

**5.6 PRIORITY SEAL EXTENSION PROGRAMME 2019-2020****File Number: A2604208****Author: Franz Wagner, Project Manager - Transport and Roading****Authoriser: Andy Finch, General Manager - Infrastructure and Asset Management**

The Council is satisfied that, pursuant to the Local Government Official Information and Meetings Act 1987, the information to be received, discussed or considered in relation to this agenda item should not be made available to the public for the following reason/s:

- s7(2)(h) the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities
- 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).

**PURPOSE OF THE REPORT**

To seek Council approval to proceed with:

- the recommended road dust seal extension sections
- the work to be implemented through the existing Road Maintenance and Renewals Contracts for
  - Far North District' Council's (FNDC) unsubsidised Long Term Plan 2018/28 (LTP) allocation of \$3 million (this financial year only) and
  - The New Zealand Transport Agency (NZTA) subsidised Low Cost – Low Risk (LC-LR) allocation of \$1 million.

**EXECUTIVE SUMMARY**

The recommendations of this report were endorsed by the Procurement Board on 13 August 2019. This report:

- outlines the background and adopted methodology of the recommended 2019/20 seal extension programme,
- identifies the recommended road sections under Far North District Council's (FNDC) unsubsidised \$3 million Long Term Plan (LTP) sealing allocation and under New Zealand Transport Agency's (NZTA) subsidised \$1 million Low Cost-Low Risk (LC-LR) annual allocation.
- discusses the risks associated with the NZTA subsidised funding.

**RECOMMENDATION**

**That Council approves:**

- a) a contract of \$1,297,000.00 be awarded to Broadspectrum Limited through the current FNDC Road Maintenance and Renewals Contracts for the sealing of unsealed sections of Porotu Road, Puketi Road and Koropewa Road
- b) a contract of \$2,703,000.00 be awarded to Fulton Hogan Limited through the current FNDC Road Maintenance and Renewals Contracts for the sealing of unsealed sections of Kumi Road, Otangaroa Road and Church Road
- c) authority be delegated to the Chief Executive Officer to award the two contracts for the 2019-20 Priority Seal Extensions Programme within the approved budget of \$4,000,000, plus \$140,000 contingency.

**1) BACKGROUND**

At the Extraordinary Council meeting, held 11 December 2018, Council agreed that the NTA was to fully develop a prioritisation matrix for the whole district by 30th June 2019 to enable a forward work programme for the 2019-2020 financial year.

Six months later, at the Council meeting held 27 June 2019, the weighting methodology informing the prioritisation matrix was approved as well as the sub-optimisation process whereby any contiguous stretch of 750m or more without dwellings would be “cut out” of the prioritised road and the resulting savings applied to the next top priority road.

On the 18th July 2019, the Infrastructure Network Committee (INC) was then presented with more details of the proposed scope of the seal extensions under FNDC’s Long Term Plan 2018/28 (LTP) allocation for unsubsidised sealing works as well as under New Zealand Transport Agency’s (NZTA) subsidised Low Cost-Low Risk (LC-LR) allocation for mitigating the dust problem. Further to this, sections of roads were identified for which the Northland Transport Alliance (NTA) was to make funding applications to:

- the Provincial Growth Fund (PGF)
- the Tourism Infrastructure Fund (TIF) and
- the NZTA General Circular 16/04 (GC16/04).

Since then, an NTA assessment indicates that TIF and PGF applications would be unsuccessful or at least result in process delays of relevant projects beyond the 2019/20 financial year. In recognition of this, the FNDC prioritisation matrix, as was handed out at the INC meeting on 18 July 2019 therefore incorporates criteria which formerly were exclusive to PGF and TIF. This latest prioritisation presents an overall balanced view of all stakeholder interests in the district.

This matrix informed the selection of recommended projects to be delivered this financial year. On 13 August 2019, the Procurement Board endorsed the recommended sites and the delivery of the same via the suppliers recommended in this report.

