

## CONFIDENTIAL REPORT

**TO:** Council

**MEETING DATE:** 1 September 2021

**TITLE:** Award of Contract - Crematorium Seismic Strengthening

**PRESENTED BY:** Bryce Hosking, Manager - Property

**APPROVED BY:** Sarah Sinclair, Chief Infrastructure Officer

---

It is recommended that this report be considered with the public excluded, as permitted by the Local Government Official Information and Meetings Act 1987 under clause:

**s7(2)(h) Commercial Activities - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities**

**s7(2)(i) Negotiations - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)**

### **RECOMMENDATION FOR PUBLIC RELEASE**

Upon execution of the construction contract.

---

### **RECOMMENDATION(S) TO COUNCIL**

- 1. That Council approves the award of Contract 3968 Crematorium Seismic Strengthening to Maycroft Construction Limited for \$2,354,803 (excluding GST).**
- 2. That Council gives the Chief Executive the delegated authority to vary the contract sum by the maximum amount of 30% of the contract sum within the Programme Budget, to be used as contingency should it be required for the successful delivery of Contract.**

## Summary of options analysis for

<p><b>Problem or Opportunity</b></p>	<p>In July 2017 the Earthquake-Prone Buildings Amendment Act came into force. It determines a nationally consistent way of identifying and managing the most vulnerable buildings in terms of people's safety.</p> <p>Council adopted an Earthquake Prone Buildings Policy in 2019 which provides a framework for decision making around the strengthening of all EPB's within Council's building portfolio. Council officers also reviewed the criticality of some key assets, when prioritising work.</p> <p>The crematorium building within Kelvin Grove Cemetery has been identified as being an Earthquake Prone Building (EPB) under the Building Act 2004 and as such requires strengthening to be undertaken on the building to remedy this. This is also a critical asset, as crematorium services are Essential during disasters, so this work was prioritised alongside work to strengthen the waste water treatment plant.</p> <p>The seismic strengthening of Council's earthquake prone buildings, including the crematorium, is provided through Programme 902 – Seismic Strengthening of Council Owned Buildings.</p> <p>A competitive tender process has been undertaken for the construction works phase of the project. As the tenders received are above the Chief Executive's delegated authority, this report seeks approval to accept the preferred tender and enter a contract to deliver the physical works.</p>
<p><b>OPTION 1:</b></p>	<p><b>Award the Contract to Maycroft Construction Limited for the Seismic Strengthening of the Kelvin Grove Crematorium Building.</b></p>
<p>Benefits</p>	<ul style="list-style-type: none"> <li>• The crematorium facility will be strengthened to no longer be earthquake prone which will help with the business continuity of an essential service in a post-disaster event.</li> <li>• Council is meeting its legislative requirements around remedying earthquake prone buildings.</li> </ul>
<p>Risks</p>	<ul style="list-style-type: none"> <li>• Given the age and construction typology of the building, there is an increased risk of uncertainty when undertaking structural works. However, this risk has been mitigated through an increased project contingency.</li> </ul>
<p>Financial</p>	<ul style="list-style-type: none"> <li>• Award the Contract for \$2,354,803 excluding GST</li> </ul>
<p><b>OPTION 2:</b></p>	<p><b>Do Not Award the Contract for the Crematorium Seismic Strengthening.</b></p>

Benefits	<ul style="list-style-type: none"> <li>• None – the crematorium needs to be strengthened to meet legislative requirements.</li> </ul>
Risks	<ul style="list-style-type: none"> <li>• The crematorium will not be strengthened in a timely manner adding a significant risk of building structural failure in the event of an earthquake.</li> <li>• An essential service in a post-disaster event may not be able to function.</li> </ul>
Financial	<ul style="list-style-type: none"> <li>• If the contract is not awarded to Maycroft Construction, then the construction contract will need to go back out to tender. Given the escalation in material costs in the construction marketplace this is expected to result in an increase in the construction cost of between 10-20%.</li> </ul>

