

CONFIDENTIAL MEMORANDUM

TO: Finance & Audit Committee

MEETING DATE: 23 June 2021

TITLE: Award of Contract 4058 - Supply of Pipes and Fittings - 2021-22

PRESENTED BY: Robert van Bentum, Chief Engineer

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)(b)(ii) Third Party Commercial - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information

RECOMMENDATION FOR PUBLIC RELEASE

Report can be released on 30 July 2021 following formal contract signing.

RECOMMENDATION(S) TO FINANCE & AUDIT COMMITTEE

- 1. That the Committee approve the award of Contract 4058 for Supply of Pipes and Fittings 2021-22 to Hynds to the value of \$878,237.60 excluding GST.**
- 2. That the Committee gives the Chief Executive the delegated authority to vary the contract sum by the maximum amount of 10% of the contract value to allow for additional pipe and fittings purchases for other programmes of work, provided these are funded from within the approved programme budgets.**
- 3. That the confidential memorandum titled 'Award of Contract 4058 – Supply of Pipes and Fittings – 2021-22', presented to the Finance & Audit Committee on 23 June 2021, be released from Part II following signing of the contract.**

1. ISSUE

- 1.1** For two years now Council has been tendering the supply of pipes and fittings used in the capital new and renewal three waters programmes of work being delivered by Council's internal contracting and maintenance teams. The annual tender process is

intended to provide certainty to the suppliers and contract supply of sufficient quantity of pipes and fittings to deliver value for money to Council.

- 1.2 This report seeks approval for the award of Contract 4058 for supply of pipes and fittings for 2021-22, as the value of the contract exceeds the Chief Executive's delegated authority.

2. BACKGROUND

- 2.1 As in previous years, the request for tender for supply of pipes and fittings for 12 months has been invited from the **s7(2)(b)(ii) Third Party Commercial** (Hynds **s7(2)(b)(ii) Third Party Commercial**) who were assessed as being the only companies able to supply the range and quality of pipes and fittings required for the majority of work being undertaken by Council's in-house teams.

- 2.2 The tender is structured around fixing prices for three separate schedules of pipes and fittings for each of stormwater, water and wastewater. The 12 month duration of the contract is based on engagement with the market and the clear feedback from suppliers that they are unwilling to fix prices for longer than 12 months given the significant volatility in the availability and price of raw materials.

- 2.3 The supply contract, once awarded, provides for Council's construction and maintenance teams' order for supply of pipes and fittings for projects throughout the year, with certainty on the cost and on availability. The contract provides flexibility for variations in the length and quantity of items purchased based on an expectation that the overall value of materials supplied will be similar to that tendered.

3. TENDER PROCESS

- 3.1 The tender evaluation process adopted was lowest price conforming with no specific non-price attribute information sought except confirmation of conditions of supply, because the quality requirements are defined by New Zealand Standards. Each pricing schedule was evaluated separately, ensuring each submitter had the opportunity to secure one or more of the supply schedules.

- 3.2 The Request for Tender was sent directly to both Hynds and **s7(2)(b)(ii) Third Party Commercial** as the **s7(2)(b)(ii) Third Party Commercial** national suppliers who can supply the range of products needed.

- 3.3 The schedules were prepared using indicative quantities of pipes and fittings based on the scope of completed designs and estimated quantities of materials for projects programmed but not yet designed.

4. TENDER EVALUATION

- 4.1 Both invited suppliers provided submissions for all three schedules. The evaluation of the submissions was undertaken by a tender evaluation team (TET) comprising staff from Infrastructure and the Procurement Team in the Finance Unit of Council.
- 4.2 For comparison purposes an Engineer’s Estimate for each of the schedules was prepared based on the prices for the pipes and materials submitted for 2020-21. The total price submissions for each schedule are summarised in Table 1.
- 4.3 The lowest prices for all three schedules were submitted by Hynds with the total difference being **s7(2)(b)(ii) Third Party Commercial**.
- 4.4 The total price exceeded the engineer’s estimate by around 10%. This is not unexpected given that the previous year’s contract had held prices for a year during a period of extreme price volatility. A significant adjustment to price was to be expected. The most significant increase in price has occurred with wastewater pipes reflecting a significant increase in the price of PVC raw material.

