

Local Govt perspective on new operating environment

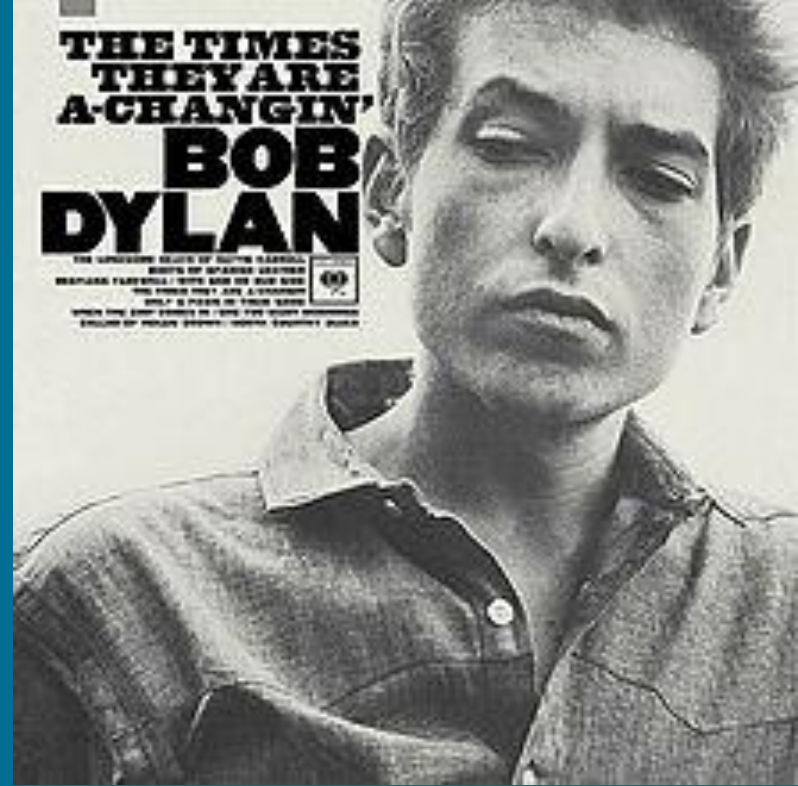
Peter Higgs
Deputy Chief Executive
Gisborne District Council
Vice President IPWEA-NZ



Come gather 'round people
Wherever you roam
And admit that the waters
Around you have grown
And accept it that soon
You'll be drenched to the bone
If your time to you is worth savin'
Then you better start swimmin' or you'll sink like a
stone

For the

times they are a-changin'



Lots Happening in Local Government

- Many Issues Focussed on Delivery of Infrastructure
- Govt's Goals of Efficiency
- Supporting Economic Development
- Better Local Govt Reforms

AND

- We Can Do a Lot Better



We can do a lot Better

- Duplication across Regions
- Re-inventing the Wheel
- Opportunities for Efficiency
- Wastage 20%
 - Scoping, Decision making, Capital, Maintenance, Operation, Whole-of-Life
- Are we Delivering what the Community wants?

