

CONFIDENTIAL MEMORANDUM

TO: Finance & Audit Committee

MEETING DATE: 16 December 2020

TITLE: Tender Award - Contract 3791 - Junction and Road Safety Improvement

PRESENTED BY: Robert van Bentum, Manager - Transport and Infrastructure

APPROVED BY: Sheryl Bryant, Acting 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

On signing of the contract – 30 January 2021.

RECOMMENDATION(S) TO COUNCIL

1. That Council approves the award of Contract 3791 for the construction of the Junction and Road Safety Improvement to Higgins Contractors Ltd. for the sum of \$1,223,173.12 subject to Officers reaching agreement with the Contractor on the tender price, scope of work and outstanding tags relating to specific conditions of contract.
2. That Council approves the re-allocation of \$150,000 of surplus funds from Programme 1488 – Seal Extension Unsealed Roads, reducing the 2020-21 budget from \$511,000 to \$361,000 and increasing the 2020-21 budget for Programme 1578 – Monrad/Pencarrow Roundabout Installation from \$833,652 to \$983,652.
3. That Council approves additional unbudgeted funding of \$315,000 for Capital New Programme 1578 – Monrad Street and Pencarrow Street Roundabout Installation to increase the 2020-2021 budget from \$983,652 to \$1,298,652.
4. That the confidential memorandum titled ‘Tender Award - Contract 3791 - Junction and Road Safety Improvement’ and decisions, presented to the Finance & Audit Committee on 16 December 2020, be released from Part II following signing of the contract.

1. ISSUE

1.1 The Council has approved funding within the Long Term Plan to undertake road safety improvements across the roading network. The 2020-21 Annual Plan includes two safety related programmes, namely:

- Programme 1578 - Monrad/Pencarrow Roundabout Installation
- Programme 279 - Minor Road Projects
 - Project 871 Ruapehu Drive Pedestrian Improvements;
 - Project 1218 Pioneer/Lyndhurst/West Intersection;
 - Project 1373 Benmore Avenue Pedestrian Crossing Point

1.2 The design work for the specific projects within the programmes was largely completed in the 2019-20 financial year. During the 2020-21 year the following work has been undertaken to advance the projects:

- Detailed design of the treatments (all sites)
- Temporary road safety treatments (Monrad/Pencarrow)
- Land purchase and property fence relocation (Monrad/Pencarrow)
- Undergrounding of overhead power infrastructure (Monrad/Pencarrow)
- Relocation of streetlights (Monrad/Pencarrow)
- Design safety audit (all sites)

1.3 The final stage involved procuring the civil construction work. In order to efficiently procure the work, Officers elected to go to market with a package of work, to be delivered under a single contract. The procurement process selected comprised an initial Registration of Interest (ROI) process following by an invitation to tender provided to a shortlist of contractors.

1.4 The ROI process resulted in two shortlisted contractors being selected. These two contractors were then invited to tender; however only one provided a tender submission. Officers have evaluated the one tender and are seeking approval to award the tender subject to final negotiation on the contract scope and tender price and approval of additional capital funds.

1.5 This report seeks Council approval for the award of tender subject to Officers reaching agreement on the price and scope, as well as approval to reassign budget and approve additional unbudgeted funding to enable the full scope of tendered work to be completed.

2. BACKGROUND

2.1 The Monrad and Pencarrow Street Roundabout project has been implemented across the 2019-20 and 2020-21 financial years with expenditure and physical progress as detailed in Table 1.

Table 1: Programme 1578 – Progress and Expenditure to Date

Work Elements	Actual Expenditure/ Estimated Cost
2019-20 (Completed) <ul style="list-style-type: none"> • Temporary road safety upgrade • Land acquisition • Relocation of some property fences • Start detailed design 	\$103,000
2020-21 (Completed) <ul style="list-style-type: none"> • Complete detailed design • Design safety audit • Complete land purchase and relocation of fences • Power line relocation • Tender document preparation 	\$265,000
2020-21 (To be completed) <ul style="list-style-type: none"> • Tele-communications cable relocation • Roundabout construction • Post-construction audit • Project and contract management • Contingency 	<u>\$996,000</u>
Total	\$1,364,000

2.2 The original budget allocation for the roundabout in 2019-20 following re-allocation of surplus funding from Programme 829 City-wide Undergrounding of Power and Telecom Cables was \$936,000. The balance of funds not spent comprising \$834,000 was carried forward into 2020-21. The significantly higher costs associated with land purchase, property fencing re-location, power undergrounding and telecommunications and lighting relocation has left inadequate funds to complete the construction work.

3. TENDER PROCESS

3.1 The Registration of Interest stage was initiated on 3 August and closed on 12 August 2020. Two tenderers were shortlisted, namely Higgins Contractors Limited and s7(2)(b)(ii) Third Party Commercial. Both were notified on 19 August 2020 of their selection. A tender invitation was issued to the two contractors on 13 October and following an extension closed on 18 November 2020.

