

Report to:	Public Excluded	
Date:	31 March 2021	
Subject:	Awarding of Works – Scout Hall Upgrade	
Prepared by:	Dave Clibbery	
Input sought from:		
Authorised by:	Will Doughty	

1. SUMMARY:

Council approval is sought for the awarding of a contract for repairs and renovations to the Kaikoura Scout Hall to Ensor Building.

2. RECOMMENDATION

THAT the Committee recommends:

That a contract for repairs and renovations to the Scout Hall/Drama Club at 23 Beach Road as described in this report be awarded to Ensor Building for the price of \$496,452.95 + GST

3. BACKGROUND

The strategy for the upgrading of the Scout Hall that was initially suggested (as presented to Council in a report on 21 July 2020) was to initially obtain reliable pricing (through a tender process) for renovations to the 'core' main hall structure, assuming that the lean-to attachments at the rear were removed.

It was suggested that only once the cost of this core work was reliably known would consideration be given to what (if any) extensions to this scope of work might be made.

Subsequent discussions with the users of the hall did however indicate that there was a strong desire for the lean-to structures to be retained, and accordingly the initial scope of work included these.

In essence this scope of works would be:

- Replacement of roofing and exterior and interior claddings, including installation of insulation
- Minor repairs to floor
- Achieving structural and fire safety compliance

Local company BIMformation was engaged to undertake detailed design and specification of the works in accordance with this scope, to prepare tender documents and conduct the tender process.

BIMformation were used because they had appropriate specialised skills and even if such skills had been available within the Council team to conduct some elements of this work, existing workloads would have precluded it.

Reliance was placed on BIMformation to conduct this process in a way that would minimise financial risks to Council, being mindful of the recent previous experiences in respect of the new Council Civic Building and the Memorial Hall renovations, where substantial unexpected cost were incurred.

The estimated the price for this scope of works was around \$400,000.

4. TENDER PROCESS

Four local builders that invited to tender for the works, but only one signalled an intention to do so. Whilst it had been the intention to confine the invitation to local contractors because of this lack of interest and the need to obtain some form of competitive pricing an invitation to tender was also extended to Christchurch based Contract Construction who are currently constructing the new Saint Pauls building on the Esplanade.

Two tenders were subsequently received, from Ensor Builders ('Ensor') with a price of \$465,121, and from Contract Construction with a price of \$667,921 (both GST exclusive). Both tenders were considered problematic.

The price from Contract Construction was unacceptable since it substantially exceeded both the estimate and the total available budget for the project (\$606,418, comprised of a \$470,152 grant from the PGF plus \$136,266 of funding from the Lotteries Commission).

Whilst the price from Ensor was closer to the estimate it contained a number of significant exclusions or tags, the resolution of which appeared to have potential to significantly increase the price beyond the tendered figure.

Consideration was given to whether a further open invitation to tender might attract better pricing, but there was not a high level of confidence that it would, and such a process would create further delays and administrative cost, and hence this has not been pursued.

Discussion was instead conducted with Ensor to explore the potential for refinement of their tender. Ensor indicated that a significant factor contributing to their tendered price and the extent of exclusions was the age and rough nature of the building, and associated concerns regarding hidden problems with potential to result in substantial additional costs.

Ensor were therefore requested to undertake further investigation of the building (including some inspections where otherwise hidden elements of the building were exposed) and to provide firmer estimates of cost.

Because of the possibility that if Ensor gave a relatively firm price it would be substantially higher to a degree that made other envisaged necessary works unaffordable, they were also asked to provide a relatively firm price for a reduced scope of works that excluded recladding the lean-to structures at the rear of the building.

The prices that were subsequently received are as follows:

- Original scope - \$496,452.95 + GST
- Reduced scope - \$474,984.20 + GST

Both prices include a contingency sum of \$10,000 for unforeseen additional works. It is however recognised that because of the age of the building it is possible (though perhaps unlikely given the recent additional investigation) that this contingency could be exceeded.

