

**4.1 OAKLEIGH RECREATION CENTRE REDEVELOPMENT – ARCHITECTURAL DESIGN CONTRACT**

(JK: File No. CF 2017074)

Responsible Director: Ossie Martinz and Julie Salomon

**EXECUTIVE SUMMARY**

The purpose of this report is to inform Council of a major variation associated with a contract awarded to DWP Australia Pty Ltd for the design services associated with the redevelopment of the Oakleigh Recreational Centre (ORC). Fees associated with additional services through the construction delivery phase have been requested and agreed and have been included in this report.

The revised contract sum exceeds 10 % and/or exceeds \$100,000 of the original contract price plus any Council approved contingency & provisional sums.

***FINANCIAL IMPLICATIONS***

The variations to the contract are detailed below with funding to be managed within the overall \$24.2M budget allocation for the Oakleigh Recreation Centre Refurbishment Project. The rates used to determine these variations, where applicable, have been based on the hourly rates submitted within the original Tender submission from DWP.

***CONCLUSION/RECOMMENDATION***

Council

1. Notes the variation of \$457,359.95 (GST Excl.) to the Council approved contract CF2017074 for the provision of Architectural Design Services & Construction phase consultant services for the ORC project. This variation is significantly above the original contract sum and exceeds the contingency amount allowed for within the original project allocation.
2. Notes the overall revised contract amount for DWP of \$1,179,894.70 (GST Excl.) for Contract No. 20171074 (Oakleigh Recreation Centre Refurbishment- Design Services) is to be funded from within the existing budget allocation for the Oakleigh Recreation Centre Refurbishment project.

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Ward: Oakleigh

Responsible Directors: Ossie Martinz and Julie Salomon

**RECOMMENDATION***That Council:*

- 1. Notes as per the Oakleigh Recreation Centre construction tender of 14th May report which advised that there have been a number of cost escalations. This impacts on design costs which have increased significantly due to the increased level of design and additional 12 months needed to complete the design to accommodate the user groups and to investigate value management options.*
- 2. Notes the variation amount of \$457,359.95 (GST Excl.) to the Council approved contract CF2017074 for the provision of Architectural Design Services & additional Construction Phase consultant services for the ORC project. This variation exceeds the contingency amount allowed for within the original project allocation.*
- 3. Notes the Council approved budget has provisioned for this variation so no additional funding is sought for these works.*

**INTRODUCTION**

The purpose of this report is to inform Council of a major variation associated with a contract awarded to DWP Australia Pty Ltd for the design services associated with the redevelopment of the Oakleigh Recreational Centre (ORC). Fees associated with additional services through the construction delivery phase have been requested and agreed and have been included in this report.

The revised contract sum exceeds 10 % and/or exceeds \$100,000 of the original contract price plus any Council approved contingency & provisional sums.

**BACKGROUND**

Council at its meeting in January 2017 awarded Contract CF2017074 to DWP Australia Pty Ltd for the Lump Sum Price of \$564,993 (GST Incl.) or \$513,630 (GST Excl.) for Design Services only. The original contract included DWP Australia Pty Ltd's design services up to tender documentation stage with hourly rates to be applied where services were required through the tender period/analysis and building construction phases. As such the majority of this variation is still in line with the intended scope of the original contract and this does not vary the contract to such

an extent to deem it as a new contract. An amount of \$100,000 (GST Excl.) was also identified as a project cost for geotechnical testing, hazardous materials and feature survey in addition to project management fees of \$29,533 (GST Excl.).

At the Council meeting of 27 March 2018, approval was granted to increase the project scope and budget from \$20M to \$23.3M. Correspondingly, DWP Australia Pty Ltd have reasonably claimed increased design costs for the additional \$3.3M budget allocation which is over and above their original tender submission.

Changes to the original layout and budget increase have enabled inclusion of user requirements into the project to facilitate the required outcomes. This has significantly prolonged the schematic and detailed design stages of the project development with various alternatives options being explored with the users groups, in particular with Waverley Gymnastics Centre. The overall project delivery program including construction has now been extended by 20 months from the timeframe detailed in the contract tender documents and from the award for design services.

In addition, a lump sum amount for \$28,000 was approved for the engagement of the Design Services consultant team to provide advice through the tender evaluation, rather than via the use of the hourly rates submitted in their original tender submission.

A subsequent report was presented at the Council meeting of 30 October 2018 where a variation to this contract to the value of \$208,905 (GST Excl.) was approved.

Since the last report to Council, additional fees and disbursements have been incurred through the need to obtain additional reports, investigation and documentation changes, prolongation of design services, scope changes, provision of a 3D fly through video, fire engineering report, builders bill of quantities and revised gymnastics floor layouts/requirements associated with WGC.

In addition DWP Australia Pty Ltd were requested to provide a lump sum fee for their consultant team to provide services during the construction phase of the project delivery. This was originally included in the agreed extent of works in the DWP tender submission/contract but was documented to be paid at hourly rates by Council where their services were required.

Typical advice to be sought during construction includes clarification and resolution of any design/documentation issues, checking and the processing of shop drawings, sample approvals, attendance at site meetings and the verification of payment claims, cost variations etc., as required.

Council's project team and external project manager considers that the engagement of DWP Australia Pty Ltd for the lump sum amount of \$228,700 (GST Excl.) for construction phase services as submitted should be accepted. The advantage or benefits to Council by including these services is that the onus/risk is then on the consultant team to ensure that any documentation issues are clarified adequately, efficiently and succinctly.

Initial CEO approval was sought and granted under Council's Procurement Policy (exceptional circumstances clause 2.4.2.2) which allowed for the design of the project to be delivered and on-going design claim payments to be made to DWP Australia Pty Ltd.

### **FINANCIAL IMPLICATIONS**

The variations to the contract are detailed below with funding to be managed within the overall \$24.2M budget allocation for the Oakleigh Recreation Centre Refurbishment Project. The rates used to determine these variations, where applicable, have been based on the hourly rates submitted within the original Tender submission from DWP Australia Pty Ltd.

<b>CONTRACT RECONCILIATION</b>	<b>GST exclusive</b>
<b>Original Council Approved Contract Sum</b>	<b>\$513,630.05</b>
Change in project layout & extended schematic design VQ7	\$116,884.70
Increase in project scope & budget VQ4	\$64,020
Tender Stage Professional Services	\$28,000
<b>Increased Contract amount as previously approved</b>	<b>\$722,534.75</b>
Total Approved variations to original contract sum (council meeting October 2018)	\$208,904.70
<b>Additional Variations for Approval as listed below</b>	
Arrange in ground services	\$3,200
JV3 report	\$8,500
Extended Schematic design Program	\$34,660
Schematic design Prolongation	\$84,010
Prolongation VQ4	\$25,740
Scope increase Mechanical to Stadium	\$2,400
Promotional Imagery 3D fly through	\$18,000
Fire Engineering report	\$12,000
Builders BOQ	\$16,500
Revised WGC floor options VQ13 & 14	\$23,500
Disbursements	\$150
Lump sum Fee for Construction involvement based on 15 month build period (previously to be charged @ hrly rates)	\$228,700
<b>Anticipated Final Contract Sum</b>	<b>\$1,179,894.70</b>
<i>Current approved Contract Sum</i>	<i>\$722,534.75</i>
<b>Additional Variations now requiring Approval</b>	<b>\$457,359.95</b>
Council Approved Contingency for geotechnical, survey and hazardous material	\$100,000
Project Management Fees	\$29,533

The overall design fee, including construction phase, equates to approximately 5% based on a \$24.2M project budget, which is considered fair and reasonable.

***CONCLUSION***

That Council:

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