

Mā tō tātou takiwā
For our District

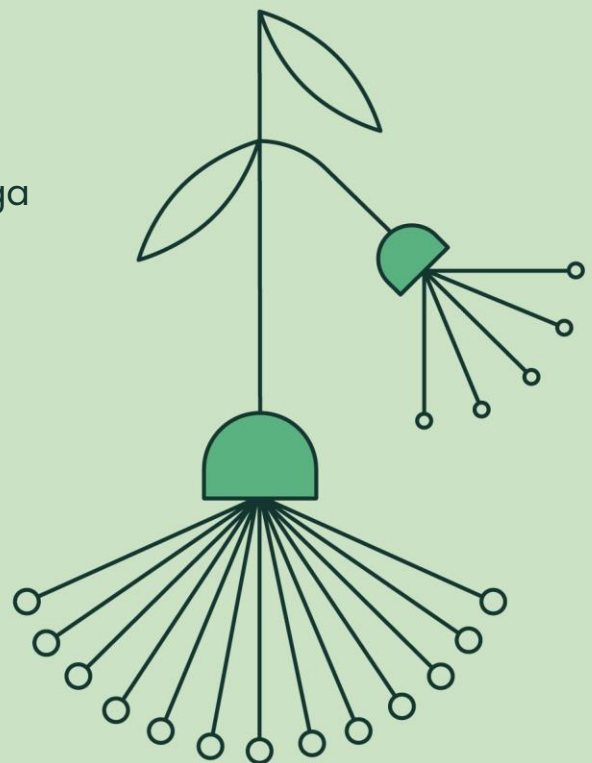
Performance and Monitoring Committee

Komiti Whakahaere

PM22-4

Tuesday, 5 July 2022, 9.30am

Council Chambers, Barkes Corner, Tauranga



Performance and Monitoring Committee

Membership:

| | |
|--------------------|--|
| Chairperson | Cr Don Thwaites |
| Deputy Chairperson | Cr Murray Grainger |
| Members | Cr Grant Dally Cr Mark Dean Cr James Denyer Cr Monique Gray Cr Anne Henry Cr Kevin Marsh Cr Margaret Murray-Benge Deputy Mayor John Scrimgeour Cr Allan Sole Mayor Garry Webber |
| Quorum | 6 |
| Frequency | Six weekly |

Role:

- To monitor and review the progress of the Council's activities, projects and services.

Scope:

- To monitor the operational performance of Council's activities and services against approved levels of service.
- To monitor the effectiveness of Council, community and agency service agreements / contracts.
- To monitor the implementation of Council's strategies, plans, policies and projects as contained in the Long-Term Plan or Annual Plan.
- To monitor Community Service Contract performance, set service delivery requirements and receive annual reports from service delivery contractors.
- To review and monitor agreements between Tauranga City Council and Western Bay of Plenty District Council and recommend to the respective Councils any changes to agreements, as appropriate.
- To monitor performance against the Priority One approved contract.
- To monitor performance of Council Controlled Organisations (CCO's) against their Statement of Intent, including Tourism Bay of Plenty's Statement of Intent and make recommendations to Council on matters relating to CCO's.

- To monitor the on-going effectiveness of implemented joint projects, plans, strategies and policies with Tauranga City Council.
- To monitor performance against any Council approved joint contracts with Tauranga City Council and/or other entities.
- To monitor performance and outcomes relating to:
 - seal extensions and unsealed road maintenance
 - community halls and facilities.
- To report to Council financial outcomes and recommend any changes or variations to allocated budgets.

Power to Act:

- Subject to agreed budgets and approved levels of service, to make decisions to enable and enhance service delivery performance.

Power to Recommend:

- To make recommendations to Council and/or any Committee as it deems appropriate.

Power to sub-delegate:

- The Committee may delegate any of its functions, duties or powers to a subcommittee, working group or other subordinate decision-making body, subject to the restrictions on its delegations and provided that any sub-delegation includes a statement of purpose and specification of task.

Notice is hereby given that an Performance and Monitoring Meeting will be held in the Council Chambers, Barks Corner, Tauranga on:
 Tuesday, 5 July 2022 at 9.30am

Order Of Business

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1 PRESENT**2 IN ATTENDANCE****3 APOLOGIES****4 CONSIDERATION OF LATE ITEMS****5 DECLARATIONS OF INTEREST**

Members are reminded of the need to be vigilant and to stand aside from decision making when a conflict arises between their role as an elected representative and any private or other external interest that they may have.

6 PUBLIC EXCLUDED ITEMS**7 PUBLIC FORUM**

A period of up to 30 minutes is set aside for a public forum. Members of the public may attend to address the Board for up to five minutes on items that fall within the delegations of the Board provided the matters are not subject to legal proceedings, or to a process providing for the hearing of submissions. Speakers may be questioned through the Chairperson by members, but questions must be confined to obtaining information or clarification on matters raised by the speaker. The Chairperson has discretion in regard to time extensions.

Such presentations do not form part of the formal business of the meeting, a brief record will be kept of matters raised during any public forum section of the meeting with matters for action to be referred through the customer contact centre request system, while those requiring further investigation will be referred to the Chief Executive.

8 PRESENTATIONS

8.1 WAKA KOTAHI (NZTA) TAURIKO AND OTHER WESTERN BAY PROJECTS PRESENTATION

File Number: A4564284

Author: Tracy Harris, Executive Assistant

Authoriser: Gary Allis, Deputy Chief Executive & General Manager Infrastructure Group

EXECUTIVE SUMMARY

Waka Kotahi will present an overview of the details for Tauriko and other Western Bay projects to the Performance and Monitoring Committee.