TABLE 1: SUMMARY OF PRICE SUBMISSIONS

		s7(2)(b)(ii) Third Party Co	Hynds	Difference between tenderers
Water	\$306,720	s7(2)(b)(ii) Third Party Co	\$305,967	s7(2)(b)(ii) Third Party
Wastewater	\$217,330	s7(2)(b)(ii) Third Party Co	\$309,568	s7(2)(b)(ii) Third Party
Stormwater	\$264,840	s7(2)(b)(ii) Third Party Co	\$262,702	s7(2)(b)(ii) Third Party
Total	\$788,880	s7(2)(b)(ii) Third Party Co	\$878,237	s7(2)(b)(ii) Third Party

5. FUNDING

- 5.1 The contract for the supply of pipes and fittings provides materials for a range of capital new and renewal programmes of work to be completed in the 2021-22 financial year. The core programmes and the overall budgets are detailed in Table 2. The supply contract represents approximately 16% of the Council approved renewal and capital new budgets, bringing cost certainty without budget overrun risk.

TABLE 2: 2021-22 PROGRAMME BUDGETS FOR THREE WATERS

Schedule	Annual Plan Programme	Total Programme Budget
Water	218 City Wide Water Pipe Replacements	\$2,164K
Stormwater	1062 City Wide Stormwater Renewal Works	\$587K
	1060 City Wide Stormwater Improvement Works	\$430K
Wastewater	54 City Wide Wastewater Pipe Renewal	\$2,148K

6. SUMMARY

- 6.1 For a third year Council has tendered the supply of pipes and fittings to be used in the water, stormwater and wastewater renewal and capital new programmes of work. Two submissions were received from ^{s7(2)(b)(ii) Third Party Commercial} national suppliers – namely ^{s7(2)(b)(ii) Third Party Commercial} and Hynds – for supply for 2021-22.
- 6.2 Aside from considerations of supply terms and conditions, the tender evaluation was based on the lowest price conforming. The assessment confirmed that Hynds are the preferred supplier for all three supply contracts - Water, Stormwater and Wastewater.
- 6.3 It is therefore recommended that Hynds be awarded Contract 4058 – Supply of Pipes and Fittings 2021 - 2022 for all three schedules, at the rates fixed in the schedules, for a total estimated cost of \$878,237.60.

7. NEXT STEPS

- 7.1 Should Council approve the award of Contract 4058, Officers will look to issue the award and decline letters and prepare the contract documents for signing to enable the first orders for pipes and fittings to be issued on 1 July 2021.

8. COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide?	Yes
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	Yes
Are the recommendations inconsistent with any of Council’s policies or plans?	No
The recommendations contribute to Goal 4: An Eco City	
The recommendations contribute to the outcomes of the Eco City Strategy	
The recommendations contribute to the achievement of action/actions in the Three Waters Plan	
<p>The actions include:</p> <ul style="list-style-type: none"> • Stormwater infiltration and inflow into the wastewater network is reduced • There is a strengthened trunk main network across the city to improve seismic resilience • There is a safe and readily available water supply that is cost effective and environmentally sound • An active programme of work is in place to improve the connectivity and performance of the existing stormwater pipe network. 	
Contribution to strategic direction and to social, economic, environmental and cultural well-being	Award of contract 4058 provides Council with confidence that it is securing best value for the supply of pipes and fittings in the delivery of the water, stormwater and water supply renewal and capital programme. The savings achieved through the tender process allow for delivery of additional work within the fixed budgets improving security and reliability.

ATTACHMENTS

Nil