

**ADELAIDE HILLS COUNCIL
SPECIAL COUNCIL MEETING
Tuesday 30 June 2020
CONFIDENTIAL AGENDA BUSINESS ITEM**

Item: 8.1

Responsible Officer: Ashley Curtis
Manager Civil Services
Infrastructure & Operations

Subject: Sealed Roads Renewal Contract

For: Decision

1. Sealed Roads Renewal Contract – Exclusion of the Public

Pursuant to section 90(2) of the *Local Government Act 1999* the Council orders that all members of the public, except:

- CEO, Andrew Aitken
- Director Infrastructure & Operations, Peter Bice
- Director Development & Regulatory Services, Marc Salver
- Director Corporate Services, Terry Crackett
- Director Community Capacity, David Waters
- Executive Manager Governance & Performance, Lachlan Miller
- Governance & Risk Coordinator, Steven Watson
- Manager Civil Services, Ashley Curtis
- Minute Secretary, Pam Williams

be excluded from attendance at the meeting for Agenda Item 8.1: (Sealed Roads Renewal Contract) in confidence.

The Council is satisfied that it is necessary that the public, with the exception of Council staff in attendance as specified above, be excluded to enable Council to consider the report at the meeting on the following grounds:

Section 90(3) (k) of the *Local Government Act 1999*, the information to be received, discussed or considered in relation to this Agenda Item is tenders for the supply of goods, the provision of services or the carrying out of works; the disclosure of which could reasonably be expected to prejudice the commercial position of the business who supplied the information by disclosing specific quotes and modelling by the tenderer.

Accordingly, on this basis the principle that meetings of the Council should be conducted in a place open to the public has been outweighed by the need to keep the information and discussion confidential.

2. Sealed Roads Renewal Contract – Confidential Item

SUMMARY

As part of the 2020/2021 draft Annual Business Plan, Council is proposing \$1,096,000 for the renewal of road seals at various locations. The same budget indicates an intended spend of \$1,517,000 in 2021/22 and \$1,488,000 in 2022/23.

Council staff seek to engage a suitably qualified contractor to undertake the proposed 2020/21 works, and have approached the market via an Open Tender process. This process resulted in four submissions, with two separate contractors (AAA Asphalt and Fulton Hogan) being the preferred tenderers for asphalt and sprayed seal works respectively.

Given Council intends to undertake road reseal works each year, it is recommended that Council enters into a multi-year contract, allowing works to continue in those years, subject to satisfactory contractor performance and budget approval.

This would result in two contracts of combined value of up to \$4,102,000, which exceeds the maximum delegation of \$1,000,000 that applies jointly to the CEO plus one other Council Officer at Director level. As per Council's Procurement Policy, this report seeks Council's approval to enter into a three year contract with AAA Asphalt for the supply of asphalt road reseal services, and to enter into a separate three year contract with Fulton Hogan for the supply of sprayed seal road reseal services.

RECOMMENDATION

Council resolves:

- 1. That the report be received and noted**
 - 2. To enter into a contract with AAA Asphalt for the provision of asphalt road resealing services for a minimum of three years, subject to future approved Annual Business Plans and Budgets.**
 - 3. To enter into a contract with Fulton Hogan for the provision of sprayed seal road resealing services for a minimum of three years, subject to future approved Annual Business Plans and Budgets.**
 - 4. To recognise that these two contracts as outlined in 2 and 3 above over the next 3 years will combine up to the value of \$4,102,000 during this period.**
 - 5. To authorise the CEO to sign all necessary documents to give effect to this resolution.**
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1. GOVERNANCE

➤ Strategic Management Plan/Functional Strategy/Council Policy Alignment

Strategic Plan 2020-24 – A brighter future

Goal A Functional built Environment.

Objective B3 Consider external influences in our long term asset management and adaptation planning

Priority B3.3 Investigate and source recyclable materials for asset renewal projects wherever practical and in doing so promote the circular economy

Council's Procurement Policy (GOV-08) covers the required conduct for all procurement activities associated with the acquisition of Goods, Works or Services of any value by the Council. This includes prescribing procurement methodology, as well as detailing delegations that are referenced in this report.

➤ Legal Implications

Section 49 of the Local Government Act 1999 (the Act) requires Council to prepare and adopt policies on contracts and tenders on:

- the contracting out of services; and
- competitive tendering and the use of other measures to ensure that services are delivered cost-effectively; and
- the use of local goods and services.

