

13.2 Parks Section 17a Review**Author:** Bill Steans, Parks & Recreation Manager**Authoriser:** Andrew Dixon, Group Manager Infrastructure

Section under the Act	The grounds on which part of the Council or Committee may be closed to the public are listed in s48(1)(a)(i) of the <i>Local Government Official Information and Meetings Act 1987</i> .
Sub-clause and Reason:	s7(2)(a) and s7(2)(i) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons and The withholding of the information is necessary to enable the Council to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)
Plain English Reason:	To protect a person's privacy, including the privacy of deceased persons and To enable Council to carry out commercial or industrial negotiations.

Recommendation

That Council:

1. Receive the report from Xyst Limited on the Parks and Greenspaces Review.
2. Further investigate the preferred options for the service delivery model/s for parks and greenspaces operations with detailed costings and business cases to be presented to the March Council meeting.

Purpose of Report

- 1 To provide options for future service delivery of parks and greenspaces areas operations and management.

Assessment of Significance

- 2 This matter is considered to be of medium significance in terms of the Timaru District Council significance and engagement policy depending on the option. There could be a number of people affected and some community interest as well as a change in the level of service. In the event changes are made to the current delivery method there will be potential impacts to external service providers and Council officers.

Background

- 3 Under section 17A of the Local Government Act 2002, Council has an obligation to review the cost-effectiveness of current service delivery arrangements for meeting the needs of communities within its district for good quality infrastructure, public services, and the performance of regulatory functions. The last review of the parks and greenspace service delivery was undertaken in May 2017.
- 4 On 12 December 2023, Council received a report (Attachment 1) from Rationale on the Parks and Greenspaces review. At this meeting Council also resolved

“Requests further investigation into the cost of delivering a mixed in-house and outsourced model relative to the status quo and a full inhouse model.”

- 5 A report including the high level costings of different delivery models has been obtained from Xyst Limited (Attachment 2).
- 6 Following the delivery of this report, a further option was identified being the purchase on an existing entity. This would be both cost effective and straightforward as the resources are already in place to deliver the services. As the entity is currently resourced to deliver private work however, a Council Controlled Organisation (CCO) would be required to operate the entity.
- 7 If Council were to purchase an external organisation and decide to merge the staff and resources in-house, private work would not be able to be undertaken and the organisation may need to be downsized.

Discussion

- 8 The report from Xyst Limited sets out the advantages, disadvantages and high level costings of each of the options available. This report does not include the CCO option as this was identified recently.
- 9 With the current resources immediately available either option 1 or 2 would need to be carried out in a staged approach to ensure continued delivery of contracted services. Set up and staff resources recruitment also will take time.
- 10 The report provides 4 options to consider and some assessment of these for comparative purposes. It is recommended that the preferred option(s) be identified and a detailed analysis be undertaken including business case.

Options

Option 1 Hybrid Model

- 11 Adopt a hybrid model of service delivery through a phased process starting with the Timaru Botanic Gardens on 1 July 2024 and progressively moving to the full hybrid model by 1 July 2025. The hybrid model would include the following “high profile” sites:

Timaru

- Timaru Botanic Gardens and Caroline Bay
- Timaru Art Gallery, Library and Museum
- Timaru CBD gardens

Temuka

- Temuka Domain
- Temuka CBD
- Pleasant Point Domain and cemetery
- Pleasant Point CBD

Geraldine

- Geraldine Domain and Todd Park
- Geraldine CBD and Sculpture Trail

Option 2 In-House Model

- 12 Adopt a full in-house model of service delivery through a phased process with the final contract being brought in house in June 2027. The extended timeframe would be necessary to ensure any potential risks can be mitigated, insurances obtained, and systems and processes established to ensure the function operates efficiently and safely.

Option 3 Status Quo

- 13 Retain the status quo with all services being delivered via contract with the consolidation of the current 16 contracts to just one or two plus specialist services, to derive efficiencies and streamline contract management. This is consistent with the delivery of other Council infrastructure services that have provided cost effectiveness and agility to respond to changes and emergency events through contract instructions.

Option 4 CCO Model

- 14 An option that had not been contemplated for the purposes of the Xyst report, is the use of a CCO to operate and manage the contracts. This is an option that could be further investigated with the opportunity to purchase an existing entity being key to this model.

Consultation

- 15 Limited consultation has been carried out to date, however, earlier reports regarding this matter have been discussed in open Council meetings.
- 16 Potentially affected contractors are aware of this review but haven't been consulted in detail.
- 17 While consultation is not specifically required relating to this matter, it would be prudent to carry out a short consultation as it may have some financial impact, a change in service delivery has limited reversibility. It is also anticipated that there will be some public interest in this matter.

Relevant Legislation, Council Policy and Plans

- 18 Relevant documents to this matter are:
- Section 17A of Local Government Act 2002
 - Reserves Act 1977
 - Reserve Management Plans

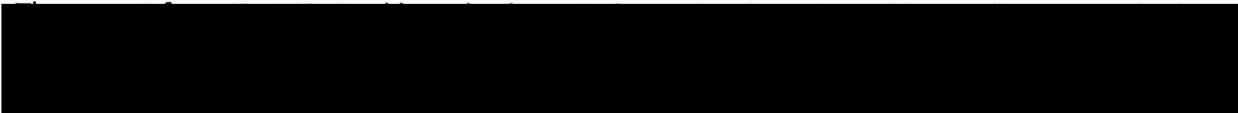
Financial and Funding Implications

- 19 Funding in the Draft 2024-34 Long Term Plan is based on status quo service delivery. Although the cost of service delivery for all options is likely to be similar or less there is no funding provision for capital set up costs associated with the Hybrid or Full In-house options.
- 20 Option 1 Hybrid Model - Funding will need to be made available in year 1 & 2 of the Draft Long Term Plan 2024-34 for the initial purchase of plant and equipment to set up the model. In years 3-8 the costs should reduce with replacement of plant and equipment being planned so it can be included in the appropriate budgets. Assumptions made in the Xyst report need to be tested further such as number of depots, use of electric vehicles and installation of charging stations that would not be required initially.
- 21 Option 2 In-House Model - Funding will need to be made available in year 1 & 2 of the Draft Long Term Plan 2024-34 for the initial purchase of plant and equipment to set up the model. In years 3-8 the costs should reduce with replacement of plant and equipment being planned

so it can be included in the appropriate budgets. Assumptions made in the Xyst report need to be tested further such as number of depots, use of electric vehicles and installation of charging stations that would not be required initially.