RECOMMENDATION

That the Executive Assistant's report dated 5 July 2022 titled 'Waka Kotahi (NZTA) Tauriko and Other Western Bay Projects Presentation' be received.

9 REPORTS

9.1 FINANCIAL PERFORMANCE AND MONITORING COMMITTEE UPDATE AS AT 31 MAY 2022

File Number: A4575605

Author: David Jensen, Chief Financial Officer

Authoriser: James Graham, Acting General Manager Corporate Services

EXECUTIVE SUMMARY

The purpose of this report is to inform Elected Members on important issues relating to Council's finances and operational performance.

RECOMMENDATION

That the Chief Financial Officer's report dated 5 July 2022 titled 'Financial Performance and Monitoring Committee Update as at 31 May 2022' be received.

1. FINANCIAL PERFORMANCE & POSITION

1.1 Operating Income

Total income for the 11 months ended 31 May was \$114.71m. This was \$431k higher than the year-to-date budget of \$114.31m. This is primarily driven by subsidy revenue relating to CIP-funded projects, user fee revenue and other income, being above year-to-date budget. This is offset by lower than budgeted financial contributions and water rate revenue.

The major variances were:

- Subsidies and Grants of \$16.68m being \$752k ahead of the year-to-date budget of \$15.93m, due to the recognition of revenue relating to CIP-funded projects. In 2020/2021, Council received grants from Central Government which was tied to the completion of certain projects. As the work had not been completed at the time the subsidies were received, Council was not able to book the revenue and had been holding the revenue in the balance sheet pending completion of the capital works. A number of the CIP-funded projects have now reached the stage where Council can recognise the revenue received from Central Government.
- User Fees of \$8.23m being \$0.83m ahead of year-to-date budget of \$7.40m. This variance is primarily driven by additional animal service fees and building service fees.

- Rate Income of \$62.71m, being \$736 lower than year-to-date budget of \$63.44m due to lower than budgeted water-by-meter revenue, particularly in the western supply zone as well as lower than forecast rating unit growth through 2022.
- Other Income of \$3.79m being \$1.54m higher than the year-to-date budget of \$2.22m driven primarily by forestry harvesting proceeds of \$933k, which are unbudgeted.

1.2 Financial Contribution Revenue

Financial Contributions are tracking below budget with \$9.58m received against year-to-date budget of \$10.03m. A full table of revenue received is shown below. Council is likely to be slightly under budget at year end.

| | YTD Budget 2021 | YTD Actual 2021 | \$ Variance to Budget | Variance to Budget |
|----------------------------------|--------------------|--------------------|--------------------------|--------------------------|
| Water Supply - Western | 304,524 | 521,392 | 216,868 | 71 % |
| Water Supply - Central | 718,256 | 621,841 | (96,415) | (13)% |
| Water Supply - Eastern | 851,444 | 182,994 | (668,450) | (79)% |
| Wastewater - Waihi Beach | 307,593 | 733,845 | 426,252 | 139 % |
| Wastewater - Katikati | 225,654 | 266,600 | 40,946 | 18 % |
| Wastewater - Omokoroa | 939,675 | 552,526 | (387,149) | (41)% |
| Wastewater - Te Puke | 230,879 | 39,301 | (191,578) | (83)% |
| Wastewater - Maketu/Little Waihi | 47,685 | 0 | (47,685) | 0 % |
| Stormwater | 1,466,916 | 368,121 | (1,098,795) | (75)% |
| Roading - Rural | 510,158 | 766,112 | 255,954 | 50 % |
| Roading - Waihi Beach SP | 18,106 | 95,278 | 77,172 | 426 % |
| Roading - Katikati SP | 217,360 | 83,854 | (133,506) | (61)% |
| Roading - Omokoroa SP | 1,577,499 | 1,939,997 | 362,498 | 23 % |
| Roading - Te Puke SP | 131,538 | 0 | (131,538) | (100)% |
| Roading - Strategic | 376,981 | 658,949 | 281,968 | 75 % |
| District - Reserves & Facilities | 2,101,748 | 2,614,278 | 512,530 | 24 % |
| Ecological | 0 | 131,508 | 131,508 | 100 % |
| Total | 10,026,016 | 9,576,597 | (449,419) | (4)% |

Staff have noted that the pipeline for future developments is stable for the first six months of the 2023 financial year however, new enquiries are trending downwards. Staff are keeping a watching brief on development trends and are meeting regularly with developers in order to gauge the level of development demand.

1.3 Operating Expenditure

Total expenditure of \$94.70m was \$3.53m lower than year to date budget of \$98.23m. Council is likely to be underspent against budget at year end.

The major variances were:

- Additional Level of Service projects of \$4.3m were \$3.36m lower than year to date budget of \$8.89m.

- Personnel costs of \$24.25m being \$840k lower than year to date budget of \$25.1m. This is largely due to the timing of when open vacancies have been filled throughout the year.