## **RATIONALE FOR THE RECOMMENDATIONS**

### **1. OVERVIEW**

- 1.1 The crematorium building within Kelvin Grove Cemetery has been identified as being an Earthquake Prone Building (EPB) under the Building Act 2004 and as such requires strengthening to be undertaken on the building to remedy this. It has also been identified as a critical asset for Council to continue to function during and after disaster events, and therefore prioritised for strengthening.
- 1.2 A competitive tender process has been undertaken for the construction works phase of the seismic strengthening of the Crematorium Building within Kelvin Grove Cemetery in line with Council's Procurement Policy.
- 1.3 As the tenders received are above the Chief Executive's delegated authority, this report seeks approval to accept the preferred tender and enter a contract to deliver the physical works.
- 1.4 In addition to the strengthening work, the renewal work planned to be undertaken through Programme 563 – Cemeteries – Kelvin Grove – Crematorium Office Reconfiguration to address health and safety issues is also planned to be undertaken in the 2021/22 financial year within the facility.
- 1.5 To secure contractor availability, limit operational disruption, and to get budget efficiencies, this renewal work was developed into a procurement 'bundle' with the seismic strengthening, and will be undertaken as part of the seismic construction contract through a single construction contractor.

### **2. BACKGROUND AND PREVIOUS COUNCIL DECISIONS**

- 2.1 In July 2017 the Earthquake-Prone Buildings Amendment Act came into force. It determines a nationally consistent way of identifying and managing the most vulnerable buildings in terms of people's safety.

- 2.2 The Act identifies Palmerston North as a "High Seismic Risk Area", which requires building owners to address EPBs within 15 years of receiving an Earthquake Prone Building Notice.
- 2.3 Several risk factors help predict what may happen to a building in an earthquake. These include its age, size, shape and construction materials. The Initial Evaluation Procedure (IEP) and Detailed Seismic Assessment (DSA) process assesses a building to indicate performance in an earthquake. This is represented as a percentage of the New Building Standard (NBS). EPBs are those classified as less than 34% of the new building standard.
- 2.4 Council adopted an Earthquake Prone Buildings Policy in 2019 which provides a framework for decision making around the strengthening of all EPB's within Council's building portfolio. This prioritised strengthening work to the crematorium highly, as a critical asset providing an Essential Service.
- 2.5 The seismic strengthening of Council's earthquake prone buildings, including the crematorium, is provided through Programme 902 – Seismic Strengthening of Council Owned Buildings.

#### Crematorium Building

- 2.6 The crematorium is a single-story building built in 1954. The building was initially identified through an IEP as earthquake prone in 2012. The subsequent DSA then determined the building to be between 25% - 30% of NBS.
- 2.7 Given there are only two other privately-owned crematorium facilities in the City, coupled with the criticality of the crematorium facility in the event of a disaster event, the building has been prioritised by Council Officers as one of the first buildings in the portfolio to be strengthened.
- 2.8 In addition, staff Health and Safety challenges with the current building and wider cemetery need to be addressed. In particular the risks associated with lone worker management in the wider cemetery will be considerably mitigated by bringing the three on-site staff into one location within the Crematorium facility rather than spread throughout the site. The co-location of these staff will also greatly enhance the customer service outcomes for the site.

#### Scope of Contract

- 2.9 The scope of the works involves delivery of structural intervention to seismically strengthen the PNCC owned and operated Crematorium to 67% of NBS.
- 2.10 In addition to the strengthening work, the refurbishment upgrade work planned to be undertaken through Programme 563 (Cemeteries – Kelvin Grove – Crematorium Office Reconfiguration to address health and safety issues) will be undertaken as part of the seismic construction contract and was included in the works scope being procured.

