

Decision released from confidential session			
Recommendation from (agenda report)	Date of meeting	Recommendation to (decision-making meeting)	Date of meeting
		Nelson Regional Business Unit	17 September 2021
Report Title and number			
Contract 25834: NRSBU Biosolids Application (R26224)			
Documents released			
Decision RSBU/2021/018 and report Contract 25834: NRSBU Biosolids Application (R26224)			
Decision			
<p>That the Nelson Regional Sewerage Business Unit</p> <ol style="list-style-type: none"> 1. Receives the report Contract 25834: NRSBU Biosolids Application (R26224); and 2. Agrees to award Nelson Marlborough Waste the Biosolids Application contract, for an initial five year term (but up to a maximum of seven years), with an annual contract value of \$1.017M, noting that the slight over expenditure per year will be managed within the overall Nelson Regional Sewerage Business Unit operational budget; and 3. Agrees that report (R26224) and the decision be made publicly available once the tenderer has been advised. 			

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Item 3: Contract 25834: NRSBU Biosolids Application



Nelson Regional Sewerage Business Unit

17 September 2021

Report Title: Contract 25834: NRSBU Biosolids Application
Report Author: Brad Nixon - Operations Manager Regional Services
Report Number: R26224

1. Purpose of Report

- 1.1 To approve the awarding of the Nelson Regional Sewerage Scheme (NRSS) operations and maintenance contract to Nelmac.

2. Recommendation

That the Nelson Regional Sewerage Business Unit

1. ***Receives the report Contract 25834: NRSBU Biosolids Application (R26224); and***
2. ***Agrees to award Nelson Marlborough Waste the Biosolids Application contract, for an initial five year term (but up to a maximum of seven years), with an annual contract value of \$1.017M, noting that the slight over expenditure per year will be managed within the overall Nelson Regional Sewerage Business Unit operational budget; and***
3. ***Agrees that report (R26224) and the decision be made publicly available once the tenderer has been advised.***

3. Background and Discussion

- 3.1 The current contract for biosolids application expires on 31 October 2021. The incumbent contractor is Nelson Marlborough Waste.
- 3.2 The new contract is scheduled to commence on 1 November 2021.

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- 3.3 Officers could no longer extend the contract and a new tender was advertised. After Board input a revised contract was presented to market, which followed the previous measure & value/lump sum style of contract, but upgraded the base terms & conditions to the more recent NZS3917:2013 (Conditions of contract for building and civil engineering – fixed term).
- 3.4 In August 2021, a Request For Tender (RFT) was posted on the Government Electronic Tender Service (GETS). The RFT closed on 3 September.
- 3.5 A single tender was received, from the incumbent Contractor.

4. Exclusion of the Public

- 4.1 This report has been placed in the public excluded part of the agenda in accordance with section 48(1)(a) and section 7 of the Local Government Official Information and Meetings Act 1987. The reason for withholding information in this report under this Act is to:

Negotiations for the potential purchase which may result in a deterioration of councils' position and result in an increased cost.

- Section 7(2)(i) To enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)

5. Contract Model

- 5.1 Since the procurement of the current contract, a number of changes to the NZ Standard suite of contract terms and conditions has resulted in specific terms and conditions being available for fixed term contracts.
- 5.2 The new contract retains the previous contracts measure & value/lump sum approach to price.
- 5.3 The contract specifications have been upgraded to include performance requirements – Key Performance Indicators (KPIs). These KPIs provide penalty options for any Contractor non-performance.

6. Tender Evaluation

- 6.1 As there was a single tenderer, tender evaluation has been limited to ensuring that the tender submission meets the contract requirements (i.e. conforming).
- 6.2 The Tender Evaluation Team reviewed the non-price attributes and confirmed the submission was valid and met requirements.

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7. Contract Value

7.1 The NRSBU Activity Management Plan has a budget of \$960kpa for biosolids application (see yellow highlighted cells in the AMP extract below)

NELSON REGIONAL SEWERAGE BUSINESS UNIT								
10 Year Operations and Maintenance Plan (\$,000)								
73.89	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29
Total Management	500	500	500	500	500	500	500	500
Total Financial	818	1,167	1,399	1,800	1,977	2,324	2,558	2,325
Depreciation	-2,437	2,586	-2,527	2,568	-2,552	2,578	-2,559	2,595
Total Electricity	900	924	982	1,045	1,112	1,185	1,243	1,348
TP Maintenance	1,574	1,574	1,574	1,684	2,474	2,479	2,424	2,939
PS & RM Maintenance	309	309	309	309	309	309	309	309
Total Monitoring	358	297	277	279	277	321	279	277
Consultancy	75	75	75	250	250	250	250	250
Insurance	98	98	98	98	98	98	98	98
Rates & Rental	63	63	63	63	63	63	63	63
Water Charges	20	20	20	20	20	20	20	20
Forestry and spit restoration	4	4	4	4	4	4	4	4
Biosolids Disposal	960	960	960	960	960	960	960	960
Vehicle	10	10	10	10	10	10	10	10
Telephone/Computers	5	5	5	5	5	5	5	5
Total Expenses	3,256	8,592	3,749	9,595	5,507	11,177	6,244	12,303

7.2 The proposed tender value is as follows:

Tender Component	Description	Value	Note
Separable Portion A	Establishment	\$296,525	Lump sum
Separable Portion B	Biosolids application	\$4,788,835	5 year period
	Total:	\$5,085,360	

7.3 The value shown for separable portion B excludes items included in the tendered schedule, which subsequent conversations with the tenderer have been confirmed as not required.

