

Recommendation to Award

Meeting: Kaipara District Council
Date of meeting: 4 November 2020
Reporting officer: Jim Sephton (GM Infrastructure)

Purpose/Ngā whāinga

To seek approval for the award of CON960 Pōuto Road Seal Extension Physical to Ventia NZ Ltd for the tendered sum of \$4,596,983.18 (excluding GST).

Executive summary/Whakarāpopototanga

Pōuto Road Seal Extension Phase 1 is part of the Kaipara KickStart programme of works and a substantial amount of funding - a maximum of \$5,050,000 - has been provided by the Provincial Growth Fund (PGF).

The project will be executed in three stages:

1. Quarry and heavy metalling/drainage (as part of Council Business as Usual)
2. Sealing (funded through PGF)
3. Second Coat Seal (funded through Council as an unsubsidised transport activity)

Through a competitive tendering process, a complying tender has been accepted which demonstrates good value. The contract relates to stages 1 and 2 only.

This agenda is to request that the Kaipara District Councils agree to fund elements of the project and approve the award of CON960 for Pōuto Road Seal Extension Physical Works to Ventia NZ for the sum of \$4,596,983.18 (excluding GST).

Recommendation/Ngā tūhunga

That the Kaipara District Council:

- a) Approves utilising up to \$1,000,000 funding from the 2020/2021 Road Maintenance & Renewal Budget to fund necessary works on the existing unsealed portion of Pōuto Road.
- b) Supports the inclusion of \$345,000 for the second coat seal for Pōuto Road Phase 1 seal extension in the 2021/2031 Long Term Plan.
- c) Approves the award of CON960 Pōuto Road Seal Extension Physical Works to Ventia NZ Ltd. for the contract price of \$4,596,983.18 (excluding GST).

Context/Horopaki

Project Background

Pōuto Road Seal Extension Phase 1 is part of the Kaipara KickStart programme of works and funding has been provided by the Provincial Growth Fund (PGF).

The project aims to provide;

- tourists with safe access to and from the proposed wharf, as well as campgrounds and other high amenity locations;
- school and tertiary students with safe minivan and bus journeys;
- locals benefiting from an increased level of service reducing major risk from the potential head to head collision with heavy freight; and finally
- the forestry drivers with correct geometry and speed guidance to enable safe and efficient transfer of wood.

The project will be executed in three stages

1. Quarry and heavy metalling/drainage
2. Sealing
3. Second Coat Seal

It was anticipated that the MBIE budget would be sufficient to cover all three stages.

Physical Works Procurement

The quarry activities were tendered through an initial procurement process which were secured by Ventia NZ (previously Broadspectrum).

A Procurement Plan for Contract CON960, covering the physical works for Phase 1 (including heavy metalling and sealing), was approved by Council on the 27th of May. Tenders were received from the following contractors:

- Ventia NZ (previously Broadspectrum),
- Fulton Hogan,
- Huband Contractors,
- Mason Contractors,
- United Civil Construction, and
- Wharehine Construction.

The submissions were evaluated using the Price Quality Method and the preferred tenderer, and lowest price, is Ventia NZ with a tendered price of \$5,151,019.30 (excluding GST). A comparison of Ventia's rates with those supplied by the other tenderers found that the rates are very competitive and reasonable i.e. they represent current fair market rates.

The funding provided by the Provincial Growth Fund is a maximum of \$5,050,000:

- \$462,000 committed on the investigation, detailed design and consenting work required.
- \$1,000,000 to \$1,500,000 quarry operation, physical works contract monitoring & administration, and legalisation of the private property encroachments.

This leaves between \$3,588,000 and \$3,088,000 for Contract 960: Pōuto Road Seal Extension Physical Works.

A value engineering exercise has been undertaken to reduce the cost of construction as much as possible without significant compromises to the safety and longevity of the works. This exercise has reduced the cost of CON960 to \$4,596,983 leaving a shortfall of between \$988,000 (best case scenario) and \$1,500,000 (worst case scenario).

The range of figures is given because there are still some costs where the exact quantities and / or rates are not known i.e. the level of archaeological and cultural monitoring required.