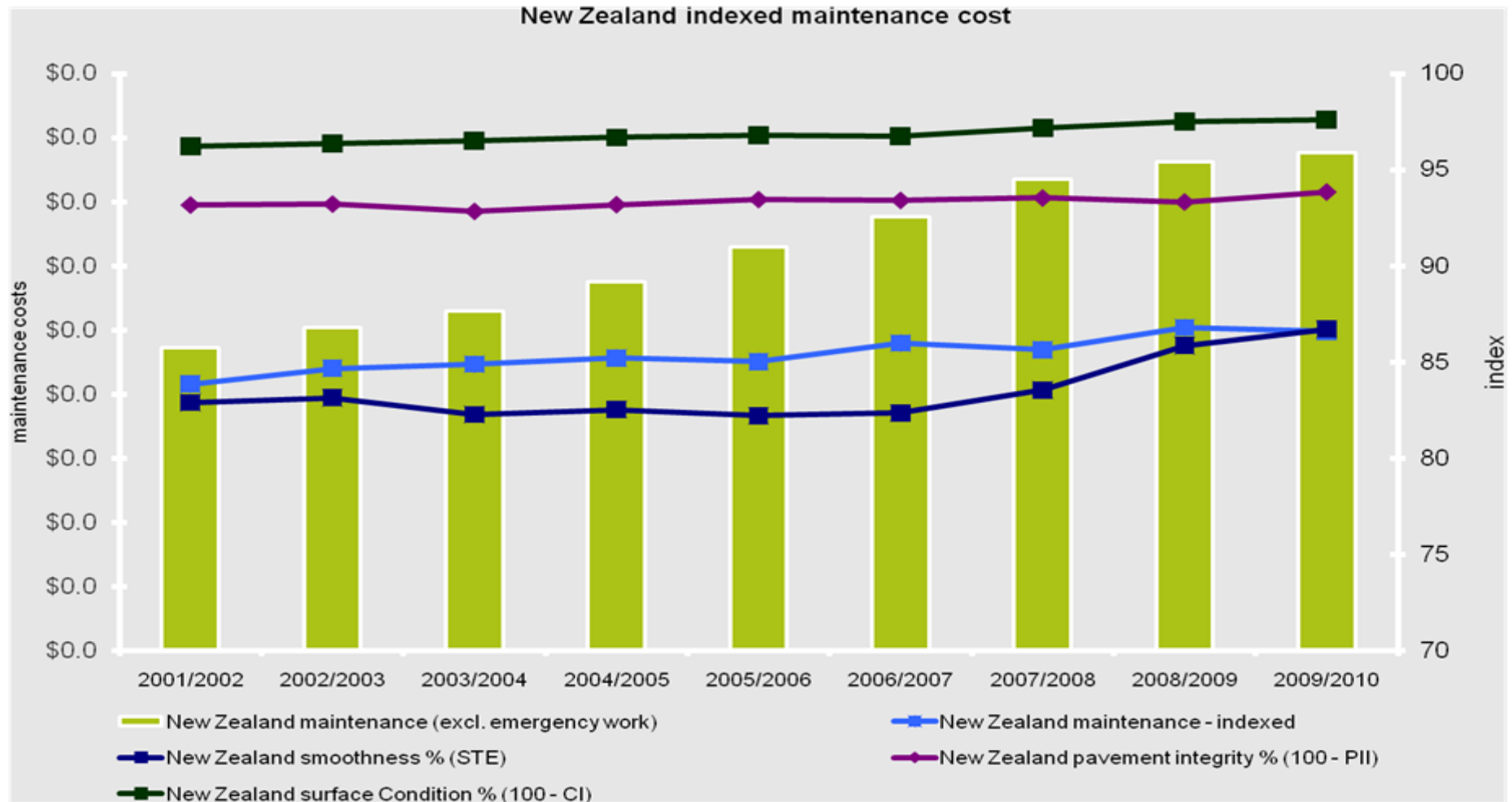


National Drivers of Change

- National Infrastructure Unit
- Road Maintenance Funding “Flat-Lined”
- Road Maintenance Task Force
- NZTA M&O Review
- Better Local Govt Reforms
- Expert Advisory Group
- Office of Auditor General



NZTA Road Maintenance Funding “Flat-Lined”



Road Maintenance Task Force

- NZTA, Local Govt, ACENZ, NZCF, RNZ
- Recommendations
- Themes
 - Collaboration
 - Procurement
 - Asset Management
 - Standards, Specifications

