

THINKING DIFFERENTLY

*INFRASTRUCTURE*¹ – DRIVING PERFORMANCE & VALUE

Murray Noone
Rodney District Council

ABSTRACT

Rodney District is on the fringe of metropolitan Auckland, and has one of the highest growth rates in the country. The Infrastructure Directorate spends 72% of the Council's operating budget and delivers a \$100m capital works programme.

Rising rates, ballooning debt and poor operational performance created a demand for change. A new collaborative model was developed which involved:

- Bundling & tendering of professional services into six areas (asset management, water/wastewater/stormwater/Parks/Coast, transport, safety, structures & geotechnical);
- Re-tendering of physical works operations contracts – water, transport, parks and property.

Ten new contracts commenced in July 2009 with a value of about \$45m p.a.

The model is known as *Infrastructure*¹ and the basis is '*collaboration, cooperation and optimisation*'. Collective success means that the council, consultants and contractors must work together as a team. *Infrastructure*¹ demands a high level of trust between parties. It has made it easier to run the business and the results have created a culture of success.

It won't be the right model for every territorial authority, but it may be an attractive option for some. For Rodney this model has achieved a 13% cost saving for the ratepayers.

KEYWORDS

Procurement, Infrastructure, Collaboration, Innovation, Contracts

1 INTRODUCTION

In early 2008, a new Chief Executive was appointed to Rodney District Council and a significant organisation restructure occurred. Part of this transition involved a comprehensive review of the supplier mix as well as the method of delivering best value services to the District. A new model was developed called *Infrastructure*¹ based on the principles of '*collaboration, cooperation and optimisation*'. Collaboration, cooperation and optimisation between suppliers, between council and suppliers and between council infrastructure departments. The key point is that these new relationships are based on suppliers being engaged as '*partners*' in the development of the District.

At the same time as internal staff appointments were being finalised (the 4th quarter of 2008) a procurement process was undertaken to secure professional services across six core services – asset management & programming, water/wastewater/stormwater/parks/coast, transport, safety & compliance, structures and geotechnical engineering. And in the first quarter of 2009 a second procurement process secured physical works suppliers across three contracts – water/wastewater/stormwater and two transport contracts. A contract for parks maintenance was added later. In summary, we secured 10 new contracts across all areas of Council

infrastructure at the same time and changed the approach from many suppliers in a traditional specifier/supplier relationship to a small number of trusted suppliers working in a collaborative environment.

The process is both interesting and innovative for a number of reasons:

- **Best chance:** In terms of spend, at \$39m p.a. infrastructure Opex is the single biggest activity for the Council. It provided the best opportunity to significantly improve outcomes for the District at a time when politicians were worrying about debt escalation and rate increases.
- **Integrated:** The new model was developed and delivered as part of wider organisation-wide change.
- **Saving:** The process of procurement was short, sharp and successful - delivering immediate cost savings to the Council of around \$13m.
- **Better Long-term Value:** The partnership approach between suppliers and between suppliers and Council has broken down silos within the organisation. It has provided an opportunity for better-coordinated work programmes, the sharing of plant and resources between contractors and greater alignment in strategy, planning and business process. All of these things have helped deliver better long-term value.
- **Maturity:** Most importantly, suppliers are now active participants in the leadership and delivery of infrastructure services to the District. The model is based on trust and respect and it requires collaborative behaviours from all parties. Both contractors and professional services suppliers are rewarded with more work if they achieve excellent results.

We believe the design, development, procurement and implementation of the *Infrastructure*¹ model displays both leadership and excellence and that it sets a new benchmark for 'best practice' in the industry.

2 DISCUSSION

2.1 HISTORY & CONTENT

Rodney District is on the fringe of metropolitan Auckland and is one of the high growth areas of New Zealand. The District is made up of a number of urban communities interspersed with large tracts of rural land. It constitutes 45% of the Auckland Region and it has a population of around 98,000. (See map at Appendix 1.) The Council manages a 1,710 km road network, 6 water systems and 10 wastewater systems. There are 800 parks and over 1,400km coastline.

Rodney has always had a progressive approach to infrastructure management. In 1989 it was the first local authority in the country to divest itself of all road maintenance activity. Over the past twenty years, the maintenance of the water, parks and transport networks have been put to the market several times (separately) and the form and structure of contracts has gradually evolved as understanding of the assets improved and with the development of stronger relationships between parties.

However, in 2008 there was an alignment of several stars – a new CE had been appointed, a new council elected, there was organisation-wide restructuring and I was appointed to manage the new Infrastructure Directorate. All parties were motivated to make change. And fortunately for me, several major infrastructure contracts were about to expire.

