

RESETTING OF CAPITAL WORKS PROGRAM FOR 2019/20

The One-off Capital Works Delivery Program each year originates from the existing Long-Term Financial Plan (LTFP) and comprises of:

- (a) new projects that must undergo all the project scope development and internal and external approvals to enable delivery,
- (b) carry-over projects from previous year/s, and
- (c) new projects that have been conceptualised and initiated in the year for which the funding/grant is secured.

In reality only a portion of the projects in the budget are construction ready. New projects originating from the LTFP are not construction ready and must go through a complete initiation and planning phase prior to entering the delivery program and being considered 'construction ready.' The constraints being:

- except for externally funded projects, there are no back-up documents available on their scope, schedule, or cost estimates feeding into the LTFP
- a project scope document needs to be developed with the Council Executive, sponsor, and deliverer all having a common understanding of the project deliverables and benefits
- budgets established around concepts are not reliable as the scope, risks, and other external factors are not considered and need to be worked up into a Quantity Surveyor estimate with the scope defined and risk factors understood
- projects in these categories sometimes get into prolonged procurement due to inadequate budget or descoping requirements and will require repeated deliberations with stakeholders and funding agencies
- due to planning and procurement delays, the project cannot be delivered in that year and will be a carry over.

In addition, new projects that are initiated during the year are also added to the delivery program when funding grants are received or when Council priorities change focus and an urgent requirement needs to be addressed. Any delivery program needs to be able to cope with and be flexible to these requests, acknowledging that by bringing in new priority projects, delivery in other programs may slow as a result of these priority changes.

The budget summary for the 2019/20 Capital Works Program (not including Potential Projects) is as follows:

- Original adopted budget - \$73.4M
- Revised adopted budget including 2018/19 carryovers and adopted budget variations - \$92.6M
- Reset adopted budget following the 24 February 2020 Reset report RP-6 'Resetting of Capital Works Program for 2019/20 and Proposed Capital Works Program for 2021/30 Long Term Financial Plan' - \$70.8M
- Current adopted budget including budget variations - \$76.3M (\$54.2M in one off capital + \$22.1M in recurrent projects).

Status of Capital Works 2019/20

The actual YTD figures as of 30 May 2020 are:

- Budget: \$76.3M
- Actuals: \$39.7M
- Commitments: \$20.8M
- In procurement: \$36.0M excluding RIFL

There are invoices to be received for works accrued as of May 2020 and, as such, there is a lag between the YTD actual figures until May 2020.

Contributing Factors

The main factors contributing to hold ups have included:

- Projects significantly under budget and requiring additional time in planning and procurement. For example, the Pomingalarna, Museum, and Riverside Stage 2 projects.
- Non-conforming tenders that required prolonged negotiation with contractors to meet the project budget.
- Easement and land acquisitions not budgeted when projects are included in the LTFFP and not resolved prior to projects being included in the delivery program. The project delivery is delayed as finalising these acquisitions these can take up to 12 months or longer due to dependency on private owners and other government agencies. Compulsory acquisitions can take up to 24 months with 6 months' mandatory negotiation periods as per legislation.
- Projects not ready for delivery. Some projects take longer in the planning stages due to lack of maturity in concept development, scope changes, design issues, easement or environment issues, and DA approval delays, amongst others.
- COVID-19 pandemic has resulted in delays to commencement of work and time extensions with concerns amongst some sub-contractors about interstate travel and overseas-sourced contractor materials delayed due to shipment restrictions. The pandemic has also resulted in procurement time extensions due to lag times in confirming rates and/or supplies from overseas and delayed sub-contractor quotes.

Positives in 2019/20

Despite the above constraints, as of May 2020 Council has year-to-date actuals of \$39.7M and procured commitments of about \$20.8M. This is a considerable improvement from same time last year (May 2019), where the YTD actuals were \$31.4M (26% increase) and commitments were \$13.9M (50% increase).

Around 66 projects are scheduled to be completed by June 2020. The Eunony Bridge and Farrer Road upgrades are both major projects that were included in the delivery program for several years but did not formally commence until 2019/20. Both projects are progressing well, with Farrer Road due for completion in June 2020 and Eunony Bridge in August 2020. The Main City Levee Stage 2 project will also be completed. There are a further 16 projects totalling \$36M (excluding the Riverina Intermodal

Freight Logistics Hub (RIFL)) in various stages of procurement that will be delivered in 2020/21.