- 2.11 The commercial facilities (cremator operations room) inside the building will remain operational and be accessible to and available for use by Council Officers for most of the contract works period, however, the chapel will be closed to the public for the duration of the contract works. This key requirement to maintain essential levels of service requires specific work planning methodology from the contractors, in terms of work sequencing and site safety.
- 2.12 A further complexity for this project is the age of the facility and the high risk of uncertainty when undertaking the works such as finding asbestos and other structural issues when penetrating the walls etc. This was deemed best managed as a risk, rather than including costs directly into the scope as provisional sums, to enable value engineering processes to take place if any significant issues are identified or uncovered during the construction process.
- 2.13 Officers confirmed use of the NZS3910 (2013) standard construction contract for the work. Given the type of work, a measure and value approach (ie define schedules and quantities but remeasure based on the actual work done) was deemed appropriate. This leaves the cost risk of unexpected work with Council, rather than asking the contractor to price in all the risk as a lump sum, because risk pricing for seismic work would be very expensive.

### **3. PROCUREMENT OVERVIEW**

- 3.1 Due to the complexity of the work and the market demand at present, a registration of interest (ROI) process was undertaken in December 2020. This process identified a limited number of contractors who expressed interest in tendering for the work, and who confirmed they had the capability, capacity and the relevant experience in seismic strengthening construction.
- 3.2 Contractor engagement continued with these contractors through 2021 to maintain interest in the project and to understand contractor capacity with the selected contractors.
- 3.3 Subsequently three (3) contractors were issued the Request for Tender Package in May 2021 with a submission cut-off date in June 2021.
- 3.4 Unfortunately, one of the contractors withdrew from submitting a tender late in the process citing resource constraints. Officers determined to proceed with two tenderers because of the market conditions and the importance of the work, in line with the procurement plan.

### **4. PROCUREMENT METHODOLOGY**

#### Evaluation Methodology

- 4.1 There are several factors that are considered when determining the weighting of the non-price and price criteria prior to tendering these include, but are not limited to:
- Project outcomes and requirements;

- Project risks, consequences and impacts;
- Risk of uncertainties occurring during construction;
- Criticality of the asset;
- Alternative options to the asset whilst it is unavailable;
- Complexity and duration of the project;
- Skills and experience required to complete the project successfully;
- Impact of asset downtime or not being able to use the asset during construction;
- Cost of construction and project budgets.

4.2 Retro fit seismic work is considered complex and as such the experience and previously demonstrated skillset of the contractors was deemed very important. Therefore, high weighting was given in the tender evaluation to tenderers who could demonstrate that they had done retrofits of this type successfully, and to the satisfaction of their client.

4.3 In addition, the Crematorium is considered a critical asset especially in a post-disaster event. Adding to this, there are limited local alternative cremation options so limiting the amount of downtime for the facility was a key consideration. Given this the methodology and programme timeline for the project were very important considerations. Tenderers were asked to put forward a methodology which showed how they would minimise downtime of the crematorium, whilst maintaining safety of staff and construction workers.

4.4 With the above in mind Council Officers defined the importance of the methodology to be 30% of the overall consideration, and the importance of the track record and skills of the team (including communication) as 30% of the overall consideration. This resulted in 40% weighting being attributed to price. For a weighted attributes method, general council practice can range from 20% price to 100% price, depending on the complexity and risk of the project, to maximise value. In this instance, officers overall weighting of 60% non-price attributes and 40% price was deemed most appropriate to ensure successful delivery of the project within the constraints of the site.

4.5 The attributes and weightings used were:

<b>Attributes</b>	<b>Weighting (%)</b>
<b>Non-Price Attributes</b>	<b>60%</b>
<i>Skills of Proposed Project Team and Communication</i>	30%
<i>Methodology</i>	30%
<b>Price Evaluation</b>	<b>40%</b>
<b>Total</b>	<b>100%</b>

4.6 This procurement along with the evaluation of the tenders received is in accordance with the current Council procurement policy. Council's procurement policy provides consideration towards using local contractors where appropriate. Core Principle 5 of the policy states:

*"Local suppliers should be given a fair opportunity to compete for Council business. Where there are valid Council requirements for a supplier to have a local presence, this should be identified in the planning stage and weighted accordingly. Having given local suppliers a fair opportunity and assessed any commercial or practical advantages associated with local supply, staff are required to make purchasing decisions based on best value for money."*

