

Full Council

26 June 2025

Report for Agenda Item | Rīpoata moto e Rāraki take [10]

Department: Planning and Development

Title | Taitara: Procurement Plan for Building Services Contract

Purpose of the Report | Te Take mō te Pūroko

The purpose of this report is to seek Council's retrospective approval of the Procurement Plan appended as Attachment A which will give effect to the procurement process to date, and allow the completion of the process. Due to the total cost of these panel contracts over a proposed five year term, it is necessary to go through a full procurement process.

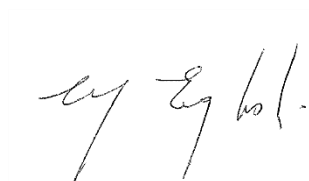
This report seeks a delegation from Council to the Chief Executive to enter into the necessary agreements to enact the intention of the Procurement Plan utilising the budgets summarised in this report.

Recommendation | Kā Tūtohuka

That the Council:

1. **Note** the contents of this report;
2. **Approve** retrospectively the Procurement Plan appended as Attachment A;
3. **Delegate** authority to the Chief Executive to enter into the necessary agreements to enact the intention of the Procurement Plan up to the maximum budget summarised in this report; and
4. **Note** that retrospective approval of the Procurement Plan for the Building Services Panel gives effect to the procurement process completed to date.

Prepared by:



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30 May 2025

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30 May 2025

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Context | Horopaki

1. Queenstown Lakes District Council's Building Consent Authority (BCA) is mandated by the Building Act 2004 to provide building consent processing and building inspection activities. These services have historically been provided by a mix of Queenstown Lakes District Council (QLDC) officers and contractors. This model has been used to ensure continuity of service, compliance with meeting statutory timeframes and to effectively manage resource during the peaks and lows of building consent activity. The contracts do not have any minimum hours guaranteed to contractors and contractors are engaged on a 'as required' basis. This gives the BCA the ability to utilise contractors when volumes are high and then reduce their utilisation when workstreams decrease.
2. Procurement for the current Building Services began in 2020 with four contractors engaged to provide building consent processing and building inspection services. The contract was for an initial term of three years with two by one year rights of renewal at Council's discretion. The two renewals were offered to the contractors and agreed to. The current three year contract with the two by one year renewals expired on 1 June 2025 and due to the procurement process not being finalised by that time, procurement departure plans have been drafted and approved for the period 1 June to 29 August 2025 by which time the new contracts will be in place.
3. Below is the historical spend of the current four contracts:

Total spend from 1 July 2020 to 30 April 2025 is \$7,440,620 plus GST.

2020/21	\$1,258,588
2021/22	\$1,440,059
2022/23	\$1,583,686
2023/ 24	\$1,656,298
2024/25 (10 months)	\$1,501,989

4. The key areas of service are:
 - Provision of building consent processing. This service is undertaken remotely.
 - Provision of building inspections. This service is predominately undertaken on site but remote and desktop inspections for low risk builds can also be undertaken remotely.
5. Due to the cost of this contract over a proposed five-year term it is necessary to go through a full procurement process. This report seeks a delegation from Council to the Chief Executive to finalise the Procurement Plan and to enter into the necessary agreements to enact the intention of the Procurement Plan utilising the budgets summarised in this report.
6. At this time, it is anticipated that the proposed five-year contract (three-year initial term plus a two by one year right of renewal) will cost approximately \$8,500,000 plus GST. Costs are outlined further in this report. Approximately 98% of all time charged by contractors is recovered from applicants as discussed further below.