Furthermore, Section 49 (a1) of the Act requires Council to develop and maintain policies, practices and procedures directed towards:

- obtaining value in the expenditure of public money; and
- providing for ethical and fair treatment of participants; and
- ensuring probity, accountability and transparency in all operations.

➤ Risk Management Implications

The renewal of sealed road surfaces will assist in mitigating a number of risks, such as:

- Underlying pavement failure, leading to higher pavement renewal/reconstruction costs
- Risks associated with road safety including poor surface texture, which reduces skid resistance particularly in wet conditions.

Inherent Risk	Residual Risk	Target Risk
High (3B)	Low (1D)	Low (1D)

➤ Financial and Resource Implications

As part of the 2020/2021 draft Annual Business Plan, Council is proposing \$1,096,000 for the renewal of road seals at various locations.

The same budget indicates an intended spend of \$1,517,000 in 2021/22 and \$1,488,000 in 2022/23. Appropriate provisions have been made in the Long Term Financial Plan to accommodate that intended spend, with an average annual spend of \$1,200,000.

➤ **Customer Service and Community/Cultural Implications**

Customers would reasonably expect these works to continue each financial year, and will take a negative view of Council's service delivery if Council fail to do so.

➤ **Sustainability Implications**

Technological advancements have given asphalt batching plants the capability to replace virgin mix ingredients, such as sand, aggregate and bitumen, with recycled products including recycled asphalt, hard and soft plastics, glass, waster toner and rubber. It is expected that by working together with the successful tenderers, Council will be able to better meet and even exceed its sustainability targets, particularly with regard to its Circular Procurement targets.

The recommended asphalt supplier (AAA Asphalt) is a wholly South Australian owned company with head office in Littlehampton and batch plant in Lonsdale. Engaging a South Australian owned contractor ensures continued local employment and contributes to the local economy.

➤ **Engagement/Consultation conducted in the development of the report**

Consultation on the development of this report was as follows:

Council Committees: Not Applicable

Council Workshops: Not Applicable

Advisory Groups: Not Applicable

Administration: Director Infrastructure and Operations
Manager Civil Services
Civil Projects Coordinator
Procurement Coordinator

External Agencies: Not Applicable

Community: Not Applicable

2. **BACKGROUND**

Council's Asset Management Plan requires the renewal of assets, including road seals, which are the subject of this report. The renewal of road seals involves condition assessment, to identify priority segments that are in poor condition or at the end of their useful life. A proposed program of works has been included in the 2020/2021 Annual Business Plan and Budget, under Appendix 2 Capital Budget Detail. The budget proposes \$1,096,000 for the renewal of road seals along forty five (45) roads.

The rolling three year works program also indicates an intended budget of \$1,517,000, and \$1,488,000 for the renewal of road segments in 2021/2022 and 2022/2023, respectively, with the details of these future programs still being finalised.

Council staff propose to enter into a three year contract for the provision of road seal renewal services, for the reasons outlined in the analysis below. The value of this contract is expected to be greater than the CEO's delegation (with another Director) of \$1,000,000. As per Council's Procurement Policy, this report seeks Council's approval to enter into the contract.

3. ANALYSIS

Currently, Council engages Boral Asphalt under a three year contract with the option to extend for up to two additional years (1+1 years). This contract is coming to the end of its fourth year and Council staff have chosen not to take up the option of extending the contract for a fifth year, which is at our discretion under the contract. Council staff have prepared an updated technical specifications for the renewal of road seals with an emphasis on recycled content, and believe that this is a significant enough change that a new contract is required. Council staff also believe that re-testing the market at this time is likely to result in better value for money.

The physical work involved in road resealing is dependent on the treatment type:

- Asphalt: Involves excavating the existing surface either in its entirety or at segment ends using a road profiler, then laying or overlaying 40mm of hotmix asphalt and compacting to become the new road wearing layer.
- Sprayed Seal: Involves an overlay of the existing surface with (generally) hot bitumen, and then spreading and rolling aggregate onto the bitumen.

