

# Capital Projects Report April 2020

**Meeting:** Kaipara District Council  
**Date of meeting:** 29 April 2020  
**Reporting officer:** Jim Sephton, GM Infrastructure

## Purpose/Ngā whāinga

To seek retrospective approval from Council for the submission of a Kaipara Economic Stimulus Package.

## Executive summary/Whakarāpopototanga

COVID-19 has had a significant impact on Kaipara District Council Infrastructure Services:

- the lockdown period has constrained our ability to deliver the capital programme efficiently due to the lock down restrictions in Level 4 and lower productivity in Level 2/3 conditions
- the opportunity to stimulate our economy through investment in infrastructure has resulted in the development of an economic stimulus package and expedient actions in the preparation and development of projects therein.

### Capital Programme spend will be lower this financial year

In October 2019, officers provided elected members with a revised forecast of the capital programme. This saw a reduction in the current Annual Plan (\$39.2 to \$22m) with the majority shifting to 2020/2021 AP and \$4m taken out of the Long Term Plan (\$3m in roading alone).

The impact on COVID-19 in this year's AP will see further reductions, however this has not yet been quantified. As funding is provided on a three-year basis (both LTP and NZTA funding), the only consequence is that it will roll over into the 2020/2021 Financial Year.

There is likely to be increased costs across the programme during level 3 and 4 conditions. This includes contractors seeking variations for works stopped as well as reduced productivity. Budgets will need to be adjusted to reflect this.

### Opportunity to stimulate the economy

As part of a package of measures to support our community, Kaipara District Council has identified an economic stimulus package which consists of five programmes which are shovel ready:

- |                                  |         |
|----------------------------------|---------|
| ▪ Mangawhai Community Plan       | \$18.9m |
| ▪ Ancient Kauri Coast            | \$11m   |
| ▪ Stop bank enhancement          | \$74.8m |
| ▪ Three waters programme         | \$36.2m |
| ▪ Transport Network Improvements | \$74.6m |

There have been two applications to Government for funding. The projects within these programmes are generally in the LTP or were proposed to be included in the 2021/2031 LTP.

Local funding contribution will be required to allow these projects to continue, however the extent is not required. Any contribution will be made up funds brought forward from 2020/2021 AP; brought forward from 2021 LTP; and new funds which were intended to be included in the 2021 LTP.

Procurement of these services has been developed in advance. This consists of:

- Allocation of work within the Professional Services Framework
- A Mangawhai Community Plan package
- A local appointment of Head Contractor for the Kauri Coast.

## Recommendation/Ngā tūtohunga

That the Kaipara District Council:

- a) Notes the Infrastructure Report April 2020 including the proposed approach to procurement which will allow acceleration.
- b) Approves the retrospective submission of the Economic Stimulus Programme.
- c) Approves the Procurement Plans associated with the Economic Stimulus Programme.

## Context/Horopaki

The impacts of COVID-19 are having significant impacts on our capital programme – some reducing the pace of deliver, some increasing the pace.

On 25 March 2020, all Local Authorities received a letter from Mark Binns (**Attachment A**), who was asked by Ministers Jones and Twyford to chair a Group to be called the Infrastructure Industry Reference Group to advise the Government on issues arising for the construction industry in NZ as a result of COVID-19. They were asked to prepare a list of truly “shovel ready” infrastructure projects that could be awarded immediately on remobilisation of the industry. Along with a most organisations, KDC Officers developed a package of 5 Programmes for Government consideration (**Attachment B**).

This report has been brought to Council to provide transparency and seek support on how we propose to respond to these changes.

## Discussion/Ngā kōrerorero

COVID-19 has had a significant impact on Kaipara District Council Infrastructure Services. Firstly, the lockdown period has constrained our ability to deliver the capital programme efficiently due to the lock down restrictions in Level 4 and lower productivity in Level 2/3 conditions. Secondly, the opportunity to stimulate our economy through investment in infrastructure has resulted in the development of an economic stimulus package and expedient actions in the preparation and development of projects therein.

As funding is provided on a three-year basis (both LTP and NZTA funding), the only consequence of a reduced capital programme this financial year is that it will roll over into the 2020/2021 Financial Year.

There is likely to be increased costs across the programme during level 3 and 4 conditions. This includes contractors seeking variations for works stopped as well as reduced productivity. Budgets will need to be adjusted to reflect this however the impact will not be fully understood until later in the year.

## Opportunity to stimulate the economy

As part of a package of measures to support our community, Kaipara District Council has identified an economic stimulus package which consists of five programmes which are shovel ready

- Mangawhai Community Plan \$18.9m
- Ancient Kauri Coast \$11m
- Stop bank enhancement \$74.8m
- Three waters programme \$36.2m
- Transport Network Improvements \$74.6m

There have been two applications to Government for funding for these packages. At the time of writing, it is not known how successful these applications have been. A presentation will be provided at the Council Meeting and support from Council to fund the development of these programmes is sought.

Local share is likely to be required to allow these projects to progress. The table below illustrates the usual funding assistance rate. It is expected that for acceleration of projects to occur, a higher funding contribution will be made.

