

## CONFIDENTIAL REPORT

### SPECIAL AUDIT COMMITTEE 14 MARCH 2013

#### REPORT RELATING TO: A leader in the delivery of the Community Vision

Originating Officer: John Valentine, Manager Strategic Projects  
Director: Heather Montgomerie  
Subject: City Services Redevelopment  
Reference No: AC140313F01  
File No: 16.65.1.4

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If the Audit Committee so determines, this matter may be considered in confidence under Section 90(3)(b) and (k) the *Local Government Act 1999* on the grounds that the report contains information relating to a tender for the carrying out of works and contains matters that could confer a commercial advantage to a third party.



**Mark Searle**  
Chief Executive Officer

#### RECOMMENDATION:

1. That pursuant to Section 90(2) and 90(3)(b) and (k) of the *Local Government Act 1999*, the Audit Committee orders that all persons present, with the exception of the following persons: Elected Members of Council, Mark Searle, Kathy Jarrett, Vincent Mifsud, Heather Montgomerie, Mark Gibson, Craig Clarke, John Valentine, Heather Michell, John Silverblade, Mathew Allen, Peter Patterson, Fay Millington, Ray Barnwell, Colin Heath, Matt Perano and Tony Brewster be excluded from the meeting as the Audit Committee receives and considers information relating to financial and scope options as part of the tender process to manage the project, upon the basis that the Audit Committee 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 and the 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. In addition the disclosure of this information would, on balance, be contrary to the public interest as it could prejudice Council's ability to be able to negotiate a cost effective proposal for the benefit of the Council and the community.

## REPORT OBJECTIVES:

The purpose of this report is to provide the Audit Committee with:

- an update regarding the tender process that has been undertaken for the City Services redevelopment project;
- a summary of options that have been considered to reduce costs, and;
- potential options to allocate additional funds towards the project so that it can be completed with some changes to the design.

## EXECUTIVE SUMMARY:

On 11 September 2012, Council authorised the final design and approved the commencement of the tendering process for a construction contractor for the project.

The procurement plan provided for a two-stage approach, firstly an open Expression of Interest (EOI) to all Department of Planning Transport and Infrastructure pre-qualified builders, followed by a select tender process to a minimum of 4 companies.

EOI registrants were assessed and a shortlist of builders were invited to submit a tender.

The tenders received were assessed and were over the \$9 million budget. Tender prices were significantly affected by the required site works and extent of concrete footings and pilings to deal with ground conditions of the site. Tender prices were also significantly affected by the roof design and the extent of steel in the roof areas.

Since assessing tenders, staff and the project consultants have been developing and assessing a number of options to determine whether the scope of the project can be reduced to manage the project within the Council allocated budget. Staff have also assessed potential scenarios for Council's consideration for allocating additional funds to the project. Both the options and scenarios for allocating additional funds are described in this report.

The purpose of this report is to seek Audit Committee input to the options being considered for the delivery of the City Service Redevelopment.

## RECOMMENDATIONS

## DUE DATES

That the Audit Committee,

- |   |               |
|---|---------------|
| 1. Note the changed funding requirement relating to the City Services redevelopment project.  | 14 March 2013 |
| 2. In light of the changed funding requirement review the revised Section 48 report in relation to the City Services Redevelopment project and provide comment / feedback to Council as to whether the project (as financially revised) represents an appropriate allocation of resources having particular regard to:  | 14 March 2013 |
| <ul style="list-style-type: none"> <li>- the revised financial modelling and subsequent impact on the financial viability of the project and the short and longer term effect of the project on Council's financial sustainability,</li> <li>- the revised risk assessment associated with the project and proposed risk management approaches</li> <li>- the revised mechanisms for carrying out the project.</li> </ul> |               |
| 3. That the Audit Committee note the other updates in the Section 48 report regarding the following items and provide any additional comment / feedback:  | 14 March 2013 |

- degree of contribution to Council's strategic management plans and objectives
- the objectives of Council's Development Plan as it relates to the project
- the expected contribution of the project to the economic development of the area
- the outcomes of consultation with the local community
- the recurrent and whole of life costs of the project

4. In accordance with Section 91(7) and (9) of the Local Government Act 1999 the Audit Committee orders that the appendices to this report having been considered in confidence under Section 90(2) and (3)(b) and (3)(k) of the Act be kept confidential and not available for public inspection for a period of 12 months from the date of this meeting and that the report (exclusive of the appendices) be released. This confidentiality order will be reviewed at the General Council Meeting in December 2013.

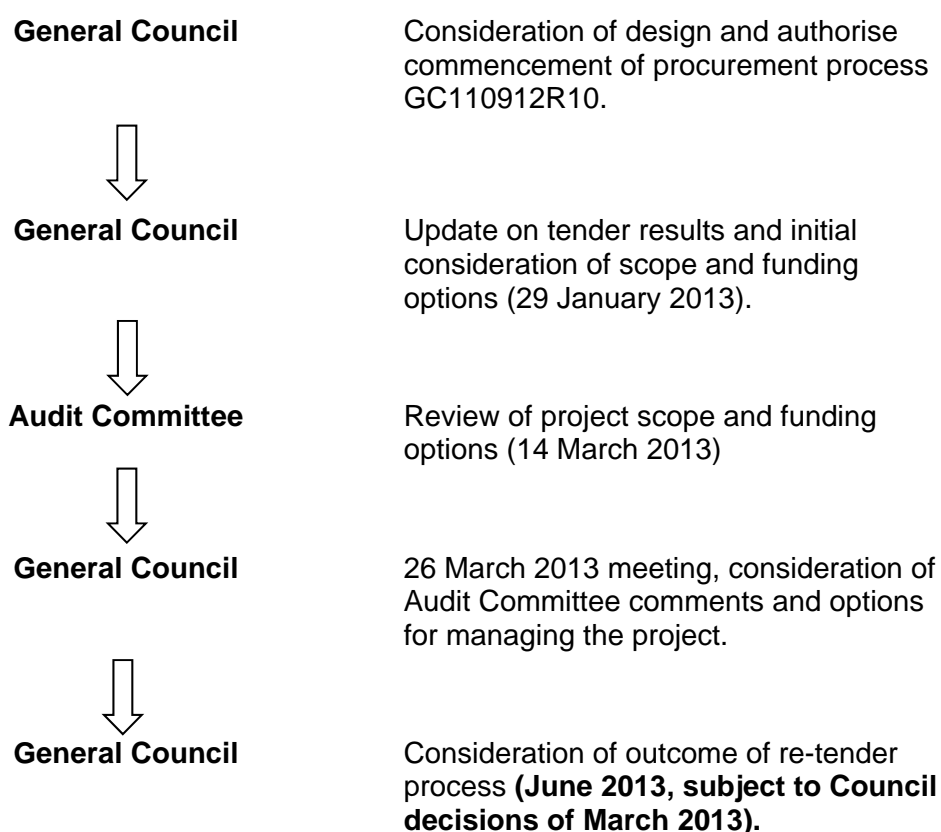
14 March  
2013

(NOTE: this report has been structured so that the covering report can be publically released. Confidential information relating to the tender process and budget are contained in appendices which are recommended to be kept confidential for a period of 12 months.)

## BACKGROUND

The redevelopment of City Services was approved by Council on 14 June 2011 (GC140611R05). Authorisation to commence the process to procure a construction contractor was approved by Council on 11 September 2012 (GC110912R10).

## Decision Making Process



A copy of the 11 September confidential Council report is attached as Appendix 3.

## **DISCUSSION**

The project proposes to redevelop the existing City Services site at Mitchell Park with the aim to meet the operational needs for City Services. The redevelopment of the City Services site is part of an overall process of achieving the administrative and operational accommodation needs at the City Services and Administration building locations. The project objectives include:

### **Service Delivery**

- Improve the operating effectiveness and efficiency of City Services to support the on-going provision of core services to the community.

### **Land Use**

- Improvement in property utilisation to minimise the operational footprint and develop options for the utilisation of any excess land.

### **Statutory Compliance**

- Rectification of current OH&S deficiencies within mechanical workshops;
- Compliance with EPA requirements for dust suppression and stormwater treatment from the site.

### **Accommodation Strategy**

- Transfer of 24 staff from the Administration Building to relieve existing pressure in office accommodation as recommended in the Accommodation Masterplan 2009-2013;
- Provide for future growth for City Services staff and operations (15).

### **Accommodation Standards**

- Replace the temporary transportable buildings with suitable office accommodation;
- Improve the environmental performance of buildings;
- Provision of new office facilities, stores and workshops with provision for future growth at City Services.

### **Financial Framework**

- Ensure the project does not impact on Council's Financial Key Performance Indicator Targets and is financially responsible and reasonable.

### **Project deliverables**

The project will provide a full redevelopment of accommodation at City Services including new office building, upgraded stormwater drainage system, covered material storage bays and vehicle servicing area. The new office building will be capable of housing staff currently located at City Services and 24 staff to be relocated from the Administration Building and growth projected for City Services staff (15).

The project will improve the energy efficiency of the accommodation and management and control of stormwater and dust to EPA standards (as identified in Environmental Management System, EMS, Audit).

## **Tender Process**

The Tender Assessment process has closed with all tenders received being over the project budget of \$9 million. Factors that have contributed to the higher tendered costs than estimated have been:

- site ground conditions requiring additional site rehabilitation, footing and piling treatments;
- shift in building market conditions - in the second half of 2012 construction companies were tendering with very competitive pricing, these market conditions have not been reflected in the tender;
- the impact of the high volume of concrete required and related trades.

## **Potential options to deliver the project within the \$9 million budget**

Since receiving the tenders staff and the project consultants have been generating and assessing options to decrease the cost (reduce the scope) of the project.

The options have been developed and assessed against the following key criteria for the project:

- A. Improvement of effectiveness and efficiency
- B. Occupational Health and Safety and DDA deficiencies are addressed
- C. EPA requirements regarding dust and storm water management are addressed
- D. Capacity retained to transfer staff from Administration building to City Services
- E. Capacity to accommodate growth
- F. Temporary buildings replaced
- G. Improved environmental performance of buildings.

A number of options have been developed and considered, they comprise:

1. Change internal finishes, fixtures, fittings and floor coverings to office and amenities hub
- 1A. Change roof design to stores and workshop, delete canopies to east and south of stores and workshop, change internal finishes, fixtures, fittings and floor coverings to office and amenities buildings
2. Retain existing nursery and workshop
3. Retain existing workshop and stores
4. Removal of growth allowance in stores and office area
5. Removal of central amenities building, reuse existing transportable lunchroom and toilet facilities
6. Options 1, 3 and 4 combined

An analysis of these options, including their potential cost saving and consequences are contained in Appendix 1.

## **Assessment summary of options**

The above described options will have varying impacts on the key criteria for the project.

Option 1 – Changes to the internal finishes of the offices and amenities area will generate some savings towards the project.

Option 1A – The roof for the workshop and stores are high cost items that could be replaced with a simpler design whilst canopies and or veranda treatments could be staged and developed at a later date.

Option 2 – The retention of the workshop would need to be temporary due to the need to upgrade the building in relation to the Building Code of Australia (BCA) and disability access requirements. Its temporary retention would impact on vehicle movements on the site. The retention of the workshop would need to consider the cost of upgrading the existing toilet facilities at the site and access into and through the building so that they meet disability access requirements. The need to upgrade the building (and cost to do same) to meet Building Code of Australia requirements is being assessed.

Options 3 – The retention of the existing workshop and stores would have significant costs to meet BCA requirements and disability access standards. The longevity of these buildings would not be as great as new facilities developed on the site.

Option 4 – Accommodating growth is not a high cost item. Deleting growth would not reduce the number, or extent, of toilets, corridors, lunch facilities and the like.

Option 5 – Removal of the amenities building is not recommended as it would lead to very significant inefficiencies with a large number of staff isolated from amenities and requiring significant time for staff to move between work areas and the amenities. The transportable lunch room facilities would need to be retained and the existing toilets and access arrangements to them would need to be upgraded to meet disability access and BCA requirements

Option 6 – A combination of options 1, 3 and 4 would so significantly compromise the project that it would not represent a prudent use of funds or generate the required operational benefits that the project needs to achieve.

#### **Financial Analysis to be conducted in regards to Potential Funding Options**

Financial analysis has been prepared in the attached updated Section 48 report for Audit Committee consideration and comment, and subsequently Council's consideration, on a number of possible funding options, including:-

- Additional borrowings
  - 100% borrowings
  - partial borrowings
- Partial reallocation of funds set aside in the Long Term Financial Plan for the essential works required for the Administration building
- Potential to sell surplus land within suitable market conditions

Sensitivity analysis has also been prepared, in relation to;

- Interest rates
- Loan terms
- Average annual rate increases

Council has recently entered a period of significant new borrowings and is committed to the concurrent commencement of three major strategic projects that are forecast to be predominantly funded through further new borrowings; to add to the \$9.5 million in grant funding that has been attracted for 2 of these 3 projects.

Council's ability and capacity to fund new strategic projects over the duration of the current LTFP will be limited, without the attraction of grant funding. Historically, however, Council has demonstrated the capacity to attract grant funds. This has been further enhanced by the establishment of a grant funding initiative in 2009 (Grant Attractors/Relationship Managers

Group – GARMs), with the objective of implementing a systematic approach to maximise the attraction of grant funding opportunities for the City of Marion.

It must also be remembered that the LTFP presents a 'worst case scenario' and has been prepared prudently on the basis of, amongst other things:

- borrowings being modelled using interest rates above currently available market rates and 15 year loan terms (annual loan repayments will reduce should more favourable interest rates be achieved and longer loan terms be arranged);
- the assumption that required project funding will be fully sourced from borrowings (Council has historically had the capacity to fund some of the funding requirements of major projects via its treasury management policy);
- not including annual savings initiative targets beyond year 1 (achieved savings in future years will alleviate funding pressures);
- the potential sale of surplus land not being included (should Council decide to dispose of any surplus land, in appropriate market conditions, this would increase Council's funding capacity).

Should it eventuate that actual project costs and the 'worst case scenario' assumptions in the LTFP are better than forecast, pressure on Council's future funding ability and capacity will be alleviated.

In order to enable Council to assess its funding capacity for new strategic projects moving forward, the implementation and progress of the current major projects will be constantly reassessed, with updates being provided to Council in quarterly Budget Review reports and the annual adoption of the LTFP. This will incorporate the following trigger points of assessment and will enable performance and assumptions to be effectively measured in the context of the LTFP:

- confirmation of final work scope together with cost estimate;
- completion of tender process and confirmation of tender price;
- completion of initial construction phase (ground rehabilitation, pilings, piers and footings), which will uncover any additional costs due to latent conditions;
- completion of construction phase and handover of facility/project;
- finalisation of defects and liability period;
- confirmation of actual amount of borrowings required, including verification of :-
  - treasury management performance and impact on actual borrowings;
  - applicable interest rate;
  - loan term.

## **ANALYSIS:**

**Consultation:** Consultation with staff will be conducted as part of developing options to manage the project subject to Council's consideration of this report.

**Organisational Culture Impact:** The provision of 'fit for purpose' accommodation at City Services will make a significant contribution to the efficient and effective delivery of core services to the community and meeting Council's Employer of Choice target and accommodation policy objectives.

**Financial Implications:** The Council approved \$9 million budget for the project has been provided for in the 2012/2013 and 2013/2014 financial years. The cost of allocation of additional funds to the project and potential savings from reducing the scope of the project is considered in the attached Section 48 report.

**Environmental Impact:** The full redevelopment will improve the environmental performance of the site, including capturing and reusing stormwater, reduced energy consumption and addressing dust control issues from the open bay storage areas. The existing EPA requirements for the removal of the existing used oil tank will also be met. Options to reduce the cost of the project generally have a negative impact on the environmental objectives of the project in relation to stormwater management, dust control and increasing reliance on air conditioning and increasing the need for artificial lighting

### Project Timelines

Call for tenders design	June 2011
Award of design tender	August 2011
Council consideration of final designs	September 2012
Call for EOI construction	September 2012
Call for tenders construction	Mid-October 2012
Council preliminary consideration of options to manage the project	January 2013
Audit Committee review of revised Section 48 report and options to reduce costs and allocate additional funds	March 2013
Council consideration of Audit Committee comments and revised Section 48 report and options to reduce costs and allocated additional funds	March 2013
Development approval	March 2013
Tender for construction	April / May 2013 (Subject to Council consideration in March 2013)
Council consideration of tender	June 2013
Award construction tender	July 2013
Construction period	August 2013-December 2014
Project complete	December 2015 (end of defect liability period)

### CONCLUSION:

Tenders for the construction of the City Services site have been received and exceed Council's approved budget of \$9 million. Options to reduce the cost of the project have been developed and require further assessment. Options for potentially allocating additional funds to the project, and their impact, have been developed and are provided to the Audit Committee in this report for their consideration and feedback. A further report will be prepared for Council's consideration in light of the Audit Committee's consideration.

**APPENDIX 1**  
**GC290113FO1**

**Confidential information relating to the tender for the City Services redevelopment project**

### **Tender Process**

The Tender Assessment process has closed with all tenders received being over the project budget of \$9 million. The tender prices were between \$3.7 million and \$4.5 million over Council's \$9 million budget.

Factors that have contributed to the higher tendered costs than estimated have been:

- site ground conditions requiring additional site rehabilitation and footing treatments have added approximately \$1,450,000;
- shift in building market conditions - in the second half of 2012 construction companies were tendering with very small profit margins (1 to 3%), these market conditions have not been reflected in the tender;
- the pricing for the extent of steel and the roof design;
- the volume of concrete required and related trades;
- the tenderer's pricing of risk associated with the project.

A review has been conducted of the procurement process used to invite organisations to tender for the construction of the City Services project. The following shortcomings / influences on the tender result have been identified;

- the Expression of Interest (EOI) process (which led to the selection of a limited tender field) was released on the same day as a large number of State government tenders, contributing to a limited response (7);
- the naming of the EOI project, (City Services) may not have adequately conveyed the construction opportunity to the market;
- the cost consultant was not included in reviewing the EOI outcome and therefore could not provide market information regarding the selected tender field.

As a consequence of the above the Project Control Group has reviewed the procurement process and, subject to Council's consideration in relation to funding for the project, has endorsed an open tender process to all Department of Planning Transport and Infrastructure (DPTI) pre-qualified builders. Furthermore the tender will be more aggressively communicated to the market and the cost consultant will be directly involved in the assessment of the tenders. There will be feedback provided to the four previous tenderers to explain the new procurement process and to encourage their participation.

### **Revised Funding Requirement**

To enable the project to progress to construction, savings and /or additional funds will be required. The revised cost estimate, in light of the tender results, has been estimated at \$13.6 million. This is comprised of the following:

Revised tender estimate	\$11.9 million
Fees	\$ 1.0 million
<b>Sub total</b>	<b>\$12.9 million</b>
Less savings (identified to date)	\$ 0.5 million
<b>Sub total</b>	<b>\$12.4 million</b>
5% contingency	\$ 0.62 million
Contingency ground conditions	\$ 0.6 million
<b>TOTAL</b>	<b>\$ 13.62 million</b>

In keeping with the Audit Committee's previous advice of using a cost range (with estimating project costs) a range of \$13.5 million to \$14.5 million has been adopted and funding scenarios generated around a 'worst case' of \$14.5 million. The funding scenarios are described in the attached Section 48 report.

### **Potential options to deliver the project within the \$9 million budget**

Since receiving the four tenders staff and the project consultants have been generating and assessing options to decrease the cost (reduce the scope) of the project so that it could potentially be delivered within the \$9 million budget.

The options have been developed and assessed against the following key criteria for the project:

- A. Improvement of effectiveness and efficiency
- B. Occupational Health and Safety deficiencies are addressed
- C. EPA requirements regarding dust and storm water management are addressed
- D. Capacity retained to transfer staff from Administration building to City Services
- E. Capacity to accommodate growth
- F. Temporary buildings replaced
- G. Improved environmental performance of buildings ie reduced reliance on air conditioning and lighting.

A number of options have been developed and considered, they comprise:

- 1. Change internal finishes, fixtures, fittings and floor coverings to office and amenities hub
- 1A. Change roof design to stores and workshop , delete canopies to east and south of stores and workshop, change internal finishes, fixtures, fittings and floor coverings to office and amenities hub
- 2. Retain existing nursery and workshop
- 3. Retain existing workshop and stores
- 4. Removal of growth allowance in stores and office area
- 5. Removal of central amenities hub, reuse existing facilities
- 6. Option 1, option 3 and option 4 combined

An analysis of these options, including their potential cost saving and consequences are contained in Appendix 2.

**APPENDIX 2**  
**GC2901013FO1**

**CITY SERVICES - POTENTIAL OPTIONS TO REDUCE SCOPE AND GENERATE COST SAVINGS**

Option	Description	Estimated cost saving	Assessment of options
1	Reduce cost of internal finishes to office and amenities area, ie furniture, floor coverings, fittings etc	\$130,000	Reduction in scope does not materially impact on key criteria for the project.
1A	Change roof design to stores and workshop, reduce extent of canopies and simplify design	\$500,000	Enables stores and workshop to be developed as per masterplan but with simplified roof treatment and reduced canopy area.
2	Retain existing nursery and workshop	\$1,000,000 (saving subject to further review)	<p>Would require a major upgrade to existing and stores, longevity of upgrade would not match life span of new stores building.</p> <p>Would not achieve full savings required. Piles and footings would still need to be developed for workshop and store.</p> <p>Impact of "haves and have nots" between different business units.</p> <p>Site traffic plan to be redesigned ( fleet parking, traffic routes)</p> <p>'surplus' land not possible.</p> <p>Stormwater management for site would be compromised.</p>
3	Retain existing workshop and stores	\$2,100,000 (saving subject to further review)	<p>Would require a major upgrade to existing workshops and stores (parts of which are approx 50 years old, longevity of upgrade would not match life span of new workshop and stores building)</p> <p>Significant uncertainty associated with cost of upgrading old buildings.</p> <p>Need to assess impact of "haves and have not" between different business units.</p> <p>Significant cost saving.</p> <p>Redesign would be needed for the existing stores and workshop facilities to bring them up to specification (COST UNCERTAINTY in relation to WHS improvements, access improvements, BCA implications)</p> <p>- Stormwater design will need to be re- designed (swale, retention pond and pipe runs), compromises environmental objectives</p> <p>Site traffic plan to be redesigned ( fleet parking, traffic routes)</p>
4	Removal of growth allowance in stores and office area	\$ 200,000	<p>Allowance for growth not achieved</p> <ul style="list-style-type: none"> <li>- Does not achieve significant savings.</li> <li>- Minimal changes to design</li> <li>-Impacts on managing staff numbers at Administration building</li> </ul>

5	Remove central amenities hub, ie front office and reception, toilets, lunch room		<p>MAJOR IMPACTS ON OPERATIONAL EFFECTIVENESS</p> <p>Option discounted due to impact on project objectives, staff movement and conflict with vehicle movement</p>
6	<p>Change internal finishes to office and amenities (option 1)</p> <p>Retain existing workshop and stores (option 3)</p> <p>Removal of growth allowance (option 4)</p>	<p>\$2,430,000 (saving subject to further review)</p>	<p>Significant cost saving.</p> <p>Results in major upgrade to existing workshops and stores (parts of which are approx 50 years old)</p> <ul style="list-style-type: none"> <li>- longevity of upgrade would not match life span of new workshop and stores building</li> <li>- Significant uncertainty associated with cost of upgrading old buildings</li> <li>- Impact of "Haves and Have nots".</li> <li>- no provision for growth, but offices in existing facility could be utilised,</li> <li>-upgrade of workshop (COST UNCERTAINTY in relation to WHS, access improvements, fire services)</li> <li>- redesign of stormwater needed, impact on environmental objectives</li> <li>- redesign of site traffic management needed and impact on other operational elements</li> <li>- still provides a long term orientation for site. If surplus land is needed, only the nursery needs to move, which is low cost and could be located in new workshop location.</li> <li>- OH&amp;S risk Pedestrian vs Fleet especially between new office and old office</li> </ul>

## CONFIDENTIAL REPORT

### REPORT RELATING TO: A leader in the delivery of the Community Vision

**Originating Officer:** Julia Smethurst, Strategic Projects Officer  
**Director:** Vincent Mifsud, Acting Director Governance  
**Subject:** City Services Redevelopment – Cost Estimate  
**Ref No:** GC110912F01  
**File No:** 16.21.3.43

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If the Council so determines, this matter may be considered in confidence under Section 90(2) and 90(3)(b) of the *Local Government Act 1999* on the grounds that the report contains information relating to information the disclosure of which 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

**Mark Searle**  
Chief Executive Officer

2. That pursuant to Section 90(2) and (3)(b) of the *Local Government Act 1999*, the Council orders that all persons present, with the exception of the following persons: Mark Searle, Adrian Skull, Vincent Mifsud, Heather Montgomerie, Kate McKenzie, Victoria Moritz, John Valentine and Julia Smethurst, be excluded from the meeting as the Council receives and considers information relating to information the disclosure of which 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 in relation to the City Services cost estimate, 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 information the disclosure of which 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.

