

## 12. CONTRACT NO 2001/02-202 AMENITY CLEANING

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The purpose of this report is to seek the Council's approval to extend this contract by one year to 31 July 2005 in terms of the contract provisions. Approval by the Council is required because the contract value exceeds the authority delegated to staff.

### BACKGROUND

This contract is for the cleaning of all formed legal roads and public accessways within the city including inner city and suburban mall cleaning, sump cleaning, leaf cleaning and roadside channel sweeping.

The contract was awarded to Metallic Sweeping Ltd in July 2001 for a period of three years for a value of \$6,797,606.92, with provision for two, one year extensions to a maximum of five years.

A five year term is desirable for this type of contract because of the complexity of the work and the time it takes to come to grips with the detailed requirements and local issues. Transfund requirements meant that a full five year contract was not possible but a three year, plus one, plus one year extension provision was allowed. The advantage of this arrangement is that there is an 'out' if performance is not satisfactory or alternatively if the contractor feels they cannot continue the contract because, say, the contract rates are not sustainable. The agreement of both parties is required to extend the contract.

### CONTRACT EXTENSION PROVISIONS

The relevant contract clauses are:

*10.2.1 This contract is for a three year period up to 31 July 2004 with a possible extension on a yearly basis up until 2006.*

*Extensions will be granted based on:*

- i. The Contractor's performance which will be assessed on the Engineer's Audit results tabled at the monthly contract meeting.*
- ii. The agreement of both parties.*

*The decision for extension will be made six months prior to the completion of the contract periods.*

The decision is required by 31 January 2004.

### CONTRACTOR PERFORMANCE

The contractor's performance is measured by a detailed audit system that rates the actual performance against set criteria. This involves site inspections of completed work. These audit results show the contractor is meeting the specified requirements.

Metallic Sweeping Ltd have agreed to a one year extension.

### BENEFITS AND RISKS OF EXTENDING OR NOT EXTENDING

Benefits of Extending:

- The Contractor is performing satisfactorily and is meeting the specified standards and so extending the contract allows time to build on the experience gained, and on the partnering arrangement that was put in place.
- Allows the continuation of initiatives that are underway such as developing GPS technology to monitor litter bin emptying.
- Saves the costs of retendering.
- Allows time to further refine the audit and record systems.
- Retains very competitive prices.

- Allows time to consider levels of service for the inner city and to consider contract arrangements resulting from this.

Risks in Extending:

- Loss of opportunity of getting a new contractor with possible enhanced performance and techniques.

Benefits of Retendering:

- May get a new contractor who could provide enhanced performance and possible lower supervision costs.
- Lower price - although this is unlikely.
- Opportunity to restructure the contract if required - although more than six months would be required.

Risks in Retendering:

- A new contractor wins the retendered contract at a higher price with a lack of knowledge of detailed requirements and local issues resulting in a period of lower performance and higher administration and supervision costs.
- Same contractor wins retendered contract, therefore costs and time is wasted.
- Contract price increases, with or without the same contractor winning.
- Will tie staff up with retendering rather than focussing on further improving service delivery.

## **DISCUSSION**

As noted above the contractor is meeting the performance standards for this contract, and although administration and supervision costs are higher than previously they are within budget. Because the contract was new and new audit systems have been developed it is not known whether another contractor would perform any differently or would require less supervision and administration resources.

If the contract is retendered the likely scenario is Metallic Sweeping Ltd will win the contract, so retendering may just result in wasted time and cost.

A one year extension will enable time for Councillors to consider inner city levels of service, and for staff to assess whether the contract needs to be restructured to meet any changes in levels of service. It is proposed to hold a seminar to consider the levels of service for central city cleaning in February 2004.

On balance we believe the advantages in extending the contract outweigh the advantages in retendering.

### **Staff**

**Recommendation:** That the existing contract be extended for a further one year.

### **Chairman's**

**Recommendation:** That the above recommendation be adopted.