## 2) DISCUSSION AND OPTIONS

There are two funding streams that are likely to contribute towards this financial year’s seal extension programme:

### 1) NZTA’s subsidised \$1,000,000.00 Low Cost-Low Risk annual allocation

The road sections to receive dust seals under the NZTA subsidised LC-LR allocation are as follows: Please note that these roads have been selected by applying the GC16/04 criteria and weightings as prescribed by NZTA.

Road Name	From RP	To RP	Length	Estimated Cost
Otagaroa Road	0	203	203	\$109,000.00
Church Road	13317	15017	1,700	\$791,000.00
Koropewa Road*)	15	1833	1,818	\$100,000.00
Total estimated value of work				\$1,000,000.00

\*) The estimated cost to apply the full scope of sealing Koropewa Road is \$1,014,000.00. The intention is to deliver part of the enabling works on Koropewa Road for sealing in the following year under NZTA’s subsidised \$1,000,000.00 Low Cost-Low Risk 2020/21 allocation.

There is a risk associated with funding stream 1). “Funding is pending business case approval from NZTA”. The NTA is in the process of developing this application. Due to approval processes, the NTA expects a construction start delay or possibly even deferment of physical works to the next financial year. For this reason these road sections will be included as “Provisional” scope only in the relevant contracts.

### 2) FNDC’s unsubsidised \$3,000,000.00 LTP 2019/20 allocation

The road sections to receive dust seals under FNDC’s latest prioritisation, based on the extended list of criteria, are tabled below.

Please note that these roads:

- differ from the sections of roads nominated in the Infrastructure Network Committee Report, titled PRIORITISATION BASED DISTRICTWIDE SEAL EXTENSION PROGRAMME 2019/2020 and
- are the result of the sub-optimisation process

Road Name	From RP	To RP	Length	Estimated Cost
Kumi Road	0	3964	3964	\$1,803,000.00
Porotu Road	0	1380	1380	\$764,000.00
Puketi Road	0	1000	1000	\$433,000.00
<b>Total estimated value of work</b>				<b>\$3,000,000.00</b>

Having given consideration to the NTA's assessment that funding approval under TIF will be delayed into 2020 earliest, the NTA recommends that these prioritised roads be adopted in the 2019/20 seal extension programme. This approach is fair, equitable and easily understood by all businesses and rate payers.

The NTA recommends further, that the service delivery to seal the nominated sections of roads under both funding streams, be undertaken through the current FNDC Road Maintenance and Renewals Contracts.

### Reason for the recommendation

The reasons the above prioritised roads are being recommended are:

- The PGF programme is over-subscribed and unlikely to provide any funding to any new applications. Consequently all relevant PGF categories are now incorporated into FNDC's assessment.
- The TIF applications will not provide funding this financial year. The significance of tourism is also being recognised in FNDC's assessment.
- The current matrix represents the most comprehensive view of all stakeholder interests in the district and delivers the most balanced ranking of roads.

The reasons for completing this work under the current Maintenance and Renewals Contracts are discussed in detail in Attachment 2, titled: Dust Seal Extensions 2018-2019 - Procurement Considerations.

### 3) FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

Road Name	Length (m)	Estimated Cost	FNDC Cost share	Cost Code	Fund Source	Contractor
Kumi Road	3,964	\$1,803,000.00	100% = \$1,803,000.00	2013.1.1.4917	LTP 2019/20	Fulton Hogan
Porotu Road	1,380	\$764,000.00	100% = \$764,000.00	2013.1.1.4917	LTP 2019/20	Broadspectrum
Puketi Road	1,000	\$433,000.00	100% = \$433,000.00	2013.1.1.4917	LTP 2019/20	Broadspectrum
Otangaroa Road	203	\$109,000.00	34% = \$37,060.00	8359.1.1.4917	NZTA LC-LR	Fulton Hogan
Church Road	1,700	\$791,000.00	34% = \$268,940.00	8359.1.1.4917	NZTA LC-LR	Fulton Hogan
Koropewa Road	1,818	\$100,000.00	34% = \$34,000.00	8359.1.1.4917	NZTA LC-LR	Broadspectrum
Contingency	-	\$140,000.00	100% = \$140,000.00	2013.1.1.4917	LTP 2019/20	Last FY Carry forward
<b>Totals</b>	<b>10,065</b>	<b>\$4,140,000.00</b>	<b>\$3,480,000.00</b>			

Once the Council has given approval to proceed, unique cost codes will be established that will form the financial basis for the two contracts, i.e. to Fulton Hogan Ltd and to Broadspectrum Ltd.