Despite the COVID-19 pandemic and social distancing restrictions, Council staff have continued to progress with the delivery program, with a spend of \$6.2M in April 2020 being the best month for delivery to date.

Another positive is the implementation of the automated capital works reporting and workflow governance, which had been a manual process.

Major Projects 2019/20

Major projects commenced or completed in 2019/20 include:

- SPS15 to Koorinal Treatment Works Rising Main
- Main City Levee Stage 2
- Active Travel Plan
- Riverside – Hampden Bridge Legacy Project
- Pavement Rehabilitation Program
- Stadium Upgrades
- Energy Savings Project
- Farrer Road Widening
- Eunony Bridge Improvement
- Capital Renewal-Reseal Program
- SPS01 and SPS02 Sewer Rising Main
- Equex Capital Works
- Bolton Park Amenities

Major projects procured or in procurement in 2019/20 include:

- Riverside Stage 2
- Entwine
- Museum of the Riverina
- RIFL Stage 2
- Mona Vale Bridge and Palmer's Bridge
- Active Travel Plan asphalt concrete sections and End of Trip Facilities
- Airport Taxiway
- GWMC Weighbridge
- Pomingalarna Multisport Cycling Complex
- SPS23 Ashmont Pump Station and Rising Main
- Gobbagombalin Sewer and Stormwater
- LMC Sheep Yards and Cattle Fan Draft

Reset Process

The reset process was started, and information compiled through the end of April and early May 2020. This involved input from the business owners, project sponsors, the finance department, and the project delivery team. The process included reviewing the delivery program status and forecasting an achievable delivery budget for 2019/20 along with forward planning for the 2020/21 delivery program.

The focus was on resource availability, completion deadlines for high priority grant-funded projects, recurrent projects, and strategic projects to better serve the

community. A preference was given to alternative delivery options (such as Design and Construct) that could speed up the procurement process.

Based on the outcomes of these meetings, the 2019/20 Capital Works Program is proposed to be reset to \$56.2M, which comprises of \$37.1M in one-off capital works and \$19.1M in recurrent projects, noting that:

- the reset of the delivery program for 2019/20 and forward planning for 2020/21 was done based on information received in late April and early May 2020
- the project status could have changed, due to projects taking longer in design tenders not being awarded due to being in negotiation, and time required for contract execution
- the realisation of the forecast delivery program is dependent on all business owners and departments' project delivery resources adhering to their forecast commitments.

The list of projects in the reset 2019/20 Capital Works Program is included in the attachment.

Recommended Budget Process for 2020/21

As a part of the budget reset process, the carry overs resulting from the budget reset process for 2019/20 will be added to the LTFP for 2020/21 taking the one-off delivery program to \$107.0M.

The expectation that all projects in the delivery program are construction ready is not achievable or realistic. This is due to external stakeholders and/or regulatory/approving bodies potentially raising issues as the project develops (through the concept, planning, design, and procurement for delivery phases in a particular year). Whilst there are several smaller projects in the program, the focus on the preparation of major projects through a phased approach (with key go/no-go milestones) would see only projects that are execution ready enter the delivery program.

Hence the recommendation is to phase the One-off Capital Works Delivery Program for 2020/21, to consist of a confirmed delivery program and a pending category comprising of:

1) Confirmed:

- a planning budget for new projects from the LTFP providing for activities needed to get the project ready for delivery and take it from initiation to procurement, for example project scope and brief, detailed designs, land acquisitions, and procurement costs. Upon procurement/contract award, the forecast construction budget for the year for these projects will be voted into the delivery programs
- a construction budget to incorporate projects procured and contracts awarded in the previous year and those in construction delivery that are multi-year projects

2) Pending:

- funded budgets are allocated to this category which is essentially a 'holding' category, until a project progresses or priorities change, requiring a Council resolution to be voted into the confirmed stage.

Framework

PMO will continue to develop a framework and process work flow on how adopted Strategies, Masterplans, Asset Management Plans, Flood Management and Major Overland Flood Flow Plans, Development Servicing Plans and Sewer and Stormwater Plans influences projects for the LTFP and the approval process for admission based on capacity, delivery methodology, budget and timeframes.