## **STRATEGIC OBJECTIVES:**

*Excellence in Governance – EG3 A great place to work*

## **REPORT OBJECTIVE AND EXECUTIVE SUMMARY:**

The purpose of this report is to enable Council to consider the cost estimate that has been prepared to deliver the \$9 million redevelopment of City Services.

This report is in addition to the further report (GC110912R10) being considered at the General Council meeting of 11 September, 2012.

The report also details the proposed strategy to address the potential budget implications of dealing with any latent conditions (underground conditions) that may be discovered once construction commences on site.

## **RECOMMENDATIONS (2):**

- 1. In accordance with Section 91(7) and (9) of the Local Government Act 1999 the Council orders that this report and the minutes arising from this report having been considered in confidence under Section 90(2) and 90(3)(b) of the Act 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 2014.**
- 2. Council note this report and endorse the strategy to maintain the authorised budget.**

## **DUE DATES:**

Recommendation 1	September 2012
Recommendation 2	September 2012

## **BACKGROUND:**

On 14 June 2011, Council resolved to commence the redevelopment of the existing City Services site and authorised the procurement of the design and project management team. At that meeting, Council resolved:

**Council notes that a further report will be provided for consideration on the recommended design and costing prior to the call for tenders for construction.**

## **DISCUSSION:**

The cost estimate, prepared by WT Partnership, quantity surveyors for the project is currently higher than the \$9 million budget authorised by Council in 2011.

A number of factors were considered in the preparation of the cost estimate:

- **Market Conditions**

The current construction market is currently extremely competitive and the City Services redevelopment should be a very attractive project for the market, due to the limited risk associated with a government client. There are uncertainties as to how long these favourable conditions may last with many large infrastructure projects due to commence in the near future. The cost estimator believes that the current conditions may provide at least a 10% cost benefit for the project and other influencers, such as the easing price of steel, are also providing some certainty that the tender prices will be below the cost estimate.

- **Latent Conditions**

In any project the risk of latent conditions (issues below ground level) is present. Whilst the construction will be a 'fixed price' contract, the fixed price does not include latent conditions or client approved variations. Considerable site testing and analysis have been undertaken to understand this risk and provide greater certainty to the cost estimate. To keep within the \$9million budget, it is intended to identify items within the scope that may need to be deferred from the current project to enable funding to be reallocated to meet these latent conditions.

The current cost estimate for the project, inclusive of consultancy fees, is \$10.1 million. A further provision of \$840,000 has also been identified for latent conditions. The full cost estimate of \$10.9 million represents the worst case scenario for the site based on the soil conditions known to date. A further risk of aboriginal heritage or soil contamination still remains; however these risks are virtually incapable of assessment prior to construction

Prior to the issue of tender documents, the project team will identify areas which can either be staged or deleted which would subsequently be brought to Council for consideration in the event where tenders are above Council's approved \$9 million budget.

## **CONCLUSION:**

The purpose of this report is to provide Council with the current cost estimate for the delivery of the City Services redevelopment and discuss the strategy (if necessary) to address the potential additional costs to deal with ground conditions that may be required once works commence on the site.

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## **City Services Redevelopment**

### **Section 48 Report**



**March 2013**

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<b>Attachment 3</b>	Section 48 Local Government Act
<b>Attachment 4</b>	Risk Assessment

## SUMMARY

The following report has been prepared in accordance with Section 48 of the *Local Government Act 1999* (the 'Act') which requires Council to obtain and consider a report addressing a number of prudential issues before engaging in a project where the expected capital cost of the project is likely to exceed \$4 million over the ensuing 5 years.

The prudential issues discussed in this report include the relationship between the project and relevant strategic management plans; how the development relates to the objectives of the Development Plan, the likely economic impacts arising from the project, community consultation, project costs, risk assessment and proposed project delivery.

The project involves the full redevelopment of the City Services (depot) site at 935 Marion Road, Mitchell Park. The site has provided accommodation for Council's depot operations since 1962. In 2005/2006 28, staff were relocated from the Administration Building to City Services. The purpose of the relocation was two-fold, firstly to foster a better working relationship between the planning and operational divisions of Council, and secondly to relieve overcrowding from the Administration Building. Employees were housed in 'temporary' accommodation in 2005/06, with the intention that new office accommodation would be constructed within five years. Initially, borrowings of \$6 million was identified in the Long Term Financial Plan (LTFP) for the 2010/2012 financial years to undertake this work. Following the adoption of the first Section 48 Report, this was amended to include staggered borrowings totalling \$8.5 million from 2012/2013 to 2013/2014.

A review of the site was undertaken and a number of issues were identified that needed to be addressed. These issues include:

- the inadequate environmental performance of the site, particularly with regard to dust suppression and stormwater treatment,
- occupational, health and safety concerns
- inadequate storage areas and
- aging infrastructure
- poor working environments
- accessibility arrangements

The identification of these issues highlighted the need to investigate a full redevelopment.

Analysis of the available options was undertaken including a full or partial redevelopment of the site and the potential outcomes of these options. A full redevelopment provided the potential for maximising the operational effectiveness and efficiency of the site and minimise the operational footprint required to support the provision of core services to the community.

Concept plans (Attachment 1) were prepared by architects for the full redevelopment of the site and a cost estimate was prepared by an independent cost consultant. A previous cost estimate prepared for the project allowed \$9 million to deliver the redevelopment. To deliver the full redevelopment, additional funding was required to increase the current provision of \$6 million in the LTFP. This was done by the increase in borrowings in the LTFP to \$8.5 million.

The question of 'future proofing' Council's ability to operate from a reduced land holding has been considered as part of the project. All services currently operating from the site were reviewed as part of the Project Brief and Project Plan. The synergy created by grouping services (such as the nursery) together in a central location was explored together with issues such as workplace safety and improved morale by allowing teams to work together.

The Audit Committee has suggested project budgets be set using the range estimating methodology. The budget has been revised and a range estimate adopted. The designs and range estimate will then be referred to Council for final consideration.

A Project Plan (Attachment 2) that was prepared, detailing the redevelopment options for the site was considered by Council on 12 April 2011. Council authorised the preparation of a Prudential (Section 48) Report on the \$9 million redevelopment of City Services. For the purpose of the report, the quantity surveyor's cost estimate of \$9 million based on the concept plans prepared for the redevelopment has been used.

The previous Section 48 Report was considered by the Audit Committee on 19 May 2011 and was considered and accepted by Council on 14 June 2011.

Following the acceptance of the first Section 48 Report, the project has been the subject of the tender process. The tenders received were all in excess of the budget.

The tender process has been closed.

Following a resolution of Council (GC290113F01) a review of the scope, specifications and additional funding options has been undertaken.

The redevelopment will enable Council to meet a number of key outcomes relating to creating an efficient and effective working environment to provide quality services to the Marion community and environmental performance and employee of choice targets.

The project also provides the opportunity to improve the efficiency and operational footprint of City Services and potentially release surplus land for productive purposes.

This will be considered by Council after the conclusion of the project.

As a result of the proposed changes to the specifications and funding requirements, the Section 48 Report has been revised.

## BACKGROUND

### *Report Preparation*

This report has been prepared by the following staff members of the Council:

•	Vincent Mifsud	Director
•	John Valentine	Manager Strategic Projects
•	Heather Michell	Strategic Project Coordinator
•	Elaine Delgado	Acting Manager Strategic and Organisational Excellence
•	David Melhuish	Senior Policy Planner
•	Neil McNish	Economic Development Manager
•	Ray Barnwell	Manager Finance
•	David Harman	Financial Accountant
•	Kylie Henman-Friedel	Unit Manager Risk
•	Faye Millington	Risk Coordinator
•	Carolyn Jachmann	Think Safe Live Well Project Manager
•	Andrew Lindsay	Manager Organisational Development
•	John Silverblade	Manager Strategic Assets
•	Colin Heath	Manager Contracts

### *Project Rationale*

The redevelopment of the City Services (depot) at 935 Marion Road, Mitchell Park has been an ongoing priority and is critical to enable Council to meet its strategic objectives and continue in the delivery of essential services to the community.

The property is located on the eastern side of Marion Road in Industry/Commerce Policy Area 4 of the Industry Zone between the Sturt Creek and Marion Road. The site is approximately 28,860 square metres with a frontage to Marion Road of approximately 281 metres. The site is bounded by the Marion Industrial Park to the south, Sturt Creek to the east and the former Boart Longyear site to the north.

Surrounding development comprises a mix of bulky goods stores / showrooms and small scale commercial and industrial type activities. Previous industrial holdings have been purchased, improvements demolished and the sites redeveloped by the construction of modern pre-cast concrete buildings, being leased to operators such as Harvey Norman and Freedom Furniture.

The land is excluded from Community Land classification under the Local Government Act 1999.

Council has operated from the Marion Road site since it was officially opened on 1 September 1962. Improvements on the site comprise:

- an office/warehouse building of approximately 1,197 square metres accommodating stores, workshops and office functions
- a number of smaller storage sheds of varying age, size and condition
- five transportable buildings being offices and a lunch room.
- A smaller concrete block storage shed is located towards the southern section of the site

*Why redevelop on this site?*

Since 1998, redevelopment of the depot site has been considered by Council and a number of reviews have been undertaken.

Analysis of alternative sites and other delivery models has been undertaken, with the existing site providing the best outcome for delivering core services to the community. The current site provides direct access to a main arterial road, is centrally located within the Council boundaries, adjoins commercial/industrial development, is in an appropriate land use zone and has no neighbours to the rear of the property. No other parcels of land have been identified that can provide the same requirements to meet the operational and functional needs as the existing site.

Analysis of relocation options have also included consideration of additional costs such as:

- transfer fees
- stamp duty
- holding costs
- the impact of relocation on volunteers, the community and other Council employees who regularly access the site.

The development of the Southern Depot located at the corner of Majors and Adams Roads, O'Halloran Hill in 2003 improved the efficiency and access of staff and equipment to work sites in the southern suburbs of the Council.

The existing City Services is centrally located within the City boundaries providing accessibility from the north, south, east and west. The site is ideally suited to meet the operational needs of the Council providing easy access to the main arterial road (Marion Road) whilst the Sturt River drain to the east provides a buffer between the City Services operations and the nearby residential community. The Sturt River (drain) to the east of the property was designed to withstand the 1 in 100 year flood event.

City Services delivers many of the core functions of Council. The site at 935 Marion Road, Mitchell Park accommodates the following work areas:

- **Civil Services** (including kerb & water table, roads, footpaths, line marking, signs and graffiti removal)
- **Engineering Services** (including survey and design, capital works, infrastructure development and design and traffic management)
- **Operational Support** (including reception services, purchasing and administration, hard rubbish, public place litter, stores and warehousing, recycling, workshops, distribution of graffiti removal kits)
- **Open Space Planning** (including passive and active recreational and playground development)
- **Open Space Operations** (including landscape planning and maintenance, street trees, playground and irrigation maintenance, nursery and revegetation)
- **Land & Property** (including land and building management, land assets, management of leases, maintenance of land assets)
- **Strategic Assets** (responsible for strategic planning of assets, infrastructure auditing and data management)



#### Site Legend

① Plant Nursery ② Staff Carparking ③ Vehicle Washdown ④ Office, Workshops, Stores & Transportable Buildings ⑤ Fleet Parking ⑥ Bulky Material Storage

A review of the services being delivered from City Services has previously been undertaken and the retention of all operations endorsed by the Executive Management Group, as the functions provide strategic and operational benefits to the delivery of core services to the community.

For example, the nursery continues to propagate and supply plants indigenous to the Marion area that may not be readily available from commercial suppliers. Similarly, the retention of the workshop functions provides the ability to retain skills locally and also minimise operational interruption for maintenance and servicing of heavy fleet vehicles and plant (eg: graders, excavators, forklifts).

Redevelopment of the site will also improve the stores and warehouse capabilities and improve safety for the workshop operations.

The previous Section 48 Report was considered by the Audit Committee on 19 May 2011 and was considered and accepted by Council on 14 June 2011.

The Project Plan provides further details on the investigation, analysis, justification and methodology for the redevelopment.

On 23 June 2009 Council allocated \$6 million in the LTFP for the redevelopment of the office accommodation at City Services. A review of the project in 2010 identified the need to extend the scope of the project to include the stores, warehousing and address environmental management issues on the site. Analysis on the full or partial redevelopment options was undertaken and a Project Plan was considered by Council on 12 April 2011. Council authorised the preparation of a Section 48 Prudential Report based on the full redevelopment option detailed in the Project Plan.

It has been identified that additional funding is required to deliver the project without compromising the key outcomes, being:

- Improve effectiveness and efficiency
- Address occupational health and safety (OH&S) deficiencies
- Address Environmental Protection Act (EPA) deficiencies – dust and stormwater deficiencies
- Transfer of staff from the Administration Building
- Provide for growth
- Replacement of temporary buildings
- Improve environmental performance
- Is financially viable and responsible

#### ***Local Government Act Section 48 1999***

Section 48 of the Local Government Act 1999 (Attachment 3) requires a council to obtain and consider a report that addresses prudential issues before engaging in a project where the expected capital cost of the project is likely to exceed \$4 million over the ensuing 5 years or where Council considers that it is necessary or appropriate.

## ***The Project***

The project proposes to redevelop the existing City Services site at Mitchell Park with the aim to meet the operational needs and to address the key outcomes for City Services and to complete the proposal within a financial framework consistent with the LTFFP.

The project objectives include:

### *Service Delivery*

- Improve the operating effectiveness and efficiency of City Services to support the ongoing provision of core services to the community

### *Land Use*

- Improvement in property utilisation to minimise the operational footprint and develop options for the utilisation of any excess land will be developed and considered upon completion of the project

### *Statutory Compliance*

- Rectification of current OH&S deficiencies within mechanical workshops
- Compliance with EPA requirements for dust suppression and stormwater treatment from the site

### *Accommodation Strategy*

- Transfer of 24 staff from the Administration Building to relieve existing pressure in office accommodation as recommended in the Accommodation Masterplan 2009-2013
- Provide for any future growth for City Services staff and operations

### *Accommodation Standards*

- Replace the temporary demountable buildings with suitable office accommodation, compliant with the Building Code of Australia and the Disability Discrimination Act
- Improve the environmental performance of buildings
- Provision of new office facilities, stores and workshops with provision for future growth at City Services

### *Financial Framework*

- Ensure the project does not impact on Council's Key Financial Indicator Targets and is financially responsible and reasonable

## ***Project Deliverables***

The project will provide a full redevelopment of accommodation at City Services including:

- a new office building
- an upgraded stormwater drainage system
- covered material storage bays
- vehicle servicing area
- new workshop and stores
- a reduced operational footprint

The new office building will be capable of housing staff currently located at City Services and 24 staff to be relocated from the Administration Building and growth projected for City Services staff (15). A total of 96 staff.

The project will improve the energy efficiency of the accommodation and management and control of stormwater and dust to EPA standards (as identified in the Environmental Management System Audit).

The Project will deliver the following new facilities:

DESCRIPTION	AREA	COMMENT
Office Building	1,200m <sup>2</sup>	100 desks – 88 permanent desks - 6 hotdesks - 6 desks – reception Communal internal area – 410m <sup>2</sup> Reception – 6 admin desks
Stores Building	755m <sup>2</sup>	Approx 206 lineal metres for palletised storage Additional 67.7 lineal metres of palletised storage available for growth Temporary road signage has 32.6 lineal metres Total – 306.3 lineal metres
Vehicle Workshop	500m <sup>2</sup>	4 servicing bays Welding area Meeting room / office Filter store / compactus Bulk oil and used Tyre storage Battery store Compressor store Workshop external area – 288 m <sup>2</sup>
Vehicle Wash Bay	150 m <sup>2</sup>	Same as existing wash bay
Nursery	1,100 m <sup>2</sup>	
Fleet Vehicle Park	7,750m <sup>2</sup>	Fleet car park and circulation
External Storage Bays	265 m <sup>2</sup>	New covered material storage bays
Secure Storage	696 m <sup>2</sup>	
Staff Carpark	3,340 m <sup>2</sup>	131 cars and 15 motor bikes (NB: Currently 82 staff, 9 visitor and 1 accessible)
Managers / Small Fleet Carpark	1,000 m <sup>2</sup>	35 cars
Open Lay Down, Petrol Oils and Lubricants and external pallet store	470 m <sup>2</sup>	Including areas for open storage (eg concrete pipes)

The following outcomes are anticipated from the redevelopment:

- Improvements to operational efficiency
- Enhance organisational culture
- Future proofing of delivery of core operations
- Achievement of environmental targets for office accommodation
- Ability to obtain Employer of Choice targets for retention and attraction of staff
- Improved stormwater management
- Provision of additional car parks
- Improved OH&S targets
- Provision for growth in staff numbers

## 1. RELATIONSHIP BETWEEN THE PROJECT AND RELEVANT STRATEGIC MANAGEMENT PLANS

(a) *the relationship between the project and relevant strategic management plans*

The project supports the Marion Strategic Plan's Corporate Vision to be an Organisation of Excellence; recognised for excellence in governance, service quality and an employer of choice.

The provision of a safe place to work is one of the key strategies identified in achieving the Council's employer of choice goal and organisation of excellence in service quality by supporting the organisation's capacity to deliver quality services to its customers.

### An Organisation of Excellence Employer of Choice

Directions	Strategies
<b>EC3</b> <b>A great place to work</b>	<b>EC3.1</b> Ensure our workplace: <ul style="list-style-type: none"> <li>&gt; provides safe systems of work</li> <li>&gt; fair treatment</li> <li>&gt; appropriate reward and recognition</li> <li>&gt; values diversity</li> <li>&gt; embraces a healthy work/life balance</li> </ul>

### An Organisation of Excellence Recognised for Service Quality

<b>SQ2</b> <b>Perception of value</b>	<b>SQ2.1</b> Continuously improve our service delivery to balance customer expectation, value of service and organisational capacity to deliver.
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Council is transitioning to a Strategic Management Framework that comprises the following components:

- 30-Year Community Plan - community aspirations and values
- 10-Year Council Plan - Council's contribution to the delivery of the Community Plan
- 4-Year Service Plans – to mobilise and prioritise resources
- Annual Plan – how the work of Council is resourced
- Position Descriptions – that outline staff contributions to the delivery of the Plans

A draft 30-Year Community Plan has been developed that will be considered by Council in early 2013. It identifies the aspirations of our community within the context of the Plan's themes of Community Wellbeing, Cultural Vitality, Healthy Environment and Dynamic Economy to develop a City of choice for living, working, investing, recreating and visiting.

The City Services Redevelopment will support the effective delivery of projects to meet community aspirations that are to be articulated in our 10-Year Council Plan.

Council's Healthy Environment Plan 2010-2014 contains a number of Council-wide targets that are relevant to the City Services redevelopment project, including:

- Achieve a 40% reduction in Council's greenhouse gas emissions by 2020 and a 60% reduction by 2050
- All Council activities to use Water Sensitive Urban Design by 2020
- Maintain Council's main water consumption at 40% below the 2005/2006 levels

### **Council policies**

A number of key Council policies are in place to provide a workplace that supports the employer of choice vision for providing a safe and an enabling workplace.

The project will deliver facilities that will provide a more appropriate standard of accommodation and provide safer work areas for operational activities. The project will also allow for the delivery of more environmentally sustainable solutions including the storage of materials and method of capture and use of stormwater from the site.

#### ***Occupational Health, Safety & Welfare and Injury Management Policy***

This policy endorses Council's commitment to providing and undertaking measures to minimise risks or injuries through the provision of safe work environments and safe systems of work.

The Council is striving for zero harm with enhanced wellbeing of staff as part of its Think Safe Live Well strategy, which is a more holistic, cultural approach to occupational health and safety.

#### ***Accommodation Policy***

The aim of the Accommodation policy is to support Council's goal towards being an Employer of Choice through the delivery of accommodation that supports both the operational and health and safety needs of its employees, contractors and visitors. The policy also supports Council's strategic targets to improve environmental performance from the built form.

#### ***Procurement Policy***

This policy covers all procurement activities associated with the acquisition of goods, services, consultants and works and provides a framework detailing how procurement activities will be undertaken to ensure probity, accountability, transparency and value for money in the process.

The 'value for money' component means the best outcome achievable when all costs and benefits, both qualitative and quantitative, over the procurement lifecycle (acquisition, use and maintenance and disposal) are considered.

#### ***Acquisition & Disposal of Land Assets Policy***

This policy provides a framework to enable sustainable decision making in relation to Council's land assets and will be the reference document should any disposal of land be undertaken.

## 2. OBJECTIVES OF THE DEVELOPMENT PLAN

*(b) the objectives of the Development Plan in the area where the project is to occur;*

### **Marion Council Development Plan (consolidated 19 January 2012)**

The site is situated within Industry/Commerce Policy Area 4 of the Industry Zone. To the north of Norfolk Road, Policy Area 4 is located in a strip on both sides of Marion Road. Beyond the subject site, land uses in the Policy Area generally comprise a mix of bulky goods stores/retail showrooms and small scale commercial and industrial type activities.