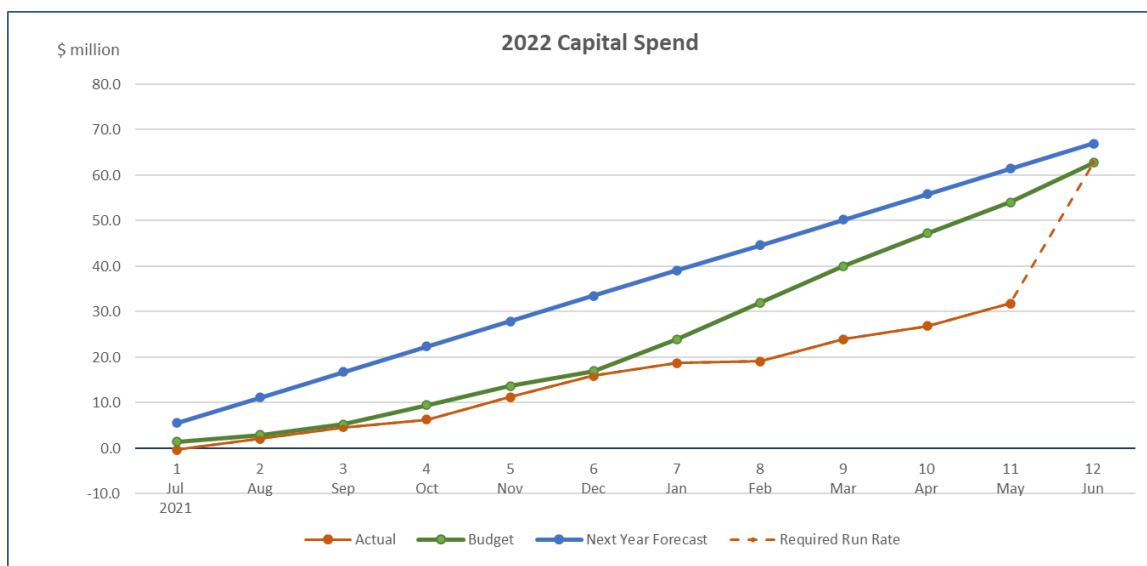
1.4 Capital Expenditure

Total capital expenditure of \$34.72m was \$19.32m lower than year to date budget of \$54.04m. The detailed project spend against year-to-date budget is shown in **Attachment 2**.

The major variances were:

- Transport capital expenditure across the district being \$9.26m lower than budget year-to-date.
- Water Supply capital expenditure across the district being \$1.93m lower than budget year-to-date.
- Stormwater capital expenditure across the district being \$1.72m lower than budget year-to-date.
- Recreation & Leisure capital expenditure across the district being \$3.10m lower than budget year-to-date.

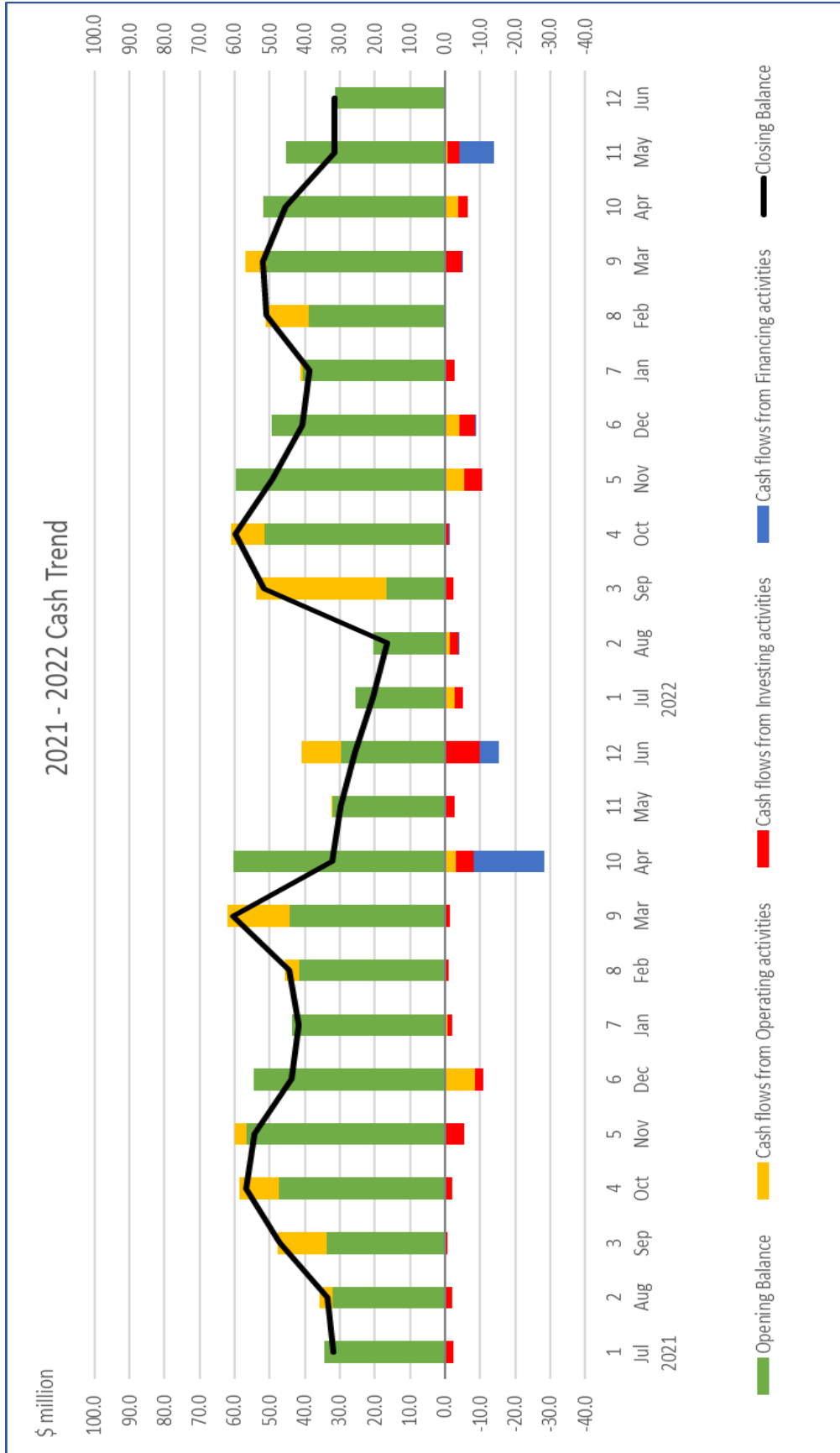
The 2021/2022 Capital Expenditure trend is shown as follows:



