

CITY OF MARION
GENERAL COUNCIL MEETING
28 November 2017

CONFIDENTIAL REPORT

Originating Officers: Birgit Stroehler, Registered Architect-City Activation
Tim Hoggan, Senior Contracts Officer

Manager: Donna Griffiths, Acting Manager City Activation

General Manager: Abby Dickson, General Manager City Development

Subject: Edwardstown Oval – Approval to award construction tender

Report Reference: GC281117F05

If the Council so determines, this matter may be considered in confidence under Section 90(3)(b) and 90(3)(k) of the *Local Government Act 1999* on the grounds that the report contains information relating to the tender cost submission for construction of the Edwardstown Oval redevelopment.



Adrian Skull
Chief Executive Officer

RECOMMENDATION:

1. That pursuant to Section 90(2), 90(3)(b) and 90(3)(k) of the *Local Government Act 1999*, the Council orders that all persons present, with the exception of the following persons: Adrian Skull, Abby Dickson, Tony Lines, Vinnie Mifsud, Kate McKenzie, Ray Barnwell, Donna Griffiths, Birgit Stroehler, Colin Heath, Victoria Moritz and Adrian Sasu (Civil Engineering Consultant), be excluded from the meeting as the Council receives and considers information relating to Edwardstown Oval redevelopment, upon the basis that the Council is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information relates to the pre-tender estimate for the carrying out of works and disclosure of the information could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council.

REPORT OBJECTIVE

This report seeks Council's endorsement of the construction budget for the full scope of works documented as the Edwardstown Oval redevelopment. The report outlines to Council the tender prices received and tender evaluation report outlining the process undertaken including the preferred tenderer. The report also seeks authorisation for awarding the contract for the construction of the project.

EXECUTIVE SUMMARY

A tender process has been conducted in accordance with Council's procurement policy and good governance practices to identify a recommended tenderer for the construction of the Edwardstown Soldiers Memorial Recreation Ground (ESMRG) redevelopment.

An Expression of Interest (EOI) and subsequent Select Tender have been conducted and assessed by Council staff and specialists engaged in the project management, cost control and architectural design of the project.

A preferred tenderer has now been selected following a process of negotiation and investigation of costs saving measures, however, the overall construction and related costs remain \$535k higher than Council's current allocated project budget. This increased costs are predominantly associated with the specialised works required for the velodrome. It is recommended that additional funding up to \$535k is allocated from the Council's Asset Sustainability Reserve to the project budget in order to proceed with construction and meet the Federal funding deed deadline of 11 December 2017.

RECOMMENDATIONS

DUE DATES

That Council:

- | | |
|--|-------------------------|
| 1. Authorises the award of the contract for the construction of the Edwardstown Soldiers Memorial Recreation Ground redevelopment to Kennett Builders. | 28 November 2017 |
| 2. Authorises the Chief Executive Officer to execute the contract with Kennett Builders and to make minor amendments where necessary to the contract to give effect to Council's awarding of the contract. | 28 November 2017 |
| 3. Endorses the additional allocation of up to \$535,000 from the Asset Sustainability Reserve towards the Edwardstown Oval Redevelopment project. | 28 November 2017 |
| 4. In accordance with Section 91(7) and (9) of the Local Government Act 1999 the Council orders that this report, Edwardstown Oval – Pre-tender estimate and approval to call the stage 2 construction tender and the minutes arising from this report having been considered in confidence under Section 90(2) and (3)(k) of the Act, except when required to effect or comply with Council's resolution(s) regarding this matter be kept confidential and not available for public inspection for a period of 12 months from the date of this meeting. This confidentiality order will be reviewed at the General Council meeting in December 2017. | 12 December 2017 |

BACKGROUND

At the 8 December 2015 General Council meeting it was resolved to demolish all existing buildings and develop a new facility which would serve current and future needs of the community and deliver a regional multi-purpose facility. The facility would be a unique facility, providing one of the two outdoor velodromes available within the State. A summary of the Council reports and key decisions are provided in Appendix 1 to this report (attached).

As the design has been developed and responded to stakeholder feedback greater certainty of costs has also been achieved. At the 12 September 2017 Council considered a pretender construction budget range of \$6.7M to \$7.4M and authorised Administration to undertake the construction tender. The tender process has provided further certainty of costs, in particular the costs associated with the specialised resurfacing velodrome works. This report details the outcome of the construction tender and seeks the allocation of additional funds of up to \$535K.