The following Objectives, Desired Character and Principles of Development Control provide guidance on the types of land uses and form of development envisaged within the Policy Area:

#### ***Industry/Commerce Policy Area 4***

##### *Objectives*

- 1 *A policy area accommodating a range of light and service industry, depots and commercial activities*
- 2 *Development having traffic generating characteristics and design so as to not compromise the arterial road function of Marion Road*
- 3 *A policy area where development minimises impacts on residential uses in adjoining zones, especially to the west of Marion Road*
- 4 *Development that contributes to the desired character of the policy area*

##### *Desired Character*

*It is intended that the policy area be consolidated and further developed with a mixture of small to medium scale industry and commercial uses, preferably integrated within the one site. The environmental performance of new development needs to take account of the amenity of adjoining localities, by incorporating improved emission controls, management measures, building appearance treatments, landscaping and other design measures, to ensure minimal adverse impact.*

*The intensity, floor size, scale and height of development needs to provide for an appropriate transition to residential uses, with medium levels away from residential zoning and low levels in near proximity to residential zones.*

*Development is expected to promote attractive frontages and park-like settings to enhance the visual qualities and streetscape of the Marion Road corridor. Building styles may be varied and display high aesthetic qualities to enhance the visual character of the locality.*

## *Principles of Development Control*

### *Land Use*

*1 The following forms of development are envisaged in the policy area:*

- depot*
- light industry*
- service industry*
- small-scale commercial activities*
- warehousing*

### *Form and Character*

*2 Development should not be undertaken unless it is consistent with the desired character for the policy area.*

*3 Development of adjacent residential zones should incorporate all of the following:*

- (a) within 20 metres of the zone boundary, buildings not exceeding one storey or 6 metres in height from natural ground level*
- (b) a minimum 6 metre setback for buildings from the zone boundary*
- (c) visual and acoustic buffer features*
- (d) landscaped areas having a minimum width of 2 metres*
- (e) 2 metre high fencing*
- (f) screened or obscured building openings.*

*4 Buildings should not exceed 2 storeys or 10 metres in height from natural ground level.*

*5 Development should provide landscaped areas comprising at least 10 per cent of the site area and having a minimum width of 1 metre.*

Council's proposal to redevelop the existing site and associated structures into a more accommodating and functional form of depot is consistent with the form of development envisaged for the Policy Area.

The proposed redevelopment should result in an activity that will incorporate enhanced environmental performance, a much improved visual appearance (both built form and landscape treatment) and an appropriate interface with the residential area to the east, over the Sturt River channel.

The proposed redevelopment includes the creation of a surplus parcel of land of some 7000m<sup>2</sup> which has the potential of being separately titled and better utilised by being developed for other envisaged forms of development within the Policy Area.

In addition to the Policy area provisions, the proposal satisfies a number of relevant Development Plan provisions relating to traffic movement, access and vehicle parking.

## **Transportation and Access**

### *Principles of Development Control*

#### *Movement Systems*

- 8 *Development should provide safe and convenient access for all anticipated modes of transport including cycling, walking, public and transport, and motor vehicles.*
- 13 *Development should make sufficient provision on site for the loading, unloading and turning of all traffic likely to be generated.*

#### *Access*

- 22 *Development should be provided with safe and convenient access which:*
  - (a) *avoids unreasonable interference with the flow of traffic on adjoining roads*
  - (b) *accommodates the type and volume of traffic likely to be generated by the development or land use and minimises induced traffic through over-provision*
  - (c) *is sited and designed to minimise any adverse impacts on the occupants of and visitors to neighbouring properties.*

#### *Vehicle Parking*

- 33 *Development should provide off-street vehicle parking and specifically marked disabled car parking places to meet anticipated demand in accordance with Table Mar/2 - Off Street Vehicle Parking Requirements.*

The proposed development will result in better vehicle circulation on the site and more appropriate segregation between staff/visitor and commercial fleet vehicles. Access onto Marion Road would be improved and the layout and provision of car parking would be more formalised and enhanced.

## **The 30-Year Plan for Greater Adelaide**

The intentions of the following Policies from the 30 Year Plan have been considered as part of the design of the proposed redevelopment of the depot site:-

### **Climate Change**

#### *Policies*

- 11 *Set building standards and design guidelines to create more thermally and energy efficient buildings... ..*
- 12 *Reduce energy costs through the introduction of improved energy efficiency standards for new buildings*
- 14 *Encourage commercial and industrial developers to include green buffers and shady areas in their developments to make workplaces more liveable*

## **Water**

### *Policies*

- 1 *Incorporate water sensitive urban design (WSUD) techniques in new developments to achieve water quality and water efficiency benefits. ..*

### *Targets*

- A *Reduce demand on mains water supply from new development through the introduction of water-sensitive urban design.*

### 3. EXPECTED CONTRIBUTION OF THE PROJECT TO ECONOMIC DEVELOPMENT

- (c) *the expected contribution of the project to the economic development of the local area, the impact that the project may have on businesses carried on in the proximity and, if appropriate, how the project should be established in a way that ensures fair competition in the market place*

The focus of the project is to improve the effectiveness and efficiency of City Services and to support the ongoing provision of core services to the community. These services include the provision of efficient and effective infrastructure which is of clear benefit to the local business community. The project will have no negative impact on local businesses as the activities carried out on the redeveloped site are unchanged and non-commercial in nature.

The construction phase however will offer a positive benefit to the local economy with the scale of the impact dependent on where the successful contractor and subcontractors are based and how many local people are employed on the construction project. Given that Southern Adelaide has a large construction industry, over \$2 billion of output and over 6,000 employees, it could be expected that a significant portion of the construction expenditure will flow on into the regional economy.

The potential impact of the construction phase on the Southern Adelaide regional economy (comprising the cities of Marion, Mitcham, Holdfast Bay and Onkaparinga) has been modelled using REMPLAN, an economic modelling tool which uses Australian Bureau of Statistics data including Census data to create a model of a regional economy including its size and structure. This tool was originally developed by La Trobe University and has now been maintained and further developed by Compelling Economics Pty Ltd.

This model has estimated the potential maximum direct and indirect effects of the construction expenditure on the wider region and since final tender prices are not yet available a figure of \$11 million has been used. On this basis and assuming a 12 month construction period, the project is estimated to create 33 direct jobs with a further 48 indirect jobs and generate additional wages and salaries of some \$4.65 million.

It is important to stress that although using actual Census place of work data and a robust methodology, the results of the analysis are only an estimate. They also represent the maximum impact that might be achieved if the project were constructed by firms all located in the region. In reality, the likely outcome will be less than this.

#### **Possible surplus land**

There is potential for any identified surplus land to be utilised for commercial purposes which would generate a positive economic impact on the area and result in the creation of new jobs. The exact nature of this impact would depend on the specific nature of the commercial activities that might establish there.

If any land is identified by Council as being surplus to requirements and a decision made to dispose of this by sale or lease, this will be undertaken in accordance with Council's Acquisition and Disposal of Land Assets Policy. This will ensure fair competition in the market place, will be done in an open and transparent manner and ensure that Council receives fair value for this asset.

#### 4. LEVEL OF CONSULTATION WITH THE LOCAL COMMUNITY

- (d) *the level of consultation with the local community, including contact with persons who may be affected by the project and the representations that have been made by them, and the means by which the community can influence or contribute to the project or its outcomes;*

##### **2009/10 Annual Business Plan**

Community consultation was undertaken as part of the 2009/10 Annual Business Plan. The redevelopment of the existing City Services site was identified as part of this consultation.

##### **Community Land Status**

The land was excluded from Community Land classification in 1999. Therefore, the redevelopment does not require public consultation. Access to services and the impact on the community caused by the redevelopment during construction will be reviewed and appropriate arrangements established.

##### **Consultation**

As the project will deliver facilities that are required to support the operational activities of the Council, there are limited opportunities for the public to influence or participate in the decision-making process. For this reason, an 'Inform' approach has been adopted for this project.

The inform approach involves the communication of information to the community. The goal of this approach is:

- To present balanced and objective information
- Build knowledge
- Increase understanding of issues, alternatives or solutions
- Assist in decision making and change

##### **Community engagement plan**

The following communications have been/are being undertaken to inform stakeholders of the development:

Method	Target group	Description	Timing
Information sheet	Local residents and businesses	Single page project update. Confirmation of project and milestones	Quarterly
Council website	Community	Confirmation of project and milestones	As required
Direct Mail	Adjoining owners	Letter to advise of project and milestones	As required

## **5. PROJECT'S INTENTION TO PRODUCE REVENUE, REVENUE PROJECTIONS AND POTENTIAL FINANCIAL RISKS**

*(e) if the project is intended to produce revenue, revenue projections and potential financial risks;*

The intention of this Project is not to produce revenue but to address the inadequate and outdated accommodation at the City Services site which services the operational needs for many of Council's services including: Civil Services, Open Space Services, Operational Support and Asset Management. All of these divisions deliver core Council services to the community and Council expects to contribute to this project to ensure the continued delivery of these services into the future. The project is intended to support the ability of these divisions in their delivery of services and is not intended to produce revenue.

The potential sale or lease of surplus land is a possible revenue activity arising from this project. The Project Plan considered by Council on 12 April 2011 (GC120411R07) provided three options for the treatment of any surplus land, namely disposal by sale, lease commercially, otherwise retain the surplus land for its own use.

At its meeting on 14 June 2011 (GC140611R05) Council endorsed that it will consider a report on the timing and methodology for disposal of any surplus land following completion of the project.

### **Revenue Projections (from potential disposal of surplus land)**

#### ***Sale***

Any potential sale would be undertaken on a competitive process and the final sale figure would reflect the market value at the time of sale. A definitive revenue projection could not be identified at this time as the final size of any surplus land and the market conditions at the time of possible disposal are not known. However, it is estimated that between 5,800 and 7,000 square metres will be available as surplus land that can be considered for disposal upon completion. A parcel of land this size has the potential to produce an estimated revenue of between \$1.9m and \$2.3m, based on the current capital value given to one of the parcels of land near the site, by the Valuer General.

The demand and sale price for any surplus land will depend on the final size of the allotment identified for disposal and the market conditions at such time. Council will need to consider the market conditions prior to any release of surplus land following the redevelopment.

#### ***Lease***

When assessing the leasing option, two potential scenarios were identified, either a ground lease or lease of a developed site.

Although these options were identified, a lease of a developed site (where Council undertakes the capital development of the site and leases to a tenant) was discounted as the private sector is best placed to undertake such a venture and it would be an unacceptable risk and is therefore not recommended for consideration.

For any possible ground lease arrangement (where the site only is leased and any capital improvement is undertaken by the lessee or a third party developer) a previous investigation into this scenario identified a likely financial return in the vicinity of \$10-\$12 per square metre per annum. Based on the estimated surplus land parcel of between 5,800 and 7,000 square metres, this would yield an estimated rental return of between \$58,000 and \$84,000 per year, assuming there is market interest. Since this previous investigation, a number of premises in the immediate vicinity have become vacant indicating weaker demand in the precinct.

A lease option would retain ownership of the land enabling future use by Council if required, however it may not be readily available to Council, due to any lease commitments entered into. A minimum lease term of 5 years must be offered to any tenant and the Local Government Act limits the maximum term of any lease to 21 years. Demand for a site with these restrictions may be limited. At the end of the lease this option would also leave Council with further capital to maintain, or a building that would need to be demolished and the site remediated. There are currently many vacant tenancies in the vicinity of the site and there is also an existing parcel of undeveloped land nearby.

### **Financial Risks**

Financial risks associated with any disposal of surplus land by sale would be mitigated through the use of appropriately qualified legal and property advisers and appropriate contractual arrangements. There is no evidence of recent market interest for vacant land in the area, and there remains a risk that there will be no willing buyer for the site at the end of the proposed redevelopment. There is also a parcel of land in the vicinity that is of a similar size which has been vacant for a prolonged period of time.

The demand for leasing of any vacant land in the area cannot be ascertained until the site is put on the market. Currently it is anticipated that the market for undeveloped land in the area will be limited and the financial return may be at risk if no suitable tenant can be sourced for the site.

The financial risks for any proposed leasing arrangement can also be mitigated through the early engagement of suitably qualified property advisers and the use of appropriate contractual arrangements with any proposed tenants for the site.

## 6. RECURRENT AND WHOLE-OF-LIFE COSTS AND FINANCIAL VIABILITY

- (f) *the recurrent and whole-of-life costs associated with the project including any costs arising out of proposed financial arrangements;*
- (g) *the financial viability of the project, and the short and longer term estimated net effect of the project on the financial position of the Council;*

### **(f) Recurrent and whole of life costs associated with the project**

Table 1 on Page 27 provides the Asset Management Funding and Lifecycle Costing prepared for the project based on the estimated worst case scenario construction costs and standard operating and maintenance costs for new facilities with capital renewal based on a life expectancy of 50 years. It does not take into account any possible revenue arising from the disposal of excess land upon completion of the project.

The total lifecycle cost is based on the assumption that the amalgamated average life for all assets on the City Services site is fifty years. The costing is based on industry standards for the operation of a depot using guidelines contained in the Institute of Public Works Engineering Australia (IPWEA) International Infrastructure Management Manual, in regards to the percentage allocations for the site in relation to renewal, maintenance and operational costs. The total lifecycle cost is a gross figure for the operation of the proposed new development on the basis of a 50 year building life. Based on the assumption that final construction and fit out will be completed utilising quality materials and workmanship the lifecycle value is considered acceptable and reasonable.

The financials presented are based on “worst case scenario current estimates” for construction, based on the final design, with the intention of identifying savings throughout the project to reduce the overall cost. Any reduction in cost would improve the modelling for all scenarios presented. All figures are shown in 2012/13 dollars.

The significant redevelopment will incur additional maintenance, operating and depreciation costs over the building’s useful life. However, some of these costs may be partially offset by savings from areas such as utility costs (due to the new facility being more energy and water efficient), and also in a reduction in maintenance on the existing aging buildings and transportables requiring increased spending over the next few years to keep them operational. Such potential savings cannot be currently quantified.

The projected operating and maintenance costs for the existing facility for 2012/13 total \$228k, with Table 1 showing the estimated increased operating and maintenance costs of the new facility totalling \$406k per year (an increase of \$178k per year).

Whilst the costs for the new facility are higher, they are based on lifecycle estimates, and there should be reduced expenditure in the maintenance of the new facility for the first five to ten years, compared to existing maintenance costs for the current facility. It should also be noted that the planned redevelopment is not a like-for-like replacement, with the built form being larger, in part to accommodate an additional 39 staff (made up of 24 to be relocated from the Administration Building plus growth of 15 staff).

### **(g) Financial viability of the project**

The total budget required to complete the project has been costed at up to \$14.5 million based on the concept designs, with range estimating having the project cost at somewhere between \$13.5 million and \$14.5 million. These figures include a reasonable level of contingency for construction, particularly for the ground conditions associated with the site.

This report has been modelled based on a worst case scenario of \$14.5 million in borrowings used to complete the redevelopment of the City Services site. History has shown, however, that Council has had the capacity to fund some, and in a number of cases all, funding requirements of major projects via Council's treasury management policy. As such there may not be a need to borrow the full amount.

Budget allocation for the on-going maintenance of the infrastructure for the existing City Services depot has been provided for in Council's Asset Management Plans. The level of operating and maintenance expense required for the new facilities is expected to be higher than that allocated for the existing site, as discussed previously. It should be noted that these levels are the predicted worst case scenario and each Annual Business Plan & Budget is prepared on the basis of achieving a neutral funding position. In addition to this Council has an annual savings target of 2% of budgeted operating expenses, which to date has resulted in savings of \$7.3M being identified over the past nine years. However, the Long Term Financial Plan (LTFP) does not factor in future year savings targets.

**(g) Short and long term estimated net effect of the project on the financial position of Council**

The provision of new facilities to service the core Council services delivered from City Services will not have any detrimental effect on the financial position of Council in either the short or long term. Council has recently entered a period of significant new borrowings and is committed to the concurrent commencement of three major strategic projects that are forecast to be predominantly funded through further new borrowings; to add to the \$9.5 million in grant funding that has been attracted for 2 of these 3 projects.

Council's ability and capacity to fund new strategic projects over the duration of the current LTFP will be limited, without the attraction of grant funding. Historically, however, Council has demonstrated the capacity to attract grant funds. This has been further enhanced by the establishment of a grant funding initiative in 2009 (Grant Attractors/Relationship Managers Group – GARMs), with the objective of implementing a systematic approach to maximise the attraction of grant funding opportunities for the City of Marion.

It must also be remembered that the LTFP presents a 'worst case scenario' and has been prepared prudently on the basis of, amongst other things:

- borrowings being modelled using interest rates above currently available market rates and 15 year loan terms (annual loan repayments will reduce should more favourable interest rates be achieved and longer loan terms be arranged);
- the assumption that required project funding will be fully sourced from borrowings (Council has historically had the capacity to fund some of the funding requirements of major projects via its treasury management policy);
- not including annual savings initiative targets beyond year 1 (achieved savings in future years will alleviate funding pressures);
- the potential sale of surplus land not being included (should Council decide to dispose of any surplus land, in appropriate market conditions, this would increase Council's funding capacity).

Should it eventuate that actual project costs and the 'worst case scenario' assumptions in the LTFP are better than forecast, pressure on Council's future funding ability and capacity will be alleviated.

In order to enable Council to assess its funding capacity for new strategic projects moving forward, the implementation and progress of the current major projects will be constantly reassessed, with updates being provided to Council in quarterly Budget Review reports and the annual adoption of the LTFP. This will incorporate the following trigger points of assessment and will enable performance and assumptions to be effectively measured in the context of the LTFP:

- confirmation of final work scope together with cost estimate;
- completion of tender process and confirmation of tender price;
- completion of initial construction phase (ground rehabilitation, pilings, piers and footings), which will uncover any additional costs due to latent conditions;
- completion of construction phase and handover of facility/project;
- finalisation of defects and liability period;
- confirmation of actual amount of borrowings required, including verification of :-
  - treasury management performance and impact on actual borrowings;
  - applicable interest rate;
  - loan term.

Corporately, the Council's priority is to maintain reasonable borrowing levels within Council's Financial Key Performance Indicators (KPIs), maintain the ability of Council to adequately service its borrowings and to minimise impacts on ratepayers to ensure Council's long term financial sustainability.

Modelling of the impacts on the LTFP has been conducted on the basis of a worst case scenario project cost of \$14.5 million. The following options have been considered:

1. funding the full development by increasing borrowings by \$5.5 million to \$14.5 million and reducing the borrowings and expenditure in 2014/15 on the essential works for the Administration Building by \$3.0 million (a net increase in loans and capital expenditure of \$2.5 million)
2. funding the full development by increasing borrowings by \$5.5 million to \$14.5 million and reducing the borrowings and expenditure in 2014/15 on essential works for the Administration Building by \$4.5 million (a net increase in loans and capital expenditure of \$1.0 million)
3. funding the full development by increasing borrowings by \$5.5 million to \$14.5 million with no change to the amount included in the LTFP for essential works for the Administration Building

The Section 48 Report has been prepared on the basis of option 1 above. The modelling shows the changes from the original \$9 million borrowing currently included in the LTFP, and the impact of borrowing up to an additional \$5.5 million for the project and reducing the scope of the essential works for the Administration Building by \$3.0 million. The KPI ratios and targets from 2013 to 2022 for all three options are shown in the following table 2 on Page 28.

In summary if the project budget was increased from \$9 million to \$14.5 million, Council's financial KPI targets would still be met or exceeded. Whilst the Debt Servicing Ratio would be outside of Council's Target of 5% in some individual years it would still be retained over the 10 year LTFP period.

The effect on Council's financial position from the three options is summarised in the following table:

**City Services Redevelopment - Options**

	Increase in Average Interest per year	Increase in Average Principal per year	Increase in Average Borrowing Costs per year	Increase in Operating & Maintenance Costs per year	Net Impact on Operating Position per year	Net Impact on Funding Position per year
<b>Option 1</b> (Overall borrowings increased by \$2.5 million & reduce essential works for the Administration Centre by \$3.0m)	56,092	166,667	222,759	178,000	234,092	400,759
<b>Option 2</b> (Overall borrowings increased by \$1.0m & reduce essential works for the Administration Centre by \$4.5m)	(9,587)	66,667	57,080	178,000	168,413	235,080
<b>Option 3</b> (Borrowings increased by full \$5.5m)	203,650	366,667	570,317	178,000	381,650	748,317

**Sensitivity Analysis**

- The following table provides a sensitivity analysis of the funding impact that a change in interest rates would have on the LTFP (note: baseline interest rate is 5.75% in the current year, 6.25% in year 2 and 7.25% for the remainder of the plan):

Interest Rate	Funding Impact LTFP \$'000s	Avg/Yr \$'000s
+1.0%	(1,408)	(141)
-1.0%	1,363	136

The 15 year fixed rate indicated by our financiers is currently 5.45%, with the Reserve Bank of Australia's cash rate currently at 3.0% (effective 5 February 2013), with predictions from a number of sources indicating that the cash rate may vary over the current calendar year anywhere from dropping further to increasing by 0.25%.

2. The following table provides a sensitivity analysis of the funding impact that a change in loan term from 15 years to 20 years would have on the LTFP (note: financial modelling “below” has been based on a 15 year loan term and a loan amount of \$14.5 million):

	<b>Funding Impact LTFP \$'000s</b>	<b>Average/Year \$'000s</b>
Principal	0	217
Interest	(2,602)	(15)
Total (P&I)	(2,602)	202

3. The following table provides a sensitivity analysis of the funding impact that movements in average rate increases would have on the LTFP (note: the current LTFP is based on the assumption of an annual average rate increase of 5.0%).