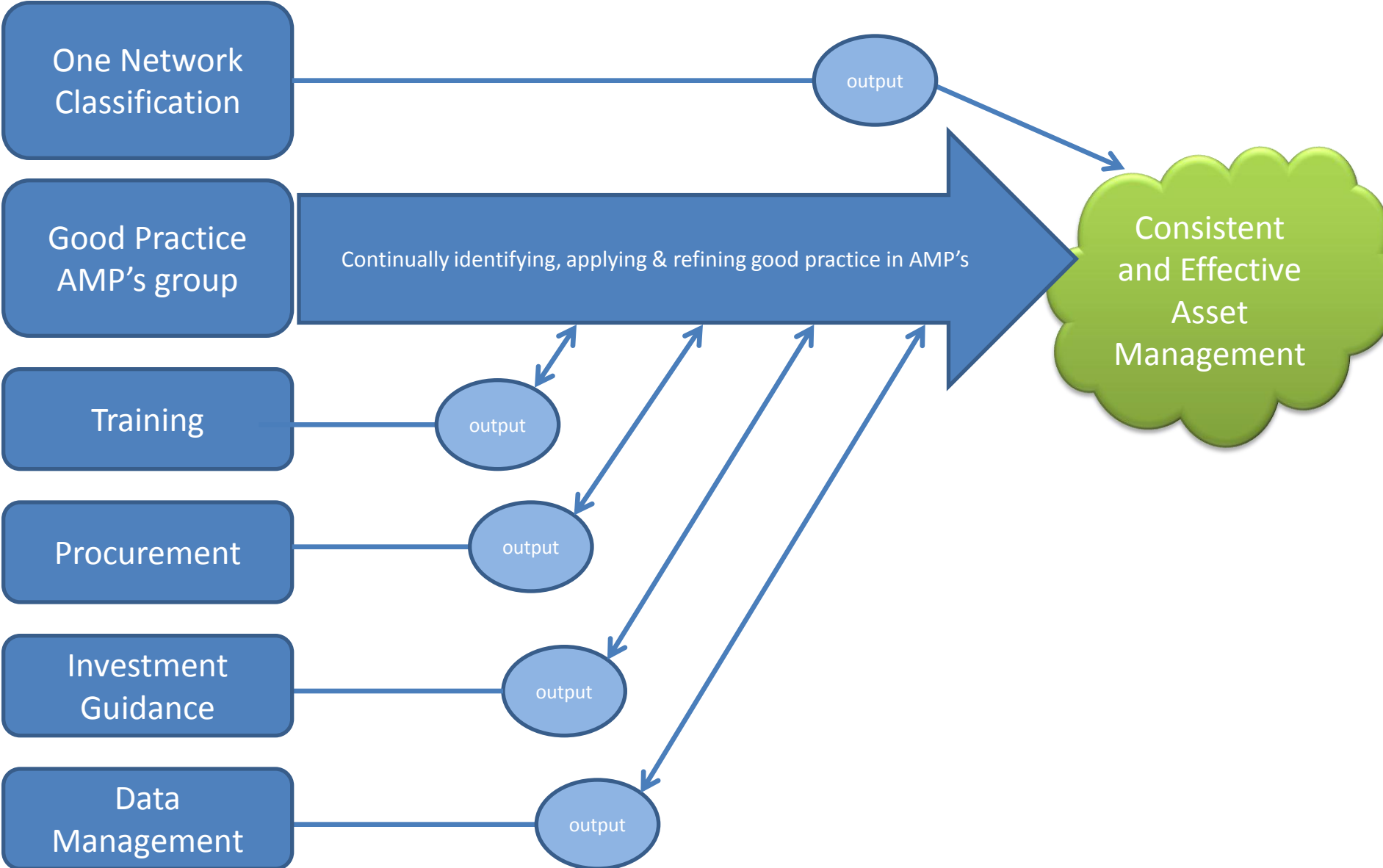


Roading Sector

- Road Efficiency Group (REG)
 - Joint Collaboration
 - NZTA/Local Government
 - Work Streams