### ATTACHMENTS

1. Procurement Plan for 2019-20 Priority Seal Extensions - A2607995
2. Dust Seal Extensions 2018-2019 - Procurement Considerations LDC - A2607996
3. FNDC Conflict of Interest and Confidentiality Agreement - A2607998



**Compliance schedule:**

Full consideration has been given to the provisions of the Local Government Act 2002 S77 in relation to decision making, in particular:

1. A Local authority must, in the course of the decision-making process,
  - a) Seek to identify all reasonably practicable options for the achievement of the objective of a decision; and
  - b) Assess the options in terms of their advantages and disadvantages; and
  - c) If any of the options identified under paragraph (a) involves a significant decision in relation to land or a body of water, take into account the relationship of Māori and their culture and traditions with their ancestral land, water sites, waahi tapu, valued flora and fauna and other taonga.
2. This section is subject to Section 79 - Compliance with procedures in relation to decisions.

Compliance requirement	Staff assessment
State the level of significance (high or low) of the issue or proposal as determined by the <a href="#">Council's Significance and Engagement Policy</a>	<p>This proposal represents:</p> <ul style="list-style-type: none"> <li>• no legislative requirement,</li> <li>• no change of ownership or control of a strategic asset,</li> <li>• a potential to exceed financial thresholds,</li> <li>• a potential to generate considerable community interest,</li> <li>• a potential to radically change the levels of service,</li> <li>• consistency with existing plans and policies and</li> <li>• the mandate that Council has to implement this proposal.</li> </ul> <p>Therefore the proposal is deemed to have a LOW level of significance.</p>
State the relevant Council policies (external or internal), legislation, and/or community outcomes (as stated in the LTP) that relate to this decision.	<ul style="list-style-type: none"> <li>• Policy # 4116 – Dust Management</li> <li>• Policy # 4106 – Road Maintenance</li> <li>• LTP 2018/28, Strategic Asset Priority 1: Sealed roads</li> <li>• LTP 2018/28, Strategic Asset Priority 6: Unsealed roads</li> </ul>
State whether this issue or proposal has a District wide relevance and, if not, the ways in which the appropriate Community Board's views have been sought.	<p>The proposal</p> <ul style="list-style-type: none"> <li>• has a District wide relevance.</li> <li>• is not subject to Community Board Delegations</li> </ul>
State the possible implications for Māori and how Māori have been provided with an opportunity to contribute to decision making if this decision is significant and relates to land and/or any body of water.	<p>With future decisions stemming from this proposal, Māori could:</p> <ul style="list-style-type: none"> <li>• help with potential resource consent applications by identifying relevant matters for assessment of Environment Effects,</li> <li>• identify specific natural resources and/or sites of cultural significance,</li> <li>• help with road legalisations, where future projects impact Māori land interests.</li> </ul>

Identify persons likely to be affected by or have an interest in the matter, and how you have given consideration to their views or preferences.	Road users, residents on unsealed roads, all commercial transport operators, tourists, emergency services, road network operators.
State the financial implications and where budgetary provisions have been made to support this decision.	<p>NZTA GC16/04 \$1,000,000.00 – yet to be applied for. If successful, FNDC to contribute 34% local share.</p> <p>FNDC URSF – 100% unsubsidised budget allocation in LTP 2019/20 forecasts \$3mil.</p> <p>Development of NZTA GC16/04 funding application expected to be in the order of \$50K from unsubsidised funds.</p>
Chief Financial Officer review.	The Chief Financial Officer has reviewed this report