<b>% Variance on Average Rate Increase</b>	<b>Funding Impact LTFP \$'000s</b>	<b>Average/Year \$'000s</b>
1.00	6,944	694.37
0.50	3,472	347.18
0.00	-	-
-0.50	-3,472	-347.18
-1.00	-6,944	-694.37
-1.50	-10,416	-1,041.55

TABLE 1

Asset Plan Funding Requirements											
	Construction	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Capital	14,500,000										
Maintenance		174,000	174,000	174,000	174,000	174,000	174,000	174,000	174,000	174,000	174,000
Operating		232,000	232,000	232,000	232,000	232,000	232,000	232,000	232,000	232,000	232,000
Interest on Borrowings	364,054	817,919	780,545	740,887	698,805	654,152	606,769	556,489	503,136	446,520	386,441
<b>Total Per Annum</b>	<b>14,864,054</b>	<b>1,223,919</b>	<b>1,186,545</b>	<b>1,146,887</b>	<b>1,104,805</b>	<b>1,060,152</b>	<b>1,012,769</b>	<b>962,489</b>	<b>909,136</b>	<b>852,520</b>	<b>792,441</b>
Total Lifecycle Funding Requirements (50 year life)											
Renewal	1,345,600										
Maintenance	8,700,000										
Operating	11,600,000										
Interest on Borrowings	7,459,216										
Capital	14,500,000										
Disposal	113,100										
<b>Total Lifecycle Cost</b>	<b>43,717,916</b>										

*Note: Based on worst case scenario \$14.5 million project fully funded through borrowings. The above interest on borrowings will reduce if savings are identified and/or some funding can be provided through Council's Treasury Management Policy in lieu of borrowings and/or Council resolves to dispose of surplus land at the conclusion of the project. All costs are in 2012/13 dollar figures.*

**Key Financial Ratios****TABLE 2**

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
<b>Base Position: City Services (Loan \$9.0 million per current adopted LTFP)</b>										
Debt Servicing as a % of Rate Revenue	2.4%	3.5%	5.0%	5.7%	4.5%	4.2%	3.7%	3.5%	3.3%	2.6%
TARGET - Debt Servicing	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Interest Expense as a % of Rate Revenue	0.7%	1.3%	2.2%	2.5%	2.2%	1.9%	1.6%	1.4%	1.2%	1.0%
TARGET - Interest Cover Ratio	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Net Financial Liabilities Ratio	15%	32%	40%	37%	35%	32%	29%	26%	22%	16%
TARGET - Net Financial Liability	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Operating Surplus Ratio	7%	6%	6%	7%	8%	9%	10%	11%	12%	14%
Funding Surplus/(Deficit) \$'000*	(1,528)	(2,122)	(3,605)	(1,572)	(1,701)	(646)	(295)	(644)	1,314	3,991
Closing Cash Balance	7,133	4,791	1,160	(561)	(2,288)	(3,262)	(3,581)	(4,251)	(2,965)	999

\* Note that the Funding Deficit showing in 2012/13 relates wholly to works retimed from 2011/12 and is fully funded from 2011/12 revenues

<b>Option 1: City Services (Loan Increased to \$14.5 million &amp; reduce Administration Centre refurbishment by \$3.0m)</b>										
Debt Servicing as a % of Rate Revenue	2.4%	3.5%	5.9%	6.0%	4.8%	4.5%	4.0%	3.8%	3.5%	2.9%
TARGET - Debt Servicing	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Interest Expense as a % of Rate Revenue	0.7%	1.3%	2.7%	2.6%	2.3%	2.0%	1.7%	1.5%	1.3%	1.1%
TARGET - Interest Cover Ratio	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Net Financial Liabilities Ratio	15%	39%	44%	41%	38%	36%	32%	29%	25%	19%
TARGET - Net Financial Liability	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Operating Surplus Ratio	7%	6%	5%	7%	8%	9%	10%	11%	12%	14%
Funding Surplus/(Deficit) \$'000*	(1,528)	(2,255)	(4,308)	(1,944)	(2,073)	(1,317)	(668)	(1,016)	943	3,619
Closing Cash Balance	7,178	4,658	278	(1,860)	(4,005)	(5,394)	(6,132)	(7,218)	(6,348)	(2,801)

\* Note that the Funding Deficit showing in 2012/13 relates wholly to works retimed from 2011/12 and is fully funded from 2011/12 revenues

**Key Financial Ratios** (continued)

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
<b>Option 2: City Services (Loan Increased to \$14.5 million &amp; reduce Administration Centre refurbishment by \$4.5m)</b>										
Debt Servicing as a % of Rate Revenue	2.4%	3.5%	5.9%	5.8%	4.6%	4.3%	3.8%	3.6%	3.4%	2.7%
TARGET - Debt Servicing	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Interest Expense as a % of Rate Revenue	0.7%	1.3%	2.7%	2.5%	2.2%	1.9%	1.6%	1.4%	1.2%	1.0%
TARGET - Interest Cover Ratio	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Net Financial Liabilities Ratio	15%	39%	42%	39%	37%	34%	30%	27%	23%	17%
TARGET - Net Financial Liability	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Operating Surplus Ratio	7%	6%	5%	7%	8%	9%	10%	11%	12%	14%
Funding Surplus/(Deficit) \$'000*	(1,528)	(2,255)	(4,308)	(1,778)	(1,908)	(1,151)	(502)	(850)	1,108	3,785
Closing Cash Balance	7,178	4,658	278	(1,695)	(3,674)	(4,897)	(5,469)	(6,390)	(5,355)	(1,642)

\* Note that the Funding Deficit showing in 2012/13 relates wholly to works retimed from 2011/12 and is fully funded from 2011/12 revenues

<b>Option 3: City Services (Loan Increased to \$14.5 million)</b>										
Debt Servicing as a % of Rate Revenue	2.4%	3.5%	5.9%	6.5%	5.2%	4.9%	4.4%	4.1%	3.9%	3.2%
TARGET - Debt Servicing	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Interest Expense as a % of Rate Revenue	0.7%	1.3%	2.7%	3.0%	2.6%	2.3%	2.0%	1.7%	1.4%	1.2%
TARGET - Interest Cover Ratio	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Net Financial Liabilities Ratio	15%	39%	47%	44%	42%	39%	36%	33%	28%	22%
TARGET - Net Financial Liability	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Operating Surplus Ratio	7%	6%	5%	7%	7%	9%	9%	11%	12%	13%
Funding Surplus/(Deficit) \$'000*	(1,528)	(2,255)	(4,308)	(2,274)	(2,404)	(1,649)	(998)	(1,347)	611	3,287
Closing Cash Balance	7,178	4,658	278	(2,191)	(4,666)	(6,387)	(7,455)	(8,873)	(8,335)	(5,120)

\* Note that the Funding Deficit showing in 2012/13 relates wholly to works retimed from 2011/12 and is fully funded from 2011/12 revenues

**Note: The debt servicing ratio target of 5% is retained over the 10 year period in each of these options**

## **7. RISKS ASSOCIATED WITH THE PROJECT AND MITIGATION STRATEGIES**

- (h) any risks associated with the project, and the steps that can be taken to manage, reduce or eliminate those risks (including by the provision of periodic reports to the chief executive officer and to the Council);*

### **Risk Management**

Risk is inherent in all aspects of the Council's activities. The Project has been subjected to the Council's risk management processes from inception.

For this second version of the Section 48 Report, an extensive review of the projects risks has been undertaken. A new Project Risk Register has been developed, in line with the new Risk Management Framework presented to Council's Audit Committee in February 2013. The revised Risk Management Policy and new Risk Management Framework are on the agenda for the General Council meeting on 12 March 2013.

Project stakeholders were consulted during the development of this current iteration of the Project Risk Register.

The project risks have been assessed using the new Risk Reference Chart Risk Assessment Matrix. Some risks have a higher Level of Risk rating than would have been the case if the former Risk Assessment Matrix had been applied.

The focus has moved from the categories of risk approach to consideration of risks associated with meeting the projects objectives during each phase of the project, being:

- Project planning and concept (which includes risks present throughout the project)
- Design Development & Design Documentation
- Construction
- Project Handover/Operations (work on this section will occur later)

Risk Owners have been assigned to monitor the risks throughout the project period and the risk register identifies the risk monitoring frequency for each risk.

The Project Risk Register is very much a working document and will be under constant review to monitor the effectiveness of the risk controls in place and implementation of the Treatment Plan action items. The Current Level of Risk ratings and Residual (Forecast) Level of Risk ratings will be updated as part of the monitoring and review process.

The Risk Management Unit will facilitate the risk monitoring activities to ensure the approach is adequate and undertaken in time for presentation at Project Control Group meetings. The Project Control Group is responsible for monitoring project performance and has been identified in the Risk Management Framework for executive level risk monitoring.

A summary of the project risks considered to be inherently rated as an Extreme or High Level of Risk follows:

### **Extreme**

- Project is not adequately managed resulting in project cost overrun
- Gradual alteration of deadlines and expansion of project scope as the project progresses resulting in increased expenditure

## High

- Aboriginal Heritage identified resulting in project temporary shutdown of affected area or project delayed
- Appointed external project manager does not fulfil agreed project objectives, targets, reporting
- Inadequate operational planning to prepare site for construction and manage operational constraints (short term relocation of site staff) delaying the project
- Ineffective project planning, communication of business continuity and emergency response arrangements to relevant parties results in negative outcome in the event of emergency
- Lack of consideration of 'whole of life' costing of materials used in construction leads to greater cost for maintenance in longer term.
- The cost of the facility as designed exceeds the revised budget
- Tender price exceeds revised cost estimate
- Breach of contractual terms / conditions / obligations by Council leads to contractual liabilities
- Facility design does not cater for future growth, expansion, change of use and community expectation
- Main Contractor is over extended and cannot devote adequate resources to complete project as per program
- Construction worker or site visitor is seriously injured or dies, related to the project work
- Unplanned and unexpected delays in construction leads to social media or mainstream media reports
- Lack of adherence by Main Contractor of its Environmental Management System leads to increased exposure to dust, noise and contamination of water ways

All the above risks, along with other risks, have treatment plans documented in the risk register.

In addition to Council's project risk management activities, the appointed external project manager and main contractor will be actively managing risks, as part of good project management and as a mandatory contractual requirement. Reports provided by these parties to Council's project team will include risk management.

## **8 MOST APPROPRIATE MECHANISMS / ARRANGEMENTS FOR CARRYING OUT THE PROJECT**

*(i) the most appropriate mechanisms or arrangements for carrying out the project.*

### **Project Delivery**

The project involves the development of new accommodation and operational infrastructure.

The internal capabilities for the provision of the management and design services and the workload allocation of existing staff for the project have been considered and have identified the need for external management and design services to be provided as these are specialist tasks outside of the core business of Council.

All services for the management and design of the project is from specialist consultants engaged for the project services only.

A full range of required consultants have been engaged to finalise plans for the redevelopment within the scope agreed by Council. The external project manager will be responsible for the development of a project schedule and to manage the delivery of the facilities within time and budget schedules. An internal project team will co-ordinate the external consultants and to enable the flow of information to all relevant stakeholders.

These consultancy services cover:

- Architecture
- Cost planning
- Service engineering
- Engineering
- Interior design

### ***Consultancy Procurement***

The consultants were engaged after a competitive tender process in accordance with Council's Procurement Policy.

### ***Construction Delivery Method***

The project has the following key objectives:

- **Design** – design control for operational requirements – requires User design input
- **Time** – mobilisation and design lead times are available
- **Cost** – funded by the Council only
- **Risk** – does not present an unusual risk profile to the Council
- **Procurement Guidelines** – to ensure probity will require market tendering

Due to the project key objectives, a Traditional Method of project delivery is being used comprising the following key elements:

- **Description** - The “traditional” method of project delivery is called Fixed Lump Sum whereby the design is fully documented and tendered, where tenderers provide a Fixed Lump Sum price for the scope of works, only to be varied during the course of construction by client changes, documentation errors or omissions
- **Form of Contract** – The Australian Standard General Conditions of Construction Contract, both AS2124 and AS4000 will be used for this form of delivery
- **Project Team** - The consultant project team, project manager, designers, certifier and cost planner, are all engaged direct to Council for the duration of the Design, Construction and Defects Liability Period phases
- **Project Manager** - The Project Manager has been engaged as a contract Superintendent for administration of the construction contract for the Council
- **Project Budget** - The Project Budget has an allocation of Construction Contingency to provide for unforeseen costs during construction, particularly with site works due to the condition of the land
- **Benefits** - This option provides for full control over every aspect of the design, in both design and construction implementation
- **Risks** – delivery risks are typical and well understood, including scope management, latent conditions, design errors or changes in statutory requirements

### ***Construction Tender***

It is proposed to proceed to an open public tender to the DPTI Category 1 and 2 prequalified building contractors. It is considered that this is the most appropriate procurement approach to obtain the best value for money outcome for Council.

There are currently 34 General Building Contractors based in the Adelaide metropolitan area that are prequalified to DPTI Category 1 or 2 (42 for all of South Australia).

An open tender on this basis greatly increases the competition in the tender field, promotes the premise of transparent and accountable procurement processes and is likely to drive lower margins from prospective tenderers.

The issue of the Construction Tender will be for a period of 4 to 5 weeks and will specifically include:

- Tender conditions and form of contract
- Preliminary design documentation
- Design performance specifications
- Site information
- Key milestone dates – which will enable Council to schedule and co-ordinate the works to have a minimal impact on operations
- Returnable schedules including price, component prices, contract clarifications, previous experience, key personnel, management systems, program, technical data submissions and alternatives

### **Project Programme**

The revised program sequence for City Services Redevelopment subject to Audit Committee review and Council's consideration of specification changes and the revised funding would be:

- |                                |               |
|--------------------------------|---------------|
| • Business case                | Completed     |
| • Concept design & feasibility | Completed     |
| • Design                       | Completed     |
| • Funding review               | March 2013    |
| • Procurement                  | April 2013    |
| • Construction commencement    | August 2013   |
| • Project completion           | December 2014 |

### **Hold Points**

Key hold points at this stage of the project include:

- Council consideration of funding
- Planning approval
- Construction tender

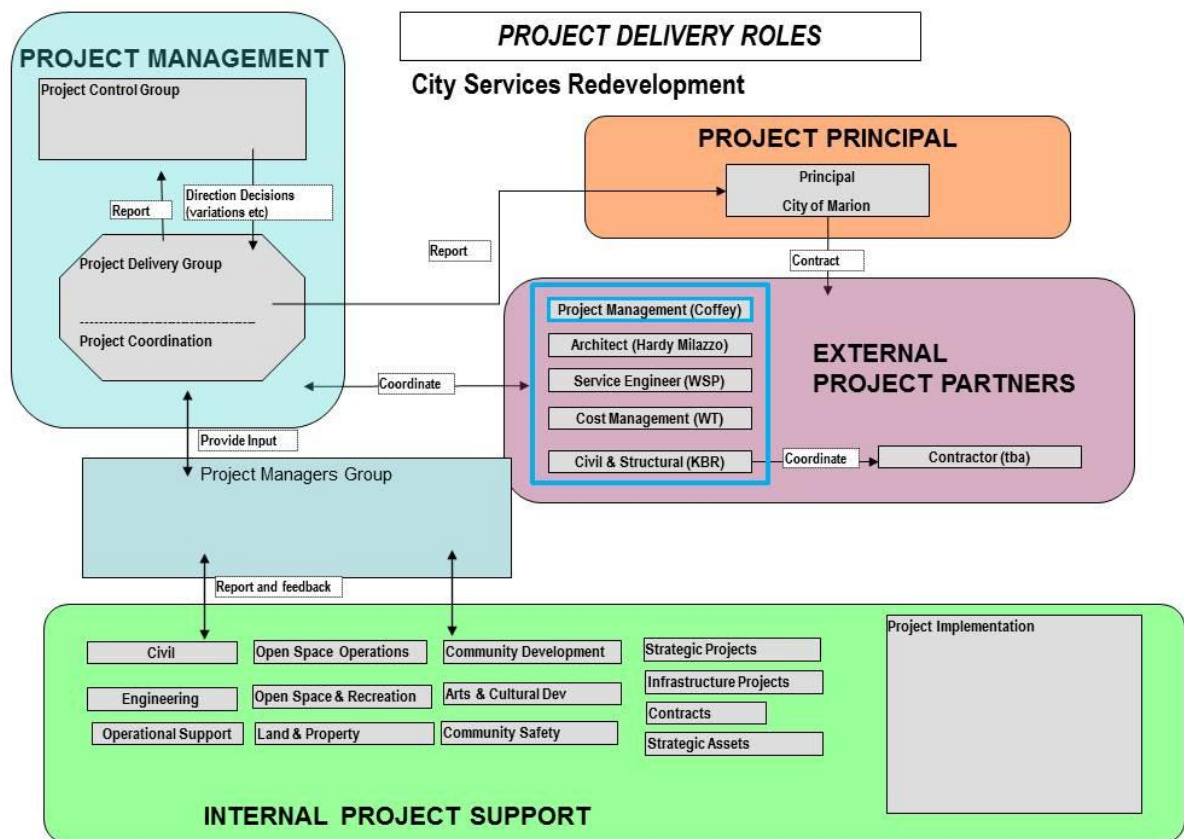
### **Construction Implementation**

The City Services project will require the withdrawal of City Services operations from the southern section of the site; this would include the following key actions to be completed ahead of the project to commence:

- Relocation of the open materials storage area to the eastern boundary
- Relocation of the Open Bays area to the Southern Depot
- Vacation and decommissioning of the South Store Building
- Relocation of selected plant & equipment to the Southern Depot

An Operations Management Group and Transition Planning Group have been specifically created to manage the required change in operations during construction and to manage the transition into the new facility.

## Reporting Structure



Council has an established reporting framework for capital projects of \$4 million. These include:

- Monthly management report from Finance Manager to Council
- Quarterly Strategic Projects reporting from Strategic Projects Manager to Council.

As well as these reports to Council, regular reports will be provided to the Project Control Group and to Council providing updates on the progress of the project. Council reports will be required on key decisions, including final designs, appointment of principal contractors and entering of contractual arrangements.

## **9. Conclusion**

This report demonstrates that the project is financially viable and Council has the capacity to deliver the project and maintain the infrastructure in the future.

The redevelopment of City Services will support the ongoing provision of core services to the community by improving the operating effectiveness and efficiency of the site.

Risks for the project have been identified and strategies to mitigate or minimise those risks have been developed.

The redevelopment of City Services provides the opportunity to improve the environmental performance of the operational activities on the site through energy and water conservation and will assist in Council meeting the Healthy Environment Plan 2010-2014 council-wide targets to reduce energy and water consumption.

The provision of 'fit for purpose' accommodation at City Services will also make a significant contribution to meeting Council's Employer of Choice target and to accommodation policy objectives.



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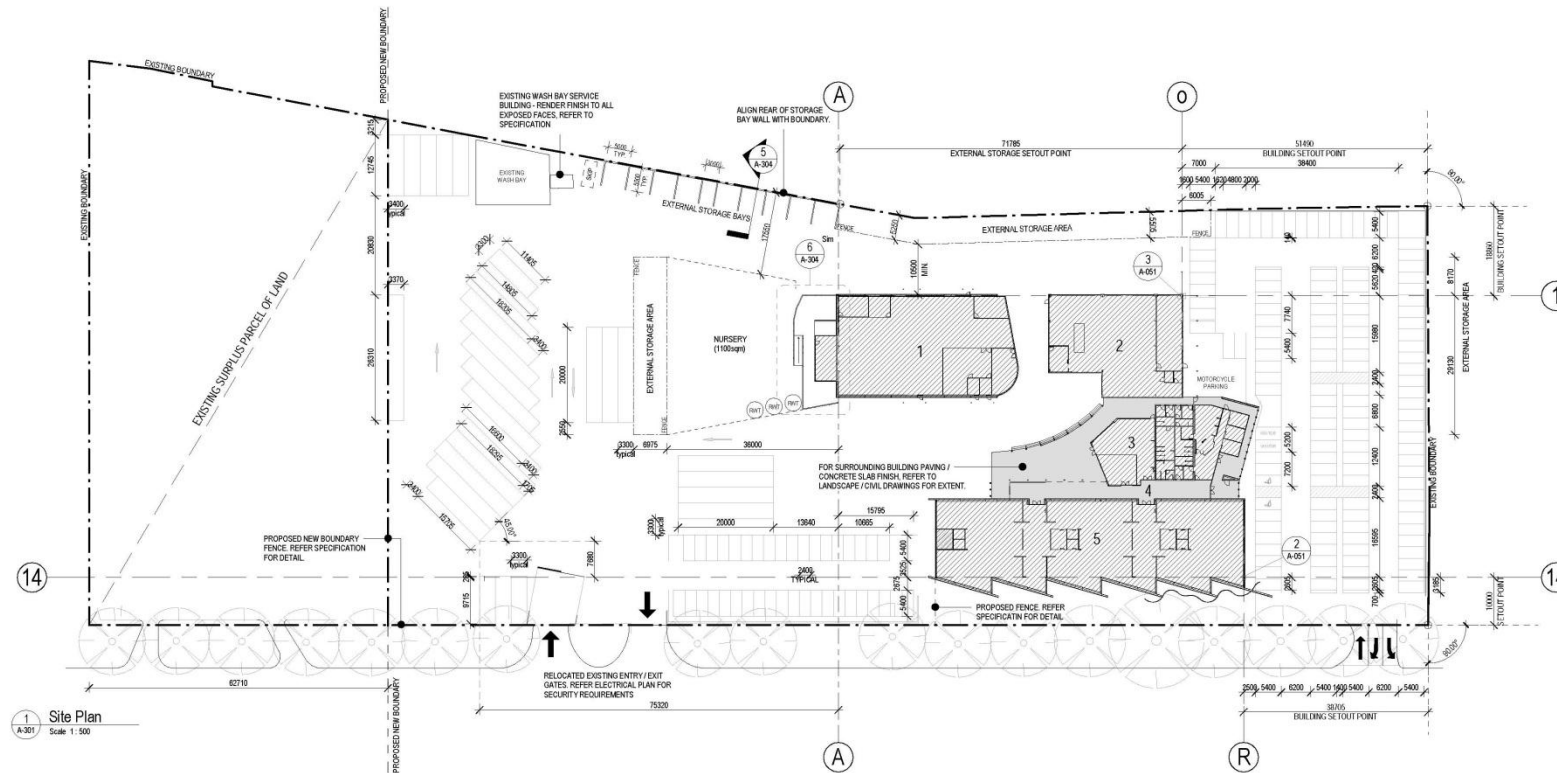
**MARION CITY SERVICES** PLANNING APPLICATION - SITE PLAN 6726-1 SK 001  
for: The City of Marion  
Marion Road, Mitchell Park



**HARDY MILAZZO**  
ARCHITECTS & PLANNERS

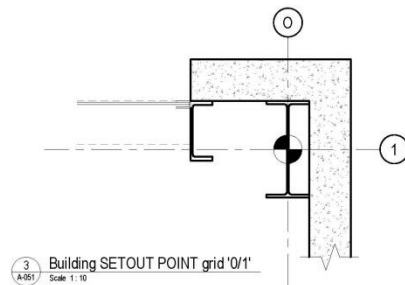
**01**

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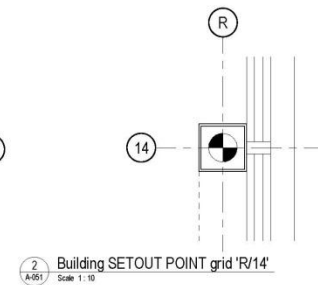


1 Site Plan  
A-001 Scale 1:500

M A R I O N R O A D



3 Building SETOUT POINT grid 'O'1'  
A-051 Scale 1:10



2 Building SETOUT POINT grid 'R'14'  
A-051 Scale 1:10

- BUILDING DESCRIPTION:**
1. STORE
  2. WORKSHOP
  3. COMMON HUB
  4. BREEDWAY
  5. OFFICE
- GENERAL NOTES:**
- ARCHITECTURAL SITE PLAN TO BE READ IN CONJUNCTION WITH THE BELOW DOCUMENTS:
1. REFER URS REPORT FOR ALL BORELOG LOCATIONS
  2. REFER CIVIL DRAWING FOR ALL SITE LEVELS, STORMWATER, SURFACE PREPARATION AND EXTENT
  3. REFER HYDRAULIC SERVICES DRAWINGS FOR ALL ABOVE GROUND ROOF DRAINAGE AND TRANSMITTER HARVESTING DESIGN. REFER ARCHITECTURAL DRAWINGS FOR DIMENSIONED DOWNPIPE LOCATIONS
  4. REFER LANDSCAPING DRAWINGS FOR ALL SITE/SURROUNDING SITE DESIGN INCLUDING SURFACE TREATMENTS.
  5. SITE PLAN TO BE READ IN CONJUNCTION WITH ALL DEMOLITION PLANS.
  6. REFER ELECTRICAL ENGINEERS DRAWINGS FOR SURROUNDING SITE POWER SUPPLY / LIGHTING LOCATIONS / BELOW GROUND CONDUIT RUNS / SECURITY ETC.
  7. REFER ELECTRICAL ENGINEERS DRAWINGS FOR SITE ENTRY GATE CONFIGURATIONS AND SPECIFICATION
  8. REFER ARCHITECTURAL SPECIFICATION FOR ALL EXTERNAL SITE LINE MARKING
  9. DRAWING TO BE READ IN CONJUNCTION WITH A-001, 002, 003
  10. REFER DRAWING A-102 FOR BOLLARD LOCATIONS SURROUNDING THE STORE BUILDING
  11. REFER SPECIFICATION FOR FENCING TYPE / REQUIREMENTS SURROUNDING EXTERNAL STORAGE LOCATIONS