Relationship between REG workstreams



Better Local Government Reforms

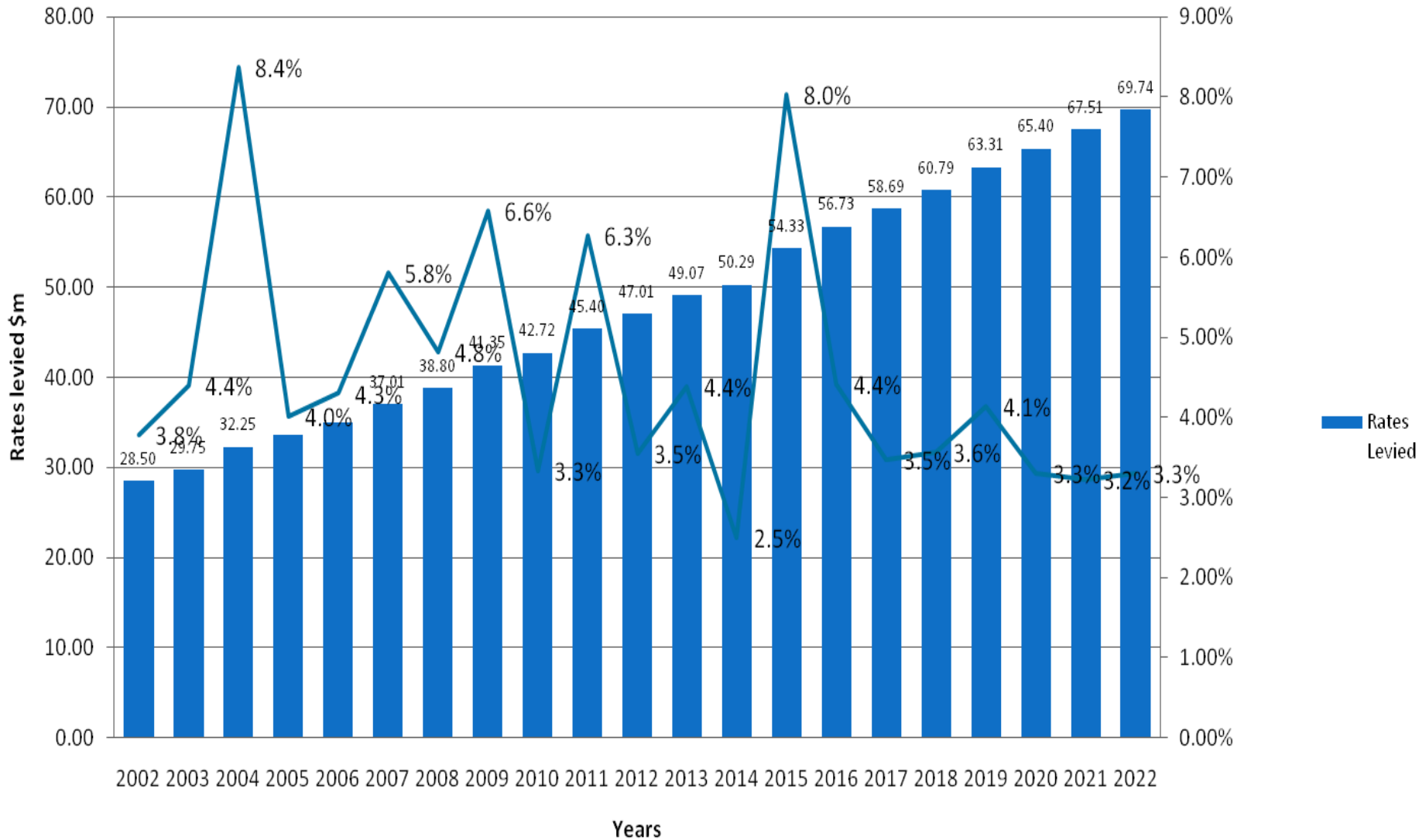
Local Government Act 2012

- *the use of ratios, factors, or other relative terms (for example, **the expenditure** of a local authority in a financial year, generally, should not increase by more than the ratio of population growth multiplied by the rate of increase **of the Consumers Price Index***



Gisborne District Council

Rates Budgeted - a 20 year trend



Better Local Govt Reforms

Report of the
**Local Government
Infrastructure Efficiency
Expert Advisory Group**



March 2013



Better Local Govt Reforms

Efficiency Expert Advisory Group

- Areas Relating to Infrastructure
 - Policy & Legislative Framework
 - Training, Good Practice, Sharing Expertise
 - Business Practices
 - Better Information & Transparency
 - Greater Use of Regional Solutions
- Centre of Excellence (COE)
 - IPWEA-NZ / LGNZ / NZTA



Office of Auditor General Managing Public Assets (June 2013)



