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**REPORT TO:** COUNCIL

**MEETING DATE:** THURSDAY, 28 JANUARY 2010

**FROM:** GROUP MANAGER: ASSET MANAGEMENT  
DAVID FRASER

**SUBJECT:** PERCIVAL ROAD PROCUREMENT PROCESS

**1.0 SUMMARY**

- 1.1 The purpose of this report is to obtain a decision from Council to assign the procurement and management of roadworks associated with the Regional Sports Park, to the Regional Sports Park Trust to enable the works to be carried out in conjunction with roading works occurring inside the Sports Park.
- 1.2 This issue arises from the desire to have these works executed prior to the netball courts opening and the opportunity to realise financial benefits through increasing the scale of works beyond the individual work components. It also enables the Sports Park Trust to optimise its sponsorship by having these works included with theirs.
- 1.3 The Council is required to give effect to the purpose of local government as prescribed by Section 10 of the Local Government Act 2002. That purpose includes the promotion of the social, economic, environmental and cultural wellbeing of communities. The Council seeks to meet this obligation and the achievement of community outcomes through the strategic objectives set out in the 2009-2019 Long Term Council Community Plan. The matters raised in this report relate to those elements of the strategic objectives identified in the following table.

Strategic Objectives	Achieved By
<p><i>Economic Wellbeing</i></p> <ul style="list-style-type: none"> <li>- Grow our appeal as a tourism destination</li> <li>- Develop safe transport networks integrated with land use</li> </ul> <p><i>Social &amp; Cultural Wellbeing</i></p> <ul style="list-style-type: none"> <li>• Provide resilient and adaptable social and recreational infrastructure and support services</li> </ul>	<p>Facilitating the provision of transport connections to the Sports Park in a cost effective and timely manner.</p>

- 1.4 This report concludes by recommending that Council assigns the procurement and contract management of roadworks on Percival Road in 2010 to the Regional Sports Park Trust to enable them to be carried out in conjunction with the roading works within the Regional Sports Park. This is subject to the contract rates negotiated for the work being not inconsistent with the current market rates being achieved by Council at the time, with such judgement to be made by the Group Manager: Asset Management.

## **2.0 BACKGROUND**

- 2.1 The Regional Sports Park Trust is commencing work on the development of the netball courts and the associated supporting infrastructure. This involves phase 1 of the internal roading network.
- 2.2 The Regional Sports Park Trust intends to open the netball courts in May this year. This activity will generate additional traffic in and out of the Park and Hastings District Council will be carrying out some associated works on Percival Road. These works involve access to the entranceway on Percival Road and improvements to the intersection of Percival Road and Evenden Road. The works on Percival Road do not qualify for NZTA subsidy.
- 2.3 The Trust is in the process of closing a significant sponsorship deal with a civil engineering contractor, Higgins Group Limited.
- 2.4 The sponsorship agreement involves assigning works to the contractor at competitive market rates and the Trust is seeking assistance from Asset Management staff in the negotiation of competitive rates for the work to be delivered.
- 2.5 Higgins Limited has indicated that the sponsorship agreement is contingent on them being awarded the adjacent roading works at the same time as the internal works.
- 2.6 The cost of the internal roading works is estimated at \$1.2M and the two associated projects on Percival Road are anticipated to total in the order of \$600,000. These prices do not include services which are intended to be carried out separately.
- 2.7 The combining of the works will provide critical mass and generate savings through stripping out some of the administration and management costs associated with running separate contracts. At the same time the contractor will be able to minimise establishment and overhead costs due to having the works combined.

## **3.0 CURRENT SITUATION**

- 3.1 The design for the works is not yet complete. There is sufficient time to complete the works prior to the netball courts opening, provided the

contractor can be engaged directly without having to wait while a tendering process is followed.

- 3.2 In negotiating a sponsorship deal with Higgins, the Sports Park Trust is entering into an agreement with one of Council's pre-qualified contractors.
- 3.3 The current contracting market is tight and the allocation of this quantum of works to a contractor without going through a competitive pricing process may cause concern within the local contracting industry.
- 3.4 The Regional Sports Park Trust is not subject to Council's Tendering Policy, however Council staff have sufficient information within their records to ensure current market rates are achieved in any negotiations carried out for the work. Clearance for the work to proceed would only be given if the prices being offered matched the competitive market prices of the day. The Group Manager: Asset Management would make the call on this issue.
- 3.5 In spite of the current contracting market being tight, not all local contractors have responded to invitations to tender on recent projects.

