

ORDINARY MEETING	13
22 NOVEMBER 2023	

PROJECT LAUNCH APPROVAL – PCW21902-01 MOUNT PETER HIGH LEVEL WATER RESERVOIR AND ASSOCIATED INFRASTRUCTURE PROJECT – STAGE 1

50/6/115 | #7298317

RECOMMENDATION:

That Council:

1. Approves the Project Launch Approval (PLA) for Mount Peter High Level Reservoir and Associated Infrastructure – Stage 1, PCW21902-01 with a Project Launch Budget (PLB) of \$3,478,827 and an Approved End Date (AED) of 1 December 2024.
2. Resolves to adopt the Tender Consideration Plan for the purchase of the required water pipeline materials.
3. Delegates authority to the Chief Executive Officer in accordance with the *Local Government Act 2009* to enter into contracts, negotiate, finalise and execute any and all matters relating to this program subject to Council's procurement practices and policies.

INTERESTED PARTIES:

1. Minister for Economic Development Queensland
2. Transport and Main Roads (TMR)
3. Richardson Plant Hire Pty Ltd ATF Kenfrost (1987) Pty Ltd
4. Holding Redlich
5. MSF Sugar Pty Ltd
6. Reece Australia Pty Ltd
7. HVAC Australia Pty Ltd
8. Steel Mains Pty Ltd

EXECUTIVE SUMMARY:

The Mount Peter Water Infrastructure Project is being undertaken to manage the predicted population growth and demand in the Mount Peter residential area, in accordance with the Mount Peter Water Supply Planning study.

The project scope consists of the construction of a high-level water reservoir (nominal volume of 8ML), access road and associated bulk earth work, trunk water main infrastructure of varying sizes, and water pumping station remediation works at Coombak Close.

It is recommended that Council approves the Project Launch Approval (PLA) for Mount Peter High Level Reservoir and Associated Infrastructure – Stage 1, PCW21902-01 with a Project Launch Budget (PLB) of \$3,478,827.

BACKGROUND:

Cairns Regional Council (Council) engaged Jacob's in 2017/18 to prepare the concept design for the Mount Peter Water Infrastructure Project and subsequently engaged GHD in December 2021 to undertake the detailed design and construction documentation for the project, based on the concept plans prepared.

Council received approval on 20 June 2022 for a Building Acceleration Fund (BAF) loan agreement from Minister of Economic Development Queensland (MEDQ) for \$15 million to assist with funding the project. The conditions of the loan agreement are as follows:

- Construction Start date: 20 March 2024
- Construction completion: 20 December 2025

Due to the constraints associated with the funding agreement, the project will be delivered in two (2) stages shown as below and referred to in Attachment 1.

Stage 1: PCW21902-01 - Mount Peter High Level Water Reservoir Infrastructure – Construction of Mount Peter Road Water Main and remediation works at Coombak Close Pump station.

This stage is proposed to be delivered internally by Cairns Works for the value of \$3,124,227 with water main construction works to commence in late 2023. A portion of this work (Coombak Close Pump Station) would commence in March 2024 to address the time frame constraint associated with the grant funding, where project works are to commence by March 2024. Cairns Works have confirmed they have capacity to carry out the works and can commence construction in late 2023 and complete the works by 1 December 2024.

Stage 2: PCW21902-02 Mount Peter High Level Water Reservoir – Construction of Mount Peter High Level Water Reservoir and Associated Infrastructure.

This stage is also proposed to be delivered internally by Cairns Works. Design documents for Stage 2 will be issued to Cairns Works for pricing by January 2024, with construction anticipated to be approved by Council in approximately April 2024. The works are programmed to be completed by the end of December 2025.

COMMENT:

Cairns Works have advised that they have the capacity (resourcing and access to equipment) and capability (construction skills) to carry out the works associated with Stage 1 within the nominated timeframe.

The proposed Stage 1 work timelines will meet the BAF loan agreement timeframe and achieve overall project timeline.

The proposed works will require external procurement of pipeline materials. A Tender Consideration Plan (TCP) is recommended for the purchase of the required pipeline materials as per the specified design, which has an expected lead time of 12 weeks. The option of calling for public tenders is not recommended as the tender process requires significant lead time and administrative cost and this would cause unacceptable delays and unnecessary additional expense. This option is also unlikely to produce any cost benefit as all known available suppliers with the necessary products were invited to quote.

