

## **Appendix D      Capital Works**

### **Overview**

Capital works (works beyond repairs that would be undertaken within the scope of the Operations and Maintenance), while not part of the Alliance contract, may be agreed too during the term of the contract. These would include:

- Renewals - Reactive
- Renewals - Planned
- Capital Work - Minor
- Capital Work – Other (Significant)

The actual capital spent in 2016/17 was:

- about \$800,000 on reactive renewals
- \$250,000 for water supply minor capital  
\$250,000 for wastewater minor capital

While all capital works are discretionary, it is the intention that the Alliance proposes an annual capital programme and indicative three year programme in line with the LTP. In addition, the Alliance can identify new work projects on the basis of a reduction in O&M costs, with an appropriate return period, or significant reduction in risk to Council. The delivery of the annual programme would be an alliance KPI.

A prioritisation framework would be developed for each of the three waters. Final approval of the delivery programme will be a Council decision.

Council at its sole discretion will make a decision as to whether capital works are undertaken by the Alliance at an agreed price, by the Alliance after a competitive tender process, or by others. As a minimum Council will retain the right to market test a proportion of the work for which the Alliance could bid i.e. potentially up to 20% by programme value annually.

The Alliance may be allocated separate fixed annual sums for water, wastewater and urban stormwater renewals each year but this work is not guaranteed.

The PAP should set up a capital projects group that would be available to deal with reactive renewals and incidents without removing staff from the operations and maintenance teams.

### **Renewals**

For reactive renewals, Council may make a decision to award the Alliance these works if there are Health and Safety and/or Consent breach risks if the works are not undertaken immediately.

For planned minor renewals investigation, design and documentation/scheduling of capital works undertaken by the PAP will be compensated as follows:

- a. Actual costs will be reimbursed on the same basis as for Operations and Maintenance set out in Schedule 5.

- b. Profit and off-site overheads associated with this service are included in the compensation described in Schedule 5 and only payable if an AA is entered into.

Where the PAP procures, manages and supervises subcontracts for planned renewals the PAP will be compensated as follows:

- a. Full reimbursement of Actual and reasonable payments made to the subcontractor for the Work and Actual costs for procurement, management and supervision of the subcontract will be reimbursed on the same basis as for Operations and Maintenance set out in Schedule 5.
- b. Profit and off-site overheads associated with this service are included in the compensation described in Schedule 5, and therefore only payable if an AA is entered into.

## **Capital Works**

Where Council in its absolute discretion allocates to the PAP capital works and new services, the design and construction will be priced and compensated for on the basis of an agreed schedule of rates or lump sum price for the work.

The process will be for a Project Target Cost (PTC) to be agreed between the Alliance and the Clients Project Budget Holder.

The PTC covered the following items of work

- Preparation of concept design
- Preparation of detailed design and specifications
- Obtaining resource / building consents
- Construction and installation
- Construction monitoring
- Commissioning
- Preparation of as-built information
- Preparation of Operating and Maintenance manuals

The PTC comprised the actual costs, including on-site overheads plus off site overheads and profit at agreed percentages. The following categories of capital work will be identified:

- Work undertaken by staff within the PAP
- Work undertaken by Sub – Contractors
- High value capital items i.e. generators – will identify the agreed mark-up / margin

FNDC will also be asking how the tenderer can provide assurances that the projects are being run as efficiently as possible. This information will be used to assess PTC's throughout the contract term.

The existing contractual arrangements allow for the profit on any project (excluding high value capital items) to be adjusted in relation to performance against Key Performance Indicators as described below.

## **Performance**

Performance on each project will be reviewed jointly by the FNDC Project Manager and the Alliance Manager within 3 months of the Practical Completion of the Project. Overall Performance will be reviewed every 6 months and will be measured on the capital projects closed out in the 6 month period. A total of 13 Key Performance Indicators are used as shown in the table below. The key result areas and KPIs that pertain to the Performance Indicators

contained in Appendix 5, need to be agreed and finalised by both parties in the first three months of the IAA in order to monitor and report the performance of the Alliance.  
Key Performance Indicators for Capital Work:

No	Key Performance Indicator	REF	Method of measurement	Measured Performance	Result	Weight	Score
P1	Project Cost	P1.1	Ratio of Actual outturn cost to agreed Target cost	<1.0	10	2	
				1 to 1.1	5		
				>1.1	0		
		P1.2	Project variations raised and requested prior to implementing	Yes	5		
				No	0		
P2	Program	P2.1	Accuracy of agreed project duration after VO compared to VA forecast duration	Within forecast	2	1.5	
				Outside forecast	0		
		P2.2	Program issued within 2 weeks of VO receipt	Yes	3		
				No	0		
		P2.3	Project completed in accordance with agreed program	Yes	5		
				No	0		
P3	H&S	P3.1	Project SSSP provided & reviewed prior H&S to construction start	Yes	5	2	
				No	0		
		P3.2	Projects Site audit average score >90%	Yes	3		
		P3.3	Accident or dangerous occurrence on site	No	0		
P4	Quality	P4.1	Project outcomes met in accordance with agreed scope	Fully	5	1	
				Partially	2		
				Inadequate	0		
		P4.2	Project management, reporting, communication ect	Excellent	2		
				Acceptable	1		
				Poor	0		
		P4.3	Workmanship and specification	Excellent	3		
				Acceptable	2		
				Poor	0		
P5	Project Handover	P5.1	Formal project hand overs, signed off within 3 months from construction completion	<3 months	10	1.5	
				<4 months	5		
				>4 months	0		
P6	Project Review	P6.1	Formal projects reviews signed off within 3 months from construction completion	<3 months	10	1	
				<4 months	5		
				>4 months	0		
						Total score	

Performance on each capital project is evaluated separately. A weighted numerical system is used to generate an overall performance score. The margins for each capital project completed in a period are adjusted on the basis of the performance score achieved for the project as follows:

Performance score	Adjustment of margin
0 to 40	-100%
41 to 50	-50%
51 to 64	-25%
65 to 90	0
>91	+10%