

## **CONFIDENTIAL REPORT**

**TO:** Infrastructure Committee

**MEETING DATE:** 3 June 2020

**TITLE:** Streets for People Programme - Procurement of Design Services

**PRESENTED BY:** Geoffrey Snedden, Acting Manager, Project Management Office

**APPROVED BY:** Tom Williams, Chief Infrastructure Officer

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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**

### **REASON FOR CONFIDENTIALITY**

The reason for this report to be confidential is  
The reason for this report being heard in public excluded is because the attached Procurement plan covers the forecast costs and likely tendered prices from consultants and these estimates may influence the tender prices.

### **RECOMMENDATION FOR PUBLIC RELEASE**

22 July 2020.

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### **RECOMMENDATION(S) TO INFRASTRUCTURE COMMITTEE**

- 1. That the Committee approve the recommended procurement process of engaging a design consultant to undertake all design services for all the Programmes of Work for the Streets for People Programme.**

**SUMMARY OF OPTIONS ANALYSIS FOR**

<b>Problem or Opportunity</b>	The costs for the implementation of the first 2 stages of the Streets for People Programme have indicated that there will be significant financial pressure on the programme budget as allocated in the LTP. Officers are developing options to reduce the financial pressure and keep costs within the budget allocated to the programme and combining the design services for all the stages is seen as an opportunity to do this.
<b>OPTION 1:</b>	<b>Continue with the current procurement methodology of engaging design services per stage of the Programme of Work.</b>
Community Views	n/a
Benefits	Aligns engagement and expenditure with the current LTP programme of works  Allows the ability to not re-engage a poor performing design service for the next stage.
Risks	Does not provide flexibility to respond to opportunities that may appear around the square that are led by private development.  Each designer creates their own “mark” for each stage of the programme leading to a lack of design cohesion.
Financial	Each programme is priced as an individual package of work and there is no ability to spread generic costs across the whole programme.
<b>OPTION 2:</b>	<b>Combine the design services for all the Programmes of Works into one procurement process with the outcome being one design service contract</b>
Community Views	n/a
Benefits	Efficient use of the budget for the programme  Consistent design ethos for the programme
Risks	Performance of the consultant is poor, leading to delay in the delivery of the design and reduction in options for the Council to contract the civil construction.
Financial	By packaging all the design together the Council is likely to see a 20% reduction in the overall costs for the design

**RATIONALE FOR THE RECOMMENDATIONS**

**1. OVERVIEW OF THE PROBLEM OR OPPORTUNITY**

- 1.1 The costs for the implementation of the first 2 stages of the Streets for People Programme have indicated that there will be significant financial pressure on the programme budget as approved in the LTP. Officers have been investigating options to reduce the financial pressure and keep costs within the budget allocated to the programme.
- 1.2 There are two main areas of expenditure in the delivery of a capital project; they are design fees and construction costs. Currently the LTP allows for both the design fees and construction to occur within each of the eight programmes and this expenditure spread over eight financial years.
- 1.3 On review of the design fees spent on Programme 1 - Square East, the total design fees appear higher than current market rates with Square East Stage One design fee being 44% of the net construction cost and Stage Two was 35% of the net construction cost.
- 1.4 On review of the fees and now that the base design has been agreed for the programme, there is the opportunity to bundle all the design for the reminding Programmes of Work into the one design contract.
- 1.5 The option to engage a design consultant through a single procurement process could provide a budget saving range of approximately \$1.33m to \$2.38m.

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

- 2.1 The City Centre Framework (CCF) is an initiative from PNCC Urban Design Strategy. As a result of the PNCC City Centre Framework, 2013, 8 Programmes of Work were developed to show the staging, timeframes and available budgets for Streets For People for the 2018 Long Term Plan. These 8 Programmes of Work are:
  - Square East
  - Main Street East
  - Broadway Avenue
  - Square North
  - Rangitikei Street
  - Square West
  - The Inner Square
  - Church Street

- 2.2 Square East is the first of the Programmes of Work to commence and has been spilt into 4 individual stages. Stage One, Square East, was delivered in 2019 as per the annual plan and the construction for Stage Two, Square East, is underway and scheduled to be completed by late August (delay due to the impact of Covid-19).
- 2.3 The current staging of the Programmes of Work has meant that the procurement of design component occurs when funding for that programme becomes available. With construction nearing completion on the Stage 2 of Square East, now is an opportune time to review the costs for design and investigate if there are any options to reduce costs.
- 2.4 The procurement method recommended in this report is for design services only and does not include civil construction. While investigation into the civil construction procurement is underway, it is likely that similar efficiencies would be obtained by tendering all the Programmes of Work at once to the contractor market. By progressing the design for all the remaining programmes, the Council gains more procurement and delivery options which result in greater cost and delivery efficiencies. This means that the contractor market can plan for and deliver greater cost efficiencies due to:
- Confidence in several years work providing a reliable project cashflow
  - Ability to allocate appropriate resource to a project for a longer duration
  - Improved supply chain management
  - Increased buying power due to scale of project
  - Ability to be adaptable by changing delivery to meet Council requirements
  - Options to carry out projects concurrently speeding up delivery and increasing project efficiencies
  - Options to work through complex issues early in all stages of the project
  - Continuity of a single provider drives efficiencies and improves quality
  - increased cost certainty by verifying QS estimates and benchmark of rates
- 2.5 The programme requires the following professional services for the design
- Landscape and Arborist design
  - Structural design
  - Civil design

