

**Meeting Date:** Wednesday 6 June 2012  
**Location:** Committee Rooms 2 and 3, Level 5, Civic Centre,  
1 Devlin Street, Ryde  
**Time:** 7.30pm

**Councillors Present:** The Mayor, Councillor Etmekdjian and Councillors Campbell, Maggio, O'Donnell, Pickering and Yedelian OAM.

**Apologies:** Councillors Li, Petch, Salvestro-Martin and Tagg.

**Leave of Absence:** Councillor Perram.

**Absent:** Councillor Butterworth.

**Staff Present:** General Manager, Group Manager – Corporate Services, Group Manager – Environment & Planning, Chief Financial Officer, Development Director, General Counsel and Manager – Governance.

### **ADJOURNMENT**

In accordance with the Code of Meeting Practice, as there was not a quorum at 7.30pm the meeting was adjourned to reconvene as follows:

- 8.00pm
- Wednesday, 6 June 2012
- Committee Rooms 2 and 3, Level 5 Civic Centre, 1 Devlin Street, Ryde

### **MEETING RECONVENED**

On the meeting being reconvened by the Mayor, Councillor Etmekdjian, at 8.00pm, no quorum was present.

In accordance with the Code of Meeting Practice, as there was not a quorum all matters will be determined by Council at its meeting to be held 12 June 2012. This is in accordance with Council's Code of Meeting Practice and the Civic Precinct Committee's delegation. In respect of Item 2 – City of Ryde Precinct Redevelopment Tender, the report as amended will be referred to Council.

The following Councillors were in attendance at that time:

The Mayor, Councillor Etmekdjian and Councillors Campbell, Maggio, O'Donnell, Pickering and Yedelian OAM.

The meeting closed at 8.00pm.

CONFIRMED THIS 7TH DAY OF AUGUST 2012.

Chairperson

## 2 CITY OF RYDE PRECINCT REDEVELOPMENT TENDER

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**Report prepared by:** Development Director - Civic Precinct Project

**Report dated:** 28/05/2012

**File No.:** GMG/10/1/2/7 - BP12/642

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### REPORT SUMMARY

This report summaries progress on the procurement actions and describes the tendering process and identifies an appropriate development partner required to complete Stage 3 of the Civic Precinct Redevelopment in accordance with the Council Resolution for item 2 'Civic Precinct Program, Procurement, Budget and Financial Position Update' of the Extraordinary Council Meeting No. 17/11 of 18 October 2011.

It presents refinement to previous costing assumptions and the financial impact of the current development proposal on Council's long term financial position.

It describes key features of the preferred tender and outlines an indicative timetable should Council seek to proceed with a development partner to redevelop the Civic Precinct.

It projects that by proceeding as recommended; after ten years time, Council improves its balance sheet with an uplift of \$53.2 million and increases its land and asset value to \$79 million. To achieve this Council will outlay a net cash contribution of \$5.8 million.

An Executive Summary – Ten year view of each option (**ATTACHMENT A – CIRCULATED UNDER SEPARATE COVER**) which compares the strengths and weaknesses between the three options of 'Do Nothing', the 'Refurbishment Option' and the 'Development Option' identifies the reasons to proceed with negotiations with Lend Lease Development Pty Ltd.

### RECOMMENDATION:

1. That Council note the report from the General Manager, and the report from the tender evaluation panel (**ATTACHMENT E – CIRCULATED UNDER SEPARATE COVER – CONFIDENTIAL**), in relation to responses received from Lend Lease Development Pty Limited and Billbergia Pty Limited/Frasers Property Australia Pty Limited to the Request for Tenders.

That Council adopts the recommendation from the tender evaluation panel as reviewed and approved by the General Manager and not accept either tender on the basis that whilst the tenders received demonstrated substantial compliance with Council's project objectives of community benefit, revitalisation, design, sustainability, financial viability and traffic, the tenders displayed deficiencies in the following areas:

**ITEM 2 (continued)**

- (a) Council's preferred financial objectives were not fully achieved;
- (b) the proposed risk allocations were not fully in accordance with Council's preferred risk profile;
- (c) certain elements of Council's performance brief were not fully complied with;  
and
- (d) the form of the tenders submitted were not sufficiently legally certain and complete as to enable Council to accept them.

**And that Council resolves** that having regard to clause 178(1) of the Local Government (General) Regulation 2005 and having regard to the tenders received in response to the Request for Tenders, the recommendations of the General Manager and the recommendations from the tender evaluation panel, no tender be accepted.

2. That Council notes the recommendations of the General Manager and the tender evaluation panel that Council (subject to confirmation of Lend Lease board approval) enter into negotiations with Lend Lease Development Pty Limited with a view to concluding a contract, on the basis of the reasons set out in the confidential report from the tender evaluation panel:

**And that Council resolves** that having regard to clause 178(3)(e) of the Local Government (General) Regulation 2005 and having regard to the recommendations of the General Manager and the tender evaluation panel, to further the procurement process for the selection of an appropriate development partner (subject to confirmation of Lend Lease board approval) by entering into negotiations with Lend Lease Development Pty Limited with a view to entering into a Project Delivery Agreement (and all documents referred to as Project Documents in the Project Delivery Agreement) preferably by August 2012 in relation to the Ryde Civic Redevelopment for the reasons that:

- (a) the tender submitted by Lend Lease Development Pty Limited achieved a superior ranking by the tender evaluation panel and subsequent meetings with both proponents to appreciate areas where negotiations might result in improvements to Council's position confirmed this ranking; and
- (b) other options available to Council such as inviting fresh tenders or fresh applications from other persons or Council implementing one of several options ie: 'Do Nothing' or 'Refurbishment' or carrying out the redevelopment itself would not achieve a more satisfactory result for the following reasons:
  - (i) the procurement process involving an expressions of interest and request for tenders has fully tested the market and any new tender process would be unlikely to produce a better result;

**ITEM 2 (continued)**

- (ii) any new tender process would involve Council in substantial additional costs without any certainty of a better result;
  - (iii) any new tender process would involve a reputation risk to Council with tenderers being exposed to the substantial costs of tendering and having potentially lacking confidence in Council's process;
  - (iv) the 'Do Nothing' option would lead to ultimate building failure over the next five to seven years;
  - (v) the 'Refurbishment Option' will incur considerable additional costs to Council over the next ten years which would be significantly greater than the final net cost of proceeding with a Project Delivery Agreement with Lend Lease Development Pty Limited and in doing so would leave Council significantly disadvantaged; and
  - (vi) as previously advised to Council, Council does not have the experience, capability, risk appetite or the cash available to undertake the project itself.
3. That Council note the recommendations of the General Manager that Council enter into a Project Development Agreement (and all documents referred to as Project Documents in the Project Delivery Agreement) with Lend Lease Development Pty Limited on terms the General Manager approves and is reasonably satisfied are substantially consistent with or more favourable to Council than, the Commercial and Risk Principles set out in Confidential Attachment G.

**And that Council resolves** that Council enter into a Project Delivery Agreement (and all documents referred to as Project Documents in the Project Delivery Agreement) on terms approved by the General Manager and which he is reasonably satisfied are substantially consistent with or more favourable to Council than, the Commercial and Risk Principles set out in **ATTACHMENT G - CIRCULATED UNDER SEPARATE COVER - CONFIDENTIAL**.

4. That Council notes the recommendation that Council delegates to the General Manager the authority to negotiate with Lend Lease Development Pty Limited with a view to finalising and executing the Project Delivery Agreement (and all documents referred to as Project Documents in the Project Delivery Agreement) on terms approved by the General Manager and which he is reasonably satisfied are substantially consistent with or more favourable to Council than, the Commercial and Risk Principles set out in Confidential Attachment G.

**And that Council resolves** that pursuant to section 377(1) of the Local Government Act 1993, Council delegates to the General Manager the authority to finalise and execute the Project Delivery Agreement (and all documents referred to as Project Documents in the Project Delivery Agreement) with Lend Lease Development Pty Limited once he has approved the final form of that

**ITEM 2 (continued)**

documentation and is reasonably satisfied the documentation is substantially consistent with or more favourable to Council than, the Commercial and Risk Principles set out in Confidential Attachment G.

That Council notes that a funding option offered by Lend Lease Development Pty Limited provides the best financial return to Council through the delivery of a low cost of capital solution by utilising Council's ability to borrow funds at a much lower levels than Lend Lease's cost of capital.

**And that Council resolves** that it prefers the Lend Lease funding option and authorises the General Manager to undertake a tender process to provide the most advantageous outcome for Council for a \$35 million loan over a six year period, where the principal and interest is guaranteed by Lend Lease to Council and the funding is provided at no net cost to Council, the details of which will form part of the Project Delivery Agreement.

5. That Council notes that Stage 3 of the Civic Precinct project will be achieved upon the completion of negotiations with a preferred development partner.

**And that Council Resolves:**

- (a) to implement Stage 4 in accordance with these recommendations and the indicative program provided in this report and maintain the Civic Precinct development team of contractors/consultants to do so and extend the delegation of the General Manager pursuant to section 377(1) of the Local Government Act 1993, to negotiate extensions of procurement arrangements and execute all relevant documentation with external providers for Stage 4, where Council's commitment to those providers will exceed \$150,000 over all 4 stages of the project; being:
- (i) Forbrook Group Pty Ltd;
  - (ii) Kathy Jones and Associates; and
  - (iii) Michael Collins and Associates, and
- (b) that pursuant to section 55(3) of the Local Government Act 1993, that a satisfactory result would not be achieved by inviting tenders for the services to be provided by the external providers (as listed above) because of extenuating circumstances, by reason that a costly tender process to procure new external providers would not achieve a satisfactory result having regard to:
- (i) the whole of life costs for the project when taking into account the amount of time, risks and resources that may be required to brief new consultants;

**ITEM 2 (continued)**

- (ii) Council's desire for continuity in the project and the intellectual property held by those external providers in relation to the project; and
- (iii) the timetable adopted by Council to progress to Stage 4,

and accordingly, that Council will not be inviting tenders for the services to be provided by the external providers (as listed above).

6. That Council notes that until such time as Council resolves to proceed with the Civic Precinct redevelopment, or commits to a 'Do Nothing' approach, that Council is unable to integrate the financial models relating to this report into its Four Year Delivery Plan and its Long Term Financial Plan.

**And that Council Resolves:** to adjust its Four Year Delivery Plan and its Long Term Financial Plan to reflect the impacts of the Lend Lease funding option as outlined in the confidential attachments to this report and finalised by negotiation with the General Manager.

**ATTACHMENTS – CIRCULATED UNDER SEPARATE COVER**

- 1 Attachment A - Executive Summary
- 2 Attachment B - WT Memorandum
- 3 Attachment C - Lend Lease Images
- 4 Attachment D - Probity Assurance Report
- 5 Attachment E - Evaluation Report – (CONFIDENTIAL)
- 6 Attachment F - Legal Risks and Financial Overview – (CONFIDENTIAL)
- 7 Attachment G - Commercial and Risk Principles – (CONFIDENTIAL)

Report Prepared By:

**Mitch Corn**  
**Development Director - Civic Precinct Project**

Report Approved By:

**John Neish**  
**General Manager**

## ITEM 2 (continued)

### Discussion

#### History

At the Extraordinary Council Meeting held on 18 October, 2011, Council resolved *inter alia*:

1. *That Council determine to progress to the end of stage 3 and delegate the General Manager to undertake an EOI and tendering process in accordance with Option 1 as outlined in this report, and a further report recommending a preferred development partner be presented to Council by August 2012.*
2. *That the procurement process for tendering and selecting an appropriate development partner for a private public partnership with the City of Ryde be designed so that the selection criteria:-*
  - *Provides appropriate options for the provision of community, civic and administration facilities (as previously discussed with Council) located in Top Ryde.*
  - *Evaluates design excellence and sustainable practices (minimum 4 green star rating for the residential component and 5 green star rating for the commercial and civic elements) as a significant element of the evaluation process.*
  - *Evaluates overall site massing and urban design.*
  - *Evaluates quality of the design and the reputation of the design team nominated.*
  - *Evaluates demonstrated experience in building/developing multi million dollar mixed use developments.*
  - *Evaluates demonstrated financial integrity.*
  - *Evaluates commercial offer to Council.*
  - *Evaluates the standard and quality of the facilities, finishes and fit out offered in exchange for land sale.*
3. *That Council delegates to the General Manager the authority to negotiate extensions of procurement arrangements and execute all relevant documentation with four Civic Precinct team external providers (as listed in the information separately provided), where the commitment will exceed \$150,000 over Stages 1, 2 and 3 of the project (exercising Council's ability to resolve not to go to open tender when extenuating circumstances exist as per section 55(3) of the Local Government Act 1993).*

Upon receipt of legal advice Council resolved on 22 November 2011 to amend the *private public partnership*, noted in item 2 (above), to remove the words *private* and *public*.



## ITEM 2 (continued)

The recommendations of the General Manager's Report to Council dated 11 October, which were considered and resolved upon in the Council meeting of 18 October 2011 cited the following attachments, all previously made available to Councillors:

Ryde Civic Precinct Committee Agenda - 9 December 2008  
Ryde Civic Precinct Committee Minutes - 9 December 2008  
Ryde Civic Precinct Committee Agenda - 16 March 2010  
Ryde Civic Precinct Committee Minutes - 16 March 2010  
Report to Council and Minutes extract - 14 December 2010  
Ryde Civic Precinct Committee Agenda - 11 May 2011  
Ryde Civic Precinct Committee Minutes - 11 May 2011  
MCA Report (peer review analysis summary)  
KJA Consultation report  
KJA Attachment document  
Council report - 11 October 2011  
BCA Review - Ryde Civic Centre - 14 June 2011  
Regular Project Plan (to be available on A3)  
Delayed Project Plan (to be available on A3)  
*CONFIDENTIAL ATTACHMENTS*  
Civic Precinct Redevelopment Procurement of Consultants' Services -  
Final Probity Advice

Since 18 October 2011, matters relating to the Civic Precinct Redevelopment have been brought to the attention of the Councillors as follows:

- Mayoral Minute 16/11 – 22 November 2011
- Amended Planning Proposal Results of Community Consultation - Ryde Civic Precinct – 13 December, 2011 with Attachments;
- Ryde Civic Precinct - Amended Planning Proposal (Inc. Summary of submissions and Original Planning Proposal)
- Shadow diagrams - Civic Centre Building and the Concept Plan for the Civic
- Planning Proposal Results of Community Consultation - Ryde
- Civic Precinct
- Ryde Civic Precinct Committee Agenda – 21 February 2012 with Attachments;
- Civic Precinct Planning and Tender Program Stages 3-4 - 14 02 2012
- Evaluation Panel Members' CVs
- OCM Probity Assurance Report COR-EOI 4-11
- SUM Risk & Audit Report COR-EOI 4-11
- Council Meeting Minutes – 28 February 2012
- Council Meeting Agenda – 27 March 2012 with Attachments,
- Probity Advice

**ITEM 2 (continued)**

- Probitry Management Plan
- Council Meeting Minutes – 27 March 2012

On 11 April 2012 (and in accordance with the probity and legal advice) Councillors were provided copies of the request for tender documentation.

Councillors also received individual copies of the original Planning Proposal Concept Plan (which was previously summarised for Council and placed on public exhibition).

Ryde Civic Precinct Committee Agenda – 1 May 2012 with Attachments;

- Procurement - Expression of Interest (EOI) and Tendering Process program -Stages 3-4
- External Evaluation Panel Members CV's
- Tender Compliance Summary
- Proposed Functional Areas Schedule

Council Meeting Minutes – 8 May 2012

**Discussion****1. Procurement – Expression of Interest (COR-EOI 04/11)****Refer to ATTACHMENT E - EVALUATION REPORT – (UNDER SEPARATE COVER – CONFIDENTIAL)**

The Expression of Interest, COR-EOI 4/11 was advertised to the open market via newspapers and Council's website on 22 November, 2011. Documentation was made available on Tenderlink in two parts.

Part One provided the background to the project, its scope and commercial framework. Part Two was accessible to proponents only upon satisfactory completion of a confidentiality deed and a statement of GST registration, followed by payment of a document access fee of \$500.

Ninety two organisations downloaded a copy of Part One.

Nine organisations lodged submissions at the close of the Expression of Interest (EOI) at 10am on 23 December 2011. They were:

- All Park Products
- Billbergia Pty Ltd
- Crown Group Pty Ltd
- Frasers Property Australia Pty Ltd

**ITEM 2 (continued)**

- Ryde Civic Consortium, consisting of
  - J. Hutchinson Pty Ltd
  - Galileo Funds Management
  - Scott Carver & Associates
- Leighton Properties Pty Limited
- Lend Lease Development
- Mirvac Projects Pty Limited
- Payce Consolidated Limited

A total of nine EOI submissions were received and assessed by the Request for Tender (RFT) Evaluation Panel. Following assessment of all submissions, and in conformance with the recommendations of the Evaluation Panel, the General Manager approved a short list of four proponents for the RFT stage.

Consequently, on 10 February 2012, the following organisations were invited, and accepted, the invitation to participate in the RFT process:

- Billbergia Pty Ltd
- Leighton Properties Pty Limited
- Lend Lease Development Pty Limited.
- Mirvac Projects Pty Limited

Billbergia subsequently requested permission (which was granted following advice from the Project's legal advisor) to modify its core team for the tender process to include Frasers Property Australia Pty Ltd in a joint venture arrangement.

**2. Procurement – Request for Tender (COR-RFT 02/12)**

Refer to **ATTACHMENT E - EVALUATION REPORT – (UNDER SEPARATE COVER – CONFIDENTIAL)**

The RFT documentation was formally issued to the four short listed organisations on 10 February 2012 requesting them to complete eleven Returnable Schedules. Five of these schedules were mandatory criteria, in that omission from a submitted tender would render the tender non-compliant. Six were evaluation criteria, being the key items upon which submitted tenders would be judged.