2.2 DETAILS OF THE INITIATIVE

As noted above, as part of an organisation-wide restructure a new 'Infrastructure Directorate' was created at Rodney District Council. This brought together the water, transport, environmental (parks, coast, solid waste, stormwater) and property parts of the organisation for the first time.

2.2.1 PROCUREMENT MODEL

One of my first tasks as Director Infrastructure was to create a new delivery model. The objectives of the new model were to:

- Drive a new operating culture through the Directorate based on the ‘good to great’ philosophy;
- Break down the silo thinking that had developed within each activity area and look to achieve greater synergy between each area – in particular around the planning and programming of works;
- Contract more operational services out – to increase internal focus on strategy, policy and performance;
- Review the supplier mix to ensure the optimal balance between internal and external resource;
- Reduce the number of suppliers in the professional services area. This created larger, more viable contracts, it secured better ‘intelligence’ around professional services... and it just made life simpler;
- Through all the above, achieve cost savings and better outcomes for the District.

The new staff structure is at Appendix B and the new model, named *Infrastructure¹*, is at Appendix C. ‘Infrastructure to the power of one’ reflects the call for all parties (council, consultants and contractors) to work together to optimise outcomes for the district. It is a new approach to infrastructure management that gives suppliers a much greater say in the planning and provision of infrastructure services and it rewards good performance.

The underlying philosophy is collaboration, cooperation and optimisation.

The underlying vision is a collaborative framework enabling all within to be responsive, motivated and innovative; and thus provide excellent value for the customer.

2.2.2 PROCUREMENT PROCESS

The first stage of the process was an independent review in 2007 of road maintenance models for the Council. The objective of the Review was to identify the best form of contract to replace existing transport contracts when they expired in 2009. This exercise involved discussions with RDC transport executives as well as fourteen transport consultancies and contracting firms across Auckland.

Outputs from the above research provided the basis for a revised delivery model across the whole Directorate and I extended it to the professional services area as well.

As the new staff structure was being finalised in the fourth-quarter of 2008, the Council engaged Resolve Group Ltd to manage a procurement process for six professional services contracts. Forty-six expressions of interest were received and contracts were awarded pre-Christmas 2008.

In the first-quarter of 2009, a procurement process was launched for the supply of physical works services across all infrastructure activities (3 contracts). Again Resolve Group managed the procurement at arms length from the Council using the ‘price/quality method’ with assistance from two of the recently appointed professional services suppliers (GHD and Projenz). Three physical works contracts were let in April 2009. (A fourth maintenance contract – Parks & Coastal – was subsequently added.)

For each procurement process a 5-person tender evaluation team was appointed and each team was made up of a mix of RDC staff, professional services advisors and two independent parties. This ensured a good mix of technical knowledge, operational understanding and independent perspective. A Probity Auditor was appointed from Audit New Zealand and both processes received clear audits.

2.2.3 COMMON SYSTEMS, PROCESSES AND BRANDING

As a result of *Infrastructure¹*, administrative systems and procedures were refined (see below) and branding was made common across all infrastructure activities.

- Briefing: Common briefing template.
- Invoicing: Common invoicing template.
- Reporting: Common reporting template.
- Hot-Desking: All suppliers are encouraged to ‘hot-desk’ within the office.
- Website: A website has been developed for Infrastructure1 accessible to all suppliers. It contains:
 - Latest news and information from RDC.
 - A separate tab for each contract (authorised access only) containing a copy of the contract, variations, contract meeting agendas/minutes, financial reports, etc.
 - The ability to post announcements on topics.
 - Email advice to suppliers regarding website updates.
 - Templates for invoicing, briefing, etc.

2.2.4 LEADERSHIP & DELIVERY

All nine contracts started on 1 July 2009 and a leadership and management structure was put in place that promotes a collaborative approach to decision-making. The key elements being the Infrastructure Leadership Board, which provides high level strategic direction, the Infrastructure Delivery Board – which is tasked with making the *Infrastructure¹* model work, and the KPI Review Team, which monitors performance. This is depicted in Appendix E.

The Infrastructure Delivery Board (IDB) is made up of representatives of all suppliers and RDC Group Managers. It is independently chaired.

“The role of IDB is to ‘make the *Infrastructure¹* model work’. To ensure that the Infrastructure1 philosophy of collaboration, cooperation, optimisation across all members of the Infrastructure1 team is working in practice. Particular issues for the Group are:

- Ensuring that Infrastructure1 philosophy – collaboration, cooperation, optimisation - is being actively practiced across the team, at all levels.
- Best practice is developed and learnings are shared.
- There is synergy across the group – the outputs of the model are greater than the sum of the individual parts.
- IDB will keep an eye on operational performance through monthly reports from the KPI Review Team but its focus is the quality and improvement of systems, relationships and interfaces – identifying innovation and unlocking potential.”

