

4.2 Oakleigh Recreation Centre Indoor Stadium & Waverley Gymnastics Facility Redevelopment Project – Additional Funding and Contract Variations
(AA: File No. CF2017074, CF2019079, CF2017128)

Responsible Director: Simon Hill

RECOMMENDATION*

That Council:

1. *Notes and approves the additional \$987,513 expenditure required to complete the Oakleigh Recreation Centre Indoor Stadium and Waverley Gymnastics Facility Redevelopment project which includes \$487,695 approved by the CEO under delegation specifically for CF2019079 Oakleigh Recreation Centre Construction with APM Group (Aust) Pty Ltd.*
2. *Notes the final overall project expenditure of \$26,389,003 for the Oakleigh Recreation Centre Indoor Stadium and Waverley Gymnastics Facility Redevelopment project.*

**Please note that all dollar figures in this report are GST exclusive.*

INTRODUCTION

The purpose of this report is to:

- a) Advise and seek approval for the additional \$987,513 budget funding required to complete the Oakleigh Recreation Centre Indoor Stadium and Waverley Gymnastics Facility Redevelopment project; and
- b) Explain the further variations to Council contracts and other costs associated with the Oakleigh Recreation Centre Indoor Stadium and Waverley Gymnastics Facility Redevelopment project.

BACKGROUND/DISCUSSION

The Oakleigh Recreation Centre project has incurred additional costs due to latent conditions encountered through the construction phase and the significant impact of the COVID-19 pandemic.

In particular, project costs have increased due to the extended construction period caused by the COVID-19 work restrictions. The restrictions extended the construction completion date from July 2020 to December 2020 and impacted all facets of the way the project was delivered including construction, project management, inspection and supervision.

The additional variation costs are summarised below:

ITEM	Description	Cost
1	CF2019079 Oakleigh Recreation Centre Construction with APM Group (Aust) Pty Ltd	\$487,695
2	CF2017074 Oakleigh Recreation Centre Design Services contract with DWP Australia Pty Ltd	\$140,105
3	CF2017128 Oakleigh Recreation Centre Redevelopment, Project Management with Pavan Consultants Pty Ltd	\$148,936
4	Other Project Costs outside of the above Contracts	\$210,777
	Total Additional Project Expenditure	\$987,513

The additional \$987,513 expenditure outlined above includes \$379,247 of COVID-19 related costs and are specifically covered under items 1, 2 and 3. The breakdown of COVID-19 related and other costs are discussed in further detail below.

Item 1: CF2019079 Oakleigh Recreation Centre Construction contract with APM Group (Aust) Pty Ltd

A contract was awarded at a Special Meeting of Council on 14 May 2019 to APM Group (Aust) Pty Ltd for the Oakleigh Recreation Centre Construction contract (CF2019079).

At the December 2019 Council Meeting, Council approved contract variations and an additional budget allocation of \$900,000 to fund costs associated with latent conditions and unforeseen project costs identified up to that stage of construction.

During the ongoing delivery of the works, further latent conditions have been encountered that have led to cost variations resulting in the additional funding approved by Council in December 2019 being expended.

The current status of the CF2019079 Oakleigh Recreation Centre Construction with APM Group (Aust) Pty Ltd follows:

Revised Council Approved Contract Sum as at December 2019	\$22,961,860
Unfunded variations to contract as detailed below	\$487,695*
Final Contract Sum	\$23,449,555

*The CEO has approved these unfunded variations in accordance with the Procurement Policy Section 2.4.2.2 under the exceptional circumstances provision that allows the CEO to approve variations exceeding \$100,000 or 10% of the original awarded contract sum plus approved contingency.

The table below summarises the unfunded variations to CF2019079 Oakleigh Recreation Centre Construction contract with APM Group (Aust) Pty Ltd that form part of the final contract sum of \$23,449,555.

Unfunded variations to CF2019079 Oakleigh Recreation Centre Construction contract with APM Group (Aust) Pty Ltd	Cost
COVID-19 Stage 3 & 4 Restrictions involving additional ongoing sanitising & cleaning of work / lunch areas for the duration of the construction (March – December 2020), a reduction to 25% maximum workforce for the period August & September 2019, no split shifts, inability to concurrently undertake external civil works together with internal works.	\$209,071
Asbestos discovery along eastern edge of the site between the rear car park and the adjoining properties off Kingston Town Close.	\$31,894
Additional cost for roof renewal WGC.	\$63,969
Additional concrete costs for foundations beyond allowance.	\$61,835
Additional civil works including soft spots rectification, disposal of spoil all car parks.	\$120,926
Total	\$487,695

Item 2: CF2017074 Oakleigh Recreation Centre Design Services contract with DWP Australia Pty Ltd

A contract was awarded at the January 2017 Council Meeting to DWP Australia Pty Ltd for the Oakleigh Recreation Centre Design Services; contract CF2017074. Council subsequently approved further variations to the contract that included an increase in scope, when the project budget was increased, as well as the engagement of DWP to provide further services through the construction phase of the Oakleigh Recreation Centre project.