- 22 Option 3 Status Quo - It is anticipated that to maintain the current expected levels of service that the costs will increase substantially as contracts come up for renewal.
- 23 Option 4 CCO Model - Further analysis would need to be carried out to obtain costings for this to confirm its viability.

Other Considerations

- 24 If the Council wishes to retain the status quo, then it is recommended that the current 16 contracts are consolidated to just one or two plus specialist services, to derive efficiencies and streamline contract management.
- 25 Further consideration will need to be given for the hybrid or in-house model regarding supporting units across Council. Both models have potential liabilities particularly in relation to Health and Safety obligations, human resources obligations and there would be requirements relating to Information Technology, finance, training, and supervisory resources.
- 26 
- 27 The review noted the following potential challenges:
- No significant cost savings under the hybrid or full-in house model need further review. Cost savings on these models should be achievable.
 - Capital development costs for in-house are very high but Hybrid seems reasonable.
 - If hybrid or in-house is done well there should be no requirements for additional resource in other TDC departments. It should be the same, or less if run efficiently in structure set up, than outsourced. The hybrid or in-house structure should at least support itself as if TDC purchased an external contracting company that currently does the work (hence potential efficiency saving in corporate / back-office functions).
- 28 The review noted support of the following points:
- Reducing the number of contracts or Hybrid with the use of a panel for some external work would reduce administration. Even if TDC stay outsourced, you could move to 2 – 3 contracts (that under hybrid plus some of the specialist panel work) to reduce administrative work. The use of panels. The advantage of this is to have external resource available to supplement a lean in-house structure.
 - Common issues with in-house operations. These are the real risks. Staff will be able to deliver what is asked of them but without good business practices (culture, systems and processes) there are health and safety, quality and financial risks. What is in place to ensure compliance while driving efficiencies? In this report it assumes in-house is more expensive so based off this modelling you will start from an inefficient foundation.
- 29 In summary the review noted:
- Hybrid and in-house should provide a cheaper option than outsourced. Having the right model is the key to both knowing and realising these.

- Capital development costs for the models are high but include infrastructure that may not be required medium term.
- If there is no financial saving, then why would TDC take on all the risks associated with hybrid delivery? TDC can just put in clear contract requirements with penalties and resource to enforce these.
- Transition approach. If taking some in-house then the hybrid option does provide risk, mitigation through maintaining an external contractor to work with, and maintains incentive for performance through future tender while setting up.
- Hybrid and in-house are massive changes that need to be considered culturally as well as financially.
- If there is saving that off-sets risks and delivers better service, hybrid seems a good transition while still allowing full in-house in future if desired.
- A lot comes down to the question of whether TDC can run a contracting operation efficiently.

Attachments

1. **Parks and Greenspaces Service Delivery Review - Rationale**
2. 

Parks and Greenspaces Service Delivery Review

Timaru District Council Service Delivery Review – Section 17A Local Government Act
November 2023



Document Title:

Parks and Greenspaces Service Delivery Review

Prepared for:

Timaru District Council

Quality Assurance Statement

Rationale Limited

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Executive Summary

Purpose of this report

Timaru District Council has an obligation under Section 17A of the Local Government Act 2002 to review the cost effectiveness of current arrangements for meeting the needs of communities within its district for good quality local infrastructure, local public services, and the performance of regulatory functions¹.

This report provides a review of the current arrangements and cost effectiveness of the parks and greenspace activity for Council. It seeks to:

- Describe the current arrangements and identify the strengths and weaknesses of these.
- Recommend cost-effective options to improve parks and greenspace service delivery.
- Ensure that TDC is meeting its obligations under S17A of the Local Government Act 2002 (LGA).

Current method of service delivery for parks and greenspaces

Council governs the parks and greenspace activity with input from Council Standing Committees and Community Boards. Funding is provided by Council using revenue from rates and user charges.

Service delivery is wholly outsourced through 16 contracts, based around 10 core maintenance contracts delivered by two local providers and six specialist contracts delivered by smaller suppliers.

Opportunities for service delivery improvement

Timaru District Council's service delivery of parks and greenspace activities is wholly outsourced to a range of external contractors. This arrangement has generally served Council and the community well over the last 20 plus years, though this review has identified several areas where improvement is needed to deliver better outcomes and/or value for money. Specifically:

1. Council has struggled to procure contractors to recent contracts, resulting in several contracts being expired and operating under extension. With further contracts up for renewal soon an effective procurement process is needed to successfully award new contracts.
2. Labour and material costs have sharply increased, this combined with artificially low contract rates on historic contracts is making it difficult for contractors to deliver the agreed works for the contract price and resulting in significant price increases when contracts are renewed.
3. While Council is generally happy with contractor performance, there are some areas of dissatisfaction. This is most evident for high profile / premium gardens including Timaru Botanic Gardens and other urban / central city gardens, particularly streetscape gardens.
4. Recruitment and retention of skilled and experience staff is an issue nationally, especially in the horticulture field. Council's contractors are currently working with a less than desirable number of FTEs, especially for premium horticulture activities, this is linked to issue 3 above.
5. Community expectations in some areas exceed agreed levels of service in Council's contracts, leading to dissatisfaction. In the most extreme example volunteers at the Trevor Griffiths Rose Garden have stopped working due to their unhappiness. This is linked to 3 and 4 above and is hampered by Council's lack of in-house resources to divert to priority areas when needed.

This review concludes that the preferred option for future service delivery is a mixed in-house and outsourced model, with Council taking on responsibility for delivering high profile horticulture activities while contracting external organisations to deliver the remainder.

The issues above could be addressed by retaining the status quo. However, given the importance of these activities to the community, especially the Timaru Botanic Gardens which have Garden of

¹ LGA 2002: S17A Delivery of services <https://www.legislation.govt.nz/act/public/2002/0084/latest/DLM6236168.html>

National Significance status, the preferred option is considered the most effective to achieve Council's community wellbeing outcomes and level of service targets.

Recommendation

This service delivery review, under Section 17A of the Local Government Act 2002, of Timaru District Council's parks and greenspace activity recommends a change to the existing delivery arrangement in response to identified issues and opportunities, and to meet the current needs and demands of Council and the community.

Based on engagement we recommend that Council investigates taking responsibility for delivery of services at some high profile / premium parks and gardens including Timaru Botanic Gardens, Trevor Griffiths Rose Garden (Caroline Bay), Aigantighe Art Gallery gardens, and premium central city garden beds, including civic spaces.

Under this arrangement in-house services are expected to include amenity horticulture (garden maintenance and planting), open space and garden planning, and weeding. Hand mowing is recommended to could also be delivered by Council's in-house team, however given the cost to purchase and maintain mowing equipment Council may decide to outsource this. Some activities at these locations will continue to be outsourced to external contractors, including arboriculture (tree management), rubbish bin servicing, facility maintenance, and town centre cleaning.

