

Report To: Council



Meeting Date: 25 March 2014

Subject: Strategic Plan – Procurement Alignment Between Waitomo District Council and Inframax Construction Limited

Purpose

- 1.1 The purpose of this business paper is to provide a progress report to Council on the establishment of a Strategic Plan intended to formally document the authority/agreement for procurement alignment over WDC functions with its subsidiary, Inframax Construction Ltd (ICL).

Local Government Act S.11A Considerations

- 2.1 Section 11A of the Local Government Act 2002 (LGA 2002) states:

'Core services to be considered in performing role

In performing its role, a local authority must have particular regard to the contribution that the following core services make to its communities:

- a) *Network infrastructure:*
- b) *Public transport services:*
- c) *Solid waste collection and disposal:*
- d) *The avoidance or mitigation of natural hazards:*
- e) *Libraries, museums, reserves, recreational facilities, and other community infrastructure.'*

- 2.2 There are no considerations relating to Section 11A LGA 2002 in regards to this business paper.

Background

- 3.1 As of, and leading up to, the 2012 'Better Local Government' reform program local authorities have been under increasing pressure to seek greater efficiencies, with shared service models being the most common area of focus by local authorities to achieve these efficiencies.
- 3.2 The shared services model is most commonly referred to in a Territorial Authority (TA) to Territorial Authority context, however this does not exclude less traditional and/or more innovative shared services models. WDC have a preference for engaging in shared service initiatives implemented through utilising a

collaborative approach and as such actively seek such opportunities where synergies exist.

- 3.3 ICL is a regionally active civil contractor with a focus on roading construction and maintenance for local authorities. ICL has head offices located in Te Kuiti with additional field offices located in regional towns as demand requires, usually in conjunction with being awarded contracts for road maintenance in these areas.
- 3.4 ICL has undergone a period of significant challenges/change in the last 5 years with an increased focus on core operations and company sustainability.
- 3.5 WDC management and staff are constantly on the lookout for procurement alternatives that will be of benefit to its subsidiary ICL.
- 3.6 To date, alternative procurement opportunities identified and actioned have included:
 - o Inclusion in the Waikato Councils' insurance collective; and
 - o Fuel and oil procurement through BP as a result of the Ministry of Defence proposal to Waikato LASS.

Commentary

- 4.1 The ICL Board is preparing a draft Strategic Plan for Council to consider. Essentially, that Plan will replace the approved Recovery Plan.
- 4.2 In the meantime, and until that draft Strategic Plan is received, we are continuing to look for procurement opportunities that can be shared with ICL. The latest shared service opportunity actioned was the alignment between WDC and ICL in relation to IT service delivery.

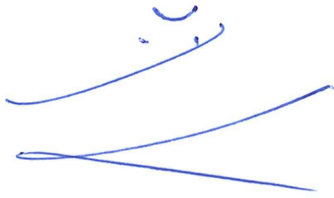
Shared ICT Services

- 5.1 On 6 December 2013 we received a signed MoU from ICL that agreed to establish shared ICT services between the two organisations with WDC taking a lead role for both parties in delivering:
 - administration and support of ICT environment(s);
 - administration and support of end users;
 - provision of helpdesk services;
 - management of ICT vendor relationships;
 - administration of ICT procurement;
 - appointment of an ICT administrator;
 - provision of common and/or shared ICT infrastructures;
 - provision of project based ICT advice and planning;
 - provision of strategic ICT advice and planning;
 - development of ICT solutions to meet business objectives.