2.3 RESULTS OF THE INITIATIVE

Key results from the initiative are:

- Development of a supplier model that is integrated horizontally (across water, transport, property etc) and vertically (council, professional services and contractors).
- A procurement process for infrastructure aligned with wider organisational reform.
- Procurement of a comprehensive suite of professional service and physical work contracts within a 6-month timeframe and with a clear audit in both cases from Audit NZ.
- A reduced number of suppliers – creating cost saving and the opportunity for better planning and coordination. (More than sixty professional service suppliers reduced to six. See Appendix D)
- An interesting mix of suppliers. From large corporates to specialist consultancies – all selected for their expertise and the quality of their value proposition.
- Direct savings to RDC (across transport, water and property functions) of around \$13m over the three-year term of the contracts.

- The opportunity to streamline systems and processes and put all suppliers into the same information loop.
- A model that elevates the role of professional services and contractors to partner status – directly involved in the leadership and delivery of infrastructure in the District.
- A model that focuses on innovation and continuous improvement.

3 CONCLUSION - OVERVIEW OF BENEFIT TO THE SECTOR

Rodney District is probably one of the most challenging local authorities in the country:

- It is on the fringe of New Zealand's largest City.
- It has one of the highest growth rates in the country.
- It has huge infrastructural needs and limited funding ability.
- It has an unusual urban/rural mix and several discrete communities of interest.

It was apparent to me that the traditional supply chain model was never going to optimise value for the District and that we needed to have all resources – staff, consultants and contractors – as part of the team. Under *Infrastructure¹* we are all heading in the same direction, singing the same tune, working to a common objective – to achieve best infrastructure outcomes for Rodney District. *Infrastructure¹* is a bold initiative to address the challenges bulleted above by bringing suppliers 'inside the tent'. But it has not been designed just to benefit Rodney. The Council considers that a collaborative approach is not only the key to delivering best value to ratepayers – it will also deliver best value to suppliers.

It is a simple model but it requires maturity from all parties. And there is still competitive tension between suppliers because those who perform well within the *Infrastructure¹* framework have the opportunity to be rewarded with extra work.

The benefit to the sector is that this procurement model advances 'best practice', in terms of:

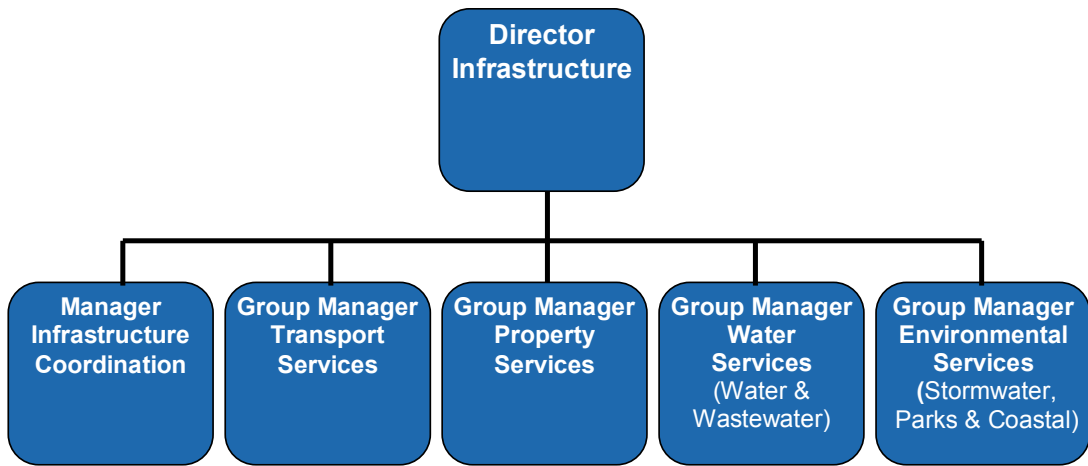
- A delivery model designed to integrate with wider corporate change within the organisation.
- An integrated approach to infrastructure management – both vertically and horizontally.
- An efficient, effective and comprehensive procurement process across a wide range of infrastructure services.
- All infrastructure suppliers on similar terms and conditions and operating within the same operating culture.
- Trust and collaboration between all stakeholders in the supply chain.
- Competitive tension within a collaborative model and reward for excellent performance.
- All suppliers are equal despite the difference in size/scale of contracts and all are trusted and respected members of the Infrastructure¹ team.
- All suppliers with equal access to information and opportunity.
- Focus on innovation and continuous improvement.

Infrastructure¹ will not be the right model for every territorial authority, but it may be an attractive option for some. It is certainly working for Rodney.

