

**4.1 COUNCIL AWARDED CONTRACTS – CONTRACT VARIATIONS -
CONTRACT 2017074 – OAKLEIGH RECREATION CENTRE REFURBISHMENT DESIGN SERVICES
& CONTRACT 2018039 - MOUNT WAVERLEY COMMUNITY CENTRE & MOUNT WAVERLEY
YOUTH CENTRE REFURBISHMENT**
(SMcM/JK/AA: File No. CF2018039, CF2017074)

Wards: Oakleigh, Mount Waverley

Responsible Director: Ossie Martinz Responsible Clients: Julie Salomon & Jarrod Doake

RECOMMENDATION

That Council:

- 1. Notes the variation of \$289,849 (GST Excl) for Contract No: 2018039 for the Mount Waverley Community Centre & Mount Waverley Youth Centre Refurbishment which was awarded by Council at the October 2017 meeting, noting that the Chief Executive Officer has approved variations to this contract due to 'exceptional circumstances' in accordance with the Procurement Policy to vary a Council awarded contract where the revised contract sum exceeds 10 percent or \$100,000 of the original contract price plus any Council approved contingency & provisional sums to allow for the contract to progress with due expediency.*
- 2. Approves the variation of \$208,905 (GST Excl) for Contract No: 2017074 for the Oakleigh Recreation Centre – Design Services contract for additional costs related to an increase in scope and budget of the project and for provision of professional services through the construction tender period.*
- 3. Notes the overall revised project cost of \$822,535 (GST Excl) for Contract No. 2017074 (Oakleigh Recreation Centre Refurbishment- Design Services) plus \$29,533(GST Excl) for Project Management fees which will be funded from within the existing budget allocation of \$23.3M for the Oakleigh Recreation Centre Refurbishment project.*

INTRODUCTION

The purpose of this report is to formally approve contract variations to two Council awarded contracts where the revised contract sum exceeds 10 percent and exceeds \$100,000 of the original contract price plus any Council approved contingency & provisional sums.

BACKGROUND

Mount Waverley Community Centre & Mount Waverley Youth Centre Refurbishment

This Contract was awarded by Council at the 31 October 2017 Council meeting to Capabuild Pty Ltd for the Lump Sum Price of \$3,091,287.10 (GST Incl) or \$2,810,261 (GST Excl), contingency of \$136,127 (GST Excl), design & consultancy fees of \$175,612 (GST Excl) and Project Management & Construction fees of \$118,000 (GST Excl).

At awarding of the contract, Council also approved an additional sum for façade, linkage & rendering works totalling \$329,030 providing for a total contract sum of \$3,275,418 (GST Excl) and total project budget of \$3,569,030 (GST Excl).

During the construction phase, it was discovered that there was hidden asbestos in the ceiling, unforeseen power upgrade consolidation costs together with associated ongoing consultant fees to design & document these works. The additional works included:

- Asbestos Removal
- New Ceiling Insulation System
- Electrical Power Consolidation
- Additional consultant fees

These works were required to ensure the centre is functional for users and meets the current building compliance standards and requirements. The works also caused delays to the project and required accelerated works towards the end of the project to meet user requirements which meant there were no substantial savings to be identified to fund the additional expenditure.

The project was completed in early September 2018 with some further minor landscaping works to be completed in October 2018.

FINANCIAL IMPLICATIONS

The awarded Council Approved Contract Sum to 'Capabuild Pty Ltd' including Project Variations is tabled below:

CONTRACT RECONCILIATION	GST exclusive
Council Approved Contract Sum	\$2,810,261
Council Approved Additional items (Façade, linkage & external rendering)	\$329,030
Council Approved Contingency	\$136,127
Council Approved Additional variation – March 2018	\$57,232
Council Approved Contract Sum	\$3,332,650
Anticipated Final Contract Sum	\$3,622,499
Variation To Approved Contract Sum	\$289,849

Oakleigh Recreation Centre Refurbishment – Design Services Contract**BACKGROUND**

The contract was awarded by Council at the January 2017 Council Meeting to DWP Australia Pty Ltd for the Lump Sum Price of \$564,993 (GST Incl) or \$513,630 (GST Excl), contingency of \$100,000 (GST Excl) for geotechnical testing, hazardous materials and feature survey providing for a total contract sum of \$613,630 (GST Excl) plus project management fees of \$29,533 (GST Excl). A copy of the Council report is attached for information.

The design services included detailed design services up to tender documentation stage with hourly rates to be applied where services are required through tender and construction phases.

At the time of awarding the Design Services contract the Oakleigh Recreation Centre Refurbishment project was a \$20M project. Since the awarding of the Design Services contract, the scope and budget of the project was increased to \$23.3M as approved by Council at the 27 March 2018 Council meeting including:

This has resulted in both a prolonged schematic design stage to explore alternative options with all users (particularly with Waverley Gymnastics Centre) and an increase in scope for the detailed design stage. As a result, the overall program has been extended by 14 months from the timeframe awarded within the contract primarily due to an increase in schematic design & a smaller increase in detailed design stage for the project. The extent of the additional design could not be scoped fully and costed until the negotiations were concluded with Waverley Gymnastics Centre.

In addition to the increases above, it is recommended that a lump sum will provide Council a better value outcome for engagement of the Design Services consultants through the tender evaluation and value management period (should this be required) rather than hourly rates as submitted during the original Lump Sum tender submission. A quotation has been sought for these services.

FINANCIAL IMPLICATIONS

The variations to the contract are detailed below and funding is to be managed within the overall \$23.3M budget allocation for the Oakleigh Recreation Centre Refurbishment Project. The rates used to determine these variations are based upon rates submitted for the original Lump Sum Tender.

CONTRACT RECONCILIATION	GST exclusive
Council Approved Contract Sum	\$513,630
Council Approved Contingency for geotechnical, survey and hazardous material	\$100,000
Council Approved Contract Sum	\$613,630
Change in project layout & extended schematic design	\$116,885
Increase in project scope & budget	\$64,020
Tender Stage Professional Services	\$28,000
Anticipated Final Contract Sum	\$822,535
Variation To Approved Contract Sum	\$208,905
Project Management Fees	\$29,533

The overall design fee equates to just over 3.5% (\$23.3M project budget) which is considered fair and reasonable.

CONCLUSION

That Council:

- Notes the variation of \$289,849 (GST Excl) for Contract No: 2018039 for the Mount Waverley Community Centre & Mount Waverley Youth Centre Refurbishment which was awarded by Council at the October 2017 meeting noting that the Chief Executive Officer has approved variations to this contract due to 'exceptional circumstances' in accordance with the Procurement Policy to vary a Council awarded contract where the revised contract sum exceeds 10 percent or exceeds \$100,000 of the original contract price plus any Council approved contingency & provisional sums to allow for the contract to progress with due expediency.*
- Notes the overall revised project cost of \$3,885,316 (GST Excl) for the Mount Waverley Community Centre & Mount Waverley Youth Centre Refurbishment project and the additional funding of \$172,741 (GST Excl) required to complete this project recommended to be funded from within the 2018/19 Capital Works Program.*
- Approves the variation of \$208,905 (GST Excl) for Contract No: 2017074 for the Oakleigh Recreation Centre – Design Services contract for additional costs related to an increase in scope and budget of the project and for provision of professional services through the construction tender period.*

4. *Notes the overall revised project cost of \$822,533 (GST Excl) for Contract No. 2017074 (Oakleigh Recreation Centre Refurbishment- Design Services) plus \$29,533 (GST Excl) for Project Management fees which will be funded from within the existing budget allocation of \$23.3M for the Oakleigh Recreation Centre Refurbishment project.*