

Report 00.291

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Report to the Utility Services Committee
from Murray Kennedy, Strategy and Asset Manager

Approval in Principle for Capital Works Expenditure Tenders

1. Purpose

To obtain approval for a policy, which will allow tenders to be called for capital works before the Council's Annual Plan is approved.

To also obtain approval to call tenders in June 2000 for a pipeline refurbishment project in the 2000/01 financial year.

2. Background

As part of the Council's long term financial strategy a ten-year capital works programme is prepared with reasonably firm numbers for the initial three years and indicative figures for the remaining seven. Then, as each year arrives a detailed capital works programme is prepared for approval. Sometimes projects extend over more than one financial year and these are noted in the capital works programme.

There are also occasionally cases where it is beneficial, from a financial point of view, to physically start new capital works in the month of July. If the work is to be carried out by contract then tenders would often be called in late May or early June. At present though we do not have a procedure which allows for this. The Council's Annual Plan, including the capital works budget, is not usually approved until about the last week in June. This restricts the calling of tenders until after the plan has been approved.

Particular examples where it may be beneficial to start work in July are cases where the nature of the work can be easily performed in winter. Less work is usually available for contractors at that time of year, hence competitive prices can be expected. Another example is the use of the specialist equipment where we have become aware that a contract using this equipment is about to conclude.

3. Proposal

It is proposed that the Council approves a policy, which allows tenders to be called prior to the Annual Plan for the year being approved. Specific projects would be reported to the Utility Services Committee in May or June each year. Circumstances and the reason for wanting to call tenders before the start of the financial year would be detailed. **The tender documents would also note that the project had been approved by the Committee in principle, but is still dependent on the Council's Annual Plan being approved.** This would give the tenderers reasonable confidence that the project was likely to proceed, but not absolute certainty.

4. **Specific Capital Works Project for 2000/01**

It is proposed to undertake the second stage of the re-commissioning of the Orongorongo to Karori main between the Thorndon and Karori pump stations in the 2000/01 financial year. The estimated cost of this work is \$900,000.

Tenders will be sought for this work using one of two construction processes. One method is to insert a new flexible pipe within the existing steel pipe and grout the space between the two pipes. The second method is to reline the pipe with a cement mortar after the pipe is cleaned. The equipment for relining the pipe is specialist and is not always available in Wellington. At present we are completing some cement mortar relining work near the Te Marua Water Treatment Plant. The equipment maybe available for the relining of the OK main. Hence we would like to call tenders in early June so that once the annual plan is approved the work can start in early July.

5. **Environmental**

There are no specific environmental considerations in this policy.

6. **Communications**

As the policy issue is largely of an administrative nature there is not seen to be a need for any public communications.

7. **Recommendations**

That it be recommended to the Policy and Finance Committee that Council:

- (1) (a) *Approve a policy of allowing tenders to be called for capital works with appropriate information in contract documents before the Annual Plan has been approved by the Council for any particular year.*
- (b) *Approve the policy application to individual projects, which must be submitted to the Committee for approval to call such tenders.*

- (2) *Approve the calling of tenders, before 1 July 2000, for the second stage of refurbishing the OK main between Thorndon and Karori.*

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