



City of Nedlands


# Technical Services Reports

**Committee Consideration – 13 October 2015**  
**Council Resolution – 27 October 2015**

## Table of Contents

Item No.		Page No.
TS23.15	Brockway Road Easement Request .....	2
TS24.15	Tender No.2014/15.24 Supply and Laying of Hot Asphalt Road Surfacing .....	7
TS25.15	Underground Power.....	11
TS26.15	Tender No. 2015/16.03 Stormwater Drainage Construction	22

<b>TS23.15</b>	<b>Brockway Road Easement Request</b>
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<b>Committee</b>	13 October 2015
<b>Council</b>	27 October 2015
<b>Applicant</b>	Christ Church Grammar School
<b>Officer</b>	Mark Goodlet – Director Technical Services
<b>Director</b>	Mark Goodlet – Director Technical Services
<b>Director Signature</b>	
<b>File Reference</b>	TS-008753
<b>Previous Item</b>	Nil

### **Executive Summary**

Christ Church Grammar School has received Department of Health and Water Corporation approval to irrigate its new playing fields using recycled water from the Subiaco Wastewater Treatment Facility.

This report formalises the provision of an easement in Brockway Road for a recycled water pipe owned by Christ Church Grammar School to be used to irrigate their playing ovals.

### **Recommendation to Committee**

**Council consents to the creation of a lot and easement in Brockway Road shown on the preliminary deposited plan 406539 (Attachment 2 of this report) to the benefit of Christ Church Grammar School for the specified purpose of the provision of pipe services, subject to the following conditions:**

- 1) the easement being for non-exclusive use of the land subject to the easement;**
- 2) the City of Nedlands retaining the right to carry out works on the easement land at its own discretion;**
- 3) that should the pipe become redundant then Christ Church Grammar School shall arrange for the removal of the easement within two years of the pipe's redundancy;**
- 4) all costs associated with the creation, changes to, or removal of the easement on the title being the responsibility of Christ Church Grammar School; and**

**5) inclusion of conditions 1) to 3) above on the Certificate of Title or as section 70A notification on the Certificate of Title.**

## **Strategic Plan**

KFA: Natural and Built Environment

Consent for this easement contributes to land use planning by the creation of appropriate land tenure. Provision of the recycled water pipe also advances water conservation and management.

## **Background**

Christ Church Grammar School (CCGS) is intending to use recycled water on its new playing fields at Stephenson Ave, from the Subiaco Wastewater Treatment Facility (WWTF) and have obtained approval from the Department of Health (refer to Attachment 1) and the Water Corporation to do so.

In October 2012 the City of Nedlands approved the private works, under routine delegation, for the installation of 250mm diameter pipeline across Brockway Road, subject to standard conditions. The pipeline has subsequently been built.

In Christ Church Grammar School's dealings with Landgate on the matter it was recommended that an easement be created in the Brockway Road reserve to help identify its location. As Christ Church Grammar School is not a public utility with automatic rights to construct pipelines within road reserves, this would protect their right to have the pipe under the road and ensure that it is identified in its current position into the future; thus minimising the risk that it will be accidentally damaged by construction or maintenance activity.