2. CASH FLOW FORECAST

2.1 Projected Cash Balances

At 31 May 2022, Council had a positive cash position of \$31.40m. This was comprised of \$18.51m cash and \$12.89m in short term deposits. Council’s cash trend and key drivers are shown below:



3. TREASURY UPDATE

3.1 Key Financial Ratios

Council was in compliance with all of its key financial ratios for the month ending 31 May 2022.

3.2 Interest Expense

Council's weighted cost of finance at 31 May 2022 was 3.76%, down from 4.10% at April 2022.

Interest expense on external debt for the nine months ended 31 May 2022 of \$3.85m was \$0.48m higher than year-to-date budget of \$3.76m. This is due to the timing of interest payment cashflows year to date, as well as increases in floating interest rates over the last several months.

3.3 External Debt

Total external debt was \$80.0m as at 31 May 2022. This is \$10.0m lower than the balance at 30 April 2022.

Net debt (being external debt of \$80.0m less cash on hand of \$31.4m) was \$48.59m as at 31 May 2022. This was \$4.0m higher than the 30 April balance of \$44.59m.

3.4 Internal Loan and Current Account Balances

Internal loan balances at 31 May 2022 totalled \$99.06m, with current account balances totalled \$3.73m. These are both consistent with the balances of 30 April 2022.

3.5 Interest Rate Swaps

The valuation of Council's interest rate swaps at 31 March 2022 was a net asset of \$539k. This is \$137k higher than the 30 April 2022 balance of \$401k, reflecting the increases in market rates through April.

At 31 May 2022 Council held interest rate swaps totalling \$81.5m. Of these, \$21m were forward start interest rate swaps. Council had 76% of total debt covered by current interest rate swaps, up from 62% in April 2022.

The current swaps to 12-month net debt ratio as at 31 May 2022 sits within the recommended policy bands.

ATTACHMENTS

1. **May 2022 – Financial Information**  
2. **May 2022 – Project Detail**  

**Statement of Financial Performance
For the 11 months ended 31 May 2022**

| | Year to Date | | | | Full Year Revised Budget \$'000 |
|--------------------------------------|----------------|----------------|-----------------------------|-------------------------|---------------------------------|
| | Actual \$'000 | Budget \$'000 | Variance Fav / (Unf) \$'000 | Last Year Actual \$'000 | |
| Costs | | | | | |
| Additional Levels of Service | 4,929 | 8,891 | 3,961 | 2,798 | 10,312 |
| Operating Costs | 39,785 | 38,963 | (823) | 33,673 | 42,516 |
| Personnel | 24,252 | 25,092 | 840 | 21,151 | 27,370 |
| Interest Expense | 3,852 | 3,368 | (483) | 5,572 | 3,675 |
| Depreciation | 21,884 | 21,915 | 31 | 17,406 | 23,907 |
| Total Costs | 94,702 | 98,228 | 3,527 | 80,599 | 107,780 |
| Income | | | | | |
| Financial Contributions | 9,577 | 10,026 | (449) | 4,576 | 10,937 |
| Interest Income - External | 117 | 241 | (124) | 195 | 263 |
| Other Income | 3,797 | 2,216 | 1,582 | 3,768 | 2,915 |
| Rate Income | 62,706 | 63,442 | (736) | 57,893 | 69,591 |
| Service Charges | 12,552 | 12,635 | (82) | 9,157 | 13,783 |
| Subsidies & Grants | 16,683 | 15,931 | 752 | 9,485 | 16,880 |
| Sundry Income | 662 | 367 | 295 | 715 | 400 |
| User Fees | 8,245 | 7,398 | 848 | 6,240 | 8,418 |
| Vested & Found Assets | 400 | 2,053 | (1,653) | 4,830 | 2,240 |
| Total Revenue | 114,740 | 114,308 | 431 | 96,859 | 125,428 |
| Share of Associate surplus/(deficit) | 0 | 0 | 0 | 0 | 0 |
| Surplus (Deficit) | 20,038 | 16,080 | 3,958 | 16,261 | 17,647 |

Western Bay of Plenty District Council
Statement of Financial Position
As at 31 May 2022

