

**CONTRACTS SUB-COMMITTEE OF THE
INFRASTRUCTURE AND ENVIRONMENT COMMITTEE**

SUPPLEMENTARY AGENDA

19 June 2009

ITEM NO: 2A

REPORT



TO Contracts Sub-Committee of the Infrastructure and Environment Committee

ON 19 June 2009

FROM Dukessa Blackburn-Huettner - Group Manager: Environmental Services

APPROVED BY Murray Noone – Director: Infrastructure

SIGNATURE

A handwritten signature in black ink, appearing to be "Murray Noone".

SUBJECT **VARIATION - PARKS, RESERVES AND COASTAL CONTRACT**

FILE REF C0607

PURPOSE OF REPORT:

<input type="checkbox"/> Information only	<input type="checkbox"/> Strategic decision	<input type="checkbox"/> Policy decision	<input type="checkbox"/> Statutory process
<input type="checkbox"/> Community issue	<input checked="" type="checkbox"/> Contract decision	<input type="checkbox"/> Delegation	<input type="checkbox"/> Appointment
<input type="checkbox"/> Administrative matter			

IMPLICATIONS:

(i)	Is this matter significant in terms of Council's Policy on Significance? No
(ii)	Implications in terms of Vision Rodney? Supports Vision Rodney. Assists delivery of Vision Rodney? Yes
(iii)	Implications in terms of Long Term Council Community Plan / Annual Plan? No
(iv)	Implications in terms of other Council Strategic documents or Council Policy? No
(v)	Is a budget amendment required? No

(vi)	Have the views of affected or interested persons been obtained and is any further public consultation required?
	Not applicable

FINANCIAL IMPLICATIONS:

Capital cost implications	Not applicable
Is it currently budgeted for?	Not applicable
Funding source of capital costs	Not applicable
Ongoing operational cost implications	Variation for contract C0607 has been budgeted for in the draft ten year LTCCP.
Is it currently budgeted for?	Yes
Funding & rating impact (whether resulting from capital expenditure or arising directly)	No additional rating impact as included in the current draft LTCCP.

Note: The original agenda item (2) stated the contract number incorrectly as C0640, the correct contract number is C0607.

SUMMARY:

A variation to the existing Parks, Reserves and Coastal Operations Contract (C0607) is proposed to bring this contract in line with the Council's other three key operational and maintenance physical works contracts for Transport, Water and Property. This variation would take effect from 1 July 2009, in line with the commencement of the other contracts.

The key difficulties with this contract are that the terms and conditions of contract are completely different to the Transport, Water and Property contract and it has renewal provisions that extend the potential term of the contract to 2017. It is also based on a different contract form to the other *Infrastructure1* contracts.

Getting all physical works contractors onto the same terms and conditions is a significant step forward as it allows a collaborative approach between all contractors which in turn will facilitate cost savings through the better alignment of work programmes, sharing of plant and resources and better communication between suppliers. It also streamlines administrative processes by bringing this contractor into line with the Council's other key physical works suppliers – Downer and Fulton Hogan.

RECOMMENDATION:

That the Chief Executive be authorised to sign a variation to C0607 (as per Table 1 below) to put it on similar contract terms and conditions to other physical works contracts, it being noted that there is no change to existing C0607 commercial arrangements, other than potential term.

Table 1:

Contract No	Service	Term	Supplier	Annual Sum
C0607	Parks Reserves & Coastal	3+1+1	City Care Ltd	\$5,837,489

1.0 Background

Councillors are aware that last year (2008) a new Infrastructure Directorate was created. The new Directorate is responsible for all network services and physical works including Transport, Water, Wastewater, Stormwater, Property, Parks and Coastal. One of the main purposes in drawing these activities together was to facilitate better infrastructure alignment, which in turn is expected to deliver better outcomes for the District – in particular, better alignment of work programmes, cost savings and ultimately, improved levels of service.

The first stage of the redesign was internal and a comprehensive redesign was implemented bringing the various departments together.

The second stage was a review of professional services. Six contracts were awarded to five suppliers just prior to Christmas 2008. This reduced the number of professional service suppliers from over 60 to just five, with an immediate saving of around \$400,000 p.a.

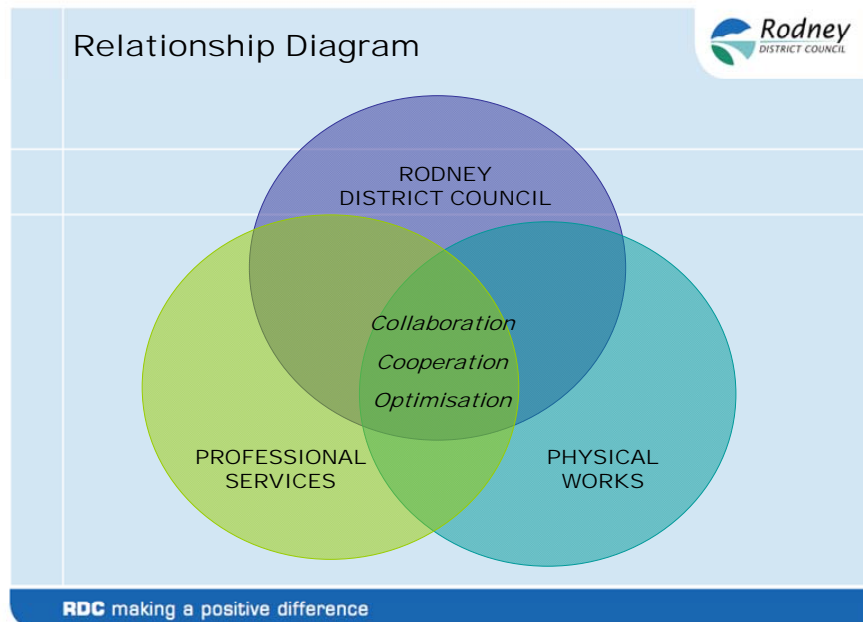
The third stage of the redesign - the tendering of three physical works contracts for transport, water and property - was carried out in the first quarter of 2009 and contracts were awarded in April. The only substantive remaining physical works maintenance contract (Parks, Reserves and Coastal) is the subject of an existing contract and this item proposes a variation to that contract to bring it into line with the others.

