

Nicholas Street - Ipswich Central Tender Consideration Plan: Retail Project Audit and Cost Consultants

21 November 2019



Contents

1.	BACKGROUND	3
1.1	INTRODUCTION	3
1.2	CIVIC PROJECT	3
1.3	RETAIL PROJECT ERROR! BOOKMARK NOT DEFINED.	
2.	SUPPLIER DETAILS	5
3.	OBJECTIVES	5
4.	HOW WILL OBJECTIVES BE ACHIEVED	6
5.	HOW WILL ACHIEVEMENT OF OBJECTIVES BE MEASURED.....	7
6.	IDENTIFICATION & ANALYSIS OF ALTERNATIVES:.....	7
7.	PROPOSED TERMS OF CONTRACTS.....	8
8.	RISK ANALYSIS OF MARKET FROM WHICH SERVICES ARE TO BE OBTAINED:	8
9.	SUMMARY	10

1. BACKGROUND

1.1 INTRODUCTION

Section 230 of the *Local Government Regulation 2012* allows a local government to enter into medium and large contractual agreements, without first inviting written quotes or tenders, through the preparation and adoption of a Tender Consideration Plan (TCP). This TCP provides the information required to comply with the regulation and to justify the use of the plan as an effective and appropriate alternative to seeking quotes or to calling for open tenders for the following activities:

- Retail Project Audit Consultants (selected disciplines)

1.2 RETAIL PROJECT

Ipswich City Council (Council) is currently undertaking a major redevelopment of the Ipswich CBD referred to as Nicholas Street - Ipswich Central. A combination of Council-owned assets makes up the entire project site intermixed with existing and heritage commercial buildings.

The five Council-owned retail buildings across the Nicholas St precinct are:

- Metro A
- Metro B
- Eats
- Venue
- Commonwealth Hotel (this is treated separately under its own TCP submission).

Refer to the Figure 1 below of the Nicholas St precinct plan showing the location of each building.

Figure 1: Nicholas St Precinct Plan



Council resolved at its meeting on 28 October 2019 to proceed with the development strategy for the Nicholas Street precinct and recommended development of Venue, Eats and Metro B while deferring the Metro A building works pending further lease deals being sourced.

It is proposed that Hutchinson Builders as the existing head contractor for the Civic Project undertake a 2-stage D&C process for the delivery of the Retail Variation within the Nicholas St, Ipswich CBD precinct. This methodology is subject to approval of a separate Tender Consideration Plan submitted to Council.

Stage 1 was approved to proceed by Council on 28 October 2019, and Hutchinson Builders are underway with progressing the approved Schematic Design and sourcing competitive trade pricing. Subject to Council's approval of Hutchinson Builder's submitted design and pricing, the Stage 2 delivery of the retail works are proposed to be a contract variation to the existing Civic project contract.

Hutchinson Builders has elected not to take some of the original design consultants for the D&C phase. In particular, Bornhorst & Ward (B&W) and WSP who have been responsible for the structural and building services designs respectively for the retail project to date. This makes B&W and WSP available to continue their current engagement with the Principal and fulfil the role of Audit Consultant and peer review the D&C Contractor's design as it progresses to Construction Documentation.

It is also recommended to continue the engagement of Rider Levett Bucknall (RLB) as independent cost consultant for the Principal through the D&C project delivery phase of the Retail Variation to provide ongoing audit and review services to ensure value for money is achieved across all financial parameters.

Cambray consulting is the traffic engineering audit consultant already engaged on the adjacent Civic Project and it is recommended to extend their current engagement across to the Retail Project.

Due to their history with the project, it is proposed that the engagements of all nominated consultants be extended for the Retail Project works. This will enable the timely continuation of the retail development program and maintain the intellectual knowledge these consultants have across the entire project.

2. FINANCIAL

2.1 VALUE FOR MONEY

Fee proposals for the audit roles received from consultants will be assessed by the project's independent cost consultant RLB against market rates for audit consultant roles from similar projects.

RLB's fee proposal will be benchmarked against engagements completed to date for both the Civic and Retail Projects.

Economies of scale will be achieved by leveraging RLB's existing Civic project engagement. For example, RLB are already engaged to undertake site visits and assessment of variations and monthly claims for the Civic Project so extending their scope to include the Retail Project variation will not increase costs in the same proportion as a standalone engagement.

2.2 ESTIMATED VALUES

Estimated engagement values are estimated to total \$178,000 for the audit services to be provided by the nominated suppliers. The engagements are estimated to fall into the category of medium sized contract arrangements as defined by the *Local Government Regulations 2012* based on the total aggregate value across the retail work.