The recommended supplier is Steel Mains Pty Ltd who manufacture and supply the MSCL pipes and fittings. The other two suppliers that were invited to quote source and distribute the products directly from Steel Mains.

Section 228 of the *Local Government Regulation 2012* (Regulation) obligates Council to utilise a public tender process for all procurement over the expected value of \$200,000 unless an approved exemption is utilised. Section 230 is a legislative exemption to allow Council to enter into a contract without inviting tenders if Council prepares and adopts, by resolution, the Tender Consideration Plan. Refer to Attachment 2 for the Tender Consideration Plan.

OPTIONS:

Options 1: (Recommended)

That Council:

1. Approves the Project Launch Approval (PLA) for Mount Peter High Level Reservoir and Associated Infrastructure – Stage 1, PCW21902-01 with a Project Launch Budget (PLB) of \$3,478,827 and an Approved End Date (AED) of 1 December 2024.
2. Resolves to adopt the Tender Consideration Plan for the purchase of the required water pipeline materials.
3. Delegates authority to the Chief Executive Officer in accordance with the *Local Government Act 2009* to enter into contracts, negotiate, finalise and execute any and all matters relating to this program subject to Council's procurement practices and policies.

Option 2:

Council recommends a public tender is advertised to the open market for the construction works to be undertaken under an AS4000 Contract.

Option 3:

Council recommends that the works are not undertaken.

CONSIDERATIONS:

Risk Management:

Contingencies have been included for the risks identified by Council Officers and the design consultants during desk top reviews, site inspections and preparation of design documentation. A contingency has also been included for any potential latent conditions that may not be known at the time of tendering. The contingency sums have been included in the Project Launch Budget but are not included in the contract award value.

A risk assessment summarising the scope of risks and potential costs associated with the risks is included in PLA risk assessment.

Council Finance and the Local Economy:

The project costs were initially estimated to be approximately \$18.2 million (2020 estimate) based on the anticipated scope required and level of documentation available at that time.

The estimate has now been updated based on recent projects, comparison of tender rates and the currently completed design documentation.

The revised construction cost estimate is \$30.4 million as at October 2023.

Recital B of the Building Acceleration Fund Agreement for the program states that, “*The Minister of Economic Development Queensland and Council agree that it is necessary to design and construct the infrastructure to generate economic benefit and job creation and unlock further development through the delivery of the infrastructure*”.

State government has supported the project with an approved Building Acceleration Fund Agreement loan for the value of \$15M to facilitate completion of water infrastructure project.

The adopted budget has sufficient funding for Stage 1 of the Project, shown as below:

	Prior Years	YR1: 2023/24	YR2: 2024/25	YR3: 2025/26	Outer Years	Total
Budget*	880,896	5,400,000	13,000,000	7,000,000	5,000,000	31,280,896
FAC** (Forecast at Completion)	128,827	2,750,000	600,000	-	-	3,478,827

*2023/24 Adopted Budget figures of parent number **FAC is for child number -01 (Stage 1)

Cairns Works will engage local subcontractors in different phases of the project for supply and delivery of specialised works, which will support the local construction businesses and economy in FNQ.

Community and Cultural Heritage:

The Mount Peter High Level Water Reservoir is critical to enabling and building vibrant, innovative and resilient communities in the area.

Natural Environment:

The subject area is within a “conservation” zone and Council will ensure environmental impacts are minimised including to natural structures. An environmental impact assessment has been completed as part of the Development Application for the project.

Corporate and Operational Plans:

The contract works will assist Council with meeting the following corporate goal:

- Focus Three – Design for Liveability

This project will deliver valued suburban community infrastructure, enhance community wellbeing, safety and natural disaster resilience. The works will also meet Cairns Water and Resource Recovery’s charter for “Planning for and delivering water, wastewater and waste infrastructure”.

Statutory:

All relevant statutory requirements will be satisfied.

CONSULTATION:

Internal and external stakeholders have been consulted in all phases of the project works to date and will be consulted on an on-going basis as the works progress. A developer of the area and the registered landowner of the reservoir site, Richardson Plant Hire Pty Ltd being a subsidiary of Kenfrost (1987) Pty Ltd, has provided general consent and support to the project. TMR has provided no objection to the water mains installation on the verge of Mount Peter Road.

