b>	1.0	Asset management planning, maintenance contracts, bridges supervision, minor improvements, resurfacing
<b>Consents Engineer</b>	0.3	Manage the resource consent process to ensure compliance with District Plan and construction standards
<b>Assets Engineer</b>	0.3	Data management within the RAMM framework (to be recruited)
<b>Engineering Officer Roding</b>	1.0	Corridor management, street lights, traffic management plans, RAMM administration and traffic surveys etc.
<b>Administration Support</b>	0.5	Daily administration support

### 6.2 Organisational Risk

An organisational risk for the Council is the loss of key staff due to the limited size of the team.

This risk is being managed by:

- Ensuring an open environment where ideas are shared.
- Encouraging all members of the roading team and the Engineering Manager to be familiar with the roading network. This ensures that everyone is familiar with the total network.
- Ensuring professional training is available to all members to develop their skill sets.
- Additional training being made available to all members of the roading team.
- Documentation of strategies, plans and policies (such as AMP, Procurement Strategy and other operational policies)
- The provision of support from Timaru District through the MPFA.
- Mackenzie roading staff participate and contribute to the Te Ringa Maimoa (REG) learning and

development programme through regular attendance at Canterbury Regional workshops (5 x workshops per annum)

The Mackenzie roading staff have various memberships to professional organisations such as IPWEA, and training is always available through low volume roads symposiums. Due to our location there is a risk that we could become insular in our processes – meeting and discussion with other roading engineers lessens this.

Further details can be found in the Mackenzie District Council Procurement Policy

## **6.3 Approved Contractors, Preferred Suppliers and Local Suppliers**

### **6.3.1 Preferred Suppliers**

The Council will establish and maintain a Preferred Supplier Register. Note that this is different from Approved Suppliers who are Health and safety accredited.

No legal or contractual relationship between the Council and the supplier is created by the Preferred Supplier Register, nor is the Council under any obligation to use a Preferred Supplier for any procurement. Where necessary, a supplier identified on the Register may be required to meet other evaluation or performance criteria as part of the procurement process.

### **6.3.2 Local Suppliers**

Local suppliers are businesses that operate premises or employ staff based in the Mackenzie District. Council officers will ensure local suppliers are given fair opportunity to compete for all Council Business. No financial relief is provided for local supplier for roading works.

## **6.4 Internal Procurement Processes**

The Mackenzie District Council has a delegation manual which defines individual Council officers spending limits.

- All Council's infrastructure and construction contracts, not just roading, are based on NZS 3910 for various contracts and NZS3917 for the Road Network Operations and Maintenance term contract. This provides certainty to the market both locally and nationally.
- As part of the recent review of all Council services it is planned that there be developed an organisation wide procurement strategy and it will eventually incorporate the Waka Kotahi procurement requirements.

## **6.5 Performance Measurement Monitoring and Monitoring**

The Mackenzie District Council has a number of performance monitoring systems for internal performance and external reporting.

Waka Kotahi audits include road infrastructure safety assessments, technical reviews and financial audits. South Canterbury Roads Safety Management System – This document is designed to assist Mackenzie, Timaru, Ashburton and Waimate District Councils to better manage the safety of their roading networks and to ensure that consistent strategies, policies, standards and procedures are in place and understood. It does this by establishing a hierarchical framework of information, policy and direction in as follows:

- Vision – our “destination”
- Strategy – a description of the route we will follow to get there; it describes outcomes and targets we need to achieve that will assure us we are on track.
- Plan – The things we need to do to meet the strategic outcomes/targets and thus achieve the Vision

- Operations – the vehicles and methods we will use to implement the plan. These include the SMS procedures.
- Monitoring, Review and Audit – How we will check we are still on course.

The LTP has the following information in regard to land transport and parking:

- Levels of service statement
- Performance measurements
- Targets
- Mechanisms to achieve the targets

These are audited by the Audit Office on behalf of the Auditor General.

## **6.6 Communication**

Once Waka Kotahi have endorsed this strategy and Council have approved it, then the document will be published on Council's web site and also communicated through the following channels:

### **6.6.1 Within the Roding Sections**

The procurement strategy will be available for the roading team and situated in the roading library.

### **6.6.2 Professional service providers**

The procurement strategy will be distributed to our providers because they have a major input into our resurfacing and renewal programmes.

### **6.6.3 Road controlling authorities**

Copies will be sent to surrounding RCA including Ashburton, Waimate and Timaru District Councils and Waka Kotahi Highways management.

### **6.6.4 Elected members**

The Council a committee system whereby the Asset and Services Committee is responsible for the transportation activity.

Regular monthly activity management reports are given to this committee of the Council. One of the many roles of this committee is to recommend the awarding of contracts to full Council.

### **6.6.5 Waka Kotahi**

Waka Kotahi is a multi-disciplined organisation with separate functions. The Mackenzie District Council recognises reporting functions are important to Waka Kotahi and will ensure the information required is given in a timely and accurate manner.

