

Meeting: Council Meeting – 11 August 2022

Name of item: Maintenance and Renewal Contracts – Increases in Contract Sums

Author: Apikali Rokobigi – NTA Maintenance Lead

Date of report: 26 July 2022

Purpose

The purpose of this Paper is to request that Council approves an increase in contract value to meet Council's contractual obligations for the Road Maintenance and Renewals Contracts 7/18/100 (North Area) and 7/18/101 (Southern Area) covering the recently approved Separable Portion 2 extension through to June 30, 2024.

Executive Summary

This report:

- outlines the background and summarises the contract expenditure by the Contractors over the past 4-years to support an increase in total Contract Sum for Separable Portion 2 period as summarised in Table 1.1 below, and

Table 1.1 – Estimated total contractual Expenditure (2-year period of July 22 – June 24)

Description	North Area Con 7/18/100	South Area Con 7/18/101
Current approved value of the contract	\$ 63,491,607.76	\$ 58,161,835.81
Contract Sum increase request	\$ 34,227,212.16	\$ 24,873,540.70
The proposed new value of this contract	\$ 97,718,819.92	\$ 83,035,276.51

- confirms the contract expenditure to date, and the values requested for approval for Separable Portion 2 contract term, is fully covered through the following existing and future approved budgets:
 - Historic (2018/22) approved funding for roading maintenance, renewals, and associated improvement budgets.
 - Additional approved funding and subsidies for Emergency Works.
 - External Central Government Funding received by Council (PGF, MBIE, TIF etc.)
 - Council's approved and adopted 2021/2031 LTP funding for roading maintenance, renewals, and associated improvement budgets.
- Confirms all works have been, and will continue to be, delivered in line with procurement guidelines and within the scope of the Contract works.

Recommendations

That Council:

- Notes the increase in contract values requested does not require any additional unbudgeted investment, and
- Approves the contract value for 7/18/100 North Area Road Maintenance and Renewals Contract to be increased by the sum of **\$34,227,212.16** and the total contract value increased to **\$97,718,819.92** exclusive of GST.
- Approves the contract value for 7/18/101 South Area Road Maintenance and Renewals Contract to be increased by the sum of **\$24,873,540.70** and the total contract value increased to **\$83,035,276.51** exclusive of GST.

Background

These contracts commenced on 1 July 2018 for an initial four-year period with provisions 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 approved Separable Portion 2, an extension of 2-year contract from July 2022 to June 2024 **Council Resolution [2021/59]**.

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

Due to the competitiveness of the rates, combined with Council's desire to achieve delivery targets, significant volumes of both Council and externally funded works have been added to the original contract scopes via the direct award mechanism over the first four years of the contracts resulting in the current approved values for Contract No. 7/18/100 (North) and Contract No. 7/18/101 (South) exceeded at the end of the first Separable Portion (30th June 2022).

The full scope of completed and remaining work for each contract, funded through combination of approved LTP roading budgets and additional central government funding, is summarised in the tables below:

Table 2.1 – Recommended new Contract Sum for 7/18/100 FNDC North

Roading Works – Contract 7/18/100 FNDC North		
Description	Value (\$)	Comment
SUBTOTAL 2.2	63,316,908.41	Completed Roothing Programme July 2018 – June 2022 (4years)
SUBTOTAL 2.3	3,461,529.41	Additional Funded Works programmed for 2022/23 and 2023/24
SUBTOTAL 2.4	30,940,382.10	2022/23 and 2023/24 Annual Works Plan
Total North	\$ 97,718,819.92	New Contract Sum

Table 2.2 - Scope of Works and Expenditure for Contract 7/18/100 FNDC North completed to date

Roading Works – Contract 7/18/100 FNDC North		
Description	Value (\$)	Comment / Reason
Renewals and Maintenance & Operations Work	54,040,067.53	Asset Renewals, Vegetation Control, Traffic, Drainage, Sealed & Unsealed Road & Footpath Maintenance etc.
Other funded Roothing Works	9,276,840.88	PGF, MBIE, Emergency Works etc
SUBTOTAL 2.2	\$ 63,316,908.41	Completed Roothing Work July 2018 – June 2022 (4 years)

Table 2.3 – Additionally Funded Works and Expenditure added to Contract 7/18/100 FNDC North

Other funded Roothing Works	Value	Comment/Reason
PGF Funded Projects	2,708,770.31	Peria Road (CFWD) Programmed for 2022/23 and 2023/2024
Emergency Works	752,759.10	Response & minor repairs to Storm Event (CFWD)
SUBTOTAL 2.3	\$ 3,461,529.41	Extra Works

