

**CITY OF MARION
GENERAL COUNCIL MEETING
25 SEPTEMBER 2007**

CONFIDENTIAL

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

Originating Officer: John Valentine, Acting Director Governance

Subject: Marion South Plan Connector Road - Tender for Construction

Ref No: GC250907F01

File No: 4.65.1.8

If the Council so determines, this matter may be considered in confidence under Section 90 (3)(d) of the Local Government Act 1999 on the grounds that the report details commercial information of a confidential nature.

Mark Searle
Chief Executive Officer

RECOMMENDATION:

1. That pursuant to Section 90(2) and (3)(d) of the Local Government Act 1999 the Council orders that all persons present, with the exception of the following persons *[identify names of persons]*, be excluded from the meeting as the Council receives and considers information relating to the Marion South Plan Connector Road – Tender for Construction 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 is of a commercial nature.

STRATEGIC OBJECTIVES:

City of Marion Strategic Plan 2006 – 2020:

MS1 A civic heart for southern Marion

Facilitate the development of the Connector Rd

Encourage the Redevelopment of the Hallett Cove Shopping Centre

REPORT OBJECTIVE AND EXECUTIVE SUMMARY:

This report relates to the evaluation conducted to assess the tenders submitted by Built Environs and [REDACTED] for the construction of the Connector Road.

The purpose of this report is for Council to review the tender evaluation and the unanimous recommendation by the tender evaluators that the construction of the Connector Road be awarded to Built Environs.

RECOMMENDATIONS:

That:

- 1. Council resolve to construct the Marion South Plan Connector Road and to award the construction of the Marion South Plan Connector Road to Built Environs.**
- 2. Council authorise the Mayor and Chief Executive Officer to sign and affix the common seal to the contract document that awards the construction of the Marion South Plan Connector Road to Built Environs and that the Chief Executive Officer be authorised, if necessary, to make minor changes to the contract to give it efficacy provided that such changes do not materially effect the terms and conditions of the construction contract.**
- 3. Council authorises the Mayor and Chief Executive Officer to make media announcements and public comments in relation to the awarding of the construction contract.**
- 4. In accordance with Section 91(7) and (9) of the Local Government Act 1999 the Council orders that this report, together with any appendices and any other information distributed at the meeting having been considered in confidence under Section 90(2) and (3)(d) 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 2007**
- 5. In accordance with Section 91(7) and (9) of the Local Government Act 1999 the Council orders that the minutes arising from this report having been considered in confidence under Section 90(2) and (3)(d) of the Act be kept confidential and not available for public inspection until such time as a media announcement and public comment is made in relation to the awarding of the construction contract.**

DUE DATES:

Recommendation 1	25/9/2007
Recommendation 2	25/9/2007
Recommendation 3	26/9/2007 & on-going
Recommendation 4	December 2007
Recommendation 5	September 2007

BACKGROUND:

Council has previously secured \$ 4.45 million from the Federal Government, \$3.5 million plus land from the State Government and \$1.45 million from the Makris Group and Oakford Homes. Council has previously resolved to contribute \$3.5 million to the Connector Rd.

A detailed summary of all Council resolutions relating to the Connector Road is contained in the Marion South Plan Quarterly Summary Report that is part of Report GC250907R14.

In November 2006 Council resolved to enter into an agreement with the State Government for the development of the road, and at the 13 March 2007 Council meeting, Council considered a Business Case and Risk Assessment and subsequently resolved that tenders be called for the construction of the road.

Tenders were called in May 2007 and closed on 12 July 2007. Tenders were received from Built Environs and [REDACTED]. The tenders have been assessed in accordance with the Tender Procedure.

Report GC250907R14 details the background to the development of the Marion South Plan Connector Road and the tender process. Attached to Report GC250907R14 is the 'Tender Procedure' document that was developed prior to the receipt of tenders.

DISCUSSION:

Tenders closed on 12 July 12 2007 and tenders were received from Built Environs [REDACTED]
[REDACTED]

Attached as Appendix 1 to this report is the Tender Evaluation Report which documents the evaluation of the tenders.

Attached as Appendix 2 is the construction contract between the City of Marion and Built Environs.

The specifications associated with the construction contract are substantial. Members who want to view these documents can do so by contacting the Acting Director Governance on 8375 6603.