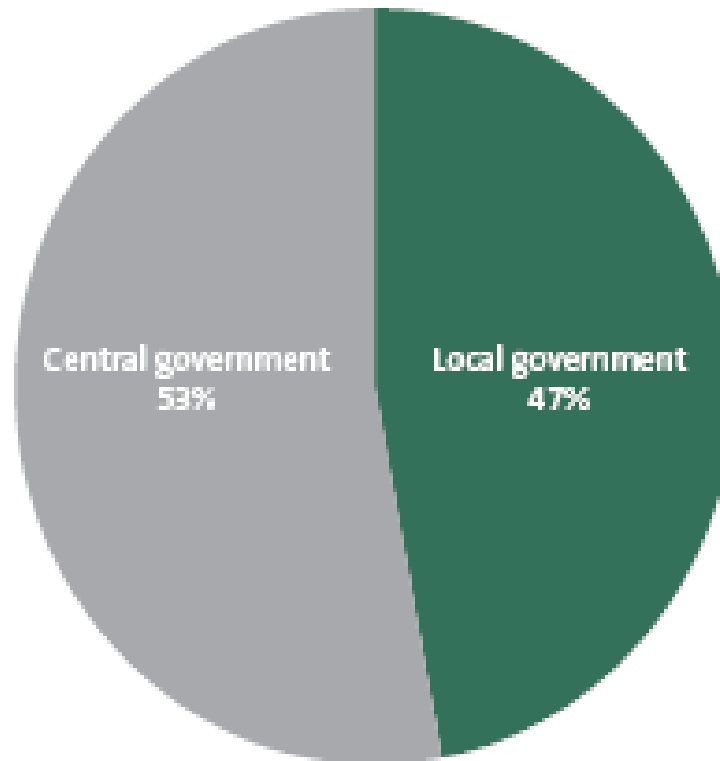
Office of Auditor General

- State of Asset Management in NZ
- \$255 billion
- Only 40% Assets Managed to Plan
- 40% Not Known Whether Deferred Renewals
- 50% Had Lower Condition Ratings