| | Actual 2022 \$'000 | Forecast June 2022 \$'000 | June 2021 \$'000 |
|--------------------------------------|--------------------------|---------------------------------|---------------------|
| EQUITY | | | |
| Accumulated Funds | 994,786 | 954,642 | 905,715 |
| Restricted Reserves | 278 | 283 | 280 |
| Council-created Reserves | 31,719 | 29,471 | 32,052 |
| Asset Revaluation Reserves | 504,854 | 577,953 | 431,251 |
| Total Equity | 1,531,639 | 1,562,349 | 1,369,298 |
| Assets | | | |
| Current Assets | | | |
| Cash and Bank | 18,506 | 26,634 | 11,349 |
| Short Term Deposits | 12,898 | - | 23,140 |
| Receivables and Prepayments | 17,904 | 14,366 | 12,272 |
| Property and Investments for Resale | - | 1,214 | 3,495 |
| Total Current Assets | 49,308 | 42,213 | 50,256 |
| Non-current Assets | | | |
| Financial Instruments | 15,407 | 11,519 | 14,865 |
| Other Non-current Assets | 1,588,823 | 1,649,639 | 1,448,252 |
| Interest in Associates | 231 | 3,181 | 212 |
| Total Non-current Assets | 1,604,460 | 1,664,339 | 1,463,330 |
| Total Assets | 1,653,768 | 1,706,552 | 1,513,586 |
| Liabilities | | | |
| Current Liabilities | | | |
| Payables and Accruals | 31,199 | 23,589 | 17,810 |
| Employee Entitlements | 2,750 | 3,573 | 2,837 |
| Current Portion Public Debt | 15,000 | 10,000 | 20,000 |
| Derivative Financial Instrument | 422 | - | 383 |
| Current Portion Provisions | 313 | 696 | 313 |
| Total current Liabilities | 49,684 | 37,858 | 41,343 |
| Non-current Liabilities | | | |
| Public Debt - Term Portion | 65,000 | 93,400 | 90,000 |
| Other Term Debt | 7,444 | 12,632 | 12,945 |
| Non-current Provisions | | 313 | |
| Total Non-current Liabilities | 72,444 | 106,345 | 102,945 |
| Total Liabilities | 122,128 | 144,203 | 144,288 |
| Net Assets | 1,531,639 | 1,562,349 | 1,369,298 |

Western Bay of Plenty District Council
Cost of Service Summary
For the period ended 31 May 2022

Attachment
1c

| Activity | Total Operating Revenue \$'000 | Total Operating Costs \$'000 | Net Cost of Service Surplus / (Deficit) \$'000 | YTD Budget Surplus / (Deficit) \$'000 | YTD Variance Under / (Over) \$'000 | Total Budget Surplus / (Deficit) \$'000 |
|--------------------------------|---|---------------------------------------|--|--|--|--|
| Stormwater | 4,933 | 4,010 | 922 | 2,107 | (1,184) | 2,287 |
| Solid Waste | 3,999 | 3,538 | 460 | (457) | 917 | (498) |
| Natural Environment | 679 | 1,059 | (379) | (587) | 208 | (641) |
| Economic | 297 | 762 | (465) | (386) | (79) | (421) |
| Representation | 422 | 2,613 | (2,192) | (3,158) | 967 | (3,442) |
| Transportation | 29,943 | 20,649 | 9,295 | 11,228 | (1,934) | 12,265 |
| Recreation & Leisure | 4,658 | 7,983 | (3,324) | (4,239) | 914 | (4,667) |
| | 44,932 | 40,614 | 4,318 | 4,509 | (191) | 4,883 |
| Strategic Planning/Monitoring | 7 | 1,100 | (1,093) | (1,623) | 530 | (1,770) |
| Resource Management Planning | 0 | 1,452 | (1,452) | (2,104) | 651 | (2,312) |
| Infrastructure Planning | 12 | (15) | 27 | 27 | 0 | 29 |
| Sustainable Development | 19 | 2,537 | (2,519) | (3,700) | 1,181 | (4,053) |
| Western Water | 5,336 | 4,039 | 1,298 | 1,053 | 245 | 1,147 |
| Central Water | 3,466 | 3,083 | 384 | 33 | 351 | 29 |
| Eastern Water | 4,115 | 4,765 | (650) | (866) | 216 | (940) |
| Water Supply | 12,917 | 11,887 | 1,031 | 219 | 812 | 237 |
| Resource Consents | 1,794 | 2,432 | (638) | (844) | 206 | (920) |
| Building Services | 4,300 | 4,879 | (579) | (1,238) | 659 | (1,350) |
| Animal Services | 760 | 1,117 | (357) | (540) | 182 | (589) |
| Compliance & Monitoring | 515 | 1,628 | (1,113) | (1,553) | 440 | (1,695) |
| Regulatory Services | 0 | 105 | (105) | (160) | 56 | (175) |
| Regulatory | 7,368 | 10,160 | (2,791) | (4,335) | 1,543 | (4,729) |
| Information Centres | 2,604 | 4,054 | (1,451) | (2,237) | 786 | (2,440) |
| Community Building | 170 | 1,800 | (1,630) | (2,479) | 850 | (2,705) |
| Emergency Management | 2 | 365 | (364) | (515) | 151 | (562) |
| Community Facilities | 1,095 | 1,175 | (80) | (755) | 675 | (822) |
| Communities | 3,871 | 7,394 | (3,523) | (5,986) | 2,463 | (6,529) |
| | Total | Total | Net Cost of | YTD Budget | YTD | Total Budget |
| Activity | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Waihi Beach Wastewater | 4,258 | 2,748 | 1,511 | 344 | 1,167 | 364 |
| Katikati Wastewater | 3,519 | 2,543 | 976 | 543 | 433 | 592 |
| Omokoroa Wastewater | 3,983 | 3,566 | 417 | (724) | 1,141 | (789) |
| Te Puke Wastewater | 3,184 | 1,525 | 1,660 | 1,479 | 180 | 1,609 |
| Maketu Wastewater | 514 | 1,340 | (826) | (1,024) | 197 | (1,117) |
| Ongare Wastewater | 70 | 215 | (145) | (205) | 60 | (224) |
| Wastewater | 15,528 | 11,936 | 3,592 | 413 | 3,179 | 436 |
| Human Resource Services | 0 | 242 | (242) | 0 | (242) | 0 |
| Financial Services | 703 | 497 | 206 | 362 | (155) | 394 |
| Information Services | 60 | 1,340 | (1,280) | (1,313) | 33 | (1,438) |
| Corporate Assets | 193 | 1,037 | (845) | (934) | 89 | (1,019) |
| Corporate Services | 0 | 2,259 | (2,259) | (535) | (1,723) | (584) |
| Corporate Services | 957 | 5,375 | (4,417) | (2,420) | (1,999) | (2,646) |
| Treasury Operations | 108 | 947 | (839) | 411 | (1,250) | 449 |
| Rates Appropriation | 29,034 | 3,854 | 25,181 | 26,953 | (2,471) | 29,784 |
| Rates and Treasury | 29,142 | 4,800 | 24,341 | 27,713 | (3,372) | 30,233 |
| Total | 114,740 | 94,702 | 20,038 | 16,080 | 3,958 | 17,855 |