As detailed in the Tender Evaluation Report the two tenders were assessed in accordance with the documented Tender Process.

Summary of Tenders

A summary of some of the elements of the tenders from Built Environs and [REDACTED] are described in the table below.

	Built Environs	[REDACTED]
Cost (excl GST)	[REDACTED]	[REDACTED]
Commence construction	October 2007	October 2007
Programmed completion	June 2008	October 2008
Relocation of existing services	At cost from service authorities plus tendered overheads and on-costs	At cost from service authorities plus tendered overheads and on-costs*
Variations	At acceptable market rates plus tendered overheads and on-costs	At acceptable market rates plus tendered overheads and on-costs*

* [REDACTED] tendered overheads and on-costs are approximately [REDACTED] that of Built Environs.

The tender costs submitted by Built Environs and York Civil did not include the cost of relocating existing services (i.e. sewer, water, telecommunications etc). These costs could not be included as they will be advised by the respective service authorities during the course of construction work. Both Built Environs and York Civil advised in their tenders that the costs for relocation of services would be at the cost determined by the service authorities plus their overheads and on-costs for such work.

Total Project Estimated Costs

	Built Environs	[REDACTED]
Tendered cost excl GST	\$ 7.89 million	\$8.96 million
Service relocations – estimated cost	\$ 0.51 million	\$ 0.51 million *
Allowance for variations - as per quantity surveyor report	\$ 1.48 million	\$ 1.48 million *
Project Management Costs – to date	\$ 0.28 million	\$ 0.28 million
Design and investigation costs – to date	\$ 0.47 million	\$ 0.47 million
Superintendence of construction and defects	\$ 0.21 million	\$ 0.21 million
Contingency (10 to 20%)	\$ 1.08 m to \$2.16 m	\$ 1.19 m to \$2.38m
TOTAL	\$11.93 m to \$ 13.01m	[REDACTED]

* Note - [REDACTED] overhead and on-costs are higher than Built Environs.

The table above includes two estimated costs, being 1) service relocations and 2) variations. The costs shown in the table represent the most accurate estimates that can currently be established. Existing services and their locations have been advised by relevant agencies and by on-site investigations. Assuming the agency information is largely correct the estimated cost may be the final cost. However once construction work has begun, service locations and details may vary and this will need to be closely managed.

Similarly the estimated cost for variations (\$1.48 million) is based on current knowledge from investigations and the engineering design process. If the assumptions that underlie the variations are different on site, the cost could change.

The above table shows a contingency allowance of 10% to 20%. This is a prudent project management allowance to accommodate possible changed circumstances once construction commences.

Cost Analysis

Built Environs tendered cost is [REDACTED] less than [REDACTED]. Built Environs management expenses are approximately [REDACTED] of [REDACTED]. In the instances of service relocations and variations [REDACTED] higher tendered management costs would mean a greater cost compared to Built Environs. If contingencies for the road construction exceeded 10% [REDACTED] costs could result in the overall project budget of \$12.9 million being exceeded. Any excess of the project cost would need to be funded by Council, not other project partners.

Built Environs lower tendered cost [REDACTED] and lower overhead and on-costs means that their cost is [REDACTED] lower than [REDACTED]. If contingencies exceeded [REDACTED] then Built Environs cost could be accommodated in the overall project budget of \$12.9 million.

Note, funds received to date from the Commonwealth and State Government have been invested and have earned approximately \$200,000 giving an overall project budget of \$13.1 million.

Preferred Tenderer

Built Environs are a major South Australian construction firm which works across a range of construction disciplines. They are a major civil construction company that was formed in 1987. A brief list of some of their projects is described below:

- Southern Expressway \$48m
- Hindmarsh Island Bridge \$14.2m
- Portrush Rd upgrade \$7.2m
- Berri Bridge \$17.5m
- Wattle Point wind farm \$8m
- Outer Harbour Grain Berth \$17m
- Curtis Road reconstruction \$1.5m
- Ship lift project \$220m (total project cost)

Due to the profile, size and timing of the ship lift project, assurances were sought from Built Environs of their commitment to the Connector Road project particularly in terms of resources. As the ship lift project is fundamentally a management contract and not a construction contract, the evaluation team was satisfied that there would be no adverse impact on the Connector Road project.

