

### Full Council

4 September 2025

### Report for Agenda Item | Rīpoata moto e Rāraki take [9]

**Department: Property & Infrastructure**

**Title | Taitara: Resealing Contract Budget Approval and Award of Final Year**

#### Purpose of the Report | Te Take mō te Pūroko

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The purpose of this report is to seek the Queenstown Lakes District Council's (QLDC) approval of an Addendum to the Procurement Plan for the district-wide resealing programme, to allow for award of the contemplated one-year extension of the two-plus-one contract, for the 2025/26 construction season.

#### Recommendation | Kā Tūtohu

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That the Council:

1. **Note** the contents of this report;
2. **Approve** the Procurement Plan Addendum for the district-wide resealing programme for the 2025/26 construction season, increasing the whole-of-life contract value by \$4.568M from \$7.1M to \$11.668M; and
3. **Delegate** authority to the Chief Executive to award the one-year extension of contract C-23-078 to Downer for the 2025/26 resealing season, up to a maximum value of \$4.428M as defined in this Procurement Plan Addendum.

**Prepared by:**



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4 August 2025

**Reviewed and Authorised by:**



**Name:** Tony Avery  
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11 August 2025

### Context | Horopaki

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1. QLDC delivers annual district-wide road resealing works between September and May to maintain a safe and functional pavement and minimise whole of life costs, as outlined in the Land Transport Asset Management Plan (AMP) 2024–34.
2. In June 2023 a Procurement Plan was approved for ‘QLDC Reseals 2023-26’, setting a total value of \$7.1M across three years (\$2.2M, \$2.4M, \$2.5M) aligning with the 2021-31 Long Term Plan (LTP) budgets. The Procurement Plan was approved by the Chief Executive and Mayor under delegated financial authority for commitments up to \$7.5M.
3. An open market tender followed closing in July 2023, to which two responses were received.
4. Tender prices were approximately 50% greater than anticipated, with this increase attributed to inflation pressures and a general rise in construction costs across the sector. More specifically the bitumen price index, to which the contract is pegged, also rose 57% between the award of the previous resealing contract in October 2021 and this one in August 2023.
5. Re-tendering was considered but not pursued as the higher prices, while surprising, were deemed to reflect broader market conditions. It was considered unlikely that re-tendering would attract new bidders or result in lower prices from the two who did submit. Additionally, re-tendering would incur further costs for both QLDC and contractors and carried the risk of fewer bids or increased prices.
6. In August 2023 the contract (C-23-078) was awarded to Downer NZ Ltd.
7. Downer’s tender price for the first two years totalled \$7.39M, against QLDC’s initial budget of \$4.6M, and a base estimate for the scheduled work of \$5.05M. While the QLDC budget referenced is simply the amount in the LTP, the base estimate for the tender of \$5.05M was thought to be reasonably aligned, that estimate being informed by a schedule of sites and quantities, and previous contract rates with a nominal uplift of 10-20% to account for inflation.
8. The contract was awarded on the basis the scope of work would be adjusted collaboratively to align with the available budget.
9. For 2023/24 the amount paid to Downer for works under the contract was \$2,539,856.96. The reseal achievement for this year was only 3.2% of the network.
10. In parallel, to address escalating costs and mitigate the risks of this critical maintenance activity falling behind in the long term, QLDC sought increased funding through its 2024-34 LTP and the 2024-27 National Land Transport Programme (NLTP). In September 2024, New Zealand Transport Agency (NZTA) confirmed approval of the request, with QLDC’s annual resealing budget increased to \$4.528M, co-funded at the standard 51% funding assistance rate.

11. In order to uplift the available NZTA funding and confirm its transport budgets, Council resolved adjusted budgets in December 2024 (Agenda Item 4: Transport Funding Options – 2024-27 NLTP response). The approved budget increase enables the reseal programme to better meet the optimal resealing coverage of 6-7% of the network length annually as recommended by modelling and the renewals strategy in the AMP.
12. For 2024/25, the budget uplift came soon after commencement of the sealing season, so limited additional works were achieved. The amount paid to Downer for works under the contract in the 2024/25 financial year to 30 June 2025 was \$3,200,142.14.
13. The estimated spend for 2025/26 through Downer is \$4.428M, which is equal to the budget less \$100,000 to allow for professional services and internal time.
14. In addition, approximately \$1.5M of deferred 2024/25 resurfacing work on Glenda Drive is scheduled for completion post-winter, funded through a carry forward of unspent budgets.
15. This estimated spend for 2025/26 pushes the value over the approved procurement amount of \$7.1M by \$4.568M, hence requiring this Addendum to be prepared if this contract extension is to be awarded.
16. This Procurement Plan Addendum sets the revised budget at \$11.668M which accounts for the actual spend for 2023/24 and 2024/25, plus the anticipated costs for 2025/26 should the potential third year extension be awarded.

