

Memo; UPDATE

12 April 2017

To: Mayor Phil Goff, Governing Body, Local Board Members
cc: Dean Kimpton, Jazz Singh
From: Rod Sheridan, General Manager Community Facilities

Subject: **Announcing new maintenance contract suppliers (Project 17)**

Project and contract overview

1. Community Facilities, the department responsible for building, maintaining and renewing council's assets, is currently transitioning from its current system of maintaining Auckland's facilities to a new contract structure.
2. The purpose of Project 17 is to:
 - ✓ Create value for money,
 - ✓ Create efficiencies,
 - ✓ Make our size work for us,
 - ✓ Reduce duplication of services across multiple contracts,
 - ✓ Move away from prescriptive contracts to outcomes based contracts
 - ✓ Consolidate service delivery across the council family (ie: AT berms)
 - ✓ Promote and drive innovation,
 - ✓ Introduce social and environmental targets set by Local Boards
 - ✓ Introduce new benchmarks for herbicide weed control and reduction,
 - ✓ Create whole of life asset value,
 - ✓ Embrace world leading and emerging technology in facilities management,
3. Project 17 has been set up to manage the process of developing and launching the new key contracts which include Full Facilities maintenance (Assets - buildings, parks and open spaces; Services – cleaning, building and grounds maintenance, access management), Ecological Services and Arboriculture Services.
4. There are 5 contract areas across the Auckland region (Tahi, Rua, Toru, Whā, Rima) which will be served by one Full Facilities contract per area, one Arboriculture contract per area and one Ecological contract per area. For Hauraki Gulf Islands Community Facilities is engaging with small local suppliers on the islands to deliver key building-related trades (the remainder of full facilities services will be delivered by council's internal City Parks Services).

5. There are standard maintenance service levels for every asset across the region to ensure they are fit for purpose, in good condition and achieve community outcomes. There are enhanced maintenance service levels for specific known demands (e.g. heritage site, high profile site).
6. Community Facilities will continue to work with suppliers to ensure that enhanced services are incorporated into the contract funding, rather than Local Board LDI funding, as much as possible. LDI funding may still be required where Local Boards set service level targets that significantly deviate from the service level outcomes. This will be discussed with Local Boards in May when Community Facilities meet with them to set and finalise service levels (see Point 21). Final details will be communicated to Local Boards before the contracts commence on 1 July 2017.
7. New suppliers will support volunteers wherever possible and their contracts will have flexibility to accommodate this; services and assets can be varied in or out of scope for volunteers at any time, where and when appropriate. Suppliers will not be expected to manage volunteer programmes and activities, although may be required to provide oversight of activities on site, where agreed. Volunteers are managed by council Community Services. Community engagement to provide employment, training and career pathways is imbedded in supplier contracts as part of the smart procurement outcomes.
8. The new contracts take effect on 1 July 2017. Contract terms are:
 - 5 years for Full Facilities
 - 6 years for Arboriculture Services
 - 6 years for Ecological Services

All contracts will be flexible to accommodate variations at any time (changes in asset lists, etc).

All contracts will include a right of renewal based on performance. Clauses will be in place to ensure council can exit the contract in the event of non-performance.

At the three year mark contracts will be reviewed based on performance and an additional one year offered if performance measures are met. This ensures suppliers have a minimum three year horizon, providing security of tenure for them and ensuring a continued drive for efficiencies, innovation and smart procurement targets set by the Local Boards.

Community Facilities' most recent reshape ensured we have the capability to monitor and manage supplier performance in-house.

9. The preferred suppliers are:

AREA	FULL FACILITIES	ARBORICULTURE	ECOLOGICAL
Tahi	Ventia	Treescape	Wildlands
Rua	City Park Services	City Park Services (and Treescape)	Treescape
Toru	Urban Maintenance Services	Treescape	Treescape
Whā	Ventia	Treescape	Wildlands
Rima	City Care	Treescape	Wildlands

It's important to note that that a key deliverable of Project 17 was securing suppliers that met the project purpose (see note 2). As such, suppliers were not evaluated based on prior history as incumbents or country of origin, but rather their ability to deliver the desired outcomes.

Treescape, Wildlands, City Care and City Park Services are New Zealand owned. Ventia and Urban Maintenance Services are Australian companies with existing operations in New Zealand.

These contracts represent the largest of their kind in Australasia.

In the current model there are 17 suppliers, 8 of which are overseas owned.

Note – overviews of the reasoning for selecting each of the preferred suppliers can be provided.

Value for money

10. The negotiations with preferred suppliers will result in contracts that will deliver increased levels of proactive service and process efficiencies for the delivery of open space, building maintenance, arboriculture services and ecological services. Council estimates that the added value for money in delivering these improvements is in the vicinity of \$30million per year.

Council Procurement unit is undertaking an analysis of these numbers and we are expecting confirmed data by contract signing.

Milestones to date

11. Request for Proposal (RFP) period commenced 28 October 2016 and closed 9 January 2017.
12. Between 9 January 2017 and 6 February 2017 council staff evaluated the technical aspects of the proposals and based on that, developed a longlist of preferred suppliers.
13. From 6 February 2017 to 28 February 2017 the project team commenced negotiations with a longlist of preferred suppliers to further define their potential offering and price. A shortlist of preferred suppliers was identified by 10 March 2017.
14. Between 13 March 2017 and 24 March 2017 Rod Sheridan presented to all 21 Local Boards to request formal feedback and endorsement of the proposed maintenance contracts, including service levels and the general contract approach. All Local Boards gave their endorsement.
15. Local Board feedback was taken to the Strategic Procurement Committee on 24 March 2017 and that committee endorsed the approach to move forward to the Finance and Performance Committee for final approval.
16. Preferred suppliers were recommended to the Finance and Performance Committee at an extraordinary confidential meeting on 30 March 2017. The Committee approved all recommendations outlined in the report with no changes. Councillor discussion and comments were positive towards the Project 17 process and supplier outcomes.
17. Directly following the Finance and Performance Committee meeting, the project team held face to face meetings and/or phone conversations with unsuccessful suppliers. On the same day face to face meetings were held with the preferred suppliers to advise that they were successful and that we would be proceeding to final negotiations leading to contract awards. Letters of intent were signed by both parties at those face to face meetings.
18. Also on 30 March 2017 Rod Sheridan and the project team gave a presentation to internal council and CCO staff (Community Facilities, Parks Sport and Recreation, Libraries, Cemeteries, Active Recreation, ACE, Corporate Property, I&ES, Auckland Transport, Panuku), providing an overview of the project and announcing the successful suppliers.
19. Since 30 March 2017 the project team has been holding debrief meetings with unsuccessful suppliers on request.

20. A memo was sent to all Local Board members on 7 April 2017, advising the preferred suppliers for their contract area.
21. Community Facilities will facilitate workshops with each of the 21 Local Boards in May 2017 to capture the following:
 - finalise their asset list;
 - agree SMART procurement focus areas; and
 - identify and agree local service level variations (if any), such as site specific requirements and enhanced asset services.
22. Local Boards will have the opportunity to meet and greet new suppliers in May/June 2017 to further refine local priorities for Year One (2017/2018).
23. All preferred suppliers have commenced recruitment drives. This has been allowed for in the letter of intent signed on 30 March 2017.
24. The project team are working hard on the mobilisation process, which consists of a significant amount of work such as finalising legal contracts, health and safety requirements and setting up reporting and auditing processes.
25. Community Facilities is committed to ensuring a smooth transition and will keep you regularly informed of progress as we work towards 1 July 2017 (Day One).

Rod Sheridan

General Manager Community Facilities