#### **4.0 OPTIONS**

- 4.1 There are 3 options as follows:

##### **Option 1**

Carry out the Council roading works and Sports Park works under separate contracts.

##### **Option 2**

Combine the works into a single project and manage them using Council resources.

##### **Option 3**

Combine the works and have procurement and contract management provided by the Regional Sports Park Trust.

#### **5.0 SIGNIFICANCE AND CONSULTATION**

- 5.1 This issue is not deemed to be significant in terms of Council's Significance Policy.
- 5.2 No consultation is required.

## 6.0 ASSESSMENT OF OPTIONS

### 6.1 Option 1 – Carry out under separate tenders

This option is not favoured for the following reasons:

- (i) If Council's standard tendering process is followed for the Percival Road works, it will make it very difficult, if not impossible, to achieve the desirable timeframes for this work to be completed.
- (ii) It does not generate any critical mass for the components of the project and hence the price of doing the works separately is likely to be greater than the price of doing them as one contract.
- (iii) It generates additional administrative and management costs, which can be avoided by choosing one of the other options.

### **Option 2 – Combine the works into a single project and manage them using Council resources**

This option is not favoured as the more complicated and intricate components of the work are associated with the internal works and the liability for managing this best lies with the Regional Sports Park Trust. The Sports Park has already engaged a project manager to run their works within the Park which are likely to be more than two times the value of the works on Council's roads.

Further to this, Council's procurement procedures would make it difficult to achieve the works within the desirable timeframe and do not fit naturally with negotiating contracts of this scale.

### **Option 3 – Combine the works and have procurement and contract management provided by the Regional Sports Park Trust**

This is the preferred option and overcomes the challenges generated by Options 1 and 2, while at the same time achieving the critical mass and organisational advantages being sought. Council would still achieve very cost effective prices for its component of the works on the basis that it would only give clearance for them to proceed if the prices being offered match the competitive market prices of the day. The works would be carried out to Council's design and Council would provide all key criteria and quality record requirements for the contractor to supply. Council would make savings through not having to document and manage the tendering process.

The negative element of this option is that Council may be subject to some criticism from the contracting industry for removing a significant component of work in Council's programme from the market. Counter to this is the argument that all contractors could have taken the

initiative and approached the Regional Sports Park Trust with similar sponsorship proposals to that which Higgins is offering.

However, the process does guarantee the community competitive prices by ensuring the negotiated prices have to equate to the competitive market prices of the day. The community also benefits from the sponsorship contribution to the Regional Sports Park facility.

This approach is not uncommon in situations where developers are undertaking work adjacent to Council work that requires upgrading or completing. Council often gets developers to undertake work on its behalf through the contractor the developer is engaging.

## **7.0 PREFERRED OPTION/S AND REASONS**

- 7.1 For the reasons stated above, the preferred option is Option 3 – combine the works and have the procurement and contract management provided by the Regional Sports Park Trust.

## **8.0 RECOMMENDATION/S AND REASONS**

- A) That the report of the *Group Manager: Asset Management* titled *Percival Road Procurement Process* dated 28 January 2010 be received.
- B) That Council assigns the procurement and contract management of roadworks on Percival Road in 2010 to the Regional Sports Park Trust to enable them to be carried out in conjunction with the roading works within the Regional Sports Park.
- C) That Recommendation B is subject to the contract rates being negotiated are not inconsistent with the current market rates being achieved by Council at the time, with this judgement to be made by the *Group Manager: Asset Management*.
- D) That a joint media statement from the Council and the Regional Sports Park Trust be released advising of the decision at the appropriate time.

With the reasons for this decision being that the objective of the decision will contribute to the Council's Strategic Objectives:

*Economic Wellbeing - Grow our appeal as a tourism destination;  
Develop safe transport networks integrated with land use*

*Social & Cultural Wellbeing - Provide resilient and adaptable social  
and recreational infrastructure and support services*

By facilitating the provision of transport connections to the Sports Park in a cost effective and timely manner.