## **6.7 Implementation plan**

As much of the delivery of works is through the comprehensive contract, procurement activity will be limited over the 2023-26 period. Accordingly, it is important that Council monitored the performance of contract delivery and keeps up communication with both local and wider supplier markets.

## **6.8 Corporate ownership**

This report will be presented to Waka Kotahi for initial endorsement and then finally to Council for their final approval.



## 6.9 Operations and Maintenance Expenditure

	LTP Input Budget 2021/51 2021/22	LTP Input Budget 2021/51 2022/23	LTP Input Budget 2021/51 2023/24	LTP Input Budget 2021/51 2024/25	LTP Input Budget 2021/51 2025/26	LTP Input Budget 2021/51 2026/27	LTP Input Budget 2021/51 2027/28	LTP Input Budget 2021/51 2028/29	LTP Input Budget 2021/51 2029/30	LTP Input Budget 2021/51 2030/31
<b>Roading</b>	<b>1,516,750</b>	<b>1,516,750</b>	<b>1,536,750</b>	<b>1,536,750</b>	<b>1,536,750</b>	<b>1,536,750</b>	<b>1,536,750</b>	<b>1,536,750</b>	<b>1,536,750</b>	<b>1,536,750</b>
3553111. Sealed Pavement Mtce	232,000	232,000	232,000	232,000	232,000	232,000	232,000	232,000	232,000	232,000
3553112. Unsealed Pavement Mtce	410,000	410,000	410,000	410,000	410,000	410,000	410,000	410,000	410,000	410,000
3553113. Routine Drainage Mtce	166,000	166,000	166,000	166,000	166,000	166,000	166,000	166,000	166,000	166,000
35531131. Drainage Maintenance - Street Cleaning	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500
3553114. Structures Maintenance Bridges	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000
35531141. Structures Maintenance - Cattlestops	5,250	5,250	5,250	5,250	5,250	5,250	5,250	5,250	5,250	5,250
3553121. Environmental Mtce	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000
3553122. Traffic Services Mtce	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
35531221. Street Lighting - Maintenance	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000
35531222. Street lighting - Electricity	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000
3553124. Cycle Path Maintenance	0	0	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
3553125. Footpath Maintenance	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000
3553140. Minor Events	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000
355316. Car Parking Maintenance	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
3553288. Emergency Reinstatement	0	0	0	0	0	0	0	0	0	0
3553301. Street Lighting - Maintenance	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000
3553302. Street Lighting - Electricity	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500
3553303. Drainage Mtce - St Cleaning	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
3553304. Footpaths	0	0	0	0	0	0	0	0	0	0
3553305. Local Share (70%) Street Cleaning	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500



## 6.10 Capital Expenditure

ROADING		LTP	LTP	LTP	LTP	LTP	LTP	LTP	LTP	LTP	LTP
		Budget Yr 1	Budget Yr 2	Budget Yr 3	Budget Yr 4	Budget Yr 5	Budget Yr 6	Budget Yr 7	Budget Yr 8	Budget Yr 9	Budget Yr 10
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
		(thousands)									
<b>Roading Professional Services</b>											
Plant and Equipment	LOS	20	12	12	3	12	3	3	3	3	3
<b>District Roding</b>											
Rural Seal Extensions	Renewal	12	300	300	300	300	300	300	300	300	300
Unsealed Road Metalling	Renewal	822	822	822	822	822	822	822	822	822	822
<b>Sealed Road Resurfacing</b>	Renewal	530	530	530	530	530	530	530	630	630	630
Drainage Renewal	Renewal	110	110	110	110	110	110	110	110	110	110
Sealed Road Pavement Rehabilitation	Renewal	210	210	210	210	210	210	210	210	210	210
Structures Component replacements bridges	Renewal	68	57	68	68	57	68	68	57	68	68
Structures Component replacements cattle stops	Renewal	0	16	0	0	16	0	0	16	0	0
Bridge & Structures Renewals	Renewal	53	69	53	53	69	53	53	69	53	53
Environmental Renewals	Renewal	50	50	50	50	50	50	50	50	50	50
Cycle Path Renewal	Renewal	950	0	200	0	0	0	200	0	0	0
Footpath Renewal	Renewal	210	210	210	210	210	210	210	210	210	210
Streetlight LED Upgrade	LOS	12	12	12	12	12	12	12	12	12	12
Low Cost Low Risk Improvements	LOS	1,771	1,763	1,765	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Car Parking Renewal	LOS	200	300	300	200	200	200	200	200	200	200
Urban Seals	LOS	160	160	160	160	160	160	160	160	160	160
Walking & Cycling Projects	LOS	75	75	75	75	75	75	75	75	75	75
Traffic Services Renewal	Renewal	90	90	90	90	90	90	90	90	90	90
<b>Total Roding Capital Expenditure</b>		5,343	4,786	4,967	4,393	4,423	4,393	4,593	4,514	4,493	4,493