Further investigation is required to fully understand the costs and requirements to enable Council to make an informed decision to proceed. The actual number of staff required will depend on the scope and area to be serviced (e.g. just Timaru or also rural towns), there will also need to be supervisory, health and safety, temporary traffic management, training, and administration resources in addition to those carrying out the physical work. For a district wide approach, the staffing requirement may be in the order of 15-20 FTE, these costs will be somewhat offset by a reduction in external contractor costs.

No change is recommended to service delivery for other locations / activities, continuing to be outsourced to external contractors. However, it is recommended Council reviews contract arrangements (including total number of individual contracts) and procurement approach for these to address issues discussed in this report.

Any change, if approved by Council, should be implemented in a phased manner, and will require engagement with and involvement of external contractors to transition. Further investigation and planning is needed to develop / understand:

- Scope of in-house services and geographic area.
- Organisational structure and roles.
- Resource requirements (FTE) and recruitment strategy.
- Forecast capital and operating expenditure, and sources of funding.
- Transition from contractor to in-house delivery.
- Contract arrangements for continued outsourcing of some activities.

Next steps

1. Seek Council endorsement of the preferred service delivery option.
2. If in-house service delivery is endorsed, commence investigations and implementation planning.
3. If not endorsed and status quo retained, proceed with procurement planning to incorporate the recommended improvements to service delivery from this review.

Table 1: Summary of service delivery and outcomes by quality standard tier

	Premium: Quality Standard 1	High LOS: Quality Standard 1-2	Standard LOS: Quality Standard 2-3
Level of Service Category			
Public Gardens			
Community Recreation			
Amenity Parks			
Sports Parks			
Cemeteries			
Neighbourhood Parks			
Nature Parks			
Service Delivery Priorities and Drivers			
Quality (LOS)	High priority High horticultural standard maintained with visitor and community expectations in mind.	Medium priority High-use spaces with recreation, landscape, and beautification purposes.	Lower priority Open spaces for community use and/or protection of natural environments.
Staff Capability and Capacity (FTE)	High priority Requires highly skilled and experienced staff to plan and oversee works, sufficient FTEs required to continuously meet LOS and community expectations.	Medium priority Skilled and experienced staff needed to plan and oversee works. Activities can generally be planned to maximise staff utilisation.	Lower priority Works are generally routine and lack complexity so can be delivered by less experienced / qualified staff.
Delivery Flexibility / Responsiveness	High priority Need to be responsive and divert resources to priority tasks as and when needed.	Lower priority Works are generally planned on a routine / periodic basis.	Lower priority Works are generally planned on a routine / periodic basis.
Price	Lower priority Price is of lower importance to quality / LOS.	Medium priority Balancing price and quality.	High priority Price is a primary driver for 'bulk' works.
Outcomes			
Status quo	Negative Current outsourced model is not achieving desired LOS, largely due to insufficient contractor capability & capacity, low contract price, and lack of incentives to hire and train cadets / apprentices.	Neutral Council is generally happy with quality and performance, through contractors are struggling to deliver some of the works for the contract price.	Positive Lump sum model in current contracts is well suited to these routine / bulk works completed to a lower quality standard.

Table 2: Summary recommendations by quality standard tier

	Premium: Quality Standard 1	High LOS: Quality Standard 1-2	Standard LOS: Quality Standard 2-3
Level of Service Category			
Public Gardens			
Community Recreation			
Amenity Parks			
Sports Parks			
Cemeteries			
Neighbourhood Parks			
Nature Parks			
Recommendations			
Governance	Timaru District Council (status quo)		
Funding	Timaru District Council (status quo)		
Service Delivery	Timaru District Council in-house (change) 6-12 FTE to deliver amenity horticulture (garden maintenance and planting), open space and garden planning, and weeding. See note above for mowing.	Outsourced (status quo) No substantive change to service delivery proposed with these activities / areas continuing to be outsourced to external maintenance and specialist contractors. TDC will implement their new level of service framework via updated contract specifications and quantities.	
Procurement & Contracting	Specialist activities will continue to be outsourced e.g. arboriculture. Some activities will continue to be outsourced, included in other maintenance contracts, e.g. rubbish bin servicing, facility maintenance, town centre cleaning.	Recommend the total number of contracts is reduced to: <ol style="list-style-type: none"> Two area-based 'core maintenance contracts' <ol style="list-style-type: none"> Timaru (excl. Botanic Gardens, Trevor Griffiths Rose Garden, and premium central city garden beds). Temuka, Pleasant Point, Geraldine, and Rural Areas. Seven specialist contracts (status quo). 	

1 Introduction

1.1 Why is Council reviewing this service?

In accordance with Timaru District Council's (TDC) obligations under Section 17A (S17A) of the Local Government Act 2002 (LGA), this service delivery review assesses "cost-effectiveness of current arrangements for meeting the needs of communities within its district for good quality local infrastructure, local public services, and performance of regulatory functions".²

The focus of this review is TDC's parks and greenspace service delivery, it seeks to:

- Describe the current arrangements and identify the strengths and weaknesses of these.
- Recommend cost-effective options to improve parks and greenspace service delivery.
- Ensure that TDC is meeting its obligations under S17A of the LGA.

The last review was undertaken in May 2017, since then several major contracts are due, or coming up for, renewal with several major contracts entered following that review are due, or coming up for, renewal.

Recently, Council has experienced issues with delivery of the existing contracts, and procurement of contractors to new contracts. Based on this, an independent review of service delivery for parks and greenspace was recommended and approved by the Group Manager Infrastructure in August 2022.

1.2 Scope of the Review

Council's parks and greenspace activities include:

- Parks and garden maintenance, including gardens on roads and roadside mowing.
- Botanic gardens maintenance.
- Cemetery operations.
- Street trees.
- Aviary maintenance.
- Specialised turf services, including sport parks.
- Swimming pool grounds (new addition from 2023).

1.3 Section 17A Review Requirements

Section 17A was included in the LGA 2002 by an amendment in 2014. It requires every local authority to review their delivery of services under the following conditions:

1. When considering any significant changes to relevant service levels.
2. Within two years before the expiry of any contract or other binding agreement relating to the delivery of an infrastructure, service, or regulatory function.
3. Other such times as the local authority considers desirable, but not later than six years following the last review.