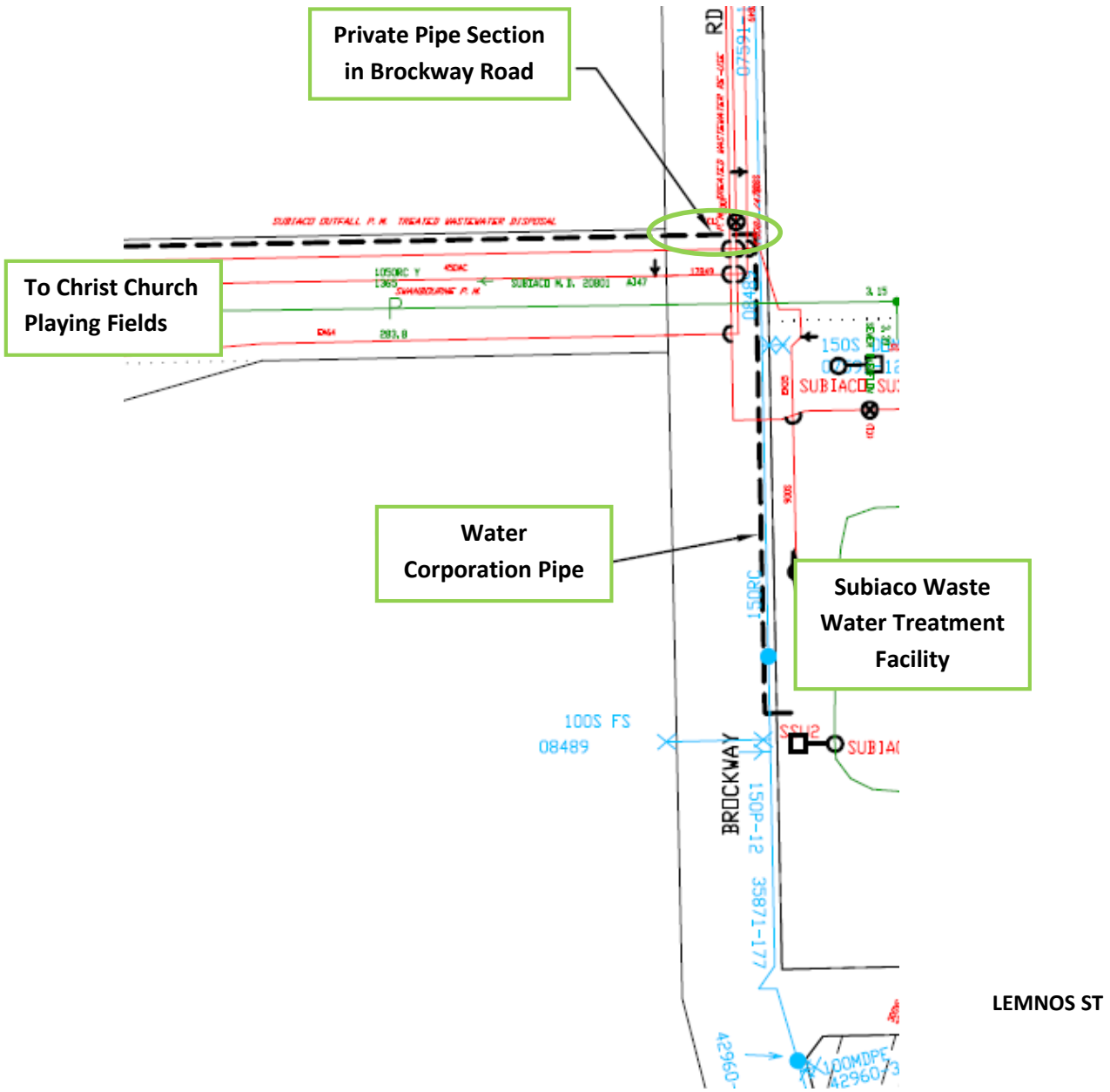


Figure 1. Recycled Water Pipe (Black Dashed Line)

## Key Relevant Previous Council Decisions

Nil.

## Consultation

Required by legislation: Yes  No   
Required by City of Nedlands policy: Yes  No

## Legislation / Policy

The *Land Administration Act 1997*, Part eight directs matters pertaining to easements over Crown land. Section 144 allows the Minister, with the consent of every management body, to grant an easement over the Crown land, subject to any conditions that the Minister may impose.

As the Crown is the owner of the road reserve an easement would be granted by the Minister for Regional Development; Lands. Nevertheless, the City of Nedlands has care and control of Brockway Road and the City's consent for the creation of the easement is required.

## Budget/Financial Implications

Within current approved budget: Yes  No   
Requires further budget consideration: Yes  No

Costs associated with creation of the lot and the easement will be borne by Christ Church Grammar School.

## Risk Management

Provision of the easement provides surety for both Christ Church Grammar School and the City of Nedlands. Christ Church Grammar School is able to minimize risk of damage to its pipe through certificate of title identification of the easement, making future location of the pipe simple.

The City of Nedlands is able to mitigate its risk of having private works in its road reserve by stipulating the terms under which the pipe and its easement are to be allowed.

## Discussion

### Lot Creation

In order to create the easement within a road reserve a new lot must firstly be created for the section of Brockway Road where the easement is to be located. The easement can then be created within the new lot. This new lot is shown by the area delineated in green on the draft deposited plan in Attachment 2.

The lot will be Crown land with care and control vested in the City of Nedlands.

## **Easement**

The City of Nedlands is vested with care and control of the road reserve and it has an interest in knowing the location of the pipe. The City may have no objection to an easement being created on the land but may seek provision of a 70A notification on the Certificate of Title, to include the following statements;

- a) the easement is for non-exclusive use of the land subject to the easement;
- b) that the City of Nedlands retains the right to carry out works on the easement land at its own discretion; and
- c) that all costs associated with the creation, changes to, or removal of the easement on the title are the responsibility of Christ Church Grammar School; and
- d) that should the pipe become redundant then Christ Church Grammar School shall arrange for the removal of the easement within two years of the pipe's redundancy.

Christ Church Grammar School has acknowledged and agreed to conditions a) to c) above, as per Attachment 3. The recommendation to Council is that Christ Church Grammar School now incorporates these terms formally into the Certificate of Title.


## **Conclusion**

It is recommended that the City of Nedlands provide consent for the creation of a lot and an easement for the benefit of Christ Church Grammar School. The easement will ensure the pipe can be readily located in future and will protect the School's right to use the land for the pipe, providing orderly and proper planning for Brockway Road Reserve.

## **Attachments**

1. Department of Health Approval for Recycling Scheme;
2. Draft Deposited Plan Showing New Lot and Easement in Brockway Road; and
3. Christ Church Grammar School's Agreement to Terms of Easement.

<b>TS24.15</b>	<b>Tender No.2014/15.24 Supply and Laying of Hot Asphalt Road Surfacing</b>
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<b>Committee</b>	13 October 2015
<b>Council</b>	27 October 2015
<b>Applicant</b>	City of Nedlands
<b>Officer</b>	Nathan Brewer – Purchasing and Tenders Coordinator
<b>Director</b>	Mark Goodlet – Director Technical Services
<b>Director Signature</b>	
<b>File Reference</b>	TS-PRO-00084
<b>Previous Item</b>	Nil

### Executive Summary

To award the term contract for the provision of hot asphalt road surfacing supply and laying services in the City of Nedlands.