7.4 The costs associated with separable portion A will be amortized over the initial five year term of the contract.

7.5 The total figure above represents an annual spend of \$1.017M

7.6 Officers note that the contract value is slightly higher than the budgeted figure for biosolids application within the AMP (\$57k per annum), however this overspend will be managed within the existing overall OPEX budget for the NRSBU, without requiring any alterations to levels of service.

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7.7 Officers will still pursue savings with the contractor and any savings will be reported back to the Board.

8. Options

8.1 Two options are presented to the Board for consideration. Approve award of the tender or not approve award of the tender. Officers recommend Option 1

Option 1: Award the tender to Nelson Marlborough Waste (recommended option)	
Advantages	<ul style="list-style-type: none"> • Experienced contractor • Currently the incumbent • No upskilling required • No transition required • Establishment costs are reduced when compared to a new Contractor as equipment is already in place
Risks and Disadvantages	<ul style="list-style-type: none"> • Officers are unable to negotiate the contract value below current budget – requiring an increase to the NRSBU OPEX budget but this is still an option and will be pursued.
Option 2: Not Award the tender to Nelson Marlborough Waste	
Advantages	<ul style="list-style-type: none"> • Nil
Risks and Disadvantages	<ul style="list-style-type: none"> • Would need to go to market again • Would not meet the timeline to appoint a new contractor by 1 October 2021 • Reputational risk of not appointing a contractor who meets all the requirements • It is likely that no other tenderers would respond • Current tenderer could increase their tender value • Increased costs associated with extending the current contract • Current Contractor could refuse to accept contract extension

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9. Conclusion

- 9.1 A new request for tenders was advertised for biosolids application to Rabbit Island. A single tender was received, from the incumbent contractor.
- 9.2 Officers support the award of the contract to Nelson Marlborough Waste.
- 9.3 Officers expect to be able to manage the slightly higher than budgeted costs within the overarching NRSBU operations & maintenance budgets.

10. Next Steps

- 10.1 Following approval of the award of the contract to Nelson Marlborough Waste, Nelson Marlborough Waste will be formally advised in writing of its success.

Author: Brad Nixon, Operations Manager Regional Services

Attachments

Nil

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Important considerations for decision making

1. Fit with Purpose of Local Government

The NRSBU is a joint committee constituted pursuant to the provisions of Schedule 7 to the Local Government Act 2002 and contributes to the four Local Government well-beings of social, economic, environmental, and cultural.

2. Consistency with Community Outcomes and Council Policy

The recommendation provides outcomes consistent with Long Term Plans and Community Outcomes, notably the following:

- Our unique natural environment is healthy and protected
- Our infrastructure is efficient, cost effective and meets current and future needs.
- Our communities are healthy, safe, inclusive and resilient

3. Risk

It is anticipated that the biosolids application contract will highly likely meet the performance requirements.

Should this not be achieved, poor performance of the biosolids application may affect the levels of service provision, compliance with Resource Consents, costs, the regions environment, NRSBUs reputation and relationships with iwi.

4. Financial impact

Funding for the biosolids application is proposed to sit within the approved Business Plan and Activity Management Plan of the NRSBU, following negotiations with the tenderer. Should this be unable to be achieved then further funding will be required, with costs passed on to the Nelson Regional Sewerage Scheme contributors.

5. Degree of significance and level of engagement

The NRSBU is a Joint Committee of the two Councils and its activities are included in the Long-term Plans and Annual Plans of each Council. Consultation is undertaken by both Councils in the preparation and adoption of these plans

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6. Climate Impact

Climate change impact has not been considered in this report, however Officers are aware that the long term future of Rabbit Island for suitability of biosolids disposal operations could be at risk due to sea level rise. This will not affect the term of this contract.

7. Inclusion of Māori in the decision making process

No engagement with Māori has been undertaken in preparing this report but iwi have representation on the Board.

8. Delegations

The Councils are agreed that the responsibility for all management and administrative matters associated with the NRSBU operation shall be with the Board, and in particular the Board shall without the need to seek any further authority from the Councils:

Enter into all contract necessary for the operations and management of the Business Unit in accordance with approved Budgets and the intent of the Business Plan.

Authorise all payments necessary for the operations and management of the business unit within the approved budgets and the intent of the Business Plan

Do all other things, other than those things explicitly prohibited by this MOU or relevant statutes, that are necessary to achieve the objectives as stated in the strategic Plan, Asset Management Plan or Business Plan approved by the councils.

Powers to Recommend to Councils:

Any other matters under the areas of responsibility of the Business Unit and detailed in the Memorandum of Understanding

All recommendations to Council will be subject to adoption of an equivalent resolution by the other Council, unless it is a matter specific to one Council only