

**7.1 SUPPLIER RECOMMENDATION : SH2 BOREFIELD UPGRADE****File Number: COU1-1400****Author: Darren de Klerk, 3 Waters Programme Manager****Authoriser: Monique Davidson, Chief Executive****Attachments: 1. C-1007 SH2 Borefield Tender Evaluation Report**

The Council is satisfied that, pursuant to s48(1)(a)(i) of the *Local Government Act 2002*, the information to be received, discussed or considered in relation to this agenda item is:

- s7(2)(i) the withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).

**PURPOSE**

The matter for consideration by the Council is the adoption of the supplier recommendation report for the contract award for Contract C-1007 SH2 Borefield Upgrade.

**RECOMMENDATION FOR CONSIDERATION**

That having considered all matters raised in the report:

- a) That a council resolution is reached to award contract C-1007 for the SH2 Borefield Upgrade Project to Max Tarr Ltd as outlined within the attached supplier recommendation report and subject to due diligence and agreement of contract terms.
- b) That a council resolution is reached to review other projects shortfalls or debt fund the additional \$516,000 required to progress and complete this project.
- c) That the Chief Executive be delegated authority to negotiate the final details of the contract and to execute the contract.
- d) That the report relating to this item be released as publicly available information (without attachments) after the contract has been awarded and the successful supplier informed.

<b>COMPLIANCE</b>	
Significance	This matter is assessed as being of some importance

<b>COMPLIANCE</b>	
Options	<p>This report identifies and assesses the following reasonably practicable options for addressing the matter:</p> <ol style="list-style-type: none"> <li>1. Accept the procurement recommendation, source the additional funds when required from reviewing other projects shortfalls or debt funding to progress the project</li> <li>2. Reject the procurement recommendation, and re-start the overall procurement approach</li> <li>3. Reject the procurement recommendation, and place the project on hold or defer the project.</li> </ol>
Affected persons	The persons who are affected by or interested in this matter are landowners, council officers, contractors and the general public.
Recommendation	<i>This report recommends <b>option one</b> for addressing the matter.</i>
Long-Term Plan / Annual Plan Implications	None.
Significant Policy and Plan Inconsistencies	Alignment with Council's contract management and procurement policy.

### **EXECUTIVE SUMMARY**

Council adopted a procurement plan on the 12<sup>th</sup> February 2019 for the tendering of this project/ contract to the open market using the weighted attribute procurement evaluation method.

The tender was released to the market on 22<sup>nd</sup> February 2019 and closed on 14<sup>th</sup> March 2019.

Unfortunately on closing of tenders, council had received no response to the request for tender.

An extension was granted to tenderers through to 5 April 2019 to return tenders.

Conversations were held with half a dozen suppliers who had shown interest in the procurement, and council was hoping this extension would receive further interest.

On the 5<sup>th</sup> April 2019, Council had received one tender response.

Discussions were again held with prospective suppliers and due to the specialty of this procurement, it was not core business for a number to act as head contractor, and/ or they could not find suitable partners to work with.

Additionally the pressure on the contract market and other work out in the market resulted in this contract not garnering the expected interest.

Council evaluated the tender received for compliance and confirmation of mandatory conditions.

A preferred supplier has been identified and this report seeks Council approval to negotiate and award the contract to the recommended supplier in the attached Tender evaluation report.

## BACKGROUND

Council has recommenced this project and plans to upgrade three bores (B, D and E) with new VSD line shaft pumps to supply water to Pukeora Reservoir and Waipukurau in addition to the pump currently supplying water out of Bore A.

The scope of this work is to install new VSD lineshaft pumps with the ability to back up the existing Pump A (should pump A fail) and supply up to 110l/s between the three pumps/ bores. In addition, pipework, valves and electrical equipment will be upgraded.

Because the pumps are VSD controlled this allows for a combination of pumps to operate across a range of flows.

## SIGNIFICANCE AND ENGAGEMENT

In accordance with the Council's Significance and Engagement Policy, this matter has been assessed as **of some importance**. This decision will support Central Hawkes Bay District Council in meeting its Long Term Plan objectives and delivering on a key project with #thebigwaterstory programme of work.

## OPTIONS

### **Option 1      Accept the procurement recommendation, source the additional funds from other projects shortfalls or debt funding to progress the project**

#### a)      Financial and Resourcing Implications

The new contract cannot be procured within existing budgets, there are a number of reasons for this outlined below;

- The failure of Pump A onsite, and the resulting cost to repair and refurbish this pump being migrated to this project (circa \$100,000)
- The inability to assess the surrounding bores for integrity and decide on whether they are suitable to install a new pump into. (\$200,000) - contingency
- The lack of tenders received and the price received back from the tenderer (\$216,000)

The proposed solution request the additional funding of \$516,000 be debt funded to allow this project to progress.

