

7.4 Contract Variation Delegation - Various Contracts

Abstract

Approval is being sought to extend the Chief Executive Officer's authorisation to approve additional contract variations of up to 5% for the following contracts:

- Contract 2019/159 - Camberwell Community Centre Redevelopment Works
- Contract 2020/45 - Canterbury Tennis Pavilion - New Building and External Works

The Chief Executive Officer currently has delegated authority to vary these contracts by up to 10%. During the early stages of these contracts a higher value of variations than anticipated has occurred for various reasons as outlined in this report.

The total project cost for the Camberwell Community Centre remain within the allocated budget for this project. The anticipated increased cost for the Canterbury Tennis Pavilion can be accommodated within the overall budget allocation for the 2020-21 Financial Year.

Officers' recommendation

That Council resolve to:

1. Authorise the Chief Executive Officer or such other person that the Chief Executive Officer selects for the purpose of giving effect to this resolution to approve additional contract variations of up to 5% for the following contracts:
 - Contract 2019/159 - Camberwell Community Centre Redevelopment Works
 - Contract 2020/45 - Canterbury Tennis Pavilion - New Building and External Works
2. To note that the total project cost for Camberwell Community Centre remains within the allocated budget for the project and that the increased cost for the Canterbury Tennis Pavilion can be accommodated within the overall budget allocation for the 2020-21 Financial Year.

Responsible director: Daniel Freer
Director Environment and Infrastructure

1. Purpose

The report seeks Council's approval to extend the Chief Executive Officer's authorisation to approve additional contract variations of up to 5% for the following contracts:

- Contract 2019/159 - Camberwell Community Centre Redevelopment Works
- Contract 2020/45 - Canterbury Tennis Pavilion - New Building and External Works

2. Policy implications and relevance to community plan and council plan

These projects are aligned with Theme 1 of the Boroondara Community Plan (2017-27): Your Community Services and Facilities, and the following strategies:

- Strategic Objective 1: Community services and facilities are high quality, inclusive and meet a variety of needs now and into the future.
- Strategy 1.3 - Deliver, facilitate and advocate for services and programs that promote health, wellbeing, safety and a sense of community.
- Strategy 1.6 - Create and maintain public areas, facilities, amenities, footpaths and spaces that are inviting, clean and appropriately lit to increase social connection and improve perceptions of safety.

3. Background

Under Council's Instrument of Delegation to the Chief Executive Officer (CEO) dated 23 March 2020 the CEO can authorise variations to any contract under certain conditions and limitations.

The limitations and conditions as applicable to these two contracts, is that if the contract has been entered into by Council and the value of the contract is greater than \$500,000, the value of the contract may not increase by more than 10% or \$100,000, whichever is the greater.

Variations for Contract 2019/159 - Camberwell Community Centre Redevelopment and for Contract 2020/45 - Canterbury Tennis Pavilion Redevelopment, recently awarded by Council, are tracking above the delegation of the CEO and increased authorisation from Council is required.

Contract 2019/159 - Camberwell Community Centre Redevelopment Works

The Camberwell Community Centre site is located at 31-33 Fairholm Grove Camberwell.

The project scope includes a full basement carpark, Ground Floor level consisting of Entry, Meeting Hall and Kitchen, Administration, Pottery Studio, Outdoor Court and car parking, with the First Floor consisting of Classrooms, Art Rooms, Well Being Room and Maternal & Child Health Facility.

On 22 July 2019 Council awarded Contract 2019/6159-Camberwell Community Centre - Redevelopment Works to SJ Higgins Pty Ltd for the total lump sum price of \$6,158,720 (excluding GST). The Chief Executive Officer currently has delegated authority to vary this Contract by up to \$615,872.

During the early stages of construction, a higher value of variations and associated costs than anticipated were incurred. These variations are associated with delay damages (\$60,000), latent conditions (\$96,000) and the removal and disposal of contaminated soil (\$192,000 after PC Sum adjustment).

It is anticipated increasing the delegation to approve additional contract variations of up to 5% would allow for the contract to be completed in accordance with the existing scope.

Contract 2020/45 - Canterbury Tennis Pavilion - New Building and External Works

The Canterbury Tennis Pavilion is located at 25A Croydon Road, Surrey Hills. The project scope includes the demolition of the existing pavilion and the construction of a new pavilion to a modern day standard.

On 28 October 2019 Council awarded Contract 2020/45 - Canterbury Tennis Pavilion - New Building and External Works to Stokes Rousseau Pty Ltd for the total lump sum price of \$963,483 (excluding GST). The Chief Executive Officer currently has delegated authority to vary this Contract by up to \$100,000.

During the early stages of construction, a higher value of variations and associated costs than anticipated were incurred. These variations are associated with temporary accommodation (\$19,000), client-generated and funded changes (\$12,000) and stormwater and sewer connection changes (\$37,000).

It is anticipated increasing the delegation to approve additional contract variations of up to 5% would allow for the contract to be completed in accordance with the existing scope.

4. Outline of key issues/options

The current allowance for variations for building contracts is set at 10% in line with the delegation of Council to the Chief Executive Officer.

During the delivery of a number of recent construction contracts this allowance has proved to be insufficient. Variations are mostly due to unforeseen circumstances which can consist of the removal of contaminated soil, latent conditions, extension of time claims and the like.

Where soil conditions are unknown, there is a strong argument to increase the contingency sum to 15% of the awarded contract value.

For reasons described in the background section of this report, contract variations for these two contracts are tracking above current delegation and is anticipated that it will exceed the current delegation by approximately 5% at the end of the contract.

For the contract to complete within the original scope further delegation is required.

5. Consultation/communication

Not applicable to this report.

6. Financial and resource implications

The Camberwell Community Centre project has a contingency budget allocation outside of the construction contract, which is sufficient to deal with the anticipated additional variations.

The Canterbury Tennis Pavilion project is of a lower value and it is anticipated that the overall over expenditure on the project budget would be approximately \$60,000. This shortfall would be able to be funded through savings on other projects from the 2020-21 budget.

7. Governance issues

The implications of this report have been assessed in accordance with the requirements of the Victorian Charter of Human Rights and Responsibilities. The officers responsible for this report have no direct or indirect interests requiring disclosure.

8. Social and environmental issues

It is envisaged that there are no issues relevant to these project variation and budget increases.

9. Conclusion

This report seeks Council approval to extend the Chief Executive Officer's authorisation to approve additional variations by up to 5% for the following contracts:

- Contract 2019/159 - Camberwell Community Centre Redevelopment Works
- Contract 2020/45 - Canterbury Tennis Pavilion - New Building and External Works

Manager: Charles Turner, Manager Projects and Strategy

Report officer: Warwick Tempny Coordinator Building Assets