Where a review is required to be undertaken, it must consider options for the governance, funding, and delivery of infrastructure services, and regulatory functions, including:

- a) Responsibility for governance, funding, and delivery is exercised by the local authority alone.
- b) Responsibility for governance, funding, and delivery is exercised by:
 - o A council-controlled organisation (CCO) of the local authority; or

² LGA 2002: S17A Delivery of services <https://www.legislation.govt.nz/act/public/2002/0084/latest/DLM6236168.html>

- A CCO in which the local authority is one of several shareholders; or
 - Another local authority (e.g., shared service arrangement); or
 - Another person or agency (e.g., outsourced via contract).
- c) Responsibility for governance and funding is delegated to a joint committee or shared governance arrangement, and responsibility for delivery is exercised by an entity or person as listed above.

2 Current Arrangements

2.1 Governance

Council governs the parks and greenspace activity with input from:

Council standing committees

- Community Services Committee
- Infrastructure Committee
- Audit and Risk Committee

Community Boards

- Geraldine Community Board
- Pleasant Point Community Board
- Temuka Community Board

Internally the Parks and Recreation Manager reports to the Infrastructure Group Manager.

2.2 Funding

2.2.1 FUNDING ARRANGEMENTS

Parks

- Rates 90-100% (60% Uniform Annual Charge, 40% General Rate).
- User Charges 0-10% (sport ground leases and user charges).
- Council charges financial contributions for the acquisition and development of recreation and open space under the provisions of the District Plan.

Cemeteries

- Rates 30-60% (60% Uniform Annual Charge, 40% General Rate).
- User Charges 40-70% (plot purchases and interment fees).

2.2.2 OPERATING COSTS

The existing contracts for this activity have an approximate cost of \$4m/annum, excluding cemetery internments which are provided at an agreed unit rate.

2.3 Service Delivery

Service delivery is wholly outsourced through 16 separate contracts. These are based around 10 core maintenance contracts delivered by two local providers and 6 specialist contracts delivered by smaller suppliers. Most of the contracts expire before 30 June 2024, exceptions are noted below.

Timaru District has enjoyed a tight market for parks and greenspace maintenance, as many contracts are expiring price adjustments will need to be made, there are also increasing costs for compliance such as temporary traffic management.

As the open spaces are dynamic in nature the values below do not include additional unscheduled work. Unscheduled work includes irrigation, storm damage, vandalism, removing and planting

vegetation, pest control, mulching, major pruning, installing furniture and signs, event extras, some litter, and some compliance costs.

Table 3: Timaru District Council parks and greenspace contracts

Contract	Type	\$/annum
Caroline Bay	Parks Maintenance	\$ 536,000
Botanic Gardens	Parks Maintenance	\$ 526,000
Timaru Urban Parks	Parks Maintenance	\$ 491,000
Sports Parks	Parks Maintenance	\$ 321,000
Pleasant Point Parks & Cemetery	Parks Maintenance	\$ 152,000
Geraldine Parks & Cemetery	Parks Maintenance	\$ 113,417
Temuka Parks & Cemetery	Parks Maintenance	\$ 599,950
Rural Parks	Parks Maintenance	\$ 83,511
Coastal Revegetation	Specialist	\$ 107,603
Temuka Aviary	Specialist	\$ 12,000
Timaru Aviaries	Specialist	\$ 50,727
Specialised Turf Services	Specialist	\$ 90,726
Arorangi Oval	Specialist	\$ 6,935
Cemeteries Internments	Specialist	
Timaru Street Trees	Streetscape (LTU)	\$ 340,894
Timaru Street Gardens	Streetscape (LTU)	\$ 528,905
TOTAL		\$ 3,960,668

All contracts have or will be expired by 30 June 2024, and most will be extended until that date which will give flexibility to change the delivery method. The exceptions are Specialised Turf Services which will expire on 30/09/2024, Coastal Revegetation on 30/06/2025, Temuka Aviary on 30/06/2026 and Timaru Street Trees on 30/10 2027.

3 Service Delivery Review

3.1 Overview

The service delivery review was undertaken via:

1. Interviews with representatives from Mid-LAND Contracting and Corde Ltd, the two primary maintenance contractors responsible for service delivery.
2. Workshop with sector specialists including external Council and contractor staff.
3. Workshop with Timaru District Council staff (current and previous) from the Parks and Roading teams.

Engagement focused on several key areas:

- **Current contract arrangements:** structure and scope, costs (historic and projected), and performance.
- **Levels of service:** operating level of service targets, level of service delivery, external factors, changes to levels of service
- **Market conditions:** supplier market (local and national), staff recruitment, training, and retention, procurement.

3.2 Review Findings

Key engagement findings are described below, a number of issues along with benefits of the current arrangement or opportunities for future arrangements were discussed.

Note that the discussion below is sourced from a range of individuals and organisations, as identified above, and many are the commercial viewpoints from incumbent contractors. So, these statements are not representative of an adopted Council viewpoint or decision.

Table 4: Service delivery review identified issues, benefits, and opportunities

Focus area	Issues	Benefits / Opportunities
Current contract arrangements	Structure and scope <ul style="list-style-type: none"> Many individual contracts for core maintenance activities (~12) creates duplication of contract administration, especially where there are different specifications and/or unit rates between contracts. Risk of confusion in split of works between contracts and contractors working in the same location (e.g. greenspace and roading vegetation control). TDC has resolved these issues once identified. Smaller contracts can disincentivise investment in plant, equipment, and staff training as there is less confidence in holding a large contract value for 5+ years. Can be addressed through long-term 'core' contracts with a high value and quantity of works. Primary issue for incumbent contractors is expired contracts they are operating on extensions awaiting renewal. These contracts have historic specifications and unit rates that need to be renegotiated and are difficult to deliver now. 	<ul style="list-style-type: none"> Offset timing of contract expiry dates ensures (incumbent) contractors always have some work ongoing. Lowers risk of all contracts or a large single contract coming to an end at once. Smaller contracts create opportunity for local small to medium sized enterprises to deliver most works. Combination into a single large contract, as done elsewhere, may not be feasible for the local supplier market and require entry of a large national organisation.
	Performance <ul style="list-style-type: none"> Issues identified for premium parks (e.g. Botanic Gardens, Caroline Bay, CBD / town centre gardens) with not all parks meeting Council and/or community expectations. If future service delivery at the Botanic Gardens and Trevor Griffiths Rose Garden were to decline, there is a risk of losing their status as a Garden of National Significance. 	<ul style="list-style-type: none"> Council is generally happy with the overall performance of the maintenance contracts. Timaru scores well for many measures against the peer group and rest of New Zealand with an overall best practice score of 85% compared to 60.7% nationally. An outcomes-based approach to contracting is seen as a good initiative along with flexibility in contract works (e.g. use a range for some activities). <p>Requires good management and communication between the client and contractor, with advance notice needed if quantities are likely to be exceeded, or if they</p>