During the initial part of the tender period the short listed organisations were invited to attend individual workshop meetings, to which they all assented, and these were held in the presence of the Probity Advisor and Council's Internal Auditor. The meetings served to confirm Council's requirements of the project, provide information on planning and land ownership issues and raise awareness of the overall program, being:

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Agenda of the Civic Precinct Committee Report No. 3/12, dated Wednesday 6 June 2012.

**ITEM 2 (continued)**

<b>RFT Process</b>	<b>Indicative Dates</b>
Request for Tenders issued	10 February 2012
Closing date for submission of Tenders	10 April 2012
Notification of Successful Tenderer	15 June 2012
Legal Documentation executed with Successful Tenderer	31 July 2012
<b>Project</b>	<b>Indicative Dates</b>
Development Application lodged by Successful Tenderer	April 2013
Development Consent granted	October 2013
Commence Construction of New Council Office Building	February 2014
Practical Completion of New Council Office Building	February 2015
Commence Construction of New Civic Centre and ITS II	April 2015
Practical Completion of New Civic Centre and ITS II	31 July 2017*

\* *being 5 years after date of execution of legal documentation with the Successful Tenderer*

On 22 March 2012 the Evaluation Panel met to discuss the evaluation criteria and to award appropriate weightings to the criteria to reflect the importance of the issues to be assessed in any submitted tenders. It was determined to combine two Returnable Schedules. These were Returnable Schedule 7, which required completion of a risk allocation table, outline of commercial terms and mark-up of the draft project delivery agreement; and Returnable Schedule 5, *Financial Return and Risk to Council*. These were brought together into one evaluation criteria to represent correctly the importance of the financial offer to Council.

Consequently, weightings of the five evaluation criteria were:

5%	Understanding the project
10%	Capability
30%	Development Concept and Sustainability
45%	Financial Return and Risk to Council
10%	Delivery and Planning

## ITEM 2 (continued)

During the tender period (10 February 2012 to 10 April 2012 inclusive) nineteen addenda (Notices of Tender) were issued to the four proponents in response to queries they raised, to further clarify the RFT documentation and to keep the proponents aware of the status of planning controls and land acquisition matters relevant to the Civic Precinct.

On 10 April 2012 letters from Mirvac Projects Pty Limited and Leighton Properties Pty Limited were received in which they each stated that they had declined to tender. At tender close (2pm on 10 April 2012) tenders were received from:

- Lend Lease Development Pty Limited (LL), and
- Billbergia Pty Ltd in a joint venture with Frasers Property Australia Pty Ltd (as previously notified and approved) (BFJV)

These were processed in accordance with City of Ryde procedures, overseen by Council's Probity Advisor.

In accordance with the Probity Management Plan Stage 3A and 3B of the Ryde Civic Precinct Redevelopment procedures were developed to mitigate probity risks in accordance with the principles of:

- Accountability of the participants and transparency of process;
- Fairness, impartiality and honesty in carrying out the process;
- Management of actual, potential and perceived conflicts of interest
- Management of confidentiality and security of documentation and information;
- Attaining the best possible value for money under prevailing circumstances.

A number of Technical Advisors were appointed to interrogate specialist areas of the tenders but were not permitted to access the tender material until they had complied with probity documents equal to those signed by the Evaluation Panel Members.

The methodology adopted to maintain probity included limiting access to the tender documents in both hard copy and electronic formats through the use of manned and encrypted controls.

The initial part of the evaluation process required the Technical Advisors to submit their reports to Evaluation Panel. The Technical Advisors were free to use whatever analysis method they preferred, but they were restricted to a simple ranking of the tenders in their conclusions to the Evaluation Panel. Summaries of these reports are included in the Evaluation Report and the full reports are available to Councillors upon request, subject to the controls and procedures recommended by the Probity Advisor and required under the Probity Management Plan.

**ITEM 2 (continued)**

On 20 April 2012, both tenderers were accorded the courtesy of presenting their proposals to the Evaluation Panel, overseen by Council's Probity Advisor and other observers representing City of Ryde. These presentations served to clarify the submissions being tendered by each proponent, which were:

- Lend Lease: Two tenders; a Base Case and an Alternative Case, the only variation between them being the funding model used in the Alternative Case
- Billbergia Frasers Joint Venture: three tenders; a Base Case and Alternative Case, the variation between them being the design solution to the Civic Developments, and a third case structured as a BOT (Build, Operate, Transfer) funding option on the Base Case.

These presentations enabled the Panel Members to form views of the clarifications they would require of each tender. It also confirmed that the evaluation criteria and weightings they had designed to assess the tenders were valid. Subsequently clarification requests were sent to each tenderer and responses received by 29 April 2012.

At the Evaluation Panel's second meeting on 3 May 2012 the presentations, clarification responses and Technical Advisors' reports were discussed. Council's Legal Advisor, Clayton Utz, gave a summary of the presentation made to the Civic Precinct Committee at its meeting of 1 May 2012. This outlined:

- The tender process
- Evaluation and assessments
- Legal structure
- Council security
- Approval process
- Risk mitigation
- Potential risks
- Council resolution
- Next steps, and
- Timetable

In view of Clayton Utz's explanation of Regulation 178(1) of the Local Government (General) Regulations 2005, it was agreed by the Evaluation Panel, with approval in principle by Council's Probity Advisor, that the Evaluation Panel should pursue two avenues of analysis of the tenders:

1. To assess and score the tenders as they had been submitted, and

**ITEM 2 (continued)**

2. Both tenderers should be approached and made aware of the key issues that Council would wish to negotiate with each of them should Council decline to accept any tender and one or more of them be identified as a preferred party with Council to negotiate with a view to entering into a contract to undertake the Civic Precinct redevelopment.

In approaching the analysis of tenders in this manner, the Evaluation Panel took the view it would be able to make a suitable recommendation, in due course, in accordance with Regulation 178(1) of the Local Government (General) Regulations 2005, the structure of which is:

Accept one tender or decline to accept either tender (Regulation 178(1)) **and give reasons**, consequently:

- Invite fresh tenders or applications (Regulation 178(3)(b)(c) and (d)) or
- Council carries out contract itself (Regulation 178(3)(f)) or
- Postpone or cancel the contract (Regulation 178(3)(a)) or
- Have negotiations with one (or both) tenderers (Regulation 178(3)(e)) and give reasons

As a result, meetings were held with Lend Lease Development and the Billbergia Frasers Joint Venture on 7 and 8 May 2012 attended by Panel Members from City of Ryde, Michael Collins and Associates, Clayton Utz and the Probity Advisor.

Each tenderer was made fully aware of the key issues Council would wish to be resolved, should a negotiation be entered into, and each tenderer was granted until 16 May 2012 to prepare their responses to the key issues.

The Evaluation Panel met for the third time on 9 May 2012 to commence its scoring of the tenders having regard to the proponents' tenders, further developed reports from the Technical Advisors and the subsequent clarification process, but excluding the parallel but separate exploration of potential key negotiation issues.

On 9 May 2012 the Evaluation Panel resolved to reject the Billbergia Frasers Joint Venture's BOT (Build, Operate, Transfer) funding option on its Base Case on the grounds that it was not compliant with the Request for Tender documentation. The Panel formally scored the Lend Base Case, and the Billbergia Frasers Joint Venture's Base and Alternative Cases but declined to score the Lend Lease Alternative case as the effective of the funding option was not sufficiently clear to all Panel Members at that time.

At the Evaluation Panel's fourth meeting on 21 May, 2012, the scoring of the tenders was finalised with the completion of marking of the Lend Lease Alternative Case.

## **ITEM 2 (continued)**

With the clear majority opinion of the Technical Advisors rankings, a separate report by Ken Maher (Evaluation Panel Member) concerning the urban design merits of the competing schemes and the benefit of the Legal Report from Clayton Utz it was the unanimous opinion of the Evaluation Panel that:

- the Lend Lease tender submissions were significantly superior to either of the Billbergia Fraser Joint Venture tender submissions
- the Lend Lease tender submissions, both Base and Alternative cases, had the potential, subject to negotiation, to provide a superior outcome for Council than that offered in the two tender submissions from the Billbergia Frasers Joint Venture, and,
- the Lend Lease submissions were the better match to the objectives of the Civic Precinct Redevelopment as expressed in the Request for Tender, being;

### **Community Benefit**

Provide community benefits including through a multi-purpose performance space which meets the needs of the local community now and into the future.

### **Revitalisation**

Contribute to the revitalisation of the Ryde Town Centre and complement the recently completed Top Ryde City shopping centre.

### **Design**

Deliver design excellence within the planning parameters of LEP 2010 as amended by the Planning Proposal.

### **Sustainability**

Be environmentally sustainable by having the capacity to deliver 4 star Green Star residential and 5 star Green Star commercial and public buildings (or higher).

### **Financially viable**

Maximise upfront revenue to Council, whilst improving Council's assets without placing an ongoing burden on Council or rate payers, through potential land sale.

### **Traffic**

Minimise additional traffic on local roads as a result of the redevelopment. The majority of traffic is to be directed from and onto State roads (not local) in accordance with ITS I and ITS II.



**ITEM 2 (continued)**

The Evaluation Panel concluded that irrespective of the superior quality of the Lend Lease tenders neither, Base Case or Alternative Case, was sufficiently developed to enable Council to enter into a contract at this time. It was identified that there were a number of opportunities for Council to improve the Lend Lease submission (both Base Case and Alternative Case). It was agreed that entering into a project delivery agreement of this nature required further detail, analysis and negotiation in order to more probably assure a successful outcome for Council and that the documentation offered by Lend Lease could not be accepted in its current form.

The Evaluation Panel was confident that Council would most likely achieve an acceptable outcome were it able to negotiate with Lend Lease on key issues to gain appropriate surety for Council but less so with the Billbergia Frasers Joint Venture and recommended accordingly in its Evaluation Report.

Consequently in parallel with, but separate to, the Evaluation Panel's processes, deliberations and scoring of the tenders as submitted, the resources of some Evaluation Panel Members and Technical Advisors have also been focussed upon clarifying and understanding the key negotiation issues with each tenderer should one or both become a party with whom to negotiate (as described earlier). This investigative team consisted principally of:

Mitch Corn, City of Ryde, Evaluation Panel Chair  
Michael Collins, Michael Collins & Associates, Evaluation Panel Member  
Gary Best, Partner Clayton Utz, Technical Legal Advisor  
Anne Taylor, Special Counsel, Clayton Utz, Technical Legal Advisor  
Adrian Hack, Principal, Hill PDA, Technical Advisor  
Malcolm Harrild, City of Ryde, Evaluation Panel Member

The process taken to analyse fully the key negotiation issues was to:

- List the key issues borne from the Technical Advisors' draft reports, clarifications received from the tenders.
- Meet with each tenderer, explain and discuss each issue and request written responses.
- Meet with the tenderers following receipt of their responses to further understand the likelihood of their capacity to resolve the key issues should they be granted the opportunity.
- Input the tenderers' financial responses into a sensitivity analysis model allowing the investigation team to outline the impact of such sensitivities to the Evaluation Panel Members.
- Carry out this process with the probity Advisor overseeing each step to ensure adherence to the Probity Management Plan.

The principal matters under consideration during the investigation of the key negotiation issues concerned mitigating risk to Council and by so doing identifying the most advantageous financial outcome for Council.

**ITEM 2 (continued)**

**Context**

Council was made aware of the financial impact of both pursuing a development partner option or abandoning this option in the report to Council; Civic Precinct Program, Procurement, Budget and Financial in Meeting No. 17/11 of 18 October 2011.

The options available to Council were;

- Option 1 - Progress the project in accordance with program 1 (titled '*regular civic precinct program stages 3-4*').
- Option 2 - Progress the project in accordance with program 2 (titled '*delayed civic precinct stages 3-4 program*').
- Option 3 - Exit the project and delay the project indefinitely

Council resolved to pursue Option 1. This option entailed completing the following activities in accordance with an agreed program:

**Stage 3**

Tendering and Selection	To select a suitable tenderer through a formal Competitive process	<ul style="list-style-type: none"> <li>• Obtain Planning height approval</li> <li>• Formalise Council's requirements (staff amalgamation etc)</li> <li>• Finalise scopes for Council's future facilities and assets including minimum sustainable design of 4 star for residential and 5 star for community and commercial</li> <li>• Finalise project briefs and project plan</li> <li>• Finalise additional consultants to execute the approved project model</li> <li>• Document tender documents, including selection criteria</li> <li>• Competitive Tender process: call Expressions of Interest</li> <li>• Competitive Tender process: call for tender</li> <li>• Competitive Tender process: selection of tenderer</li> <li>• Finalise contractual negotiations</li> </ul>
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There remains one major task to complete should Council resolve in accordance with the resolutions provided in this Report.

**ITEM 2 (continued)**

If Council resolves to enter Stage 4 of the project the following activities would take place:

Stage 4

<p>Project Delivery</p>	<p>Development of final design and undergo Development Application process ready to commence construction.  Construction commences</p>	<ul style="list-style-type: none"> <li>• Appoint developer to prepare procurement strategy and program</li> <li>• Appoint developer and commence detailed designs</li> <li>• Developer to prepare development application and lodge</li> <li>• Design consultants to be retained for peer review</li> <li>• Public exhibition</li> <li>• Development consent issued</li> <li>• Construction certificate obtained</li> <li>• Commence construction of Community/ Civic and Council admin building</li> <li>• Relocate Council administration and the community facilities</li> <li>• Manage successful tenderer to protect Council's interests</li> </ul>
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The activities outlined above replicate the activities that Council resolved to pursue if Council elected to move to Stage 4 of the project.

Such activities are a very high level snap shot of a process that will span five years. A detailed program will be developed in partnership with the preferred development partner if negotiations in Stage 3 are successful.

The program below represents a high level indicative time table for the proposed development. This timetable will be confirmed through the negotiation cycle. The Lend Lease tender offer is in line with the indicative program but requires further detail and refinement prior to agreeing an actual development program for the entire project.

**ITEM 2 (continued)**
**Indicative Program**

Project	Indicative Dates
Development Application lodged by Successful Tenderer	Early 2013
Development Consent as determined (by the Joint Regional Planning Panel)	Mid- Late 2013
Commence Construction of New Council Office Building	Early 2014
Practical Completion of New Council Office Building	Early 2015
Commence Construction of New Civic Centre and ITS II	Early - Mid 2015
Practical Completion of New Civic Centre and ITS II	Mid to Late 2017

As previously advised, Council will meet in temporary Council Chambers in the new office building whilst construction of the new Council Chambers is underway.

**Capital Cost Expenditure - The 'Refurbishment Option' compared to the 'Development Option' proposed by Lend Lease**

Council's assessment of the future options for the Civic Precinct requires detailed feasibility modelling of each option open to Council. The impact of this modelling has been assessed against Council's financial position over a ten year period. A ten year horizon was chosen to reflect the completion of construction on the whole of the site and will adequately cover the next period of fit out and renewal required should Council remain in its current buildings. In addition, it allows for the comparison of costs *before* BCA upgrades are factored in (estimated to be completed within 20 years time).

The confidential section of this report compares the proposals from Lend Lease with Council's financial position should it determine to remain in its existing buildings and expend necessary funds to upgrade and refurbish them over the next ten years, referred to as the 'Refurbishment Option'. The 'Refurbishment Option' is based on Council remaining in its current buildings (Civic Hall, Council administration building and Level 1a above the Top Ryde Library). It examines the costs of undertaking urgent repairs and upgrades to the building services over the next 10 years and compares the operating costs of each area.

**ITEM 2 (continued)**

A copy of the WT Partnership Dilapidation Survey and report of Building Systems in Civic and Argyle centres dated July 2011 as prepared by Council's Quantity Surveyors, was previously attached to the Council agenda of 18 October 2011. This report stated that service upgrades alone would cost Council \$12.4 million (unescaled) within a three to five year time frame (see memo below). It is important to note that this expenditure will *not* bring the building up to Building Code of Australia (BCA) standards but merely fixes the unseen core services in the buildings eg window seals, sewer, electrical circuits, hydraulic, air conditioning, fire services etc.

The five year view does not include major refurbishment of the offices and office furniture etc. Council is obligated to ensure that staff working environments are satisfactory, safe and efficient. Council's office layout and furniture requirements will require upgrading over the next ten years. In addition the Civic Hall will require the upgrade of its facilities, equipment and furniture.

It is estimated that should Council remain in the building over a ten year period, in addition to the minimum services upgrades outlined above and including office refurbishment will cost a total of \$20.0 million including escalation. These works will still not meet BCA standards nor make the building comply with the relevant disability access codes. In addition to this it is estimated that over the next ten years Council will expend a further \$9.34 million on outgoings to operate the inefficient buildings.

Reports previously circulated to Council allowed for the BCA upgrade to be completed in 20 years to comply with BCA and disabled access standards. Total expenditure on the buildings by that time is estimated to be \$39.2 million (which includes service upgrades of \$12.4 million) but excludes any costs for upgrading the Argyle Centre).

The 'Refurbishment Option' contains no financial gain to Council from the sale of land and the funds over five and ten years will need to be funded by depleting the property investment reserve (with an estimated balance of \$15.3 million at the end of June 2012) and create a further \$4.7 million shortfall. This will require funding from additional rates and/or loans to be serviced by a cost saving achieved through cutting service delivery. Should Council determine to upgrade to disabled access and BCA standards the shortfall funded by additional rates and/or loans will be \$23.9 million after depletion of the reserves.