ATTACHMENTS:

Attachment 1 - Delivery Stage Plan

Attachment 2 – Tender Consideration Plan

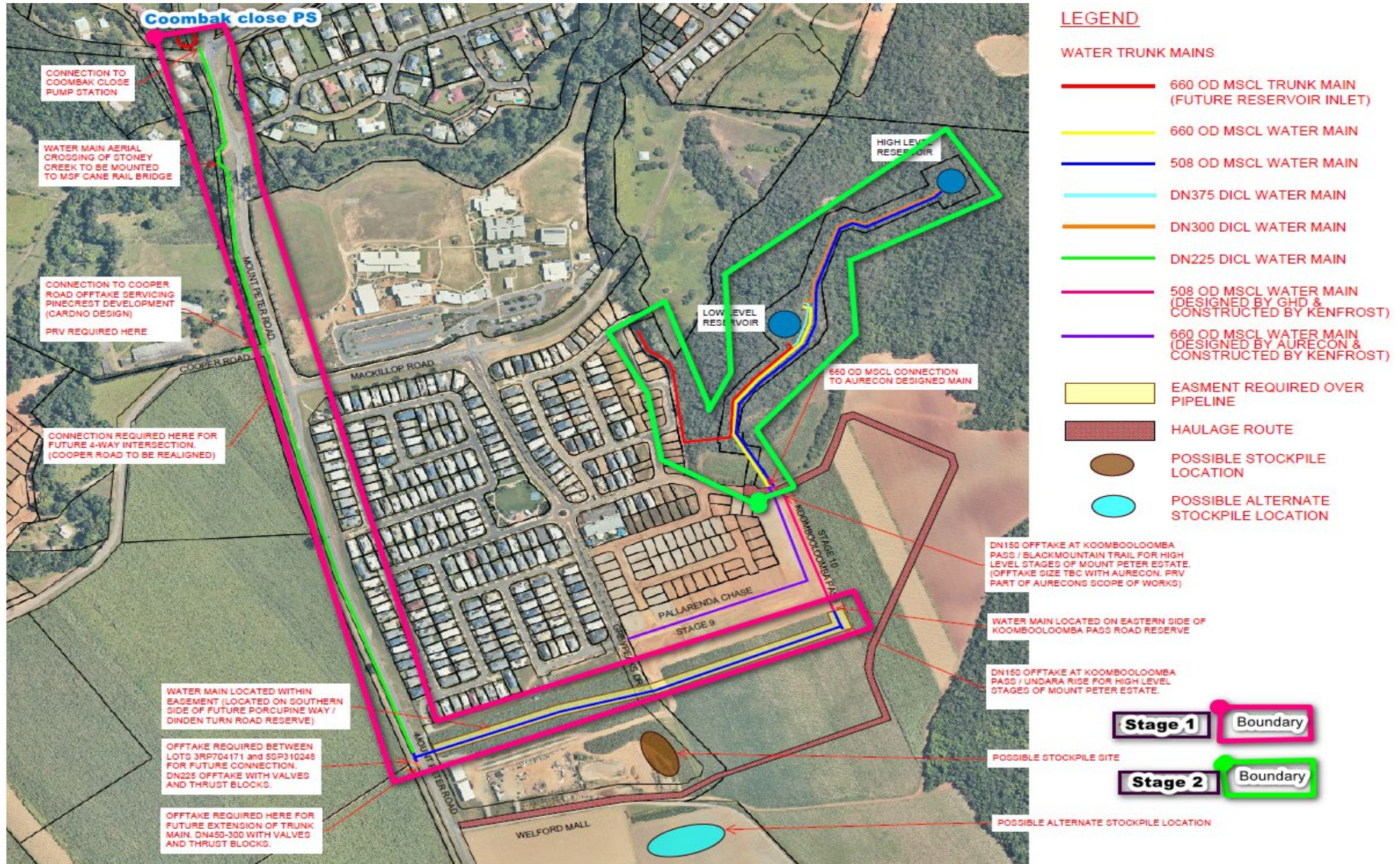


Sarah Stephen
Associate Director Engineering Services



Mark Wuth
Director Cairns Infrastructure and Assets

Attachment 1 – Delivery Stage Plan



Attachment 2 – Tender Consideration Plan

TENDER CONSIDERATION PLAN In accordance with s230 of the *Local Government Regulation 2012*

SUPPLY OF WATER PIPES

Background

Construction of the Mount Peter High Level Reservoir and Associated Infrastructure project is proposed to commence in December 2023. The design specifies the use of welded mild steel cement lined water pipe as this system provides superior strength, durability and the fully restrained jointing system eliminates the need for the substantial and costly thrust block structures that would be required for other pipeline systems.