Discussion/Ngā kōrerorero

The Ministry for Business, Innovation and Employment (MBIE) is responsible for the management of the Provincial Growth Fund (PGF) and have indicated that they will not fund the shortfall for this project and will not allow funds to be moved between projects. This means that any shortfall in funding needs to be managed by the Kaipara District Council.

To address the shortfall in funding, it is proposed that the Contract is funded through a combination of Council funded business as usual activities and PGF.

It is proposed that the additional funding comes from the following sources:

Stage	Source	Amount (approximate)
Initial heavy maintenance	Road Maintenance & Renewal Budget	\$1,000,000
Sealing	PGF	\$3,000,000
Second Coat Seal	Long Term Plan 2021 to 2031	\$345,000
Legalisation	Property Purchase Funding (Roothing)	\$60,000
	TOTAL	\$1,405,000

Road Maintenance & Renewal Budget

Council's business-as-usual subsidised Road Maintenance & Renewal budget of \$2.25m for the rehabilitation of the unsealed network already included in the 2020-2021 Annual Plan.

There is a need to maintain the existing unsealed road and a large part of the tendered sum relates to heavy metalling and drainage which would be undertaken irrespective of the sealing project.

Utilising \$1,000,000 from the Road Maintenance & Renewal budget will address some existing issues on the road and prepare the road for sealing.

Second Coat Seal

The second coat seal is required to be done one or two years after the initial seal is completed. It is proposed that the approximately \$345,000 required to complete the second coat seal is included in the Kaipara District Council's Long Term Plan for the year 2021/2022 or 2022/2023.

It is important to note that if the road was not sealed, Council's portion of the estimated expenditure rehabilitating the unsealed road over the next 15 years would be similar to the costs of the unsubsidised second coat seal and the subsidised re-seal in Year 14.

Property Purchasing Funding

There are areas along Pōuto Road where the current road is outside the road reserve and encroaches onto the adjacent private properties. This occurs in multiple locations but only affects three properties. The cheapest option is to undertake a land swap or purchase the sections of affected properties. The bulk of the cost involved is due to the precise legal process required. It is estimated that the total cost of legalising the location of the road, including any property purchases, is between \$50,000 and \$70,000.

Council is required to deal with these encroachment issues, once identified, even if the road is not sealed.

Options

Option 1: Approve the use of up to \$1m funding from the Road Maintenance & Renewal budget included in the current Annual Plan to fund the improvements to the unsealed portion of Pōuto Road, include the funding of \$345,000 for the second coat seal for Pōuto Road Phase 1 seal extension in the 2021/2031 Long Term Plan, and approve the award of the CON960 to Ventia NZ for the contract price of \$4,596,983.18 (excluding GST).

Option 2: Decline the use of up to \$1m funding from the Road Maintenance & Renewal budget included in the current Annual Plan to fund the improvements to the unsealed portion of Pōuto Road and/or to include the funding of \$345,000 for the second coat seal for Pōuto Road Phase 1 seal extension in the 2021/2031 Long Term Plan and/or the award of CON960.

The recommended option is **Option 1**.

Financial implications and risks

The implication of approving the use of up to \$1m funding from the Road Maintenance & Renewal budget and the award of Contract 960 is that there will be less funding for Council's business-as-usual Road Maintenance & Renewal programme, however the \$8.06m central government funding

for improvements to the unsealed network reduces the impact of this. The sealing of Pōuto Road also reduces the unsealed maintenance & renewal funds required in the future noting that the costs of maintaining & renewing the unsealed portion of Pōuto Road is notably more than the average cost.

The impact of Option 2 is that MBIE may withdraw the funding for Pōuto Road if the works cannot be completed. This would result in the loss of \$4,588,000 external funding and Pōuto Road would not be sealed.

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.

Next steps/E whaiake nei

If Council approves all three items, the project will continue with:

- Completion of the engagement with Te Uri O Hau to obtain the consents required for the quarry and physical works,
- Notification of the award of the Contract and engagement with Ventia to develop a detailed program of works, and
- Signing of the lease for the quarry and begin quarrying.

Followed by:

- Blessing and sod turning on Pōuto Road, and
- Commencement of the physical works.

Attachments/Ngā tapiritanga

None