Focus area	Issues	Benefits / Opportunities
		<p>will come in under there is an opportunity to divert savings to other works. Mowing and weeding are primary activities where this could work.</p> <ul style="list-style-type: none"> Potential for greater sharing of risk, and emphasis on the contractor to forecast and monitor works to collaboratively respond. Take a collaborative and fair value approach to variations to ensure the works are appropriately costed.
	Cost <ul style="list-style-type: none"> Historic under-pricing of contracts has led to artificially low prices that contractors are struggling, or cannot, now deliver for the contracted price. This is also impacting a contract signed as recently as 2019. Wage bands are increasing, and contractors are having to compete with increasing wages in adjacent sectors. Current contracts use CPI to adjust unit rates, this index has not kept up with actual inflation in the contracts which are mostly driven by fuel, plant and labour costs. Compliance costs are increasing particularly traffic management and health and safety. Council expects substantially increased prices for contract renewals. 	<ul style="list-style-type: none"> Seek alternative inflation index, or re-weight index components, to better reflect the inflationary pressures on these contracts. Timaru's direct annual operation cost per hectare is comparable to national figures, and the annual operation cost per 1,000 residents is moderately lower (though it could be argued this is currently too low).
Market conditions	Supplier market	
	<ul style="list-style-type: none"> Issues with recently tendered contracts: <ul style="list-style-type: none"> High pricing, substantial increase in unit rates. Lack of interest, one contract received no tenders. There is evidence that the incumbent suppliers have substantially lower pricing on some activities than new entrants based on tender responses. 	<ul style="list-style-type: none"> Timaru District is well serviced by a combination of locally based small to medium sized contractor organisations. The current model drives local competition and ensures smaller one-to-two-person type businesses can deliver aspects of the work on subcontract or be responsible for smaller specialist contracts (e.g. coastal revegetation maintenance contract).

Focus area	Issues	Benefits / Opportunities
	Given the issues experienced on some recent contracts with unit rates being difficult to deliver there is concern about ensuring pricing on upcoming contract renewals / tenders is reflective of the works and appropriate for the duration of contract.	
	Staff resources	
	<ul style="list-style-type: none"> Recruitment and retention of skilled and experienced staff to contractor organisations is challenging, this is not just a local issue with the sector constrained for resources nationally. Apprenticeship and training programmes are not producing many graduates nationally. Outsourced service delivery and relatively short nature of the contracts provides job security only for the duration of each contract. This limits contractor's ability to recruit, train, and retain the best staff for local service delivery. Staff resource constraints are especially felt in the premium horticulture space. For example, the current Botanic Gardens contract has two FTE horticulture staff, the optimum number (as demonstrated when this was delivered in-house) is likely to be at least six. 	<ul style="list-style-type: none"> Recruitment and training of apprentices and cadets can be better supported by the contracts to develop local skills and provide employment opportunities for the community. Making some specialist horticulture positions permanent (within Council) may help to address some risk. Opportunity to improve the community ambassador function of some roles.
	Levels of service	
	Level of service targets and delivery	
	<ul style="list-style-type: none"> Main challenge is delivering agreed level of service within available budgets. Climate change is impacting local seasons, contractors are seeing variation in the frequency of mowing and irrigation requirements. 	<ul style="list-style-type: none"> In general, the levels of service set by the contracts are working.
	External factors	
	<ul style="list-style-type: none"> Community expectations in some areas (e.g. sport fields) are not well aligned with lump sum quantities / rates. This is 	<ul style="list-style-type: none"> Include new plantings in TDC contracts (none currently) as the contractor invariably does this but has not planned for

Focus area	Issues	Benefits / Opportunities
	<p>compounded by a lack of unit rate review over long term contracts.</p> <ul style="list-style-type: none"> Vegetation is not depreciated so there is often limited budget available to replace plants as it comes from operational budgets. Funding mechanism to be considered. 	<p>it in the programme and resourcing. Provisional sum is a potential approach.</p>
Changes to levels of service		
	<ul style="list-style-type: none"> If costs are increasing TDC may need to consider lower level of service expectations. Currently some areas are being maintained to a higher level of service than necessary, due to a blanket approach to these within some contracts. There are opportunities for cost savings / diversion of resources to areas requiring a higher level of service. 	<ul style="list-style-type: none"> TDC are introducing a three-tiered approach to levels of service which will address some of these issues.

4 Service Delivery Options

S17A of the LGA 2002 requires Council to consider options for governance, funding, and delivery of infrastructure, services, and regulatory functions and provides some options as the basis for the review (see Section 1.3).

Through the engagement interviews and workshops these service delivery options were refined into five options for further development and assessment by TDC:

1. **Outsourced (wholly):** TDC continues to be responsible for governance and funding, and contracts delivery of all the services to external organisations. Status quo.
2. **Mixed in-house and outsourced:** TDC continues to be responsible for governance and funding and takes on responsibility for delivering some of the services while contracting external organisations to deliver the remainder.
3. **In-house (wholly):** TDC continues to be responsible for governance and funding and takes on responsibility for delivering all the services.
4. **Council-controlled organisation (CCO):** TDC continues to be responsible for governance and funding and delivery by a CCO partially or wholly owned by Council.
5. **Shared services:** TDC enters a shared service arrangement for some or all the services, likely through a CCO or joint committee / alliance with neighbouring Councils.

These are discussed below followed by an analysis of the options.

4.1 Outsourced (wholly) – status quo

TDC continues to be responsible for governance and funding, and contracts delivery of all the services to external organisations.

Potential benefits

- Cost-effectiveness as the contractor has greater focus on cost and delivering within an agreed price.
- Access to specialists for certain activities that are not practical for Council to employ internally.
- Access to national expertise, knowledge, processes, and systems through competitively tendered contracts.
- Support local small to medium sized businesses that deliver services to other groups in the community, not just Council.
- Reduction in Council's own capital, operational, and staff costs as financed externally.

Potential disbenefits / risks

- Contractor staff do not have same customer / community focus as in-house staff, and are not effective ambassadors for the activity (e.g. botanic gardens).
- Council lacks specialist expertise and knowledge in-house to support good decision making (e.g. horticultural expertise sits with the contractor not with Council).
- Challenges maintaining desired levels of service and meeting community expectations.
- Loss of local knowledge when contracts expire.
- Exposed to supplier market trends with no ability to mitigate this with in-house staff resources.
- Requires strong contract management skills in-house or to be contracted from other agencies.
- Lack of flexibility to respond to emerging issues and trends such as diverting resources to urgent or high-profile activities when needed (e.g. annual planting at high profile gardens).