Programme	Project	Estimate (\$m)	Typical Government Funding	Local Funding
<b>MCP (\$19.9m)</b>	Shared Path	14.5	61% NLTP -	
	Wood Street	1.6	90% NLTP	
	Inlsey St Intersections	3.8	61% NLTP -	
<b>Ancient Kauri Trail (\$11m)</b>	Kaihu Valley Trail	9.5	61% NLTP -	
	Darg to Maung	0.5	61% NLTP -	
	Premier Parks	1.0	0	
<b>Stop Bank Enhancement (\$74.8m)</b>		74.8	0	
<b>Three waters programme (\$36.2m)</b>	Wastewater	9.2	0	
	Pipe Replacement	24.1	0	
	Water connections	2.5	0	
	Stormwater	0.4	0	
<b>Transport Programme</b>	Dargaville Township Improvements	4.87	90% NLTP	
	Detour routes	22.5	100% NLTP -	
	Water storage roading improvements	4.0	61% NLTP -	
	District wide unsealed	22.0	61% NLTP -	
	Safety improvements	8.5	61% NLTP -	
	Access to developable land	12.0	61% NLTP -	

Once the Government provides feedback on the proposal we will be able to provide an indication of which projects we could still proceed with and what level of local share would be required. This will include funds which were

- allocated in the 2020/2021 LTP and is requested to be brought forward
- allocated in future years of the LTP
- intended to be included in the 2021 LTP.

## Procurement

Procurement activities have been driven by three key objectives which align with the KDC Procurement Strategy

- Getting work into construction as quickly as possible
- Utilising local labour and materials to stimulate economic activity in Kaipara
- Attracting the right suppliers given intense competition in Auckland and across the region.

Procurement plans have been developed to align with the key programmes identified above.

Programme	Project	Est (\$m)	Procurement Plan	Local Requirements
<b>MCP</b>	Shared Path   Wood Street   Inlsey St Intersections	19.9	Open tender – Price Quality Method  Package contract with parts of shared path and intersections at detailed design stage  Other components will be negotiated and contractor will be involved early and contribute to value engineering	50% local for sub-contractor and materials
<b>Ancient Kauri Trail</b>	Kaihu Valley Trail   Darg to Maung   Premier Parks	11	Local Head Contractor nominated to provide overarching H&S and programme (value up to \$2m)  Individual packages (e.g. bridges) tendered – Lowest Price Conforming (LPC)	Local Head Contractor  Partnership with MSD to train and engage local labour force  Partnership with Te Roroa with direct employment
<b>Stop Bank</b>	Stop Bank Enhancement	\$74.8m	Local Head Contractor nominated to provide overarching H&S and programme (value up to \$2m)	All work undertaken through local contractors  All materials to be locally sourced
<b>Three waters</b>	Wastewater	9.2	Some through M&O contract with local labour	
	Pipe Replacement	24.1	Procurement Plan to be developed	
	Water connections	2.5	Variation to existing contracts for similar work	Both contracts held by local contractors
	Stormwater	0.4	Procurement Plan to be developed	
<b>Transport</b>	Dargaville Township Improvements	4.87	Procurement Plan to be developed	
	Detour routes	22.5	Northland Bridges Contract	
	Water storage roading improvements   District wide unsealed   Access to developable land	38	BRS – Maintenance and Operations Contract	70% local labour and materials requirement
	Safety improvements	8.5	Procurement Plan to be developed – regional	

All professional services will be let through the KDC Professional Services Framework. This was established earlier this year with a specific focus on increasing the efficiency of programme delivery. The framework was tendered on the open market and gained high levels of interest. Evaluation of proponents included safety, local focus and quality of resources.

The five framework members are

- Awa (Water)
- Isthmus (Open Space)
- Stantec (Water)
- Stellar (Open Space)
- WSP (Open Space & Water).

A Procurement Plan for the remainder of this year and the 2020/2021 year has been produced and approved under CE delegation.

### Options

Option 1: Provide retrospective approval for the submission of the economic stimulus package

Option 2: Decline approval and instruct Officers to withdraw the application/or parts of the application

The recommended option is **option 1**.

### Policy and planning implications

Stop bank enhancements must be developed in consideration of climate change adaptation. This work will be undertaken in partnership with NRC.

### Financial implications

Until the level of Government investment is known, the implications cannot be quantified. It is likely that some element of bringing local share forward will result in some increase in debt in the short term.

### Risks and mitigations

No significant risk at this stage as there is no commitment to undertaken the works.

The economic stimulus package has been produced in response to the risk that our community lose income as a result of COVID-19.

## Significance and engagement/Hirahira me ngā whakapāpā

The decisions or matters of this report do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via agenda on the website.

All works are within the activities identified in the current Activity Management Plans.

There will be extensive public or stakeholder engagement outside of the Special Consultative Procedure as part of the project development and construction

### Next steps/E whaiake nei

- Commence negotiations with Government (if applications are successful).
- Local share to be determined and brought back to Council meeting for decision regarding reallocation of funds.
- Procurement plans will be executed.

### Attachments/Ngā tapiritanga

	Title
A	Letter from Mark Binns
B	KDC Application letter