

# **Recommendation for increase in contract value of Con 888 Road Maintenance and Renewals Contract**

**Meeting:** Kaipara District Council  
**Date of meeting:** 24 November 2021  
**Reporting officer:** Bernard Petersen, NTA Maintenance Lead - Kaipara

## **Purpose | Ngā whāinga**

To seek approval for an increase in contract value of Contract 888 Road Maintenance and Renewals, to continue to meet Councils contractual obligations.

## **Executive summary | Whakarāpopototanga**

The purpose of this report is to have the contract value for Kaipara District Councils Road Maintenance and Renewals Contract, Contract 888 increased, to allow for the continued delivery of services through to the end of the first separable portion (30 June 2022). An increase is required due to the value of additional works being completed through the contract, both internally and externally funded. These are tabled and discussed in detail under the financial implications section of the following report.

## **Recommendation | Ngā tūtohunga**

That the Kaipara District Council:

- a) Notes the increase in contract value requested does not require any additional unbudgeted investment, and
- b) Approves the contract value, for Con 888 Road Maintenance and Renewals Contract, to be increased by the sum of \$9,774,059 and the total contract value increased to \$62,545,871 exclusive of GST

## **Context/Horopaki**

The Road Maintenance and Renewals Contract (the contract) involves carrying out maintenance and renewal work on sealed and unsealed roads. The work covered in the contract include routine maintenance, drainage maintenance, vegetation control, traffic facilities maintenance, street cleaning, sign maintenance, roadmarking, footpath maintenance, road strengthening, road surface maintenance, pre-reseal repairs and renewals as well as other authorised works. Covering all Council vested roads, approximately 446 kilometres of sealed and 1124 kilometres of unsealed road length district wide.

The contract was awarded in July 2018, for an initial four year period (separable portion

1) with provision included to extend the contract for a further two, plus one, plus one years; (4+2+1+1 years), dependant on the Contractor's performance.

Council issues a financial authority to spend up to the value of the tendered sum when awarding a contract. If that financial authority is exceeded, then staff are required to return to Council for new or additional financial authority to cover the remaining obligations of the contract.

## Discussion/Ngā kōrerorero

To ensure ongoing maintenance of the Kaipara District roading network is continued at current levels of service, through to the end of separable portion 1, of 'the contract,' financial authority is required to spend up to an increased contract value. Council has committed under the terms of contract (NZS 3917 2013) with Ventia (NZ) Operations Limited, to an initial four year term (separable portion 1) which commenced on 01 July 2018 continuing through to 30 June 2022. For Council to continue meeting their commitments under the contract, the contract value will require increasing to cover remaining essential works with the current approved contract value expected to be exceeded before the end of separable portion 1.

### Options

Option 1: Approve the contract value, for Con 888 Road Maintenance and Renewals Contract be increased by the sum of \$9,774,059 and the total contract value increased to \$62,545,871 exclusive of GST

Option 2: No approval is granted to increase the contract value for Con 888 Road Maintenance and Renewals Contract, resulting in a failure for Council to meet their contractual obligations with Ventia (NZ) Operations Limited and to continue meeting current levels of service across the roading network.

The recommended option is **option 1**.

### Policy and planning implications

None

### Financial implications

The tender price of the recommended contractor Ventia (NZ) Operations Limited (formerly known as Broadspectrum at time of award) was \$44,711,812 (excluding GST) for separable portion 1. The approved value for the contract has already had a variation increase applied to it, agreed to through the September 2020 Council Meeting, specifically to accommodate the externally funded PGF/IRG Unsealed Road Improvement Works which has a total value of \$8,060,000. This variation increased the overall approved contract value to \$52,771,812 (excluding GST). This approved contract value will however be exceeded before the end of separable portion 1 (30 June 2022) due to the allocation of additional works undertaken under this contract over the past three years.

The additional work carried out through this contract to date included work completed under other roading subsidised and externally funded budgets, which includes COVID checkpoints support, private seal extensions and minor improvement safety projects to the value of \$4,038,827.31. Details of the additional works completed over the past three years up to (and including) September 2021 claim are shown in the table below:

Additional works carried out since the contract commenced on 1 July 2018		
Category of work	Amount	Reason
MBIE Redeployment work	\$1,218,853	Additional MBIE funding granted
COVID Checkpoints	\$49,874.95	Traffic Management Support 100% Funded by Waka Kotahi
NRC Wilding Pine Removals	\$57,155	Additional NRC funded works to remove wilding pines from roadsides
Privately funded Seal Extension	\$14,772.49	Blackswamp Road, Mangawhai – Financial Contribution
Wood Street Revitalisation	\$361,677.56	KDC and Waka Kotahi Funded township revitalisation trial

Other Capital Work	\$2,336,494.31	Misc. Minor Improvements and Associated Improvements including minor slip repair projects and safety improvements including school zones.
<b>Total</b>	<b>\$4,038,827.31</b>	

With a further nine months remaining of the current Financial Year, through to the end of separable portion 1 (30 June 2022), the remaining total expenditure expected across both core contract items and additional works have been tabled below:

<b>Annual Maintenance works to be carried out between October 2021 and 30 June 2022</b>		
<b>Category of work</b>	<b>Amount</b>	<b>Reason</b>
Maintenance	\$6,369,171	Contract 888 level of service commitments (core activities)
Sealed Rehabilitations	\$1,700,000	Contract 888 level of service commitments (core activities)
Pavement Resurfacing	\$ 2,208,000	Contract 888 level of service commitments (core activities)
<b>Total</b>	<b>\$10,277,171</b>	
<b>Additional works to be carried out between October 2021 and 30 June 2022</b>		
<b>Category of work</b>	<b>Amount</b>	<b>Reason</b>
Unsealed Road Improvements	<b>\$4,127,646</b>	IRG Externally Funded
COVID Checkpoints (estimate)	<b>\$150,000</b>	Traffic Management Support 100% Funded by Waka Kotahi
Other Capital Projects (estimate)	<b>\$1,400,000</b>	Low Cost Low Risk Minor Improvements and Associated Improvements for Rhabs and Reseals
<b>Total</b>	<b>\$5,677,646</b>	
<b>Total value of remaining works to 30 June 2022</b>	<b>\$15,954,817</b>	

The additional works complete and due to be completed will result in the original financial authority being exhausted. This does not mean Council has exceeded the maintenance allocation, as the additional works have been funded from other budgets and already accounted for within the Long Term Plan (LTP).

This is a measure and value contract and the actual payments to the contractor are based on the quantity of works completed and the tendered schedule of rates. All of these works are completed within the Council's approved budget in any one year.

It has been estimated that the additional contract amount required up to the end of separable portion 1 will be \$9,774,059 (excluding GST). This will take the approved contract sum to \$62,545,871 (excluding GST). This has been calculated as follows:

<b>Contract 888</b>	(Excluding GST)
<b>Total expenditure to date (to September 2021)</b>	<b>\$46,591,054.00</b>
<b>Total value of remaining works to 30 June 2022</b>	<b>\$15,954,817.00</b>
<b>The proposed new value of this contract</b>	<b>\$62,545,871.00</b>

## Risks and mitigations

The risk of not approving this contract value increase would result in an inability to process contractors claims due to exceedance of financial authority, would be in breach of contract, which could see delays in payments, a cease to committed works and late payment related costs.

## **Significance and engagement/Hirahira me ngā whakapapa**

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**

Council agreement to increase the contract value will be formally notified through the contract under Notice to Contract (NTC) to Ventia (NZ) Operations Limited.

## **Attachments/Ngā tapiritanga**

None