



Ordinary Council Meeting

9 September 2020

NEW BUSINESS OF AN URGENT NATURE

REPORT & ATTACHMENTS

ITEM NO

SUBJECT

14.2.1

MARGARET RIVER MAIN STREET – WATER MAIN UPGRADE FUNDING

SHIRE OF AUGUSTA MARGARET RIVER
NEW BUSINESS OF AN URGENT NATURE
9 SEPTEMBER 2020 ORDINARY COUNCIL MEETING

14.2.1 MARGARET RIVER MAIN STREET – WATER MAIN UPGRADE FUNDING

LOCATION/ADDRESS	Bussell Highway, Margaret River
APPLICANT/LANDOWNER	Shire of Augusta Margaret River
FILE REFERENCE	COR/328/2/11.FIN/358
REPORT AUTHOR	James Shepherd, Director Corporate and Community Services
AUTHORISING OFFICER	Stephanie Addison-Brown, Chief Executive Officer

IN BRIEF

- Water Corporation's approval conditions require the Shire to relocate and replace the existing water main within Stage 3 of the Main Street project.
- The relocation and replacement of the water main were not budgeted in the original project budget.
- The relocation and replacement project cost is \$296,072.
- Water Corporation have agreed to fund \$130,000 of the project cost.
- The balance of \$166,072 exceeds the CEO's delegated authority under Delegation 10 and therefore requires Council approval to authorise this variation to BCP's Main Street contract.
- \$250,000 is requested to be redirected to the Main Street project to cover this cost and any related contingencies.

RECOMMENDATION

That Council:

1. Authorises the variation to BCP's Main Street construction contract (RFT05/20) in accordance with Delegation 10 variations to contracts formed with a successful tenderer;
 2. Defers the Augusta Museum asbestos removal project and reallocates \$250,000 to the Main Street project; and
 3. Approves the reallocation of new loan funds currently allocated to project CBS179 Augusta Museum asbestos removal to project CBS182 – Aquatic Centre Renovation to enable the transfer of \$250,000 of municipal funds to cover the additional requirement in the Main Street project, STS07.
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LOCATION PLAN

Nil

TABLED ITEMS

Nil

BACKGROUND

The Main Street upgrade project requires the Shire to work closely with the Water Corporation with regard to water and sewer main assets located within the project area. Works within Stages 1 and 2 have been completed without the need to relocate or replace Water Corporation assets although many conditions have been placed upon works by Water Corporation to protect ageing infrastructure which has to date resulted in increased time and associated construction costs.

Water Corporation have indicated that the Stage 3 phase of the project will require the existing water main located under the trees and footpath on the eastern side of the main street to be relocated. This is due to the risk of damage to the existing asset being too great as a result of the required works to the street trees, stormwater drainage connections, road and footpaths all of which intersect with the water main at distances below the minimum separation required.

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The Shire have been informed by Water Corporation that seeking to continue works without relocating this water main will almost certainly result in an order to stop works which Water Corporation are authorised to do. Should this occur the following key risks have been identified:

- The project is likely to fail to meet its completion deadline which would result in project cost escalation risks and potentially significant economic impacts to Main Street traders if works are delayed into 2021.
- Continuation of works around the existing water main would require significant work with Water Corporation to gain permissions to continue which, if approved, would most likely result in conditions being placed on construction techniques (i.e. hand digging) that would result in significant project time delays and increased costs.

The decision to seek to relocate and replace the existing water main in Stage 3 mitigates these risks but as a result requires Council to approve the additional expenditure required to cover the cost of the project variation and contingency.

CONSULTATION AND ADVICE

External Consultation

- Water Corporation have been consulted with extensively throughout the duration of the Main Street project in relation to all Stages.
- BCP as the Main Street Project construction contractor.

Internal Consultation

- Executive Leadership Team
- Peter Brown, Project Manager – Margaret River Main Street
- Phil Lantzke, Clerk of Works – Margaret River Main Street

DISCUSSION / OFFICER COMMENTS

The Shire entered into discussions with the Water Corporation South West Regional Office to determine the possibility to agree a cost sharing plan to fund this unbudgeted work. The South West Regional Manager has confirmed that Water Corporation will contribute up to 52% of the main replacement but this is capped at \$130,000 in accordance with their standard cost calculation model. This calculation is based on the water main current age (38 years) and estimated remaining useful life of 42 years meaning that Water Corporation do not plan to fund the replacement of this asset until approximately 2062; as a result of replacement using modern materials the new asset will have an estimated useful life of approximately 100 years. Discussions with Water Corporation are ongoing to determine if any additional funding may be provided to support this work.

