

**Item 8.****Increase in Contract Contingency for Head Contractor - Alexandra Canal Depot****File No: S121404****Tender No: 1518****Summary**

On 14 September 2015, Council accepted a tender for the design and construction of a new depot at 67A Bourke Road, Alexandria.

The works have been completed and the depot is now the operational base for Cleansing, Infrastructure Maintenance, Fleet Services and Common Services functions. Operations commenced from the new depot in March 2018.

During the construction, the project encountered additional costs due to the following:

- (a) additional contaminated material being identified on site during preparation for the placement of external paving;
- (b) additional costs for managing site stormwater;
- (c) additional works associated with implementing Green Infrastructure works (solar panels and Tesla battery) that were not part of the original scope; and
- (d) additional minor works required to complete the project.

These additional scope items have caused unforeseen increases in costs and resulted in associated delay claims from Cockram Constructions Ltd. The delay claims have been negotiated with Cockram Constructions Ltd. This report seeks additional budget to meet those negotiated costs, as well as additional costs related to the above items.

**Recommendation**

It is resolved that:

- (A) Council approve increasing the existing contract contingency as outlined in the report;
- (B) Council approve the increase in the overall project budget as outlined in the report;
- (C) Council approve the transfer of funds from the Capital Works Contingency to this project as set out in Confidential Attachment A to the subject report; and
- (D) authority be delegated to the Chief Executive Officer to negotiate, execute and administer any documentation required for the purpose of effecting the increase to the contract contingency referred to in (A) above.

**Attachments**

**Attachment A.** Financial and Contractual Implications (Confidential)

## Background

1. The City has constructed a new depot at 67A Bourke Road, Alexandria to accommodate Cleansing, Infrastructure Maintenance, Fleet Services and Common Services functions.
2. On 14 September 2015, Council resolved to engage Cockram Constructions Ltd for Design and Construction of a new depot at 67A Bourke Road, Alexandria.
3. Cockram Construction Ltd commenced the works on the depot site on 3 June 2016. The primary works are now complete, with minor interfacing items to be completed.
4. Services commenced operation from the new depot in March of this year with services transferring from the Epsom Road, Marion Street and Gerard Street depots.
5. The contract works did not allow for the extensive amount of site remediation and additional environmental initiatives which were identified after the contract had been awarded. As a result, these additional scope items have caused unforeseen increases in costs and associated delay claims from Cockram Constructions Ltd.
6. The original depot project allowed for the relocation of approximately 200kW of PV panels for the Epsom Road Depot. A subsequent review of the roof design for the Alexandria Canal Depot indicated that an additional 300kW of PV could be installed if some adjustments to the original design were made, bringing the total capacity up to 480Kw. The extra PV will make an important contribution to the City's 2021 renewable energy targets and also enable full use to be made of the battery as installed by TransGrid. This requires the additional PV panels, roof access systems to be extended, and increases to the scope for the electrical infrastructure.
7. On 23 October 2017, Council resolved to increase the project contingency to manage these unforeseen contract costs.
8. The report to Council with respect to those additional costs also foreshadowed the determination of disputes between the parties and delegated authority to the Chief Executive Officer on review of the determination of any disputes.
9. The City has negotiated with Cockram Construction and reached an agreement on costs.

## Financial Implications

10. Additional funds are required for this project as outlined in the confidential attachment to this report.

## Relevant Legislation

11. The tender was conducted in accordance with the Local Government Act 1993, the Local Government (General) Regulation 2005 and the City's Contracts Policy.
12. Attachment A contains confidential commercial information of the contractor and 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.

**AMIT CHANAN**

Director City Projects and Property

Graham Brideson, Project Manager