As such this was considered as part of the non-price attributes through the 'Skills of Proposed Project Team and Communication' criterion. The tenderers were required to provide commentary on whether they were locally based and the skills of the key team members who will be involved in the project and whether these staff were local or not-

4.7 Please note Council's procurement policy is scheduled to be reviewed by Council later in 2021/22.

4.8 A tender review panel was created to evaluate the tender submissions using the weighted attributes method in a closed envelope, two-stage process. This two-stage process involves a full evaluation of the quality of the suppliers' submissions, before opening the prices, so as not to influence perceptions of quality.

Evaluation Results

4.9 Two (2) high-quality compliant tenders were received from:

- **s7(2)(b)(ii) Third Party Commercial**; and
- Maycroft Construction Limited.

4.10 Below is a summary of the non-price attribute scores:

Criteria	Score (%)	s7(2)(b)(ii) Third Party Commercial	Maycroft Construction
Skills of Proposed Project Team and Communication	30%		s7(2)(b)(i)
Methodology	30%		s7(2)(b)(i)
Score	60%		s7(2)(b)(i)

4.11 Both tenderers have established Palmerston North based offices and permanent Palmerston North based staff; **s7(2)(b)(ii) Third Party Commercial**

s7(2)(b)(i) Third Party Commercial; Maycroft Construction in Roy Street. Both tenderers have also worked for Council before.

4.12 s7(2)(b)(ii) Third Party Commercial

4.13 The programme provided from Maycroft Construction through their tender will see the project being completed in September/ October 2022.

4.14 Below are the initial tender prices and associated scoring

Criteria	Score (%)	s7(2)(b)(ii) Third Party Commercial	Maycroft Construction
Tender Price			\$2,193,158
Price Score	40%		s7(2)(b)(i) T

4.15 There were several 'tender tags' and clarifications associated with both tenders (which is expected from tenderers in these situations) which needed to be confirmed prior to determining a construction contract price. Council Officers worked with both contractors to clarify these tags to reduce as much uncertainty as possible around the various tender items prior to confirming a preferred tenderer. This allowed for both contractors to provide revised accurate pricing for these items.

Criteria	Score (%)	s7(2)(b)(ii) Third Party Commercial	Maycroft Construction
Skills of Proposed Project Team and Communication	30%		s7(2)(b)(i) T
Methodology	30%		s7(2)(b)(i) T
Score	60%		s7(2)(b)(i) T
Tender Price			\$2,193,158
Price Score	40%		s7(2)(b)(i) T
<b>Total Score</b>	<b>100%</b>		s7(2)(b)(i) T

- 4.16 After clarifying the tender tags, Maycroft Construction was confirmed as the preferred tenderer based on the weighted attributes method. They were approached to work through further detail of their tags, and negotiate out tags where appropriate, to minimise risk to Council in a measure-and-value contract. As the clarifications were worked through, the construction contract price subsequently increased by \$161,645 to \$2,354,803.

## 5. FINANCIAL CONSIDERATIONS

### Crematorium Project Budget

- 5.1 The Crematorium project is being delivered over three (3) financial years. Below is a budget summary over these three (3) years for the project:

Programme	2020/21 (Actuals)	2021/22	2022/23	Total
902 – Seismic Strengthening of Council Properties  <b>*Above is for Crematorium Strengthening project only</b>	\$181,779	\$2,349,353	\$610,671	<b>\$3,141,803</b>
563 – Cemeteries – Kelvin Grove – Crematorium office reconfiguration to address health and safety issues	\$0	\$266,000	\$0	<b>\$266,000</b>
<b>Total</b>	<b>\$181,779</b>	<b>\$2,615,353</b>	<b>\$610,671</b>	<b>\$3,407,803</b>

- 5.2 Note:

- The above figures are all exclusive of GST.
- The budgets shown in the table above for Programme 902 are for the Crematorium Strengthening project only. The actual programme budget in all three years is higher than this as there are other seismic related projects being undertaken through this programme over and above the Crematorium project.