Table 2.4 – Approved and Budgeted 2022/23 and 2023/24 Works and Expenditure for Contract 7/18/100 FNDC North

Roading Works – Contract 7/18/100 FNDC North

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Description	Value (\$)	Comment / Reason
Renewals	15,698,615.43	Programmed for 2022/23 and 2023/24 (incl. CFWD) Rehab., Reseal, Drainage, Traffic & Footpath
Maintenance & Operations Work (subsidised & unsubsidised)	13,031,202.86	Programmed for 2022/23 and 2023/24 (Vegetation Control, Traffic, Drainage, Sealed & Unsealed Road & Footpath Maintenance & Dust Mitigation)
Corridor Safety Treatments & HRI Intersection Safety Treatments	891,000.00	Programmed for 2022/23 and 2023/24
Unsubsidised Capital Works	1,319,563.81	Various Roads approved by Council (incl. CFWD) – Seal Extension, Capital Sealing, Unahi Wharf Road, Panguru Flood Mitigation
SUBTOTAL 2.4	\$ 30,940,382.10	2022/23 and 2023/24 Annual Works Plan

Contract 7/18/101 FNDC South

Table 3.1 – Recommended new Contract Sum for 7/18/101 FNDC South

Roading Works – Contract 7/18/101 FNDC South

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Description	Value (\$)	Comment
SUBTOTAL 3.2	52,377,989.04	Completed Roding Programme July 2018 – June 2022 (4 years)
SUBTOTAL 3.3	1,199,312.98	Additional Funded Works programmed for 2022/23 and 2023/24
SUBTOTAL 3.4	29,457,974.49	2022/23 and 2023/24 Annual Works Plan
Total South	\$ 83,035,276.51	New Contract Sum

Table 3.2 - Scope of Works and Expenditure for Contract 7/18/101 FNDC South completed to date

Roding Works – Contract 7/18/101 FNDC South		
Description	Value (\$)	Comment / Reason
Renewals and Maintenance & Operations Work	38,072,251.91	Asset Renewals, Vegetation Control, Traffic, Drainage, Sealed & Unsealed Road & Footpath Maintenance etc.
Other funded Roding Works	14,305,737.13	PGF, MBIE, TIF, Emergency Works etc
SUBTOTAL 3.2	\$ 52,377,989.04	Completed Roding Work July 2018 – June 2022 (4 years)

Table 3.3 – Additionally Funded Works and Expenditure added to Contract 7/18/101 FNDC South

Other funded Project	Value (\$)	Comment / Reason
PGF Funded Project	416,801.62	Ngapipito Road (CFWD), Ruapekapeka Road (CFWD)
TIF Funded Project	29,752.26	Bayly Road & Pungaere Road (CFWD)
Emergency Works	752,759.10	Response & minor repairs to Storm Event (CFWD)
SUBTOTAL 3.3	\$ 1,199,312.98	Extra Works

Table 3.4 – Approved and Budgeted 2022/23 and 2023/24 Works and Expenditure for Contract 7/18/101 FNDC South

Roding Works – Contract 7/18/101 FNDC South		
Description	Value (\$)	Comment / Reason

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Renewals	16,114,553.13	Programmed for 2022/23 and 2023/24 (incl. CFWD) Rehab., Reseal, Drainage, Traffic & Footpath
Maintenance & Operations Work (subsidised & unsubsidised)	13,082,093.18	Programmed for 2022/23 and 2023/24 (Vegetation Control, Traffic, Drainage, Sealed & Unsealed Road & Footpath Maintenance & Dust Mitigation)
Unsubsidised Capital Works	261,328.18	Various Roads approved by Council – Capital Sealing
SUBTOTAL 3.4	\$ 29,457,974.49	2022/23 and 2023/24 Annual Works Plan

Discussion and Options

These two contracts involve carrying out maintenance and renewal work on sealed and unsealed roads that covers approximately 902 kilometers of sealed and 1606 kilometers of unsealed roads across the District.

The core scope of works includes routine road maintenance, drainage maintenance, vegetation control, traffic facilities maintenance, street cleaning, sign maintenance, road marking, footpath maintenance, road strengthening, road surface maintenance, pre-reseal repairs and renewals as well as emergency response and other authorised road works.

