

## 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

1. 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 \$9million 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.