Confidential Item

For Council meeting to be held on

Tuesday 21 February 2017 at 7.30 pm

Refer Item 11.20

Confidential Item

11.20 Undergrounding of Power Lines – Campbelltown Village

TRIM Reference: B1246 General Manager Infrastructure Services, Andrian Wiguna's Report

Purpose of Report

To provide an update on the progress of undergrounding the power along Lower North East Road from Hill Street to Church Road, Campbelltown and seek direction on how to move forward with this project.

Strategic Plan Link

Strategy 1.4.4 Advocate to other levels of government and service providers for relevant and accessible services to meet the needs of the Community

Background

The undergrounding projects have quite a long lead-time to obtain approval and implementation. Council lodged the ROI (Registration of Interest) to PLEC (Power Line Environment Committee) approximately three years ago for this section of Lower North East Road, Campbelltown. The total cost to underground the power line (excluding landscaping) is approximately $3.4 million.

Council in 2015/2016 committed to fund of $1,010,081 over a two year period as its one-third contribution to the project.

Discussion

In 2016, PLEC and SAPN went to the market for the civil works component of the undergrounding, however they did not receive favourable interest from the market. Following this, SAPN re-tendered the process offering Council an opportunity to prepare a submission to undertake the civil work component of the undergrounding. Staff submitted the price for the fee proposal from Council at a cost of $2.47 million.

Although PLEC accepted Council's submission and have tried to further reduce the cost by asking SAPN to revise the design, the cost of the project is still above the initial budget estimation by $840,000 which makes it difficult to proceed.

PLEC has provided two options for Council to consider. The first option is to reduce the scope of works to fit the project to the sum approved. Alternatively, an over expenditure sum could be approved by PLEC as a supplementary stage of the project based on the actual civil costs.

PLEC believe that the first option (reduction in scope of work) would not meet the outcome that Council is trying to achieve and therefore the supplementary project would achieve the desired outcome for all parties. The expenditure for a supplementary project would be subject to the PLEC sharing arrangement; being one-third of the cost being contributed by Council. Therefore each party is required to contribute a sum in the order of $280,000 which makes the total Council contribution toward this project being $1,290,081.

In Staff's opinion, should Council wish to achieve the desired outcome, as per the Master Plan, the project scope should not be reduced. Furthermore, the longer Council postpones this project, the more expensive the project will become. Therefore, in Staff's view Council could consider the following options:

- Accept the additional cost sharing between all parties ($280,000 each) subject to Staff reviewing or adjusting the final cost without any further penalty.

- Council does not accept the additional cost and requests PLEC honour the original agreed cost. Staff have raised this with PLEC who have indicated that they are not in the position to be able to absorb this increase in cost and hence there is a huge likelihood that that PLEC will not accept this proposal.

- Withdraw Council's interest from undergrounding the power lines at this location. The risk of this is Council will not be able to achieve its objective as per the Master Plan and may risk the likelihood of funding for any future undergrounding projects.

Social Implications

The proposed works will have a positive impact on the streetscape and generally improve the amenity of Lower North East Road from Hill Street to Church Road, Campbelltown should the project proceed.

Environmental Implications

There are no environmental implications in relation to this report.

Asset Management Implications

There are no asset management implications in relation to this report.

Governance / Risk Management

There are no governance / risk management implications in relation to this report.

Community Engagement

There are no Community engagement implications in relation to this report.

Regional Implications

There are no regional implications in relation to this report.

Financial Implications

When the project was originally approved by PLEC, the total cost was $3.4 million where Council's contribution was expected to be $1.01 million. The revised civil work/trenching cost has increased the project cost by approximately $840,000 to a total cost of $4.24 million. Hence the revised cost sharing arrangement for the project requires Council to increase its contribution by $280,000, totalling $1.29 million.

The fee submission by Staff to PLEC was $2.47 million incorporating approximately $1.8 million to undertake the civil works plus $360,000 for contingencies and an additional $310,000 for project management fees (or profit). Excluding the project management fees (or profit) the cost to Council to complete the civil works is approximately $2.16 million. Therefore the additional contribution required by SAPN of $280,000 can be funded from the anticipated profit (which was categorised as project management in the tender submission).

There may be a further saving should Council be able to minimise the amount of contingencies encountered for this project however, if more contingencies are needed, it may reduce the potential saving to Council.

Recommendation

That Council agrees to contribute an additional $280,000 to the Power Line Environment Committee toward the undergrounding of power lines at Campbelltown Village with the funding being recognised at the third Budget Review.