4.2 Mixed in-house and outsourced

TDC continues to be responsible for governance and funding and takes on responsibility for delivering some of the services while contracting external organisations to deliver the remainder. Through this

review high profile / premium parks and gardens were identified as of most benefit to be delivered in-house, this includes:

- Timaru Botanic Gardens.
- Trevor Griffiths Rose Garden (Caroline Bay).
- Premium central city garden beds, including civic spaces.
- Potential premium areas in Temuka and Geraldine Domains along with CBD gardens in the three towns.

Potential benefits

- Council takes responsibility for specific, generally premium / high profile (e.g. botanic gardens) activities in-house to ensure performance expectations and outcomes are met.
- Council staff have customer / community focus and become ambassadors for the activity (e.g. botanic gardens).
- Council can employ key staff on permanent positions to improve recruitment and retention and has leading to a greater role in training and development of staff.
- Flexibility to respond to emerging issues and trends such as diverting resources to urgent or high-profile activities when needed (e.g. annual planting at high profile gardens).
- Ability to respond to changes in service delivery without requiring contract re-negotiation or re-tendering.
- Council builds specialist expertise and knowledge in-house to support good decision making
- Contractor responsible for delivering lower profile and volume-based activities that have greater focus on cost and delivering within an agreed price.
- Access to specialists for certain activities that are not practical for Council to employ internally.
- Access to national expertise, knowledge, processes, and systems through competitively tendered contracts.
- Support local small to medium sized businesses that deliver services to other groups in the community, not just Council.

Potential disbenefits / risks

- Council bears the challenge of maintaining desired levels of service and meeting community expectations.
- Increase in Council's capital, operational, and staff costs (relative to the status quo).
- Council takes on recruitment and ongoing staff management responsibility, a risk within a sector where recruitment of suitably experienced / qualified staff is a national issue.
- Health and safety management and risk sits more directly with Council, though Council already has a role in ensuring the health and safety of staff employed by its contractors.
- Council is directly exposed to market trends such as plant, equipment, and consumables costs.
- Requires clear understanding of roles and responsibilities for the activity.
- Council will be competing with current contractors and neighbouring Councils to recruit staff to a newly created in-house team.

4.3 In-house (wholly)

TDC continues to be responsible for governance and funding and takes on responsibility for delivering all the services. This is the model TDC previously operated for these services by before outsourcing service delivery.

Certain specialist activities, e.g arborists may continue to be contracted from external suppliers.

Potential benefits

- Council takes responsibility for all activities to ensure performance expectations and outcomes are met.
- Council staff have customer / community focus and become ambassadors for the activity.
- Council can employ key staff on permanent positions to improve recruitment and retention, and has a greater role in training and development of staff.
- Flexibility to respond to emerging issues and trends such as diverting resources to urgent or high-profile activities when needed (e.g. annual planting at high profile gardens).
- Council builds specialist expertise and knowledge in-house to support good decision making
- Access to specialists for certain activities that are not practical for Council to employ internally.

Potential disbenefits / risks

- Significant increase in Council's capital, operational, and staff costs (relative to the status quo).
- Council bears the challenge of maintaining desired levels of service and meeting community expectations.
- Council takes on recruitment and ongoing staff management responsibility, a risk within a sector where recruitment of suitably experienced / qualified staff is a national issue.
- Health and safety management and risk sits more directly with Council, though Council already has a role in ensuring the health and safety of staff employed by its contractors.
- Council is directly exposed to market trends such as plant, equipment, and consumables costs.
- Requires clear understanding of roles and responsibilities for the activity.
- Council will be competing with current contractors and neighbouring Councils to recruit staff to a newly created in-house team.

4.4 Council-controlled organisation (CCO)

TDC continues to be responsible for governance and funding with delivery by a CCO partially or wholly owned by Council. Two options are identified for ownership:

- TDC establishes a new CCO wholly owned by Council, this could be through establishment of an entirely new organisation, or purchase of an existing one.

The Controller and Auditor General provides advice for the potential benefits and disadvantages of CCOs:³

Potential benefits

- Improved commercial focus – that is, operating a company with a professional board of directors with the objective of achieving greater operating efficiency.
- Ring-fencing financial risk by using an incorporated structure to insulate a local authority from financial liability for an activity or venture involving other parties (such as a joint venture).
- Empowering local communities – that is, creating a trust with a set budget funded by a local authority but managed by members of the community for a specific purpose.
- Tax-effectiveness – local authorities can derive tax credits from commercial subsidiaries that pay dividends.
- Independence – separation from political direction.
- Streamlining bureaucracy, enabling nimbleness and agility – CCOs have less “process” to follow in making decisions than local authorities.
- The ability to recruit and retain high-quality board members and staff who might not be available to be members or employees of a local authority.

³ <https://oag.parliament.nz/2015/cco-governance/part3.htm>

Potential disbenefits / risks

- The local authority's lack of direct accountability to the community for the services the CCO delivers.
- Tensions between the objectives of pursuing profit and delivering community outcomes.
- Additional ongoing costs – the costs incurred by the local authority in monitoring performance of the CCO, and the CCO's own costs, can increase overall service delivery costs.
- Reduced ability to manage risk – an arm's length delivery can make managing risks to the reputation of the local authority more difficult.

4.5 Shared services with another council

TDC's neighbouring Councils are similarly responsible for parks and greenspace activities in their district but have differing approaches to service delivery:

- Ashburton District Council delivers its open spaces activity in-house.
- Waimate District Council delivers its open spaces activity in-house.
- Mackenzie District Council outsources delivery of its parks and open spaces activity.
- Waitaki District Council outsources delivery of its parks and reserves activity.

Local Government New Zealand's Shared Services for Local Government⁴ review provides a body of knowledge on shared services to inform these activities in New Zealand, this includes potential benefits and limitations or constraints to achieving these:

Potential benefits

- Cost savings
- Access to skills and expertise
- Exchange of best practice
- Procurement savings and practice
- Improved community outcomes and strategic plan
- Improved service delivery
- Improved compliance with legislation and standards

Limitations and constraints

- Political and behavioural
- Uncertain benefits
- Conflicting objectives between parties
- Complexity of process

TDC's previous S17A review did not favour shared service arrangement, the reasons for this are provided below with some updated comment based on the current review in italics:

- A change to governance or delivery is not feasible at the point as some contracts run for longer than a 2-year period from the review date.
With several large contracts currently expired and others coming up for renewal this may be less of a barrier than previously.
- There has been no significant dissatisfaction from the community with the current model of delivering services via contracts.