There have been further variations to the CF2017074 Oakleigh Recreation Centre Design Services contract with DWP Australia Pty Ltd due to design changes required through the construction period to address latent conditions, design review/changes and additional building surveying & quantity surveying services.

The COVID-19 restrictions also extended the construction completion date from July 2020 to December 2020 and impacted the way the project was managed, supervised and inspected from March through to December 2020.

The following table summarises the unfunded variations to CF2017074 Oakleigh Recreation Centre Design Services contract with DWP Australia Pty Ltd.

Unfunded variations to CF2017074 Oakleigh Recreation Centre Design Services contract with DWP Australia Pty Ltd	Cost
Agreed design changes	\$71,705
COVID-19 related costs due to extra quality management, architectural, certification inspections and supervision.	\$68,400
Total	\$140,105

This amendment will increase the contract value from \$1,179,895 to \$1,320,000.

Item 3: CF2017128 Oakleigh Recreation Centre Redevelopment Project Management contract with Pavan Consultants Pty Ltd

A contract was awarded under CEO delegation on 17 November 2017 to Pavan Consultants Pty Ltd for the Oakleigh Recreation Centre Redevelopment Project Management contract (CF2017128).

The contract has been varied under CEO delegation to cater for overseeing the increased design services required through the construction period to address latent conditions including COVID-19 related impacts detailed in this report, additional project management during construction, coordination of stakeholders and associated increased reporting, analysis, meetings and contract administration.

However, there have been further variations required to the Project Management Services Contract with Pavan Consultants.

The services of the Project Manager have been retained through to the end of January 2021 to oversee final defect works and close out of the project as well as increased project management costs associated with the extended contract period. Pavan has also taken on the role of Construction Supervisor through Covid-19.

The table below summarises the unfunded variations to CF2017128 Oakleigh Recreation Centre Redevelopment Project Management contract with Pavan Consultants Pty Ltd that form part of the revised final contract sum of \$492,022.

Unfunded variations to CF2017128 Oakleigh Recreation Centre Redevelopment Project Management contract with Pavan Consultants Pty Ltd	Cost
Agreed increased Project Management Services	\$47,160
COVID-19 related costs due to additional project management services, construction site supervision, coordination of stakeholders and associated increased reporting, analysis, meetings and contract administration.	\$101,776
Total	\$148,936

Item 4: Other Project Related Costs Outside of the existing Contracts

There have also been other unbudgeted costs incurred through the delivery of the project as follows:

Item	Cost
Council Project Management fees	\$13,313
Upgrade/Renewal of Business Technology within remainder of facility	\$74,046
Water Sensitive Urban Design(WSUD) Fees	\$37,352
Utility Fees & Charges incl. United Energy, AGL, Yarra Valley Water, Fire Rescue Victoria, Fire Monitoring	\$20,124
Project signage, resident communications, media costs, plaques	\$6,905
Tree pruning & removal	\$11,557
Time Lapse Cameras & Recording	\$24,733
Chemical shed fencing and gate modifications	\$2,773
Installation of rubbish bins	\$4,600
Allowance for WSUD & landscaping works	\$9,635
Miscellaneous other minor costs	\$5,739
Total	\$210,777

FINANCIAL

The financial reconciliation is detailed below.

PROJECT FINANCIAL RECONCILIATION	GST Excl.
Current Total Approved Project Budget	\$25,401,490
Additional Project Costs	
Item 1: CF2019079 Oakleigh Recreation Centre Construction contract with APM Group (Aust) Pty Ltd	\$487,695
Item 2: CF2017074 Oakleigh Recreation Centre Design Services contract with DWP Australia Pty Ltd	\$140,105
Item 3: CF2017128 Oakleigh Recreation Centre Redevelopment Project Management contract with Pavan Consultants Pty Ltd	\$148,936
Item 4: Other Costs outside the above Contracts	\$210,777
Final Project Expenditure	\$26,389,003
Additional Budget Funding Required	\$987,513

CONCLUSION

That this recommendation is accepted to finalise payment of all financial commitments associated with the project.