### Recommendation to Committee

1. **Agrees to award tender no. 2014/15.24 to Roads 2000 Pty Ltd for the supply and laying of hot asphalt road surfacing as per the schedule of rates (Attachment 1) submitted; and**
2. **Authorises the Chief Executive Officer to sign an acceptance of offer for this tender.**

### Strategic Plan

KFA: Transport

Award of this tender enables the City to maintain the road network and community infrastructure in accordance with strategic priorities.

### Background

The City of Nedlands includes a provision for supply and laying of hot asphalt road surfacing to maintain and improve the City's road infrastructure as part of the engineering services operational works. Expenditure on this contract will exceed \$100,000. Therefore to comply with legislative requirements outlined in the *Local Government Act 1995* and ensure the best value for money for the City, this service must be tendered.

Tender documents were advertised on Monday 15 June 2015 in the West Australian Newspaper. The tender submission period commenced on Monday 15 June 2015 and submissions closed at 2:00 pm Monday 29 June 2015. Submitted tenders were opened by Officers of the City at 2:00 pm Monday 29 June 2015.

The City received four conforming tender submissions as follows:

1. Asphaltech Pty Ltd;
2. Fulton Hogan Industries Pty Ltd;
3. Merger Contracting Pty Ltd T/A J and M Asphalt; and
4. Roads 2000 Pty Ltd.

## Key Relevant Previous Council Decisions

Nil.

## Consultation

Required by legislation: Yes  No   
Required by City of Nedlands policy: Yes  No

## Legislation / Policy

*Local Government Act 1995*, section 3.5;  
*Local Government (Functions and General) Regulations 1996*, Part 4; and  
City of Nedlands Policy – ‘Purchasing of Goods and Services’.

## Budget/Financial Implications

Within current approved budget: Yes  No   
Requires further budget consideration: Yes  No

## Risk Management

Failing to appoint the contract will impact on the City’s ability to maintain the current service levels of road maintenance.

Key risk areas, including financial and regulatory risks, have been addressed through the control measures applied through the tender documentation and evaluation process. Reference checks were completed on the recommended contractor following the evaluation process.

## Discussion

The tender was independently evaluated by three City Officers in accordance with the qualitative criteria specified in the tender documentation, as set out in the below table extract from RFT 2014/15.24.



<p><b>Organisation Capabilities</b></p> <p>A Tenderer must as a minimum, address the following information in an attachment and label it “<b>Organisation Capabilities</b>”:</p> <ul style="list-style-type: none"> <li>a) Nominate key personnel to be involved in this contract and provide relevant experience and industry-recognised qualifications and registrations of the key personnel.</li> <li>b) Organisations to demonstrate the ability to supply and sustain the necessary manpower, plant and materials.</li> <li>c) Organisations to demonstrate recent experience with contracts of a similar size and scope;</li> </ul>	<p><b>Weighting</b></p> <p><b>20%</b></p>
<p><b>Performance</b></p> <p>A Tenderer must as a minimum, address the following information in an attachment and label it “<b>Performance</b>”:</p> <ul style="list-style-type: none"> <li>a) The ability to supply and sustain the necessary technical resources, staff and equipment;</li> <li>b) Demonstrate ability to provide high quality and standard of work;</li> <li>c) Demonstrated ability to meet specifications of this request.</li> </ul>	<p><b>Weighting</b></p> <p><b>30%</b></p>
<p><b>Demonstrated Understanding</b></p> <p>Tenderer’s must, as a minimum, address the following information in an attachment and label it “<b>Demonstrated Understanding</b>”:</p> <ul style="list-style-type: none"> <li>a) An outline of the proposed methodology, including Equipment and Material Supply details;</li> <li>b) Notice requirements to guarantee availability for works.</li> </ul>	<p><b>Weighting</b></p> <p><b>20%</b></p>
<p><b>Price</b></p> <p>A Tenderer must as a minimum, address the following information in an attachment and label “<b>Price</b>”:</p> <ul style="list-style-type: none"> <li>a) The tendered price(s) will be considered along with related factors affecting total cost to the Principal. Early settlement discounts, lifetime costs, the major components to be utilised, the Principal’s contract management costs may also be considered in assessing the best value for money outcome.</li> </ul>	<p><b>Weighting</b></p> <p><b>30%</b></p>

The priced items were compiled into a spreadsheet for analysis of value comparison. A price criteria score was allocated based on the best value being scored at 100% and other values scored proportionally against this price.

The pricing was weighted at 30% of the assessment with the remaining percentage being allocated to the qualitative section criteria.

Roads 2000 Pty Ltd consistently demonstrated a capacity to meet the requirements of the contract to a high standard throughout their tender submission and as the incumbent contractor for the provision of hot asphalt road surfacing. In particular, many examples of previous work of a similar nature with local authorities demonstrating excellent outcomes backed up by client references. Also, an extensive methodology for the delivery of the service of a more comprehensive nature than that of the second highest scorer Asphalttech Pty Ltd.

## Evaluation

<b>Tenderer</b>	<b>Score %</b>
Asphalttech Pty Ltd	79.07
Fulton Hogan Industries Pty Ltd	68.60
Merger Contracting Pty Ltd T/A J and M Asphalt	50.77
Roads 2000 Pty Ltd	81.34

The final evaluation score and price is published in Confidential Attachment 1.