Year	Actual spend to date with DNZ as of 31-May-2025	Anticipated future spend with DNZ for 2025/26 FY	Total
2023/24	\$2,539,856.96	-	\$2,539,856.96
2024/25	\$3,200,142.14	\$1,500,000.00 (carryforward)	\$4,700,142.14
2025/26	-	\$4,428,000.00	\$4,428,000.00
<b>Totals</b>	<b>\$5,739,999.10</b>	<b>\$5,928,000.00</b>	<b>\$11,667,999.10</b>

17. The contract rollover decision itself is to be made in consideration of the contractor's performance across the first two years of the contract. A performance report has been obtained from the engineering consultant completing the quality assurance services for the works, and all of the contract Key Performance Indicators (KPIs) were achieved. It is also noted that the contractor has agreed in writing that should they be awarded the work, their rates for the first two years would stand for the third year, but subject to the agreed contract escalation mechanisms.

18. Note that whilst this report will form the basis of the Procurement Plan Addendum, the actual “Procurement Plan Addendum form”, located in the procurement module of QLDC’s CIAnywhere enterprise software, would then be completed by officers for electronic filing, following approval of this agenda item by Council.

### Analysis and Advice | Tatāritaka me kā Tohutohu

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19. This report identifies and assesses the following reasonably practicable options for assessing the matter as required by section 77 of the Local Government Act 2002.

20. Option 1 Approve the Procurement Plan Addendum

*Advantages:*

- Allows for planning of the work to commence and work to be delivered on time;
- Avoids costs associated with re-tendering prematurely when the existing contract is performing to an acceptable standard and can be extended instead;
- Reflects the already approved LTP and NZTA funding allocations;
- Achieves cost certainty.

*Disadvantages:*

- None identified.

21. Option 2 Do not approve the Procurement Plan Addendum, and direct staff to undertake alternative procurement for the resealing programme

*Advantages:*

- Tests the open market again for pricing (note this also presents a risk as prices could increase or decrease).

*Disadvantages:*

- Requires an additional discrete procurement process. The timeframe for this process would see the contract awarded relatively late in the sealing season, hampering the ability of the contractor to deliver the work. This would impact on delivery of the budget, the quality of the work or both;
- Potential for escalations in tender prices, as opposed to the price certainty for another year if the contract is extended instead.

22. This report recommends **Option 1** for addressing the matter because it enables the contemplated extension of the contract to be awarded and continuation of works without risks of disruption or price uncertainty.

### Consultation Process | Hātepe Matapaki

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#### Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka

23. This matter is of medium significance, as determined by reference to the Council's Significance and Engagement Policy 2024. Although the contract value is significant, it is consistent with existing strategy and service levels, and budget has already been allocated through the Long Term Plan.
24. The persons who are affected by or interested in this matter are the residents/ratepayers of the Queenstown Lakes district community, and any visitors that may use the roads.

#### Māori Consultation | Iwi Rūnaka

25. No specific iwi consultation has been undertaken for this matter, as it aligns with existing infrastructure strategy and service levels.

### Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka

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26. This matter relates to the Strategic/Political/Reputation risk category. It is associated with RISK10028 Ineffective procurement within the QLDC Risk Register. This risk has been assessed as having a high residual risk rating.
27. The approval of the recommended option will allow Council to avoid the risk. This will be achieved by approving the required documentation to allow resealing works for 2025/26 to progress.

### Financial Implications | Kā Riteka ā-Pūtea

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28. No new funding is being sought, the budgets for the work were already uplifted in the 2024-34 Long Term Plan approval so this Procurement Plan Addendum is simply recognition that a funding uplift occurred mid-way through a committed contract and if the work is to be delivered under the same contract, the amount now requires Council approval.

### Council Effects and Views | Kā Whakaaweawe me kā Tirohaka a te Kaunihera

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29. The following Council policies, strategies and bylaws were considered:
- QLDC Strategy for the Procurement of Transport Infrastructure
  - QLDC Land Transport Asset & Activity Management Plan
  - QLDC Procurement Policy

30. The recommended option is consistent with the principles set out in the named policies.

31. This matter is included in the LTP/Annual Plan.

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**Local Government Act 2002 Purpose Provisions | Te Whakatureture 2002 o te Kāwanataka ā-Kiaka**

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32. Section 10 of the Local Government Act 2002 states the purpose of local government is (a) to enable democratic local decision-making and action by, and on behalf of, communities; and (b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future. Maintaining the district's road surfaces is essential to all of these factors. As such, the recommendation in this report is appropriate and within the ambit of Section 10 of the Act.

33. The recommended option:

- Can be implemented through current funding under the Long Term Plan and Annual Plan;
- Is consistent with the Council's plans and policies; and
- Would not significantly alter the intended level of service provision for any significant activity undertaken by or on behalf of the Council or transfer the ownership or control of a strategic asset to or from the Council.

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**Attachments | Kā Tāpirihaka**

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A	QLDC Reseals Procurement Plan 2023 (original)
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