- 5.3 The combined project budget can be summarised as the following:

Budget Item	Budget (\$ excl. GST)
Professional Fees	s7(2)(b)(i) Third Party Co
Project and Contract Management	s7(2)(b)(ii) Third Party
Construction	\$2,354,803

Contingency	§7(2)(b)(ii) Third Party Co
Client Supply Items	§7(2)(b)(ii) Third Party
<b>Total</b>	§7(2)(b)(ii) Third Party Commer

5.4 Note: There is an increased risk of uncertainty when undertaking structural works such as this given the age and construction typology of the building. As such the project contingency has been lifted to 30% rather than the standard 10-20, to reflect this, rather than include provisional sums in the contract for encountering asbestos and other high risk but relatively predictable risks. This allows officers to value-engineer any out-of-scope issues before allocating budget.

**6. CONCLUSION**

- 6.1 The tender from Maycroft Construction scored considerably higher in the non-price criteria. The value of this outweighed their higher construction tender price to give them a higher overall score and make them the preferred tenderer.
- 6.2 Maycroft Construction more clearly demonstrated experience working on other retrofit seismic strengthening projects as well as providing a well thought out programme methodology which reduces Council's risk through a proposed different staging of works.
- 6.3 This proposed change to the works staging, whilst being slightly longer overall, better allows for continuity of services during the live working environment. Given the criticality of the crematorium this meets required criteria very well.
- 6.4 The tender price from Maycroft Construction, despite being higher than the other tenderer, along with the 30% contingency required is still all able to be funded within the combined project budgets of Programme 902 and Programme 563.
- 6.5 Contingency allowance of 30% above the tender price is included to allow officers to address and manage the risks associated with seismic retrofit.

**7. RECOMMENDATION**

7.1 As the contract value and associated contingency will be above the Chief Executive's delegated authority, Council Officers recommend:

- 1. That Council approves the award of Contract 3968 Crematorium Seismic Strengthening to Maycroft Construction Limited for \$2,354,803 (excluding GST).

2. That Council gives the Chief Executive the delegated authority to vary the contract sum by the maximum amount of 30% of the contract sum within the Programme Budget, to be used as contingency should it be required for the successful delivery of Contract.

## 8. NEXT ACTIONS

- 8.1 Award the construction contract to Maycroft Construction Limited to the value of \$2,354,803 excluding GST.
- 8.2 Site possession and construction works to take place as per programme, subject to COVID levels.

## 9. OUTLINE OF COMMUNITY ENGAGEMENT PROCESS

- 9.1 Due to the isolated location and rural zoning of the worksite the surrounding property owners have not been engaged with.
- 9.2 The community will be informed of the project with the key message noting the continuation of the facilities operations during construction.

## COMPLIANCE AND ADMINISTRATION

Does the Council have delegated authority to decide? If Yes quote relevant clause(s) from Delegations Manual	<b>Yes</b>
Are the decisions significant?	<b>No</b>
If they are significant do, they affect land or a body of water?	<b>No</b>
Can this decision only be made through a 10 Year Plan?	<b>No</b>
Does this decision require consultation through the Special Consultative procedure?	<b>No</b>
Is there funding in the current Annual Plan for these actions?	<b>Yes</b>
Are the recommendations inconsistent with any of Council's policies or plans?	<b>No</b>
The recommendations contribute to Goal 3: A Connected and Safe Community	
The recommendations contribute to the outcomes of the Connected Community Strategy	
The recommendations contribute to the achievement of action/actions in the Community Services and Facilities Plan	
The action is: Cemetery services are responsive to community needs	
Contribution to strategic direction and to social, economic,	Ensuring the crematorium is seismically strengthened will ensure the crematorium services can continue to be provided in a post-earthquake situation.

environmental and cultural well- being	
--	--

**ATTACHMENTS**

Nil