To ensure best value for the community, the following approach was taken to procurement:

1. Procurement was via Open Tender to test the current marketplace against the existing contract and help determine if establishment of a new contract at this time is in the best interests of Council. Open Tender is the most transparent form of procurement, allowing all suppliers in the marketplace to tender if they so wish. This highly competitive process ensures the best tendered rates available.
2. All road reseal works of a particular treatment type will be offered to the successful tenderer. This increases the value of works, making the contract more appealing to the market. This approach adds to the competitiveness of the tender, resulting in better rates.
3. The road reseal works have also been offered in separable portions; one portion for Asphalt and one for Sprayed Seals. This allows Council to select different suppliers, such as those that may specialise in a particular services and can therefore offer especially competitive rates.
4. The contract will be offered with an initial term of three years, with the option to extend the contract for up to two additional years (1+1 years) at Council's discretion. At the end of the initial term Council will conduct an evaluation of the performance of the supplier and the current market conditions. This evaluation will determine whether Council decides to extend the contract. The benefits of the multi-year contract are;

better pricing on a long term contract compared to short term contracts, locking in competitive rates into the future, as well as saving Council staff resources from conducting the time-consuming procurement process annually.

Four tender submissions were received, which is deemed satisfactory due to the size of Council's reseal programme and the number of suppliers of bituminous products in South Australia. Three tenderers provided quotes to undertake both asphalt and sprayed seal portions of the contract, with one tenderer quoting the asphalt portion only.

Upon evaluation of the tender submissions, the evaluation panel recommend that it is in Council's best interest to enter into new contracts, in lieu of continuing the existing contract based on the following considerations:

1. Recent changes in the local industry have increased competition between companies, giving Council access to very competitive rates.
2. Sustainability initiatives have developed substantially in the asphalt industry over the last few years, and this is not captured in the current contract. The industry now has the technology and capacity to produce sealing products with lower associated carbon emissions, as well as incorporate numerous different recycled products (asphalt, soft and hard plastic, glass, and rubber) into their mixes. This aligns well with Council's participation in the Local Government Association's (LGA) Circular Procurement Pilot Project. In seeking to engage a new road seal contractor, Council has the opportunity to work together with industry to better meet and exceed its sustainability targets.
3. World oil prices and subsequent bitumen prices are currently very low, giving Council the opportunity to take advantage of low bitumen index prices and secure these for a portion of the contract (rise and fall based on this bitumen index will apply after the first year of the contract).

AAA Asphalt has been identified as the preferred tenderer for the asphalt portion of works, due to their competitive rates, sustainably focussed treatments and experience with delivering similar works to other local government bodies. Of the four tenderers, AAA Asphalt is the only wholly South Australian owned company, with head office in Littlehampton and batching plant at Lonsdale.

The sustainability focused treatments offered by AAA Asphalt include the following:

- AAA Asphalt source the raw aggregate required in the production of asphalt from a nearby quarry, significantly reducing emissions associated with transport. They also incorporate Recycled Asphalt Product into their mixes, reducing the amount of new aggregate required,
- Their new asphalt batching plant can be fuelled with waste oil, diverting this problematic product from the waste stream,
- They offer asphalt mixes that include soft plastics sourced from the RedCycle program, and hard plastics sourced from Planet Ark,
- They can also produce asphalt mixes that incorporate plastics sourced from local road side collection, and are working with Council on securing supply of this material.

Fulton Hogan has been identified as the preferred tenderer for the sprayed seal portion of works, due to their competitive rates, and extensive experience delivering similar works for both local and state government clients. They produce binders for use in some spray seal treatments that include recycled truck tyre rubber, sourced through the Tyre Stewardship Australia program.

A tender evaluation summary is included in **Appendix 1**. Due to commercial in confidence, tenderers have been de-identified in **Appendix 1**.

4. OPTIONS

Council has the following options:

- I. Enter into a contract with AAA Asphalt for the provision of asphalt road resealing works and separately, enter into a contract with Fulton Hogan for the provision of sprayed seal road resealing works. Both contracts are to be up to a combined value of \$4,102,000 over 3 years, subject to future approved Annual Business Plan and Budgets (Recommended).
- II. Discontinue existing contract and do not appoint new contractor(s) for the road reseal programme. Council staff will need to reapproach the market. It is expected that this will lead to higher rates from contractors due to the lower volume of work, resulting in higher cost to Council (Not Recommended).
- III. Continue 2020/2021 programme works with the current contractor. Council would continue to pay existing rates for seal treatments, which are over and above those achievable by the current market, resulting in higher cost to Council. Council would also not be able to take advantage of advancements in sustainable practices demonstrated by tenderers (Not Recommended).