Analysis and Advice | Tatāritaka me kā Tohutohu

7. The Building Services contract is set up in a manner in which the Council pays for the services it utilises and is scaled upon demand. This means that there is flexibility to adjust levels of service according to demand. It is important to have this scalability as regardless of workload the BCA has statutory timeframes to meet for processing building consents (20-days) and Ministry of Building Innovation and Employment guidelines for building inspections (3-5 days). To retain accreditation as a BCA and as a result the ability to issue building consents, these timeframes must be met or be close to being met regardless of building consent and building inspection activity.
8. Contractor hourly rates charged to the BCA are historically lower than the BCA hourly rate for applicants which utilise building services. If a contractor did have an hourly rate above the BCA's, applicants are only charged the BCA hourly rate. This ensures no customer is being disadvantaged financially through contractors undertaking their building consent processing or building inspections work. It is also worth noting that approximately 98% of the contractors work being undertaken on behalf of the BCA is chargeable time which the BCA on-charges to its applicants. This results in a cost recovery of contractor costs of between 95% and 98%.
9. Demand on services in the 2024/25 year has increased significantly from 2023/24. It is unknown whether this upswing in demand for services will continue beyond this year. Queenstown Lakes District however is one of very few districts in New Zealand experiencing building activity growth in 2024/25. Due to reduced work volumes elsewhere a number of other BCAs in New Zealand are reducing their BCA staff numbers. The Queenstown Lakes District BCA is the 5th busiest in New Zealand based on consent numbers and value of consents issued (\$1.2bn for 24/25).
10. The Building Services team has grown significantly over the last 8 years to total 43.5 full time equivalent staff members which includes 25 technical staff who process building consents and undertake building inspections.

Contract Review

11. The current manner in which the Building Services team manages the contract ensures the services being provided work well for Council and the community and provides an effective and efficient service to the district's building sector. Using contractors for the provision of these services under the guidance and direction of internal QLDC Building Services senior staff enables consistency and timely service.

Estimated Costs

12. At this time, it is anticipated that the proposed five-year contract (three-year initial term plus a two by one year right of renewal at Council's discretion) will cost approximately \$8,500,000 plus GST. This is our best estimate at this time, although the actual cost could be more or less due to inflation, increase or decrease in building activity and staffing levels.

Forecasting 3 +1+1

2024/25	2025/26	2026/27	2027/28	2028/29	
Year 1	Year 2	Year 3	Year 4	Year 5	Total contract
\$1,700,000	\$1,700,000	\$1,700,000	\$1,700,000	\$1,700,000	\$8,500,000

Forecast Assumptions

13. The forecast figures are based on current spend and building activity. The total approximate cost has been multiplied by CPI (5%) plus a contingency of 4% to ensure the total spend over the period sought is not exceeded. The total spend proposed is therefore \$8.5m which is considered appropriate over the life of the contracts. This is a best estimate as building activity is unknown year to year. There are no minimum hours guaranteed to contractors and they are engaged on 'as required' basis as workloads demand. It is forecast that increased staff numbers (the BCA is currently fully staffed with 25 Building Control Officers, with additional full time equivalent Building Control Officer numbers being requested in future budgets) and lower levels of training demands on staff, will result in reduced contractor demand from 2025 and onwards.
14. It is also anticipated that with potentially higher numbers of contractors responding to the Request for Proposal there will be increased price tension and better value outcomes for the BCA.

Key Statistics

15. Historically contractors have undertaken approximately 50% of the BCA's work. This can vary from 40% to 60% depending on workload and staff availability. With contractors operating on a 'as required' basis this has the benefit of allowing the BCA to upscale or reduce the contractor resource requirements depending on consent and inspection activity without affecting staffing levels.

Service	2022/23	2023/24	2024/25
Building consent numbers	1609	1309	1600+
Building inspections undertaken	18,000	18,000	19,000+
Building consent value	\$1.068bn	\$973m	\$1.2bn+

Procurement

16. The QLDC Procurement Manager has been engaged to consider various procurement models. A single stage, open Request for Proposals has been determined as being the most appropriate.
17. The Procurement Plan sets the rationale for the procurement process, the "go to market" strategy, the key timeframes and the secondary benefits sought.

Scope of Services

18. The scope of services remain consistent to the previous contract.
- a Processing of building consents
 - b Provision of building inspections

Options

17. This report identifies and assesses the following reasonably practicable options for assessing the matter as required by section 77 of the Local Government Act 2002.
18. Option 1 Approve Procurement Plan and delegation of authority to the Chief Executive for any final changes and execution of the Procurement Plan

Advantages:

- Option 1 is consistent with the QLDC Procurement Policy and ensures the BCA meets the expectations of property owners and the building sector and meets its statutory timeframe and obligations for processing building consents and undertaking building inspections.