- 5.2 The MoU outlines the following common overarching objectives;
- Reduce total cost of ICT investments and services.
 - Every change to the ICT environment adds value and reduces risk.
 - Continually improve ICT services enhancing staff productivity and value.
 - Minimise complexity and inefficiency for staff using ICT services and systems.
 - Develop and maintain a reliable, secure and accessible ICT environment for both parties.
 - Demonstrate enhanced working relationships between the ICL and WDC so as to provide an example for future shared service agreements.
- 5.3 On 18 March 2014 the Tenders Committee approved the project, including the purchasing of hardware, software and services along with associated delegations.
- 5.4 The project will be managed by a Project Board and Project Team, each with different roles and delegated responsibilities. The project will consist of the following phases:
- (i) Establishment of a disaster recovery and business continuance network link between WDC and ICL. This will be achieved with a 1Gbps radio network link between the Queen Street and Waitete Road data centres.
 - (ii) Upgrade and reconfigure the shared data centres with a new server and storage area network (SAN) at ICL and an increase in the capacity of the WDC SAN to optimize the role of existing hardware.
 - (iii) WDC Wide Area Network (WAN) Reconfiguration. This involves eliminating obsolete WAN equipment, releasing some WAN equipment for upgrading internet connectivity and standardizing WAN connectivity at both sites on a common radio WAN platform.
 - (iv) Internet connectivity upgrade to improve the speed, capacity and reliability of ICL and WDC's connectivity to the internet and Virtual Private Network (VPN) connections.
 - (v) Decommissioning of the ICL Gen-I Private Office Network (PON). This involves replacing existing PON connections to the remote ICL offices in New Plymouth, Taumarunui and Stratford with VPN connections. This will reduce costs and increase the reliability of connectivity for those sites.
- 5.5 The total capital cost for the project is estimated to be \$66,470 and will be funded from existing budgets. ICL's share of costs will be recovered by way of monthly charge-outs.
- 5.6 Houston Technology Group (HTG), as both WDC's and ICL's incumbent supplier of IT support and consultancy services will provide, implement and reconfigure the server and SAN hardware and software.
- 5.7 PC Soft (local supplier) will provide the 'high speed' radio based WAN network link between WDC and ICL.

Suggested Resolution

1. The business paper 'Strategic Plan – Procurement Alignment between Waitomo District Council and Inframax Construction Limited' be received.



C.E. (KIT) JEFFRIES

GROUP MANAGER – CORPORATE SERVICES

18 March 2014

Attachment: Memorandum of Understanding (MoU) for Shared Information and Communications Technology Services between WDC and ICL (*doc # 319689*)



Memorandum of Understanding (MoU)
Shared Information & Communications
Technology (ICT) Services

Between

Waitomo District Council

And

Inframax Construction Limited

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1.0 **Parties**

- 1.1 Waitomo District Council (WDC), a territorial local authority under the Local Government Act 2002.
- 1.2 Inframax Construction Limited (ICL), a Council Controlled Trading Organisation under the Local Government Act 2002.

2.0 **Background**

- 2.1 ICL is a regionally active civil contractor with a focus on roading construction and maintenance for local authorities. ICL has head offices located in Te Kuiti with additional field offices located in regional towns as demand requires, usually in conjunction with being awarded contracts for road maintenance in these areas. ICL is a Council Controlled Organisation (CCO) 100% owned by WDC operated at 'arms length' with an independent board.
- 2.2 ICL has limited internal ICT capacity and experience with any such capacity being incidental to core functions. WDC has dedicated internal ICT capacity and relevant experience. In the context of the local district environment both WDC and ICL are significant consumers of ICT services and such services are critical to the success of each organisation, both with regards to ongoing daily operations as well as providing enablement of strategic initiatives.
- 2.3 Accessibility to quality, cost effective, responsive ICT support locally is a challenge for both organisations as major commercial centres are more than 1 hours travel away. Remote support is available but not preferred as this can impact the overall quality of services due to reduced understanding or awareness of current circumstances in the organisation in the organisation for requests received and/or miss-communication.
- 2.4 Both parties have objectives which encourage closer working relationships with each other and / or sector partners to enhance business results.
- 2.5 The parties have discussed ways to formalise a working relationship for ICT services and have decided to enter into a Memorandum of Understanding.