The City of Marion  
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Redevelopment  
935 Marion Road,  
Mitchell Park

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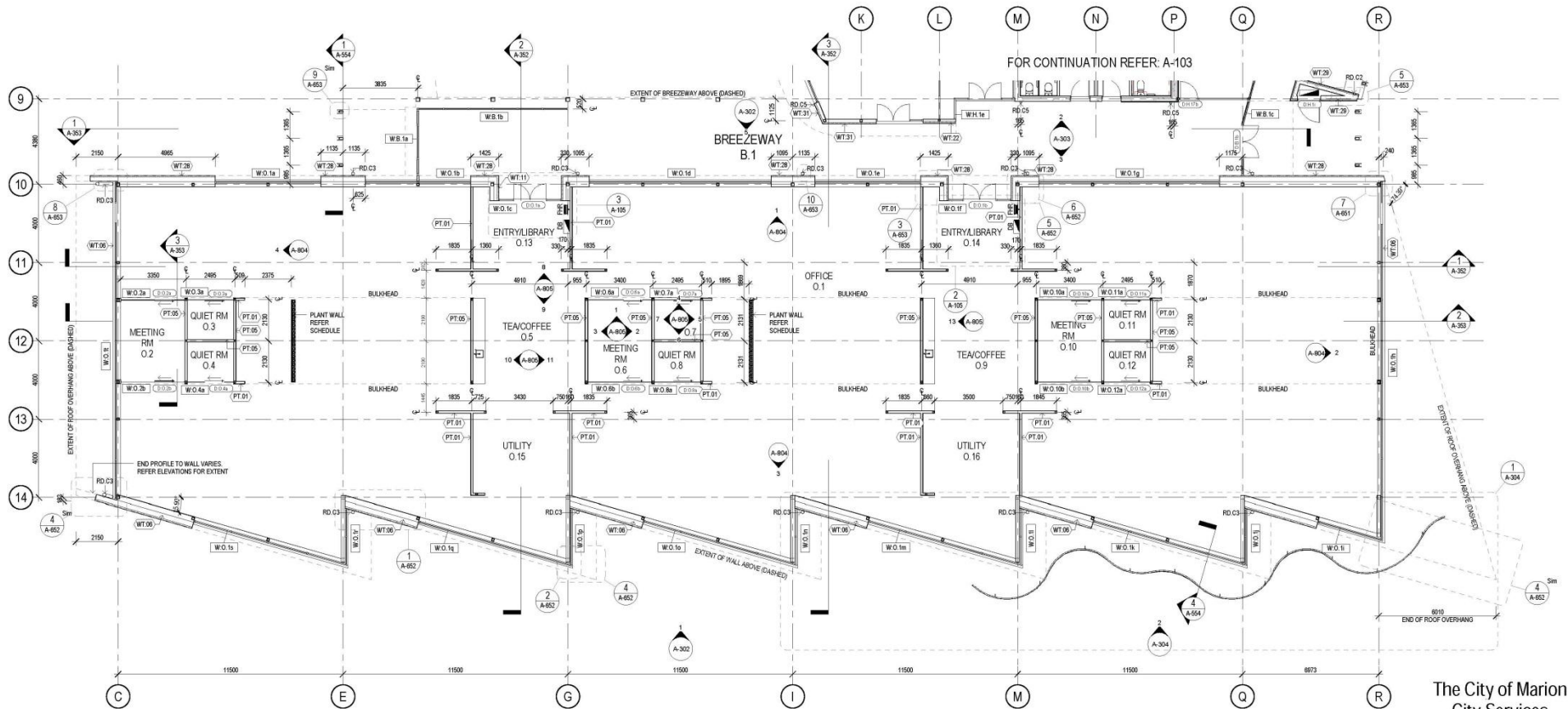
**SITE PLAN**

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1 Floor Plan - Office  
Scale 1:100

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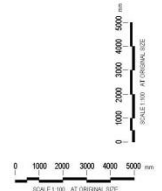
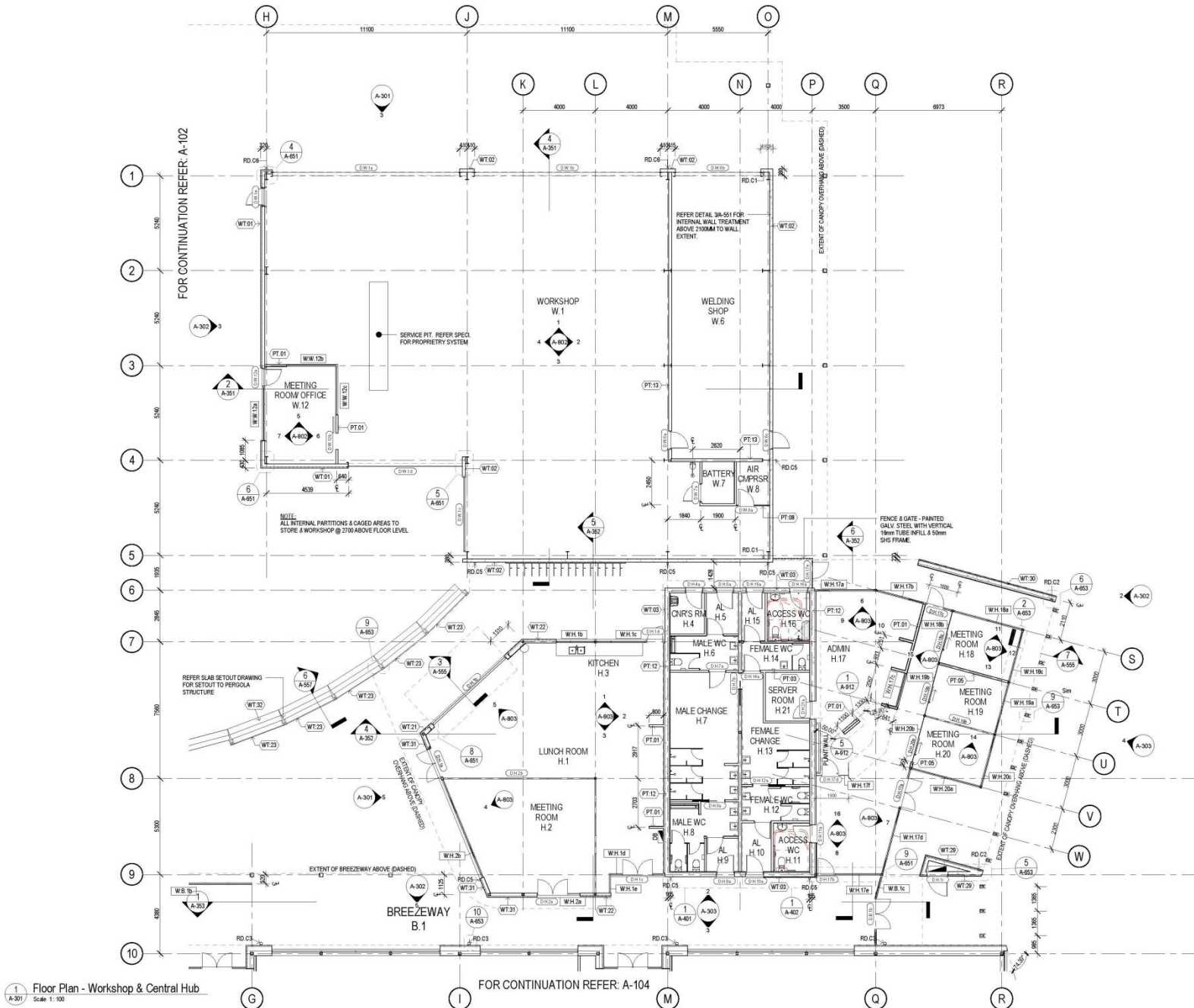
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PART FLOOR PLAN - OFFICE

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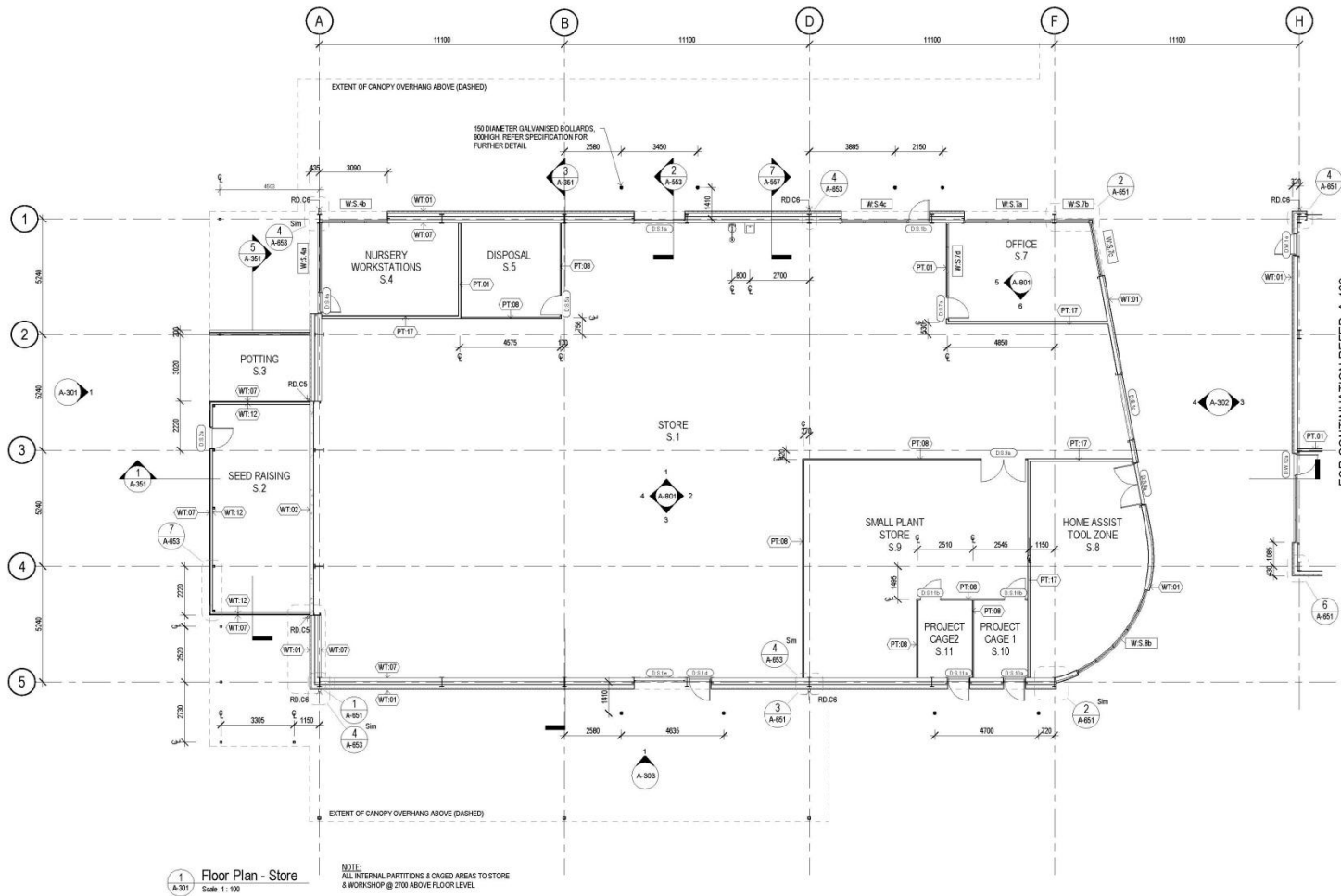




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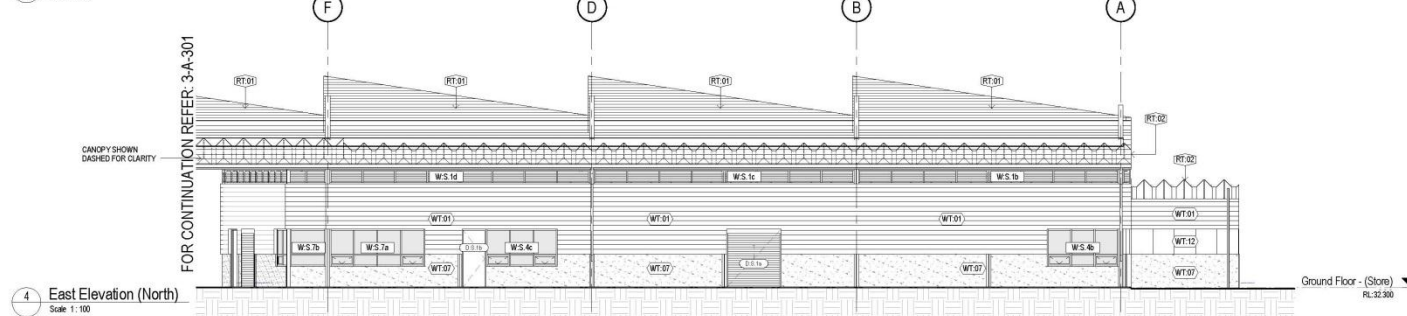
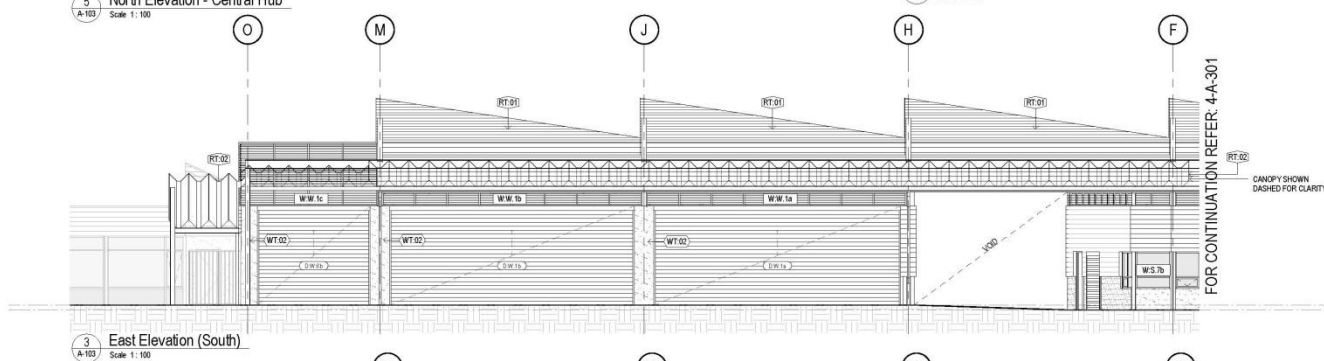
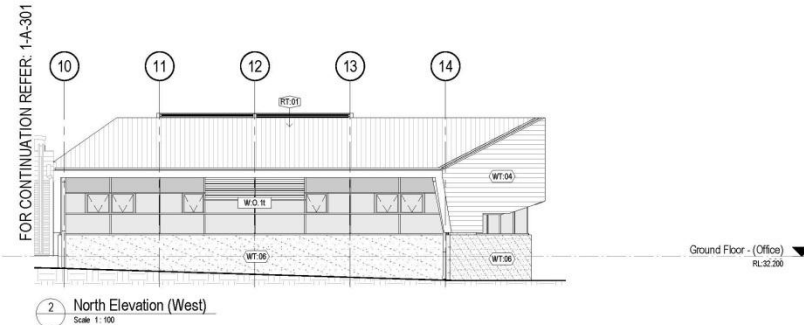
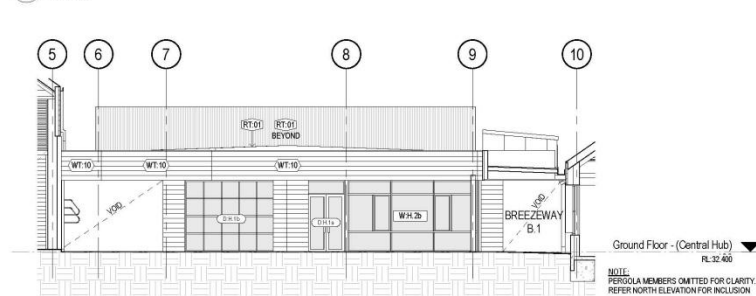
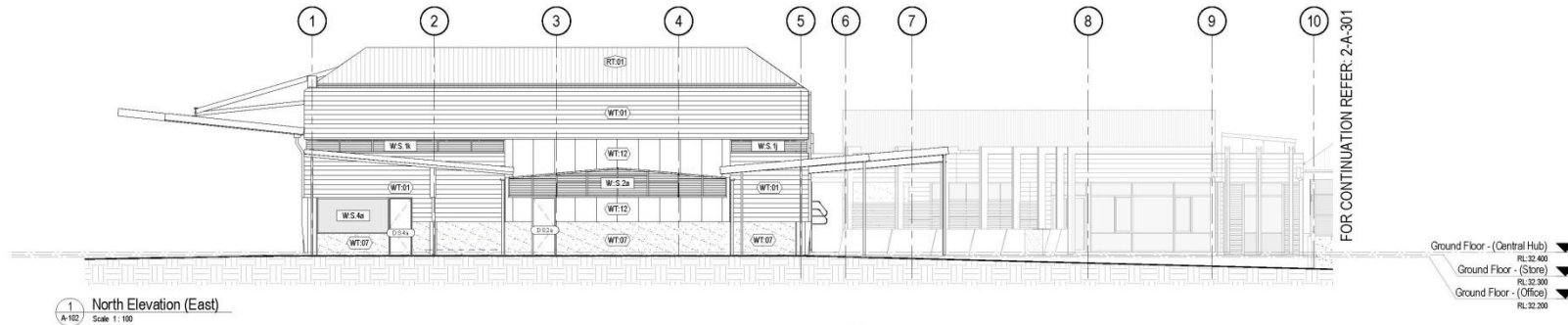
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WORKSHOP & CENTRAL HUB**  
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**PART FLOOR PLAN - STORE**

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EXTERNAL ELEVATIONS -  
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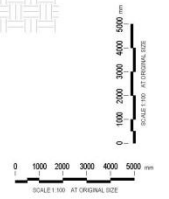
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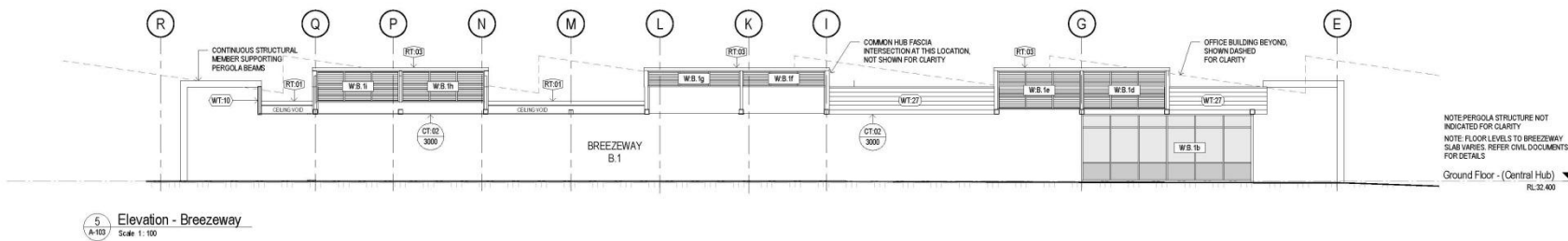
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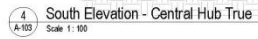
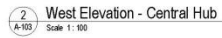
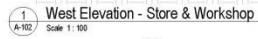
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**Attachment 2     City services redevelopment project plan**



City of Marion

# CITY SERVICES REDEVELOPMENT PROJECT PLAN

Report 2011 – Version 2

**City of Marion**

Revised March 2013

## Quality Information

Document City Services Redevelopment – Project Plan

Ref 16.37.1.4

Date March 2013

Prepared by Strategic Projects

Reviewed by John Valentine

### Revision History

Revision	Revision Date	Modification Details	Authorised	
			Name/Position	Signature
2	March 2013		John Valentine Manager Strategic Projects	

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## **RECOMMENDATION**

### **Recommendation**

#### **Consideration and Justification**

The redevelopment of City Services has been an ongoing priority and is critical to enable Council to meet its strategic objectives and continue in the delivery of essential services to the community.

As discussed in this report, investigation and analysis of alternative solutions has been undertaken with 935 Marion Road, Mitchell Park assessed as providing the most favourable location for the City Services operations.

The redevelopment project will enable Council to meet a number of key strategic objectives relating to environmental performance and employee of choice targets. The project also provides the opportunity to improve the efficiency and operational footprint of City Services and potentially release surplus land for productive purposes.

The question of 'future proofing' Council's ability to operate from a reduced land holding has been considered as part of the project. The current project provides scope for additional intensification of the site through modular extensions to the office building.

Modelling of the impacts on the Long Term Financial Plan (LTFP) for funding the full development (without any disposal of surplus land) has been undertaken and is incorporated into the corresponding March 2013 Section 48 report.

The modelling shows the changes from the original \$9 million borrowing currently included in the LTFP, and the impact from borrowing an additional \$5.5 million for the project.

In summary if the project budget was increased from \$9m to \$14.5m, Council's Key Financial Indicator targets would still be met or exceeded.

# INTRODUCTION

## 1.0 Report Purpose

This report describes the proposed redevelopment of the City Services site at 935 Marion Road, Mitchell Park for Council consideration.

## 2.0 Project Aim

The project proposes to redevelop the existing City Services site at Mitchell Park with the aim to resolve Council-wide strategic requirements and local site specific requirements (including accommodation and environmental needs) to meet the operational needs for City Services and to complete the proposal within a financial framework consistent with the LTFP.

In summary, the project objectives include:

### **Service Delivery**

- Improve the operating effectiveness and efficiency of City Services to support the ongoing provision of core services to the community

### **Statutory Compliance & Land Use**

- Rectification of current Occupational Health & Safety (OH&S) deficiencies within mechanical workshops
- Compliance with Environmental Protection Act (EPA) requirements for dust suppression and stormwater treatment from the site
- Improvement in property utilisation to minimise the operational footprint and develop options for the utilisation of any excess land

### **Accommodation Strategy**

- Transfer of 24 staff from the Administration Building to relieve existing pressure in office accommodation
- Provide for future growth for City Services staff and operations

### **Accommodation Standards**

- Replace the temporary demountable buildings with suitable office accommodation
- Improve the environmental performance of buildings
- Provision of new office facilities, stores and workshops with provision for future growth at City Services

### **Financial Framework**

- Ensure the project does not impact on Council's Key Financial Indicator Targets and is financially responsible and reasonable

## 3.0 Project Description

### 3.1 Site Location and Description

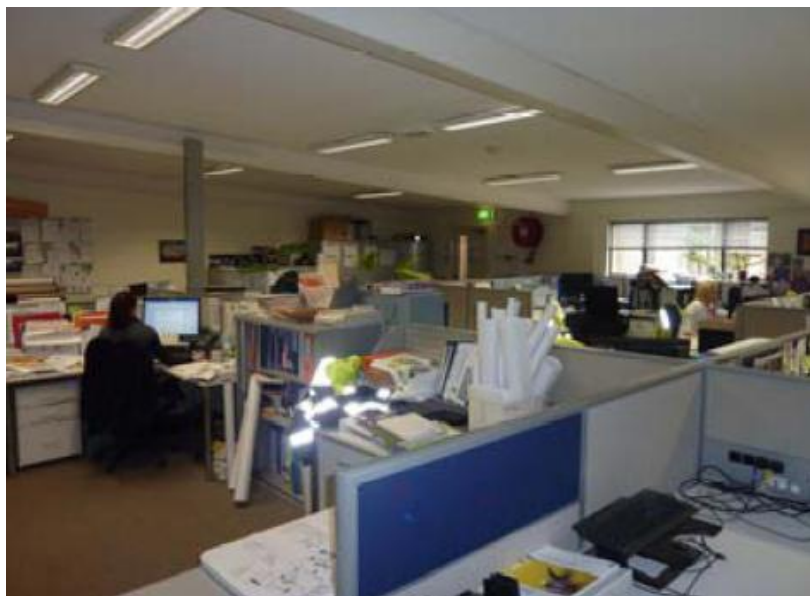
The site is the City Services (depot) located at 935 Marion Road, Mitchell Park SA 5046.

