

C12/21 - District Parks Contract Proposed Extension

TO Council
FROM Derek Thompson - Community Facilities Manager
DATE 28 March 2018
SUBJECT **Contract C12/21 - District Parks Contract Proposed Extension**

1 Purpose of Report

The purpose of this report is to obtain Council approval for an extension of Contract C12/21 - Parks, Gardens, Cemeteries and Community Facilities Operations and Maintenance Contract currently held by Smart Environmental Ltd (SEL).

2 Background

The current Contract was awarded to Smart Environmental Ltd (SEL) in September 2013 for a term of five years with provision for two one-year extensions at Council's discretion. The initial five year term of this contract expires on 30 August 2018; and with extension provisions approved the final expiry date would be 30 August 2020.

SEL has been the incumbent Parks Contractor since the inception of contracting out of Councils' operations and maintenance services in 1996, and has successfully retendered for the contract in both 2004 and 2013 with a two year extension to the 2004 contract (C04/02) being approved by Council in 2010.

SEL has generally performed well to date in delivering these services to Council over the time it has held the current contract.

Council is involved in the provision of parks and reserves to provide open space and recreation areas to promote community health and wellbeing. There is a high level of community expectation that Council will provide adequate and well maintained parks and reserves.

3 Issue

Contract C12/21 - Parks, Gardens, Cemeteries and Community Facilities Operations and Maintenance Contract is nearing the completion of its first 5 year period. Officers need to know whether Council would prefer to approve an extension(s) now, or go back to the market.

4 Discussion

The proposed contract extension complies with the TCDC procurement policy/procedures.

The TCDC procurement policy dated 11 August 2010, sets out guiding principles expected in the public sector, including its expectations surrounding public law considerations and ethical considerations. Some of those guiding principles are:

- Ensure purchases are made in an open, fair, and transparent manner
- Ensures open and effective competition with open tendering applied to purchases above \$100,000
- Appropriately manages risk
- Promotes efficient purchasing practices and their continuous improvement and

- Ensures Council's purchasing activities are in accordance with its legal responsibilities and the requirements of funding agencies.

Given that the Government Sourcing Rules were effective 1 October 2013, and the NZTA Procurement Manual latest revision is dated 4 August 2014 with an amendment due March 2018, we would expect that the TCDC procurement policy/procedure update to also factor in the latest NZ Government and NZTA procurement changes. The revised five principles of government procurement refer to:

- Plan and manage for great results
- Be fair to all suppliers
- Get the right supplier
- Get the best deal for everyone
- Play by the rules

To offer an extension complies with the TCDC policy, and the latest government sourcing rules and principles.

Staff review of the effectiveness of the contract; and current performance of the contractor indicates the following:

- Linkages between Council objectives and contract deliverables are well defined
- Levels of service are well managed through specified standards of maintenance with an appropriate incentive and penalty system in place to motivate compliance with standards
- A strong customer service interface is managed through defined customer response timeframes and protocols
- Satisfaction surveys when undertaken have indicated a relatively high level of satisfaction in absolute terms and in relation to the Council's peer group
- Council officers have reflected a consistent view that SEL are generally providing good service under the contract
- An effective partnership is in place between Council staff and contractors
- Requests for service also appear to be dealt with appropriately
- The overall Contract KPI of 90% has been exceeded every month of the current contract with the average KPI score being 96%
- Audit and performance results generally confirm perceptions of a contract working well.

Overall, SEL is providing the community a good service under Contract C12/21. A well written contract, a good working relationship between Council and Smart Environmental Ltd, and effective performance monitoring and reporting underpin the initial contract review assessment.

Peer review of the contract was undertaken by Deloitte in March 2015 and an extract from their report on SEL performance is as follows:

"From the TCDC and SEL monthly activity reports, performance measurement summary reports, monthly contract meetings, TCDC Contract managers quarterly reports, quarterly contract meetings, we note that:

- *The Contractors monthly activity reports where the minimum score baseline is set at 90 are as follows for the current 5 year term;*
 - Sept 2013 to Aug 2014 reflect an overall monthly result range between 93% to 97%
 - Sept 2014 to Aug 2015 reflect an overall monthly result range between 95% to 98%

- Sept 2015 to Aug 2016 reflect an overall monthly result range between 94% to 99%
 - Sept 2016 to Aug 2017 reflect an overall monthly result range between 90% to 98%
 - Sept 2017 to Feb 2018 reflect an overall monthly result range between 91% to 96%
- *We note that the prior contract covering including the period 2011-2013 reflected overall monthly performance ratings on par with current monthly performance ratings.*
 - *Concerns were raised in the October 2014 quarterly contract meeting for the contractor to be more aware of the contract document requirements.*
 - *The TCDC Contract Managers Quarterly reports to 31 August 2014 and 31 December 2014, note respectively that the 'initial bedding in issues seems to have been resolved with Council and contractor, and 'generally contract is working well'.*
 - *A sample view of the contractors monthly contract meetings (8 November 2013, 20 November 2014, 11 December 2014, and 22 January 2015) reflects a broad range of contract issues discussed such as but not limited to arboriculture, partnering relationships, training, recruitment, audits, new business, variations and health & safety.*
 - *The TCDC Parks & Reserves SSP reflects, as at 24 February 2015, a total of 5,240 job received, where 94% of these routine and non-routine jobs were completed within the timeframe.*

These results and discussions with TCDC officials suggest that the contract is working well and that there is a good working relationship between TCDC and SEL, at present."

Under the Council's Determining Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance.

The following options exist for Council to consider:

Option A - Recommending a contract extension of 1 year is consistent with the conditions of contract.

Staff would start the preparation for re-tendering the new contract in the new financial year. This would enable staff to gather feedback from Community Boards and with a commencement date of 1 September 2019

Option B - To recommend a contract extension term of 1+1 years places Council in a "no worse" position but provides flexibility to approve an additional one year extension at Council's discretion.

This would give staff ample time to prepare documentation for a new contract. This would enable staff to gather feedback from Community Boards and with a commencement date of 1 September 2020.

Option C - To decline the contract extension may place Council at risk of additional costs and change in contractor performance in a re-tender situation.

Staff would need to start the tender process immediately and would need to contract out a large portion of this work to enable this.

5 Suggested Resolution

That the Thames-Coromandel District Council:

1. Receives the Contract C12/21 - Parks, Gardens, Cemeteries and Community Facilities Operations and Maintenance Contract Proposed Extension Report dated 28 March 2018.
2. Approves the extension of Contract C12/21 Parks, Gardens, Cemeteries and Community Facilities for a period of 1 + 1 years.
3. Delegate's authority to the Chief Executive to execute the contract agreement.
4. Notes that whilst provision is being made in the contract the potential further 1 year term is not included in the delegation to the Chief Executive to approve and will require future Council approval.