To enable comparison with the Lend Lease proposal, and to comprehend the impact of the indicative development timetable on previously reported capital expenditure requirements for the Civic Building, WT Partnership (WTP) was requested to update their 5 Year Capital Expenditure report. This report was originally commissioned to understand the actual costs to Council to maintain the current facility. In doing so Council has requested WTP to cash flow two scenarios:

**ITEM 2 (continued)**

1. Council continues with the Civic Precinct redevelopment in accordance with the indicative program supplied above OR
2. Council does not continue the project and is required to expend capital in accordance with the previously submitted report.

The details below are a direct abstract from memorandum received from WTP; this memorandum and associated data is attached to this report (**ATTACHMENT B – CIRCULATED UNDER SEPARATE COVER**)

**WTP Memo**

*In May 2011, WT Partnership (WTP) was commissioned by the City of Ryde Council (the "Council") to prepare a Services Audit Report (the "Report") on the Council's property at 1 Devlin St. Ryde NSW 2112, i.e. the Council's existing Civic Centre building.*

*Due to unreliability issues with the air conditioning within the building, Council sought preliminary advice as to the state of dilapidation of the concealed building services (Mechanical, Electrical, Hydraulic and Fire Services) within the Civic Centre to enable it to comprehend the magnitude of the works and budget which could reasonably be anticipated to be incurred for repairs, maintenance and replacement works, in order to provide a level of amenity similar to a PCA (Property Council of Australia) B Grade Suburban office. This Report which recommended a total expenditure requirement of \$12.4 million (excl. GST) DID NOT address bringing the building up to a BCA compliant standard. This Report and associated recommended expenditure dealt with the major engineering services upgrade only and excluded lifts.*

*Shortly after submission of the Report, Council received 2 further reports, each from Davis Langdon, addressing Building Code of Australia (BCA) compliance issues for Council properties as follows:*

- *Report dated 14 June 2011 from Davis Langdon entitled - Building Code of Australia 2011 – BCA Review Report for Existing Premises, Ryde Civic Centre, 1 Devlin St Ryde, Project No. 251527;*
- *Report dated 23 June 2011 from Davis Langdon entitled - Building Code of Australia 2011 – BCA Review Report for Existing Premises, Argyle Centre, 33 Blaxland Rd, Ryde, Project No. 251527.*

*These Reports identified non compliances with BCA 2011 in both Civic Centre and Argyle Centre.*

*WTP was then re-commissioned by Council to prepare further estimates for Civic Centre and Argyle Centre to rectify those BCA non-compliance issues raised by Davis Langdon, and further, to broaden the scope of reporting to*

**ITEM 2 (continued)**

*include a 20 year Capex Expenditure Schedule for operating and maintaining these properties. This WTP supplementary report entitled "Dilapidation Survey and Report of Building Systems in Civic and Argyle Centres" was provided to Council in July 2011, (the Supplementary Report).*

*The findings of the Supplementary Report was for expenditure of \$48.2 million (excl. GST) over the next 20 years to refurbish these buildings, have them comply with 2011 BCA requirements and maintain the "whole of building life" condition of the Buildings for at least the next 20 years.*

*Since WTP furnished its Reports in May and July 2011, (the Report & Supplementary Report) Council has initiated a potential redevelopment the Civic Centre site which could be completed by early 2015. If the project was to proceed to completion, Council would not incur the expense of a costly building refurbishment program and ongoing excessive operational costs.*

*Further, should Council embark on this redevelopment, the existing Civic Centre would be required to serve for 3 further years only (2012, 2013 & 2014), before being integrated in 2015 into the new redevelopment. Capex expenditure could be significantly reduced from that forecast within WTP Supplementary Report as this expenditure would be on a "bare minimum" basis and required only to cover the next 3 years building occupation.*

*The "non expenditure" of costs for upgrading the Civic Centre, could therefore be offset against the cost of the future redevelopment. The savings born from not having to expend \$12.4m for service upgrades could be offset against the project's feasibility, thereby assisting Council's budget.*

*In order to fully consider its redevelopment decision, Council has requested that the WTP Supplementary Report be updated to include the cost of the "bare minimum" Capex spend on the Civic Centre for the next 3 years. Under this proposal, Council will occupy the Civic Centre and extend the working life of the engineering services within the building by the most cost effective means. WTP updated "Bare Minimum" Engineering Services Repairs, Maintenance And Urgent Replacement Works – Indicative Cost June 2012 for Civic Centre is attached providing "bare minimum" cash flow expenditure and making no allowance for BCA upgrade works identified by Davis Langdon. In addition to the "bare minimum" cash flow forecast, this update also accounts for Council funds spent in the last 12 months since the original WTP Report.*

*In respect to Capex funds expenditure during the last 12 months, Council has advised WTP that it has expended approximately \$1,000,000.00 (including GST, for details see attached spreadsheet) during 2011 / 2012 in replacing and repairing engineering services related plant and facilities within the Civic Centre. The main elements of plant expenditure included within this sum are:*

- *Replacement of air cooled chillers in the roof plant room - \$230,000.00;*

**ITEM 2 (continued)**

- *Replacement of the Building Management and Control System (BMCS) head end and local controls in the roof plant room \$150,000.00;*
- *Repairs and replacement of hydraulic sanitary stacks and vents on several floors throughout the building - \$160,000.00;*

*Additionally, Council advises it has spent a further \$460,000.00 in general unspecified and unplanned repairs associated with all services within the building.*

*Obviously, if redevelopment of Civic Centre site does not progress, the current forecast Capex expenditure for the future 20 year period (or adjusted for some other period advised by Council) into the existing building will require reconsideration. If Council elected to bring the building up to BCA compliance (including full disabled access) and refurbish the building to suburban B grade PCA Standard, Council would be faced with full expenditure identified in the WTP Supplementary Report provided to Council in July 2011.*

*The following summary represents the minimum required expenditure if Council was to redevelop the site compared to non redevelopment scenario wherein \$12.4 million would be expended over the following 3 years to provide the necessary repairs and replacement to the existing Civic Centre's Engineering Services as previously reported. As summarised below, WTP has provided an estimated cash flow for Council's feasibility, including within this estimate for the "bare minimum" capital expenditure to "band aid" the Civic Centre's operations until its incorporation into the redevelopment project. This projected expenditure is predicated on vacating the Civic Centre by 2015. Recent emergency service failures (such as bursting of sewer lines in occupied areas) require the allocation of further funding from Council or allocation of project contingency funds to provide for these 'service failure emergencies.'*

*Following is a table demonstrating the "bare minimum" expenditure and the effective savings in 2015 and 2016 from not having to carry out full services upgrades as Council would be relocating from the existing building to redeveloped offices in 2015. Council would rely on a "band aid" solution to maintain the Council Office and Civic Hall. This situation cannot be maintained further than the proposed short term as all the services are well past their effective life as reported previously by WTP.*



**ITEM 2 (continued)**

<b>Bare Minimum Cost Summary Engineering Services Repairs, Maintenance &amp; Urgent Replacement Works – Indicative Costs June 2012</b>	
<b>Civic Centre Expenditure (cost rounded up)</b>	
Cost expended to date (2011, part 2012)	\$942,000.00
2012 expenditure (band aid cost estimate)	\$506,000.00
2013 expenditure (band aid cost estimate)	\$466,000.00
2014 Expenditure (band aid cost estimate)	\$466,000.00
2015 Planned Capital Expenditure (saving to new development)	\$8,020,000.00
2016 Planned Capital Expenditure (saving to new development)	\$3,821,000.00
<b>Total Cost</b>	<b>\$14,221,000.00</b>

*In order to ensure “like for like” cost comparisons, all forecast costs are on a present day basis and exclude escalation. If a 10 year cash flow was to be represented, WTP would recommend provisioning for cost escalation at average annual rate of 3%.*

*In addition to current Capital Expenditure forecasts, if Council elected not to proceed with the development option and chose to remain in the building for the next 10 years, without carrying out the BCA upgrade, the building would require an aesthetic refurbishment (paint, carpets, work stations, partitioning) and the like. WTP estimate this cost at approx. \$3.85 million to be carried out in conjunction with the engineering services upgrade works.*

*Please refer attached spreadsheet entitled “Bare Minimum” Engineering Services Repairs, Maintenance and Urgent Replacement Works – Indicative Cost June 2012 for expenditure details.*

The ‘Refurbishment Option’ Council will incur \$20.0 million in costs over the next ten years for minimum service and aesthetic upgrades and substantially more over the next 20 years.

This was previously estimated to be \$48.2 million which included approximately \$9 million for bringing the Argyle Centre up to BCA standard. Since Council has resolved to abandon the Argyle Centre, these figures have been revised to \$39.2 million over 20 years.

It should be noted that commercial arrangements with Lend Lease have not been concluded and as such strict confidentiality of the detailed financial information is required so as to protect Council’s negotiating position and maintain the confidence of the market place. Council’s probity advisor OCM, has recommended that commercially sensitive data is treated in the same manner as the Request For Tender Documentation.

## ITEM 2 (continued)

The capital cost assessment of comparing the Lend Lease bid against the 'Refurbishment Option' refer **ATTACHMENT F - CIRCULATED UNDER SEPARATE COVER - CONFIDENTIAL**. As can be seen, the Lend Lease Alternative (improved) proposal provides a much superior outcome in the following ways:

- The Lend Lease bid provides a better financial return over the next ten years in that:-
  - The value of Council's assets (buildings and land) will be greatly increased and provide value estimated to be worth \$53.2m more than the 'Refurbishment Option'.
  - The cost to Council to redevelop will be \$14.2 million less than the 'Refurbishment Option' and can be afforded from Council's property development reserve (which was established for that purpose) without the need to raise any further loans etc.
  - The Council's administration will be more efficient in design and less costly to operate (please note that these costs have not been calculated in the comparisons but will provide significant efficiencies in Council's operations).
- The Lend Lease proposal provides a more modern, multipurpose performing space in an acoustically appropriate auditorium suitable for a range of performances.
- The Lend Lease proposal provides BCA and Disability Code compliant design.
- The Lend Lease proposal provides well designed, sustainable and efficient buildings which are healthier for staff to work in and less costly to operate.
- The new buildings will be furnished in modern contemporary office layouts utilising furniture that will not require replacing over the next ten years.
- The Lend Lease proposal provides greatly enhanced community meeting facilities compared to the condemned spaces in the Argyle Centre which are being made obsolete and not replaced by the 'Do Nothing' costing.
- The Lend Lease proposal provides a more usable and intimate public square and access to quality public domain, compared to the grass area of the current Civic Precinct.
- The 'Development Option' provides additional 86 car parking spaces to those currently available.

**ITEM 2 (continued)**

In addition the '**Refurbishment Option**' does not improve the value of Council's assets as a result of investing \$20 million over 10 years. The investment of significant funds into the Civic Precinct buildings will not add any further value to the building and will not improve Council's land value.

For these reasons the implementation of the '**Refurbishment Option**' is not recommended.

**Planning, Traffic, Design and Sustainability Features of the Lend Lease Submission**

The following details represent a high level summary of the key features of the Lend Lease submission. It is Council's objective to work closely with Lend Lease throughout the project to achieve a high quality outcome that delivers on all of Council's objectives.

**Planning**

The Lend Lease submission generally complies with both the Civic Precinct DCP and LEP (as amended).

It is important to note that the Proponent has limited the amount of floor space in their submission compared to the current allowable floor space providing 20% less building area.

There are some anomalies in regards to the 3m set back on the eastern boundary of Blaxland Road and the eastern boundary of site B (Parkes Street car park). Following clarifications it became clear that the DCP requirements can be accommodated through design development; there may have been a slight misrepresentation of the DCP intent in the submission. The changes required to comply fully with the DCP are not of a material nature. Council will provide feedback in relation to set back changes required (minor) through the design development phase and prior to the submission of the initial Development Application, if Lend Lease ultimately become Council's preferred development partner as recommended in this report.

The expert report commissioned to specifically analyse the merits of both tenders in relation to planning compliance found the Lend Lease submission complied with Council's requirements better than the Billbergia/ Frasers Joint Venture.

**Traffic**

The Lend Lease proposal utilises the integrated traffic solution (ITS) as designed in 2005, and generally adopted in Council's planning proposal, endorsed by the RTA (now the Roads and Maritime Services or RMS) in 2011. There are some minor amendments to movements in and out of the Blaxland Road entrance and exit. In

**ITEM 2 (continued)**

Council's planning proposal, the design demonstrated a south bound exit from Blaxland Road which is identical to the Lend Lease proposal, however Lend Lease have proposed a loading dock entrance from Parkes Street. Whilst this approach is in keeping with the original ITS design approved by the RMS it differs slightly from Council's planning proposal. This slight amendment remains at concept stage and through the design development phase detailed discussions will be held with RMS as to the impact of this amendment. Lend Lease have confirmed if the amendment poses a problem for RMS or Council the loading dock entrance and exit can be redesigned off Blaxland Road with no detrimental affect to the overall concept design.

The expert report commissioned to specifically analyse the merits of both tenders in relation to traffic impact and adherence to the Integrated Traffic Solution (previously principally approved for the site by the Roads and Maritime Services) found the Lend Lease submission complied with Council's requirements better than the Billbergia Fraser's Joint Venture submission.

**Response to Sustainability**

Lend Lease has made a clear commitment to ESD, Green Star and the sustainability vision of Council and has demonstrated their understanding of the overall scope and magnitude of the sustainability roles expected on the project.

Through the completion of Green Star Residential and Commercial rating tools that itemise credits deemed achievable, Lend Lease has proven their sustainability experience and commitment. Lend Lease has committed to achieving 5 Star NABERS Base Building Ratings for the commercial components of the project. They have also committed to the use of the 'Green Star – Public Building Pilot' rating tool to rate the Civic Precinct. This rating tool is not officially available from the Green Building Council of Australia (GBCA). Lend Lease has demonstrated that given their intimate knowledge of the rating systems, coupled with their close relationship with the GBCA, the attainment of this rating seems highly likely.

**Response to Sustainability Initiatives**

By examining the Green Star ratings, it was found that Lend Lease has put the highest importance on the 'Management' category's credits in both the Commercial and Residential ratings. This bodes well for the overall performance of the buildings as Management credits aim to promote the adoption of environmental principles from project inception to ensure the highest sustainability result is delivered at project completion.

Lend Lease has listed a number of initiatives that positively impact the sustainability outcome of the project. The initiatives will be further investigated through the design development phase and be adopted where feasible and appropriate, they include:

**ITEM 2 (continued)**

- Cross laminated timber buildings

A product that replaces the use of concrete and steel in low rise building construction. This product is more sustainable to manufacture, quicker and easier to work with and has less embodied carbon than concrete.

- Commissioning and Tuning

A systematic process of ensuring that all building systems performance react according to the design intent and the owner's operational requirements.

- Construction Waste Management

The site currently has buildings that will need to be demolished before construction work starts. Generally, the demolition and construction processes generate exceptional quantities of building waste. A Construction Management Plan can identify all the materials to be diverted and indicate ways to reduce the quantities of this waste through the reuse and recycling of materials wherever possible.

- Sub-metering

The inclusion of metering and monitoring of energy usage (both indoors and outdoors) will greatly assist in the identification and reduction of energy consumption.

- Onsite electrical vehicle charging stations

This technology is not new, but it is also not common. It opens up the opportunity to use renewable energy for transportation purposes and the project may be seen as a trend setter.

- No water based Air-conditioning

This is not only advantageous from a water savings point of view, but also from health perspective when considering Legionnaires Disease.

- Handover manual and welcome packs

These guides can provide details regarding the everyday operation of the building, and the systems building occupants encounter. This will make it easier for all occupants within that building to understand and actively contribute to the overall sustainability of the building.

## **ITEM 2 (continued)**

### **Response to Sustainability Implementation**

Lend Lease has defined a comprehensive approach to sustainability implementation in the project that outlines the effective documentation and delivery of sustainability services. Their approach commits to comply with the nine key principles of sustainability and they have provided a description of strategies in relation to achieving each of the specified sustainability categories.

This approach includes developing strategies to form part of the project briefs; defining strategies to form part of contractual agreements for consultants and contractors; providing a dedicated Green Star professional to assist team in delivering sustainability; and selecting contractors and suppliers who provide certified practises and products that comply with Green Star requirements. All Lend Lease's processes will be signed off by both sustainability and quality managers as part of their Quality Control measures.

These steps all indicate a detailed and analytical approach to sustainability development implementation and monitoring.

The expert report commissioned to specifically analyse the merits of both tenders in relation to Sustainability understanding and initiatives found the Lend Lease submission complied with Council's requirements better than the Billbergia Fraser's Joint Venture submission.

### **Urban Design**

The Lend Lease scheme provides a very good urban design solution for the Ryde Civic Precinct site, especially in the provision of built form massing and a mixture of new land uses. This urban design solution is generally in compliance with the intent of the Ryde Civic Precinct Concept Plan and the relevant section of the Ryde Civic Precinct Performance Brief.

The concept provides a permeable urban solution with pedestrian friendly street edges and the integration of existing pedestrian connections from the Devlin Street pedestrian bridges that link with a new Civic Plaza. The location of building masses towers located along the eastern edge of the site against Devlin Street and lower storey building masses along the Blaxland Road edge reflect good massing distribution. With this strategy, Blaxland Road is appropriately scaled and is likely to become an important pedestrian focused street within the Ryde Town Centre.

