

7.9 Contract 2020/116 Canterbury Community Precinct Redevelopment Works - Variation to Project Contingency

Executive Summary

Purpose

The purpose of this report is for Council to approve a variation to the contract contingency sum for Contract 2020/116 Canterbury Community Precinct Redevelopment Works.

Background

On 24 August 2020 Council resolved the following:

1. To award Contract No. 2020/116, Canterbury Community Precinct Redevelopment Works, to Harris HMC Construction Pty Ltd (ACN 119 426 952) as trustee for Harris HMC Construction Trust (ABN 11 938 385 442), at a cost of \$10,465,565 (including GST). The estimated cost to Council after return of GST Input Credits is \$9,514,150.
2. To authorise the Director Environment and Infrastructure to execute the contract agreement with the above Contractor.
3. To note that anticipated expenditure under this Contract is in accordance with Council's 2020/21 adopted budget and foreshadowed 2021/22 budget.

Harris HMC took possession of the site at 2 Kendall Street Canterbury for early works to Stage One on 9 March 2021 and has been progressing construction works since. Stage One works are approaching completion with Stage Two works planned to begin in early 2023.

Key Issues

In conjunction with the contract award, Council also approved a separate contract contingency sum to enable the Contract Superintendent (or its nominated representative) to accept variations as needed to maintain the delivery of the works.

A number of variations have arisen during Stage 1 construction of Canterbury Community Precinct, including hydraulic engineers change in fire pump /tank arrangements to address external authority requirements, replacement of bowling club windows, re-stumping, high-end solar panel alternative, electrical supply offer, retaining works to the embankment on Kendall Street, contaminated soil removal, additional soil removal for soft spots, landscape design changes to maximise tree root protection in play area, community garden space improvements aligning with revised community expectations, and latent conditions. All parties including the contractor, design team and relevant Council departments have generally continued to work collaboratively to resolve issues as they emerge, and plan for foreseeable future risks.

Officers are forecasting that the sum of all variations for this contract across both Stages One and Two will exceed the pre-approved contingency sum for this Contract.

Council has approved a budget increase to this project through the 2022-23 Amended Budget process (14 November 2022). The proposed increase to the contract contingency sum is within this adopted budget for the project.

To align with Councils procurement policy and delegation limits, this report seeks Council approval to increase the project contingency to complete stage 1 and 2 works.

Next Steps

Council officers will assess variation claims by the builder and consultants to successfully complete the Canterbury Community Precinct for community use and benefit.

Confidentiality

Confidential information is contained in **Attachment 1**, as circulated in the confidential section of the agenda attachments. The information in this attachment is deemed to be confidential in accordance with Section 66(2)(a) and the definition of 'confidential information' in Section 3(1) of the Local Government Act 2020. The information relates to Council business information, being information that would prejudice the Council's position in commercial negotiations if prematurely released. If discussion of the confidential information in the attachments to this report is required for Council to make a decision, Council may resolve to discuss the matter in a confidential session or to defer the matter to the confidential section of the agenda.

Officers' recommendation

That Council resolve:

1. To increase the contract contingency sum for Contract 2020/116 Canterbury Community Precinct Redevelopment Works in accordance with the confidential attachment (Attachment 1) to this report.
2. To note that expenditure under this contract is in accordance with Council's 2022/23 amended budget.

Responsible director: Daniel Freer, Director Places and Spaces

1. Purpose

The purpose of this report is for Council to approve a variation to the contract contingency sum for Contract 2020/116 Canterbury Community Precinct Redevelopment Works.

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

This delivery of Contract 2020/116 Canterbury Community Precinct Redevelopment Works aligns with the following themes and strategies in the Boroondara Community Plan (2021-31) and Council Plan (2021- 25):

Theme 1: Community services and facilities

- Strategy 1.1. Neighbourhoods and community spaces facilitate social connections and belonging by providing, maintaining and activating places for people to meet, organise activities and celebrate events.
- Strategy 1.4. Facilities and sports precincts encourage equal access through social planning, delivery, asset maintenance and renewal activities.
- Strategy 1.5. Life-long learning is supported by delivering and working with our community and partners to meet the broad range of interests within the community.

Theme 3: The environment

- Strategy 3.1. Community resilience and capacity to live sustainably is increased through advocacy, education and resources.

Theme 4: Neighbourhood character and heritage

- Strategy 4.2. The history of Boroondara's heritage places is respected and celebrated through community education.
- Strategy 4.4. New development positively contributes to amenity and liveability through design excellence.