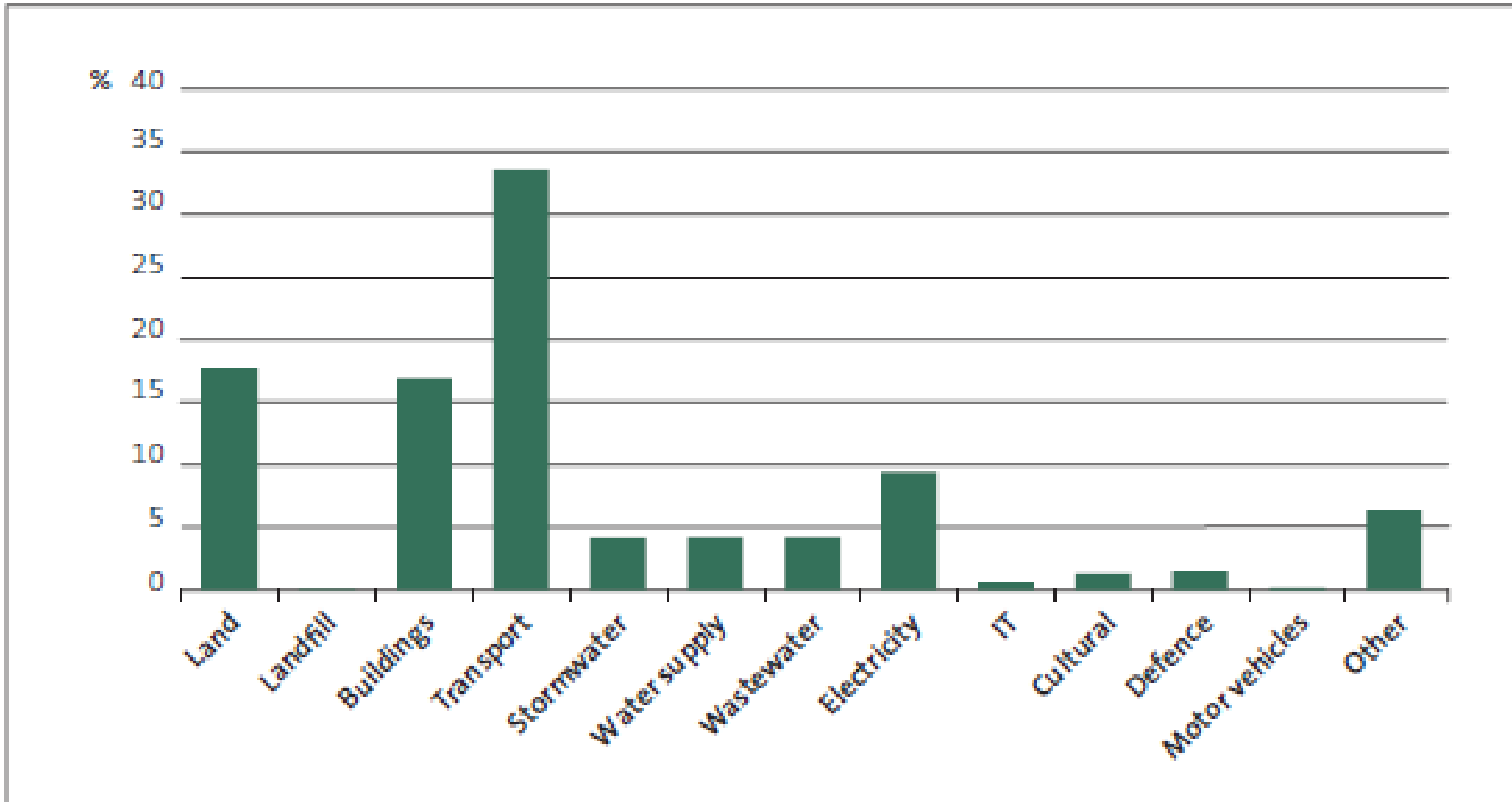


Public Assets by Share

Local and central government's shares of public assets



Types of Public Assets by Value



Note: Landfill assets and motor vehicles are both less than 1% of the total assets.

Common Themes

- Areas of Focus
 - Collaboration
 - Procurement
 - Asset Management
 - Standards & Specifications



Opportunities / Challenges

- Change of Mindset
- Local Government / NZTA
- Focus on Effective & Efficient Delivery
- Improved Asset Management
- Contractor/Consultant Involvement
- Whole-of-Life Costs
- Value for Money



Gisborne Region

Tairāwhiti Roads

- A Collaboration Between

- NZTA



- GDC



Tairāwhiti Roads

Aim of **NZTA/GDC Collaboration**

- To Provide the Best Possible Road Network,
- Working Together to Manage the Roads,
- As Part of one National, Consistent, Safe & Predictable Experience,
- For the Customers.



Vision for Gisborne Region Tairāwhiti Roads

- One group of skilled staff working together to manage the roads as part of one network
- Enable the best management, procurement & service efficiencies
- Provide the best financial outcomes
- Deliver Best outcomes for our Customers



NZTA Key Collaboration Requirements

- Greater level of asset management ownership;
- High level of client ownership in decision making and strategic direction;
- Performance based contract - KRA's & KPI's;
- Direct relationship with the lead supplier (contractor or consultant);
- Consistent network level of service;
- Consistency - effective benchmarking across network & risk profile & payment mechanism;