PROJECT BUDGET

The scope proposed in the \$8,315,000 million project capital budget includes the new building, car park, cricket nets, cycling facilities, main site services infrastructure, solar panels, spectator area, Memorial Gardens upgrade, loop path and perimeter fence. The project has now also received \$18,500 towards upgrades to the Memorial from Veterans SA as part of the ANZAC commemoration fund.

The current total capital project budget as outlined in the table below is \$8,333,500.

Element	Budget
Marion contribution	\$4,275,000
Marion Solar panels contribution	\$ 40,000
Federal Government contribution	\$4,000,000
Veterans SA funding to the Memorial Gardens	\$ 18,500
TOTAL BUDGET	\$8,333,500

The overall construction **cost** for the ESMRG redevelopment comprises the following costs:

Element	Cost
Construction tender	\$ 7,584,107
Professional fees	\$ 672,069
Construction Contingency	\$ 350,600
Works by Marion - Loose furniture & AV	\$ 189,655
External site Infrastructure works - SAPN	\$ 71,401
TOTAL CAPITAL PROJECT COST	\$ 8,867,832
PROJECT FUNDING GAP	\$ 534,322

A construction contractor tender budget range of \$6.7m to \$7.4m was anticipated for the proposed construction for the ESMRG site. The increased costs are predominantly associated with the specialised works required for the velodrome.

Council has sufficient funding in its Asset Sustainability Reserve to meet this funding gap. It is recommended that an additional allocation of up to \$535,000 be allocated to the project budget in order to proceed with construction and meet the Federal funding deed deadline of 11 December 2017. This includes a provisional sum of \$350K for the specialised velodrome

plant adjustment and freight costs. The total value may not be fully expended and the funds returned to the project budget.

The final construction cost may vary due to any variations to the construction contract e.g. unexpected ground conditions etc. funded from the construction contingency allowance.

CONSTRUCTION CONTRACT TENDER ANALYSIS

The EOI process concluded in September 2017, and five (5) contractors were subsequently invited to tender for the construction of the ESMRG redevelopment and associated works. The tender closed on the 25 October 2017. The tender evaluation process is outlined below.

1. PROCUREMENT PROCESS

An initial Expression of Interest (EOI) was undertaken inviting Building/Construction companies prequalified to DPTI Level 1 or 2 to submit proposals from which a short list would be selected to participate in this formal Request for Tender (RFT). Five (5) companies were selected to progress.

2. TENDER DOCUMENTATION

The City of Marion template tender documentation was supplemented by AS2124 General Conditions of Contract, a standard widely accepted and understood by construction companies and project managers.

3. TENDER EVALUATION TEAM

The Tender Evaluation Team ("TET") consisted of:

- Birgit Stroeher (City of Marion, Registered Architect Strategic Projects)
- John Ward (ECPM, Consultant Project Manager)
- Simon Best (Swanbury Penglase, Lead Consultant and Architect)
- Tim Hoggan (City of Marion Senior Contracts Officer)

Input was also sought from Rider Levett Bucknall (Cost Consultant) and GHD (Civil Engineering Consultant).

The above personnel all signed Conflict of Interest/Confidentiality Agreement forms as part of their involvement.

4. CRITERIA AND WEIGHTING

Prior to opening tender responses, the TET met and established the tender assessment criteria and weightings, which are reflected in the assessment results at Attachment "A".

The outcomes of the EOI process were considered which included broader organisational capability, systems, and experience, and therefore the focus of the RFT related to specifics within the Scope of Works, and actual personnel nominated.

In summary the assessment criteria and weightings were agreed as follows:

- | | |
|-----------------------------|------|
| ➤ Experience and Capability | 30% |
| ➤ Methodology | 40 % |
| ➤ Cost | 30 % |

5. SUBMISSION OF TENDERS

Strict formal tender processes were put in place, with all contact with Council through the Principal's Representative in the first instance.

Details of the tender include:

- Tenders were released on 27 September 2017 through SA Tenders & Contracts website, with electronic copy of specification details delivered in person to each of the invited tenderers
- Five (5) Tender Addendums were issued to the tenderers.
- A Site Briefing was conducted on 4 October 2017 and all five organisations attended
- Tenders closed on Wednesday 25 October 2017 at 2pm under formal tender box conditions, and five (5) tenders were received from the following organisations:

1. [REDACTED]
2. Kennett Builders
3. [REDACTED]
4. [REDACTED]
5. [REDACTED]

6. ASSESSMENT OF TENDERS

The TET met on two (2) occasions to assess the responses.