- Hydraulic and Services design

2.6 Council is currently out to the market for the procurement of topographical surveying services for the remaining programmes and this information will be available to the successful design service once engaged. By undertaking the procurement of topographical surveying services has reduced the potential for delay of the design.

### **3. DESCRIPTION OF OPTIONS**

3.1 Option 1 – Continue with the individual procurement of design for each of the Programmes of Work.

3.2 Option 2 – Bundle up all the reminding Programmes of Work into one design fee procurement.

### **4. ANALYSIS OF OPTIONS**

4.1 Option 1 – Continue with the individual procurement of design for each of the Programmes of Work.

4.1.1 The advantages of doing this are:

- Alignment with expenditure as outlined in the LTP.

4.1.2 The risks of this option are:

- Each programme is priced as an individual package of work and there is no ability to spread generic costs across the whole programme.
- Individual design consultants will price higher as there is no guarantee of being selected to undertake the next design stage.
- Individual designers tend to put their own mark on the design which can lead to a loss of design cohesion.

4.2 Option 2 – Bundle up all the reminding Programmes of Work into one design contract.

4.2.1 The advantages of doing this are:

- Council obtains certainty over the design costs for the programmes of work.
- Allows better control to ensure consultants deliver in line with approved fees and that fees are more simple/transparent so fee variations are easier to manage,

- Performance management is simpler and the ability to review and address poorly performing disciplines has less disruption,
- Once the overall design is complete the Council can engage owners and retailers and respond to opportunities as they appear.
- Allows Council to provide more accurate cost estimates for each of the Programmes of Work.

4.2.2 The risks of this option are:

- Higher initial investment in the design for all the programmes of work occurring at once and not over an 6-8 year period.
- Financial pressure on Council budgets means that the construction does not occur and the design is not implemented.

**5. CONCLUSION**

- 5.1 The option to engage a design consultant through a single procurement process could provide a budget saving range of approximately \$1.33m to \$2.38m.
- 5.2 By completing the design for all of the remaining programmes of Works, Council obtains flexibility to procure the civil construction and allows for greater engagement with the local retailers and building owner.

**6. NEXT ACTIONS**

- 6.1 As outlined in the attached procurement plan the next actions following Committee approval will be to publicly tender the design for the whole programme. Indicative dates for this are:

Action	Indicative date
<b>Pre-procurement</b>	
Procurement plan approved	3 June
ROI documents developed	15 May – 29 May
<b>ROI</b>	
ROI advertised on GETS	5 June
ROI's reviewed and Tenderers selected	22 June
<b>Request for Tender</b>	
RFT documents developed	29 May – 22 June
Closed tender issued	24 June
Supplier briefing/s (if applicable)	30 June
Last date for supplier questions	3 July
Last date for agency to answer questions	7 July
Tender closing date	9 July
<b>Evaluation</b>	

Panel confidentiality and conflict of interest declarations signed	9 July
Evaluation panel meets to shortlist (if applicable)	
Interview short listed suppliers (if applicable)	
Supplier site visits/product testing (if applicable)	
Evaluation panel meets - panel minutes and recommendation	14 July
Recommendation Report signed off by Project Sponsor/Business group owner	21 July
<b>Post-evaluation</b>	
Advise bidders of outcome	22 July
Due diligence and contract negotiation	July/August
Report to Council seeking Contract Approval	August
Contract award notice published on GETS	August
Contract start date	September

**OUTLINE OF COMMUNITY ENGAGEMENT PROCESS**

6.2 Undertaking the design for all the programmes of work gives Council a greater ability to engage with retailers and owners and allows the Council to respond to private development opportunities as they occur.

**COMPLIANCE AND ADMINISTRATION**

Does the Committee have delegated authority to decide?	<b>Yes</b>
If Yes quote relevant clause(s) from Delegations Manual <Enter text>	
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 5: A Driven and Enabling Council	
The recommendations contribute to the outcomes of the Driven and Enabling Council Strategy	
The recommendations contribute to the achievement of action/actions in the City Centre Plan	
The action is: to enable Council to exercise governance by approving the method of procurement for the design services for the Streets for People Programme.	

Contribution to strategic direction and to social, economic, environmental and cultural well-being	<Enter text>
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**ATTACHMENTS**

1. Streets for People - Procurement Plan - Design Services