Gisborne Region

Roading review Outcomes

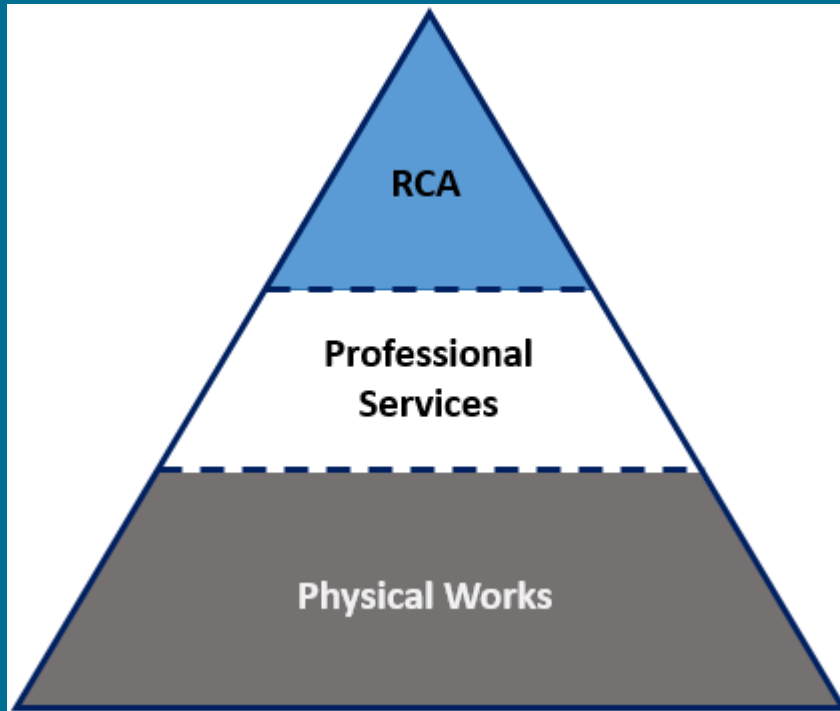
- Forming a Gisborne NZTA/GDC business unit
- Use the NZTA output maintenance contract model (OMC)
- Combining existing NZTA and Council contracts into two maintenance contracts.
- Bundling all activities within these two contracts.



Collaboration on Road Transport Service Delivery Gisborne District Council and NZTA Napier Business Case