3.2 The evaluation was based on the NZTA Price Quality Method utilising two non-price attributes being local contribution and methodology as well as the weighted price. The tender evaluators included a Senior Contracts Engineer, a Structural Engineer and the Project Manager, one of whom is a NZTA qualified tender evaluator.

4. TENDER ASSESSMENT AND EVALUATION

4.1 The tender evaluation panel consists of:

- 7(2)(a) personal privacy (PNCC Project Manager – Infrastructure)
- 7(2)(a) personal privacy (PNCC Senior Contract Engineer – Infrastructure)
- 7(2)(a) personal privacy (Qualified NZTA Tender Evaluator)

4.2 All three evaluators confirmed the absence of any conflict of interest and signed the potential conflict of interest/bias declaration forms.

4.3 The evaluation was undertaken using the price quality method with a two-envelope process and tender attribute weightings as set out below in Table 2.

Table 2: Attributes and Weighting for Tender Evaluation

Tender Attribute		Weight
Non-price attributes:	Local Contribution	10%
	Methodology	40%
Price		50%
Total		100%

4.4 Following the close of the tender on 18 November 2020, only one submission had been received from Higgins Contractors Limited. A follow-up phone call to s7(2)(b)(i) Third Party s7(2)(b)(i) Third Party confirmed that they had opted not to submit a tender.

4.5 The submission from Higgins Contractors Limited was confirmed to comply with all the requirements for the non-price attributes (local contribution and methodology) agreed during the tender evaluation meeting.

4.6 Higgins Contractors Limited’s tender submission contained 6 tags relating to PNCC’s Standard Conditions of Contract. These tags largely related to insurance and liability and are currently being considered by Officers. While it is expected that most of the requested changes will be accepted, a number represent a transfer of risk from the Contractor to Council **s7(2)(b)(ii) Third Party Commercial**. Officers are working with the Procurement Manager and in-house Legal Counsel to confirm the approach to be taken.

4.7 The tender price and breakdown for the various components is as summarised in Table 3 below. It should be noted that the tender submission exceeds the engineer’s estimate on average by 65% overall, although several of the smaller items were much closer to the engineer’s estimate.

Table 3: Price Submission Summary

Contract Schedule Component	Tender Price	Engineer’s Estimate	Difference
Programme 1578 – Monrad/ Pencarrow Roundabout	\$804,825.98	\$425,792.95	\$379,033.03
Programme 279 – Minor Road Safety			
○ Project 1373 - Benmore Ave Pedestrian Crossing Point	\$142,826.08	\$137,307.25	\$ 5,518.83
○ Project 871 - Ruapehu Drive Pedestrian Improvements	\$ 70,261.90	\$55,183.65	\$15,078.25
○ <u>Project 1218</u> - Pioneer/Lyndhurst/West Intersection	\$205,259.16	\$114,242.61	\$91,016.55
Totals	\$1,223,173.12	\$732,526.46	\$490,646.66

5. PROGRAMME BUDGET

5.1 The estimated cost to complete the scope of work for both Programme 1578 and 279 compared to the available budget, is summarised in Table 4. While Officers expect to be able to negotiate some reductions in the tender price both through some agreed scope changes and rate reductions, there remains a significant budget shortfall particularly for Programme 1578.

Table 4: Budget Reconciliation

Contract Schedule Component	Estimated / Tender Cost	Approved Budget	Difference
Programme 1578 – Monrad / Pencarrow Roundabout			
Contract 3791 – Physical Works	\$805,000	\$450,000	
Telecom cable relocate (committed)	\$81,000	\$81,000	
Project and contract management	\$30,000		
Contingency	\$80,000		
Subtotal	\$996,000	\$531,000	\$465,000
Programme 1488 – Seal Extensions (re-allocation)			\$150,000
Total			\$315,000
Programme 279 – Minor Road Safety			
		Allocated Budget	
Contract 3791 – Physical Works	\$420,000	\$420,000	
Project and contract management	\$15,000		
Contingency	\$40,000		
Subtotal	\$475,000	\$420,000	\$55,000
Re-allocation of budget within Programme 279		\$55,000	
Total	\$475,000	\$475,000	\$0

- 5.2 The higher costs for the projects tendered under Programme 279 can be accommodated in the existing programme if other projects are deferred, and the funds are re-allocated. Sign-off from NZTA will be required as each project has an individual funding line in the Low Cost Low Risk programme of work.
- 5.3 In respect of Programme 1578 (Monrad / Pencarrow Street Roundabout) Officers have identified some savings in another Capital New programme included in the 2020-21 programme of work. This is Programme 1488 – Seal Extension Rural Unsealed Road. Approximately \$150,000 is available to be re-allocated.