2.0 Issues

2.1 Integration

The vision behind the redesign of Infrastructure resourcing is referred to as *Infrastructure 1*.

The idea is to create simplicity through integrated services horizontally aligned across all infrastructure activities and vertically aligned between staff, suppliers and contractors. Integration provides a solid platform to achieve better value for money through improved service and lower costs. The guiding principles behind *Infrastructure 1* are collaboration, cooperation and optimisation, and that vision is represented in the following diagram:



2.2 Contract structure

The new contract structure for physical works as from 1 July 2009 is as follows:

	Service
C0840	Water, Wastewater, Stormwater, Parks and Coastal Operations
C0841	Transport Operations (Hibiscus Coast) and Property Operations (Districtwide)
C0842	Transport Operations (Northern, Central and Western Wards)

As can be seen in the table above, the recently awarded C0840 contemplated Parks and Coastal being added to that contract (by way of variation in 2011). However, in discussion with the contractor, City Care Ltd, it is keen to be part of the *Infrastructure1* framework now and have agreed to a variation of the existing contract to facilitate this. Effectively, the variation preserves the commercial arrangements of the existing contract but the term is aligned with the other contracts (3+1+1) and it is adapted to NZS:3910 format.

2.3 Variation implications

2.3.1 Term

The main implication of the variation is to the term. The existing contract has a four year term from 1 July 2007 to 30 June 2011. It then has provision for renewal for a further six years. Under the variation, the term would be aligned with the other physical works contracts, 1 July 2009 to 30 June 2012, with provision for two one year renewals at the Council's discretion. This effectively gives City Care Ltd one extra year, but at the same time it is forgoing three years of (potential) renewal.

2.3.2 Conditions

The form of contract changes from NZS:3915 to NZS:3910. This puts City Care Ltd on the same contract model as the other infrastructure maintenance contracts.

2.3.3 Scope

The scope of the contract remains substantially unchanged.

- Certain asset management functions will be transferred to the Asset Management and Programming contract (Professional Services Contract C0821) where they more appropriately lie.
- Subject to negotiations, the operation and maintenance of potable water supplies on eight parks is proposed to be transferred to the Water contract (Physical Works Contract C0840) where this more appropriately lies.

2.3.4 Price

All commercial arrangements remain unaltered so the only changes to the price are associated with the reduction in the scope above. Both will result in a reduction to the contract price.

2.3.5 Contract v sub-contract

As noted above, in the procurement process earlier this year it was proposed that the maintenance of parks, reserves and coastal would be added to the Water contract (C0840) in 2011. Given the 'supercity' development, this is not now appropriate and it is proposed that the contract with City Care Ltd remain with the Council direct.

2.4 Contract development and review

The revised contract has been prepared by GHD. It has been reviewed by the Council's solicitor, Simpson Grierson, who confirms that it is in order for signing. Simpson Grierson prepared the Variation Agreement.

2.5 Variation process

Because the variation has a value of more than \$20,000 and it imposes obligations on the Council beyond 30 June 2011, it is required to be approved by the Auckland Transition Agency under s.31(4)(i) of the Local Government (Tamaki Makaurau Reorganisation) Act 2009. An application has been prepared and it will be lodged after the matter has been considered by this Committee.

3.0 Options

This is simply a variation to an existing contract. The only other option is to leave the contract 'as is'. However, variation of the contract is considered by both parties to be desirable because:

- it puts the Parks, Reserves and Coastal contract on a similar basis to the other three significant infrastructure contracts (Water, Transport and Property);
- it reduces the potential term of the contract by three years;
- it brings the contractor into the *Infrastructure1* framework and this has benefits for both the Council and all the contractors - Downer EDi Works, Fulton Hogan and City Care;
- it creates opportunity for cost saving, both in physical works and administrative process.

4.0 Conclusion

This variation puts the maintenance of Parks, Reserves and Coastal assets on similar contractual terms to the other infrastructure contracts and it reduces the (potential) term of the contract by three years.

This contract variation is the culmination of a significant supplier review which has seen the number of professional services suppliers reduce from 60+ to five; a reduction in annual cost of professional services of around \$400k; the award of three new physical works contracts at a saving of \$12.408m, and now the variation of the Parks contract to bring it into line with the others.

Getting all physical works contractors onto the same terms and conditions is a significant step forward as it allows a collaborative approach between all contractors, allowing the Council to streamline administrative processes and thereby reduce indirect costs.