## Conclusion


After an assessment of the submitted tenders it is proposed that the tender submission received from Roads 2000 Pty Ltd be accepted, having attained the highest score in the evaluation and providing the most cost efficient outcome.

The contract provides the option to extend the contract for a period of four 12 months extensions at the end of the initial one year period, subject to satisfactory performance.

## Attachments

1. Confidential Tender Assessment (not to be published).

<b>TS25.15      Underground Power</b>
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<b>Committee</b>	13 October 2015
<b>Council</b>	27 October 2015
<b>Applicant</b>	City of Nedlands
<b>Officer</b>	Nathan Brewer – Purchasing and Tenders Coordinator
<b>Director</b>	Mark Goodlet – Director Technical Services
<b>Director Signature</b>	
<b>File Reference</b>	TS-PRJ-00003
<b>Previous Item</b>	Ordinary Meeting of Council 28 July 2015, Item 14.1

### Executive Summary

On 28 July 2015 Council resolved to obtain a report from Administration which considers the feasibility of completing underground power within the City by means of a series of borrowings that together with resident contributions, to complete the undergrounding of power to approximately 2400 lots in the City of Nedlands.

This report examines the latest information from Western Power, in which their price had now increased to \$56,146,976 with a rider that the accuracy of the quotation is +/- 50%. This is up 37% from their May 2013 quotation of \$41,100,000. The revised pricing puts the per lot price to \$23,400. Western Power have stated that for \$8,000 they will provide a +/- 10% accuracy quotation.

Seven funding options are considered. All require the City to undertake borrowings. The options are:

**Option 1      50/50 Owner/City 20 year - Recommended**

Annual Payment by Owner	\$921
Total Owners' Annual Payment	\$2,209,996
City's Net Annual Payment	\$2,209,996
% of 2015/16 Rates	10.2%

**Option 2      50/50 Owner/City 10 year - Recommended**

Annual Payment by Owner	\$1,486
Total Owners' Annual Payment	\$3,619,527
City's Net Annual Payment	\$3,619,527
% of 2015/16 Rates	16.7%

**Option 3 0/100 Owner/City 20 yr**

Annual Payment by Owner	\$0
Total Owners' Annual Payment	\$0
City's Net Annual Payment	\$4,419,992
% of 2015/16 Rates	20.4%

**Option 4 0/100 Owner/City 10 yr**

Annual Payment by Owner	\$0
Total Owners' Annual Payment	\$0
City's Net Annual Payment	\$7,239,054
% of 2015/16 Rates	33.3%

**Option 5 100/0 Owner/City 20 yr**

Annual Payment by Owner	\$1,842
Total Owners' Annual Payment	\$4,419,992
City's Net Annual Payment	\$0
% of 2015/16 Rates	0%

**Option 6 100/0 Owner/City 10 yr**

Annual Payment by Owner	\$2,375
Total Owners' Annual Payment	7,239,054
City's Net Annual Payment	\$0
% of 2015/16 Rates	0%

**Option 7 - Deferred Construction (5yrs) 1/3rd Owner, 2/3rds City**

Annual Payment by Owner	\$1,960
Total Owners' Annual Payment	\$4.7 to 5.3 million
City's Net Annual Payment	\$9.4 to 10.6 million
% of 2015/16 Rates	43%

**Recommendation to Committee**

**Council:**

1. Agrees to pay \$8,000 to Western Power to prepare a +/-10% detailed estimate and a formal Relocation Works Contract for construction and commissioning works;
2. Agrees to seek clarification on Western Power maintenance offset project discounts, taxation liability and exclusions;
3. Agrees to include in the advice notes, the following or similar wording on all new development applications in areas where underground power is yet to be provided; *“the owner/applicant should install attachment points and conduit for underground power on site (to facilitate the placing of power lines underground in street)”*.
4. Agrees to further investigate Options 1 and 2 in detail, which provide for a 50/50 lot owner/City shared costing for the underground power project, including assessing cash flow, detailed payment provisions by lot owners;

- 5. Agrees to appoint a qualified project manager to this project with an initial borrowing of \$150,000 to undertake detailed project costings and management for 2015/16.**

## **Strategic Plan**

KFA: Natural and Built Environment

Undergrounding power in the City of Nedlands is a listed key focus outcome for Natural and Built Environment. This KFA contributes directly to enhanced, engaging community spaces, heritage protection and environmental protection. High quality built environments are healthy and have character and charm, enhance community connections and protect amenity.

## **Background**

In February 2012 Council considered funding for undergrounding of power to approximately 2400 lots. The discussion and findings of this early report are still largely relevant and are therefore included as background information to this report.

Figure 1 below shows the areas in the City of Nedlands LGA that are still serviced by overhead network. This is approximately 2400 lots.



