

### 7.4.3 2022154 GLEN WAVERLEY SPORTS HUB DEVELOPMENT CONTRACT VARIATION

<b>Responsible Manager:</b>	Andrew Andonopoulos, Manager Capital Works
<b>Responsible Director:</b>	Jarrold Doake, Director City Services

#### RECOMMENDATION

##### That Council

1. Notes and endorses the Officer approval of 12 Contract Variations to Contract 2022154 Glen Waverley Sports Hub Development with Commercial Industrial Group (CICG) Pty Ltd to the cumulative value of \$297,912.60 which exceeded the approved Contract Contingency
2. Notes that the revised contract value inclusive of all approved and finalised Contract Variations is \$26,122,493.80
3. Notes that the increased and finalised contract spend together with other related project costs remains within the existing adopted project budget of \$29,447,000 (\$26,770,000 GST exclusive).

\*All figures are *GST inclusive* unless noted otherwise.

#### COUNCIL PLAN STRATEGIC OBJECTIVES

##### Inclusive Services

Renew our community assets to deliver contemporary services.

#### BACKGROUND

On 30 August 2022, Council approved the tender for 2022154 Glen Waverley Sports Hub Development for the lump sum price of \$23,074,581 with a contingency sum of \$2,750,000 totalling an available contract sum of \$25,824,581. A copy of the original Council Report is attached for supporting background information.

The contract works included:

- Demolition of existing buildings;
- Construction of a two-level Golf / Tennis pavilion, café and office space, virtual practice facility and a golf cart storage facility;
- New car park, pedestrian paths and civil infrastructure;
- Construction of Golf practice green, hitting cages and tennis rebound wall; and
- Landscape works and supporting infrastructure.

The Contract reached Practical Completion on 19 March 2024 with a landscape establishment and tennis court maintenance period continuing through to mid-June 2024.

## DISCUSSION

During this contract, a total of 88 variations were considered and approved by the Contract Superintendent.

Whilst 88 variations for a contract of this complexity is not significant, for context, some of the significant variations are as follows:

Some non-discretionary Contract Variations included:

- i. Soft spot remediation ground works;
- ii. Additional asbestos removal; and
- iii. Existing sewer and irrigation adjustments,

and there were also some discretionary Contract Variations (worth approximately \$400,000) approved to allow for additional scope outside the original design including:

- additional landscaping and improvements to the golf course entrance;
- access road resurfacing and modifications to the entrance road; and
- other minor infrastructure additions.

Although these additional discretionary works were outside the awarded contract scope, good progress and savings in the overall delivery of the project meant that these additional works which complimented the new facility and overall site, were affordable within the overall adopted project budget.

However, as part of a final reconciliation process, an arithmetic error was discovered revealing that the last 12 approved Contract Variations exceeded the approved contingency sum of \$2,750,000 by \$297,912.60.

If insufficient contingency funds are available, Council's Contract Variation rules do allow the Chief Executive Officer to approve expenditure of additional funds if:

- i. Exceptional Circumstances apply; or
- ii. The variation that exceeds the approved contingency is less than 10% of the approved contract value (including approved Contingency) and less than \$100,000.

In the case of the last 12 Contract Variations in the amount of \$297,912.60, neither of the above criteria were satisfied and these 12 Contract Variations did require Council approval because they cumulatively exceeded \$100,000.

This report aims to put the consequence of this arithmetic error on record for noting but it is also important to note that this contract has achieved a successful outcome as well as returning approximately \$300,000 surplus budget funds.

Please also note that a number of process improvements have been implemented (and are in progress) to further strengthen the management of Contract Variations so that errors of this nature do not occur. A summary follows:

1. The Contract Variation Process Charts used by Contract Managers have been updated to make it clearer that Contract Variation Reports to Council must also have Strategic Procurement oversight (Completed);
2. The Council Contract Variation Report template has also been updated to include more guidance for staff to ensure a more consistent approach to these reports (Completed);
3. The document management system housing the Council Contract Variation Report template has been updated to include the Manager Strategic Procurement as a mandatory Approver prior to reports being published for Council briefings (Completed);
4. A training refresher program will be delivered by the Corporate Services Division to Contract Managers regarding Contract and Project Variation approval processes (In Progress).

## FINANCIAL

The table below summarises the commitments, costs and budget for this contract:

<b>Spend Information</b>	<b>Value (GST Exclusive)</b>	<b>Value (GST Inclusive)</b>
a. Fixed Lump Sum Contract 2022154 Glen Waverley Sports Hub Development	\$20,976,892.00	\$23,074,581.20
b. Approved Contingency	\$2,500,000.00	\$2,750,000.00
c. Total Available Contract Funds	\$23,476,892.00	25,824,581.20
d. First 76 Cumulative approved Contract Variations Sums within contingency.	\$2,461,753.66	\$2,707,929.03
e. Contingency Remaining prior to the further 12 Contract Variations (b less d)	\$38,246.34	\$42,070.97
f. Further 12 Contract Variations paid	\$309,075.98	\$339,983.58
g. Variation spend exceeding Approved Contingency (f less e)	\$270,829.64	\$297,912.60
<b>h. Total 2022154 Contract Spend (c plus g)</b>	<b>\$23,747,721.64</b>	<b>\$26,122,493.80</b>

It is also anticipated that approximately \$300,000 surplus funds will be returned upon final completion of this successful project once the landscape establishment and tennis court maintenance period through to mid-June 2024 is completed.



## **GENDER IMPACT ASSESSMENT**

A GIA was not completed because this agenda item is not a 'policy', 'program' or 'service'.

## **CONCLUSION**

That Council notes the recommendations contained within this report.

## **ATTACHMENT LIST**

Nil