9.2 JOINT WAKA KOTAHI (NZTA) / WESTERN BAY OF PLENTY DISTRICT COUNCIL ONE NETWORK MAINTENANCE CONTRACT - PROPOSED EXTENSION

File Number: A4606625

Author: Jim Paterson, Transportation Manager

Authoriser: Gary Allis, Deputy Chief Executive & General Manager Infrastructure Group

EXECUTIVE SUMMARY

The Bay of Plenty West Joint Waka Kotahi (NZTA) / Western Bay of Plenty District Council (WBOPDC) One Network Maintenance Contract commenced on 1 November 2014. The contract term was for seven years, with the ability for a performance-based extension of two years.

The Contractor, WestLink, earned the two-year extension, which Council approved in 2021.

The Network Outcome Contract (NOC) contract model is under review by Waka Kotahi who are extending current contracts while undertaking the review. This contract falls in that category. The contracting market is under pressure and significant price increases are being experienced at the tender box.

Based on these factors, it is recommended that the contract be extended for 20-months to 30 June 2025.

RECOMMENDATION TO COUNCIL

1. That the Executive Assistant Infrastructure Group's report dated 5 July 2022 titled 'Joint Waka Kotahi (NZTA) / Western Bay of Plenty District Council One Network Maintenance Contract – Proposed Extension' be received.
2. That Council, in accordance with the Conditions of Contract, approve the 20-month tenure extension for Contract 2/14-002/601 – Bay of Plenty West Joint NZTA/WBOPDC One Network Maintenance Contract, with an amended contract end date of June 2025 and authorises the Deputy Chief Executive Officer to negotiate the terms and conditions of the extension.
3. That the approved contract value for Contract 2/14-002/601 – Bay of Plenty West Joint Waka Kotahi (NZTA)/Western Bay of Plenty District Council One Network Maintenance Contract be increased to \$250,000,000 through to 30 June 2025.

BACKGROUND

The Bay of Plenty West Joint Waka Kotahi (NZTA)/WBOPDC One Network Maintenance Contract (ONMC) is a collaborative venture with the Transport Agency and delivers Council's Road maintenance and renewals.

Council's portion is based around a lump sum delivery model in which Council specifies the outcome required (i.e., the levels of service). It is up to the Contractor how they deliver those outcomes.

The Contract was awarded to WestLink and commenced in November 2014 with a current end date of October 2023.

Tenure

The proposal is for Council to extend the contract tenure for 20 months. Waka Kotahi has agreed to extend the contract tenure by 20 months subject to a satisfactory negotiation. The initial Contract period was for seven years with the provision for the Contractor to earn an additional maximum tenure of two years based on good performance or conversely, lose tenure due to poor performance. The contract was extended by two years in 2021.

The tenure adjustment mechanism is clearly defined within the Contract and is based around achieving suitable Key Result Areas (KRA) scores both for the Local Road and State Highway portions of the Contract. To date, WestLink have typically achieved KRA scores in Best Practice range and have consequently earned the maximum additional tenure of two years.

In addition, although there have been a number of monthly performance deductions, the wider teams from both Council and Waka Kotahi are satisfied with WestLink's overall performance. WestRoads continue to monitor and audit the Contract outcomes.

Waka Kotahi have approved the negotiation of the 20-month extension and are currently in the negotiation phase. The extension is conditional on both clients' approval.

Network Outcome Contract (NOC) Review

Waka Kotahi are undertaking a national review of the NOC contracts to position the contract model for the future and to achieve best value. This is required because of the need for a flexible framework in a constrained funding environment and due to contractual issues with the current contract.

An agreement, subject to Council approval, has been agreed with Waka Kotahi to extend this contract by 20 months to 30 June 2025.

Reasons for this direction include:

- Difficult to extend only the Waka Kotahi component of the contract.
- Waka Kotahi procurement and funding areas have agreed with the extension which protects the Waka Kotahi funding.
- Newly tendered road maintenance contracts are seeing cost increases of up to 45%.
- Extending the contract reduces cost risk.
- The current contractor market is under pressure, and there are concerns about the number of tenders that would be received.
- It enables time to determine if a future contract should be joint or separate.

- Developing a new Council roading contract is a big project and staff are currently under pressure with the Capex programme.
- Extension would retain the existing WestLink Team in a market that is short of experienced roading staff.
- Ability to include trials of alternative specifications and LOS and delivery methods.

Contract Extension Times

The contract extension will be under the same contract terms. There will be negotiation over the additional services e.g., Seal Extension and we are considering further direct contracting with suppliers. There will be negotiation over the contract rate which will be based on the recently agreed extension.