Initial submissions were scored individually and then an agreed consensus score was determined by the TET. This determined a short listing of two (2) tenderers.

Both short listed tenderers were requested to provide clarification on elements of their tender. A further meeting was held with each to discuss their submission in greater detail, explore options and alternatives, and to request a revised offer.

Pricing was scored using the median price method – the median price allocated 5/10 and each tenderer's score calculated by formula. This method of cost scoring is used by DPTI and is recommended by the Association of Consulting Engineers Australia.

The summary outcomes of the TET's assessment are as below.

The table below provides a summary of the assessment by evaluation criteria:

Tenderer	Experience & Capability	Methodology	Cost	Total	Assessed Tendered Price (\$)
Weight	30%	40%	30%	100%	
[REDACTED]	23.0	30.5	16.4	69.9	[REDACTED]
Kennett Builders	20.5	24.0	16.3	60.8	\$7,710,000
[REDACTED]	18.0	22.5	14.3	54.8	[REDACTED]
[REDACTED]	19.0	21.0	14.5	54.5	[REDACTED]
[REDACTED]	17.5	20.5	15.0	53.0	[REDACTED]

Based on the assessment against the agreed criteria and weightings, [REDACTED] and Kennett Builders were short listed for further discussion and negotiation.

Key points to note from the assessment include:

- *Experience & Capability*
CoM's experience with [REDACTED] saw them scored highly in this criteria with the same personnel nominated. Kennett also demonstrated previous experience in similar projects.
- *Methodology*
[REDACTED] provided a clear and detailed methodology and an indication the project could possibly be completed within 2018 calendar year. Kennett's program was clear and realistic. The remaining tenderers had elements of their methodology which were lacking detail.
- *Cost*
[REDACTED] and Kennett were the two lowest price tenders, more than 10% lower than any of the other tender submissions. All initial tenders were in excess of Council's budget.

7. POST TENDER DISCUSSION AND NEGOTIATION

Post tender negotiations with the two shortlisted tenderers (particularly regarding the proposed methodology for the construction of the velodrome) resulted in both parties revising their tender offers. Refer velodrome construction options considered below in point 8.

Based on the preferred velodrome construction method (i.e. asphalt), Kennett's revised offer was in the order of \$ [REDACTED] less than [REDACTED] offer. In addition, the TET had a greater level of confidence in Kennett's ability to deliver the project in line with their tendered price.

Given both revised offers exceed the construction budget, Kennett (with the lowest offer) is recommended as the preferred tenderer.

8. VELODROME OPTIONS ANALYSIS

Analysis of a number of options was undertaken for the velodrome works – a specialised component of the construction tender. The preferred tenderer priced two options noted in Appendix 2 (attached).

The options were assessed against the following criteria:

- Impact on drainage
- Impact to the clubs and community
- Effect of surface for cyclists
- Impact to other parts of the site
- Life Cycle costs
- Construction costs

Based on the assessment, the documented solution for two layers of 25mm asphalt is recommended. This is based on the reduced construction time, risk profile on movement of the surface, reduced impact to the clubs and community, construction cost and preferred surface as advised by the South Coast Cycling Club.

Cycling SA advised that either surface is used on external velodromes, however when problems arise with concrete velodrome surfaces, they have found it is difficult to rectify.

9. CONSTRUCTION BUDGET

The tender pricing of all tenderers exceeds the construction budget of \$7,049,775. The Construction tender for Kennett is \$7,584,107. The variance to the construction budget is \$535,000.

CONCLUSION

The Expression of Interest and tender process has been conducted in strict accordance with Council's procurement policies. The recommended contractor for the construction of the ESMRG redevelopment is Kennett Builders.

The construction cost for the project has increased following the conclusion of the tender process, which highlighted higher than anticipated costs for the construction of the velodrome. The increase in construction costs of \$535k now bring the overall capital project cost to \$8,867,832.

Approval to award the contract to the preferred contractor will allow the construction of the ESMRG redevelopment to commence, as required by the Federal funding deed date, on 11 December 2017.