INTERNAL ANALYSIS:

Consultation:

The assessment of the tenders was undertaken by Maunsell Australia and the Director City Development, Contracts Engineer and Project Planner Strategic Projects. The Manager Contracts, Manager Strategic Projects and Business Planner Strategic Projects acted as

advisors to the above evaluators. The Manager Governance was the designated Probity Auditor for the evaluation process.

Legal / Legislative and Risk Management:

The tender process from the calling of tenders, through to their receipt and evaluation has been conducted in accordance with the Tender Procedure and a Probity Auditor (Manager Governance) was established to review the tender process.

Prior to calling for tenders, Council considered a detailed Business Plan and Risk Assessment at its 13 March 2007 Council meeting.

The Risk Assessment included a detailed risk analysis associated with the project. Risks were assessed upon their likelihood of occurring and the impact if they were to occur. Risks were assessed in the following risk categories

- Site
- Funding / Agreement
- Design
- Construction
- Environmental
- Commissioning
- Financial
- Operating and Maintenance
- Legislation
- Other

The preferred tenderer, Built Environs has demonstrated appropriate risk mitigation strategies for those risks within the construction contractor's control.

Financial Implications:

Council has secured \$12.9 million funding for the Connector Road, comprising:

- \$4.45 million from the Federal Government;
- \$3.5 million plus land from the State Government
- [REDACTED] from the Makris Group
- [REDACTED] from Oakford Homes
- \$3.5 million previously resolved by the City of Marion

Funds for the Connector Road will in the first instance be drawn from the Federal funding. On signing a construction contract the State Government will make an instalment payment of \$900,000 (\$200,000 has previously been received from the State Government) and the balance of the State's contribution will be made when the material progress has been made with the construction of the intersection on Lonsdale Road.

Irrevocable bank guarantees have previously been received from the Makris Group and Oakford Homes for their contributions. Funds from the Makris Group will be received in two equal payments of [REDACTED] on the completion of the western side of the Connector Road and then on overall completion of the Connector Road. The payment of Oakford Home's contribution will be received 14 days after the signing of the construction contract.

Council's contribution of \$3.5 million has been incorporated into the Long Term Financial Plan and can be accommodated with Council maintaining its category 3 Financial Sustainability status. The 2007 / 2008 Annual Budget includes a provision of \$1.4 million funding from cash draw down (treasury management).

Should the construction of the Connector Road be completed in 2007 / 2008, this would be revised to a \$3.5 million cash draw down. This would represent bringing forward the \$2.1 million draw down from 2008 / 2009 which is accounted for in the Long Term Financial Plan.

Resource (capacity) Impact:

Built Environs have adequate resources and expertise to undertake the construction of the Connector Road. Maunsell Australia will superintend the construction of the Connector Road as part of its contract with the City of Marion to project manage the Connector Road.

EXTERNAL ANALYSIS

Consultation / Communication:

As detailed in report GC2509087R14 a number of consultation and communication activities will need to be undertaken to ensure that the community and stakeholders received up to date information on the progress of the Connector Road.

A separate comprehensive report on communication / media activities will be brought to Council for consideration.

Social / Cultural Impact:

The construction of the Connector Road will link the suburbs of Hallett Cove, Trott Park and Sheidow Park as well as complete the Coast to Vines Rail Trail. The new road will enable much greater access and communication across the suburbs and will facilitate the redevelopment of the Hallett Cove Shopping Centre which will expand its role as the major centre in southern Marion.

Environmental (Green) Implications:

The development of the Connector Road and the associated completion of the Coast to Vines Rail Trail will substantially reduce travel distances to shops and services, promote other forms of transport and will enable more direct bus links across the suburbs.

Economic Impact:

As previously reported to Council the construction of the Connector Road will generate some 52 jobs during construction with a further 99 jobs created during the construction of the Hallett Cove Shopping Centre. On completion the expanded Hallett Cove Shopping Centre will generate some 490 additional jobs (full-time, part-time and casual).

CONCLUSION:

The tender for the construction of the Marion South Plan Connector Road resulted in tenders being received from private companies that have the capacity and resources to construct the road.

The tenders have been assessed in accordance with the Tender Procedure and after assessment and further clarifications Built Environs is unanimously recommended to Council by the evaluators.

Built Environs can commence construction of the Connector Road in October 2007 and have programmed to complete the Connector Road by June 2008.