At this stage, to ensure that any further negotiation does not cause any delays to the continuation of works in Stage 3, the Shire have provided 'in principle' acceptance to Water Corporation's South West Office. Water Corporation are currently progressing their internal approvals for the release of this funding. This has allowed the finalisation of the design and necessary Water Corporation approvals to be completed so as not to delay project works.

Shire Officers have reviewed the existing budget to determine options for funding this variation request. This process has narrowed the options to a single project, CBS179 - Augusta Museum asbestos removal, with the details outlining why this project is recommended provided below.

- The Shire's Strategic Community Plan is scheduled for major review during 2020-2021 and as such conversations with the Augusta Community (including the Augusta Museum and Historical Society) may identify alternative, better use locations for an Augusta Museum to maximise its attraction. The Shire's current review of activities provided within the Augusta Civic Precinct may also provide options for a relocated museum subject to engagement with the community.
- The Shire's Legal and Governance team have indicated that Lots on which the current museum is located have been identified for revaluation as part of the ongoing review of the Shire's Land Assets; these lots being Lots 80 and 81 Blackwood Avenue and Lot 79 Green St, Augusta.
- The asbestos at the Augusta Museum does not currently present any risk to occupants or visitors to the facility.

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- The Building Assets team have indicated that the resources allocated to this project can be made available and for the reasons detailed above have confirmed that the asbestos removal project may be deferred until such a time that the Shire has completed a full assessment and determined with the community what the best use for the current museum building is if different to its current status.
- The new loan funds allocated to project CBS179 Augusta Museum asbestos removal can be reallocated to project CBS182 – Aquatic Centre Renovation to enable the transfer of \$250,000 of municipal funds to cover the additional requirement in the Main Street project, STS07.
- The full project allocation for CBS179 Augusta Museum asbestos removal of \$250,000 is requested. This provides for a contingency of \$16,600 (10%) and an additional balance of \$67,928 which is requested as this amount is insufficient to complete any works at the Augusta Museum and provides additional contingency to the Main St Project should it be required.

The Shire's Delegation Register, Delegation 10 – Variations to contracts formed with a successful tenderer covers the requirements of varying contracts over and above the authority level delegated to the CEO. Delegation 10 is provided as Attachment 1; the relevant Council Condition to Delegation 10 instructs the Shire Administration as follows:

- a) A price variance must not exceed 10% of the original contract value or \$50,000, whichever is the lesser amount except in the event of an emergency where Council are unable to meet within a two week period in which case a price variation must not exceed \$150,000.*
- b) Where any price variation to a contract exceeds \$50,000 an agenda item shall be brought to Council as soon as is practically possible to provide Council with the information as to why the variation was required, why it was urgent and any other details relevant to the price variation.*

In this instance clause (b) applies.

STATUTORY ENVIRONMENT / LEGAL IMPLICATIONS

Shire of Augusta Margaret River Delegations, Delegation 10 – Variations to contracts formed with a successful tenderer.

STRATEGIC PLAN / POLICY IMPLICATIONS

Community Strategic Plan 2036 (CSP)

Corporate Business Plan 2020-2024

Key result area 5: Effective leadership and governance

Community Outcome 2: Effective and integrated strategy, planning, financial and asset management

Strategic Response 4: Ensure information is managed in accordance with statutory requirements and is available for decision making.

Service level strategy/plan: Key Project KP13. Complete the Main Street Makeover.

PLANNING FRAMEWORK

Nil

FINANCIAL IMPLICATIONS

Implications

There is no change to the 2020-2021 budget with the Officer recommendation to defer project CBS179 Augusta Museum asbestos removal to a future year budget pending review and community engagement as detailed:

New loan funds allocated to project CBS179 Augusta Museum asbestos removal can be reallocated to project CBS182 – Aquatic Centre Renovation to enable the transfer of \$250,000 of municipal funds to cover the additional requirement in the Main Street project, STS07.

Long Term Financial Plan

Should project CBS179 Augusta Museum asbestos removal be required it will be scheduled as part of the review of the Long Term Financial Plan based on the outcomes of the work to be completed this financial year as detailed above.

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Whole of Lifecycle considerations

This asset will be owned by Water Corporation who will be liable for future maintenance and replacement costs.