Theme 7: Leadership and governance

- Strategy 7.1. Decision-making is transparent and accountable through open governance processes with timely communication and reporting.

This procurement process has been carried out in accordance with the requirements of Council's Procurement Policy 2021-25.

3. Background

At the 24 August 2020 Council meeting, Council resolved the following.

Moved Councillor Healey

Seconded Councillor Hurd

That Council resolve:

1. To award Contract No. 2020/116, Canterbury Community Precinct Redevelopment Works, to Harris HMC Construction Pty Ltd (ACN 119 426 952) as trustee for Harris HMC Construction Trust (ABN 11 938 385 442), at a cost of \$10,465,565 (including GST). The estimated cost to Council after return of GST Input Credits is \$9,514,150.
2. To authorise the Director Environment and Infrastructure to execute the contract agreement with the above Contractor.
3. To note that anticipated expenditure under this Contract is in accordance with Council's 2020/21 adopted budget and foreshadowed 2021/22 budget.

CARRIED

Harris HMC formally took possession of the site at 2 Kendall Street, Canterbury for early works to Stage One on 9 March 2021 and has been progressing construction works since. Stage One works are approaching completion with Stage Two works planned to begin in early 2023.

4. Outline of key issues/options

A number of variations have arisen during delivery of stage 1, including change in fire pump /tank arrangements to address external authority requirements, replacement of bowling club windows, re-stumping, high-end solar panel alternative, electrical supply offer, retaining works to the embankment on Kendall Street, contaminated soil removal, additional soil removal for soft spots, landscape design changes to maximise tree root protection in play area, community garden space improvements such as increased water tank capacity aligning with revised community expectations, and latent conditions. The Contract Superintendent (or its nominated representative) has delegated authority to approve contract variations in accordance with this 2020 resolution as needed within the approved contract contingency sum to ensure the continued delivery of the works.

Officers are forecasting that the sum of all variations for this contract across both Stages One and Two will exceed the pre-approved contingency sum for this Contract. A breakdown of approved and foreshadowed variations is provided in **Confidential Attachment 1** to this report.

This report seeks Council approval to increase the project contingency to address contractual variations and meet delegated approvals as required under Council's Procurement Policy 2021-25.

5. Collaborative Procurement Opportunities

There is no opportunity for collaborative procurement in consideration of this matter.

6. Consultation/communication

Extensive Community consultation has been undertaken to support the design of the new Canterbury Community Precinct, with recent communication focusing on Stage One of the project opening early 2023.

7. Financial and resource implications

Council's 2022-23 adopted (amended) budget contains a total budget adjustment of \$520,000 for to support the successful delivery of the Canterbury Community Precinct building project.

The project budget is as follows:

2018/19 Actuals	\$141,278
2019/20 Actuals	\$520,482
2020/21 Actuals	\$1,745,172
2021/22 Actuals	\$5,925,339
2022/23 Amended Budget	\$4,482,580
2022/23 Changing Places grant	\$110,000
Available Project Budget	\$12,924,851

Proposed Project Expenditure:	
Contract 2020/116 (awarded contract sum)	\$9,425,911
Consultancy fees	\$636,647
Other site works	\$175,899
Other project costs	\$2,166,394

Total Project Expenditure	\$12,924,851
----------------------------------	---------------------

All approved project funds are forecast for expenditure on this project.

8. Governance issues

No officers involved in the preparation of this report have a general or material conflict of interest requiring disclosure under chapter 5 of the Governance Rules of Boroondara City Council.

The recommendation contained in this report is compatible with the Charter of Human Rights and Responsibilities 2006 as it does not raise any human rights issues.

It is appropriate for Council to consider the approval of the proposed increase to the contract contingency sum in accordance with the requirements of Council's Procurement Policy 2021-25.

9. Social and environmental issues

The successful delivery of this project to a high standard will positively contribute to a broad range of community learning and participation opportunities through the activities delivered from the completed Canterbury Community Precinct building.

10. Evaluation and review

The contract variation evaluation report is provided as **Confidential Attachment 1.**

As a result of the evaluation, the project team recommends that Council approves a variation to Contract No. 2020/16, Canterbury Community Precinct Redevelopment Works, which has been previously awarded to Harris HMC Construction Pty Ltd.

Manager: Christine White, Manager Capital Projects
Report officer: Jarrod Filosa, Coordinator Building Project
Jay Seyedi, Senior Project Architect