For Council to meet its existing contractual obligations completing the 4-year contract period (Separable Portion 1, expired in 30 June 2022) and an extension of 2-year contract period (Separable Portion 2, expiring in 30 June 2024) as per **Council Resolution [2021/59]** to ensure the road network is maintained to the required level of service an increase in Contract Sums is required, noting that the funds required to facilitate this increase in Contract Sums are available through the existing approved and adopted 2021-2031 LTP Budgets (see Tables above).

Reason for the recommendation

The reason for the recommendation that both contract sums be increased is:

- because of the extension of 2-year contract period as Separable Portion 2 Council Resolution [2021/59], increased work volumes and associated expenditure is forecast to result in exceeding the original approved contract sum(s), and
- to ensure the Contractors can fulfil their obligations to undertake the works required for the 2022/23 and 2023/24 Financial Year (FY).

To ensure continuation of these essential Roding activities the NTA seeks to formalise approvals for increased Contract Sum, with sufficient funding to meet the required work demand and ensure Council fulfils its funding obligations under the contracts.

Financial Implications and Budgetary Provision

Council approves 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 a new or additional financial authority to cover the remaining obligations of the contract.

These additional works completed through the North and South contract have resulted in the original financial authority being exhausted. This does not mean Council has exceeded the overall budgets, with the additional works being funded from existing approved annual Roding LTP / Annual Plan budgets and approved external funding received.

The additional funding approval sought is budgeted within the adopted 2021/2031 LTP and does not result in any unbudgeted expenditure.

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

In summary it has been estimated to meet their obligations to the end of Separable Portion 2 (30 June 2024);

- a) the value of works required for the North Area will be **\$34,227,212.16 + GST**. This will take the approved contract sum to **\$97,718,819.92 + GST** (see Tables 1.1 & 2.1 above), and
- b) the value of works required for the South Area will be **\$24,873,540.70 + GST**. This will take the approved contract sum to **\$83,035,376.51 + GST** (see Tables 1.1 and 3.1 above).

Significance and engagement

The decisions or matters of this Agenda do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via the publication of this agenda on the Council website.

Report Approval

Approved by:



Calvin Thomas
General Manager – Northland Transportation Alliance

27th July 2022

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Annex 1

Far North District Council						
Summary of Funding Request for 2021/2024						
FNDC Maintenance, Operations and Renewals						
W/C	Description	Original 2021/24 "Bid"			Total	CWFD
		2021/22	2022/23	2023/24		
111	Sealed Pavement Maintenance	2,331,203	2,330,003	2,367,203	7,028,410	\$ -
112	Unsealed Pavement Maintenance	3,947,449	3,947,449	3,947,449	11,842,346	\$ -
113	Routine Drainage Maintenance	1,722,884	1,608,084	1,545,084	4,876,051	\$ -
114	Structures Maintenance	2,020,934	2,337,934	2,020,934	6,379,803	\$ -
121	Environmental Maintenance	1,958,155	1,958,155	1,958,155	5,874,466	\$ -
122	Network Services Maintenance (was Traffic Services Maintenance)	1,911,855	1,987,255	1,991,855	5,890,965	\$ -
123	Network Operations (was Operational Traffic Management)	0	0	0	0	\$ -
124	Cycleway Maintenance	0	0	0	0	\$ -
125	Footpath Maintenance	160,000	160,000	160,000	480,000	\$ -
131	Level Crossing Warning Devices	0	0	0	0	\$ -
140	Minor Events	100,000	100,000	100,000	300,000	\$ -
151	Network and Asset Management	2,690,000	2,703,600	2,707,344	8,100,944	\$ -
211	Unsealed Road Metalling	5,506,350	5,506,350	5,506,350	16,519,050	\$ 654,848.45
212	Sealed Road Resurfacing	4,477,800	4,579,554	4,678,664	13,736,018	\$ 56,857.42
213	Drainage Renewals	803,000	745,000	660,000	2,208,000	\$ 225,109.84
214	Sealed Road Pavement Rehabilitations	3,154,000	3,058,000	3,394,000	9,606,000	\$ 465,141.15
215	Structures Component Replacement	1,797,000	2,001,000	1,750,000	5,548,000	\$ -
216	Bridge and Structures Renewals	1,465,000	1,405,000	1,560,000	4,430,000	\$ 919,591.76
221	Environmental Renewals	0	0	0	0	\$ -
222	Traffic Services Renewals	430,000	460,000	460,000	1,350,000	\$ 64,437.30
224	Cycleway Renewals	0	0	0	0	\$ -
225	Footpath Renewals	500,000	500,000	500,000	1,500,000	\$ 298,856.73
	TOTAL 3 YEAR BUDGET	34,975,630	35,387,384	35,307,038	105,670,051	\$ 2,684,842.65