SUSTAINABILITY IMPLICATIONS

Environmental

Nil

Social

Nil

Economic

Nil

ADVOCACY

Nil

ALTERNATE OPTIONS

Refusal of this option may risk the Shire being required to fund the full cost of the replacement of the water main or Water Corporation may issue a 'stop work' notice rendering the Main Street project unable to proceed until the issue is resolved to their satisfaction.

VOTING REQUIREMENTS

Simple Majority

RECOMMENDATION

That Council:

1. Authorises the variation to BCP's Main Street construction contract (RFT05/20) in accordance with Delegation 10 variations to contracts formed with a successful tenderer;
2. Defers the Augusta Museum asbestos removal project and reallocates \$250,000 to the Main Street project; and
3. Approves the reallocation of new loan funds currently allocated to project CBS179 Augusta Museum asbestos removal to project CBS182 – Aquatic Centre Renovation to enable the transfer of \$250,000 of municipal funds to cover the additional requirement in the Main Street project, STS07.

ADVICE TO APPLICANT / PROPONENT

Nil

ATTACHMENTS

1. Extract from Council Delegation Register - Delegation 10: Variations to contracts formed with a successful tenderer

10. Variations to contracts formed with a successful tenderer

Delegator: <i>Power / Duty assigned in legislation to:</i>	Council
Express Power to Delegate: <i>Power that enables a delegation to be made</i>	<i>Local Government Act 1995:</i> s.5.42 Delegation of some powers or duties to the CEO s.5.43 Limitations on delegations to the CEO
Express Power or Duty Delegated:	<i>Local Government Act 1995:</i> s.3.57 Tenders for providing goods or services <i>Local Government (Functions and General) Regulations 1996:</i> r.21A Varying a contract for the supply of goods or services
Delegated to:	Chief Executive Officer
Function: <i>This is a precis only. Delegates must act with full understanding of the legislation and conditions relevant to this delegation.</i>	Power to: <ul style="list-style-type: none"> i. Vary a contract that has been entered into with a successful tenderer, provided the variation does not change the scope of the original contract. ii. Exercise an extension option that was included in the original tender specification and contract in accordance with r.11(2)(j). [F&G r.21A].
Council Conditions on this Delegation:	In reference to part (i) of the delegation above: <ul style="list-style-type: none"> (a) a price variance must not exceed 10 % of the original contract value or \$50,000, whichever is the lesser amount except in the event of an emergency where Council are unable to meet within a two-week period in which case a price variation must not exceed \$150,000; (b) Where any price variation to a contract exceeds \$50,000 an agenda item shall be brought to Council as soon as is practically possible to provide Council with the information as to why the variation was required, why it was urgent and any other details relevant to the price variation.
Express Power to Sub-Delegate:	<i>Local Government Act 1995:</i> s.5.44 CEO may delegate some powers and duties to other employees

Sub-Delegated to: <i>by CEO</i>	Director Sustainable Development and Infrastructure Services Director Corporate and Community Services
CEO Conditions on this Sub-Delegation: <i>Conditions on the original delegation also apply to the sub-delegations.</i>	Nil

Compliance Links:	Local Government Act 1995 – s.3.57 Tenders for providing goods or services Local Government (Functions and General) Regulations 1996 – prescribe applicable statutory procedures
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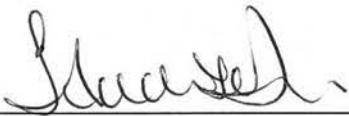
	Shire of Augusta Margaret River Purchasing Policy – adopted 28 November 2018
Record Keeping:	Regulation 19 <i>LG (Admin) Regulations 1996</i> , requires delegates to keep a written record of how and when they exercise the power or discharge the duty and the persons or classes of persons directly affected. The delegate is to ensure that all evidentiary documents meet the requirements of r19 <i>LG (Admin) Regulations 1996</i> and are retained on the Shire's record keeping database.

Version Control:

1.0	OCM 26/6/2019 - OM2019/105 Annual review of delegation by Council – no amendment
2.0	CEO 26/6/2019 - Annual review of sub-delegation by CEO – no amendment
2.1	SCM 18/3/2020 SM2020/2 – Amendment of condition of delegation by Council to include in the event of an emergency.
3.0	OCM 27/5/2020 – OM2020/85 Annual review of delegation by Council – minor amendment to conditions.
4.0	CEO 27/5/2020 – Annual review of sub-delegation by CEO - no amendment

Delegation adopted by Council: 27 May 2020 OM2020/85

Sub-delegation approved by:



STEPHANIE ADDISON-BROWN

CHIEF EXECUTIVE OFFICER

DATE: 4 June 2020