3. SUPPLIER DETAILS

The following Project suppliers which provide consultancy and contracting services in relation to the redevelopment of the CBD, are recommended to be directly engaged by ICC according based on the engagement types described below:

NO.	AUDIT DISCIPLINE	PROPOSED CONSULTANT	ENGAGEMENT TYPE
1.	Structural	Bornhorst and Ward	Variation to extend existing Retail Project engagement with Council.
2.	Building Services, including: Mech, Elec, Fire, Hydraulic & Acoustic	WSP	
3.	Quantity Surveyor	Rider Levett Bucknall	
4.	Traffic	Cambray	Variation to extend existing engagement on Civic Project.
5.	Architectural	(tbd)	To be sourced in compliance with Council's procurement policies.
6.	Other	(tbd)	

4. OBJECTIVES

This tender consideration plan is intended to fulfil the following objectives:

	OBJECTIVES
1.	Document Council's decision not to seek multiple quotes or tenders for consultants already engaged for the Retail or Civic Projects and agree to extend the respective engagements to undertake audit consultant roles for the Retail Project.
2.	Retain knowledge of existing consultants and work completed to date to achieve the best timeframes, lowest risk and fair value for Council.
3.	Identify, manage and mitigate key risks associated with direct engagement of consultants.

5. HOW WILL OBJECTIVES BE ACHIEVED

The objectives identified for the TCP in Section 3 will be achieved by the actions detailed in the following table:

	OBJECTIVE	ACHIEVED BY
1	Document Council's decision not to seek multiple quotes or tenders for consultants already engaged for the Retail or Civic Projects and agree to extend their respective engagements to undertake audit consultant roles for the Retail Project.	<p>Consideration of the five sound contracting principles outlined in the <i>Local Government Act 2009</i>.</p> <p><u>1. Value for Money</u></p> <p>The independent cost consultant RLB will review and benchmark fee submissions from consultants against market rates from similar projects.</p> <p><u>2. Open Competition</u></p> <p>A competitive tender process was initially undertaken to appoint the nominated consultants on either the Civic or Retail Projects.</p> <p><u>3. Development of competitive local business and industry</u></p> <p>The nominated consultants all have a local presence in the South East Queensland region, hence contributing to the development of the local industry economy.</p> <p><u>4. Environmental Protection</u></p> <p>The retention of existing consultants across the entire site is expected to mitigate the probability of errors that would increase the risk of environmental harm.</p> <p><u>5. Ethical Behavior and Fair Dealing</u></p> <p>Incumbent consultants hold a significant advantage over other market participants so it would be problematic to subject other market participants to a tender process which they are unlikely to be successful in, thus reducing the tendering burden on the industry.</p>
2	Retain knowledge of existing consultants and work completed to date to achieve the best timeframes, lowest risk and fair value for Council.	Removing likely delays associated with an incoming consultant getting up to speed with the project and preventing loss of implicit knowledge and IP if an existing consultant were to leave the project.
3	Identify, manage and mitigate key risks associated with direct engagement of consultants.	Evaluate levels of various risk profiles with mitigation strategies to be implemented (refer Section 9).

6. HOW WILL ACHIEVEMENT OF OBJECTIVES BE MEASURED

The following table details the measurements to confirm objectives are achieved:

	OBJECTIVE	MEASUREMENT
1	Document Council's decision not to seek multiple quotes or tenders for consultants already engaged for the Retail or Civic Projects and agree to extend their respective engagements to undertake audit consultant roles for the Retail Project.	Acceptance of this plan and the costs for consultant extensions falling within market parameters advised by RLB.
2	Retain knowledge of existing consultants and work completed to date to achieve the best timeframes, lowest risk and fair value for Council.	The timely delivery of the project in accordance with the project schedule.
3	Identify, manage and mitigate key risks associated with direct engagement of consultants.	The evaluated risk level of key risks outlined in Section 9 below are reduced by the implementation of the mitigation strategies identified.

7. IDENTIFICATION & ANALYSIS OF ALTERNATIVES:

The analysis of reasons to support the continued engagement of existing consultants to undertake the audit role for the Retail Project is set out below.