Disadvantages

- The Council will be acting contrary to its internal policies by not acting in accordance with the Procurement Policy.

19. Option 2 Do not approve the Procurement Plan and delegation of authority to the Chief Executive for any final changes and execution of the Procurement Plan.

Advantages:

- More time will be available for market engagement.

Disadvantages:

- Any change to these plans will increase the time required for the procurement process and may result in needing to extend the current contract to allow for changes to timings.
- Interested parties to this procurement may find alternative options if there is a delay to this process.

20. Option 3 Approve the Procurement Plan but not the delegation of authority to the Chief Executive for any final changes and execution of the Procurement Plan.

Advantages:

- Council will have operational oversight of the process

Disadvantages:

- Any change to these plans will increase the time required for the procurement process and may result in needing to extend the current contract procurement departure to allow for changes to timings.
- Interested parties to this procurement may find alternative options if there is a delay to this process.

21. This report recommends **Option 1** for addressing the matter because it is consistent with the QLDC Procurement Policy and is the best option to ensure the BCA meets its compliance obligations. The procurement process will likely be completed by the expiration of the procurement departure process relating to the Building Services contract, ensuring we meet service levels expected by the community.

Consultation Process | Hātepe Matapaki

Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka

22. This matter is of medium significance, as determined by reference to the Council's Significance and Engagement Policy 2024 because the community has an interest in the level of service and performance provided to them in regard to regulatory/building functions.
23. The persons who are affected by or interested in this matter are residents/ratepayers and the building sector of the Queenstown Lakes district community.

Māori Consultation | Iwi Rūnaka

24. Consultation with iwi has been considered to be not required with respect to the subject matter of this report.

Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka

25. This matter relates to the Building Services risk category. It is associated with RISK10034 Inadequate resource management or building consent systems, processes and/or people capability results in poor development outcomes and liability. This risk has been assessed as having a moderate residual risk rating.
26. The approval of the recommended option will allow Council to avoid the risk. This will be achieved by having competent contractors in place prior to the end of the current procurement departure process and before the IANZ assessment in October 2025.

Financial Implications | Kā Riteka ā-Pūtea

27. The estimated costs have been discussed earlier in the report and have been considered as part of the Annual/Long Term Plans.
28. Financial delegation for a contract of this size sits with Council and this report seeks delegation from Council to the Chief Executive.

Council Effects and Views | Kā Whakaaweawe me kā Tirohaka a te Kaunihera

29. The following Council policies, strategies and bylaws were considered:
- Vision Beyond 2050: Our Vision and Mission
 - Procurement Policy
 - Procurement Guidelines
30. The recommended option is consistent with the principles set out in the named policies.
31. This matter is included in the Long Term Plan/Annual Plan

Legal Considerations and Statutory Responsibilities | Ka Ture Whaiwhakaaro me kā Takohaka Waseture

32. The QLDC Legal Team will provide support to draft the respective contract.

Local Government Act 2002 Purpose Provisions | Te Whakatureture 2002 o te Kāwanataka ā-Kiaka

33. Section 10 of the Local Government Act 2002 states the purpose of local government is (a) to enable democratic local decision-making and action by, and on behalf of, communities; and (b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future. The recommended option will help meet the current and future needs of communities for good-quality local built environment and performance of building functions in a way that is most cost-effective for households and businesses by providing a structured process for selecting preferred contractors. As such, the recommendation in this report is appropriate and within the ambit of Section 10 of the Act.
34. The recommended option:
- Can be implemented through current funding under the Long Term Plan and Annual Plan;
 - Is consistent with the Council's plans and policies; and
 - Would not significantly alter the intended level of service provision for any significant activity undertaken by or on behalf of the Council or transfer the ownership or control of a strategic asset to or from the Council.

Attachments | Kā Tāpirihaka

A	Procurement Plan for Building Services
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