3.0 **Intent**

- 3.1 The intent of the MoU is to:
 - Formalise a working relationship between the parties for the shared provision of ICT services;
 - Specify the principles, objectives and nature of collaboration between the parties for the shared provision of ICT services;
 - Outline the scope of shared ICT services between the parties in order to achieve mutually beneficial outcomes, effectively manage organisational risks associated with ICT investments and maintain an effective collaborative relationship between the parties for the purposes of shared ICT services.

3.2 The parties do not intend that this MoU creates a legally enforceable agreement. Both parties agree that execution of this MoU is to be carried out in 'good faith' without recourse.

4.0 **Scope**

4.1 ICL and WDC agree to collaborate on, including but not limited to the:

- administration and support of ICT environment(s);
- administration and support of end users;
- provision of helpdesk services;
- management of ICT vendor relationships;
- administration of ICT procurement;
- appointment of an ICT administrator;
- provision of common and/or shared ICT infrastructures;
- provision of project based ICT advice and planning;
- provision of strategic ICT advice and planning;
- development of ICT solutions to meet business objectives.

5.0 **Goals**

5.1 The parties acknowledge they have separate objectives and statutory responsibilities some of which may not be congruent. However, in addition to any Goals specified in the Information Services Strategic Plan (ISSP), both parties agree that they share the following common overarching objectives;

- Reduce total cost of ICT investments and services.
- Every change to the ICT environment adds value and reduces risk.
- Continually improve ICT services enhancing staff productivity and value.
- Minimise complexity and inefficiency for staff using ICT services and systems.
- Develop and maintain a reliable, secure and accessible ICT environment for both parties.
- Demonstrate enhanced working relationships between the ICL and WDC so as to provide an example for future shared service agreements.

5.2 It is therefore important to list the respective goals to set up a platform from which collaborative efforts can be pursued. This shall be accomplished through the establishment and regular review of an individual ISSP or such similar plan, for each

party. In the absence of these ISSP's, projects, processes or any such activity may be carried out under mutual agreement.

5.3 Each ISSP will be developed with consideration to this MoU and resulting work programs will be aligned to optimise collaborative opportunities and organisational synergies.

5.4 Both parties seek the timely, efficient and effective realisation of these work plans.

5.5 Neither party shall be hindered under this MoU to the extent that it impacts unduly upon the timely, efficient and effective realisation of either party's objectives.

6.0 **Agreements**

6.1 The parties agree to:

6.2 Act in 'good faith' at all times for the benefit of both parties.

6.3 Formally establish one party as the lead agency, or to act on behalf of the other party where practicable, for the purposes of executing ICT initiatives, procurement and/or service provision.

6.4 Fund, or provide funds to the other party for, the provision of ICT services as agreed against an 'expenditure plan' prepared on an 'equitable shared costs' or 'cost recovery' basis.

6.5 'Expenditure plans' for the provision of ongoing ICT services will be prepared as part of WDC and ICL's annually budgeting processes. 'Expenditure plans' for projects will be prepared as part of the project approval process.

6.6 Meet to discuss issues which impact on the roles and responsibilities of either party including those issues which are preventing the parties from delivering their goals.

6.7 Acknowledge that consideration of future ownership / local government models is a matter of strategic importance to both parties, and agree to consider these aspects in the establishment of all shared ICT initiatives.

6.8 Work collaboratively and co-operatively on any other issue that may be identified from time to time.

6.9 Monitor the effectiveness of the relationship.

6.10 Maintain confidentiality in the context of this MoU except as agreed from time to time.

7.0 **Term**

7.1 The term of this MoU is indefinite until terminated by either party.

8.0 **Conflict**

8.1 Where a conflict arises between the parties, which impacts on collaborative efforts, then:

8.2 The conflict will be referred immediately to the respective Chief Executives.

9.0 **Signing**

Date:

Name: Chris Ryan

Occupation: Chief Executive
Waitomo District Council

Address: Queen Street, Te Kuiti

Date:

Name: Chris Hayward

Occupation: Chief Executive
Inframax Construction Ltd

Address: Waitete Road, Te Kuiti

10.0 **Changes**

10.1 The following register shall record all changes made to the MoU:

Reference	Description of Change	Documentation