APPENDICES

Appendix 1: A summary of the Council reports and key decisions

Appendix 2: Velodrome Options Analysis

Appendix 1: A summary of the Council reports and key decisions

12 Sept 2017	SGC120917F01	<p>Council considered and endorsed the pre-tender estimate and approved to call the stage 2 construction tender.</p> <p>This includes:</p> <ul style="list-style-type: none"> • an additional \$275k to fund the installation of the loop path and UCI compliant fence bringing the total allocation from the Asset sustainability Reserve to \$4.275M • Requests that the contractor accountable for delivering the velodrome has demonstrable experience in undertaking velodrome works
8 Aug 2017	GC080817F02	Council considered and endorsed the finance and management model for facility operations
27 June 2017	GC270617R11	Council considers community feedback and endorsed detail design
22 Nov 2016	GC221116R11	<p>Section 48 report and funding commitment for National Stronger Regions Fund Application</p> <ul style="list-style-type: none"> • Adopts Section 48 Prudential Report including the KPMG Report on the Proposed governance and Management Model and Financial forecast and the Hardy Milazzo Design concept • Capital funding commitment of up to \$4 million for the redevelopment of Edwardstown Oval subject to the successful application for funding to NSRF
11 Nov 2016	GC221116R11	<p>Federal Funding Deed</p> <ul style="list-style-type: none"> • Accept terms and conditions associated with the \$4 million federal funding from the Department of Infrastructure and Regional Development. • CEO to sign the deed for \$4 million
8 Dec 2015	GC081215R06	<p>Design Options for NSRF</p> <ul style="list-style-type: none"> • Council endorsed option 2 (demolishes all existing club buildings and erects new buildings) as the preferred concept to be further developed to form the basis of a Section 48 report and, subsequently, for the bid to the National Stronger Regions Fund.
22 Sep 2015	GC220915R02	<p>National Stronger Regions Fund (NSRF)</p> <ul style="list-style-type: none"> • Architectural Brief endorsed for development of a costed concept plan • Costed concept plan to be developed on the basis of recommended building and various ground improvements to a financial target of \$7 - \$8 million
8 Sep 2015	GC080915M08	<p>Funding Opportunity</p> <ul style="list-style-type: none"> • Council endorsed lodging funding application to Round 3 of Federal Government's National Stronger Regions Fund

Appendix 2 – Velodrome Option Analysis

	Option 1 – Concrete	Option 2 - Asphalt
	<p>Contractor proposed alternate option concrete layer.</p> <p>1500mm thick with two layers of reinforcement including doweled joints and intermediate saw cut joints.</p>	<p>Documented option.</p> <p>Asphalt 2 layers of 25mm, slope and cross fall within plant capacity.</p>
Effect on drainage	Drainage can be altered to suit overall level difference and a reasonable to good option 50mm higher than current design.	Drainage remains the same, however a minor change in oval concrete drain this is a good option
Suitability of surface finish for cycling	Suitable surface used typically on velodromes around the world. No speed or slip issues noted. The joints between the concrete pours can move over time either opening up or vertical differential movement. Curling of the concrete slabs would significantly impact the cyclists.	Suitable and preferred surface. No joints and less risk of cracking and level changes.
Suitability of surface gradient for cycling	Gradient remains the same	Gradient remains the same
Life cycle considerations	Excellent (50yrs +) Differential movement and curling of the concrete slab edges at the joints could result in on-going maintenance of the track. Extent of issues unknown. Consider an acyclic top coat to reduce effect of level changes. Additional \$35K cost for acrylic coating.	Good (20yrs +) Consider an acyclic top coat to increase lifecycle. Could be applied to the new asphalt option in the future to extend the life of the surface. Application every 7 years. Approximately \$35k additional cost for acrylic coating
Requires alteration to sub base and other potential risks	No alteration to subbase required, good option.	No alteration to subbase required, good option
Effect on loop path, access points and retaining walls	This option will change the levels at the 3 gates. The main access gate will affect the car park levels and this will incur additional as yet unquantifiable costs to the project.	No effect
Effect of works on clubs and community	16 weeks for velodrome works to be undertaken in Autumn/Winter, as concrete needs moisture content to cure successfully. May – August 2018 football, community and cycling unable to access the	3 weeks for velodrome works, cricket, community and cycling unable to access the grounds.

	<p>grounds with continued construction noise and access by large vehicles over this time. Profit loss for football for the loss of access for one season is \$200k, hiring of other facilities may be in the order of at least \$120k. Another concern as is the lack of suitable facilities to move to.</p>	
<p>Velodrome Cost</p>	<p>Order of cost – Materials and Labour \$606K. Consultancy re- documentation costs for this Contractor proposed option in the order of \$15K Football club relocation and loss of revenue costs in the order of \$320K \$941K</p>	<p>Order of cost - Materials and labour \$370K Provisional sum for plant machinery alteration and travel from interstate. Up to \$350K. \$720K</p>