Report to:	**Council – Public Excluded**	
Date:	28 January 2026	
Subject:	S17A Review of Delivery of Roading Activity	
Prepared by:	D Clibbery – Senior Advisor	
Input sought from:	J Prentice – Roading Engineer	
Authorised by:	B Day – Operations Delivery Manager	

1. SUMMARY

A review of the roading delivery options has been undertaken as per the requirements of section 17A of the Local Government Act 2002, this was due to the current roading contract ending in April 2026. The draft conclusion of this review is that the preferred option is to have two separate contracts for core routine road operations and maintenance activities, one for sealed roads and the other for unsealed roads and that both contracts should be openly tendered.

2. RECOMMENDATION

It is recommended that:

a) The report is received.
b) Council approves the Kaikōura District Council s17A review as attached to this report and its recommendation (subject to the endorsement of an associated Procurement Plan by NZTA) that open tenders should be conducted of separate contracts for the delivery of core road operation and maintenance activities on sealed and unsealed roads.
c) Preparation of a Procurement Plan and other associated documents in respect of the proposed delivery arrangement commences immediately.
d) Authorise the Chief Executive Officer to determine the release of this public excluded report.

3. BACKGROUND

Section 17A of the Local Government Act 2002 requires local authorities to review the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region for good-quality local infrastructure, local public services, and performance of regulatory functions.

Such reviews must be undertaken when consideration is given to changes of service level, before existing contracts expire or otherwise at least every 6 years unless the local authority is satisfied that the potential benefits of undertaking such a review do not justify the cost of doing so.

KDC last undertook a s17A review of its roading activity in 2018 following the Kaikōura earthquake. A recommendation of that review was that routine maintenance of Council's local roads should be undertaken under a variation to NZTA's North Canterbury Networks Outcomes Contract (NOC) for maintenance of state highways, which was held by Downer.

It was believed that this delivery option provided levels of capability and economies of scale that might otherwise not be achievable because of the small scale and isolation of the KDC roading network. This arrangement has subsequently been in place since July 2018.

In October 2023, with the six-year review date for the roading s17A approaching, Council resolved (as is permitted by the Act), that a further s17A review was not warranted at that time, but that should opportunities arise in the future for alternative means of delivery for routine road maintenance, that these are explored.

The North Canterbury NOC will end in April 2026 and Council's current agreement with Downer for the local work will also expire at that time. Accordingly, there is now considered to be a need to undertake a further s17A review in respect of roading to consider the potential cost effectiveness of arrangements that might replace what currently exists.

4. CURRENT DELIVERY OF ROADING ACTIVITIES

The arrangements that are currently in place for the delivery of roading are considered to have delivered satisfactory results in respect of the reliability of service and the quality of work.

Persistent questions have however remained regarding whether best value is being achieved through the delivery of some works under the NOC contract, and if there is potential for local suppliers to be more involved in the delivery of the service. Councillors have previously indicated that both of these things are key drivers for them.

The contract arrangement with Downer was put in place through negotiation without an open procurement process that directly related to the local road works. The assumption that good value would be delivered was based upon that contractor's success in the competitive process for the NOC's state highway works, which is different in respect of its nature, scale and potential suppliers.

The question of whether better value is achievable has in recent times resulted in some of the types of works that were originally being directly awarded to Downer instead being openly tendered with better value being obtained from other suppliers.

The extent to which open procurement could be applied was however limited because whilst KDC's contract with Downer lacked clarity regarding whether council was committed to awarding some types of works to Downer (for example in regard to some more substantial renewals) it was clear that there was such a commitment in respect of core routine network operation, repair and maintenance activities.

With the forthcoming ending of the NOC there is an opportunity for further exploration of procurement options.

5. SERVICE DELIVERY OPTIONS

The very small scale and relatively isolated location of the Kaikōura district and roading network imposes significant restriction on the options that are realistically available for the delivery of the roading activity.

While it is possible that in the future revisions to the structure of local government might change this, at present there is not considered to be any justification for considering changes to the governance of the activity (by council) and the overseeing strategic and technical management (by a very small but capable in-house council team with occasional external specialist support).

Similarly, there appears to be no reason to move away from the recent practice of competitive procurement of significant capital works such as resealing, pavement rehabilitation footpath construction and other larger projects.

As such, the only component of roading that is believed to warrant detailed consideration of options is the delivery of the 'core' physical operation and maintenance (O&M) activities, such as the inspection, repair and routine maintenance of road pavements, bridges, drainage, signs, road markings, roadside vegetation, footpaths and other structures in the road corridor, all of which are currently delivered by Downer.