APPENDICES

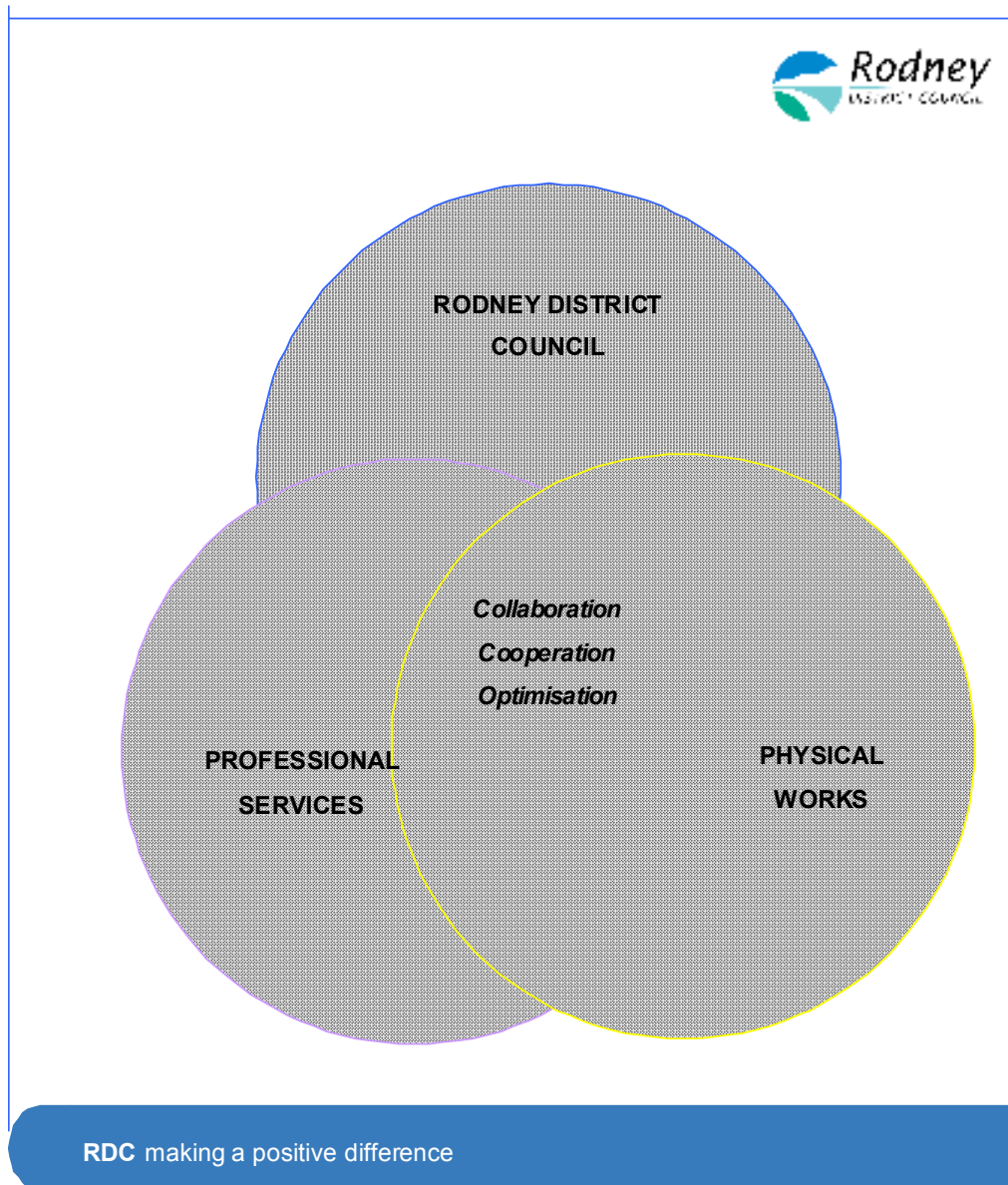
APPENDIX B

New Infrastructure Directorate



APPENDIX C

*Infrastructure*¹ Model



APPENDIX D

Preferred Supplier Mix – Professional Services

Sixty Consultants: pre 2009

	TRANSPORT SERVICES	PROPERTY SERVICES	3 WATERS		PARKS & COASTAL	
			WATER & WASTEWATER	STORMWATER		
VARIOUS SERVICES	↑ ↓	↑ ↓	↑ ↓	↑ ↓	↑ ↓	

Six Consultant Contracts: 2009-2012

	TRANSPORT SERVICES	PROPERTY SERVICES	WATER SERVICES	ENVIRONMENTAL SERVICES	
				STORMWATER	PARKS & COASTAL
Asset Management & Programming	← 1 →				
Water, Stormwater & Parks & Coastal Operations	[Shaded]		← 2 →		
Transport & Property Operations			← 3 → [Shaded]		
Safety & Compliance	← 4 →				
Structures	← 5 →				
Geotechnical Engineering	← 6 →				

APPENDIX E

Infrastructure¹ Leadership and Delivery