- 5.4 To address the remaining shortfall Council will need to provide either approval for additional unbudgeted expenditure of \$315,000 or request Officers re-scope or re-tender the work to try to deliver the programme within the available budget.
- 5.5 The estimated cost to complete the project is \$996,000, of which only \$465,000 is currently budgeted. The specific elements of the additional costs are summarised in Table 4.
- 5.6 Officers have sought approval from NZTA for subsidy of the Programme 1578 scope of work up to a total value of \$900,000. Officers will need to seek approval for the additional costs of nearly \$400,000 in excess of this, by proposing transfer of budget from other projects that cannot be advanced this year. There is a small risk that NZTA will not approve the re-allocation.

6. OPTIONS TO ADDRESS BUDGET SHORTFALL IN PROGRAMME 1578

- 6.1 Officers have identified two options to address the remaining budget shortfall:
1. Revise the scope of work and re-tender to try to deliver project within existing budget
 2. Approve additional unbudgeted funding to deliver the project as currently scoped
- 6.2 **Option 1: Revise Work Scope and Re-Tender**
- Significant re-scoping of the project to close the budget gap will require a significant change in design potentially impacting on the road safety outcomes of the project. This would require a new safety audit and significantly delay the implementation.
 - Re-scoping, re-design and re-tendering will incur additional staff costs and time delays, which will negate some of the potential savings in the change of scope.
 - The re-scoping of the Monrad / Pencarrow roundabout will require re-negotiation or re-tendering for the projects in Programme 279 currently included in Contract 03791 and potentially impact on their cost and delivery.
- 6.3 **Option 2: Approve Additional Funding and Proceed with Project as Scoped**
- The tender process followed was robust and open and the single tender submission reflects the current market capacity constraints. The contracting market is over-committed such that completing work in this environment is likely to be challenging in respect of achieving cost competitive tender outcomes.
 - This option leaves open the opportunity to negotiate with the tenderer to identify value engineering and cost saving opportunities before award of tender. If a satisfactory price is not achieved, the option to re-tender remains.
 - The contract provides for the full scope of work to be completed in the current financial year. If the work is not completed this year, the approved NZTA funding

for the project will need to be re-negotiated and approved by NZTA as part of the next RLTP application process.

- To proceed with the project as scoped, however, will require approval of additional budget of \$315,000.

7. RECOMMENDATIONS

7.1 Officers recommend that the project as currently scoped proceed given that with the current market being a very constrained one in terms of contractor capacity, any re-tender process is unlikely to result in a significantly different outcome, unless key elements of the design are removed which may impact negatively on the safety outcomes. In addition, the enabling works are well advanced with fencing, power undergrounding and lighting relocation already having been completed.

7.2 In order to proceed with the project as scoped Officers request Council approve an additional unbudgeted sum of \$315,000 as well as a transfer of \$150,000 savings from an existing programme to increase the current approved budget for Programme 1578 – Monrad / Pencarrow Roundabout Installation from \$833,652 to \$1,298,652.

7.3 If additional funding is approved, Officers seek Council approval for the award of Contract 03791 – Junction and Road Safety Improvements to Higgins Contractors Limited for a sum not exceeding \$1,223,173.12 excluding GST, subject to Officers reaching agreement on scope, final cost and tender conditions.

8. NEXT STEPS

8.1 Should Council approve the award of Contract 03791 – Junction and Road Safety Improvements, Officers will look to negotiate a range of scope and price reductions as well as resolve the outstanding tags relating to the conditions of contract. Once these are agreed to the satisfaction of Council Officers, the formal letter of award of contract will be issued.

8.2 The letter will request necessary insurance and supporting documents to compile the final contract for signing and arrange a start-up meeting with the successful tenderer to agree the programme and pre-contract actions for Council and the successful tenderer.

9. COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide?	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	No

procedure?		
Is there funding in the current Annual Plan for these actions?		No
Are the recommendations inconsistent with any of Council’s policies or plans?		No
The recommendations contribute to Goal 1: An Innovative and Growing City		
The recommendations contribute to the outcomes of the City Development Strategy		
The recommendations contribute to the achievement of action/actions in the Strategic Transport Plan		
The actions include:		
<ul style="list-style-type: none"> • To undertake remedial work in areas with high crash or safety concerns taking into consideration context sensitive design • Identify and implement a package of safety measures across the network 		
Contribution to strategic direction and to social, economic, environmental and cultural well-being	Construction of the Monrad / Pencarrow Roundabout will contribute to reducing speeds on both streets and reduce the likelihood and severity of crashes at the intersection increasing the level of safety on this area of the network. The project will also provide improved safety outcomes for pedestrians and cyclists in this part of the network.	

ATTACHMENTS

Nil