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16 CONFIDENTIAL ITEMS

16.1 PINNAROO COMMUNITY WASTEWATER MANAGEMENT SYSTEM - FINAL TENDER VALUE AND STAGE 1 WORKS

RECOMMENDATION

That:

- 1. Pursuant to Section 90(2) & (3) of the Local Government Act 1999 the Council orders that the public, with the exception of the Chief Executive Officer, Manager Infrastructure Services, Acting Manager Corporate Services, Coordinator Executive Services and the Minute Secretary be excluded from attendance at the meeting held on Wednesday 17 June 2020 for Agenda Item 16.1 Pinnaroo Community Wastewater Management System - Final Tender Value and Stage 1 Works;**
- 2. The Council is satisfied that pursuant to section 90 (3) (c) and (d)(i) of the Local Government Act 1999, the information to be received, discussed or considered in relation to the Agenda Item 16.1 Pinnaroo Community Wastewater Management System - Final Tender Value and Stage 1 Works is:

information the disclosure of which would reveal a trade secret; AND commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party.**
- 3. The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed by the need to discuss this Agenda Item 16.1 in confidence.**

MOVED COUNCILLOR PAUL IRELAND

SECONDED COUNCILLOR JEFFREY NICKOLLS

That:

- 1. Pursuant to Section 90(2) & (3) of the Local Government Act 1999 the Council orders that the public, with the exception of the Chief Executive Officer, Manager Infrastructure Services, Acting Manager Corporate Services, Manager Property and Development Services, Coordinator Executive Services and the Minute Secretary be excluded from attendance at the meeting held on Wednesday 17 June 2020 for Agenda Item 16.1 Pinnaroo Community Wastewater Management System - Final Tender Value and Stage 1 Works;**
- 2. The Council is satisfied that pursuant to section 90 (3) (c) and (d)(i) of the Local Government Act 1999, the information to be received, discussed or considered in relation to the Agenda Item 16.1 Pinnaroo Community Wastewater Management System - Final Tender Value and Stage 1 Works is:

information the disclosure of which would reveal a trade secret; AND commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party.**
- 3. The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed by the need to discuss this Agenda Item 16.1 in confidence.**

CARRIED.

16.1 PINNAROO COMMUNITY WASTEWATER MANAGEMENT SYSTEM - FINAL TENDER VALUE AND STAGE 1 WORKS

Responsible officer: Matthew Sherman, Manager Infrastructure Services

Attachments: Nil

Section under the Act	The grounds on which part of the Council or Committee may be closed to the public are listed in Section 90(2) & (3) of the <i>Local Government Act 1999</i> .
Sub-clause and Reason:	(c) and (d)(i) - information the disclosure of which would reveal a trade secret and commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party.

Executive Summary

The purpose of this report is to enable Council to enter into a contract for the delivery of the Pinnaroo Community Wastewater Management System (CWMS) Pipework Renewal Project Stage 1 Works.

SADB Directional Drilling has completed the full investigation and submitted a final tender value for the Pinnaroo CWMS Pipework Renewal Project Stage 1 Works. This report enables Council to consider the final tender value and award the final contract to SADB Directional Drilling for the second more substantial part of the Pinnaroo CWMS Pipework Renewal Project Stage 1 Works.

RECOMMENDATION

That Council

1. **approves engagement of SADB Directional Drilling to undertake the complete stage 1 works of the Pinnaroo Community Wastewater Management System Pipework Renewal Project for the contract sum of \$1,156,016.00 (excluding GST), noting that \$36,579.00 of that value has already been paid by Council for the initial site investigation and design and also includes 10% contingency of \$105,092.00 to cover any unforeseen circumstances.**
2. **notes that the contract amount significantly exceeds the \$580,000 allocated for this project in the 2019/20 budget and would be reliant on a 2020/21 budget allocation.**
3. **approves SADB to undertake investigations on all remaining stages of the Pinnaroo Community Wastewater Management System Pipework Renewal Project to finalise accurate costing for the project as a whole for future budget considerations.**

**MOVED COUNCILLOR REBECCA BOSELEY
SECONDED COUNCILLOR TREVOR HANCOCK**

That Council

1. approves engagement of SADB Directional Drilling to undertake the complete stage 1 works of the Pinnaroo Community Wastewater Management System Pipework Renewal Project for the contract sum of \$1,156,016.00 (excluding GST), noting that \$36,579.00 of that value has already been paid by Council for the initial site investigation and design and also includes 10% contingency of \$105,092.00 to cover any unforeseen circumstances.
2. notes that the contract amount significantly exceeds the \$580,000 allocated for this project in the 2019/20 budget and would be reliant on a 2020/21 budget allocation.
3. approves SADB to undertake investigations on all remaining stages of the Pinnaroo Community Wastewater Management System Pipework Renewal Project to finalise accurate costing for the project as a whole for future budget considerations.

CARRIED.

Background

Council at its ordinary meeting on 19 February 2020 resolved to approve the contract for the Pinnaroo CWMS Pipework Renewal Project Stage 1 Works being completed in two parts (with the initial part including site investigations enabling finalisation of the design and revision of the price based on the findings of the investigations) and then an assessment being made of the final submission before the second more substantial part of the contract was awarded.

Context

Council engaged Wallbridge Gilbert Aztec (WGA) to provide superintendency/project management services for Stage 1 (the worst performing section) of the Pinnaroo CWMS Renewal Project.