Figure 1. Outstanding areas in the City of Nedlands to be undergrounded

**Key Relevant Previous Council Decisions:**

Ordinary Meeting of Council 28 July 2015, Item 14.1, resolution of Council:

*Council requests Administration to prepare a concept report for the October Meeting of Council that addresses the feasibility of completing underground power within the City by means of a series of borrowings that together with resident contribution commensurate with resident contributions made in the past which enables a programmed replacement plan commencing in the 2016 financial year.*

Ordinary Meeting of Council 22 July 2012, Item 16.1, resolution of Council:

*Council:*

1. writes to the Members for Nedlands and Cottesloe for an explanation on how they are progressing in supporting of the 2008 pledge to speed up the Under Ground Power Program for Nedlands;
2. initiates negotiations with Town of Cambridge and Western Power in respect to economies of scale and possible logistical alignments in the completion of Underground Power in adjoining areas (i.e. Floreat); and
3. requests that administration undertake an investigation to determine the feasibility of borrowing funds to complete underground power in the three remaining areas of Hollywood, Mt Claremont and Floreat (refer all attachments of 22 February 2011 resolution).

## Consultation

Required by legislation: Yes  No   
Required by City of Nedlands policy: Yes  No

### Public Consultation

In April and May 2014 an extensive public consultation was undertaken. The results and analysis of the consultation are provided as Attachment 4. A Frequently Asked Questions (FAQ) information sheet was provided on the City's Website, which is provided as Attachment 5.

Key outcomes of the consultation were as follows:

- Total number of surveys released: 2,595
- Total number of responses: 1,062
- Response rate = 41%
- 53% of 1036 respondents felt UP was quite important or extremely important
- 76% of 613 respondents felt that UP would improve amenity
- 62% of 750 respondents said they would not be willing to pay the full cost (\$17,000)
- On payment options 251 responses were received indicating that
  - 11% would prefer to pay through deferral (on sale of property)
  - 58% would prefer to pay in installments
  - 31% would prefer to pay in one payment

## Legislation / Policy

### *Local Government Act 1995 -*

- Section 3.57 deals with requirements for procurement of goods and services.
- Section 3.59 deals with requirements for major trading undertakings.
- Section 6.38(1) allows a local government to impose service charges on lot owners for the provision of prescribed services.

### *Local Government (Functions and General) Regulations 1996*

- Section 9 deals with prescribed amounts for major trading undertakings and exemptions for major trading undertakings. In this case the City has no profits

intentions for the project, which therefore means it is not a major trading undertaking.

- Section 11(2)(e) - In this case the City is exempt from the requirement to tender the works as Western Power is a state government agency.

*Local Government (Financial Management) Regulations 1996*

- Section 54 defines underground electricity as a prescribed service.

## **Budget/Financial Implications**

Within current approved budget:

Yes

No

Requires further budget consideration:

Yes

No

## **State Underground Power Program**

Currently the State Underground Power Program (SUPP) is based on a beneficiary pays system with contributions of 50% by Local Government, 25% by Western Power and 25% by the State Government.

In view of large number of proposals for Round Five of SUPP which did not get funding (79) and Nedlands low ranking on the priority list (we have a reliable network and are not in a bushfire prone area), it is unlikely that undergrounding the remaining areas in the City of Nedlands will occur with SUPP funding in the near future. This has been confirmed by Western Power at two previous meetings between the City and Western Power. In addition to this, some doubt exists as to the reliability of the State Government and Western Power as future funding providers for underground power projects.

## **Projected Costs**

According to the Economic Regulation Authority's (ERA) Inquiry into State Underground Power Program (SUPP) Cost Benefit Study (Attachment 2 is the Executive Summary), costs of undergrounding increased by 8.44% per annum since the implementation of SUPP so that by Round Four the average cost per lot was \$9,181 (see page 16 of full report on ERA's website). At this rate, escalated from 2011, the average cost per lot in 2015 was estimated to be approximately \$15,000 and by 2020 \$21,600. The projected cost for all 2400 lots in 2015 would therefore come to \$36 million and by 2020, to \$51 million.

The difference between the ERA's February 2012 report and the situation now is that the escalation of pricing is significantly higher than was predicted in the report, as detailed in Western Power's most recent correspondence to the City.

## **Western Power**

Western Power was contacted following the decision of the Ordinary Meeting of Council on 28 July 2015, in order to update their May 2013 quotation. Their response, dated 19 August 2015, is provided as Attachment 3.

The most significant statement in Western Power's response is that they have now increased the price to \$56,146,976 with a rider that the accuracy of the quotation is +/- 50%. This is up approximately 37% from their May 2013 quotation of \$41,100,000. No explanation for the large increase was provided.



The revised pricing puts the per lot price to \$23,400.

Western Power has stated that the revised price is accurate to +/- 50% but that for \$8,000 they will prepare a +/-10% detailed estimate and a formal Relocation Works Contract for construction and commissioning works. This will provide a significantly better understanding of the project cost and it is recommended that the City proceeds with this further work.

The letter also points out that the project may be subject to a Western Power discount for reducing future maintenance liabilities, that there is a capital infrastructure taxation liability built into their costs now and that there are some exclusions to the project that will need to be considered. The recommendation to Council is that these matters be followed up in order to gain a more accurate understanding of final project costs.

**Funding Options**

Scenarios for debt funding underground power and repayment by owners and or ratepayers are provided below.

WA Treasury Corp have given an indicative loan rate of 3.9% plus 0.7% State Government Guarantee Fee. The rate will change but once taken out, it is fixed for the term of the loan.