Under this urban concept, a new Civic Plaza is located midpoint along Blaxland Road to provide an address to Council's new Civic Building. The location of the new Civic Plaza, while not in accordance with Council's Concept Plan, is considered in terms of its urban scale and orientation, providing a break in urban scale between the residential towers and lower storey Civic Building. Located at the crest of Blaxland

**ITEM 2 (continued)**

Road (as it rises up from Parkes Street) the new Civic Plaza will offer an appropriate south facing address for Council's new Civic Building and is scaled to provide a range of mixture of uses to activate the space. Under this concept the proposed vehicle drop off has not been integrated with the new Civic Plaza or with the main entrance to the Civic building. This requires further consideration during the detailed design stage to ensure that a covered set down, as identified under the performance brief, is provided.

The pedestrian access onto the northern Devlin Street Bridge has been reconfigured however this arrangement requires further refinement. The interface of the pedestrian bridge over Devlin Street as it intersects with the new Civic Building to provide direct access with the new Civic Plaza requires refinement to successfully integrate with the public domain sequences.

Two residential towers of equal height (up to the allowable height) are provided under the concept. A lower storey residential block is located to the south western corner of the site to spatially define the corner of Parkes Street and Blaxland Road. Address to the residential component of the Civic Precinct, and pedestrian access to residential foyers, is provided off Parkes Street by a stair and ramp onto an elevated vegetated court; being at the same level as the new Civic Plaza. Further work is required to verify that the elevations and future uses onto Parkes Street and Blaxland Road do not impact upon pedestrian interfaces and allow urban activation. A loading dock and vehicle portal is shown at this corner. Further investigation is also required to demonstrate the impacts upon the public domain from these vehicle and loading dock entries at the Blaxland Road corner are mitigated.

New Council Offices are provided in a building to the western corner of the site (located on the current Council car park site). The main entry to this building is off Blaxland Road. The setting for this building is benched; and the extent of benching and retaining walls along the northern boundary and against Hatton's Cottage will require further investigation.

**New Civic Centre**

The new Civic building consists of a three storey columned porch integrated with the Civic Plaza with a screened façade element to all other elevations. The roof of this building is articulated by the Council Chamber in the form of singular clad element.

The entry porch to the New Civic Centre is scaled to allow a visual connection between the foyers of the building with the new Civic Plaza. While the urban strategy of this building is successful, the internal planning of the building requires further refinement.

## **ITEM 2 (continued)**

The expert report commissioned to specifically analyse the merits of both tenders in relation to Urban Design found the Lend Lease submission complied with Council's requirements better than the Billbergia Fraser's Joint Venture submission

The Lend Lease designs and concept plans are attached in **ATTACHMENT C – CIRCULATED UNDER SEPARATE COVER.**

### **Financial Considerations**

Due to the sensitive nature of commercial negotiations still to be completed, the financial implications and associated risks of this proposal are summarised and analysed in the confidential attachments of this report. Councillors will be given a detailed briefing at the Civic Precinct workshop as well as be able to receive an individual briefing from the Development Director should they so wish.

The Lend Lease proposal has given two options for Council to consider (**ATTACHMENT F – CIRCULATED UNDER SEPARATE COVER - CONFIDENTIAL**). The expert report commissioned to specifically analyse the merits of both tenders in relation to the financial return to Council, found that both of the Lend Lease submissions complied with Council's requirements better than the two acceptable Billbergia Fraser's Joint Venture proposals. From a risk perspective the experts on the panel also determined that the Lend Lease proposal provided a superior offer.

Now that the market has been tested, Council has a better understanding of what the market is prepared to pay for its land following its recent boundary consolidation and zoning approval.

The development delivery proposal is designed to provide Council with new Community facilities including an improved auditorium and more rehearsal /meeting rooms, a new Council Chambers and meeting rooms, a public square, car parking spaces and a new administration building with a 15% capacity for future growth in staffing levels during the life of the building. These assets, including the land and strata titles that they sit on, represent the value that Lend Lease is prepared to provide in return for the land on which it can develop residential units.

As can be seen in the confidential attachments, Council's preferred financial objectives were not fully achieved and Lend Lease has asked Council to contribute towards the integrated traffic solution (ITS) and infrastructure costs including road realignment, water main adjustments, tunnel connections and modifications to Blaxland Road and Parkes Street. It should be noted that this amount is within the balance of Council's property investment reserve which is estimated to be \$15.3 million at the end of the financial year which was specifically established for this purpose from the proceeds of the sale of Council's forecourt to Bevillesta when the Top Ryde City development proceeded.



**ITEM 2 (continued)**

It should also be noted that as detailed in the confidential section of this report that the difference between the **'Refurbishment and Development Option'** is a positive \$53.2m million benefit to Council after ten years.

The Lend Lease 'Alternative Improved Scheme' proposal is recommended because Council is able to borrow finance at a much lower cost than Lend Lease. Lend Lease has confirmed that should Council proceed with securing a \$35 million peak debt loan over the delivery of the Civic component, then the principal and interest of the loan is guaranteed to Council by Lend Lease *at no net cost to Council* and that the considerable cost savings and a bonus would be fully passed on to Council. Given Council's current low debt level, this is an attractive option to Council. The full impact of this approach is analysed in the confidential section of this report (**ATTACHMENT F – CIRCULATED UNDER SEPARATE COVER - CONFIDENTIAL**).

The cash outlay impact to Council after ten years will be \$5.8 million.

Given that Council will be required to provide a financial contribution towards the proposal, Council has the potential to reduce its outlays on this project by:

- reducing its 15% growth space allowance
- taking a higher level of development risk in the market place
- reducing the amount of car parking for the auditorium and administration facility
- reducing the specifications for the Civic building eg less meeting/rehearsal rooms etc

After careful consideration, these options are not recommended and would be a short sighted way to reduce the financial outlays by Council and place Council under increased risk. The redevelopment of this site is a once in a generation opportunity to renew Council assets at minimal costs to the Council without servicing a large debt to do so. The funding for the improved outcomes will be funded from Council's property investment reserve specifically designated for this purpose and will not lead to a rate increase or large service reductions to repay debt. For this reason it is proposed to proceed with the negotiation of the Lend Lease alternative option.

The financial analysis includes amongst other items, revenue from the redevelopment of the Argyle Centre (as previously reported to Council) and an increased rates yield (since previously non rated land will become rateable). This enables Council to be able to fully compare costs between the Lend Lease bid and the 'Refurbishment Option' (outlined above) over a ten year comparison.

**ITEM 2 (continued)**

Contingency costs of \$2 million have also been allowed which if not required, will further improve Council's bottom line. The financial position also allows for the full recovery of the Civic Precinct master plan development costs (estimated to be approximately \$9.3 million) once the project relating to Council's facilities has been completed.

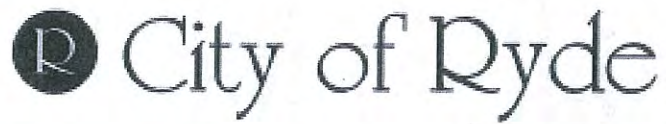
Also worth noting is that the efficiencies gained from the more effective administration building layout of the new facilities, as well as the consolidation of staff into one building, has not been factored into the financial analysis. This alone will deliver significant efficiency improvements to Council's operations.

As can be seen in the confidential attachments, when all matters have been modelled, it is anticipated that after a 10 year period Council's cash outlay will be \$5.8 million net. This will occur when a series of Operational Cost Savings and additional income from the lease of Level 1A has been realised.

Council's Chief Financial Officer has reviewed the preferred option and has assessed the anticipated impacts of Council meeting its obligations on Council's cash flow.

It is advised that Council, through the utilisation of Council's property investment reserve has the ability to meet the cash flow variations over the next ten years.

Overall the financial offer of the development option (which is still to be finalised in negotiation with Lend Lease) will provide the most beneficial financial return to Council and its community when compared to the proposals from the competing bidder and the 'Refurbishment Option'.



City of Ryde

Lifestyle and opportunity @ your doorstep

**ATTACHMENT A**

**RYDE CIVIC PRECINCT**

**REDEVELOPMENT**

**EXECUTIVE SUMMARY**

## EXECUTIVE SUMMARY 10 Year Comparison of Each Option

	<b>DO NOTHING</b> REACTIVE MAINTENANCE ONLY	<b>REFURBISHMENT OPTION</b> FIX ESSENTIAL SERVICES IN 5 YEARS LIMITED REFURBISHMENT IN 10 YEARS	<b>DEVELOPMENT OPTION</b> PROCEED WITH LEASE TO REDEVELOP THE SITE
<b>Community Meeting Rooms</b>	Argyle Community Hall closed and not replaced	Argyle Community Hall closed and not replaced	<ul style="list-style-type: none"> <li>• 1 multifunction/rehearsal room <i>(125 seats)</i></li> <li>• 2 large multifunction/meeting rooms <i>(65 seats each)</i></li> </ul>
<b>Auditorium</b>	<p style="text-align: center;"><b>350 seats</b></p> <ul style="list-style-type: none"> <li>• No backstage facilities limited kitchen and storage</li> <li>• Poor acoustics and lighting and display quality</li> <li>• Does not comply with disabled access</li> <li>• Does not comply with Building Code of Australia Regulations</li> </ul>	<p style="text-align: center;"><b>350 seats</b></p> <ul style="list-style-type: none"> <li>• No backstage facilities limited kitchen and storage</li> <li>• Poor acoustics modern lighting and display</li> <li>• Does not comply with disabled access</li> <li>• Does not comply with Building Code of Australia Regulations</li> </ul>	<p style="text-align: center;"><b>400 seats</b></p> <ul style="list-style-type: none"> <li>• Backstage change, amenities, modern kitchen and storage</li> <li>• Acoustically designed with quality sound, lighting and display</li> <li>• Fully compliant with disabled access including stage access</li> <li>• Fully compliant with Building Code of Australia Regulations</li> </ul>
<b>Council Chambers</b>	<p style="text-align: center;"><b>158m<sup>2</sup></b></p> <ul style="list-style-type: none"> <li>• Outdated decor with poor sound/audio visual and display</li> <li>• Does not Comply with disabled access</li> </ul>	<p style="text-align: center;"><b>158m<sup>2</sup></b></p> <ul style="list-style-type: none"> <li>• Moderately renovated with limited sound /audio visual/ display facilities</li> <li>• Does not comply with disabled access</li> </ul>	<p style="text-align: center;"><b>200m<sup>2</sup></b></p> <ul style="list-style-type: none"> <li>• Contemporary design with quality sound video/display facilities</li> <li>• Multipurpose - available for business hire</li> <li>• Fully compliant with disabled access</li> </ul>

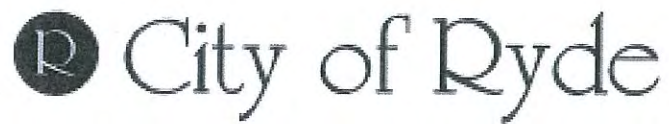
	DO NOTHING	REFURBISHMENT OPTION	DEVELOPMENT OPTION
<b>Councillor Offices and Meeting Facilities</b>	<ul style="list-style-type: none"> <li>• Mayors suite</li> <li>• No private interview rooms or workspaces for Councillors</li> </ul>	<ul style="list-style-type: none"> <li>• Mayors suite</li> <li>• No private interview rooms or workspaces for Councillors</li> </ul>	<ul style="list-style-type: none"> <li>• Mayor's Suite</li> <li>• 11 Councillors workspaces</li> <li>• Private interview room for Councillors (35 m<sup>2</sup>)</li> <li>• Entertainment room for Mayoral functions (45 m<sup>2</sup>)</li> <li>• Informal meeting area (30 m<sup>2</sup>)</li> <li>• Council Chamber Ante – room (20 m<sup>2</sup>)</li> </ul>
<b>Public Domain</b>	<ul style="list-style-type: none"> <li>• Underutilised grassed area fully exposed to noise and weather</li> </ul>	<ul style="list-style-type: none"> <li>• Underutilised grassed area fully exposed to noise and weather</li> </ul>	<ul style="list-style-type: none"> <li>• Public square sheltered from Devilin Street and created as a 'people place'</li> <li>• Cafe and dining animate the public square and civic centre forecourt</li> <li>• Access to public domain shared with residents</li> </ul>

	DO NOTHING	REFURBISHMENT OPTION	DEVELOPMENT OPTION
Staff Accommodation	<p><b>2950m<sup>2</sup> Net area Accommodates 247 staff</b></p> <ul style="list-style-type: none"> <li>Poor office layouts due to outdated inefficient floor plate designs and outmoded workstations</li> <li>Working conditions often too hot or cold leading to 'sick building syndrome'</li> <li>Overcrowded workplaces</li> <li>High operating costs due to poor environmentally sensitive design</li> <li>Staff spread across 3 locations leading to inefficiencies in operations</li> <li>Does not comply with disabled access</li> <li>Does not comply with Building Code of Australia</li> <li>Building services eg electrics, hydraulics etc nearing the end of their life cycle</li> <li>Low staff satisfaction with working conditions</li> </ul>	<p><b>2950m<sup>2</sup> Net area Accommodates 247 staff</b></p> <ul style="list-style-type: none"> <li>Poor office layouts due to outdated inefficient floor plate designs and outmoded work stations</li> <li>Workplace environment will improve cosmetically</li> <li>Overcrowded work place</li> <li>High operating costs due to poor environmentally sensitive design</li> <li>Staff spread across 3 locations leading to inefficiencies in operations</li> <li>Does not comply with disabled access</li> <li>Does not comply with Building Code of Australia</li> <li>Some improved staff satisfaction with working conditions within six to ten years</li> <li>Business disruption over 12 months as the building is refurbished</li> </ul>	<p><b>4000 m<sup>2</sup> Net area Potential to Accommodate 327 staff</b></p> <ul style="list-style-type: none"> <li>Contemporary, efficient office design gaining efficiencies in workspace allocation due to larger floor plates</li> <li>Lower operating costs due to environmentally sensitive climate control</li> <li>Staff collocated from 3 locations leading to greater operational efficiencies</li> <li>Fully compliant with disabled access</li> <li>Fully compliant with Building Code of Australia</li> <li>Greater staff satisfaction with working conditions within three years</li> <li>Collaboration work environment</li> <li>Functionally efficient work stations</li> <li>Staff only move once with minimal business disruption</li> </ul>
Parking	<b>135 cars For Public, staff and Civic Functions</b>	<b>135 cars For Public, staff and Civic Functions</b>	<b>221 cars For Public, staff and Civic Functions</b>

	DO NOTHING	REFURBISHMENT OPTION	DEVELOPMENT OPTION
<b>Traffic</b>	<ul style="list-style-type: none"> <li>Integrated traffic solution - under road tunnels (\$40 million already invested ) is currently under utilised</li> <li>Dangerous intersection from Parkes to Blaxland Road via 'the loop'</li> <li>Resident parking scheme introduced</li> </ul>	<ul style="list-style-type: none"> <li>Integrated traffic solution -under road tunnels (\$40 million already invested ) is currently under utilised</li> <li>Dangerous intersection from Parkes to Blaxland Road via 'the loop'</li> <li>Resident parking scheme introduced</li> </ul>	<ul style="list-style-type: none"> <li>Integrated traffic solution activated providing easier access to the site</li> <li>Parkes Street straightened</li> <li>Resident parking scheme introduced</li> <li>Blaxland Road becomes shared pedestrian way</li> <li>Additional turning lanes at Blaxland Road /Devlin Street intersection</li> <li>Improved left hand turn from Devlin Street into Parkes Street</li> </ul>
<b>Pedestrian Access</b>	<ul style="list-style-type: none"> <li>Pedestrian pathways across the site conflicts with vehicles</li> <li>No public domain landscaping</li> </ul>	<ul style="list-style-type: none"> <li>Pedestrian pathways across the site conflicts with vehicles</li> <li>Limited public domain landscaping</li> </ul>	<ul style="list-style-type: none"> <li>Disabled and pedestrian ramp access to the overhead foot bridge</li> <li>Pedestrian access to site improved through pedestrian zones and public squares.</li> <li>Cross site pedestrian moved encouraged through public domain and landscaped areas</li> <li>Improved integration of access to pedestrian foot bridges</li> <li>Animated public square</li> </ul>
<b>Sustainability</b>	<ul style="list-style-type: none"> <li>Very poor essential building services leading to high costs and waste of water and electricity</li> <li>Services likely to fail between 3 and 5 years</li> </ul>	<ul style="list-style-type: none"> <li>Very poor essential building services leading to high costs and waste of water and electricity</li> <li>Building service life extended but building services remain inadequate</li> <li>Can not gain Green Star Rating</li> <li>Costly to operate</li> </ul>	<ul style="list-style-type: none"> <li>Civic Centre and Council Office designed as 5 Green Star buildings</li> <li>Economical operation costs</li> <li>Reduced energy and water waste</li> <li>Healthier workplace environment</li> </ul>

	DO NOTHING	REFURBISHMENT OPTION	DEVELOPMENT OPTION
<b>Cost</b>	<ul style="list-style-type: none"> <li>If Council does nothing then expenditure could exceed \$500,000 per year in reactive maintenance (bandaid maintenance) until building fails completely</li> </ul>	<ul style="list-style-type: none"> <li>\$12.4 million required over 5 years for essential service upgrade</li> <li>\$20 million required over ten years for essential service upgrade and limited office / workstation refurbishment</li> <li>Councils \$15.3 million re-development property reserve is depleted and loans required for \$4.7 million or \$23.9 million to bring the building up to BCA standards</li> <li>No allowance for upgrade of Civic Hall and old library space</li> </ul>	<ul style="list-style-type: none"> <li>Commercial offer from Lend Lease to provide facilities with no rate increases</li> <li>Council cash outlays estimated to be \$5.8 million after ten years</li> </ul>
<b>Asset value</b>	<ul style="list-style-type: none"> <li>Land and asset value \$20 million (unless redeveloped)</li> <li>Council land value exceeds building value</li> </ul>	<ul style="list-style-type: none"> <li>Land and asset value \$20 million unless redeveloped</li> <li>Council land value exceeds building value</li> </ul>	<ul style="list-style-type: none"> <li>\$79 million total land and asset value</li> <li>\$53.2 million additional value to Council</li> </ul>





City of Ryde

Lifestyle and opportunity @ your doorstep



**ATTACHMENT B**

**RYDE CIVIC PRECINCT**

**REDEVELOPMENT**

**WT PARTNERSHIP MEMORANDUM**

## MEMORANDUM

DATE: 28 May 2012

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TO: Mitch Corn

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CC: Mark Tebbatt

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FROM: Peter Bower

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REGARDING: 9909 - Update of Previous Engineering Services Audit, Council Civic Centre, 1 Devlin Street, Ryde.