Achievable Scope

The proposed contract works (including the original scope) do not address all aspects of the building's condition.

In particular the general form and structure of the lean-to attachments, toilets and kitchen are largely unchanged and the Drama Club theatre fitout is not reinstated.

Based on the revised pricing received from Ensor the likely total GST exclusive cost of the originally tendered scope of works is \$562,823 comprised of the following:

- Ensor contract \$496,453
- BIMformation - \$28,000
- Structural Engineer - \$5,400
- Fire Engineer - \$3,200
- Asbestos assessment - \$1,650
- Consent Fees - \$8,720

- Storage charges - \$4,400
- In-house contract supervision (Mark Mitchell) - \$15,000

It therefore appears that a residual amount of approximately \$50,000 may remain from the \$606,418 that could be used to address some of these remaining deficiencies. Guidance will be sought from hall users as to how this residual balance should be used, but it is clear that it will be not nearly sufficient to fully address all aspects of the building's condition.

This is unsurprising as an estimate of over \$1 million for a completely comprehensive renovation of the building had been previously obtained.

A suggestion has been made that there might be an opportunity for in-kind contributions to be made to the project by local tradespeople, and it appears that if this was to happen the most appropriate place for it would be in such additional works outside of the scope of the main contract.

5. VALUE ISSUES

The small number and large variation of tender prices received does not provide a high level of assurance that best value is being achieved.

A number of parties, including BIMformation, have also expressed a belief that the undertaking of the tendered work for its likely cost does not represent good value, because an entirely new building could have been constructed for a similar amount, and the work being done will not renew every element of the existing building, with some elements remaining relatively poor.

Such comments have been made previously but were discounted because of the desire expressed by hall users to retain the essence of the existing building, which they feel connection to and ownership of.

A point has now also been reached where expenditure on the project to date - for professional services, consent fees and hire of containers for storage of the building contents – is over \$45,000, making it unrealistic to consider construction of a new building.

In addition to being financially wasteful such a change of direction would further delay the delivery of a project that is already well behind the initially envisaged schedule.

On this basis it is believed that the most appropriate course of action is to award the original scope of work to Ensor for the tendered price of \$496,452.95.

It is also noted that comment has been made that the nature of the tender process and the associated documentation may have deterred potential tenderers.

The tender process was conducted by BIMformation with relatively little input on the form of that process from KDC staff. As such it is believed that the nature of this process reflected normal professional standards within the building industry, and that if there is a problem in respect of tendering for such works it lies with builders not being willing to work with such normal processes rather than KDC making the process too difficult.

History such as the construction of the new Council Civic Building strongly suggests that having very robust contractual processes and arrangements for such works is important.

6. TENDER AWARDDING PROCESS

Under the procurement guidelines recently adopted by Council procurements with values over \$100,000 outside of existing contracts require a written proposed awarding report to be presented to

group containing relevant manager, at least one senior manager, CEO and Mayor to demonstrate achievement of good process and value.

Given the previous history of cost overruns in respect of some building projects undertaken by Council and associated concerns it is however believed that were relatively major building works are to be undertaken where a significant degree of uncertainty or risk exists that it is worthwhile that Councillors are involved in the process through which awarding decisions for those works are made.

It is for that reason that this report is presented to the Works and Services Committee, not to formally award the contract, but to potentially approve the awarding committee to do so.

7. NEXT STEPS

Ensur are currently preparing a detailed works program, but it is hoped that works can commence within a month of awarding and be completed within three months thereafter.

8. COMMUNITY OUTCOMES SUPPORTED

The work is in support of the following community outcomes:



Our community is resilient, safe and well and has their essential needs met



Our infrastructure, housing and community facilities are easily accessible, cost effective and able to withstand our natural hazards.



Residents and visitors enjoy an improved quality of life in our District.