Financial

The 2014 accepted tender price for Council's portion of the contract was \$75,989,841, which comprises lump sum and provisional items (i.e., may or may not be required) and this equates to \$10,855,691 per annum.

As at May 2022, the actual spend was:

| | |
|-------------------------------|-------------------------|
| Lump Sum | \$72,194,419.81 |
| Additional Services | \$65,724,548.57 |
| Total Contract to Date | \$137,918,960.46 |

This equates to an annual spend of \$18,389,194 and, if we assume additional services are required by Council at the same rate, then when projected over 10-years and 8-months, this predicts a total Contract spend of \$196,151,402. However, additional work is contemplated in the next 3-years.

The Contract includes a specified mechanism to compensate the Contractor for cost escalation. If we assume the current rate of escalation (i.e., approximately 18.1% from 2014, but 7% in the last year – refer **Attachment 1**) continues then the total estimated funding required for the full 10-years and 8-months years is above \$200,000. The escalation is expected to be high while the country is experiencing high levels of inflation.

Council previously approved a contract value extension to \$150,000,000 to cover the additional services through to the end of the original 9-year term. This now needs to be extended to \$250,000,000 for the extended term. Note the contract value allows expenditure up to that level but in all cases, the expenditure has to be budgeted.

SIGNIFICANCE AND ENGAGEMENT

In terms of the Significance and Engagement Policy this decision is considered to be of low significance due to it being an extension of an existing contract in partnership with Waka Kotahi.

ENGAGEMENT, CONSULTATION AND COMMUNICATION

| Interested/Affected Parties | Completed/Planned Engagement/Consultation/Communication | | |
|------------------------------------|--|---------|-----------|
| Name of interested parties/groups | Waka Kotahi as joint client fully supports the extension | Planned | Completed |
| Tangata Whenua | N/A | | |
| General Public | N/A | | |

ISSUES AND OPTIONS ASSESSMENT

| Insert summary resolution required | |
|---|---|
| Reasons why no options are available: Section 79 (2) (c) and (3) Local Government Act 2002 | Legislative or other reference |
| | Contractual ability to extend the contract. |

STATUTORY COMPLIANCE

The extension meets Waka Kotahi procurement requirements.

The ability to earn a 2 year extension was included in the original tender, this extension is by negotiation.

FUNDING/BUDGET IMPLICATIONS

| Budget Funding Information | Relevant Detail |
|-----------------------------------|--|
| | Contract costs are included in a multitude of budgets. The extension potentially reduces the cost increases through retaining the current contract rates plus escalation. |

ATTACHMENTS

- NZTA Cost Fluctuation Cost Index and Adjustment Trend charts since Tender Value**  

9.3 SEAL EXTENSION PRIORITISATION LIST 2022 – 2025

File Number: A4609631

Author: Jim Paterson, Transportation Manager

Authoriser: Gary Allis, Deputy Chief Executive & General Manager Infrastructure Group

EXECUTIVE SUMMARY

The purpose of this report is to approve the Seal Extension Prioritisation list.

Council committed to reviewing its Seal Extension Prioritisation Policy under its 2022–2023 Long Term Plan deliberations.

On 9 December 2021, the Policy Committee considered proposed amendments to criteria and weightings and directed that the draft Seal Extension Prioritisation Policy be adopted for consultation.

On 14 June 2022, the Policy Committee directed that the draft Seal Extension Policy be adopted and that an updated Seal Extension Prioritisation List be provided to the Performance and Monitoring Committee for consideration and adoption.

The recommended Seal Extension Prioritisation List (refer **Attachment 1**) is based on the approved Policy and the current seal extension budgets through to 2025.

RECOMMENDATION

1. That the Transportation Manager's report dated 5 July 2022 titled 'Seal Extension Prioritisation List 2022–2025' be received.
2. That the report relates to an issue that is considered to be of low significance in terms of Council's Significance and Engagement Policy.
3. That the Seal Extension Prioritisation List (refer **Attachment 1**) totalling 12.214km, as determined by the policy criteria and weightings for the 2022/2025 period, be approved.
4. That the approved list be published on the Council's website.
5. That it be noted that the actual order of seal extension construction over the next 3 years will be determined by the influencing factors including:
 - Grouping of sites
 - Landowner agreements
 - Extent of earthworks
 - Maximising the investment

BACKGROUND

Council currently maintains 160 kilometres of unsealed roads in its roading network. It is considered cost prohibitive for all these roads to be sealed in the short term. Residents on unsealed roads often request their roads to be sealed due to issues arising from dust and safety concerns.

As part of its LTP deliberations, Council committed to reviewing its Seal Extension Policy to ensure the criteria for prioritising the roads to be sealed were fit-for-purpose.

On 9 December 2021, the Policy Committee considered proposed amendments to criteria and weightings and directed that the draft Seal Extension Prioritisation Policy be adopted for consultation during the 2022-2023 annual plan process.

The community was consulted on the draft policy under the Annual Plan process.

On 14 June 2022, the Policy Committee then considered the amended policy report from the Policy and Planning Manager. PP22-5 adopted the report's recommendations which included preparation of the new seal extension prioritisation list for the Performance and Monitoring Committee's consideration.

Council sets its funding allocation for seal extensions through its Long-Term Plan (LTP) every three years. One of Council's key proposals through the LTP 2021-2031 was to increase its annual budget for seal extensions from \$1M per year to \$2M per year for the 10-year period of the plan. This increased budget means that a greater road length can receive seal extension works.

The length of 12.214km of prioritised unsealed roads is based on estimated construction costs of \$400,000 to \$650,000/km. Location specific requirements, such as terrain, will determine the actual cost of each site and where they fall within this range.