In May 2011, WT Partnership (WTP) was commissioned by the City of Ryde Council (the "Council") to prepare a Services Audit Report (the "Report") on the Council's property at 1 Devlin St. Ryde NSW 2112, i.e. the Council's existing Civic Centre building.

Due to unreliability issues with the air conditioning within the building, Council sought preliminary advice as to the state of dilapidation of the concealed building services (Mechanical, Electrical, Hydraulic and Fire Services) within the Civic Centre to enable it to comprehend the magnitude of the works and budget which could reasonably be anticipated to be incurred for *repairs, maintenance and replacement works*, in order to provide a level of amenity similar to a PCA (Property Council of Australia) B Grade Suburban office. This Report which recommended a total expenditure requirement of \$12.4 million (excl. GST) DID NOT address bringing the building up to a BCA compliant standard. This Report and associated recommended expenditure dealt with the major engineering services upgrade only and excluded lifts.

Shortly after submission of the Report, Council received 2 further reports, each from Davis Langdon, addressing Building Code of Australia (BCA) compliance issues for Council properties as follows;

- Report dated 14 June 2011 from Davis Langdon entitled - Building Code of Australia 2011 – BCA Review Report for Existing Premises, Ryde Civic Centre, 1 Devlin St Ryde, Project No. 251527;
- Report dated 23 June 2011 from Davis Langdon entitled - Building Code of Australia 2011 – BCA Review Report for Existing Premises, Argyle Centre, 33 Blaxland Rd, Ryde, Project No. 251527.

These Reports identified non compliances with BCA 2011 in both Civic Centre and Argyle Centre.

WTP was then re-commissioned by Council to prepare further estimates for Civic Centre and Argyle Centre to rectify those BCA non-compliance issues raised by Davis Langdon, and further, to broaden the scope of reporting to include a 20 year Capex Expenditure Schedule for operating and maintaining these properties. This WTP supplementary report entitled "*Dilapidation Survey and Report of Building Systems in Civic and Argyle Centres*" was provided to Council in July 2011, (the Supplementary Report).

The findings of the Supplementary Report was for expenditure of \$48.2 million (excl. GST) over the next 20 years to refurbish these buildings, have them comply with 2011 BCA requirements

and maintain the “*whole of building life*” condition of the Buildings for at least the next 20 years.

Since WTP furnished its Reports in May and July 2011, (the Report & Supplementary Report) Council has initiated a potential redevelopment the Civic Centre site which could be completed by early 2015. If the project was to proceed to completion, Council would not incur the expense of a costly building refurbishment program and ongoing excessive operational costs.

Further, should Council embark on this redevelopment, the existing Civic Centre would be required to serve for 3 further years only (2012, 2013 & 2014), before being integrated in 2015 into the new redevelopment. Capex expenditure could be significantly reduced from that forecast within WTP Supplementary Report as this expenditure would be on a “*bare minimum*” basis and required only to cover the next 3 years building occupation.

The “non expenditure” of costs for upgrading the Civic Centre, could therefore be offset against the cost of the future redevelopment. The savings born from not having to expend \$12.4m for service upgrades could be offset against the project’s feasibility, thereby assisting Council’s budget.

In order to fully consider its redevelopment decision, Council has requested that the WTP Supplementary Report be updated to include the cost of the “*bare minimum*” Capex spend on the Civic Centre for the next 3 years. Under this proposal, Council will occupy the Civic Centre and extend the working life of the engineering services within the building by the most cost effective means.

WTP updated “*Bare Minimum*” Engineering Services Repairs, Maintenance And Urgent Replacement Works – Indicative Cost June 2012 for Civic Centre is attached providing “*bare minimum*” cash flow expenditure and making no allowance for BCA upgrade works identified by Davis Langdon. In addition to the “*bare minimum*” cash flow forecast, this update also accounts for Council funds spent in the last 12 months since the original WTP Report.

In respect to Capex funds expenditure during the last 12 months, Council has advised WTP that it has expended approximately \$1,000,000.00 (including GST, for details see attached spreadsheet) during 2011 / 2012 in replacing and repairing engineering services related plant and facilities within the Civic Centre. The main elements of plant expenditure included within this sum are;

- Replacement of air cooled chillers in the roof plant room - \$230,000.00;
- Replacement of the Building Management and Control System (BMCS) head end and local controls in the roof plant room \$150,000.00;
- Repairs and replacement of hydraulic sanitary stacks and vents on several floors throughout the building - \$160,000.00;

Additionally, Council advises it has spent a further \$460,000.00 in general unspecified and unplanned repairs associated with all services within the building.

Obviously, if redevelopment of Civic Centre site does not progress, the current forecast Capex expenditure for the future 20 year period (or adjusted for some other period advised by Council) into the existing building will require reconsideration. If Council elected to bring the building up to BCA compliance (including full disabled access) and refurbish the building to suburban B grade PCA Standard, Council would be faced with full expenditure identified in the WTP Supplementary Report provided to Council in July 2011.

The following summary represents the minimum required expenditure if Council was to redevelop the site compared to non redevelopment scenario wherein \$12.4 million would be expended over the following 3 years to provide the necessary *repairs and replacement* to the existing Civic Centre’s Engineering Services as previously reported. As summarised below, WTP has provided an estimated cash flow for Council’s feasibility, including within this estimate for the “bare minimum” capital expenditure to “band aid” the Civic Centre’s operations until its incorporation into the redevelopment project. This projected expenditure is predicated on vacating the Civic Centre by 2015. Recent emergency service failures (such as bursting of sewer lines in occupied areas) require the allocation of further funding from Council or allocation of project contingency funds to provide for these ‘service failure emergencies.’

Following is a table demonstrating the “bare minimum” expenditure and the effective savings in 2015 and 2016 from not having to carry out full services upgrades as Council would be relocating from the existing building to redeveloped offices in 2015. Council would rely on a “band aid” solution to maintain the Council Office and Civic Hall. This situation cannot be maintained further than the proposed short term as all the services are well past their effective life as reported previously by WTP.

<b>Bare Minimum Cost Summary Engineering Services Repairs, Maintenance &amp; Urgent Replacement Works – Indicative Costs June 2012</b>	
<b>Civic Centre Expenditure (cost rounded up)</b>	
Cost expended to date (2011, part 2012)	\$942,000.00
2012 expenditure (band aid cost estimate)	\$506,000.00
2013 expenditure (band aid cost estimate)	\$466,000.00
2014 Expenditure (band aid cost estimate)	\$466,000.00
2015 Planned Capital Expenditure (saving to new development)	\$8,020,000.00
2016 Planned Capital Expenditure (saving to new development)	\$3,821,000.00
<b>Total Cost</b>	<b>\$14,221,000.00</b>

In order to ensure "like for like" cost comparisons, all forecast costs are on a present day basis and exclude escalation. If a 10 year cash flow was to be represented, WTP would recommend provisioning for cost escalation at average annual rate of 3%.

In addition to current Capital Expenditure forecasts, if Council elected not to proceed with the development option and chose to remain in the building for the next 10 years, without carrying out the BCA upgrade, the building would require an aesthetic refurbishment (paint, carpets, work stations, partitioning) and the like. WTP estimate this cost at approx. \$3.85 million to be carried out in conjunction with the engineering services upgrade works.

Please refer attached spreadsheet entitled "*Bare Minimum*" Engineering Services Repairs, Maintenance and Urgent Replacement Works – Indicative Cost June 2012 for expenditure details.

Should you have any questions or require further clarification, please contact the writer.

Regards

**WT PARTNERSHIP**



**PETER BOWER**  
Director

Enc.

9909 – Site Redevelopment BARE MINIMUM Engineering Services Repairs Replacement & Urgent Works Ryde Civic Centre June 2012;

RYDE CIVIC CENTRE  
BUILDING ENGINEERING SERVICES AUDIT REPORT - EXCLUDING LIFTS

"BARE MINIMUM" ENGINEERING SERVICES REPAIRS, MAINTENANCE & URGENT REPLACEMENT WORKS - INDICATIVE COSTS JUNE 2012

No	Trade	Item Description	QTY	Unit	NETT RATE	RATE incl 40% prelims	Cost per Item incl prelims	Council Funds Spent: 2011/12	"Bare Minimum" Forecast Capex Spend 2012	"Bare Minimum" Forecast Capex Spend 2013	"Bare Minimum" Forecast Capex Spend 2014	Forecast Spend 2015	Forecast Spend 2016	Total (\$)
<b>Roof Level Plantroom Level 7</b>														
1	M	Replace "Greenhalgh" condenser serving the IT room split system with	1	Item	4,000	5,600	5,600		5,600					5,600
2	M	De-rust and re-paint kitchen exhaust fan and ductwork discharging on roof	1	Item	3,000	4,200	4,200					4,200		4,200
3	M	Re-paint air admitting valves serving "Buffalo Triden" condenser on roof	1	Item	1,000	1,400	1,400		1,400					1,400
4	M	Replace 2 x compressors and electric motors in roof plant room	2	Item	200,000	280,000	560,000	560,000						560,000
5	M	Replace existing oil fired water boiler with gas fired condensing boiler	1	Item	60,000	84,000	84,000					84,000		84,000
6	M	Replace existing DX air conditioning unit with new dedicated AHU to provide	1	Item	50,000	70,000	70,000					70,000		70,000
7	M	Provide natural gas piping between ground floor external gas connection point	1	Item	10,000	14,000	14,000					14,000		14,000
8	H	Provide air conditioning to lift motor room in advance of specialist lift consultant	1	no.	40,000	56,000	56,000					56,000		56,000
9	VT	Replace existing pneumatic control system with DDS electronic system	1	no.	350,000	490,000	490,000	280,000				105,000		490,000
10	VT	Undertake Specialist Lift Consultant inspection & Report on current installation	1	Item	5,000	7,000	7,000		7,000					7,000
11	F	Install strobe lights / horn speakers to plantroom for Emergency Warning &	80	m2	60	84	84		7,000					21,000
12	F	Install smoke detector & EWIS speaker in LMR	1	ea	700	980	980		6,720					6,720
13	E	Upgrade / replace existing house services electrical switchboard to include for	1	Item	10,000	14,000	14,000					14,000		14,000
14	E	Replace electrical submain to roof to provide power to new plant	1	Item	45,000	63,000	63,000					63,000		63,000
15	B	"Bare Minimum" funding to Level 7 pending completion of Civic Centre	1	Item	29,500	41,300	41,300		41,300		41,300			123,900
16	B	Allow for BWIC (Builder's Work In Connection With services)	8	perc				67,200	5,040		3,864	32,816	8,400	121,184
17		<b>SUBTOTAL COSTS PLANT ROOM &amp; ROOF</b>						<b>907,200</b>	<b>68,040</b>	<b>52,164</b>	<b>52,164</b>	<b>443,016</b>	<b>113,400</b>	<b>1,635,984</b>

RYDE CIVIC CENTRE  
BUILDING ENGINEERING SERVICES AUDIT REPORT - EXCLUDING LIFTS

"BARE MINIMUM" ENGINEERING SERVICES REPAIRS, MAINTENANCE & URGENT REPLACEMENT WORKS - INDICATIVE COSTS JUNE 2012

		QTY	Unit	NETT RATE	RATE incl 40% prelims	Cost per item incl prelims	Council Funds Spent 2011/12	"Bare Minimum" Forecast Capex Spend 2012	"Bare Minimum" Forecast Capex Spend 2013	"Bare Minimum" Forecast Capex Spend 2014	Forecast Spend 2015	Forecast Spend 2016	Total (\$)
<b>Council Office Floor Level 6 Estimated Costs</b>													
18	D												
		500	m2	60	84	42,000						42,000	42,000
19	M	20	m	500	700	14,000						14,000	14,000
20	M	20	m	400	560	11,200						11,200	11,200
21	M	110	m	250	350	38,500						38,500	38,500
22	M	110	m	200	280	30,800						30,800	30,800
23	M	10	no.	8,000	11,200	112,000						112,000	112,000
24	M	40	m	1,500	2,100	84,000						84,000	84,000
25	M	60	m	500	700	42,000						42,000	42,000
26	M	100	m2	300	420	42,000						42,000	42,000
27	M	20	Item	200	280	5,600						5,600	5,600
28	M	2	no.	6,000	8,400	16,800						16,800	16,800
29	M	1	no.	3,500	4,900	4,900						4,900	4,900
30	B	500	m2	500	700	350,000						350,000	350,000
31	E	1	Item	10,000	14,000	14,000						14,000	14,000
32	E	0.30	Item	40,000	56,000	16,800						16,800	16,800
33	H	6	pr.	450	630	3,780						3,780	3,780
34	H	4	no.	700	980	3,920						3,920	3,920
35	H	1	Item	2,000	2,800	2,800	2,800						2,800
36	H	1	no.	2,500	3,500	3,500		3,500					3,500
37	VT	1	Item	200	280	280		280					280
38	F	40	no.	400	560	22,400						22,400	22,400
39	B	4	m	8,000	11,200	44,800						44,800	44,800
40	B	28	No.	400	560	15,680						15,680	15,680
41	B	1	Item	29,500	41,300	41,300		41,300	41,300	41,300			123,900
42	B	8	perc				224	3,606	3,304	3,304		73,214	83,653
<b>SUBTOTAL COSTS LEVEL 6</b>							<b>3,024</b>	<b>48,686</b>	<b>44,604</b>	<b>44,604</b>		<b>988,394</b>	<b>1,129,313</b>

RYDE CIVIC CENTRE  
BUILDING ENGINEERING SERVICES AUDIT REPORT - EXCLUDING LIFTS

"BARE MINIMUM" ENGINEERING SERVICES REPAIRS, MAINTENANCE & URGENT REPLACEMENT WORKS - INDICATIVE COSTS JUNE 2012

		QTY	Unit	NETT RATE	RATE incl 40% prelims	Cost per Item incl prelims	Council Funds Spent 2011/12	"Bare Minimum" Forecast Capex Spend 2012	"Bare Minimum" Forecast Capex Spend 2013	"Bare Minimum" Forecast Capex Spend 2014	Forecast Spend 2015	Forecast Spend 2016	Total (\$)
<b>Council Office Floor Level 5 Estimated Costs</b>													
43	D	500	m2	60	84	42,000						42,000	42,000
44	M	20	m	500	700	14,000						14,000	14,000
45	M	20	m	400	560	11,200						11,200	11,200
46	M	110	m	250	350	38,500						38,500	38,500
47	M	110	m	200	280	30,800						30,800	30,800
48	M	10	no.	8,000	11,200	112,000						112,000	112,000
49	M	40	m	1,500	2,100	84,000						84,000	84,000
50	M	60	m	500	700	42,000						42,000	42,000
51	M	100	m2	300	420	42,000						42,000	42,000
52	M	20	Item	200	280	5,600						5,600	5,600
53	M	2	no.	6,000	8,400	16,800						16,800	16,800
54	B	500	m2	500	700	350,000						350,000	350,000
55	E	1	Item	10,000	14,000	14,000						14,000	14,000
56	E	0.30	Item	40,000	56,000	16,800						16,800	16,800
57	H	6	pr.	450	630	3,780						3,780	3,780
58	H	4	no.	700	980	3,920						3,920	3,920
59	H	1	Item	2,000	2,800	2,800	2,800						2,800
60	H	1	no.	2,500	3,500	3,500		3,500					3,500
61	VT	1	Item	200	280	280		280					280
62	F	40	no.	400	560	22,400						22,400	22,400
63	B	4	m	8,000	11,200	44,800						44,800	44,800
64	B	28	No.	400	560	15,680						15,680	15,680
65	B	1	Item	29,500	41,300	41,300		41,300	41,300	41,300			123,900
66	B	8	perc				224	3,606	3,304	3,304		72,822	83,261
<b>SUBTOTAL COSTS LEVEL 5</b>							<b>3,024</b>	<b>48,686</b>	<b>44,604</b>	<b>44,604</b>	<b>-</b>	<b>983,102</b>	<b>1,124,021</b>