Objectives

To invite quotations from selected pipeline suppliers identified from market research and professional experience, and to ensure timely delivery of the pipeline materials.

To ensure that regard is had to the sound contracting principles contained within Section 104(3) of the *Local Government Act 2009*.

- (a) value for money; and
- (b) open and effective competition; and
- (c) the development of competitive local business and industry; and
- (d) environmental protection; and
- (e) ethical behaviour and fair dealing.

Achievement of the Objectives

The objectives shall be achieved by the procurement of the pipeline system within the stipulated timeframes as identified by Council's required construction program, whilst having regard for the sound contracting principles contained within the *Local Government Act 2009*.

Measurement of Achievement

Measurement shall be based on pricing, quality of service and timeliness of supply. All quotations will be evaluated against pre-determined selective criteria that will ensure that the response most advantageous to Council is recommended.

Alternative ways of achieving the objectives and why they were not adopted

An alternate way of achieving the objective of obtaining the pipeline system would be by an open invitation for tenders. This method is not recommended for the following reasons:

- Council's market research has confirmed that there are limited suppliers available for these specialist products and the public tender process would require additional time and administration cost with no improved outcome.

- Pipeline suppliers generally subcontract to major civil contractors which typically call quotations for subcontracts by direct invitation only. The pipeline suppliers are therefore not accustomed to responding to invitations for tenders advertised by Councils or Government departments. This is evidenced by:
 - o Known suppliers did not respond to Council's recent tender for Register of Prequalified Suppliers (ROPS) 2789 Trade Services and Supplies
 - o Known suppliers are not prequalified with the Queensland Department of Transport and Main Roads (TMR)
 - o Known suppliers are not prequalified under any of the Local Buy procurement arrangements.
- For the successful outcome of a public tender process, Council would still need to individually invite known suppliers to respond. This would defeat the purpose of the public invitation and it may create the perception of preference or favouritism which the tender process is intended to avoid.

Another alternative would be to procure the pipeline system through one of the plumbing suppliers approved under Council's existing Preferred Supplier Arrangements. This method is not recommended as this would only add further on-cost and contractual complexity and risk.

Proposed Terms of the Contract for Goods and Services

Council's Standard Terms and Conditions (Goods and Services) will form the basis of the request for quotation document.

Risk Analysis

Risks identified with this plan are as follows:

- (1) Pricing – at least three suppliers will be invited to provide quotations and this will ensure pricing is competitive.
- (2) Quality – will be managed in accordance with the request for quotation document, the technical specifications and Council's Standard Terms and Conditions (Goods and Services)
- (3) Timeliness – will be managed in accordance with the request for quotation document, the technical specifications and Council's Standard Terms and Conditions (Goods and Services)
- (4) Availability – will be considered as part of the quotation selection criteria in order to meet the required timeframes.
- (5) Material supply – early ordering of materials will mitigate the risk of delay.

Recommendation

It is recommended that Council adopts this Tender Consideration Plan and directly invites quotations from selected pipeline suppliers:

- Reece Australia Pty Ltd
 - HVAC Australia Pty Ltd
 - Steel Mains Pty Ltd
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Local Government Regulation 2012

230 Exception if quote or tender consideration plan prepared

(1) A local government may enter into a medium-sized contractual arrangement or large-sized contractual arrangement without first inviting written quotes or tenders if the local government—

- (a) decides, by resolution, to prepare a quote or tender consideration plan; and
- (b) prepares and adopts the plan.

(2) A ***quote or tender consideration plan*** is a document stating—

- (a) the objectives of the plan; and
- (b) how the objectives are to be achieved; and
- (c) how the achievement of the objectives will be measured; and
- (d) any alternative ways of achieving the objectives, and why the alternative ways were not adopted; and
- (e) the proposed terms of the contract for the goods or services; and
- (f) a risk analysis of the market from which the goods or services are to be obtained.