The rational for this strategy is as follows:

- Retain the intellectual knowledge these consultants have on the Retail Project due to long-standing involvement;
- Remove risks associated with historical project knowledge being lost, and retain resources and expertise currently on site and familiar with the precinct;
- Utilise the consultants who created the original Retail Project design to review and provide comment on any changes proposed by the head contractor's own D&C subcontractors;
- Remove likely delays and additional costs associated with an incoming consultant getting up to speed with the project;
- Maintain benefits of existing contractual agreements through warranties and licenses to intellectual property (IP); and,
- Continuation of Professional Indemnity coverage of existing consultants.
- Avoid delays associated with a new procurement process;
- Minimise tender management costs for Council; and

- Minimise tendering costs to industry.

The alternative option is for Council to undertake a new procurement process for the appointments of all audit consultants. The time frames of undertaking this process would mean that the project was significantly delayed and the cost of completion increased, as well as increasing overall project risk.

8. PROPOSED TERMS OF CONTRACTS

It is proposed to continue Council's standard terms and conditions that are currently used for consultant engagements.

9. RISK ANALYSIS OF MARKET FROM WHICH SERVICES ARE TO BE OBTAINED:

The key risks identified when assessing the market from which the services are obtained is the ability for the project to continue without further delay and to ensure that Council has the intellectual property, warranties etc. transferred. If the project is delayed further than the overall cost of completion of the project would escalate.

In addition,

The following general risks and mitigation strategies have been identified in relation to the extension of existing consultant engagements for the audit roles.

Financial Risk		Risk Level
Event	Suppliers may choose not to accept a revised scope of work and timing	
Likelihood	Unlikely	Low
Consequence	Minimal	
Mitigation	Initial discussions with all parties have indicated that the nominated consultants are willing and able to perform their respective audit consultant roles within the proposed budgets.	

Legal & Governance		Risk Level
Event	Consultants may refuse to use Council's standard terms.	
Likelihood	Unlikely	Low
Consequence	Minimal	
Mitigation	Extension of existing contractual engagements effectively removes this risk.	

Political / Reputation		Risk Level
Event	Other market participants may be discouraged at missing the opportunity to become involved in the project.	

Likelihood	Unlikely	Low
Consequence	Minimal	
Mitigation	The political and reputational risks of seeking quotes for disciplines where an incumbent holds a significant advantage is potentially more harmful to the market.	

Community and Environment		Risk Level
Event	None	
Likelihood	N/A	N/A
Consequence	N/A	
Mitigation	There is no perceived Community or Environmental risk due to delivering the objectives of this TCP. However, the retention of existing consultants familiar with the work is a risk mitigation generally.	

Health & Safety		Risk Level
Event	None	
Likelihood	N/A	N/A
Consequence	N/A	
Mitigation	There is no perceived Health & Safety risk due to delivering the objectives of this TCP. However, we note that the retention of existing consultants familiar with the work is a risk mitigation generally.	

Service Delivery / Business Continuity		Risk Level
Event	Delays in executing agreements causing project or operational delays	
Likelihood	Possible	Moderate
Consequence	Moderate	
Mitigation	The extension of contractual engagements with existing contractors mitigates this risk.	

Information Confidentiality, Integrity and Accessibility		Risk Level
Event	Information and intellectual knowledge from the projects and assets is not transferred to Council.	
Likelihood	Possible	Moderate
Consequence	Moderate	
Mitigation	The extension of contractual engagements with existing contractors mitigates this risk.	

10. SUMMARY

To maintain the delivery of the retail development program and retain the intellectual knowledge of existing consultants across the entire project it is proposed that the engagements of all nominated consultants be extended to undertake audit consultant roles for the Retail Project works. This will achieve the lowest risk, best timeframes and fair value for Council

These engagements may include aggregate final values more than \$15,000 however these Consultants are registered on Local Buy:

- B&W
- WSP
- RLB
- Cambray

The following consultant disciplines will be engaged for Retail Project audit roles, if required, in accordance with Council's procurement policies:

- Architecture
- Other – to be determined

A recap of the benefits anticipated from the proposed extension of engagements is as follows:

- Retain the intellectual knowledge these consultants have on the Retail Project due to long-standing involvement;
- Remove risks associated with historical project knowledge being lost, and retain resources and expertise currently on site and familiar with the precinct;
- Utilise the consultants who created the original Retail Project design to review and provide comment on any changes proposed by the head contractor's own D&C subcontractors;
- Remove likely delays and additional costs associated with an incoming consultant getting up to speed with the project;
- Maintain benefits of existing contractual agreements through warranties and licenses to IP; and,
- Continuation of Professional Indemnity coverage of existing consultants.
- Avoid delays associated with a new procurement process;
- Minimise tender management costs for Council; and
- Minimise tendering costs to industry.