The property is located on the eastern side of Marion Road in the commercial/industrial precinct between the Sturt Creek and Sturt Road. The site is approximately 28,860 square metres with a frontage to Marion road of approximately 281 metres. The site is bounded by the Marion Industrial Park to the south, Sturt Creek to the east and Boart Longyear to the north.

Surrounding development comprises a number of new commercial/retail developments housing retail operators related to the bulky goods industry. Previous industrial holdings have been purchased, improvements demolished and the sites redeveloped to modern pre-cast concrete buildings being leased to operators such as Harvey Norman and Freedom Furniture.

The land is excluded from Community Land classification under the Local Government Act 1999.

Council has operated from the Marion Road site since it was officially opened on 1 September 1962. Improvements on the site comprise an office/warehouse building of approximately 1,197 square metres accommodating stores, workshops and office functions. There are a number of smaller storage buildings of varying age, size and condition and four transportable office buildings. A smaller concrete block storage shed is located towards the southern section of the site.



### 3.2 Existing Site Operations and Occupants

The site provides the operational location for the following work areas

- Open Space Planning
- Open Space Operations (including nursery)
- Civil Services
- Operational Support (including stores and workshops)
- Engineering Services
- Land & Property
- Strategic Assets

The current population of the site at 2011:

Group	
Open Space Planning (including Division Manager)	6
Open Space Operations	50
Civil Services (including Division Manager)	46
Operational Support	15
Engineering Services	13
Land & Property	6
Strategic Assets	9
<b>Total</b>	<b>145</b>

57 permanent workstations are required with access to resources and facilities required to support the non-office based workforce.

### 3.3 Project Objective

The following project objectives have been identified following a review of the existing site operations and the Council's strategic objectives:

#### Service Delivery

- Improve operational efficiency and productivity to assist in the delivery of core services to the community

#### Accommodation strategy

- Assist in further developing positive cultural outcomes through co-locating teams and addressing overpopulation at administration building

### Accommodation standards

- Provide permanent accommodation for staff and improve environmental management of site
- Provide more efficient and effective stores facility with high bay type storage systems
- Improve the environmental performance of buildings (eg reduction in energy needs through environmentally sustainable design)

### Statutory Compliance

- Reduction in OHS risk
- Compliance with EPA requirements for dust suppression and stormwater treatment from the site
- Review the redevelopment in terms of reducing risks relating to climate change (eg potential flooding from Sturt River, etc)

### Property

- Consolidation of operational footprint will provide an opportunity to re-allocate any excess land for other purposes (including potential for sale or lease to third parties)

## 3.4 Project Proposal

Redevelopment of accommodation at City Services including new office building, upgraded stormwater drainage system, covered material storage bays, vehicle servicing area.

New office building capable of housing staff currently located at City Services and 24 staff to be relocated from the Administration Building and growth projected for City Services staff (15).

The number of staff to be relocated from the Administration Building was identified in 2009 as being required to correct the overpopulation within the Administration Building.

Improve the energy efficiency of the accommodation and management and control of stormwater and dust to EPA standards (as identified in EMS Audit).

The Project will deliver the following new facilities:

DESCRIPTION	AREA	COMMENT
Office Building	1,200m <sup>2</sup>	100 desks – 88 permanent desks - 6 hotdesks - 6 desks – reception Communal internal area – 410m <sup>2</sup> Reception – 6 admin desks
Stores Building	755m <sup>2</sup>	Approx 206 lineal metres for palletised storage Additional 67.7 lineal metres of palletised storage available for growth Temporary road signage has 32.6 lineal metres Total – 306.3 lineal metres

Vehicle Workshop	500m <sup>2</sup>	4 servicing bays Welding area Meeting room / office Filter store / compactus Bulk oil and used Tyre storage Battery store Compressor store Workshop external area – 288 m <sup>2</sup>
Vehicle Wash Bay	150 m <sup>2</sup>	Same as existing wash bay
Nursery	1,100 m <sup>2</sup>	
Fleet Vehicle Park	7,750m <sup>2</sup>	Fleet car park and circulation
External Storage Bays	265 m <sup>2</sup>	New covered material storage bays
Secure Storage	696 m <sup>2</sup>	
Staff Carpark	3,340 m <sup>2</sup>	131 cars and 15 motor bikes (NB: Currently 82 staff, 9 visitor and 1 accessible)
Managers / Small Fleet Carpark	1,000 m <sup>2</sup>	35 cars
Open Lay Down, Petrol Oils and Lubricants and external pallet store	470 m <sup>2</sup>	Including areas for open storage (eg concrete pipes)

The following outcomes are anticipated:

- Improvements to operational efficiency
- Enhance organisational culture
- Future proofing of delivery of core operations
- Achievement of Ecological Sustainable Development targets for office accommodation
- Ability to obtain Employer of Choice targets for retention and attraction of staff
- Improved stormwater management
- Provision of additional car parks

## 4.0 Contribution to Council Services

### 4.1 Core Operations

City Services provides core services throughout the 55 square kilometres of the City servicing a population (as at 30 June 2009) of 84,142.

Issues of housing affordability and cost of living are driving the development of higher density living and infill development which in turn will increase the demand for the provision of core services from City Services. The operational units of City Services will need appropriate facilities to enable them to cope with the increased demand for these services.

The core operations at City Services include the following:

#### **Public Infrastructure Management**

- Design, development, construction and management of footpaths, roads, stormwater drainage and kerb and water table
- Traffic management including street signs, traffic control devices to provide safe and accessible local neighbourhoods with good amenity

#### **Open Space**

- Design, development and management of parks, reserves, ovals, play spaces and streetscape development
- Design and management of street trees
- Nursery

#### **Waste & Recycling**

- Domestic kerbside collection, hard rubbish collection, street sweeping and general litter collection

The future demand on these services is anticipated to grow, particularly with regard to the more intensive development anticipated from the delivery of the 30 Year Plan for Greater Adelaide targets. The change in demand for services arising from development of TODs and other denser forms of urban development will increase expectations and management of civic and public spaces. Capacity for growth is required to accommodate changing service demands such as those that will be required from the delivery of projects such as the Oaklands Wetland and water distribution network.

### 4.2 Ancillary Operations

The ancillary operations at City Services include the following:

#### **Community Safety and support**

- Community bus
- Graffiti removal (provision of kits)
- Base for community care home assist maintenance service

## **Property & Facilities**

- Property leasing and management
- Property maintenance

## **Strategic Assets**

- Asset management projections
- Asset maintenance co-ordination

## **Operational Support**

- Stores
- Mechanical workshops
- Waste services
- Reception/Administration support.

### **4.3 Related Operations**

A total of 24 staff will be required to be relocated from the Administration Centre to City Services to rectify the overpopulation of the Administration Centre.

### **4.4 Council Culture**

Council is recognised for its innovative approach to addressing issues that benefit the community and its excellent employment conditions.

To enable Council to achieve its Corporate Vision it has embraced a path to develop a constructive culture within the organisation. Expectations to be creative, supportive and co-operative are promoted by systems, procedures and practices which value quality service, product quality, goal attainment and people development.

Council uses the Human Synergistics tools to measure the culture and identify opportunities for improvement. The commitment towards a constructive culture is demonstrated from the top level management through to the team member working on the frontline

Council's culture aims to deliver constructive leadership, management and teamwork which are all critical to maximising community benefit and employee satisfaction. A constructive culture is one in which there is a balanced concern for getting the job done (task, skills) and for satisfying the needs of the individual or group (people skills).

The key outcome of cultivating a constructive culture enables the organisation to support, develop and sustain high standards of operation and customer service. Effective constructive cultures help to sustain job satisfaction and encourage creativity, personal growth and task accomplishment.

Sustained continuous improvement would be difficult to achieve within the City of Marion without a positive organisational culture.

The provision of 'fit for purpose' accommodation at City Services will make a significant contribution to meeting Council's Employer of Choice aspirations and Marion's Accommodation Policy objectives. The redevelopment will provide the infrastructure that will support the delivery of services to the community from the City Services site. From an office tenant survey (below), a building's environmental performance was rated as the highest factor in attracting and retaining staff reflecting its significance within the community.

<b>Table 2: IMPORTANCE OF FACTORS IN ATTRACTING AND RETAINING STAFF</b>			
	<b>2005</b>	<b>2010</b>	<b>Change</b>
A building's environmental performance	5.4	7.0	29.6%
Onsite bike racks, changing rooms and shower facilities	6.3	7.1	12.7%
Cutting edge ICT	7.4	7.9	6.8%
Onsite secure car parking	6.8	7.2	5.9%
Access to outdoors or green space	5.9	6.2	5.1%
Location near service related amenities	7.3	7.6	4.1%
High level security	7.4	7.7	4.1%
Excellent indoor air quality and thermal comfort	8.0	8.3	3.8%
Onsite informal common spaces	6.2	6.4	3.2%
Onsite gym	4.4	4.5	2.3%
Location close to public transport	8.2	8.3	1.2%
Onsite childcare facilities	4.4	4.4	0.0%
Lifts – quick and efficient	7.4	7.3	-1.4%
High level of natural light	7.9	7.7	-2.5%
CBD location	6.8	6.6	-2.9%
Open work environment	*	6.9	n/a
Location close to motorways/freeways	*	6.4	n/a

Source: Colliers International Office Tenant Survey

Co-location of different work teams and the ability for planning and implementing areas of Council to work together at the one site has already had a positive impact on developing a wider and broader organisation culture. The ability to house the cross-functional work teams as far as practicable under one main roof at City Services will also assist in the development of a positive work environment.

#### **4.5 Business Excellence Framework**

Council has adopted the Business Excellence Framework as its approach to organisational improvement.

The process and outcomes of the City Service Redevelopment align very closely with a number of the individual Items of the framework including:

- 1.3 Society, community and environmental responsibility
- 5.3 Customer perception of Value
- 6.3 Process Outputs
- 7.2 Achieving Sustainability

Specifically, the redevelopment addresses a number of the organisational opportunities identified in the 2010 Business Excellence Assessment feedback report.

These include but are not limited to:

- **Item 1.3** Consider the impact of operations on the environment. There may be further opportunities for water resource management, waste recycling and vehicle fleet selection
- **Item 7.2** Consider the long term implications on operations flowing from the strategic plan and the theme plans under development. Determine the key projects and initiatives required to deliver and assess the organisations capacity to achieve these

The project aims to improve the environmental performance of the buildings and the site by addressing stormwater and dust management on the site. The new buildings will provide further opportunities to minimise energy use through design and material selection. These aims are consistent with opportunities identified in the 2010 Business Excellence Assessment feedback report.

#### **4.6 Social and Community Impacts**

The City Services site supports the delivery of key community services.

The site accommodates both Council staff and volunteers and is regularly visited by the general public for purposes such as the collection of graffiti removal kits or for making general enquiries relating to footpaths/infrastructure or open space issues.

Improving the environmental performance, operational efficiency and productivity from the site will reduce the cost of delivering key services to the community in the future

The site also provides accommodation for the mobile library and a start/end point for the community bus service.

## 5.0 Related Facilities

The redevelopment of City Services has been considered in conjunction with regard to both the Administration Building and Southern Depot facilities.

### 5.1 Administration Building

In particular, the redevelopment of City Services is critical to addressing the current overpopulation within the Administration Building.

Currently the Administration Building provides 1,840 square metres of office space and provides accommodation for 168 persons (approximately 150 workstations), being a population density in excess of SA Government recommended guidelines and close to limits for the Building Code of Australia.

It is proposed to de-populate the building with the transfer of selected staff and functions to the new City Services Redevelopment.

### 5.2 Southern Depot

The Southern Depot is located at the corner of Adams and Majors Road, Trott Park. The depot currently operates over two sites, one being under a lease agreement from the MFS of approximately 6,000 square metres and the adjoining 45,000 square metres of land which is in the process of being transferred from State to Council ownership. Approximately 2,500 square metres of the 45,000 square metre allotment has been leased from the City of Marion to the City of Onkaparinga.

The facility currently provides the following key services:

- Southern Outdoor work team
- Plant & equipment
- Work team amenities
- Waste transfer and recycling for road material and vegetation

It is not proposed to modify the functions of this property. The current office building is located on the land leased from the Metropolitan Fire Service. The lease is due to expire on 30 June 2013 and a new lease has been verbally agreed to. The lease documentation is currently being prepared.

The Southern Depot was originally set up to provide a facility to more effectively service the southern suburbs and reduce travel time for these teams. Since then, the site has been approved by the Environmental Protection Agency for Council recycling, processing and storage for aggregate and green waste. The development of the recycling functions at the Southern Depot has reduced costs relating to waste disposal and reduced environmental impact in line with the Healthy Environment direction HE4.1 'Minimise waste to landfill and optimise recycling' contained in the City of Marion Strategic Plan 2010/2020.

## 6.0 Related Projects

The redevelopment of City Services is related to the future upgrade required to the Administration Building. The City Services project will assist in reducing the current overpopulation of the Administration Building and should provide space to temporarily accommodate staff during any future upgrade works to the Administration Centre if required.

## 7.0 Key Project Stakeholders

### 7.1 Council Stakeholders

The following persons are key stakeholders for the project:

- Elected Members
- Executive Management Group

### 7.2 Project Control Group

- Mark Searle, CEO
- Heather Montgomerie, Director
- Vincent Mifsud, Director
- Kathy Jarrett, Director

### 7.3 Project Sponsor

- Marion Council – Heather Montgomerie, Director

### 7.4 Project Team

The following key persons form the project team:

- John Valentine – Manager Strategic & Economic Projects
- Heather Michell – Strategic Projects Co-ordinator
- Peter Patterson – Manager Open Space & Facilities
- Mathew Allen – Manager Infrastructure
- Roger Belding – Unit Manager Operational Support
- Andrew Lindsay, Manager Organisational Development

## 8.0 Previous Council Considerations

The redevelopment of City Services has been an ongoing project for many years. During this period various options have been considered and assessed, including:

- Relocate to other sites within Council area
- Relocate administration function to City Services site
- Development of a southern depot

In December 2000 (CW121200/7e.14) Council approved the development of a southern depot on the site at Majors Road / Morphett Road for the purpose of a sub-depot supporting the operational requirements in the south and to enable the development of a recycling facility. In 2003 agreement was reached with the State Government for land to be transferred to Council that enable the recycling facility to be developed.

Over the years, internal working parties have assessed the ongoing operational requirements and investigated alternate locations and options for the delivery of the depot services. In 2002/2003 a working party identified that a redesign of the depot operations could enable surplus land to be made available for sale or lease.

The existing City Services is relatively centrally located within the City boundaries providing accessibility north, south, east and west. The site is ideally suited to meet the operational needs providing easy access to the main arterial road (Marion Road) whilst the Sturt River drain to the rear provides a buffer between the City Services operations and the residential community. The Sturt River (drain) to the rear of the property was designed to withstand a 1 in 100 year flood event.

During 2005/2006, 28 staff were relocated from the Administration Building to temporary accommodation at City Services. Four ATCO huts were acquired to accommodate the staff. At the time, the redevelopment was expected to be undertaken within 5 years.

On 23 June 2009, Council approved \$6 million (over two financial years) to be incorporated into the LTFP to construct the new office building over the 2010/11 and 2011/12 financial years as part of the Annual Business Plan (GC230609R05).

In December 2009, a draft Office Accommodation Masterplan was prepared to consider the development options available to meet the demand for additional office space.

The current zoning for the City Services site allows for a depot activity but does not allow a stand alone office redevelopment of more than 250 square metres. In order for consent to be granted for office use greater than 250 square metres would require the new office building to be part of an integrated development (ie it would be an component of the overall development), rather than a stand-alone office building development.

On 14 December 2010, Council resolved to focus on the redevelopment options on the existing 935 Marion Road, Mitchell Park site (GC141210F01).

## 9.0 Project Requirements

### 9.1 Operational Requirements

City Services delivers many of the core functions of Council. The site at 935 Marion Road, Mitchell Park accommodates the following work areas:

- **Civil Services** (including kerb & water table, roads, footpaths; line marking, signs and graffiti removal)
- **Engineering Services** (comprising survey and design, capital works, infrastructure development and design and traffic management)
- **Operational Support** (incorporating hard rubbish, public place litter, stores and warehousing, recycling, workshops, purchasing and administration)
- **Open Space Planning** (including passive and active recreational and playground development)
- **Open Space Operations** (including landscape maintenance, street trees, playground and irrigation maintenance, nursery and revegetation)
- **Land & Property** (including land and building management, land assets, management of leases, maintenance of property assets)
- **Strategic Assets** (including strategic planning, auditing, data management)

A review of services being delivered from City Services has previously been undertaken and the retention of all operations endorsed by Executive Management Group as the functions provide strategic and operational benefits to the delivery of core services to the community. For example, the nursery continues to propagate and supply plants indigenous to the Marion area that may not be readily available from commercial suppliers. Similarly, the retention of the workshop functions provides the ability to retain skills locally and also minimise operational interruption for maintenance and servicing of fleet and plant equipment.

Redevelopment of the City Services site will also improve the stores and warehouse capabilities and improve safety for the workshop operations.

## 9.2 Existing Facilities and Accommodation

The existing facilities at the site are:

ITEM	DESCRIPTION	BLDG AREA (m2)	SITE AREA	DETAILS
1.	Main Office Building	252		Accommodation for 27 staff, 2 x meeting.
2.	Change Room	140		Male and female change, toilets and showers and disabled toilet.
3.	Demountable Office 1	29		Plotter printers, storage and meeting room.
4.	Demountable Office 2	108		Traffic & engineering 12 staff open office
5.	Demountable Office 3	90		Open office and meeting room
6.	Demountable Office 4	72		Civil 9 staff open office
7.	Staff Lunchroom	144		
8.	Site circulation		1765	
<b>Subtotal Offices</b>		<b>835</b>	<b>2600</b>	
9.	Southern Store Building	450		
10	General Store	220		NB: some space in workshop is currently used for general stores
11	Oil storage room	32		
12	Sign Store	60		
13	North shed 1	160		Shed adjacent to nursery
14	North shed 2	160		Shed adjacent to nursery
15	Site circulation		1082	
<b>Subtotal Stores</b>		<b>1082</b>	<b>2164</b>	
16	Vehicle Stores	139		Tyre shed
17	Vehicle Workshop	450		Vehicle servicing pits and 1 hoist. NB: Some of this area used for general stores
18	Welding Bay	60		
19	Site circulation		649	
<b>Subtotal Workshops</b>		<b>649</b>	<b>1298</b>	
20	Nursery Office	25		
21	Nursery Store	200		
22	Plant Establishment	60		
23	Plant Holding Area		1800	
24	Material storage bays		400	Uncovered
25	Site circulation		1115	
<b>Subtotal Nursery</b>		<b>285</b>	<b>3600</b>	

26	Material Storage Bays		2000	Currently uncovered
27	Open Lay Down		3200	
28	Vehicle Wash	230		
29	Site circulation		3830	
	<b>Subtotal Ancillary</b>	<b>230</b>	<b>9260</b>	
30	Fleet Vehicle Park		4900	Fleet parking for fleet (including): 2 x 16 metre semitrailers, 42 work utilities and sedans, 72 vehicles (trucks, earth works vehicles, tractors/large trailers), 2 community buses
31	Fleet light vehicle		525	
32	Staff Carpark		3600	Staff parking currently 82 staff, 9 visitor and 1 accessible
33	Visitor parking		913	
	<b>Subtotal Parking</b>		<b>9,938</b>	
<b>TOTAL</b>		<b>3,081</b>	<b>28,860</b>	



### Site Legend

- ① Plant Nursery ② Staff Carparking ③ Vehicle Washdown ④ Office, Workshops, Stores & Transportable Buildings ⑤ Fleet Parking ⑥ Bulky Material Storage

### 9.3 New Facilities and Accommodation Requirements

To meet the operational requirements for City Services, the facilities need to provide the following:

AREA M <sup>2</sup> EACH	QTY		TOTAL M <sup>2</sup>
		Workspace Requirements	
12.6	1.0	Reception Desk	12.6
6.3	1.0	Infrastructures	6.3
6.3	12.0	Engineering	75.6
6.3	10.0	Civil Services	63.0
6.3	5.0	Open Space Recreation Planning	31.5
6.3	8.0	Open Space Operations	50.4
6.3	5.0	Front office	31.5
6.3	6.0	Land & Property	37.8
9.0	2.0	Payroll/Finance/OD Risk (Shared Desks)	18.0
6.3	5.0	Arts & Cultural	31.5
6.3	6.0	Contracts	37.8
6.3	4.0	Strategic Projects	25.2
6.3	2.0	Community Safety	12.6
6.3	5.0	Community Development	31.5
6.3	8.0	Strategic Assets	50.4
3.2	1.0	Hotdesk	3.2
3.2	1.0	Hotdesk	3.2
3.2	1.0	Hotdesk	3.2
6.3	15.0	ALLOWANCE FOR FUTURE GROWTH	94.5
		Total	619.8
		Support Facilities	
12.5	2.0	Utilities	25.0
9.0	1.0	Server	9.0
6.3	7.0	Open Layoff areas	44.1
6.3	2.0	Tea/Coffee Stations	12.6
3.2	8.0	Central Storage - Team Library/Resource Material	25.6
9.0	1.0	Central Storage - Equipment & PPE	9.0
9.0	2.0	Waiting Area	18.0
5.4	1.0	Disabled (Unisex, public)	5.4
120.0	1.0	Changeroom/Toilet Facilities	120.0
12.0	1.0	Human Room	12.0
	1.0	ALLOWANCE FOR FUTURE GROWTH (30% of workspace area)	28.4
		Total	309.1
		Interactive Facilities	
6.3	10.0	Open Layoff / Informal meeting areas	63.0
9.0	6.0	Quiet Rooms (2-4)	54.0
12.6	3.0	Meeting Rooms - Front of House (4-6)	37.8
18.0	3.0	Meeting Room (6-8)	54.0
25.0	2.0	Meeting Room (10-12) Flexible Space - can be opened up	50.0
100.0	1.0	Staff Café/Breakout Space (Informal Meeting)	100.0
36.0	1.0	Staff Outdoor Area	36.0
		Total	394.8
	1.0	Interior Circulation Allowance - 15%	198.5
		Total	198.5
		TOTAL AREA M <sup>2</sup>	1,522.2

