

4.2 ATHERTON ROAD, OAKLEIGH – STAGE 2 ROAD RECONSTRUCTION & STREETScape ENHANCEMENT

(JK: File No. CF 2018193)

Responsible Director: Ossie Martinz

RECOMMENDATION**That Council:*

1. *Notes and supports the additional funding of of \$227,594.74 (GST Excl.) for works generated from latent conditions & construction issues and variations to the Council approved and revised contract CF2018193 (Atherton Road - Stage 2 Road Reconstruction & Streetscape Enhancement).*
2. *Notes that these works were approved by the CEO as provided in the Procurement policy (clause 2.4.2.2) which relates to exceptional circumstances and allows for CEO approval of works to complete the project. The required works only became known during the project completion.*
3. *Notes the overall anticipated project expenditure of **\$6,858,134.46** (GST excl.) which includes the revised contract amount for ACE Landscape Services Pty Ltd and all additional project costs outside of the contract.*

INTRODUCTION

The purpose of this report is to inform Council of the variation to the Council awarded Contract CF2018193 with Ace Landscape Services Pty Ltd (ACE) for the Stage 2 Reconstruction & Streetscape Enhancement of Atherton Road in Oakleigh and the additional funding for the project.

The revised contract sum with ACE exceeds the Council approved contingency & provisional sums beyond CEO delegation and requires council approval.

The report also informs Council of the increase in project costs for a range of items including latent conditions associated with asphalt works, additional asphalt works, night works, additional pavement marking costs etc.

BACKGROUND**July 2018**

A contract was awarded at the July 2018 Council Meeting to Ace Landscape Services Pty Ltd for the Lump Sum Price of \$4,773,843.32 (GST Incl) or \$4,339,857.56 (GST Excl) for the works.

Council approved an overall project expenditure amount of \$6,397,600 (GST Incl.) or \$5,816,000 (GST Excl.) for these works. This included additional costs of \$1,476,142.40 (GST Excl) for project works required outside the contract for service alterations, project management fees etc. Included within these additional costs was a contingency amount of \$830,608.02 (GST Excl), to be applied to the contract works to cover unforeseen items including unknown underground services and to make due allowance for the complexity of the works.

July 2019

Council approved contract variations and an additional budget allocation to fund costs associated with latent conditions and unforeseen project costs identified up to that stage of construction.

Council approved a revised Lump Sum Contract price of \$5,496,689.30 (GST Excl) for the contract with ACE and also approved an overall Project Budget of \$6,630,539.72 (GST Excl.) for these works.

May 2020 – Contract Finalisation

During the delivery of the works various latent conditions have been encountered that have led to variations resulting in the entire additional funding (approved by Council in July 2019) being expended. Variations (totalling nearly \$1M) submitted by the contractor for the additional works were analysed and found to be inconsistent and unreasonably high.

Protracted contract negotiations to resolve these issues have been ongoing since December 2019 and agreement on the value of the variations only recently finalised (including deductions/credits due to Council).

The additional variation costs post July 2019 include:

- Deep lift asphalt patching/pavement reconstruction. Some pavement failure was observed during the construction works and further geotechnical and pavement testing identified significant asphalt work was required to the roadway
- extended asphalt works into side streets off Atherton Road (Incl. Hanover Street)
- costs associated with carrying out all asphalt works at night to minimise community and trader disruption
- additional pavement marking for the inclusion of bike lanes and green surfacing at intersections to support the bike lane markings
- additional costs for the provision of and installation of the smart light poles to avoid costly service alterations
- additional cost for installation of WSUD pits beyond the budgeted allowance
- supply & installation of barrier hoops to protect newly planted vegetation including temporary barriers
- sewer alterations works

The cost of these works were separately priced by both ACE and other suppliers. It was determined that ACE's offer provided the most cost competitive and best value outcome to Council. The barrier hoops and sewer co-ordination works were included in ACE's contract to avoid any dispute on demarcation, possible damage or defect/maintenance issues.

The increases to the contract value is attributable mainly to the deep lift asphalt/pavement reconstruction costs, pavement marking costs and protective hoop fencing costs.

FINANCIAL & CONTRACT IMPLICATIONS

The contract award & applicable variations to the contract are summarised below and are to be managed within the 2019/20 Capital Works Program.

Initial CEO approval was sought and granted under Council's Procurement Policy (exceptional circumstances clause 2.4.2.2) which allowed for the completion of the contract works and for payments to be made to ACE as required.

CONTRACT RECONCILIATION	GST exclusive
--------------------------------	----------------------

Final anticipated ACE Contract Sum	\$6,222,832.17
Revised Council Approved Contract Sum as per July 2019 report	\$5,496,689.30
Approval Required for Variation to contract for CF 2018193 (asphalt, fence hoops, sewer co-ord. works, smart pole, WSUD)	\$726,142.87
FINANCIAL RECONCILIATION	GST exclusive
Final Contract Sum	\$6,222,832.17
Contract payments made to date	<u>\$5,036,784.43</u>
Outstanding amount required to finalise ACE contract & complete the project	\$1,186,047.74
Current Project funds available	<u>\$958,453</u>
Additional funding required to finalise Project	<u>\$227,594.74</u>
Anticipated Final Project expenditure	\$6,858,134.46

The additional funds required for the project will be managed within the overall 2019/20 Capital Works Program expenditure.

CONCLUSION

That the recommendations of this report be adopted.