Total Project Cost / Loan = \$57,000,000. With approximately 2400 lots the average cost per standard residential property is \$23,394. Six funding options are as follows:

**Option 1 50/50 Owner/City 20 yr**

Term of Loan	20 years
Owner Contribution	50%
City Contribution	50%
Annual Payment by Owner	\$921
Total Owners' Annual Payment	\$2,209,996
City's Net Annual Payment	\$2,209,996
% of 2015/16 Rates	10.2%

**Option 2 50/50 Owner/City 10 yr**

Term of Loan	10 years
Owner Contribution	50%
City Contribution	50%
Annual Payment by Owner	\$1,486
Total Owners' Annual Payment	\$3,619,527
City's Net Annual Payment	\$3,619,527
% of 2015/16 Rates	16.7%

**Option 3 0/100 Owner/City 20 yr**

Term of Loan	20 years
Owner Contribution	0%

City Contribution	100%
Annual Payment by Owner	\$0
Total Owners' Annual Payment	\$0
City's Net Annual Payment	\$4,419,992
% of 2015/16 Rates	20.4%

**Option 4 0/100 Owner/City 10 yr**

Term of Loan	10 years
Owner Contribution	0%
City Contribution	100%
Annual Payment by Owner	\$0
Total Owners' Annual Payment	\$0
City's Net Annual Payment	\$7,239,054
% of 2015/16 Rates	33.3%

**Option 5 100/0 Owner/City 20 yr**

Term of Loan	20 years
Owner Contribution	100%
City Contribution	0%
Annual Payment by Owner	\$1,842
Total Owners' Annual Payment	\$4,419,992
City's Net Annual Payment	\$0
% of 2015/16 Rates	0%

**Option 6 100/0 Owner/City 10 yr**

Term of Loan	10 years
Owner Contribution	100%
City Contribution	0%
Annual Payment by Owner	\$2,375
Total Owners' Annual Payment	7,239,054
City's Net Annual Payment	\$0
% of 2015/16 Rates	0%

**Option 7 - Deferred Construction (Subiaco Model) 1/3rd Owner, 2/3rds City**

The City of Subiaco implemented a scheme with a six year funding program whereby 1% of rates collected for lots without underground power were set aside for their own underground power project. This was estimated to collect \$780,000 annually. In addition the City of Subiaco contributed \$1.2 million for five years and \$1.6 million in the 6<sup>th</sup> and final year. In all, the total amount set aside in reserve after six years was \$11.5 million. The area which was proposed for the undergrounding comprised approximately 568 lots in all, at \$20,250 per lot.

Under this model the City of Subiaco lot owner funded 1/3<sup>rd</sup> of the scheme and the general ratepayer funded 2/3<sup>rd</sup>s. For the City of Nedlands a similar model is as per the table below.

<b>Option 7 - 1/3 owner, 2/3 rates, 5 year start up</b>			
Number of Lots	Annual Construction Indexation	Average Annual Per Lot Cost (\$)	Earned Interest
2400	1.074	1,960	1.03
Year	WP Price Escalation	Contribution (\$)	
		Owners	City
2016	56,146,976	4,704,000	9,408,000
2017	60,301,852	4,845,120	9,690,240
2018	64,764,189	4,990,474	9,980,947
2019	69,556,739	5,140,188	10,280,376
2020	74,703,938	5,294,393	10,588,787
Sub-total		24,974,175	49,948,350
		Total	74,922,525

Under this scenario the City will need to fund an extra 43% of rates per annum for five years to raise the money for this option. The Achilles heel in this is the high annual construction cost index, at 7.4%, which is driving up costs at a rate that is well in excess of the consumer price index and puts the project out of reach within five years. This model is therefore not recommended.

### **Cost Recovery**

Underground Power is one of the prescribed services that can be recovered through rates, under the *Local Government Act 1995*. The simplest way to manage these payments therefore is through giving each affected property a service charge as part of their annual rates notices equal to their repayment. This then become a mandatory payment.

In order to receive service charges and make loan repayments a Reserve Account is created for this purpose. All service charges raised are credited to a Reserve Account and all loan repayments are made from the Reserve Account. If the scheme is managed in such a way that gives ratepayers the option to pay in full, or when the property is sold, such payments can be held in the reserve account and drawn down as required. Interest can be earned on the Reserve Account. Where payments are made in full they may assist in carrying any costs to carry the debt and recoup it each year.

### **Risk Management**

#### **Cash Flow**

Options 1 to 7 above show the net borrowings position for the City, not the total annual borrowings, which are the addition of the owner total payments and the City's net borrowing. All of the options require the City to receive service charge income from the affected lot owners and/or receive increases in general rates is needed to fund the works.

The borrowing options for the City will need to be carefully assessed to ensure that cash flow reserves remain adequate for the project borrowings as well as for its day-to-day operations and other capital works.

**Local Government Operational Guidelines – Number 18: Financial Ratios**

Key indicator Local Government Financial Ratios are as follows:

- a) Current Ratio;
- b) Debt Service Cover Ratio;
- c) Operating Surplus Ratio; and
- d) Own Source Revenue Coverage Ratio.