Accordingly it is the options for delivery of these O&M activities that has been the primary focus of the recent s17A review, and the range of options available in that respect is again relatively limited by factors of scale, isolation and the legislative requirement of the Land Transport Management Act which prevents council in-house delivery of roading works.

A potentially attractive prospect would be for KDC's road maintenance to be a component of a regional local roads contract that serviced larger Councils such as Waimakariri and Selwyn in addition to Hurunui and Kaikōura. This might provide some economies of scale, commonality of purpose or other benefits at a level equal or greater than those achievable in conjunction with a State Highway maintenance contract.

A regional local roads contract would however require both high level collaboration and an alignment of contract terms and seems unlikely to occur soon and hence this and other regional or inter-council delivery arrangements are not considered to be feasible in the short term.

One option that is potentially available is to negotiate with the holder of the new North Canterbury State Highway Integrated Delivery Contract (IDC – the replacement for the NOC) for that contractor to also undertake core local road maintenance for KDC, in the same way as occurred with Downer.

The disadvantage of that option is that it is unlikely to address the concerns regarding value for money and support of local suppliers that were present with the NOC arrangement. Those concerns could only be fully addressed through an open competitive procurement of the services that would provide an opportunity for local suppliers to directly participate.

A previous reservation about an open procurement had been that while there are some excellent local suppliers, the experience of these suppliers has primarily been in project works rather than ongoing service provision and they may also lack capability to work within the technical and safety frameworks required by NZTA.

A recent suggestion is however that these reservations regarding local suppliers might potentially be managed by splitting the core O&M work into two separate contracts, one for the O&M of unsealed roads (which is technically less demanding) and the other for sealed roads.

6. SECTION 17A REVIEW AND CONCLUSIONS

As stated previously the primary focus of the s17A was on the delivery of the core O&M activities. Nine delivery options were initially identified, but a number of them were not considered to be practically feasible.

When these were removed only four potential options remained which were considered to be worthy of further evaluation, as follows:

a. Negotiate the awarding of all core O&M works to the holder of the North Canterbury IDC; or
b. Conduct an open tender for delivery of all core O&M works under a single contract; or
c. Conduct open tenders of separate contracts for the core O&M of sealed and unsealed roads; or
d. Separate contracts for core O&M works on unsealed and sealed roads with the former awarded by open tender and the latter awarded to the holder of the North Canterbury IDC through negotiation.

Further consideration of these options was conducted by means of a simplified multi-criteria analysis, attempting to take account of potential value for money, support for the local market, reliability and

resilience, market interest, simplicity of arrangements and the extent of management input likely to be required from council.

This this analysis suggested that option c above – conducting open tenders for separate contracts for the core O&M of sealed and unsealed roads – was the preferred option It also is believed that only this option can effectively answer the persistent questions regarding engagement with local suppliers and the delivery of best value.

7. NEXT STEPS

There is urgency to move forward arrangements towards the procurement and implementation of the proposed new delivery arrangements for core road maintenance.

It is considered important that potential tenderers (and local suppliers) are given adequate time to consider and respond to the requests for tender, to ensure that well based tenders are presented.

While it is believed that there is an opportunity to put in place temporary arrangements to deliver essential road maintenance after the ending of the NOC contract in April 2026, it would be desirable not to have to rely on these arrangements for too long, particularly as the winter season will be approaching when reactive maintenance requirements may increase.

8. FINANCIAL IMPLICATIONS AND RISKS

Road maintenance is by value the most significant activity undertaken by Council and it has substantial impact on the community. As such any changes to its delivery potentially has major financial implications and risks.

As has been seen in another activity a risk may be that 'optimistic' tenders are received from parties unfamiliar with the type of work (and in particular it delivery as a continuing service) that substantially underestimate costs and result in compromises to levels of service or an inability to sustain delivery. Conversely tenders from such parties may also conservatively over-estimate costs and either case is unlikely to deliver benefit to the community.

9. RELEVANT LEGISLATION & DELEGATED AUTHORITY

Section 17A of the Local Government Act requires consideration to be given to the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region for good-quality local infrastructure.

10. COMMUNITY OUTCOMES

The issue discussed in this report relates to the following community outcomes



Community
We communicate, engage and inform our community



Development
We promote and support the development of our economy



Services
Our services and infrastructure are cost effective, efficient and fit-for-purpose



Environment
We value and protect our environment



Future
We work with our community and our partners to create a better place for future generations

Attachment: Section 17A Report