SIGNIFICANCE AND ENGAGEMENT

In terms of the Significance and Engagement Policy this decision is considered to be of low significance because it only affects unsealed road ratepayers and road users and is consistent with Council's core activities and is the implementation of the Seal Extension Policy which has been recently consulted.

ENGAGEMENT, CONSULTATION AND COMMUNICATION

| Interested/Affected Parties | Completed Consultation | |
|-----------------------------------|--|-----------|
| Name of interested parties/groups | Email notifications to raise awareness of the policy consultation period and how to provide feedback were sent to: <ul style="list-style-type: none"> • AA • Iā Ara Aotearoa Transporting New Zealand (formerly Road Transport Forum NZ) • Federated Farmers • Resident and Ratepayer groups • Motorsport Bay of Plenty | Completed |

| | |
|----------------|--|
| | <ul style="list-style-type: none"> • Sport Bay of Plenty • Long Term Plan 2021–2031 submitters on seal extensions. |
| Tangata Whenua | Workshop on the Policy was held with Te Ihu o Te Waka o Te Arawa and Te Kāhui Mana Whenua o Tauranga Moana Tangata Whenua Forums to present the draft policies for consideration. |
| General Public | <p>Have Your Say site with supporting information and online submission forms open 21 March to 21 April 2022.</p> <p>All submitters had the opportunity to register to speak to their submission in Council Chambers</p> |

ISSUES AND OPTIONS ASSESSMENT

| | |
|--|---|
| Option A | |
| That the Seal Extension Prioritisation List (refer Attachment 1) totalling 12.214km, as determined by the policy criteria and weightings for the 2022/2025 period be approved. | |
| <p>Assessment of advantages and disadvantages including impact on each of the four well-beings</p> <ul style="list-style-type: none"> • Economic • Social • Cultural • Environmental | <p>Advantages</p> <ul style="list-style-type: none"> • Creates a new seal extension prioritisation list based on the new Seal Extension Policy. • Provides clarity on how the seal extension budget will be allocated for 2022–2025. • Public notification to website to reduce site specific requests • Delegates operational and technical delivery to staff. <p>Disadvantages</p> <ul style="list-style-type: none"> • May give rise to complaints from ratepayers or road users on roads not in the Seal Extension Prioritisation List 2022 – 2025 |
| Costs (including present and future costs, direct, indirect, and contingent costs). | <ul style="list-style-type: none"> • Costs associated with the seal extension programme are budgeted within the Long-Term Plan 2021–2031. |
| NOTE: No options were provided as the Seal Extension Policy has been fully consulted. This report approves the priority list as determined by the policy. | |

STATUTORY COMPLIANCE

The recommendation(s) meet:

- Legislative requirements/legal requirements.
- Current council plans/policies/bylaws; and
- Regional/national policies/plans.

FUNDING/BUDGET IMPLICATIONS

| Budget Funding Information | Relevant Detail |
|-----------------------------------|------------------------|
| LTP 2022 - 24 | \$4,122,000 |
| LTP 2024 - 25 | \$2,158,000 |

ATTACHMENTS

- 1. PM22-4 Seal Extension Prioritisation List 2022-25**  

9.4 SERVICE DELIVERY CONTRACTORS – EXPO

File Number: A4610542

Author: David Pearce, Community Manager

Authoriser: Rachael Davie, General Manager Strategy and Community

EXECUTIVE SUMMARY

In previous years, all of Councils community service contract holders have been required to report to Council in person as one of the conditions within their contract.

This has given surety to Council that contract requirements are being successfully met. It has also provided a sounding board where Councillors can be informed of any new initiatives or emerging trends.

The Community team will be running, for the third time, the Expo 'Speed Dating', an initiative that enables all contractors to be met with in one 'Expo' style workshop.

RECOMMENDATION

That the Community Manager's Report titled 'Service Delivery Contractors – Expo' dated 5 July 2022 be received.

BACKGROUND

The benefits of the Expo are:

- No PowerPoint presentations;
- Staff will cover off the formalities;
- Providing an opportunity to build relationships through one-on-one dialogues; between Elected Members and service delivery contract holders;
- More of a conversation than a formal presentation; and
- Networking opportunities between Service Delivery contractors.

Councillors will rotate on a 6-minute basis to meet all the Service Delivery Contractors.

Attending will be:

ECONOMIC (5)

- EPIC Te Puke
- Katch Katikati
- Te Puke Economic Development Group
- Tourism Bay of Plenty
- Waihi Beach Events and Promotions

COMMUNITY BUILDING (12)

- A Friends Place – Waihi Beach
- Citizens Advice Bureau
- COLAB – Te Puke
- Creative Bay of Plenty
- Film Bay of Plenty
- Katikati Community Centre
- SocialLink
- Sport Bay of Plenty
- Tauranga Art Gallery
- The Incubator Creative Hub
- Volunteer Bay of Plenty
- Western Bay Museum

ENVIROMENT (3)

- Bay Conservation Alliance
- Envirohub
- Maketu Ongatoro Wetland Society (MOWS)

10 INFORMATION FOR RECEIPT**11 RESOLUTION TO EXCLUDE THE PUBLIC****RESOLUTION TO EXCLUDE THE PUBLIC****RECOMMENDATION**

That the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

| General subject of each matter to be considered | Reason for passing this resolution in relation to each matter | Ground(s) under section 48 for the passing of this resolution |
|---|--|--|
| 11.1 - Infrastructure Operational Risk Report July 2022 Confidential | s7(2)(i) - the withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) | s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7 |