The purpose of the ratios and their respective formulas are detailed in Attachment 6. The six options have been assessed against Department of Local Government recommended ratios as follows:

	Extrapolated onto 2015-16 Budget					
Local Government Operational Guidelines - Number 18 Financial Ratios	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6
a) Current Ratio	Green	Green	Amber	Red	Green	Green
b) Debt Service Cover Ratio	3.22	1.96	1.61	0.98	<3.22	<3.22
c) Operating Surplus Ratio	2.7%	2.8%	-13%	-22%	2.7%	2.7%
d) Own Source Revenue Coverage Ratio	88.8%	85.2%	83.2%	77.1%	88.8%	88.8%

**Debt Recovery**

Under the first SUPP scheme the City recovered outstanding debt through sundry debts and found the following up on this to be very difficult.

Default provisions in the Local Government Act 1995 would also apply, allowing the City to recoup outstanding debts. Recovery of debts through rates assists when there are sales of property as the debt remains with the property and is passed on to the new property owners. The City financial software is designed to monitor repayments, offers ratepayers 4 instalments each financial year and calculates outstanding interest penalties for late payments.

**Discussion**

In order to provide for the eventuality of underground power to all lots in the City it has been suggested that any planning application approval for lots without underground power, contain the following advice note -

*“The owner/applicant should install attachment points and cabling for underground power on site (to facilitate the future placement of underground power in street)”.*

## Conclusion

The City of Nedlands remains unlikely to be the beneficiary of any SUPP funding.

The most recent price for the underground power to the remaining 2400 lots has risen sharply so pricing clarity from Western Power is needed to move this project forward.


While the consultation of lot owners without underground power showed support for the project, the price was a significant barrier to many lot owners and support for the project fell away significantly with the proposal that the lot owners pay for the entire project.

Options 1 and 2 with a shared 50/50 split of low owner and ratepayer provide a shared costing arrangement and either a 20 year loan term or a 10 year loan term for payback of the scheme. It is recommended that further investigation of these options be undertaken.

## Attachments

1. Map No. Ned\_28.5\_09 - Underground power completed rounds and nominated areas for round five;
2. Executive Summary from Inquiry into State Underground Power Program cost benefit study, Economic Regulation Authority dated 28 June 2010; (The full report is available on the following link <https://www.erawa.com.au/inquiries/energy-inquiries/costs-and-benefits-of-the-state-underground-power-program-2010>)
3. Letter dated 19 August 2015, from Western Power, with revised quotation and information regarding progressing the project;
4. Public consultation results and analysis - April / May 2014;
5. Frequently Asked Questions (FAQ) information provided with the public consultation; and
6. Local Government Operational Guidelines – Number 18 Financial Ratios.

<b>TS26.15</b>	<b>Tender No. 2015/16.03</b>	<b>Stormwater Drainage Construction</b>
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<b>Committee</b>	13 October 2015
<b>Council</b>	27 October 2015
<b>Applicant</b>	City of Nedlands
<b>Officer</b>	Nathan Brewer – Purchasing and Tenders Coordinator
<b>Director</b>	Mark Goodlet – Director Technical Services
<b>Director Signature</b>	
<b>File Reference</b>	TS-PRO-00071
<b>Previous Item</b>	Item TS15.15 – Council Minutes – 28 July 2015

## Executive Summary

To award the term contract for the provision of stormwater drainage construction services in the City of Nedlands.

## Recommendation to Committee

1. **Agrees to award tender no. 2015/16.03 to Allwest Plant Hire Pty Ltd for the provision of stormwater drainage construction services as per the schedule of rates (Attachment 1) submitted; and**
2. **Authorises the Chief Executive Officer to sign an acceptance of offer for this tender.**

## Strategic Plan

KFA: Natural and Built Environment

Award of this tender enables the City to maintain civil infrastructure as part of operational and capital works.

## Background

The City of Nedlands includes a provision for stormwater drainage construction to maintain and improve the City's road infrastructure as part of the engineering services operational works. Expenditure on this contract will exceed \$100,000. Therefore to comply with legislative requirements outlined in the *Local Government Act 1995* and ensure the best value for money for the City, this service must be tendered.

Tender documents were advertised on Saturday 8 August 2015 in the West Australian Newspaper. The tender submission period commenced on Saturday 8 August 2015 and submissions closed at 2:00 pm Tuesday 25 August 2015. Submitted tenders were opened by Officers of the City at 2:00 pm Tuesday 25 August 2015.

The City received 8 conforming tender submissions as follows:

1. Allwest Plant Hire Pty Ltd;
2. BOS Surveying Pty Ltd;
3. Erebus Contracting Pty Ltd;
4. JEK Pty Ltd ATFT Shipard Trust T/A HAS Earthmoving
5. Majestic Plumbing Pty Ltd
6. Remote Civils Australia Pty Ltd
7. TC Drainage (WA) Pty Ltd
8. MRCN Pty Ltd T/A West Force Construction

One non-conforming tender submission was also received, as follows;

1. Wolfe Civil Pty Ltd

### **Key Relevant Previous Council Decisions:**

Item TS15.15 – Council Minutes – 28 July 2015

Council Resolution

Council resolves to decline all tenders received with respect to tender No 2014/15.18 Stormwater Drainage Construction.