#### b)      Risk Analysis

A thorough risk analysis has been undertaken, and approving this procurement meets our requirements to meet ongoing drinking water supply.

Additionally the findings from the recent pump failure and the vulnerability of the network will be addressed.

#### c)      Alignment to Project Thrive and Community Outcomes

This project aligns with our long term plan and meets our requirements as set out in the LTP document. The successful tenderer has referenced #thebigwaterstory in their tender response and will focus with council on community outcomes and long term sustainability

#### d)      Statutory Responsibilities

Not applicable.

#### e)      Consistency with Policies and Plans

The procurement recommendation is consistent with the sought outcomes of the procurement approach adopted by Council for the procurement.

- f) Participation by Māori  
No specific participation by Maori is required.
- g) Community Views and Preferences  
No major community views, but general communication will be key on this flagship project.
- h) Advantages and Disadvantages  
An **advantage** is the commencement of a key project in #thebigwaterstory, as well as the community benefits, infrastructure improvements and resilience and compliance with drinking water standards following these essential upgrade.

A **disadvantage** would be the additional cost to now complete the project, although as outlined below, there may not be a clear superior option.

**Option 2 Reject the procurement recommendation, and re-start the overall procurement approach**

- a) Financial and Resourcing Implications  
  
Additional costs related to re-tendering and wasted cost in the current process.  
No guaranteed that a better price will be achieved in the procurement approach.
- a) Risk Analysis  
  
In the event Council reject the procurement recommendation, a whole new procurement approach will need to be adopted.  
This will require additional staff resource, delaying an already full work programme for the organisation.  
Risk on the infrastructure and network that a failure of one of the four pumps would result in further vulnerability or failure to the network.  
Compliance with DHB and or risk at bore security.
- b) Promotion or Achievement of Community Outcomes  
  
It is unlikely another procurement approach could achieve the promotion or achievement of Community outcomes to the same extent as the recommended option.
- c) Consistency with Policies and Plans  
  
This option is not consistent with the procurement approach adopted by Council.
- d) Participation by Māori  
  
Not applicable.
- e) Community Views and Preferences  
  
Community have been briefly updated on the project, if it is perceived the procurement process and fair process is not followed, questions may be asked by the community of the processes within Council, and the transparency of decision-making

## f) Advantages and Disadvantages

Many **disadvantages** if Council adopt this option, Council will be required to completely 'restart' the procurement process requiring existing resource to be re-allocated to a new procurement. Unless the procurement approach is significantly modified, the same outcome would likely result.

There are no obvious **advantages** from this option.

**Option 3 Reject the procurement recommendation, and place the project on hold or defer the project**

## a) Financial and Resourcing Implications

Wasted cost in the current process. No guarantee that any future procurement may bring a more favourable outcome.

## b) Risk Analysis

Risk on the infrastructure and network that a failure of one of the four pumps would result in further vulnerability or failure to the network.

Compliance with DHB and or risk at bore security.

## c) Promotion or Achievement of Community Outcomes

It is unlikely another procurement approach could achieve the promotion or achievement of Community outcomes to the same extent as the recommended option.

## d) Consistency with Policies and Plans

This option is not consistent with the procurement approach adopted by Council.

## e) Participation by Māori

Not applicable.

## f) Community Views and Preferences

Community have been briefly updated on the project, if it is perceived the procurement process and fair process is not followed, questions may be asked by the community of the processes within Council, and the transparency of decision-making

## g) Advantages and Disadvantages

Many **disadvantages** if Council adopt this option, Council will be required to completely 'restart' the procurement process requiring existing resource to be re-allocated to a new procurement. Unless the procurement approach is significantly modified, the same outcome would likely result.

There are no obvious **advantages** from this option.

**Recommended Option**

This report recommends **option one** to accept the procurement recommendation, source the additional funds from debt funding to progress the project for addressing the matter.

**NEXT STEPS**

Successful party advised, and negotiation towards contract award commenced.

Letters sent to the unsuccessful parties as outlined within the evaluation reports, debriefs undertaken after contract award to successful party.

Public advised via media release after contract signed and awarded.

Discuss with finance to arrange the debt funding

**Recommended Option**

This report recommends **option one** to accept the procurement recommendation, source the additional funds from debt funding to progress the project for addressing the matter.

**RECOMMENDATION FOR CONSIDERATION**

That having considered all matters raised in the report:

- a) That a council resolution is reached to award contract C-1007 for the SH2 Borefield Upgrade Project to Max Tarr Ltd as outlined within the attached supplier recommendation report and subject to due diligence and agreement of contract terms.
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