

Accelerated Renewals Programme Procurement Plan

Meeting: Kaipara District Council
Date of meeting: 29 September 2021
Reporting officer: Donnicks Mugutso, Operations Manager

Purpose | Ngā whāinga

To seek approval for the Procurement Plan of the Accelerated Renewals Programme for 3 Waters and Parks projects for the three years from 2021 to 2024.

Executive summary | Whakarāpopototanga

The current Long-Term Plan (LTP) capital budgets are higher than any previous LTPs with the current Financial Year capital budget, the highest of the 10 -year 2021-2031 LTP. A strategy to execute the 3 waters and Parks renewals through the Operations and Maintenance Contractors, namely Ventia and Downer, is presented for the value of \$5.4m over three years. A direct appointment of a Programme Manager and the utilisation of the 3 Waters Professional Services Panel is proposed.

Recommendation | Ngā tūtohunga

That the Kaipara District Council

- a) Approves Accelerated Renewals Programme Procurement Plan (Attachment A of this report).

Context | Horopaki

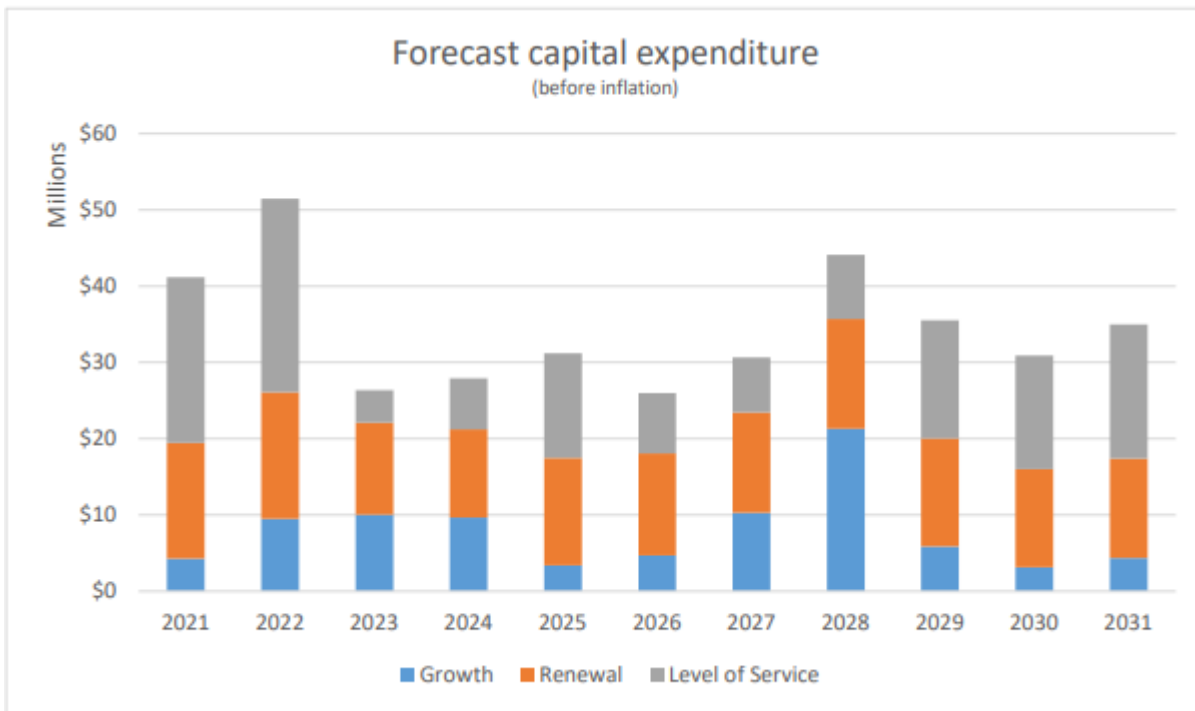
Background

Council executes capital projects driven by the main objectives of Growth, Level of Service and Renewals. These projects can range from building new water and wastewater treatment plants to meet the requirements for better quality water, upgrading pipes to meet pressure and fire fighting level of service or renewing of water pipes and hard surfaces in parks and open spaces for our community.

LTP Capital Budgets

The council, in its meeting of June 30, 2021, adopted the 2021-2031 LTP with a capital expenditure budget significantly higher than previous LTPs. The current 2021/2022 Financial Year shows an LTP budget of over \$50 million, the largest budget of all the Financial Years (FY) in the 10 – year LTP. In comparison, the previous FY had capital budgets of just over \$40million. It should be noted that with carry overs and externally funded projects, the total capital budget for 2021/2022 exceeds \$60million. The FY 2027/2028 is the only other year coming close to the current FY, at over \$40million budgeted capital expenditure. The LTP and particularly the current FY, has a big capital programme. Fig 1 below shows the forecast LTP capital expenditure.