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BUILDING ENGINEERING SERVICES AUDIT REPORT - EXCLUDING LIFTS

"BARE MINIMUM" ENGINEERING SERVICES REPAIRS, MAINTENANCE & URGENT REPLACEMENT WORKS - INDICATIVE COSTS JUNE 2012

			QTY	Unit	NETT RATE	RATE incl 40% prelims	Cost per item incl prelims	Council Funds Spent 2011/12	"Bare Minimum" Forecast Capex Spend 2012	"Bare Minimum" Forecast Capex Spend 2013	"Bare Minimum" Forecast Capex Spend 2014	Forecast Spend 2015	Forecast Spend 2016	Total (\$)
<b>Council Office Floor Level 4 Estimated Costs</b>														
67	D	Allow to demolish existing ceiling, lighting, fire detection, EWIS speakers, in	500	m2	60	84	42,000							42,000
68	M	Replace HHW piping main flow & return pipes & insulation to roof	20	m	500	700	14,000							14,000
59	M	Replace CHW piping main flow & return pipes & insulation to roof	20	m	400	560	11,200							11,200
70	M	Provide flow & return distribution CHW piping serving floor Fan Coil Units	110	m	250	350	38,500							38,500
71	M	Provide flow & return distribution HHW piping serving floor Fan Coil Units	110	m	200	280	30,800							30,800
72	M	Provide Fan Coil Units to typical floor on basis on 1 unit per 50m <sup>2</sup> including	10	no.	8,000	11,200	112,000							112,000
73	M	Provide new supply air rising duct to new AHU on roof including penetration,	40	m	1,500	2,100	84,000							84,000
74	M	Provide branch ducting on each floor to connect to each fan coil unit proposed	60	m	500	700	42,000							42,000
75	M	Extend and upgrade ducting capacity into meeting rooms	100	m2	300	420	42,000							42,000
76	M	Rebalance the floor registers	20	Item	200	280	5,600							5,600
77	M	Provide toilet exhaust system to male and female toilets	2	no.	6,000	8,400	16,800							16,800
78	B	Remove & replace ceiling and associated services to permit mechanical upgrade	500	m2	500	700	350,000							350,000
79	E	Upgrade / replace existing house services electrical switchboard to include for	1	Item	10,000	14,000	14,000							14,000
80	E	Provide new submains to each typical floor - 3 floors to each circuit	0.30	Item	40,000	56,000	16,800							16,800
81	H	Install WELS rated tapware into wash hand basins in bathrooms	6	pr.	450	630	3,780							3,780
82	H	Install dual flush cistern to WC in bathrooms	4	no.	700	980	3,920							3,920
83	H	Allowance per floor to investigate & repair water leaks - identified during site	1	Item	2,000	2,800	2,800	2,800						2,800
84	H	Install thermostatic mixing valves to bathrooms to prevent scalding	1	no.	2,500	3,500	3,500							3,500
85	VT	Check fire duty of passenger lifts and provide labels on each floor warning "do	1	Item	200	280	280		3,500					280
86	F	Clean / replace smoke detectors throughout the floor - included in ceiling item	40	no.	400	560	22,400							22,400
87	B	Provide Self contained electrical riser complete with fire rated door, fire rated	4	m	8,000	11,200	44,800							44,800
88	B	Allow for repairs to window seal level 4 windows	28	No.	400	560	15,680							15,680
89	B	"Bare Minimum" funding to Level 4 pending completion of Civic Centre	1	Item	29,500	41,300	41,300		41,300	41,300	41,300			123,900
90	B	Allow for BWIC (Builder's Work in Connection With services)	8	perc				224	3,606	3,304	3,304			83,261
<b>SUBTOTAL COSTS LEVEL 4</b>									<b>48,686</b>	<b>44,604</b>	<b>44,604</b>		<b>983,102</b>	<b>1,124,021</b>

**RYDE CIVIC CENTRE  
BUILDING ENGINEERING SERVICES AUDIT REPORT - EXCLUDING LIFTS**

**"BARE MINIMUM" ENGINEERING SERVICES REPAIRS, MAINTENANCE & URGENT REPLACEMENT WORKS - INDICATIVE COSTS - JUNE 2012**

	QTY	Unit	NETT RATE	RATE ind 40% prelims	Cost per Item incl prelims	Council Funds Spent 2011/12	"Bare Minimum" Forecast Capex Spend 2012	"Bare Minimum" Forecast Capex Spend 2013	"Bare Minimum" Forecast Capex Spend 2014	Forecast Spend 2015	Forecast Spend 2016	Total (\$)
<b>Council Office Floor Level 3 Estimated Costs</b>												
91	D											42,000
			60	84	42,000					42,000		42,000
92	M	m2	500	700	14,000					14,000		14,000
93	M	m	400	560	11,200					11,200		11,200
94	M	m	250	350	38,500					38,500		38,500
95	M	m	200	280	30,800					30,800		30,800
96	M	no.	8,000	112,000	112,000					112,000		112,000
97	M	m	1,500	2,100	84,000					84,000		84,000
98	M	m	500	700	42,000					42,000		42,000
99	M	m2	300	420	42,000					42,000		42,000
100	M	Item	200	280	5,600					5,600		5,600
101	M	no.	6,000	8,400	16,800					16,800		16,800
102	B	m2	500	700	350,000					350,000		350,000
103	E	Item	10,000	14,000	14,000					14,000		14,000
104	E	Item	40,000	56,000	16,800					16,800		16,800
105	H	pr.	450	630	3,780					3,780		3,780
106	H	no.	700	980	3,920					3,920		3,920
107	H	Item	2,000	2,800	2,800	2,800						2,800
108	H	no.	2,500	3,500	3,500		3,500					3,500
109	VT	Item	200	280	280		280					280
110	F	m	400	560	22,400					22,400		22,400
111	B	no.	8,000	112,000	44,800					44,800		44,800
112	B	No.	400	560	15,680					15,680		15,680
113	B	Item	29,500	41,300	41,300		41,300	41,300	41,300			123,900
114	B	per/c			-	224	3,606	3,304	3,304	72,822	-	83,261
<b>SUBTOTAL COSTS LEVEL 3</b>							<b>48,686</b>	<b>44,604</b>	<b>44,604</b>	<b>983,102</b>		<b>1,124,021</b>

RYDE CIVIC CENTRE  
BUILDING ENGINEERING SERVICES AUDIT REPORT - EXCLUDING LIFTS

"BARE MINIMUM" ENGINEERING SERVICES REPAIRS, MAINTENANCE & URGENT REPLACEMENT WORKS - INDICATIVE COSTS JUNE 2012

	Council Office Floor Level 2 Estimated Costs											
	QTY	Unit	NETT RATE	RATE incl 40% prelims	Cost per Item incl prelims	Council Funds Spent 2011/12	"Bare Minimum" Forecast Capex Spend 2012	"Bare Minimum" Forecast Capex Spend 2013	"Bare Minimum" Forecast Capex Spend 2014	Forecast Spend 2015	Forecast Spend 2016	Total (\$)
			\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
115	D		60	84	42,000					42,000		42,000
116	M	Replace HWV piping main flow & return pipes & insulation to roof	500	700	14,000					14,000		14,000
117	M	Replace CHW piping main flow & return pipes & insulation to roof	20	400	11,200					11,200		11,200
118	M	Provide flow & return distribution CHW piping serving Floor Fan Coil Units	110	350	38,500					38,500		38,500
119	M	Provide flow & return distribution HWV piping serving Floor Fan Coil Units	110	200	30,800					30,800		30,800
120	M	Provide Fan Coil Units to typical floor on basis on 1 unit per 50m <sup>2</sup> including	10	8,000	112,000					112,000		112,000
121	M	Provide new supply air rising duct to new AHU on roof including penetration,	40	2,100	84,000					84,000		84,000
122	M	Provide branch ducting on each floor to connect to each fan coil unit proposed	60	700	42,000					42,000		42,000
123	M	Extend and upgrade ducting capacity into meeting rooms	100	300	42,000					42,000		42,000
124	M	Rebalance the floor registers	20	280	5,600					5,600		5,600
125	M	Provide toilet exhaust system to male and female toilets	2	6,000	16,800					16,800		16,800
126	B	Remove & replace ceiling and associated services to permit mechanical upgrade	500	700	350,000					350,000		350,000
127	E	Upgrade / replace existing house services electrical switchboard to include for	1	14,000	14,000					14,000		14,000
128	E	Provide new submains to each typical floor - 3 floors to each circuit	0.30	56,000	16,800					16,800		16,800
129	H	Install WELS rated tapware into wash hand basins in bathrooms	6	630	3,780					3,780		3,780
130	H	Install dual flush cistern to WC in bathrooms	4	980	3,920					3,920		3,920
131	H	Allowance per floor to investigate & repair water leaks - identified during site	1	2,000	2,800							2,800
132	H	Install thermostatic mixing valves to bathrooms to prevent scalding	1	2,500	3,500							3,500
133	VT	Check fire duty of passenger lifts and provide labels on each floor warning "do	1	280	280		2,800					280
134	F	Clean / replace smoke detectors throughout the floor - Included in ceiling item	40	560	22,400					22,400		22,400
135	B	Provide Self contained electrical riser complete with fire rated door, fire rated	4	8,000	44,800					44,800		44,800
136	B	Allow for repairs to window seal level 2 windows	28	400	15,680					15,700		15,700
137	B	"Bare Minimum" funding to Level 2 pending completion of Civic Centre	1	41,300	41,300		41,300			41,300		123,900
138	B	Allow for BWIC (Builder's Work In Connection With services)	8	29,500	236,000	224	48,686	44,604	44,604	983,124		83,262
<b>SUBTOTAL COSTS LEVEL 2</b>						<b>3,024</b>	<b>48,686</b>	<b>44,604</b>	<b>44,604</b>	<b>983,124</b>		<b>1,124,042</b>

RYDE CIVIC CENTRE  
BUILDING ENGINEERING SERVICES AUDIT REPORT - EXCLUDING LIFTS

"BARE MINIMUM" ENGINEERING SERVICES REPAIRS, MAINTENANCE & URGENT REPLACEMENT WORKS - INDICATIVE COSTS JUNE 2012

		QTY	Unit	NETT RATE	RATE incl 40% prelims	Cost per Item incl prelims	Council Funds Spent 2011/12	"Bare Minimum" Forecast Capex Spend 2012	"Bare Minimum" Forecast Capex Spend 2013	"Bare Minimum" Forecast Capex Spend 2014	Forecast Spend 2015	Forecast Spend 2016	Total (\$)
<b>Council Office Floor Level 1 Estimated Costs</b>													
139	D			60	84	42,000					42,000		42,000
140	M	500	m2	500	700	14,000					14,000		14,000
141	M	20	m	400	560	11,200					11,200		11,200
142	M	110	m	250	350	38,500					38,500		38,500
143	M	110	m	200	280	30,800					30,800		30,800
144	M	10	no.	8,000	11,200	112,000					112,000		112,000
145	M	40	m	1,500	2,100	84,000					84,000		84,000
146	M	60	m	500	700	42,000					42,000		42,000
147	M	100	m2	300	420	42,000					42,000		42,000
148	M	20	Item	200	280	5,600					5,600		5,600
149	M	2	no.	6,000	8,400	16,800					16,800		16,800
150	B	500	m2	500	700	350,000					350,000		350,000
151	E	1	Item	10,000	14,000	14,000					14,000		14,000
152	E	0.30	Item	40,000	56,000	16,800					16,800		16,800
153	H	6	pr.	450	630	3,780					3,780		3,780
154	H	4	no.	700	980	3,920					3,920		3,920
155	H	1	Item	2,000	2,800	2,800	2,800						2,800
156	H	1	no.	2,500	3,500	3,500		3,500					3,500
157	VT	1	Item	200	280	280		280					280
158	F	40	no.	400	560	22,400					22,400		22,400
159	B	4	m	8,000	11,200	44,800					44,800		44,800
160	B	28	No.	400	560	15,680					15,700		15,700
161	B	1	Item	29,500	41,300	41,300		41,300	41,300				123,900
162	B	8	perC				224	3,606	3,304	44,604	72,824		83,262
							<b>SUBTOTAL COSTS LEVEL 1</b>	<b>48,686</b>	<b>44,604</b>	<b>44,604</b>	<b>983,124</b>		<b>1,124,042</b>

RYDE CIVIC CENTRE  
BUILDING ENGINEERING SERVICES AUDIT REPORT - EXCLUDING LIFTS

"BARE MINIMUM" ENGINEERING SERVICES REPAIRS, MAINTENANCE & URGENT REPLACEMENT WORKS - INDICATIVE COSTS JUNE 2012

		QTY	Unit	NETT RATE	RATE incl 40% prelims	Cost per Item incl prelims	Council Funds Spent 2011/12	"Bare Minimum" Forecast Capex Spend 2012	"Bare Minimum" Forecast Capex Spend 2013	"Bare Minimum" Forecast Capex Spend 2014	Forecast Spend 2015	Forecast Spend 2016	Total (\$)
<b>Council Office Ground Floor Estimated Costs</b>													
163	M	1	no.	25,000	35,000	35,000					35,000		35,000
164	M	20	m	500	700	14,000					14,000		14,000
165	M	20	m	400	560	11,200					11,200		11,200
166	M	110	m	250	350	38,500					38,500		38,500
167	M	110	m	200	280	30,800					30,800		30,800
168	M	10	no.	8,000	11,200	112,000					112,000		112,000
169	M	40	m	1,500	2,100	84,000					84,000		84,000
170	M	60	m	500	700	42,000					42,000		42,000
171	M	1	no.	7,500	10,500	10,500					10,500		10,500
172	M	100	m2	300	420	42,000					42,000		42,000
173	M	20	no.	1,000	1,400	28,000					28,000		28,000
174	M	20	Item	200	280	5,600					5,600		5,600
175	M	2	no.	5,000	7,000	14,000					14,000		14,000
176	M	500	m2	500	700	350,000					350,000		350,000
177	E	1	Item	7,500	10,500	10,500					10,500		10,500
178	E	0.30	Item	40,000	56,000	16,800					16,800		16,800
179	H	6	pr.	450	630	3,780					3,780		3,780
180	H	4	no.	700	980	3,920					3,920		3,920
181	H	1	Item	2,000	2,800	2,800	2,800						2,800
182	H	1	Item	2,500	3,500	3,500		3,500					3,500
183	VT	1	Item	200	280	280		280					280
184	F	40	no.	400	560	22,400					22,400		22,400
185	B	4	m	8,000	11,200	44,800					44,800		44,800
186	B	28	No.	400	560	15,680					15,700		15,700
187	B	1	Item	29,500	41,300	41,300		41,300	41,300				123,900
188	B	8	perc				224	3,606	3,304		74,840		85,278
<b>SUBTOTAL COSTS GROUND LEVEL</b>							<b>3,024</b>	<b>48,686</b>	<b>44,604</b>	<b>44,604</b>	<b>1,010,340</b>	<b>-</b>	<b>1,151,258</b>

RYDE CIVIC CENTRE  
BUILDING ENGINEERING SERVICES AUDIT REPORT - EXCLUDING LIFTS

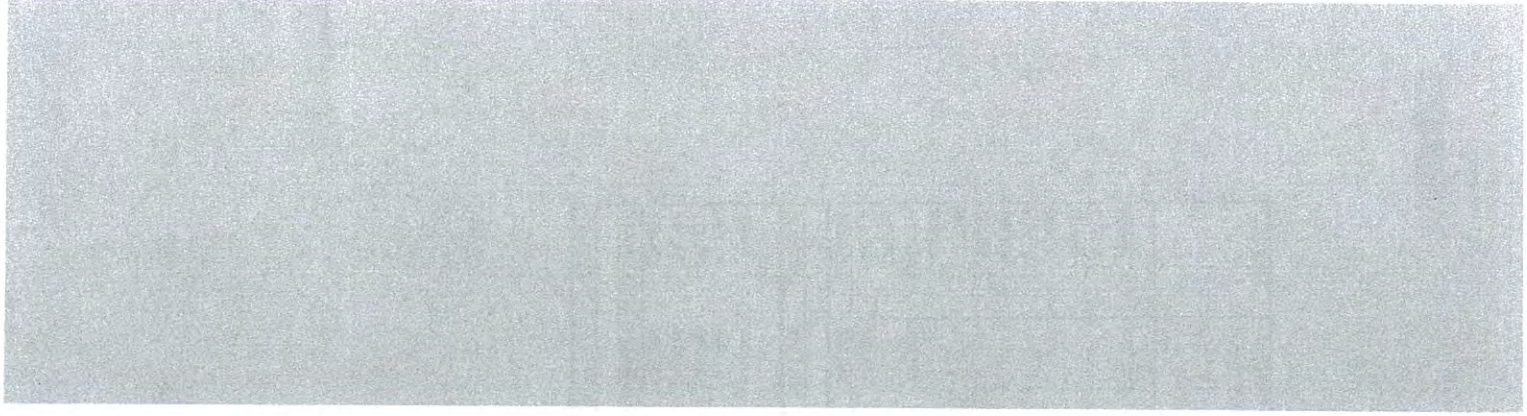
"BARE MINIMUM" ENGINEERING SERVICES REPAIRS, MAINTENANCE & URGENT REPLACEMENT WORKS - INDICATIVE COSTS JUNE 2012

		QTY	Unit	NETT RATE	RATE incl 40% prelims	Cost per Item incl prelims	Council Funds Spent 2011/12	"Bare Minimum" Forecast Capex Spend 2012	"Bare Minimum" Forecast Capex Spend 2013	"Bare Minimum" Forecast Capex Spend 2014	Forecast Spend 2015	Forecast Spend 2016	Total (\$)
<b>Council Office Basement Estimated Costs</b>													
189	M	1	no.	25,000	35,000	35,000							
190	M	10	m	500	700	7,000					35,000		35,000
191	M	10	m	400	560	5,600					7,000		7,000
192	M	20	Item	200	280	5,600					5,600		5,600
193	M	2	no.	5,000	7,000	14,000					14,000		14,000
194	E	1	Item	12,000	16,800	16,800					16,800		16,800
195	E	1	Item	250,000	350,000	350,000					350,000		350,000
196	E	1	Item	45,000	63,000	63,000					63,000		63,000
197	E	1	Item	160,000	224,000	224,000					224,000		224,000
198	H	1	Item	2,000	2,800	2,800	2,800						2,800
199	H	1	no.	2,500	3,500	3,500		3,500					3,500
200	VT	1	Item	200	280	280		280					280
201	F	100	no.	60	84	8,400					8,400		8,400
202	F	40	no.	400	560	22,400					22,400		22,400
203	F	1	Item	23,500	32,900	32,900		32,900	32,900				32,900
204	B	8	perc				224	2,934	2,632		60,144		68,566
							<b>SUBTOTAL COSTS GROUND LEVEL</b>	<b>39,614</b>	<b>35,532</b>	<b>35,532</b>	<b>811,944</b>	<b>-</b>	<b>925,646</b>

