

19.6 SOUTHERN MORETON BAY ISLAND FERRY TERMINAL UPGRADE FUNDING PROPOSED AMENDMENT

Objective Reference:

Authorising Officer: Louise Rusan, Acting General Manager Infrastructure & Operations

Responsible Officer: Bradley Salton, Group Manager City Infrastructure

Report Author: Sven Ljungberg, Program Manager Aquatic & Emergency Precinct

Attachments: 1. SMBI Ferry Terminal Program Department of Transport and Main Roads proposed amended funding allocation

The Council is satisfied that, pursuant to Section 275(1) of the *Local Government Regulation 2012*, the information to be received, discussed or considered in relation to this agenda item is:

- (h) *other business for which a public discussion would be likely to prejudice the interests of the local government or someone else, or enable a person to gain a financial advantage.*

PURPOSE

To seek Council approval to amend the Funding Collaboration Deed (FCD) and bring forward planned capital works for the Southern Moreton Bay Islands (SMBI) Ferry Terminal upgrade projects for Russell, Macleay, Lamb, and Karragarra Islands, and to delegate authority to the Chief Executive Officer (CEO) to sign the amended deed.

BACKGROUND

The Department of Transport and Main Roads (DTMR) and Council negotiated a Funding Collaboration Deed (FCD) endorsed by Council on 18 December 2019 to jointly deliver ferry terminals for Russell, Macleay, Lamb, and Karragarra Islands.

DTMR have submitted to the CEO and Project Leadership Team a proposal to accelerate delivery of the construction program (attachment 1). Cost estimates show significant savings when the timeframe is compressed and works are constructed under one contractor package however this requires an increased, short-term financial commitment from Council.

DTMR and Council have been working with the designers, [REDACTED] and the preliminary designs went out to market for constructability reports. These reports confirmed that significant savings can be achieved by delivering the four new ferry terminals under one contract package. The average savings are 25% of the construction costs, which equates to approximately [REDACTED] (DTMR [REDACTED] plus Council [REDACTED])

The contractors confirmed these savings may be attained through:

- reduced overheads and preliminaries
- reduced mobilisation/demobilisation costs
- ability to purchase materials in bulk
 - improved production outputs
 - efficiencies through utilisation of resources across multiple work fronts
 - less downtime, and time related risks, across the projects

The original business case was based on construction over a 36 month (three year) program, however the constructability reports confirm these cost efficiencies can be achieved through a 14

to 18 month program. These savings can only be attained through amendment to the FCD, and a revision of the 10 year Capital funding model (CAPEX).

ISSUES

DTMR requires Council's consent to modify the FCD to be able to instruct design consultants to package the works for tender under one contract.

There are two key issues for consideration to take advantage of these savings, namely:

- (i) Adjustment to the CAPEX program to accommodate the earlier requirement for the funding of the SMBI Ferry Terminal (Jetty and pontoons) contribution; and
- (ii) Adjustment to the CAPEX program to bring forward budget for associated SMBI Ferry Terminal Landside Works (Platform and Shelters) from financial year (FY) 21/22 and 22/23.

Council contributions for the SMBI Ferry Terminal (Jetty and Pontoons) under the FCD have yearly proposed CAPEX budgets currently programmed and would need to be amended as follows:

SMBI Ferry Terminal FCD	FY20/21	FY21/22	FY22/23	Total
Current FCD				
Proposed FCD				
Net difference				

Council contributions for the SMBI Ferry Terminal Landside Works (Platform and Shelters) are independent of the FCD and have yearly proposed CAPEX budgets currently programmed that would need to be amended as follows:

SMBI Ferry Terminal Landside Works	FY20/21	FY21/22	FY22/23	Total
Current Planned CAPEX				
Proposed CAPEX				
Net difference				

Note: The SMBI Ferry Terminal Landside Works (Platform and Shelters) must be delivered under the DTMR ferry terminal contract to ensure a fully functional transport interchange and service continuity for commuters.

The net effect on the proposed CAPEX program for Ferry Terminal (Jetty and Pontoons) and Ferry Terminal Landside Works (Platform and Shelters) is detailed in the table below.

Program 42399	FY 20/21	FY21/22	FY22/23	Total
CAPEX Change Ferry Terminal				
CAPEX Change Landside Works				
CAPEX CHANGE Net				

The following CAPEX programs have been identified by City Infrastructure in conjunction with Portfolio Management Office, to be adjusted to allow for the accelerated program in FY20/21.

Job Number	Job Name	Current budget	Proposed budget	Savings
41634	Road Renewal Program			
43756	Carpark Renewal - Wharf St Carpark			
	TOTAL			

Adjustments may be made to the FY21/22 CAPEX program to accommodate the accelerated program request from DTMR.

STRATEGIC IMPLICATIONS

Legislative Requirements

There are no legislative implications associated with this report.

Risk Management

Amending the FCD will potentially save Council [REDACTED] Adjustments to the proposed CAPEX funding will mitigate risks associated with the FY20/21 and FY21/22 program delivery.

Financial

Adjustments will be required in the proposed FY20/21 and FY21/22 CAPEX programs to accommodate the accelerated program. The net change to the CAPEX for Program number 42399 is detailed in the table below.

Program 42399	FY20/21	FY21/22	FY22/23	Total
CAPEX Change Ferry Terminal				
CAPEX Change Landside Works				
CAPEX CHANGE Net				

City Infrastructure proposes to adjust Job Number 41634 and Job Number 43756 to accommodate the accelerated program resulting in a nil net impact to FY20/21 CAPEX.

People

A shorter delivery timeframe will reduce operating costs for project management.