⁴ <https://www.lgnz.co.nz/assets/Uploads/Shared-services.pdf>

There is evidence of some dissatisfaction with performance outcomes of the current model, though these are not widespread and could be addressed without such a major change to service delivery.

- Potential risks include significant set up costs, risks associated with employing staff, compromising levels of service, potential increase in overhead costs associated with owning equipment and owning / leasing facilities.
- Questionable if the size of parks activities, even with those from other local authorities, would be large enough to justify a CCO structure and its associated overheads/set up costs of joint CCO ownership.
- There are likely to be duplication of governance costs.

5 Options Analysis

The five options were assessed using multi-criteria analysis against Critical Success Factors, Business Needs, Risks, and Costs to develop an overall score for each and relative ranking between them (Table 5).

The initial assessment identified Option 2: Mixed in-house and outsourced as preferred, followed by Options 3, 1 and 4 which scored relatively even but with different benefits among them. Option 5 was discounted from the assessment for not meeting all Critical Success Factors.

The full multi-criteria analysis is included in Appendix 1.

Table 5: Summary of service delivery options multi-criteria analysis assessment

	Option 1	Option 2	Option 3	Option 4	Option 5
Option	Outsourced (status quo)	Mixed in-house and outsourced	In-house	Council-controlled organisation (CCO)	Shared services
Description					
Governance	Timaru District Council (status quo)				
Funding	Timaru District Council (status quo)				
Service Delivery	TDC contracts delivery of all the services to external organisations (status quo).	TDC takes on responsibility for delivering high profile horticulture activities while contracting external organisations to deliver the remainder.	TDC takes on responsibility for delivering all the services.	Delivery by a CCO partially or wholly owned by TDC.	TDC enters a shared service arrangement for some or all the services, likely through a CCO or joint committee / alliance with neighbouring Councils.
Assessment					
Score	235	269	238	215	
Ranking	3	1	2	4	Discount

6 Conclusion

Timaru District Council's service delivery of parks and greenspace activities is wholly outsourced to a range of external contractors. This arrangement has generally served Council and the community well over the last 10 plus years, though this review has identified several areas where improvement is needed deliver better outcomes and/or value for money. Specifically:

1. Council has struggled to procure contractors to recent contracts, resulting in several contracts being expired and operating under extension. With further contracts up for renewal soon an effective procurement process is needed to successfully award new contracts.
2. The cost of labour, and materials and compliance has sharply increased, this combined with artificially low contract rates on historic contracts is making it difficult for contractors to deliver the agreed works for the contract price and resulting in significant price increases when contracts are renewed.
3. While Council is generally happy with contractor performance, there are some areas of dissatisfaction. This is most evident for high profile / premium gardens including Timaru Botanic Gardens and other urban / central city gardens.
4. Recruitment and retention of skilled and experienced staff is an issue nationally, especially in the horticulture field. Council's contractors are currently working with a less than desirable number of FTEs in some specialist areas, this is linked to issue 3 above.
5. Community expectations in some areas exceed agreed levels of service in Council's contracts, leading to dissatisfaction. In the most extreme example volunteers at the Trevor Griffiths Rose Garden have stopped working due to their unhappiness. This is linked to issues 3 and 4 above and is hampered by Council's lack of in-house resources to divert to priority areas as and when needed.

This review concludes that the preferred option for future service delivery is a mixed in-house and outsourced model, with Council taking on responsibility for delivering high profile horticulture activities while contracting external organisations to deliver the remainder.

The issues above could be addressed by retaining the status quo. However, given the importance of these activities to the community, especially the Timaru Botanic Gardens and Trevor Griffiths Rose Garden, which have Garden of National Significance status, the preferred option is considered the most effective to achieve Council's community wellbeing outcomes and level of service targets.

7 Recommendation

This service delivery review, under Section 17A of the Local Government Act 2002, of Timaru District Council's parks and greenspace activity recommends a change to the existing delivery arrangement in response to identified issues and opportunities, and to meet the current needs and demands of Council and the community.

Based on engagement we recommend that Council investigates taking responsibility for delivery of services at some high profile / premium parks and gardens including Timaru Botanic Gardens, Trevor Griffiths Rose Garden (Caroline Bay), Aigantighe Art Gallery gardens, and premium central city garden beds, including civic spaces.

Under this arrangement in-house services are expected to include amenity horticulture (garden maintenance and planting), open space and garden planning, and weeding. Hand mowing is recommended to could also be delivered by Council's in-house team, however given the cost to purchase and maintain mowing equipment Council may decide to outsource this. Some activities at these locations will continue to be outsourced to external contractors, including arboriculture (tree management), rubbish bin servicing, facility maintenance, and town centre cleaning.

Further investigation is required to fully understand the costs and requirements to enable Council to make an informed decision to proceed. The actual number of staff required will depend on the scope and area to be serviced (e.g. just Timaru or also rural towns), there will also need to be supervisory, health and safety, temporary traffic management, training, and administration resources in addition to those carrying out the physical work. For a district wide approach, the staffing requirement may be in the order of 15-20 FTE, these costs will be somewhat offset by a reduction in external contractor costs.

No change is recommended to service delivery for other locations / activities, continuing to be outsourced to external contractors. However, it is recommended Council reviews contract arrangements (including total number of individual contracts) and procurement approach for these to address issues discussed in this report.

Any change, if approved by Council, should be implemented in a phased manner, and will require engagement with and involvement of external contractors to transition. Further investigation and planning is needed to develop / understand:

- Scope of in-house services and geographic area.
- Organisational structure and roles.
- Resource requirements (FTE) and recruitment strategy.
- Forecast capital and operating expenditure, and sources of funding.
- Transition from contractor to in-house delivery.
- Contract arrangements for continued outsourcing of some activities.