RYDE CIVIC CENTRE  
BUILDING ENGINEERING SERVICES AUDIT REPORT - EXCLUDING LIFTS

"BARE MINIMUM" ENGINEERING SERVICES REPAIRS, MAINTENANCE & URGENT REPLACEMENT WORKS - INDICATIVE COSTS JUNE 2012

		QTY	Unit	NETT RATE	RATE incl 40% prelims	Cost per Item incl prelims	Council Funds Spent 2011/12	"Bare Minimum" Forecast Capex Spend 2012	"Bare Minimum" Forecast Capex Spend 2013	"Bare Minimum" Forecast Capex Spend 2014	Forecast Spend 2015	Forecast Spend 2016	Total (\$)
<b>Council Hall / Library Ground Floor Estimated Costs</b>													
205	M	1	no.	35,000	49,000	49,000					49,000		49,000
206	M	75	m	500	700	52,500					52,500		52,500
207	M	75	m	400	560	42,000					42,000		42,000
208	M	80	Item	650	910	72,800					72,800		72,800
209	M	3	no.	5,000	7,000	21,000					21,000		21,000
210	E	3	Item	10,000	14,000	42,000					42,000		42,000
211	H	1	Item	10,000	14,000	14,000	7,000	7,000					14,000
212	H	1	no.	2,500	3,500	3,500	3,500	3,500					3,500
213	F	80	no.	400	560	44,800					44,800		44,800
214	M	2,000	m2	550	770	1,540,000		46,900	61,900	61,900	1,309,000	231,000	1,540,000
215	B	1	Item	33,500	46,900	46,900	840	4,312	4,952	4,952	130,648	18,480	170,700
216	B	8	perc				11,340	58,212	66,852	66,852	1,763,748	249,480	1,64,184
<b>SUBTOTAL COSTS COUNCIL HALL GROUND LEVEL</b>								<b>58,212</b>	<b>66,852</b>	<b>66,852</b>	<b>1,763,748</b>	<b>249,480</b>	<b>2,216,484</b>
<b>SUBTOTAL ESTIMATED TRADE COST OF REPAIRS, MAKING GOOD</b>								<b>942,732</b>	<b>466,776</b>	<b>466,776</b>	<b>6,978,388</b>	<b>3,317,479</b>	<b>12,678,833</b>
217			%										incl.
218			%										incl.
219		4.5%	%		5								incl.
220		5.0%	%		5						304,028	149,287	453,314
221		5.0%	%		6						348,920	165,874	514,794
221		5.0%	%		5						389,199	185,265	574,463
<b>TOTAL ESTIMATED COST OF REPAIRS, MAKING GOOD JUNE 2012 (Excl GST)</b>								<b>942,732</b>	<b>506,671</b>	<b>466,776</b>	<b>8,020,545</b>	<b>3,821,004</b>	<b>14,221,404</b>
Excludes Escalation, Includes Bare Minimum Works Funded by Council Directly.													
222	<b>COST OF WORKS LEFT TO FUND POST JUNE 2012, ROUNDED UP</b>												
								<b>942,732</b>	<b>506,671</b>	<b>466,776</b>	<b>8,020,545</b>	<b>3,821,004</b>	<b>13,278,672</b>



**R** City of Ryde

Lifestyle and opportunity @ your doorstep



**ATTACHMENT C**

**RYDE CIVIC PRECINCT**

**REDEVELOPMENT**

**LEND LEASE IMAGES**



RYDE CIVIC PRECINCT REDEVELOPMENT





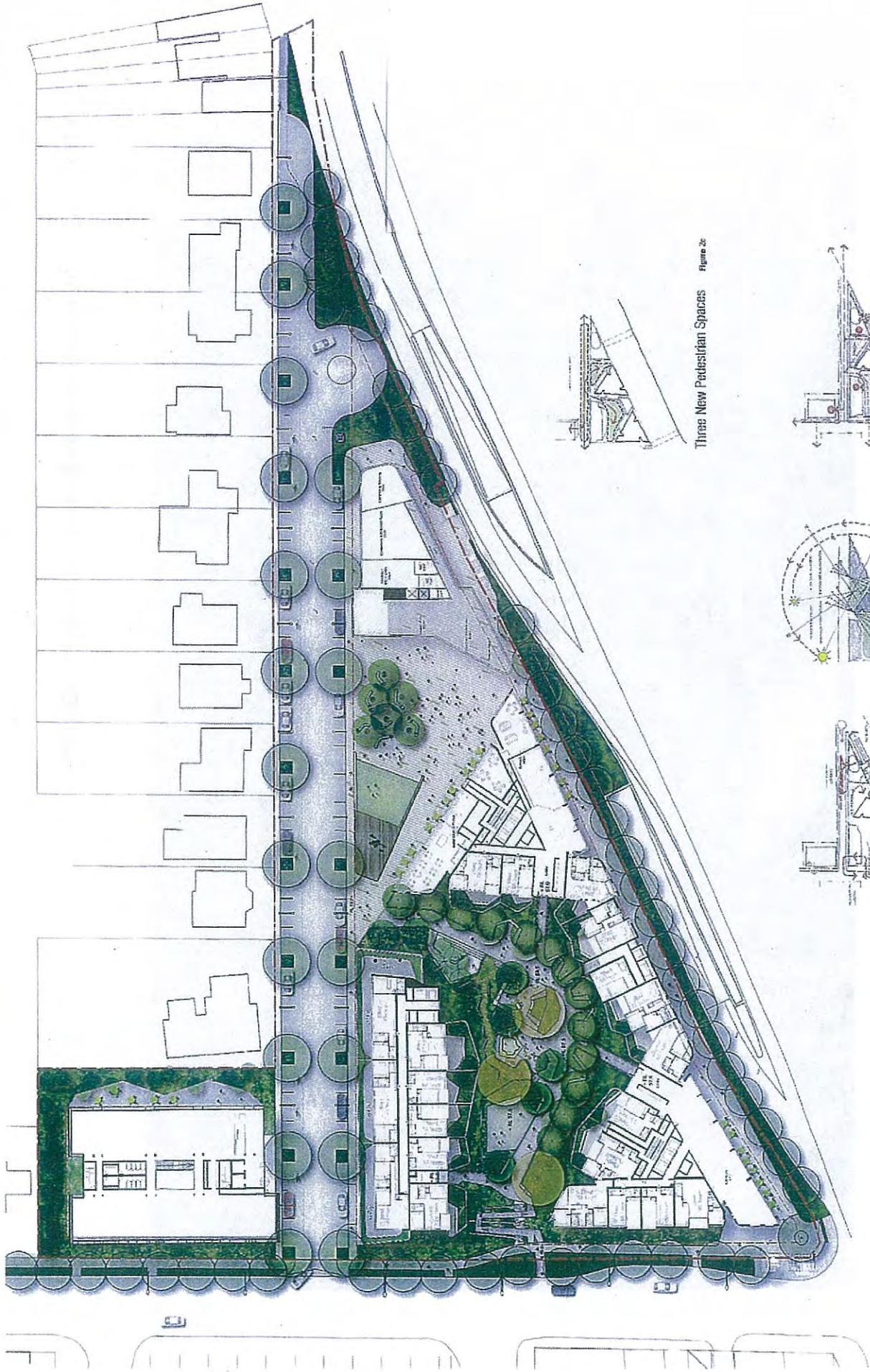
Piazza – Perspective looking north east



Council Offices – perspective looking south west

# PUBLIC DOMAIN UZ

## RYDE CIVIC PRECINCT REDEVELOPMENT



Three New Pedestrian Spaces Figure 2b

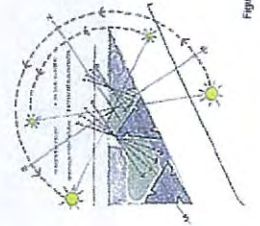


Figure 2a

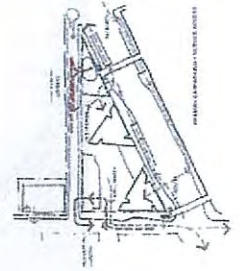
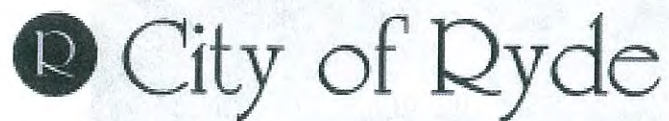


Figure 2b



View to East



City of Ryde

Lifestyle and opportunity @ your doorstep

**ATTACHMENT D**

**RYDE CIVIC PRECINCT**

**REDEVELOPMENT**

**O'CONNOR MARSDEN**

**PROBITY ASSURANCE REPORT**



# City of Ryde Council

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Probity Assurance Report: Request For Tender  
(COR - RFT- 2/12) for the Ryde Civic Precinct  
Redevelopment

29 May 2012

Mr. John Neish  
General Manager  
City of Ryde Council  
Locked Bag 2069  
NORTH RYDE NSW 1670

Copy to: Mr. John Schanz, Service Unit Manager – Risk and Audit

29 May 2012

Dear John,

**Probity Assurance Report: Ryde Civic Precinct Redevelopment Project – Request For Tender (COR – RFT – 2/12)**

In accordance with our proposal dated 4 November 2011, the City of Ryde Council (City of Ryde) has requested O'Connor Marsden & Associates Pty Ltd (OCM) to undertake a review of the Request for Tender (RFT) process for the selected request for tender for the redevelopment of the Ryde Civic Precinct. In this capacity, OCM has set out its report below in regard to probity aspects of the City of Ryde's evaluation process Civic Precinct Redevelopment RFT. This report should be read in conjunction with the probity assurance report for the Expression of Interest phase dated 24 February 2012.

This Probity Report covers the period 10 February 2012 to 29 May 2012 (the date on which we received the final Evaluation Report).

If you would like to further discuss the report, please feel free to contact either myself or Sarah Mullins on (02) 9252 2565.

Yours sincerely



**Andrew Marsden**  
**Director**



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## **About OCM**

The practitioners and team from O'Connor Marsden & Associates (OCM) are a market leader in the provision of probity and governance services to the government sector across Australia. OCM has assembled a dedicated probity specific team that has conducted a considerable number of individual probity engagements for many Australian Local, State and Commonwealth government sector agencies, particularly targeting projects with high public profiles. The team has successfully addressed many complex probity matters such as conflict of interest management, interactive tendering processes, diverse stakeholder arrangements, detailed negotiation processes, testing phases and alternative bid submissions.

The services we provide are best described through our approach to Governance, Probity, Assurance and Forensic. Under Governance we provide advice and training programs in order to support project and program conformance and performance; under Probity, we review, audit and provide advice in relation to processes undertaken during procurement in order to meet the required standards and provide value-for-money; under Assurance, we examine and report on issues from an independent and expert third party perspective; and under Forensic we provide fraud and corruption risk management solutions, including Investigation Services.

## **About the Services**

The services described in this document are of an audit and internal risk management nature only and are not intended to be of a financial services nature.

Confidential - this document and the information contained in it are confidential and should not be used or disclosed in any way without our prior consent.

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# 1 Executive Summary

## 1.1 Introduction

At the request of the City of Ryde Council (Council), O'Connor Marsden & Associates (OCM) has undertaken a probity review of the evaluation process in regard to the Request for Tender for the Ryde Civic Precinct Redevelopment (the Project). The Request for Tender process was undertaken with selected organisations identified in the Expression of Interest phase of the project which was concluded in February 2012.

The engagement was performed in accordance with the Australian Auditing Standard on Assurance Engagements ASAE 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Government Auditing and Assurance Standards Board.

Further information in relation to the extent of the procedures performed and the scope of our engagement is detailed below and in the Statement of Responsibility in **Appendix B**.

## 1.2 Background

Council is seeking innovative solutions for the:

- Design, construction and financing of a new Civic Centre and a New Council Office Building and relocation of Council's offices to the new Council Office Building
- Design, construction and financing of an appropriate residential / commercial development including car parking and public domain within the precinct.

The Project, involving demolition of the existing structures and redevelopment of the Precinct, is a key element of Council's vision to deliver much needed new community, civic and administration facilities and achieve some of the key objectives of Council's Community Strategic Plan.

The Project also provides the opportunity to complete the second stage of the revitalisation of Ryde Town Centre and is considered to be a "once in a generation" opportunity to deliver new community facilities.

An Expression of Interest process was undertaken that concluded in early February 2012 and resulted in four organisations being shortlisted to participate in the select tender process. The organisations were:

- Lend Lease Developments Pty Ltd (Lend Lease)
- Billbergia Pty Ltd (Billbergia)
- Leighton Properties Pty Ltd
- Mirvac Projects Pty Ltd (Mircvac).

The RFT was issued to the shortlisted tenderers on 10 February 2012 with the closing date for submissions being 10 April. During the tender period the organisations were provided with the opportunity to attend interactive sessions with Council representatives to discuss the project including key design elements, commercial outcomes and planning related matters. These workshops were held during the period 15 February 2012 to 14 March 2012.

At close of tender, responses were received from Lend Lease, which submitted a base case and an alternative offer and Billbergia which submitted a base case and two alternative offers. The other two selected tenderers, whilst participating in some of the interactive workshops made a decision not to submit a tender response. These two organisations were Mirvac which quoted workload limitations for its non response and Leighton's Properties Pty Ltd which did not cite a reason in its letter to Council of 10 April 2012.

An Evaluation Panel was established for the assessment of the tender responses which, consistent with the Evaluation Panel for the EOI phase, consisted of expert advisors in the following areas:

- Sustainability

- Planning
- Urban design
- Cost and risk
- Finance and funding
- Legal and contract

The Evaluation Panel held three evaluation meetings to review the tenders. At the first evaluation meeting on 9 May 2012, the Evaluation Panel decided:

- To accept the base case and the alternate case offered by Lend Lease as compliant offers
- To accept the base case and one alternate case offered by Billbergia as compliant offers
- To reject the Billbergia alternative of a Build, Operate Transfer funding model which was a Public Private Partnership model which was beyond the scope of the RFT and did not meet the RFT requirements for consideration and timing. The evaluation panel deemed the alternative to represent a change of scope and that if it was accepted then all tenderers should have been provided with the opportunity to submit a PPP offer, potentially leading to a retender.

Both tenderers made presentations to the Evaluation Panel on 20 April 2012, on their proposed solution and offer.

Further meetings were held with the tenderers on 7 May 2012, 8 May 2012 and 17 May 2012 in order to discuss potential negotiation items and matters for clarification which would be considered by Council should negotiations be required, pursuant to clause 178 (3) of the *Local Government (General) Regulation 2005*. Information provided during these clarification meetings was not included in the evaluation of the submitted tenders.

The Evaluation Panel scored the four compliant bids as follows:

- Lend Lease Alternative Case 68.2
- Lend Lease Base Case 64.4
- Billbergia Alternative Case 43.7
- Billbergia Base Case 42.1
- Billbergia BOT *not scored as not compliant with the RFT and Project requirements*

The Evaluation Panel produced an evaluation report detailing the evaluation process which recommended that:

- Council reject all tenders received consistent with clause 178 (1) (b) of the *Local Government (General) Regulation 2005* and section 11.1 (c) of the RFT
- Council not invite fresh tenders, invite fresh applications or undertake the development itself
- Council engage in direct negotiations with Lend Lease pursuant to clause 178 (3) (e) of the *Local Government (General) Regulation 2005* and section 9.9 of the RFT.

We understand from the evaluation process and the evaluation report that the tender from Lend Lease was considered by the Evaluation Panel to be the least unacceptable and therefore the tenderer with which negotiations are recommended with the most success to make successful. The Evaluation Report will be considered by Council at a closed meeting on 12 June 2012.

## 1.3 Objectives

As detailed in our proposal dated 4 November 2011, the overall objective of our engagement was to provide a conclusion based on the work performed on whether anything came to our attention to indicate that the Council evaluation process did not comply with the probity principles in all material respects. If considered appropriate, OCM was also to provide observations and/or recommendations in relation to the probity aspects of the evaluation process, particularly in regard to procedural fairness and equity.

## 1.4 Scope

The scope of our engagement covers the probity aspects of the evaluation process undertaken by Council for the Ryde Civic Precinct Redevelopment Project RFT.

In accordance with generally accepted probity principles, we have focused on Council's RFT evaluation management systems and processes in regard to:

- Accountability of the participants and transparency of the process;
- Fairness, impartiality and honesty in carrying out the process;
- Management of actual, potential and perceived conflicts of interest
- Maintenance of confidentiality and security of documentation and information; and
- Attaining best possible value for money under the prevailing circumstances.

A further description of these principles is included in **Appendix A**.

This report covers the period 10 February 2012 (the date at which the weightings for the RFT Evaluation Criteria were set) until 29 May 2012 (the date on which we received the final Evaluation Report).

## 1.5 Methodology

Our methodology included attendance at selected RFT and evaluation activities, as well as sighting relevant documentation. These are more fully described under Work Performed, in order to:

- Review the link between procurement planning and the selected approach to the market;
- Review the documented probity controls, including conflict of interest, confidentiality and security management;
- Review the evaluation procedures, including alignment with the RFT documentation, evaluation meetings, criteria assessment and scoring methodology;
- Review the evaluation documentation, including records, scoring and reporting; and
- Review the communications and meetings between the tenderer and the Council, including the provision of addenda and seeking of clarifications.