Administration Comment:

*The City has received correspondence from a tenderer this week regarding the tender process. In order to ensure that probity is maintained the CEO wishes to withdraw this tender; The Local Government (Functions and General) Regulations 1996 section 18 allows the Local Government to “decline to accept any tender”. By declining all tenders this will enable a fresh process to be undertaken and all tenderers will be invited to retender should they be interested. Tenders will also be invited through normal public advertising processes.*

CEO Recommendation:

Council resolves to decline all tenders received with respect to Tender No: 2014/15.18 Stormwater Drainage Construction.

### **Consultation**

Required by legislation:

Yes

No

Required by City of Nedlands policy:

Yes

No

## Legislation / Policy

*Local Government Act 1995, section 3.57*

*Local Government (Functions and General) Regulations 1996, Part 4*

City of Nedlands Policy – ‘Purchasing of Goods and Services’

## Budget/Financial Implications

Within current approved budget:

Yes

No

Requires further budget consideration:

Yes

No

## Risk Management

Failing to appoint the contract will impact on the City’s ability to maintain and upgrade City drainage infrastructure within the agreed levels of service.

Key risk areas, including financial and regulatory risks, have been addressed through the control measures applied through the tender documentation and evaluation process. Reference checks were completed on the recommended contractor following the evaluation process.

## Discussion

The tender was independently evaluated by three City Officers in accordance with the qualitative criteria specified in the tender documentation, as set out in the below table extract from RFT 2015/16.03.

<p><b>Organisation Capabilities</b> A Tenderer must as a minimum, address the following information in an attachment and label it “<b>Organisation Capabilities</b>”.</p> <ul style="list-style-type: none"> <li>d) Nominate key personnel to be involved in this contract and provide relevant experience and industry-recognised qualifications and registrations of the key personnel.</li> <li>e) Organisations to demonstrate the ability to supply and sustain the necessary manpower, plant and materials.</li> <li>f) Organisations to demonstrate recent experience with contracts of a similar size and scope;</li> </ul>	<p style="text-align: center;"><b>Weighting</b></p> <p style="text-align: center;"><b>20%</b></p>
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<p><b>Performance</b> A Tenderer must as a minimum, address the following information in an attachment and label it “<b>Performance</b>”</p> <ul style="list-style-type: none"> <li>d) The ability to supply and sustain the necessary technical resources, staff and equipment;</li> <li>e) Demonstrate ability to provide high quality and standard of work;</li> <li>f) Demonstrated ability to meet specifications of this request</li> </ul>	<p><b>Weighting</b></p> <p><b>30%</b></p>
<p><b>Demonstrated Understanding</b> Tenderer’s must, as a minimum, address the following information in an attachment and label it “<b>Demonstrated Understanding</b>”:</p> <ul style="list-style-type: none"> <li>c) An outline of the proposed methodology, inc Equipment and Material Supply details.</li> <li>d) Notice requirements to guarantee availability for works.</li> </ul>	<p><b>Weighting</b></p> <p><b>20%</b></p>
<p><b>Price</b> A Tenderer must as a minimum, address the following information in an attachment and label “<b>Price</b>”: The tendered price(s) will be considered along with related factors affecting total cost to the Principal. Early settlement discounts, lifetime costs, the major components to be utilised, the Principal’s contract management costs may also be considered in assessing the best value for money outcome.</p>	<p><b>Weighting</b></p> <p><b>30%</b></p>

The priced items were compiled into a spreadsheet for analysis of value comparison. A price criteria score was allocated based on the best value being scored at 100% and other values scored proportionally against this price.

The pricing was weighted at 30% of the assessment with the remaining % being allocated to the qualitative section criteria.

## Evaluation

<b>Company</b>	<b>Score</b>
Allwest Plant Hire Pty Ltd scored	62.82%;
BOS Surveying Pty Ltd scored	45.73%;
Erebus Contracting Pty Ltd scored	60.33%;
JEK Pty Ltd ATFT Shipard Trust T/A HAS Earthmoving scored	48.89%;
JEK Pty Ltd ATFT Shipard Trust T/A HAS Earthmoving alternative bid scored	43.86%;
Majestic Plumbing Pty Ltd scored	34.98%;
Remote Civils Australia Pty Ltd scored	52.59%;
TC Drainage (WA) Pty Ltd scored	32.48%;
MRCN Pty Ltd T/A West Force Construction scored	50.52%;

The final evaluation score and price is published in Confidential Attachment 1.

## **Conclusion**

After an assessment of the submitted tenders it is proposed that the tender submission received from the contractor Allwest Plant Hire Pty Ltd be accepted having attained the highest score in the evaluation and providing the most cost efficient outcome.

Allwest Plant Hire Pty Ltd scored highly in a number of areas. The price schedule provided by Allwest Plant Hire Pty Ltd, although within budget, was not the lowest of the assessed submissions. However, their submission demonstrated excellent organisational capabilities, good outcomes from similar work backed up by references and an excellent understanding of the requirements of the contract. Assessment officers were in agreement that Allwest Plant Hire Pty Ltd offered the best overall value for money.

Allwest Plant Hire Pty Ltd made a submission in the original RFT 2014/15.18 which was declined in July's council meeting. That submission was deemed non-complaint due to various qualifications to the submission that resulted in it being non-conforming. That issue was rectified in this latest tender submission.

The contract provides the option to extend the contract for a period of four 12 month extensions at the end of the initial one year period, subject to satisfactory performance.

## **Attachments**

1. Confidential Tender Assessment (not to be published).