

Roading Maintenance and Renewals

Contract extension

Meeting: Kaipara District Council
Date of meeting: 24 November 2021
Reporting officer: Aram Goes, Maintenance & Operations Manager - NTA

Purpose | Ngā whāinga

To deliver to Council our 3-Year Performance Review 2018-2021 report, which appraises the performance of our Contractor and to inform Council of the associated provision for a Contract Extension period of 2-years (i.e. Separable Portion 2) for Contract 888, Road Maintenance and Renewals Contract, from 30 June 2022 (end of Separable Portion 1).

And, if approved to request that Council approves the increase in contract value to meet the Council's contractual obligations.

Executive summary | Whakarāpopototanga

The purpose of this agenda item is to firstly present our 3-Year Performance Review 2018-2021 report, appraising our Contractors performance to date on the Road Maintenance and Renewals Contract (Con 888). Secondly, the item seeks to inform Council of the associated provision within the contract, to allow a contract extension of 2-years (Separable Portion 2) from 30 June 2022, and to seek endorsement of the 'Engineer to Contracts' recommendation to award this extension. Thirdly, the item seeks approval from Council to further increase the contract value to meet the Council's contractual obligations under Separable Portion 2.

Recommendation | Ngā tūtohunga

That the Kaipara District Council:

- a) Received the 3-Year Performance Review 2018-2021 report, and
- b) Agrees to award the two-year Contract Extension Period (Separable Portion 2) for Road Maintenance and Renewals Contract (Con 888) to Ventia (NZ) Operations Ltd for the period 01 July 2022 to 30 June 2024.
- c) Approves the contract value, for Con 888 Kaipara Road Maintenance and Renewals Contract, to be increased by the sum of \$28,500,000 for the two-year period and the total contract value increased to \$91,045,871 exclusive of GST.

Context/Horopaki

The five Maintenance and Renewals Contracts across Northland were let for an initial four-year term and all have a right for renewal, or Contract Extension (for two years, also known as Separable Portion 2). The initial four-year term finishes next year on the 30 June 2022 and provision has been made to extend the contract for a further two plus one, plus one years; (4+2+1+1 years), dependent on the Contractor's performance.

Discussion/Ngā kōrerorero

The NTA have undertaken a 3-Year Performance Review of all contracts reviewing the Contractors performance against the contract provisions.

The 3-Year Performance Review shows the Contractors performance meets the requirements stated within the Contract sufficient for the Engineer to approve Separable Portion 2.

Formal approval of Separable Portion 2 for the period of 1 July 2022 to 30 June 2024 is subject to receipt and endorsement of the 3-Year Performance Review 2018-2021 report by the respective Council or Committee (see copy of report attached).

To ensure resourcing of these contracts for continuity of service, the NTA seeks to formalise approval of Separable Portion 2 before Christmas 2021, giving Contractors sufficient time to retain their key personnel into the foreseeable future.

Options

Option 1: Approves the contract extension and respective increase contract value, for Con 888 Kaipara Road Maintenance and Renewals Contract, to be increased by the sum of \$28,500,000 for the two year period and the total contract value increased to \$91,045,871 exclusive of GST.

Option 2: Does not approve the contract extension, therefore does not approve the contract value increase, resulting in a failure for Council to meet their contractual obligations with Ventia (NZ) Operations Limited and a need to re-procure a service provider to continue meeting current levels of service across the roading network.

The recommended option is **option 1**.

Policy and planning implications

None

Financial implications

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

The value of core maintenance and additional works to be carried out through this contract has been estimated for the 2 years extension, and includes work done out of other Roothing and some external budgets. This includes renewals, seal extensions, storm damage and minor safety projects. The estimated contract values have been based on the approved LTP budgets for 2021/22 and 2022/23.

These are measure and value contracts and the actual payments to the contractors 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 the new contract period of 30 June 2024 will be \$28,500,000 (excluding GST). This will take the approved contract sum to \$91,045,871 (excluding GST).

Con 888	
Estimated value of current contract (Separable Portion 1)	\$62,545,871
The variation requested in this VO (Separable Portion 2)	\$28,500,000
The proposed new value of this contract	\$91,045,871

Risks and mitigations

If Council choose to not approve the contract extension, and associated contract value increase, this will result in:

- A need to re-procure with associated procurement timeframes introducing risk of potential failure to meet current levels of service across the roading network
- High likelihood of cost increases for the re-procured services

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 award Separable Portion 2 and the respective contract value increase will be formally notified through the contract under Notice to Contract (NTC) to Ventia (NZ) Operations Limited.

Attachments | Ngā tapiritanga

	Title
A	NTA MandR Ventia Performance Report_31Aug2021_FINAL.pdf