## 1.6 Acknowledgement

We wish to place on record our appreciation of the assistance and cooperation received from the management and staff of the Council.

## 1.7 Conclusion

Based upon the work described in the Work Performed section, nothing has come to our attention, during the period 10 February 2012 to 29 May 2012, to indicate that the evaluation procedures carried out by Council for the Ryde Civic Precinct Redevelopment Request for Tender were not compliant with the probity principles described in the Scope in all material respects.

## 2 Work performed

In completing our work, we undertook the following tasks in order to form a conclusion from a probity perspective in regard to the RFT evaluation process followed by Council:

1. Confirmed, via review of the signed Evaluation Report, that the RFT was issued to the four invited tenderers on 10 February 2012 and submissions closed on 10 April 2012 providing a tender period of 60 days. This is consistent with the *Local Government (General) Regulation 2005* clause 168 which states that tenders should be open for at least 21 days.
2. Reviewed, from a probity perspective, the Request For Tender document titled *Ryde Civic Precinct Redevelopment Request For Tender (COR – RFT – 2/12)* and observed that it contained the following clauses with regard to probity:
  - a. The project objectives and vision for the Civic Precinct redevelopment
  - b. An indicative procurement timeline
  - c. The scope of the project including the Civic Precinct, provision of a new public domain, and residential, retail and commercial components identified in the Concept Plan
  - d. The commercial framework of the project being to deliver the civic developments and facilitate the commercial developments
  - e. The Council's intention to enter into a Project Delivery Agreement with the successful tenderer
  - f. An outline of the procurement process
  - g. The role and contact details for OCM as the Probity Advisers on the project
  - h. The details of all advisers engaged by Council on the project
  - i. The evaluation methodology including the criteria to be used for the evaluation including reference to the relevant returnable schedules
  - j. An outline of the mandatory criteria to be met by respondents
  - k. Discretion for the Evaluation Panel not to further consider a submission where they are not satisfied that a respondent demonstrates a satisfactory achievement of any of the evaluation criteria
  - l. Lodgement requirements including that late submissions will generally not be accepted by the City of Ryde, which is consistent with the *Local Government (General) Regulation 2005*
  - m. Instructions that any enquiries by respondents are to be directed through the TenderLink portal or to the Development Director if clarification is required
  - n. The process Council will follow for the opening of RFT submissions including the ability for members of the public to be present, consistent with the *Local Government (General) Regulation 2005*
  - o. The process for Council issuing amendments to the RFT via an addendum loaded onto the Tenderlink portal
  - p. The requirement for respondents to submit a conforming tender and discretion for Council to reject any submissions that do not comply with the RFT requirements
  - q. Details of the procurement guidelines that apply to this process including the Local Government Tendering Guidelines

- r. Discretion for Council to not select any tenderer and cancel the RFT process
  - s. Reference to the disclosure requirements under the *Local Government Act 1993* and the *Government Information (Public Access) Act 2010*
  - t. Confidentiality requirements as they apply to the process.
  - u. General submission requirements
  - v. The returnable schedules including the mandatory schedules
  - w. A statutory declaration for respondents to complete and return as part of the Mandatory Returnable Schedule 1, which confirmed that the respondent:
    - i. is not aware of any conflict of interest involving any person employed or engaged by Council in relation to the project
    - ii. has not engaged in any unethical behaviour or sought or obtained an unfair advantage in obtaining business with Council in connection with this project
    - iii. has not disclosed any confidential information relating to this project
    - iv. understands and agrees to accept all conditions of the RFT
3. Reviewed from a probity perspective the *Request For Tender Evaluation Plan* and noted that it contained the following clauses with regard to probity:
- a. The purpose of the Evaluation Plan including to ensure that the evaluation is carried out in a fair, equitable and transparent manner
  - b. An overview of the project
  - c. Lodgment requirements including reference to the returnable schedules
  - d. The governance framework for the procurement consistent with the RFT document
  - e. The role and composition of the Evaluation Panel
  - f. The ability for the Evaluation Panel to consult with expert advisers if required
  - g. The requirements for the acceptance of late submissions in accordance with the *Local Government (General) Regulation 2005*
  - h. The process for the opening of RFT submissions
  - i. The process for the initial compliance check of the submissions and the preparation of the compliance report by the Project Manager for consideration by the Evaluation Panel
  - j. Security arrangements to apply to the RFT evaluation including the ability for the Panel members to review the submissions in their own offices subject to approval by the Chair of the Evaluation Panel and confirmation that the security of the submissions has been maintained
  - k. The evaluation methodology including an individual assessment of the submissions by the Evaluation Panel members, seeking input from technical advisers where required, seeking clarification from respondents and the evaluation criteria and applicable weightings
  - l. Scoring guidelines
  - m. Record keeping requirements including meeting minutes and the evaluation report.
4. Observed that the Evaluation Criteria in the *Request for Tender Evaluation Plan* were consistent with those provided in the RFT.

5. Attended the following pre RFT workshops between Council and the four organisations which had been invited to tender:

- Lend Lease: 21 February 2012 and 14 March 2012
- Billbergia: 16 February 2012
- Mirvac: 15 February 2012 and 5 March 2012
- Leighton Properties: 16 February 2012 and 12 March 2012.

At these workshops we did not identify anything to suggest that any tenderer was provided with information that was not made available to the other shortlisted tenderers or were provided with any opportunity that would give them an actual or perceived advantage during the tender period. Council maintained records of these meetings which OCM reviewed and it was confirmed that the minutes were an accurate representation of the matters discussed with the tenderers.

6. Attended a meeting of the Evaluation Panel on 22 March 2012 where the Evaluation Criteria weightings were agreed. This meeting where the weightings were set was prior to the closing date for tender submissions.
7. Observed that Billbergia made a request on 26 March 2012 to alter the composition of their consortium relative to that which had been selected in the EOI phase and observed that Council's General Manager permitted the consortium change 30 March 2012 consistent with section 10.3 of the RFT.
8. Confirmed with the Project Manager for the Project on 23 May 2012 that 19 Notices were issued to all proponents during the RFT period.
9. Attended the RFT opening at 2:00pm 10 April 2012 and observed the following:
- a. The electronic tender box was opened after the closing date for tenders
  - b. No late responses were received
  - c. There were two representatives from the Council present at the tender opening consistent with the Evaluation Plan as well as the Service Unit Manager – Risk and Audit.

We did not identify anything to suggest that the tender opening process was inconsistent with the process described in the RFT and the Evaluation Plan or with the requirements outlined in the Local Government Act 1993 and the *Local Government (General) Regulations 2005*.

10. Sighted the letters from Leighton Properties and from Mirvac which advised that these two organisations would not provide a tender response. Mirvac quoted workload limitation issues for its decision not to respond and Leighton Properties did not cite a reason for not submitting a bid in its letter to Council of 10 April 2010. Contacted a representative of each of Mirvac and Leighton Properties to inquire if their decision not to tender was influenced by any probity issue and both reported no probity issues.
11. Attended the Evaluation Panel meetings on 3 May 2012, 9 May 2012 and 21 May 2012 and observed the following:
- a. Panel members had completed an individual assessment of the tender responses prior to the meeting
  - b. Panel members received a briefing from Clayton Utz as the legal advisors on the project in relation to the process for seeking clarification as well as the options available to the Panel on recommendations to be made to Council on the acceptance or rejection of the tender responses



- c. Panel members received a briefing from the subject matter experts as well as a copy of the reports covering these areas which was taken into consideration as part of the assessment of the tender responses
- d. The Panel members' individual scores were inputted into the evaluation spreadsheet which calculated the average scores and overall scores following the application of the criteria weightings
- e. The Panel members discussed the rankings of the respondents and confirmed that there was a clear differentiation in scores between the first and second ranked tenderers

On the basis of our observation of the evaluation meetings, we did not identify anything to suggest that the process followed for the assessment of the submissions was inconsistent with the agreed methodology in the RFT document and the Evaluation Plan.

12. Observed the performance of the members of the Evaluation Panel at the meetings we attended. Nothing came to our attention to indicate that the Panel as a whole did not include the appropriate skills, professional qualifications and experience required to undertake an evaluation of this nature. Noted the composition of the Evaluation Panel was also approved by the General Manager, Council's most senior delegated officer for this RFT, as part of his approval of the Evaluation Plan.
13. Attended the offices of the independent consultant, JBA, who provided advice to Council as well as briefing information to the tenderers on planning related matters, to confirm the maintenance of confidentiality at JBA. During this review we did not identify any breaches of probity or the probity plan.
14. Attended and provided a probity briefing to tenderers' at the presentations on 20 April 2012. Also attended the clarification meetings with tenderers on 7 May 2012, 8 May 2012, 17 May 2012 and did not identify any probity issues in Council's communication with tenderers. Observed that Council advised the tenderers at these meetings that:
  - The presentations and responses to clarifications were not part of the evaluation process and that all tenders would be assessed on their original bids
  - The purpose of the presentations and clarifications was to further understand tenderers' responses in the event that Council resolved to directly negotiate with tenderers
15. Reviewed the Evaluation Spreadsheet and confirmed:
  - a. The evaluation was undertaken against stated criteria
  - b. The agreed score was arrived at by applying the method outlined in Council's Evaluation Plan
  - c. The scores for the criteria were applied consistently
  - d. The agreed scores were correctly transcribed to scoresheets/spreadsheets.
16. Received confirmation from members of the Evaluation Panel on 21 May 2012 that:
  - a. Sufficient enquiry was made and adequate time and resources allocated to the evaluation process
  - b. There were no known breaches of confidentiality
  - c. There were no known conflicts of interest and no Evaluation Member had any associations with tenderers other than professional contacts
  - d. They are unaware of any bias in the evaluation process
  - e. They are unaware of any other issue of a probity nature that has not been resolved.
17. Reviewed from a probity perspective the *Ryde Civic Precinct – Redevelopment – Evaluation Report – COR-RFT-2/12* (Evaluation Report) dated 29 May 2012 and noted that it contained the following items with regard to probity:
  - a. Overview of the RFT COR-RFT-2/12 including the responses required and the purpose of the Evaluation Report

- b. A description of the RFT evaluation panel including subject matter experts
  - c. The Assessment Schedule including the timelines for the evaluation process
  - d. Administrative matters including descriptions of the declaration of interests, the confidentiality of information, and the Evaluation Plan approval process
  - e. The submissions received, including document distribution, the RFT opening process noting no late submissions and a summary of compliance issues with the submissions
  - f. An overview of the evaluation process including the evaluation criteria and weightings and the scoring system
  - g. An overview of the RFT Panel deliberations
  - h. Review of submissions received
  - i. The Evaluation Panel's recommendation for Council to resolve to reject all tenders and enter into negotiations with Lend Lease who submitted the least unacceptable tender
  - j. Appendices including Minutes of the evaluation panel meeting, clarifications sought and received, conflict of interest and confidentiality undertaking, the Compliance Summary Report.
18. Observed on 25 May 2012 that the Evaluation Report was endorsed, via email, by all members of the Evaluation Panel. We noted no material changes in Council's final Evaluation Report of 29 May 2012 compared to the Evaluation Report of 25 May 2012 which was endorsed by the Evaluation Panel members.
  19. Contacted representatives of Lend Lease and Billbergia on 18 May 2012 and provided them with an opportunity to raise probity concerns and no probity concerns were raised.
  20. Reviewed the assessment of Council's Service Unit Manager: Risk and Audit, of Confidentiality Undertakings and Statements of Association, supplied on 25 May 2012, which did not identify any staff, consultants and advisors had not provided Confidentiality Undertakings and Statements of Association.
  21. Observed the evaluation process for the tender responses and did not identify anything to suggest that the process followed by the Evaluation Panel for the assessment of submissions was inconsistent with the RFT document, the Evaluation Plan, or the tender requirements outlined in the Local Government Act 1993 and the *Local Government (General) Regulations 2005* and the Local Government Tendering Guidelines.

# Appendix A: Probity Principles

## Accountability of the participants and transparency of the process

Accountability and Transparency are related concepts. Accountability involves agencies being able to justify the use of public resources to an appropriate authority by allocating and taking responsibility for past and expected performance. This includes aligning the decision making process with the appropriate delegated authority, and keeping adequate records that will leave an auditable trail. Transparency refers to the preparedness to open a project and its processes to scrutiny and possible criticism. This also involves providing reasons for all decisions that are taken and the provision of appropriate information to relevant stakeholders.

## Fairness, impartiality and honesty

Individuals and organisations involved in preparing and submitting proposals are entitled to expect impartial treatment at every stage of the process. If they do not consider the process to be fair, impartial and honest they may withhold valuable ideas or be deterred from bidding in the future. Any form of bias, whether driven by personal interests or not, could jeopardise the integrity of the project. Procedures that include multiple person panels, independent members and observers mitigate this risk.

## Management of Conflicts of Interest

A conflict of interest is a conflict between the public duty and private interests of a public official where the public official has private interests which could improperly influence their official duties and responsibilities. The community and potential tenderers have a right to expect that public officials will make decisions that are not influenced by private interests. Similarly, when the private sector is engaged to perform public sector duties, there is an obligation to ensure that conflicts of interest are disclosed and effectively managed. Perceived or potential conflicts of interest can be as damaging as actual conflicts, and procedures should be implemented to mitigate the effect.

## Maintenance of confidentiality and ensuring security

Although accountability and transparency are fundamental to the work of public sector organisations and public officials, there is some information that needs to be kept confidential, at least for a specified period of time, in order to protect the integrity of the process and give tenderers the confidence to do business with government. This information can include the content of proposals, intellectual property and tenderers' pricing and profit structures. Importantly, much of the information relating to the project needs to be kept confidential up to the point where a contract is executed with the successful tenderer. However, once this has happened, government guidelines require that certain information be released, consistent with the fundamental principles of public sector accountability and transparency, as discussed above. Procedures must be implemented to ensure that no unauthorised release of confidential information occurs.

## Attaining value for money

This is demonstrated by the use of an open competitive environment in which the market is tested regularly, and tenderers can make attractive, innovative proposals with the confidence that they will be assessed on their merits. Value-for-Money is not necessarily achieved by accepting the lowest available price. The process should include: the evaluation of non-price criteria (such as the quality of the goods or services offered, the experience and past performance of the providers, the financial strength of the companies, the differing risk factors, the quality of the personnel, etc.); cost-benefit analysis against a target outcome or budget; the assessment of the total cost over the proposed life of the project; and, where appropriate, whether the outcome is best achieved by the Private Sector, using a Public Sector Comparator. Procedures should include a comparison of the non-price and price criteria on a weighted basis, with both the criteria and the weighting between price and non-price criteria declared in the call documentation.

# Appendix B: Statement of Responsibility

## Management's responsibility for the evaluation process

The management of the City of Ryde is responsible for the design and implementation of the evaluation process controls in accordance with Government and the City of Ryde's policies. This responsibility includes establishing and maintaining processes relevant to the evaluation process to ensure that the process meets appropriate probity policies, laws and regulations; and leads to selecting the most appropriate tenderer or tenderers under the prevailing circumstances.

## Assurance practitioner's responsibility

Our responsibility is to express a conclusion on the Evaluation Process based on our review. We conducted our review in accordance with the Australian Auditing Standard on Assurance Engagements ASAE 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by the Australian Government Auditing and Assurance Standards Board, in order to state whether or not, on the basis of the procedures described and witnessed where appropriate, we have become aware of any matter that makes us believe that the evaluation process is not in accordance with the principles described above.

A review consists primarily of making enquiries, primarily of persons responsible for undertaking the evaluation process and its underlying documentation, applying analytical and other review procedures, and examination of evidence for a small number of transactions or events. A review is substantially less in scope than a reasonable assurance audit conducted in accordance with ASAE 3000. Accordingly, we do not express an audit opinion. Had we performed a reasonable assurance audit as defined by ASAE 3000 or an audit as defined by the Australian Auditing Standards, additional information may have come to our attention, which would have been reported to the City of Ryde.

While conducting our review and/or in our report we may provide advice and/or recommendations in relation to the mitigation of risk of challenge to the processes undertaken by the City of Ryde. In these cases, our responsibility is limited to providing such advice and/or recommendations, based on our experience and knowledge of the subject matter of the project. For the avoidance of doubt, the procedures performed in providing advice and/or recommendations do not constitute an assurance engagement in accordance with the Australian Auditing Standards for Assurance Engagements, nor do they represent any form of audit under the Australian Auditing Standards. We therefore do not express any form of assurance in relation to the advice and/or recommendations, and none should be inferred from any such commentary in this report.

## Inherent limitations

Our Work is subject to the following limitations:

- Owing to the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. Our procedures were not designed to detect all weaknesses in control procedures as they were not performed continuously throughout the period and the tests performed are on a sample basis.
- Any projection of the evaluation of the control procedures to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.
- The matters raised in this report are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including

fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the evaluation process, or potential instances of non-compliance that may exist.

Advice and/or recommendations for improvement should be assessed by management for their full commercial impact before they are implemented.

#### Limitations on use

This report is made solely to the management of the City of Ryde in accordance with our proposal dated 4 November 2011, for the purpose of providing comfort to senior management on the appropriateness and robustness of the evaluation process and should not be quoted in whole or in part without our prior written consent. We disclaim any assumption of responsibility for any reliance on this report to any person other than the management of the City of Ryde, or for any purpose other than that for which it was prepared.

We disclaim all liability to any other party for all costs, loss, damages, and liability that the other party might suffer or incur arising from or relating to or in any way connected with the contents of our report, the provision of our report to the other party, or the reliance on our report by the other party.

#### Independence, Competence, and Experience

All professional personnel involved in this engagement have met the independence requirements of the Australian professional accounting bodies.