	MAINTENANCE	FH	Ventia
Subsidised	Sealed Pavement Maintenance - WC111	\$ 2,254,659.22	\$ 2,442,547.49
	Unsealed Pavement Maintenance - WC112	\$ 4,026,397.53	\$ 3,868,499.59
	Routine Drainage Maintenance - WC113	\$ 1,576,583.57	\$ 1,576,583.57
	Structures Maintenance - WC114 (Balance of Fund for Separate Contract)	\$ 87,177.37	\$ 87,177.37
	Environmental Maintenance - WC121	\$ 1,958,155.23	\$ 1,958,155.23
	Network Services Maintenance (was Traffic Services Maintenance) -	\$ 1,989,554.93	\$ 1,989,554.93
	Footpath Maintenance - WC125	\$ 160,000.00	\$ 160,000.00
Unsubsidised	Berm Maintenance	\$ 226,820.00	\$ 226,820.00
	Top Energy	\$ 154,650.00	\$ 154,650.00
	Quarries	\$ 30,930.00	\$ 30,930.00
	Dust Mitigation Unsub.	\$ 515,500.00	\$ 515,500.00
	Powell Road Culvert Ext, Cable Bay	\$ 25,000.00	\$ -
	Unsub. Daraoux drive, Waipapa	\$ -	\$ 45,900.00
	State highway cleaning	\$ 25,775.00	\$ 25,775.00
		\$ 13,031,202.86	\$ 13,082,093.18

	RENEWALS		
Subsidised	Unsealed Road Metalling (Incl. CFWD) - WC211	\$ 5,950,449.54	\$ 5,717,098.58
	Sealed Road Resurfacing (Incl. CFWD) - WC212	\$ 4,471,236.20	\$ 4,843,839.22
	Drainage Renewals (Incl. CFWD) - WC213	\$ 815,054.92	\$ 815,054.92
	Sealed Road Pavement Rehabilitations (Incl. CFWD) - WC214	\$ 3,320,227.75	\$ 3,596,913.40
	Traffic Services Renewals (Incl. CFWD) - WC222	\$ 492,218.65	\$ 492,218.65
	Footpath Renewals (Incl. CFWD) - WC225	\$ 649,428.37	\$ 649,428.37
		\$ 15,698,615.43	\$ 16,114,553.13

	OTHER FUNDED		
Unsubsidised	Seal Extension (incl. CFWD Brass & Parapara/Toatoa Rd)	\$ 627,173.32	\$ -
	Unsubsidised Capital Sealing	\$ 241,221.22	\$ 261,328.18
	Panguru Flood Mitigation	\$ 133,481.26	\$ -
	Unahi Wharf Road (incl. CFW)	\$ 317,688.01	\$ -
Subsidised	Emergency Events	\$ 752,759.10	\$ 752,759.10
	Contract 7/21/216 Corridor Safety Treatments & HRI Intersection Safe	\$ 891,000.00	\$ -
		\$ 2,963,322.91	\$ 1,014,087.28

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TIF		
Pungaere Road sealing TIF (CFWD)	\$ -	\$ 7,928.52
Bayly Road TIF (CFWD)	\$ -	\$ 21,823.74
	\$ -	\$ 29,752.26
PGF		
PGF - Peria Road (CFWD)	\$ 2,708,770.31	\$ -
PGF - Ngapipito Road (CFWD)		\$ 296,801.62
PGF - Ruapekapeka Road (120K allocation to Ventia, \$2.72M for United Civil separate contract)		\$ 120,000.00
	\$ 2,708,770.31	\$ 416,801.62

Far North Roding Network July 2022

Far North NETWORK	Length Jul 22	Percentage	
Sealed Length (km)	902.03	36%	
Unsealed Length (km)	1606.43	64%	
Far North Network Length Total Jul 2022	2508.46	100%	
CON 7/18/100 NORTH Far North Network	Units	Length	Percentage
Sealed Length (km)	km	434.91	48%
Unsealed Length (km)	km	825.26	51%
Network Total	km	1260.17	100%
CON 7/18/101 SOUTH Far North Network	Units	Length	Percentage
Sealed Length (km)	km	467.11	52%
Unsealed Length (km)	km	781.17	49%
Network Total	km	1248.28	100%