5. APPENDIX

- (1) Tender Evaluation Summary

Appendix 1

Tender Evaluation Summary

Tender Evaluation Summary

Project	Reseal Programme
Project #	3707
Tender #	52/20
Date	23/04/2019

		AAA Asphalt	Tenderer 2	Tenderer 3	Fulton Hogan
1	Package A - Asphalt	\$ 458,926.38	\$ 554,673.35	\$ 501,862.04	\$ 518,749.23
2	Package B - Sprayed Seal	\$ -	\$ 250,781.42	\$ 274,396.64	\$ 248,004.50

Evaluation Matrix										
	Analysis Criteria	Weight	AAA Asphalt		Tenderer 2		Tenderer 3		Fulton Hogan	
			Weighted	Raw	Weighted	Raw	Weighted	Raw	Weighted	Raw
	Pricing	25%	20.00	8.00	15.00	6.00	17.50	7.00	20.00	8.00
	Completeness	5%	4.00	8.00	3.17	6.33	2.50	5.00	4.17	8.33
	<i>Evaluator 1</i>			8.00		7.00		4.00		8.00
	<i>Evaluator 2</i>			8.00		6.00		5.00		9.00
	<i>Evaluator 3</i>			8.00		6.00		6.00		8.00
	Value	15%	3.67	7.33	3.67	7.33	4.33	8.67	4.50	9.00
	<i>Evaluator 1</i>			7.00		8.00		8.00		8.00
	<i>Evaluator 2</i>			7.00		7.00		9.00		10.00
	<i>Evaluator 3</i>			8.00		7.00		9.00		9.00
	Methodology	15%	4.00	8.00	2.67	5.33	3.83	7.67	4.33	8.67
	<i>Evaluator 1</i>			7.00		6.00		7.00		8.00
	<i>Evaluator 2</i>			8.00		5.00		8.00		9.00
	<i>Evaluator 3</i>			9.00		5.00		8.00		9.00
	Programme	10%	4.50	9.00	3.00	6.00	2.50	5.00	4.00	8.00
	<i>Evaluator 1</i>			10.00		6.00		5.00		9.00
	<i>Evaluator 2</i>			8.00		6.00		6.00		8.00
	<i>Evaluator 3</i>			9.00		6.00		4.00		7.00
	Resources	15%	3.83	7.67	3.00	6.00	4.33	8.67	4.50	9.00
	<i>Evaluator 1</i>			7.00		7.00		9.00		9.00
	<i>Evaluator 2</i>			8.00		5.00		8.00		9.00
	<i>Evaluator 3</i>			8.00		6.00		9.00		9.00
	Experience	10%	3.50	7.00	3.67	7.33	4.67	9.33	4.67	9.33
	<i>Evaluator 1</i>			7.00		9.00		9.00		9.00
	<i>Evaluator 2</i>			7.00		6.00		10.00		10.00
	<i>Evaluator 3</i>			7.00		7.00		9.00		9.00
	Compliance	5%	3.67	7.33	4.00	8.00	4.17	8.33	4.17	8.33
	<i>Evaluator 1</i>			7.00		8.00		9.00		8.00
	<i>Evaluator 2</i>			8.00		8.00		8.00		8.00
	<i>Evaluator 3</i>			7.00		8.00		8.00		9.00
	Total Tender Score	100%	47.17		38.17		43.83		50.33	
	Rank		2		4		3		1	
	Score w/o Price	75%	23.17		20.00		23.83		26.17	
	Rank		3		4		2		1	

3. Sealed Roads Renewal Contract – Period of Confidentiality

Subject to the CEO, or his delegate, disclosing information or any document (in whole or in part) for the purpose of implementing Council's decision(s) in this matter in the performance of the duties and responsibilities of office, Council, having considered Agenda Item 8.1 in confidence under sections 90(2) and 90(3)(k) of the *Local Government Act 1999*, resolves that an order be made under the provisions of sections 91(7) and (9) of the *Local Government Act 1999* that the report, related attachments and the minutes of Council and the discussion and considerations of the subject matter be retained in until the contracts are signed, but not longer than 12 months.

Pursuant to section 91(9)(c) of the *Local Government Act 1999*, Council delegates the power to revoke the confidentiality order either partially or in full to the Chief Executive Officer.