Environmental

There are no environmental implications associated with this report.

Social

The accelerated program will reduce the construction timeframe on these projects, and will mean less inconvenience to ferry passengers/local community, and deliver these works 18 months ahead of schedule which will result in less long term interruption to customers on ferry services.

Human Rights

There are no human rights implications associated with this report.

Alignment with Council's Policy and Plans

The SMBI ferry terminal upgrade project is consistent with Council's Corporate, Operational and Redlands 2030 Community Plans and aligns with the following 2023 Outcomes:

- Embracing the Bay 3.2, 3.3, 3.4
- Wise planning and Design 5.4

CONSULTATION

Consulted	Consultation Date	Comments/Actions

Senior Engineer Marine & Water Assets	28/04/2020	Agreement with proposal to accelerate program to deliver savings and new facilities a year earlier than planned.
Councillor Division 5	29/04/2020	Accelerated program approach agreed in principal to provide savings and earlier service enhancement to community.
Senior Management Accountant	29/04/2020	Proposed funding approach to adjust future CAPEX to accommodate accelerated program agreed in principal.
Service Manager Legal Services	29/04/2020	Proposed funding approach to adjust future CAPEX to accommodate accelerated program agreed in principal.
Principal Portfolio Management Adviser	26/05/2020	Proposed funding approach to adjust future CAPEX to accommodate accelerated program agreed in principal.

OPTIONS

Option One

That Council resolves as follows:

1. To amend the Funding Collaboration Deed and planned capital works for the Southern Moreton Bay Island (SMBI) Ferry Terminal upgrade projects for Russell, Macleay, Lamb, and Karragarra Islands.
2. To note the amended Funding Collaboration Deed will accelerate the delivery of the jetty replacement program, improving opportunities for more job creation in 2020-2021 and savings estimated at over [REDACTED] to Council.
3. To delegate authority to the Chief Executive Officer, under s. 257(1)(b) *Local Government Act 2009*, to negotiate, make, vary and discharge amendments to the Funding Collaboration Deed in accordance with this report.
4. That this report remains confidential subject, to maintaining the confidentiality of legally privileged, private and commercial in confidence information.

Option Two

That Council resolves as follows:

1. To not amend the Funding Collaboration Deed and forego the [REDACTED] saving available through an accelerated program.
2. That this report remains confidential subject, to maintaining the confidentiality of legally privileged, private and commercial in confidence information.

OFFICER'S RECOMMENDATION

That Council resolves as follows:

1. To amend the Funding Collaboration Deed and planned capital works for the Southern Moreton Bay Island (SMBI) Ferry Terminal upgrade projects for Russell, Macleay, Lamb, and Karragarra Islands.
2. To note the amended Funding Collaboration Deed will accelerate the delivery of the jetty replacement program, improving opportunities for more job creation in 2020-2021 and savings estimated at over [REDACTED] to Council.
3. To delegate authority to the Chief Executive Officer, under s. 257(1)(b) *Local Government Act 2009*, to negotiate, make, vary and discharge amendments to the Funding Collaboration Deed in accordance with this report.
4. That this report remains confidential, subject to maintaining the confidentiality of legally privileged, private and commercial in confidence information.

Our ref: 467/00003



Department of
Transport and Main Roads

18 May 2020

Mr Andrew Chesterman
Chief Executive Officer
Redland City Council
Cnr Bloomfield & Middle Streets
Cleveland QLD 4163

Dear Mr Chesterman

**TMR29-130 Southern Moreton Bay Islands Ferry Terminals Upgrade
Proposed amended funding allocation**

As part of the design development for the Southern Moreton Bay Islands (SMBI) ferry terminal upgrade project Department of Transport and Main Roads (TMR) recently obtained advice from the marine construction market on the preliminary design. Part of this advice was that by amending the contract model for the four ferry terminals to one contract, being delivered concurrently, a potential significant program and cost saving could be realised for the project.

Details of the proposal are contained in the attached spreadsheet which was discussed in a recent SMBI Project Leadership Team meeting held on 27 April 2020 and was attended by representatives of Redland City Council (RCC). TransLink, TMR and RCC project team officers confirmed in the meeting that they are in favour of the proposal. Subsequently RCC officers requested that TMR write to you about this proposal prior to it being considered at a Council meeting at the end of this month.

In summary, the spreadsheet highlights a potential cost saving of approximately 25 per cent of the construction cost, which equates to [REDACTED] of the project cost. Based on the initial 60:40 project funding allocation between TMR and RCC, this equates to a potential cost saving for RCC [REDACTED]. Please note that these figures are based on the business case cost estimate and will be further refined when detailed design cost (P90) information is received in the next 2-3 months.

To achieve this, the funding allocations from TransLink and RCC in Year 3 (FY 2022-23) will need to be brought forward into Year 2 (FY 2021-22). For RCC this requires bringing forward the allocation of [REDACTED] from Year 3 to Year 2.

The current funding allocation agreement is detailed in the Funding Collaboration Deed which was executed by TMR and RCC on 6 March 2020.

TMR formerly requests that RCC accept the funding allocation amendment as outlined above and further detailed in the attached spreadsheet to take advantage of the potential significant program and cost savings identified for the project. The Funding Collaboration Deed will be amended after the P90 cost estimate is received to reflect the new agreement.

Should you have any further questions please direct your questions to Mr Jon Eames, (SMBI ferry terminal upgrade project manager) jon.z.eames@tmr.qld.gov.au, [REDACTED]

Yours sincerely

[REDACTED]

Les Dunn
General Manager (Program Delivery and Operations)

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