Appendix 1: Service delivery options multi-criteria analysis

<div> <div>rationale ></div> <div> <div>Investor: Timaru District Council</div> <div>Facilitator: Chris Bowle, Neil Jorgensen</div> <div>Initial Workshop: 14-Dec-22</div> <div>Version No.: 1.0</div> <div>Last Modified by: Chris Bowle</div> </div> </div> <div>Timaru District Council Parks & Greenspace S17a Review</div>						
	Activity options					
	Option 1	Option 2	Option 3	Option 4	Option 5	
	Outsourced (status quo)	Mixed in-house and outsourced	In-house	Council-controlled organisation (CCO)	Shared services	
Governance	Timaru District Council (status quo)					
Funding	Timaru District Council (status quo)					
Service Delivery	TDC contracts delivery of all the services to external organisations (status quo).	TDC takes on responsibility for delivering high profile horticulture activities while contracting external organisations to deliver the remainder.	TDC takes on responsibility for delivering all the services.	Delivery by a CCO partially or wholly owned by TDC.	TDC enters a shared service arrangement for some or all the services, likely through a CCO or joint committee / alliance with neighbouring	
Critical Success Factors (as these are crucial, not desirable, any options that score a "no" are automatically discounted from further consideration)						
Strategic fit and business needs - does it align with the strategic and financial priorities of Council and the community?	Yes	Yes	Partial	Partial	No	
Potential value for money - is it the right solution, at the right time, at the right price?	Yes	Yes	Yes	Partial	No	
Supplier capacity and capability - is it a sustainable arrangement (suppliers are available to support development/implementation)?	Partial	Yes	Partial	Partial	Partial	
Potential affordability - is funding available to make the change?	Partial	Partial	Partial	Partial	Partial	
Potential achievability - is the ability and skills to deliver available (internal capacity to implement in the timeframe)?	Yes	Yes	Partial	Yes	No	
Critical Success Factors Assessment	Continue	Continue	Continue	Continue	Discount	
Business Needs						
Recruitment, training and retention of staff capability & knowledge.	Medium	High	High	High		
Staff (in-house or external) are ambassadors to the community.	Medium	High	High	Medium		
Provide high quality premier parks and gardens	Low	High	High	Medium		
Achieve level of service targets	Medium	High	High	Medium		
Meet community expectations	Medium	Medium	High	Medium		
Risks						
Technical - can it be delivered?	Low	Low	Low	Medium		
Operational - how easy will it be to manage going forward?	Low	Medium	Low	Medium		
Financial - funding certainty?	Medium	Medium	Medium	Medium		
Legal - will it be challenged?	Low	Low	Low	Low		
Political - will it be supported by the politicians?	Low	Low	Medium	Medium		
Economic - will it affect economic growth?	Low	Low	Medium	Medium		
Stakeholder/Public - will it be supported by the general public?	Low	Low	Low	Medium		
Cost						
Staff costs	Low	Medium	High	Low		
Operating expenditure	High	Medium	Medium	Medium		
Capital expenditure	Low	Low	High	High		
0%						
Ranking						
Score	232	269	238	215	0	
Ranking	3	1	2	4		

Appendix 2: Future procurement of contracts and services

TDC's challenges procuring contractors to recent contracts was a key driver of this review. Regardless of Council's chosen approach for service delivery, mixed in-house and outsourced or wholly outsourced (status quo), changes are recommended to future procurement and contracting:

1. Reduce the total number of contracts

There are currently 16 separate contracts for delivery of the activity:

- 10 core maintenance contracts delivered by two local providers.
- 6 specialist contracts delivered by smaller suppliers.

Historically the preference for multiple contracts was to support smaller local suppliers, however over time two primary local contractors have been delivering the work. Each contractor holds several higher value contracts forming the core of their services and enabling them to take on the remaining lower value contracts.

It is recommended the total number of contracts is reduced to:

1. Two area-based 'core' maintenance contracts:

- a. Timaru (excl. Botanic Gardens, Trevor Griffiths Rose Garden, and premium central city garden beds).
- b. Temuka, Pleasant Point, Geraldine, Rural Areas

This will require existing contracts to be merged into two new larger contracts, the current value of these is approximately \$3.2m/annum, with more than \$0.5m/annum for Botanic Gardens and other premium activities reallocated to in-house budgets.

Note that the total value for these contracts is likely to increase when re-tendered, so these figures are reflective of current value only. Extensions to current contracts will be required to align expiration dates and allow multiple contracts to be replaced by the two new contracts.

It is recommended the two new core maintenance contracts are tendered at the same time to provide an opportunity for contractors to respond to one or both opportunities, and to ensure TDC can maintain consistent levels of service and technical specifications between the two.

2. Seven specialist contracts (status quo).

These smaller contracts, with a current value of approximately \$0.3m/annum are delivered by multiple small local suppliers. No change is proposed to the procurement structure for these, with the preferred procurement approach (e.g. direct negotiation, closed / competitive tender) determined on a contract basis.

The benefits expected of implementing this change are:

- Reduced contract management and administration for both Council and contractor staff, resulting in improved value for money.
- Agglomeration of works with contractors responsible for delivery of all activities in each geographic area.
- Streamlining of levels of service and unit rates in each geographic area.
- Potential for new entrants to provide a more competitive marketplace with each contract of sufficient scale to support a small to medium sized entity.

2. Competitive open tender of future contracts

A recommendation of TDC's previous S17A was to go to market for a portion of the contracts, and to directly negotiate the remainder.

By reducing the total number of contracts, the value of each separate contract will increase, likely requiring competitive open tender of new contracts by TDC's Procurement Policy for contracts exceeding \$300,000 in value.

3. Take a weighted attribute approach to procurement

Historically TDC has used a Direct Appointment or Lowest Price Conforming Tender approach to procurement of these contracts.

With the increased contract size and considering emerging issues for service delivery quality, a weighted attribute approach that assesses both supplier quality and nominated price is recommended. For many items price remains the primary driver to Council, though ensuring the quality of these areas on behalf of the community and to preserve and enhance the amenity of these areas is critical.

4. Review contract pricing, and mechanisms for inflation and contract variations

Artificially low prices in previous long-term contracts, combined with inadequate inflation adjustment of prices over the contract length, means contractors are struggling, or cannot, now deliver for the contracted price. This is also impacting a contract signed as recently as 2019. Compounding the above, is actual increases to material, fuel, labour, and compliance costs.

Low pricing from the incumbent contractors has kept new entrants out of the market place who cannot compete on price. But with subsequent variations to contract and poor delivery on some works these savings are somewhat of a fallacy.

For upcoming procurement and contracting it is recommended:

- Council compares submitted prices against the engineers estimate and other respondents, with any substantially low prices queried to ensure they are accurate and will cover the full quantity and level of service in the contract specification.
- An alternate method of annual adjustment to unit rates is agreed. Current contracts use CPI to adjust unit rates, this index has not kept up with actual inflation in the contracts which are mostly driven by fuel, plant, and labour costs.

TDC should engage with other Councils to see what methods are in use, or if necessary develop a bespoke index weighting individual components appropriately.

Parks and Greenspaces Service Delivery Review

Timaru District Council Service Delivery Review – Section 17A Local Government Act
November 2023

