

ITEM 11. VARIATION REQUEST - ARGYLE STREET UPGRADE CONTRACT

FILE NO: S110344

TENDER NO: RFT1558

SUMMARY

This report seeks to increase the existing Head Contractor's contingency to adapt to site conditions not foreseen in the original scope of works.

On 14 December 2015, Council accepted a tender offer of Quality Management & Construction Pty Ltd (T/as QMC Group) for the construction of the Argyle Street Upgrade – Kent Street to Lower Fort Street, Millers Point, Sydney.

Construction works commenced in April 2016 and practical completion is expected to be awarded in late September 2017.

During the project, a stormwater upgrade was found to be required and so was added to the scope as a cost effective and less disruptive approach than a separate future project. This resulted in delays to the contract works. The project was also affected by unexpected latent conditions (services conflicts and rock excavation), additional 24 hour traffic control required to manage pedestrian and vehicle safety while those latent conditions were addressed, and a two month deferral of necessary work by Ausgrid.

RECOMMENDATION

It is resolved that:

- (A) Council approve increased contract contingency to the existing Head Contractor to cover extended construction work as described in Confidential Attachment A to the subject report;
- (B) Council note the financial and contractual implications detailed in Confidential Attachment A; and
- (C) Council approve the transfer of funds from the 2017/18 capital works contingency to cover the additional scope of works as set out in Attachment A.

ATTACHMENTS

Attachment A: Financial and Contractual Implications (Confidential)

(As Attachment A is confidential, it will be circulated separately from the agenda paper and to Councillors and relevant senior staff only.)

BACKGROUND

1. The Argyle Street Upgrade project will deliver an improved link between The Rocks, Sydney and the new Headland Park at Barangaroo, giving pedestrian's greater priority. It will also provide improved community facilities at the Abraham Mott Community Centre and Harry Jensen Centre.
2. The improvements include reclaiming the bus lay over area to create a new pocket park, regrade and resurface the main footpath, provide new street trees and street furniture, provide new community playground equipment and improve accessibility into the Harry Jensen Centre and doctor's surgery.
3. In June 2014, Council resolved to allocate monies bequeathed to the City by unidentified benefactors to the pocket park component of the project. A seat with a dedication plaque has been incorporated into the park.
4. In September 2017, Council adopted the name "Nita McCrae Park" for the new pocket park. Nita McCrae was a local resident and founding member of the Millers Point Resident Action Group.
5. The contractor established site and commenced work on 18 April 2016.
6. The current status of the contract works is 85% complete.
7. Additional costs that exceed the contractor's contingency allowance have been incurred. These costs include:
 - (a) a stormwater upgrade added to the project scope to replace the existing system, which was found to be in poor condition. The contract works could not be undertaken before the stormwater works were completed. Incorporating the stormwater works into the contract was more cost effective and less disruptive to the community than undertaking the works at a future date.
 - (b) treatment of significant latent conditions, including services conflicts and excavation in rock which was not anticipated. Twenty-four hour traffic control required to maintain pedestrian and vehicular safety whilst addressing the latent conditions form a significant component of the additional costs; and
 - (c) delay costs payable to the contractor for works involved in the provision of a new electrical circuit to supply upgraded street and pedestrian lighting, and an upgraded power supply to the community centre. The delay was caused by Ausgrid's two-month postponement of changeover outages as required by them to switch power from an existing to a new circuit. The postponement was beyond the control of the City and the contractor, causing delays to the completion of a significant amount of dependent works including the removal of old light poles and final asphalt finishes to footpaths.
8. It is recommended that Council increase the contract contingency to the existing Head Contractor's contract, due to additional costs to adapt to site conditions and an extended construction period.

FINANCIAL IMPLICATIONS

9. Additional funds are required to complete the additional works as outlined in Confidential Attachment A.

10. The requested source of funds to address budget shortfall are outlined in Confidential Attachment A.

RELEVANT LEGISLATION

11. *Local Government Act 1993.*
12. Attachment A contains confidential commercial information of the tenderers and details of Council's contingencies which, if disclosed, would:
- (a) confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business; and
 - (b) prejudice the commercial position of the person who supplied it.
13. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise Council's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers.

CRITICAL DATES / TIME FRAMES

14. Program Key Milestones:
- (a) Construction tender awarded: December 2015
 - (b) Construction works commenced: May 2016
 - (c) Construction completion: October 2017

AMIT CHANAN

Director City Projects and Property

Anton Leddin, Delivery Manager