AREA M <sup>2</sup> EACH	QTY		TOTAL M <sup>2</sup>
		<b>Nursery</b>	
6.3	3.0	Workstations	18.9
6.3	0.0	Front Counter	0.0
3.2	2.0	Hotdesks	6.4
12.6	0.0	Meeting Space with layoff + library	0.0
25.0	1.0	Dedicated changeroom/shower (in main facilities)	0.0
0.0	1.0	Glasshouse / Seed Raising	50.0
0.0	1.0	Potting Shed	15.0
0.0	1.0	Aqua Plants pond	0.0
36.0	2.0	Material storage bays (incorporated with main storage bays)	0.0
1,800.0	1.0	Main Nursery - Plant Holding Area	1035.0
		<b>Total</b>	<b>1125.3</b>
		<b>Stores</b>	
6.3	2.0	Workstations (Stores)	12.6
6.3	1.0	Front Counter	6.3
6.3	1.0	Home Assist	6.3
25.0	0.0	Dedicated changeroom/shower	0.0
9.0	1.0	Compactus (Purchase orders)	9.0
400.0	1.0	General Store (racking for pallets)	565.0
36.0	2.0	External Caged Area (2 x bays)	72.0
15.0	1.0	Paint Storage	15.0
15.0	1.0	Chemical Storage	15.0
36.0	6.0	External Storage Bays	216.0
36.0	2.0	Street Litter/Leaf Storage (with filter system) (2 bays )	72.0
35.0	1.0	Sign Shop/street Marking	15.0
0.0	1.0	Maintenance for small plant	50.0
		<b>Total</b>	<b>1054.2</b>
		<b>Workshop</b>	
6.3	2.0	Workstations	12.6
6.3	0.0	Front Counter	0.0
9.0	1.0	Compactus (Purchase orders)	9.0
25.0	1.0	Layoff/Meeting Area & Reference Library	25.0
100.0	4.0	Service Bays	300.0
70.0	1.0	Floor equipment	70.0
5.0	1.0	Tyre Storage (racking)	5.0
3.0	1.0	Battery Charging Bay	3.0
9.0	1.0	Perimeter Benching	9.0
3.0	1.0	Compressor Room + Air Storage Tank	3.0
70.0	1.0	Welding Shop	70.0
5.0	1.0	Waste Oil + Oil Storage	5.0
350.0	1.0	External servicing (canopy)	350.0
		<b>Total</b>	<b>861.6</b>
		<b>Parking</b>	
0.0	1.0	Fleet - Heavy Vehicle Park & circulation (includes growth)	7700.0
0.0	1.0	Fleet - Light Vehicle Park (managers & light fleet) (includes growth)	980.0
0.0	1.0	Staff Vehicle Park (includes growth)	3430.0
0.0	1.0	Motorcycle park (included in staff car park)	0.0
0.0	1.0	Bicycle Store	0.0
		<b>Total</b>	<b>12110.0</b>
		<b>Miscellaneous</b>	
100.0	2.0	2 x Wash Bays	150.0
930.0	1.0	Waste Bins & other open lay-down	930.0
		<b>Total</b>	<b>1080.0</b>
		<b>TOTAL AREA M<sup>2</sup></b>	<b>16231.1</b>

The new facilities will meet the operational needs as follows:

- Vehicle servicing providing cost effective in-house servicing, maintenance and repair of fleet requiring:
  - Four vehicle servicing bays
  - workshop office
  - battery room
  - oil storage, dispensing and delivery equipment
  - welding bay area
  - small plant servicing area
  - parts storage area

**Office:** a purpose built office building is required to replace the current transportable 'ATCO' huts. The office building will provide space to accommodate the overpopulation of staff from the administration building and provide for future growth at City Services. This building will also incorporate staff amenities (such as lunchroom, kitchen and ablution facilities).

**General Stores:** the various onsite containers and garages are inappropriate for general storage and present storage and access hazards as well as being inefficient operationally. This storage should be removed and replaced with palletised high bay storage.

**External Open Storage** – the current open area storage is inefficient and requires rationalisation. Materials supply methods require review to minimise storage requirements.

#### 9.4 Property Opportunity

Redevelopment of 935 Marion Road will allow for the site to be utilised more efficiently and provide the opportunity to reduce the overall operational footprint. Efficiency will be gained through the provision of high bay storage systems, rationalisation of the office accommodation under one main roof and reconfiguring of the layout of the operations.

This may allow for excess land to be made available for other purposes either through sale or leasing of the land. Initial investigations have indicated that a site in the vicinity of 7,000-square metres may be excess to requirements following redevelopment.

The disposal (by sale or lease) should not impede Council's future growth on the site. The question of 'future proofing' Council's ability to operate from a reduced land holding has been considered as part of the project. The current project provides scope for additional intensification of the site through modular extensions to the office area.

#### 9.5 Financial Funding

Revised funding for the project is being considered by Council at its March 2013 meeting.

## 10.0 Project Priorities

A number of key priorities exist for the redeveloped City Services, including:

- Provision of permanent office accommodation (to replace ATCO huts)
- Provision of covered material storage bays and treatment of stormwater from the site (to comply with EPA requirements) as noted in the EMS Audits
- Upgrade of storage facilities
- Upgrade of vehicle and equipment workshop
- Improvement of environmental performance of buildings
- Reduced ongoing operational costs to minimise overall cost of providing the ongoing service to the community

## 11.0 Project Opportunities

### **Operations**

From an operational perspective, the project provides an opportunity to enable cross-functional teams to be accommodated under the one roof to improve workflows and communication. The project also provides an opportunity to improve the functional workflow for the outdoor work teams through the positioning and accessibility of the stores, workshops, wash bays and parking facilities.

### **Facilities**

The redevelopment of City Services will provide an opportunity to provide fit-for-purpose permanent accommodation that can meet the operational needs of the staff and volunteers based at the site. The redevelopment provides an opportunity to deliver flexible workplaces that can meet the future needs of the City.

### **Property**

Consolidation of the operational footprint by improving the land use efficiency of the existing City Services site will allow for additional land to be available for commercial use. Converting a portion of the site to commercial activity will have a positive economic flow on effect for the area.

### **Financial**

The redevelopment will improve the environmental performance of the site and have a positive impact on the ongoing operational cost of City Service. Improvements will be realised through the use of environmental sustainable design and technologies (such as solar energy).

### **Culture**

The redevelopment provides opportunities to enhance organisational culture by providing accommodation that can meet the operational and functional needs of the staff operating from the site. As outlined in section 4.4, research has shown how important the physical accommodation is for the attraction and retention of staff.

### **Emergency Response**

The site needs to ensure Council is able to operationally support the community in the event of emergency as the site will be the base for any emergency response in the area. Redevelopment will allow for the site to be designed with reference to the potential for emergency events (such as local flooding) where Council equipment will be required to attend. Council's emergency response team are already located at the City Services site.

### **Accessibility (staff and public)**

Consideration was also given to issues such as ease of accessibility (both to staff and the public) of the existing site and impact on adjoining neighbours should relocation to another site be an option. The availability of a site that could meet accessibility, size and location requirements was also reviewed and assessed. It is important that City Services is within close proximity to the Administration Building as each site relies on the other for shared services (eg OD/payroll, storage and vehicle servicing at City Services, accounts, contracts, IT at Administration Building).

## ASSOCIATED ISSUES

### 12.0 Property

#### 12.1 Land Ownership

Allotment 100 in Filed Plan 10513 (commonly known as 935 Marion Road, Mitchell Park) is the whole of the land contained in Certificate of Title Register Book Volume 4170 Folio 413. The registered proprietor of the land is the Corporation of the City of Marion.

#### 12.2 Land Encumbrances

The land is free from any easements or encumbrances.

#### 12.3 Property Valuations

The site was valued in June 2010 by a licenced valuer acting under instructions from Council. The site was valued at \$11.5 million (exclusive of GST).

#### 12.4 Property Zoning and Subdivision

The property is situated within an Industry/Commerce Policy Area 4 Zone. The objectives for this zone, as shown in the Development Plan 2010, are as follows:

##### OBJECTIVES

- 1 A policy area accommodating a range of light and service industry, depots and commercial activities.
- 2 Development having traffic generating characteristics and design so as to not compromise the arterial road function of Marion Road.
- 3 A policy area where development minimises impacts on residential uses in adjoining zones, especially to the west of Marion Road.
- 4 Development that contributes to the desired character of the policy area.

The Industry/Commerce Zone primarily anticipates light and service industries including small scale commercial uses, light and service industries, warehousing and depots. Displays of retail sales are also anticipated in the zone.

The site is irregular in shape with frontage to Marion road of 281.33 metres. The total site area, as shown on the Certificate of Title, is approximately 2.886 hectares, or 28,860 square metres.

Subdivision of the land would be permitted under the current zoning.

## 13.0 Statutory Compliance

### 13.1 Statutory Authorities

Redevelopment of the site will require development approval. An application may be assessed by Council (as it is authorised to assess depot applications) or be referred to the Department of Planning and Local Government's Development Assessment Commission ('DAC').

### 13.2 Statutory Planning

The zone anticipates lower levels of intensity adjacent to a residential zone by way of scaling down or transition as the residential zone boundary is approached. Buildings should generally not exceed two storeys or ten metres in height above natural ground surface level. This site is separated from the nearest residential zone by an approximate 40 metre reserve (Sturt Drain).

Marion Road is an arterial road and accordingly the number of access points to Marion Road should be minimised and rationalised in accordance with DTEI referrals.

Advice from Planning SA's Development Assessment Commission indicates that the proposed depot redevelopment would be assessed on merit and is generically consistent with the requirements of the existing zoning.

### 13.3 Statutory Compliance

The site currently does not conform to EPA dust controls and the redevelopment will allow for these items to be rectified.

The site operates under statutory compliances from 1964 and does not meet industry best practice or current development standards. Areas for improving the site include:

- **Stormwater management** – Gross Pollutant Traps exists on the stormwater discharge from the staff car park and storage bays but there are opportunities to better treat stormwater from the site and discharge directly to the Sturt River to reduce reliance and demand on the Marion Road stormwater system
- **Dust Control:** the Open Bay storage area is inadequate to control dust and leaf litter from migrating off site with the prevailing wind
- **Vehicle Wash Bay** – water use is provided with an exemption from SA Water. There is no water recycling and existing waste water drains commonly block and require regular maintenance. Improved waste water filtering and use of recycled water would improve this operational aspect
- **Oil and Chemical Storage** – a purpose built dedicated oil and chemical storage area would be required in order to meet best practice requirements and statutory compliance standards for the storage of these items

## 14.0 Site Utilisation

### 14.1 Site Layout Efficiency

Due to the ad hoc nature of development on the site, the current layout of City Services does not allow optimum efficiency to be realised. The relocation of staff from the administration centre in 2005/2006 into temporary accommodation changed the functionality of the site with more 'desk based' positions being accommodated on the site and more visitations from domestic vehicles (eg residents, volunteers, lessee's of Council property, etc).

There are two options for the siting of the new facilities on the land: rebuild on either the southern or northern sections of the land. The benefits for each option are:

**Southern section:** The southerly section of the site provides an opportunity to construct the new facilities with minimal operational interruption as it would be carried out on a portion of the site that is not intensely used.

**Northern section:** Developing on the northern section of the site reduces the amount of infrastructure required to be constructed (such as vehicle parking) and relocation of services. Redevelopment on the northern section also maintains the existing crossover locations and allows for an allotment with greater frontage than depth to be available for disposal (southern end) if the decision to dispose of the surplus land is adopted.

### 14.2 Staged Implementation

The full redevelopment could be staged to allow for the highest priorities to be met from existing budget, with the balance of works to be allocated to ensuing financial years.

Early advice from the Development Assessment Commission indicates that it may be possible to seek development approval to undertake the project over a period greater than the usual 3 year timeframe.

### 14.3 Future Expansion

Future growth has been factored into the redevelopment to allow for additional space for fleet and vehicle parking and workforce accommodation.

Disposal of any excess land (either by sale or lease) would need to be considered in terms of future expansion requirements and options available. Provision for future growth has been incorporated into the final building design.

## 15.0 Environment & Heritage

### 15.1 Environment

The redevelopment provides the opportunity to improve the environmental performance of the operational activities on the site through energy and water conservation. Environmental benefits are discussed in greater detail in Section 18 which deals with Environmentally Sustainable Design.

### 15.2 Heritage

The redevelopment of the City Services site does not have any local or State heritage implications. Liaison with local Kurna representatives will be undertaken to protect any aboriginal heritage that may be associated with the site.

## 16.0 Ecological Sustainable Development

### 16.1 Council Policies and Targets

The City of Marion Strategic Plan 2010-2020 supports the Community Vision for a Healthy Environment. The project also helps to support the other key themes of Community Wellbeing, Cultural Vitality and Dynamic Economy by improving and supporting the core functions operating from City Services. If excess land is released to the market for productive purposes this would support the directions for a Dynamic Economy.

The Healthy Environment Plan 2010-2014 contains a number of Council-wide targets that are relevant to the City Services redevelopment project, including:

- Achieve a 40% reduction in Council's greenhouse gas emissions by 2020 and a 60% reduction by 2050
- All Council activities to use Water Sensitive Urban Design by 2020
- Maintain Council's main water consumption at 40% below 2005/2006 levels

One of the principles of the 2007 Accommodation Policy and Procedure provides that:

*'office accommodation solutions must be adaptable and/or flexible to facilitate change in work practices and technology, cost and space effective and supportive of work area functions and changes in Council's organisational structure and support Constructive Culture.'*

The Accommodation Procedure Guiding Principles include building design that include open plan layouts use modular co-located workstations, meet 5 star Green Star outcomes and comply with all relevant legislation (such as OH&S).

The Green Building Council of Australia argue there is evidence to suggest that environmentally sustainable accommodation improves productivity, reduces sick days and creates space which is good for employees. These outcomes results from the benefits such as access to natural light, fresh air, workspace temperature and lighting control which are all features of environmentally sustainable accommodation.

## **16.2 Project Initiatives**

The project will provide for buildings to be designed and constructed to be more environmentally sustainable through choice of building materials, orientation and use of new technologies (such as solar power and water recycling).

## **16.3 Power Usage**

Overall power consumption for the site is expected to decrease with the development due to the rationalisation of office accommodation under one main roof. Incorporating a solar system in the development will also help to offset the energy consumption from the site.

The City Services site can be used as a model for incorporating green technologies and can provide a valuable educational resource to the community whilst reducing the overall running costs for the infrastructure required supporting the delivery of core services to the City.

## **16.4 Water Usage**

City Services is due to be connected by 'purple pipe' to the Oaklands Wetland. The redevelopment will provide an opportunity to extend the use of the recycled water beyond irrigation purposes. This may include the truck wash bays and toilet facilities being connected to this system.

Investigations into better management of stormwater from the site have been made and strategies have been incorporated into the project redevelopment with opportunities to treat stormwater in a more sustainable manner.

## 17.0 Operational Targets

### 17.1 Whole of Council

The project supports the objectives in the Marion Strategic Plan 2010-2020.

The project supports the Marion Strategic Plan's Corporate Vision to be an Organisation of Excellence; recognised for excellence in governance, service quality and an employer of choice.

The provision of a safe place to work is one of the key strategies identified in achieving the Council's employer of choice goal.

The following table is an extract from the City of Marion Strategic Plan 2008-2020:

#### AN ORGANISATION OF EXCELLENCE - Employer of Choice

Ensuring the organisational culture is constructive and provides employees with opportunities to meet their needs whilst achieving community and organisational outcomes.

	Directions By 2020 we will see:		Strategies We will:	Targets	Measures
EC3	A great place to work	EC3.1	Ensure our workplace: <ul style="list-style-type: none"> <li>provides safe systems of work</li> </ul>	Current OHS Measures	Current targets.

The Healthy Environment Plan 2010-2014 contains a number of Council-wide targets that are relevant to the City Services redevelopment project, including:

- Achieve a 40% reduction in Council's greenhouse gas emissions by 2020 and a 60% reduction by 2050
- All Council activities to use Water Sensitive Urban Design by 2020
- Maintain Council's main water consumption at 40% below 2005/2006 levels

The 2010-2020 City of Marion Strategic Plan demonstrates the commitment for Council to be an Organisation of Excellence recognised for excellence in governance. This project supports that goal, as detailed in Section 4.5, by helping to address some of the opportunities identified in the Business Excellence External Assessment.

### 17.2 Council policies

A number of key Council policies support the Marion Strategic Plan direction to provide a workplace that supports the employer of choice vision for providing a safe and supportive workplace.

The project will deliver facilities that will provide a more appropriate standard of accommodation and provide safer work areas for operational activities. The redevelopment will also allow for the delivery of more environmentally sustainable solutions including the storage of materials and method of disposal of stormwater from the site.

## **Occupational Health, Safety & Welfare and Injury Management Policy**

This policy endorses Council's commitment to providing and undertaking measures to minimise risks or injuries through the provision of safe work environments and safe systems of work.

### **Accommodation Policy & Procedure**

The aim of the Accommodation policy and procedure is to support Council's goal towards being an Employer of Choice through the delivery of accommodation that supports both the operational and health and safety needs of its employees, contractors and visitors. The policy also supports Council's strategic targets to improve environmental performance from the built form

## **18.0 Priorities**

### **18.1 Operations**

Improving the standard of accommodation for the staff at City Services and meeting the EPA non-compliance items are the highest priorities together with addressing the OH&S concerns.

Improving the functionality of the stores area and providing facilities that can accommodate the overpopulation from the Administration Centre and meet future growth requirements are also important considerations for this project.

Improvements to the working conditions at City Services will also support the Employer of Choice target and assist the functional units deliver services to the community. The provision of in house services such as the Nursery, Mechanical Workshop and Stores also help to support the delivery of core services to the community. Retaining these skills 'in house' mitigates the risk of delays due to third party suppliers failing to deliver stock or repair equipment in a timely manner.

General co-location reduces the effects of isolation by creating a critical mass of staff to improve integration along with increased integration and efficiencies between staff and business units. Relocation of the balance of Assets and other identified staff will provide complementary and relevant services to the operations of City Services.

### **18.2 Facilities**

The facilities required to meet the operational priorities include:

- Office building capable of accommodating current and projected growth
- Material storage bays
- Stores and warehouse
- Mechanical servicing area
  
- Parking for mobile library and community buses
- Staff and visitor parking
- Nursery to provide indigenous species to the open space unit

### **18.3 Property**

The property priority is to ensure that the site is utilised effectively and efficiently without limiting future growth requirements.

**Attachment 3      Section 48 Local Government Act**

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**48—Prudential requirements for certain activities**

- (aa1) A council must develop and maintain prudential management policies, practices and procedures for the assessment of projects to ensure that the council—
- (a) acts with due care, diligence and foresight; and
  - (b) identifies and manages risks associated with a project; and
  - (c) makes informed decisions; and
  - (d) is accountable for the use of council and other public resources.
- (a1) The prudential management policies, practices and procedures developed by the council for the purposes of subsection (aa1) must be consistent with any regulations made for the purposes of this section.
- (1) Without limiting subsection (aa1), a council must obtain and consider a report that addresses the prudential issues set out in subsection (2) before the council—
- (b) engages in any project (whether commercial or otherwise and including through a subsidiary or participation in a joint venture, trust, partnership or other similar body)—
    - (i) where the expected expenditure of the council over the ensuing five years is likely to exceed 20 per cent of the council's average annual operating expenses over the previous five financial years (as shown in the council's financial statements); or
    - (ii) where the expected capital cost of the project over the ensuing five years is likely to exceed \$4 000 000 (indexed); or
    - (iii) where the council considers that it is necessary or appropriate.
- (2) The following are prudential issues for the purposes of subsection (1):
- (a) the relationship between the project and relevant strategic management plans;
  - (b) the objectives of the Development Plan in the area where the project is to occur;
  - (c) the expected contribution of the project to the economic development of the local area, the impact that the project may have on businesses carried on in the proximity and, if appropriate, how the project should be established in a way that ensures fair competition in the market place;
  - (d) the level of consultation with the local community, including contact with persons who may be affected by the project and the representations that have been made by them, and the means by which the community can influence or contribute to the project or its outcomes;
  - (e) if the project is intended to produce revenue, revenue projections and potential financial risks;
  - (f) the recurrent and whole-of-life costs associated with the project including any costs arising out of proposed financial arrangements;
  - (g) the financial viability of the project, and the short and longer term estimated net effect of the project on the financial position of the council;

- (h) any risks associated with the project, and the steps that can be taken to manage, reduce or eliminate those risks (including by the provision of periodic reports to the chief executive officer and to the council);
  - (i) the most appropriate mechanisms or arrangements for carrying out the project.
- (2a) The fact that a project is to be undertaken in stages does not limit the operation of subsection (1)(b) in relation to the project as a whole.
- (3) A report is not required under subsection (1) in relation to—
  - (a) road construction or maintenance; or
  - (b) drainage works.
- (4) A report under subsection (1) must be prepared by a person whom the council reasonably believes to be qualified to address the prudential issues set out in subsection (2).
- (4a) A report under subsection (1) must not be prepared by a person who has an interest in the relevant project (but may be prepared by a person who is an employee of the council).
- (4b) A council must give reasonable consideration to a report under subsection (1) (and must not delegate the requirement to do so under this subsection).
- (5) A report under subsection (1) must be available for public inspection at the principal office of the council once the council has made a decision on the relevant project (and may be available at an earlier time unless the council orders that the report be kept confidential until that time).
- (6) However, a council may take steps to prevent the disclosure of specific information in order to protect its commercial value or to avoid disclosing the financial affairs of a person (other than the council).
- (6a) For the purposes of subsection (4a), a person has an interest in a project if the person, or a person with whom the person is closely associated, would receive or have a reasonable expectation of receiving a direct or indirect pecuniary benefit or a non-pecuniary benefit or suffer or have a reasonable expectation of suffering a direct or indirect detriment or a non-pecuniary detriment if the project were to proceed.
- (6b) A person is closely associated with another person (the **relevant person**)—
  - (a) if that person is a body corporate of which the relevant person is a director or a member of the governing body; or
  - (b) if that person is a proprietary company in which the relevant person is a shareholder; or
  - (c) if that person is a beneficiary under a trust or an object of a discretionary trust of which the relevant person is a trustee; or
  - (d) if that person is a partner of the relevant person; or
  - (c) if that person is the employer or an employee of the relevant person; or

- (f) if that person is a person from whom the relevant person has received or might reasonably be expected to receive a fee, commission or other reward for providing professional or other services; or
  - (g) if that person is a relative of the relevant person.
- (6c) However, a person, or a person closely associated with another person, will not be regarded as having an interest in a matter—
- (a) by virtue only of the fact that the person—
    - (i) is a ratepayer, elector or resident in the area of the council; or
    - (ii) is a member of a non-profit association, other than where the person is a member of the governing body of the association or organisation;or
  - (b) in a prescribed circumstance.
- (6d) In this section, \$4 000 000 (indexed) means that that amount is to be adjusted for the purposes of this section on 1 January of each year, starting on 1 January 2011, by multiplying the amount by a proportion obtained by dividing the CPI for the September quarter of the immediately preceding year by the CPI for the September quarter, 2009.
- (6e) In this section—
- employee** of a council includes a person working for the council on a temporary basis;
- non-profit association** means a body (whether corporate or unincorporate)—
- (a) that does not have as its principal object or 1 of its principal objects the carrying on of a trade or the making of a profit; and
  - (b) that is so constituted that its profits (if any) must be applied towards the purposes for which it is established and may not be distributed to its members.
- (7) The provisions of this section extend to subsidiaries as if a subsidiary were a council subject to any modifications, exclusions or additions prescribed by the regulations.