WGA met with SADB on 21 May 2020 to run through the investigation outcomes and proposed changes. WGA regarded the investigation as comprehensive, with SADB able to access the majority of properties and locate septic tanks and connection points. SADB was also able to provide an appropriate overview of potential construction constraints within each property.

The report presented to Council in February 2020 had a Stage 1 overall project cost of \$836,605.00 and this was subject to the detailed investigation by SADB.

As a result of the full investigation SADB has provide a final stage 1 cost of \$1,050,924.00. This includes the \$36,579.00 amount already paid by Council for the initial site investigation and design. All provisional items have now either been removed or a finalised value provided for the works.

Policy and statutory implications

The Local Government Act 1999 is relevant to this matter.

Council's strategic management plan Infrastructure Strategy - *Invest in hard infrastructure for community benefit* is relevant to this matter.

Council's procurement policy is relevant to this matter.

Issues

WGA has reviewed the final contract price in detail, with noted changes appearing to be reasonable based on outcomes of the investigation and current circumstances (COVID-19). The original design intent has not changed significantly, however, the final design has required an increased depth of sewer than what was originally allowed for.

The following key changes to the Schedule are as follows:

- **Increase in Living Away from Home Allowance** – Due to increased depth of pipe install, extra crew is required, with a slightly longer construction program.
- **Increase in Accommodation Cost** – Initial value was \$30,000, and has now increased to \$167,000. The significant increase is a result of a number of factors; extra crew/increased program length, limited accommodation availability and accommodation requirements as a result of COVID-19.
- **Increase in Property Connection Cost** – Due to increased depth of install.
- **Increase in Pipe Cost** – A higher pipe class is required due to increased depth of install.
- **Increase in Pump Station Cost** – Due to increased depth of install for the new pump sump.

WGA has also suggested that Council allow a 10% contingency on the project for any unforeseen issues or circumstances.

The increase in accommodation cost is quite significant, predominantly due to much cheaper rates available when the original tender was supplied and the project staff levels increasing from 6 staff to 10 staff. However WGA considers that there is potential for a reasonable cost savings related to accommodation given the COVID-19 situation is easing and there is a possibility that rates could significantly change in the coming months. WGA is recommending that accommodation be dealt with as a separate item in the contract so that any savings are realised by Council rather than SADB.

Council is not able to delay this projects in any significant way. Delaying the project is only delaying the inevitable of a system failure which may force Council to proceed without due diligence and increase costs further. The Pinnaroo CWMS was originally constructed in 1962 as the first septic tank effluent drainage scheme in South Australia. Since its construction there have been numerous developments that have impacted on the ability to service the scheme let alone replace all the pipework. As with all projects of this nature there is risk carried by both parties given there are still unknown factors associated with this project even after comprehensive site investigations.

Engaging SADB to undertake investigations on all remaining stages of the Pinnaroo CWMS Pipework Renewal Project would be a prudent way to establish future project costs and is recommended. These investigations could be used to finalise accurate costing for the project as a whole and would inform future budget considerations.

Alternate options

Council could engage one of the other tenderers to undertake site investigations and present their findings to Council to consider. There would be a significant cost to this approach. It would also significantly delay the project and could potentially lead to higher costs overall.

Financial implications

The report presented to Council in February 2020 identified a Stage 1 overall figure of \$836,605 and this was subject to an investigation by SADB. At that time separate figures were also presented for a staged approach to the proposed works, Stage 1A \$622,000 and Stage 1B \$404,000, with a total of \$1,026,000.

The revised overall pricing for stage 1 works, presented in this report, is \$1,156,016. This is an increase after investigations of \$319,411. This includes a 10% contingency (\$105,092) and the cost of the detailed investigations (\$36,579).

As highlighted above, with the easing of COVID-19 restrictions there could be savings in accommodation and the 10% for contingency purposes may not be used.

Council has an allocation of \$580,000 in its 2019/20 annual budget for this project and a further allocation of \$1,700,000 in its draft 2020/21 annual budget to continue the overall Pinnaroo CWMS Pipeline Replacement Project.

Work Health and Safety and Risk implications

A site-specific project safety plan will be developed by SADB prior the construction works. This plan will be reviewed by Council and WGA as the project superintendent.

A general work, health and safety management system was included in the SADB submission.

Council faces reputational risk if it does not progress this project.

Consultation

Council has provided information to the affected property owners and occupiers about this project. Elected members have received a number of briefings on this project.

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That having considered agenda Item 16.1 in confidence under section 90 (2) and (3) (c) and (d)(i) of the Local Government Act 1999, the Council pursuant to section 91 (7) of the Act orders that the documents considered by the Council, including the officer's report and all minutes be retained in confidence. This order is to be reviewed at or before the ordinary Council meeting to be held in January 2021, as to if this order is to continue in operation.

**MOVED COUNCILLOR NEVILLE PFEIFFER
SECONDED COUNCILLOR JEFFREY NICKOLLS**

That having considered agenda Item 16.1 in confidence under section 90 (2) and (3) (c) and (d)(i) of the Local Government Act 1999, the Council pursuant to section 91 (7) of the Act orders that the documents considered by the Council, including the officer's report and all minutes be retained in confidence. This order is to be reviewed at or before the ordinary Council meeting to be held in January 2021, as to if this order is to continue in operation.

CARRIED.