Traditional Model



New Model

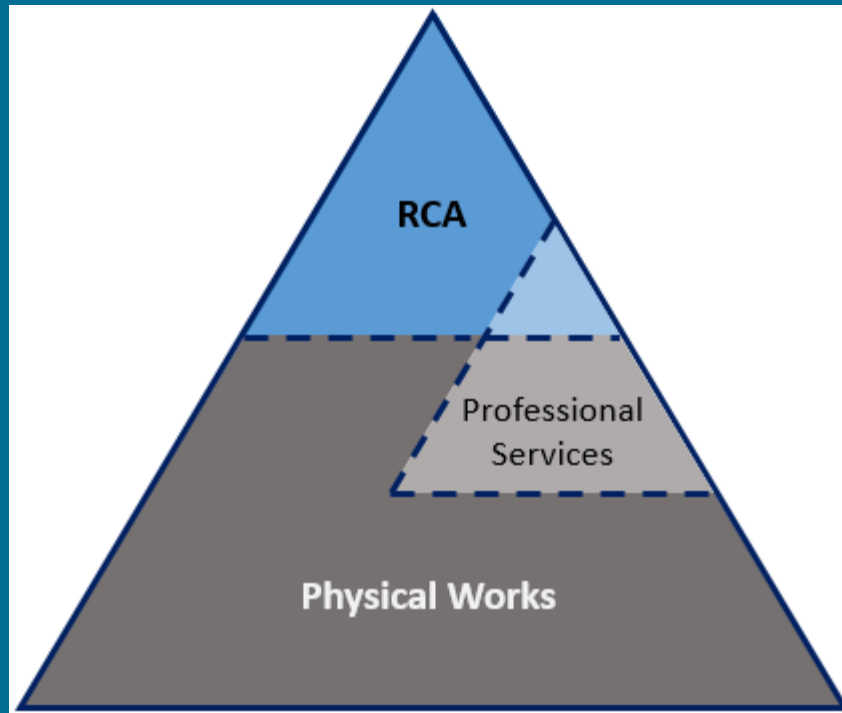


Table 1 Indicative Savings and NPV Analysis

Gisborne District Council - NZTA Collaboration

	STATUS QUO					PREFERRED OPTION		
	GDC	+	NZTA	=	TOTAL	GDC/NZTA Collaboration		
Internal Costs	8 FTE's		3.3 FTE's		11.3 FTE's	11 FTE's		
Professional Services	7 FTE's		5.6 FTE's		12.7 FTE's	2 FTE's		
Physical Works					2 Regions			
Area	EASTERN	NORTHERN	WESTERN	SH 2 & 35	4 Regions	NORTHERN	URBAN & WESTERN	
Kilometres	295	732	867	330	2,224	943	1,281	
Contracts							1	1
Network and Asset Management	1	1	1	1	4			
Maintenance & Operations	2	2	2	4	10			
Renewals & Rehabilitation (and Prev Maint.)	2			1	3			
Bridge Maintenance	-			1	1	1		
Minor Works, Safety, PT or New Infrastructure	2	1		2	5	4		
TOTAL CONTRACTS	14			9	23	7		
Annual Expenditure (\$million)							Conservative	Optimistic
Ops, Mgmt and Admin	\$2.34				\$1.48	\$3.82	\$2.75	\$2.02
Physical Works *	\$23.35 **				\$15.36 +	\$38.71	\$37.24	\$34.68
TOTAL (\$million)	\$25.69				\$16.84	\$42.53	\$39.98	\$36.70

* Status quo expenditure is based on the average budgeted over next 3 years (flatlined under RLTP)

** Status quo and future GDC physical works includes an increase of \$0.8m to reflect current contract undervalue

+ Status quo and future NZTA physical works includes an increase of \$1.7m to reflect current contract undervalue

	Conservative (\$million)	Optimistic (\$ million)
Annual Savings	\$2.55	\$5.83
Gisborne District Council	\$1.54	\$3.52
Rates Component	\$0.61	\$1.38
NZTA SH's Gisborne	\$1.01	\$2.31
Implementation Costs	-\$0.28	-\$0.23
NPV over 10 Years (@ 8%)	\$16.95	\$43.37

Tairāwhiti Roads



Governance Group
I.e. HNO Senior Staff and
State Highway Manager



Governance Group
I.e. Chief Executive; Group
Manager Engineering and Works



Management support:
Safety Manager
Project Team Manager
M&O Managers



Management Support:
Other functional
managers to support
the business unit.



Operational Staff:
Three staff hired in
open job market by
NZTA to join the new
joint venture.



Operational Staff:
Current positions
dis-established, new
roles advertised in open
market.
Eight staff employed by
GDC to join the new joint
venture.

General Manager appointed by the Governance Group.
One of the 11 staff hired by GDC/NZTA.

“Tairāwhiti Roads”

Business unit jointly governed by NZTA and GDC, with
formal 50:50 co-management agreement and cost
recovery in place, meeting P&I funding requirements,
hosted in Gisborne District Council offices.
Unique Branding and Identity to be established.

Primary Supplier
Output Maintenance
Contract
Northern Area

Other Suppliers
E.g. Bridge
Consultant

Primary Supplier
Output Maintenance
Contract
Urban & Western

Existing Council Contract Areas



Existing State Highway Maintenance Area



New OMC Contract Areas



New “Network Outcomes Contract” Areas

- Northern 943 km
- Western 1284 km
- All activities included – road marking, vegetation control, rehabilitations and resurfacing



What is not included

- Bridge Maintenance
- Passenger transport
- Specialised contracts - stock effluent facility
- Property management
- Condition rating
- Specialist advice & engineering solutions



Timeline

- Establish Business Unit July 2013
 - Approval in Principle between Parties
- Business Unit Operational Nov 2013
- February 2015 – 4 contract areas consolidated into two regions.
- Reduce 23 to 7 contracts.



Milestones OMC Contracts

- Information for Tenderers (IFT)
 - Feb 2015
- Tenders close
 - June 2015
- Award contracts
 - October 2015
- Start OMC contracts
 - October 2015



NZTA Approach

My Observation

- Significant Change
- Culture
- Commitment to Change
- It is Real
- From the Top
- What's Best for the NZ Network



Where to From Here?

- Opportunities / Challenges
- Move from Adversarial Approach
- Leveraging off Contractor's Skills
- Collaboration
- Alliances/Partnering
- Best Practice Asset Management
- Better Risk Allocation
- Improved Procurement



Involvement with Contractors

- Performance Based Contracts
 - Output Maintenance Contracts (OMC)
- Asset Management Responsibilities
- Innovation
- Working Together
- Doing It Smarter



YES THE TIMES

**THEY ARE A-
CHANGING**

