



AGENDA

Tenders and Procurement Committee Meeting Tuesday, 28 January 2020

Date Tuesday, 28 January 2020

Time 8.30am

Location Meeting Room 1
District Council Building
King George Place
Timaru

File Reference 1310097

Timaru District Council

Notice is hereby given that a meeting of the Tenders and Procurement Committee will be held in Meeting Room 1, District Council Building, King George Place, Timaru, on Tuesday 28 January 2020, at 8.30am.

Tenders and Procurement Committee Members

The Mayor (Chairperson), Chairperson Policy and Development Committee, Chairperson of the appropriate Standing Committee whose work is being tendered, Chairperson of the Environmental Services Committee

Local Authorities (Members' Interests) Act 1968

Committee members are reminded that if you have a pecuniary interest in any item on the agenda, then you must declare this interest and refrain from discussing or voting on this item, and are advised to withdraw from the meeting table.

Bede Carran
Chief Executive

Order Of Business

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- 1 Apologies**
- 2 Identification of Items of Urgent Business**
- 3 Identification of Matters of a Minor Nature**
- 4 Declaration of Conflicts of Interest**
- 5 Chairperson's Report**

6 Reports

6.1 Extension of Contract 2184 Road Network Maintenance and Operations

Author: Andrew Dixon, Land Transport Manager

Authoriser: Ashley Harper, Group Manager Infrastructure

Recommendation

That Contract 2184 Road Network and Operations Contract be extended for a period of seven months to end on 30 June 2021 at an estimated total contract value over 5.6 years of \$59.5 million.

Purpose of Report

- 1 To consider the contract period extension of Contract 2184 Road Network Maintenance and Operations for a further seven months to 30 June 2021.

Assessment of Significance

- 2 This matter is considered low significance under the Council's Significance and Engagement Policy being an extension to existing arrangements.

Background

- 3 The current road maintenance contract was awarded and commenced on 1 December 2015. The contract term is 5 years and is due to expire on 30 November 2020.
- 4 The scope of the contract includes road and footpath/berm maintenance, street cleaning, vegetation control, drainage maintenance including kerb and channel, signs and pavement markings. The contract also includes some renewals of road pavements, footpaths, kerb and channel, culverts and minor road safety projects. Also included is emergency repair works.
- 5 The contract is a generic contract document for Timaru, Ashburton, Mackenzie and Waimate Districts. The contract was tendered collaboratively with tenderers given the opportunity to tender for individual contracts or packages. This proved very successful and competitive prices were received.
- 6 The Timaru District Council contract was awarded to Fulton Hogan Ltd who had the lowest tender price.
- 7 The contract continues to meet the specified outcomes sought with generally very good contractor performance.

Discussion

- 8 The South Canterbury Councils (Timaru, Mackenzie and Waimate Districts) are intending to procure road maintenance services in a collaborative manner. Ashburton District Council has chosen to tender their road maintenance services separately this time and are not proposing an extension to their road maintenance contract.
- 9 The intention of the South Canterbury Councils is to collaboratively prepare an updated generic contract document to jointly procure road maintenance and operations services. It is

anticipated that this will reduce costs for the Councils in preparing and managing the contracts. The joint procurement will also allow contractor efficiencies and opportunities that may be reflected in the tender submissions.

- 10 The intention is to review the scope of the next generation of the road maintenance contract and considering a restructure of services. Under consideration is the potential inclusion of footpath renewals and some asset management data functions.
- 11 Another factor is that the current contracts coincide with the three yearly Council planning cycle being the preparation of new Activity Management Plans, Infrastructure Strategy, strategic and business cases, National Land Transport Plan bids, Regional Land Transport Plan development and our own 2021-2031 Long Term Plan. Procuring a new maintenance contract after the preparation of the above will add value with asset needs and future strategies/plans having been developed that will provide more focus and confidence in road maintenance requirements for the next 10 years.
- 12 Given the financial assistance from the NZ Transport Agency (NZTA) in regard to road maintenance activities we are required to obtain their approval for a contract extension. NZTA have confirmed approval of this proposed contract extension.
- 13 We have also considered the supplier market and conclude that the impact of a seven month extension will have minimal negative impact and some positive impact as the proposed tendering period timing following an extension is better suited to the market. A time extension would be conditional on current contract rates being agreed which have previously demonstrated value for money.
- 14 The Mid-South Canterbury Collaboration (ARC) technical group has undertaken a project planning exercise in regard to the review, preparation and procurement of the next generation of generic road maintenance contracts. It has been identified that the completion of a robust contract renewal process would ideally require an extension of the current contracts for a further seven months to 30 June 2021.

Options and Preferred Option

- 15 There are two options available.
- 16 The first option is to extend the road maintenance contract for a period of seven months to allow a robust next generation contract to be prepared with the view of obtaining best value for money. This is the preferred option.
- 17 The second option is not to extend the current road maintenance contract and retender based on a start date of 1 December 2020. This option would require a reallocation of current resourcing that is likely to impact on the delivery of other projects and programmes.
- 18 The Councils Chief Executives have previously discussed a potential contract extension and support this option subject to NZTA approval.

Consultation

- 19 A possible road maintenance contract extension has been discussed with the current South Canterbury road maintenance contractors, Fulton Hogan Limited for Timaru and Whitestone Contracting Limited for Mackenzie and Waimate District Councils. Both contractors are supportive of the proposed contract extension.

- 20 We will also advise the supplier market of our proposed road maintenance contract extension if approved by the Committee.

Relevant Legislation, Council Policy and Plans

- 21 The Land Transport Management Act 2003 requires compliance with the NZTA procurement rules. Rule 10.21 3(b) states that a term service contract may be extended up to 2 years to bring together contract expiry dates when a significant restructure of services is required. The guidelines for clause 10.21 also states that “the Transport Agency will consider applications to vary this rule to allow a contract term extension to take the total term beyond the term advised through the RFP as a non-tendered renewal.” This approval has now been confirmed.
- 22 The Timaru District Council Procurement Strategy (clause 6.2.8) recently endorsed by NZTA provides for “utilising an existing arrangement / contract either through additional goods and/or services, or extension of contract timeframe is to seek out the best long term procurement strategy for the District.”

Financial and Funding Implications

- 23 There are no financial implications regarding an extension to the road maintenance contract as sufficient funding is available in current approved budgets.
- 24 The contract expenditure to 31 December 2019 has been \$40.5 million with the last 12 months expenditure being \$11.95 million. There is also the recent Rangitata flood event damage repair costs to be completed under this contract.
- 25 The proposed seven month contract extension would be an estimated value of \$7.0 million. This will increase the total contract value to \$59.5 million over the term of the contract, being 5.6 years.
- 26 It is expected that there will be sufficient funding in the 2021/22 budget for the contract expenditure as the level of service is anticipated to remain at current levels therefore budget provision will be similar to current approved budgets.

Other Considerations

- 27 It should be noted that the road maintenance contract extension must be supported and approved by the other South Canterbury Districts, (Mackenzie and Waimate District Councils) as future retendering will be done in a collaborative manner to seek better value for money as demonstrated in 2015. It is understood that these Council’s support the contract extension.

Attachments

Nil

7 Consideration of Urgent Business Items

8 Consideration of Minor Nature Matters