Fig 1: 2021-2031 Forecast Capital Expenditure



Source: Kaipara District Long Term Plan 2021-2031

Programme Delivery Strategy

With this significant budgeted spend in the current FY, it is prudent to strategise on how to expeditiously spend the capital budget. This can be achieved by the following strategies:

- Identify and quickly execute low risk low-cost projects
- Execute projects with existing designs
- Utilise existing contracts and procurement panels to execute the works
- Package projects for design and execution to attract contractors and get favourable rates
- Planning projects well in advance of the FY that they get built.

Most renewals fall in this category of low risk, low-cost projects as they are usually repetitive and standard. On the other hand, the projects can be small and numerous so that they call for higher project management input per project value. Packaging projects both geographically and over Financial Years circumvents this problem. Finally, to get quick turnarounds, and get favourable rates, utilising existing contracts like an Operations and Maintenance contracts saves on the time and cost of the tender processes.

Procurement Plan Proposal

This procurement plan proposes utilising the existing Operations and Maintenance contractors in 3 Waters and Parks namely Ventia and Downer for a 3 Year, \$5.4m Accelerated Renewals Programme. A directly appointed Programme Manager is proposed to manage the programme over three years and the utilisation of the existing 3 Waters Professional Services Panel comprising AWA, Stantec and WSP consulting engineers.

The breakdown of the programme estimates is shown on Table 1 below:

Table 1: Summary of the Estimated Accelerated Renewal Programme Costs

FY	Renewals Budget \$'000	Programme Management \$'000	Design \$'000	Construction \$'000
2021/2022	1,396	150	200	1,046
2022/2023	2,210	150	380	1,680
2023/2024	1,805	150	235	1,420
3 – Year Total	5,411	450	815	4,146

Discussion | Ngā kōrerorero

There are two options with advantages and disadvantages of each expounded below:

Options

Option 1: Approves the Accelerated Renewals Programme Procurement Plan

Option 2: Does not approve the Accelerated Renewals Procurement Plan.

The recommended option is **option 1**.

Advantages of choosing Option 1

1. Expedites the procurement by utilising existing contracts
2. Reduces procurement cost by utilising direct appointments
3. Packaging work can result in favourable pricing from contractors
4. Aligns with existing O & M contractual conditions for provision of some capital works to contractors, resulting in a mutually beneficial operations delivery component
5. Contracts are easier to negotiate as there are some agreed rates in the O & M contracts
6. Implementation of procurement objectives like local sub-contracts.

Disadvantages of choosing Option 1

1. Loss of opportunity to get the prices from the market
2. Risk of contractor over commitment as all projects are priced by the single contractor

Advantages of choosing Option 2

1. Allows the Council to test the wider market for pricing
2. Opportunity to spread the work among a few contractors to eliminate over commitment

Disadvantages of choosing Option 2

1. Longer to complete the procurement risking budget utilisation
2. Procurement costs more through tender process
3. Fragmented projects may not attract contractors or favourable prices
4. Misses the opportunity to provide projects to O & M contractor that would mutually benefit the success of the O & M contract outcomes.

Policy and planning implications

None. The Procurement Plan meets all Kaipara District Council procurement policies.

Financial implications

None. All projects in this Procurement plan are planned in each of the three years of the Long-Term Plan (LTP).

Risks and mitigations

Table 2: Risks and mitigations

Risk	Mitigation	Residual Risk
Project delays due to lockdowns	There is a requirement in this plan to use local contractors who will continue to work in partial lockdowns.	Medium
Supply chain issues	This plan proposes to provide a pipeline of work for 3 years for which the contractor can prepare labour, plant, and material in advance.	Medium
Price increases	The Operations and Maintenance contracts have rates which will be used in negotiations.	Low
Health and Safety Issues	The contractor must meet health and safety requirements on each project and project managers will be auditing during construction.	Low
Poor quality work	The contractors proposed here already work in Operations and Maintenance for Council where they produce good their work. Project managers will be implementing robust inspection and testing methods to ensure good quality.	Low

Impacts on Māori

None

Significance and engagement | Hirahira me ngā whakapāpā

The decisions or matters of this report are considered to have a low degree of significance in accordance with Council's Significance and Engagement Policy. No feedback is required, and the public will be informed of Council's decision via the agenda and minutes publication of this meeting, on the website and through other channels if appropriate.

Next steps | E whaiake nei

- Appoint the Programme Manager
- Prepare Project execution Plans
- Negotiate with Contractors

Attachments | Ngā tapiritanga

	Title
A	Kaipara District Council Accelerated Renewal Procurement Plan