**Attachment 4      Risk Analysis**

\*Please note that risks have been identified to ensure appropriate controls are in place to enable effective risk management

CITY SERVICES REDEVELOPMENT PROJECT - RISK REGISTER																			
Ref	Risk Description	Consequence Type	Inherent (No Controls) Consequence Rating	Inherent (No Controls) Likelihood Rating	Inherent Level of Risk (No Controls)	Existing Controls	Control Effectiveness (Collectively/ Overall)	Current Consequence Rating	Current Likelihood Rating	Current Level of Risk	Treat Risk?	Treatment Plan including planned Completion Due Date/Milestone	Residual (Forecast) Consequence Rating	Residual (Forecast) Likelihood Rating	Residual (Forecast) Level of Risk	Risk Owner	Risk Category	Risk Monitoring Frequency	Date Last Reviewed
<b>PROJECT PLANNING / CONCEPT (MAY INCLUDE RISKS PRESENT THROUGHOUT PROJECT)</b>																			
CSP1	Project is not adequately managed resulting in project cost overrun  (Note: Risk present throughout project period)	Financial	Major	Almost Certain	Extreme	Experienced and trained Project Management staff - Project Coordinator reporting to Manager, Strategic Projects Project Management staff monitoring time, cost, quality and risk. Project Coordinator consulting with the Council's Finance Department and external consultants to monitor project time, quality and risks. Project budget tracking by Project Coordinator on Excel spreadsheet. External consultant engaged - Quantity Surveyor (WT Partnership) for Cost Estimate and Cost Claims during Construction. Project Governance structure in place to monitor project performance. Regular meeting and stakeholder consultation.	Requires Improvement	Major	Likely	High	Yes	Monitoring the outcomes and effectiveness of the newly formed groups and taking action where required. Ensure sufficient monitoring by Project Control Group and timely performance of external cost management consultant. Project Coordinator monitoring timely reporting of external Project Manager and taking action where required, or advising Manager of.	Moderate	Possible	Medium	(1) Project Sponsor (Director - Heather Montgomerie) (2) Project Manager (Manager, Strategic Projects)	Execution, delivery & process management	Monthly	6/03/2013
CSP2	Gradual alteration of deadlines and expansion of project scope as the project progresses resulting in increased financial expenditure  (Note: Risk present throughout project period.)	Financial	Major	Almost Certain	Extreme	Project Control Group monitoring. Project Managers Group monitoring project scope issues as they arise. Project Coordinator consulting with the Council's Finance Department and external consultants to monitor project time, quality and risks. Project Management Staff attended Project Management Methodology (Prince2) training in 2012 and are progressively implementing. Project budget tracking by Project Coordinator on Excel spreadsheet. External consultant engaged - Quantity Surveyor (WT Partnership) for Cost Estimate and Cost Claims during Construction	Requires Improvement	Moderate	Possible	High	Yes	Monitoring the outcomes and effectiveness of the newly formed groups and taking action where required. Ensure sufficient monitoring by Project Control Group and timely performance of external cost management consultant. Project Coordinator monitoring timely reporting of external Project Manager and taking action where required.	Minor	Unlikely	Low	(1) Project Sponsor (Director - Heather Montgomerie) (2) Project Manager (Manager, Strategic Projects)	Execution, delivery & process management	Monthly	6/03/2013
CSP3	Aboriginal Heritage identified resulting in project temporary shutdown of affected area or project delayed  (Note: Risk present until completion of groundworks.)	Business Continuity/ Organisational	Moderate	Likely	High	Desktop Indigenous Cultural Heritage Assessment report completed August 2011 concluded no listed Aboriginal heritage indicated and recommended a cultural heritage survey is not required. Report recommended monitors for any intrusive groundworks. Nil regulatory compliance for monitors. Consultation with relevant stakeholders.	Good	Moderate	Possible	Medium	Yes	Indigenous monitors observing excavation works. If items identified, follow legislative process (as outlined in Desktop Indigenous Cultural Heritage Assessment report)	Moderate	Possible	Medium	Project Manager (Manager, Strategic Projects)	Execution, delivery & process management	Monthly	6/03/2013
CSP4	Appointed external project manager does not fulfil agreed project objectives, targets, reporting  (Note: Risk present throughout project period)	Business Continuity/ Organisational	Major	Possible	High	Regular review of performance. Project Governance structure in place to monitor project performance. Project Control Group monitoring. Terms and conditions with external project manager have to be agreed by CoM. Existing contract with external PM enables termination for poor performance.	Requires Improvement	Minor	Possible	Medium	Yes	Prior to construction external Project Manager will be approached to mutually agree performance criteria to be monitored throughout remainder of project.	Minor	Possible	Medium	Project Manager (Manager, Strategic Projects)	Execution, delivery & process management	Monthly	6/03/2013

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## City Services Redevelopment Project Risk Register

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CSP5	Inadequate operational planning to prepare site for construction and manage operational constraints (short term relocation of site staff) delaying the project  (Note: This is an operational and project risk present throughout project period)	Business Continuity/ Organisational	Major	Possible	High	Operations Management Group, chaired by Corporate Managers to oversee operational arrangements during construction. Project Managers Group (comprising corporate managers and project staff). Transition Planning Group (comprising members of the Project Management Group plus OD Manager & other relevant Corporate Managers) with a people focus to prepare for relocation and staff amenities and working arrangements.	Good	Moderate	Possible	Medium	Yes	Monitoring the outcomes and effectiveness of the newly formed groups and taking action where required	Minor	Possible	Medium	Manager, Infrastructure Manager, Open Space & Facilities	Business disruption & technology	Monthly	6/03/2013
CSP6	Ineffective project planning, communication of business continuity and emergency response arrangements to relevant parties' results in negative outcome in the event of emergency  (Note: Risk present throughout project period)	Business Continuity/ Organisational	Major	Possible	High	Operations Management Group, chaired by Corporate Managers to oversee operational arrangements during construction. Transition Planning Group (comprising members of the Project Management Group plus OD Manager & other relevant Corporate Managers) with a people focus to prepare for relocation and staff amenities and working arrangements. Communication & engagement strategy. Think Safe Live Well strategy.	Good	Moderate	Possible	Medium	Yes	Operations Management Group to liaise with the Risk Unit to determine temporary modifications required for CoM Emergency Response Plan and CoM Business Continuity Plan for during construction and pos-construction emergency and business continuity plan update requirements	Minor	Unlikely	Low	Manager, Infrastructure Manager, Open Space & Facilities	Business disruption & technology	Monthly	6/03/2013
CSP7	Ineffective staff engagement leads to a negative impact on Council's constructive culture and loss of productivity  (Note: Risk present throughout project period)	People / OHS	Moderate	Possible	Medium	Communication and engagement strategy. Staff meeting updates. Adherence to consultation provisions within enterprise Agreements. Inclusion of Council culture in Project documentation. Final design supports preferred culture through built environment. Project Managers Group (comprising corporate managers and project staff) created to ensure consistent communication and messages to staff, in addition to project scope control and decision making. Transition Planning Group (comprising members of City Services Managers Group plus OD Manager & other relevant Corporate Managers) with a people focus to prepare for relocation and staff amenities and working arrangements. Operations Management Group, chaired by corporate managers to oversee operational arrangements during construction.	Good	Minor	Possible	Medium	Yes	Monitoring the outcomes and effectiveness of the newly formed groups and taking action where required	Minor	Unlikely	Low	Project Manager (Manager, Strategic Projects) as leader of the Project Managers Group	Human resource & workplace safety	Weekly	6/03/2013
CSP8	Lack of planning and staff consultation in the re-development process leads to negative impact on safety culture (Think Safe Live Well) and performance  (Note: Risk present throughout project period)	People / OHS	Moderate	Possible	Medium	Implementation of Think Safe Live Well strategy. Project communication and engagement strategy. Health & Safety Representatives consulted. OHS&W (WHS) Committee. Operations Management Group, chaired to corporat managers to oversee operational arrangements during construction.	Good	Minor	Possible	Medium	Yes	Ongoing monitoring by Health & Safety Representatives and the OHSW (WHS) Committee. Monitoring the outcomes and effectiveness of the new formed groups and taking action where required.	Minor	Unlikely	Low	Manager, Infrastructure Manager, Open Space & Facilities	Human resource & workplace safety	Monthly	6/03/2013

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## City Services Redevelopment Project Risk Register

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CSP9	New building does not meet strategic targets as outlined in the Strategic Plan  (Note: Risk present until completion of Design Development & Detailed Documentation)	Business Continuity/ Organisational	Moderate	Possible	Medium	Project planning incorporated Council Strategic Vision and directions.	Good	Insignificant	Unlikely	Low	No					(1) Project Sponsor (Director - Heather Montgomerie) (2) Project Manager (Manager, Strategic Projects)	Strategy	Monthly	6/03/2013
CSP10	Community dissatisfaction with cost (perceived over-spend on one project), noise or other, damaging the Council's reputation  (Note: Risk present throughout project period)	Reputation & Public Administration	Minor	Possible	Medium	Communication and engagement strategy includes residents and adjoining businesses. Communications & Engagement Unit in place to assist with conveying external messages (upon request) and support project structure.	Good	Minor	Unlikely	Low	No					(1) Project Manager (Manager, Strategic Projects) (2) Project Coordinator	Stakeholder relations	Monthly	6/03/2013
CSP11	Environmental Targets are not achieved  (Note: Risk present until completion of Design Development & Detailed Documentation)	Environmental	Moderate	Likely	Medium	Environmental performance underpins the design philosophy. Planning process has identified environmental opportunities.	Requires Improvement	Moderate	Possible	Medium	Yes	Ensure project reviews maintain focus on environmental targets	Minor	Possible	Medium	(1) Project Sponsor (Director - Heather Montgomerie) (2) Project Manager (Manager, Strategic Projects)	Environmental & natural resource management	Monthly	6/03/2013
CSP12	Insufficient management of risks associated with extreme weather events causing damage to site  (Note: Risk present throughout project period)	Business Continuity/ Organisational	Moderate	Unlikely	Medium	Planning process takes into consideration weather and/or climate factors Standard CoM contract clause requires engaged construction company to have insurance cover for this scenario (Construction Works Cover)	Good	Minor	Unlikely	Low	Yes	Verify engaged construction company has required insurance certificates in place prior to construction	Minor	Unlikely	Low	Manager, Contracts	Business disruption & technology	Monthly	6/03/2013
CSP13	Loss of key personnel (Project Coordinator/Manager or leader of Project Groups) results in time inefficiencies, critical issues missed, milestones delayed  (Note: Risk present throughout project period)	Business Continuity/ Organisational	Minor	Possible	Medium	Project Control Group monitoring. Project Managers Group monitoring project scope issues as they arise. Project Coordinator consulting with the Council's Finance Department and external consultants to monitor project time, quality and risks. All Strategic Projects Team members have access to project documentation in BluePoint. Weekly Strategic Project Team meetings providing project updates. Project Control Group meetings covering all major projects are attended by Strategic Projects Team. Manager, Strategic Projects can provide short term continuity based on up to date project knowledge. CoM has capacity to move existing staff around organisation to fill positions. Plan established for anticipated change in Project Coordinator personnel (from within Strategic Projects Team).	Good	Minor	Unlikely	Low	No					(1) Project Sponsor (Director - Heather Montgomerie) (2) Project Manager (Manager, Strategic Projects)	Business disruption & technology	Monthly	6/03/2013

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## City Services Redevelopment Project Risk Register

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<b>DESIGN DEVELOPMENT &amp; DETAILED DOCUMENTATION</b>																			
CSP14	Lack of consideration of 'whole of life' costing of materials used in construction leads to greater cost for maintenance in longer term  (Note: This issue is also incorporated in operational [Strategic Assets work area] and Strategic risk registers.)	Financial	Major	Likely	High	Project Managers Group (comprising corporate managers and project staff) created to ensure project scope control and decision making and asset implications Long Term Financial Plan Improvement of understanding of life cycle and whole of life cost by decision makers Adherence to asset management principles Regular project management staff meetings and stakeholder consultation.	Good	Moderate	Unlikely	Medium	Yes		Minor	Unlikely	Low	Director (Heather Montgomerie)	Asset management	Monthly	6/03/2013
CSP15	The cost of the facility as designed exceeds the revised budget	Financial	Major	Likely	High	Close monitoring of scope and any variations by Project staff and Project Managers Group / Project Control Group. Regular cost estimates from engaged external consultants - Quantity Surveyors - review of claims.	Requires Improvement	Moderate	Possible	Medium	Yes	Review tender process regarding competitive tendering conditions	Minor	Unlikely	Low	Project Manager (Manager, Strategic Projects)	Financial sustainability	Monthly	6/03/2013
CSP16	Tender price exceeds revised cost estimate	Financial	Moderate	Likely	High	Re-evaluation of Tender/ procurement processes and cost estimates, deliverables and milestone targets. Stakeholder engagement. Assessment by Tender Board.	Good	Moderate	Unlikely	Medium	Yes	Review scope changes against key criteria for the project. Develop and consider funding scenarios.	Minor	Unlikely	Low	Project Manager (Manager, Strategic Projects)	Financial sustainability	Monthly	6/03/2013
CSP17	Breach of contractual terms / conditions / obligations by Council leads to contractual liabilities	Financial	Major	Likely	High	Contract documentation and arrangements tight and transparent regarding obligations. Understanding and meeting contractual and regulatory obligations. Regular stakeholder engagement and meeting, and monitoring of contractual and other project legal documentation and terms.	Good	Moderate	Possible	Medium	Yes	Ensure communication regarding contractual matters is undertaken by designated staff. Seek legal advice where necessary.	Minor	Possible	Medium	Manager, Contracts Project Manager (Manager, Strategic Projects)	Legal & regulatory compliance	Monthly	6/03/2013
CSP18	Facility Design does not cater for future growth, expansion, change of use and community expectation	Financial	Major	Possible	High	Sound Design management and project design management consultation. Growth provisions factored into Design planning and documentation. Project governance structure in place to monitor project performance. Ongoing review, meeting and stakeholder engagement.	Good	Moderate	Unlikely	Medium	Yes	Design enables further growth through modular design to allow additional 'modules'.	Minor	Unlikely	Low	Project Manager (Manager, Strategic Projects)	Asset management	Monthly	6/03/2013
CSP19	Functionality, features & quality of the Design required by the Council are not delivered by the Design specifications	Business Continuity/ Organisational	Moderate	Possible	Medium	Close monitoring of project methodology and Design specifications. Involvement of stakeholders in Design process.	Good	Minor	Unlikely	Low	No					Project Manager (Manager, Strategic Projects)	Asset management	Monthly	6/03/2013

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## City Services Redevelopment Project Risk Register

\*Please note that risks have been identified to ensure appropriate controls are in place to enable effective risk management

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CONSTRUCTION																			
CSP20	Main Contractor is over extended and cannot devote adequate resources to complete project as per program  (Financial and Business Continuity/Organisational Consequences are both rated Major)	Business Continuity/ Organisational	Major	Possible	High	Tender process identifies capacity and level of commitment of Tenderers. Tender process tests the financial stability of Tenderers.	Good	Major	Unlikely	Medium	Yes	CoM to pay in accordance of contractual terms. Monitor indicators of financial stress. Ensure good relationship management with Main Contractor. Require Contractor to include with progress claims or monthly, a declaration on their financial viability to complete the project. Payment terms can be negotiated as part of contract negotiations.	Minor	Unlikely	Low	Manager Contracts  Project Manager (Manager Strategic Projects)	Business disruption & technology	Monthly	6/03/2013
CSP21	Construction worker or site visitor is seriously injured or dies, related to the project work	Reputation & Public Administration	Major	Possible	High	Demarcation of construction areas and tightly controlled access areas. Contracted construction company has responsibility for safety arrangements on the site and induction of visitors and workers. Contractor Health and Safety obligations are clearly identified in Tender documentation and contract clauses. Contractor required to submit regular reports on site performance and safety obligations Project staff to monitor Contractor reporting and audit on agreed basis.	Requires Improvement	Major	Possible	High	Yes	Review of Main Contractor's protocols for site visitors in consultation with Risk Unit.  CoM visitors to site to be arranged at appropriate time to minimise disruption and risk of injury. Additional protocols put in place where necessary.	Major	Rare	Medium	Director (Heather Montgomerie)	Public safety	Monthly	6/03/2013
CSP22	Unplanned and unexpected delays in construction leads to social media or mainstream media reports	Reputation & Public Administration	Moderate	Possible	High	Project Governance structure in place to monitor project performance. Project Control Group monitoring. Project Management staff monitoring time, cost, quality and risk. Communications & Engagement Unit as routine activity monitors social media and mainstream media activity. Communication & Engagement strategy.	Good	Moderate	Possible	High	Yes	External Project Manager and Project Management staff monitoring performance. Regular stakeholder engagement and management. Monitoring of communication by Communications & Engagement Unit and swift response to issues.	Moderate	Unlikely	Medium	Project Manager (Manager, Strategic Projects)	Stakeholder relations	Monthly	6/03/2013
CSP23	Lack of adherence by Main Contractor of its Environmental Management System leads to increased exposure to dust, noise and contamination of water ways  (Reputation consequence is Minor)	Environmental	Moderate	Likely	High	Contractor is prequalified with DPTI. A range of Contractual requirements regarding environmental performance and compliance. Tender assessment includes Environmental Management System. Contracts are to be closely monitored as usual practice.	Good	Minor	Possible	Medium	Yes	High degree of awareness of environmental practices and performance due to close proximity of CoM operations.	Insignificant	Possible	Low	Project Coordinator	Environmental & natural resource management	Monthly	6/03/2013
CSP24	Removal of underground infrastructure results in contamination of localised area and unintended infrastructure damage	Business Continuity/ Organisational	Minor	Possible	Medium	Comprehensive inspection, site preparation, planning and project management to mitigate contamination risk. External expertise consultation and reliance. HAZMAT and emergency preparedness, planning and procedure.	Good	Minor	Unlikely	Low	Yes	Negotiate with Main Contractor potential changes to the construction program to minimise delays	Minor	Rare	Low	(1) Project Manager (Manager, Strategic Projects) (2) Project Coordinator	Environmental & natural resource management	Monthly	6/03/2013

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**Performance**  
**City Services Redevelopment Project Risk Register**

\*Please note that risks have been identified to ensure appropriate controls are in place to enable effective risk management

Ref	Risk Description	Consequence Type	Inherent (No Controls) Consequence Rating	Inherent (No Controls) Likelihood Rating	Inherent Level of Risk (No Controls)	Existing Controls	Control Effectiveness (Collectively/ Overall)	Current Consequence Rating	Current Likelihood Rating	Current Level of Risk	Treat Risk?	Treatment Plan including planned Completion Due Date/Milestone	Residual (Forecast) Consequence Rating	Residual (Forecast) Likelihood Rating	Residual (Forecast) Level of Risk	Risk Owner	Risk Category	Risk Monitoring Frequency	Date Last Reviewed
CSP25	Main Contractor fails to meet construction and quality obligations resulting in rectifications required, delays and increased cost	Business Continuity/ Organisational	Moderate	Possible	Medium	Tender process to select preferred Main Contractor reviews capacity and past performance. Transparent contract obligations and issues resolution. Stakeholder management. Ongoing review, meeting and evaluation between CoM, External Project Manager & Main Contractor (Construction Company). Financial risk born by Main Contractor (Construction Company) for non-	Good	Moderate	Possible	Medium	Yes	Site Superintendent (from External Project Manager) monitors construction progress against program and work quality. External Project Manager (including Site Superintendent) and Project Coordinator to monitor performance and report any early signs of non-performance through project governance reporting line.	Minor	Unlikely	Low	(1) Project Manager (Manager, Strategic Projects) (2) Project Coordinator	Asset management	Monthly	6/03/2013
CSP26	Unexpected soil contamination or asbestos found during works leads to increased cost for testing or removal and delays in construction work	Business Continuity/ Organisational	Moderate	Possible	Medium	Review of use of the historical uses and practices of the site. Identification of a remaining underground tank. Test pits have been dug to check the ground conditions but not the presence of asbestos. Profile of the ground provided. Engineering review of the ground	Good	Moderate	Possible	Medium	Yes	Negotiate with Main Contractor potential changes to the construction program to minimise delays	Minor	Possible	Medium	Project Manager (Manager, Strategic Projects)	Environmental & natural resource management	Monthly	6/03/2013
CSP27	Main Contractor (Construction Company) becomes insolvent during construction	Financial	Moderate	Possible	Medium	Tender process to test financial stability of Tenderers.	Good	Moderate	Possible	Low	No	CoM to pay in accordance of contractual terms. Informal monitoring of indicators of financial stress. Ensure good relationship management with Main Contractor. Require Contractor to include with progress claims or monthly, a declaration on their financial viability to complete the project. Payment terms can be negotiated as part of contract negotiations.	Insignificant	Unlikely	Low	Manager Contracts Project Manager (Manager, Strategic Projects)	Financial sustainability	Monthly	6/03/2013
CSP28	Lack of consideration of Work Health and Safety legal and system requirements of staff and materials / fleet during re-development. Consequence may be disruption due to enforcement action from SafeWork SA negatively affecting project milestones  Note: Internal operational issue	Business Continuity/ Organisational	Moderate	Possible	Medium	WHS training; Think Safe Live Well; seeking advice at relevant stages of the project regarding best practice.	Requires Improvement	Minor	Possible	Medium	Yes		Minor	Unlikely	Low	Manager, Infrastructure Manager, Open Space & Facilities Manager, Strategic Assets	Human resource & workplace safety	Monthly	6/03/2013
CSP29	Council worker or Council visitor is hurt with a minor injury due to construction activities or modified operational site arrangements	People / OHS	Minor	Likely	Low	Operations Management Group, led by corporate managers to oversee operational arrangements during construction. Project Managers Group (comprising corporate managers and project staff) created to ensure consistent communication and messages to staff. Project planning requires clear delineation/barriers between construction site and operational site. Existing Work Health & Safety arrangements for operation site in place and monitored with Health & Safety Representatives. Main Contractor will have control over the construction site and be required to comply with safety requirements.	Good	Minor	Possible	Medium	Yes	Separate access points for construction site and operational site to be sign posted. Construction company to manage access to construction site. Monitoring by Health & Safety Representations & OHS&W (WHS) Committee. Review of Main Contractor's protocols for site visitors in consultation with Risk Unit. CoM visitors to site to be arranged at appropriate time to minimise disruption and risk of injury. Additional protocols put in place where necessary.	Minor	Unlikely	Low	Manager, Infrastructure Manager, Open Space & Facilities Manager, Strategic Assets	Business disruption & technology	Monthly	6/03/2013
PROJECT HANDOVER/OPERATIONS																			