



Audit Committee

NOTICE OF MEETING

Notice is hereby given that a meeting of the Audit Committee will be held in the

**Kingston Room, Civic Centre
24 Jetty Road, Brighton**

Tuesday 18 September 2018 at 6.00pm

Justin Lynch
CHIEF EXECUTIVE OFFICER

Please note: This agenda contains Officers' reports and recommendations that will be considered by the Committee. Any confidential items listed on the agenda will be circulated to Members separately.



Audit Committee Agenda

1. OPENING

The Chairman, Councillor Smedley will declare the meeting open at _____ pm.

2. APOLOGIES

2.1 Apologies received

2.2 Absent

3. DECLARATION OF INTEREST

If a Member has an interest (within the terms of the Local Government Act 1999) in a matter before the Committee they are asked to disclose the interest to the Committee and provide full and accurate details of the relevant interest. Members are reminded to declare their interest before each item.

4. CONFIRMATION OF MINUTES

Motion

That the minutes of the Audit Committee held on 29 August 2018 be taken as read and confirmed.

Moved _____, Seconded _____

Carried

5. CONFIDENTIAL ITEMS

5.1 Brighton Oval Complex – Redevelopment Review (Report No: 316/18)

Pursuant to Section 83(5) of the Local Government Act 1999 the Report attached to this agenda and the accompanying documentation is delivered to the Council Members upon the basis that the Council consider the Report and the documents in confidence under Part 3 of the Act, specifically on the basis that Council will receive, discuss or consider:

- b. Information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council; and would, on balance, be contrary to the public interest.

- d. commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party; and would, on balance, be contrary to the public interest.

8. URGENT BUSINESS – Subject to the Leave of the Meeting

10. DATE AND TIME OF NEXT MEETING

The next meeting of the Audit Committee will be held on Wednesday 17 October 2018 in the Kingston Room, Civic Centre, 24 Jetty Road, Brighton.

11. CLOSURE

**JUSTIN LYNCH
CHIEF EXECUTIVE OFFICER**

Item No: **5.1**

Subject: **BRIGHTON OVAL REDEVELOPMENT**

Date: 18 September 2018

Written By: General Manager Business Services

General Manager: Business Services, Mr R Bria

SUMMARY

The Audit Committee on 28 August 2018 considered Audit Committee Report No 304/18 – Brighton Oval Redevelopment and resolved the following:

1. *That the Audit Committee note the report.*
2. *That the Audit Committee acknowledge the receipt of Attachment 6 (Council Report No: 294/18 – Brighton Oval Complex – Redevelopment Contract Report).*
3. *That the Audit Committee request a further special meeting within three weeks to further consider the report."*

This report provides for the Audit Committee to further consider the report.

RECOMMENDATION

1. **That the Audit Committee note the report.**
 2. **That having considered Attachment 1 and 2 to Report No: 304/18 – Brighton Oval Redevelopment in confidence under section 83(5) of the Local Government Act 1999, the Council, pursuant to section 91(7) of the Act orders that Attachment 5 be retained in confidence for a period of 24 months and that this order be reviewed every 12 months.**
-

COMMUNITY PLAN

Placemaking: Creating lively and safe places

Placemaking: Developing walkable connected neighbourhoods

Placemaking: Building character and celebrating history

Community: Building a healthy, active and resilient community

Community: Celebrating culture and diversity

Community: Providing welcoming and accessible facilities

Community: Fostering an engaged and contributing community

Environment: Fostering an environmentally connected community

Culture: Supporting excellent, efficient operations

COUNCIL POLICY

Not Applicable.

STATUTORY PROVISIONS

Not Applicable.

BACKGROUND

At its meeting on 14 August 2018 Council resolved the following in regards to the Brighton Oval Sporting Complex Redevelopment:

“That the background papers supporting the motion, together with all other supporting documentation including the internal/external correspondence, budgets, cash flow forecasts, feasibility statements and memos concerning the recommendation that the Managing Contractor model be adopted as the prudent option, and a copy of the subsequent tender documents be presented to Audit Committee for review and comment.”

The Audit Committee on 28 August 2018 considered Audit Committee Report No 304/18 – Brighton Oval Redevelopment and resolved the following:

- “1. That the Audit Committee note the report.*
- 2. That the Audit Committee acknowledge the receipt of Attachment 6 (Council Report No: 294/18 – Brighton Oval Complex – Redevelopment Contract Report).*
- 3. That the Audit Committee request a further special meeting within three weeks to further consider the report.”*

REPORT

The Audit Committee have requested that the Audit Committee Report No 304/18 – Brighton Oval Redevelopment be further considered by the Audit Committee due to the Committee not having sufficient time to absorb the confidential Council Report No: 294/18 – Brighton Oval Complex – Redevelopment Contract that was provided in the morning of the Audit Committee meeting.

Refer Attachment 1

The Audit Committee discussed whether it required further information to consider the report, in which it responded that it had enough information to consider the report. However, the General Manager City Assets, Mr Lacy, through his investigation has provided further relevant documents to assist in the Committee’s consideration of the report.

Refer Attachment 2

BUDGET

Not applicable.

LIFE CYCLE COSTS

Not applicable.

Item No: **6.4**

Subject: **BRIGHTON OVAL REDEVELOPMENT**

Date: 29 August 2018

Written By: General Manager Business Services

General Manager: Business Services, Mr R Bria

SUMMARY

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“That the background papers supporting the motion, together with all other supporting documentation including the internal/external correspondence, budgets, cash flow forecasts, feasibility statements and memos concerning the recommendation that the Managing Contractor model be adopted as the prudent option, and a copy of the subsequent tender documents be presented to Audit Committee for review and comment.”

Attached to this report are the key documents that have been sourced for review and comment.

RECOMMENDATION

- 1. That the Audit Committee note the report.**
 - 2. That having considered Attachment 5 to Report No: 304/18 – Brighton Oval Redevelopment in confidence under section 83(5) of the Local Government Act 1999, the Council, pursuant to section 91(7) of the Act orders that Attachment 5 be retained in confidence for a period of 24 months and that this order be reviewed every 12 months.**
-

COMMUNITY PLAN

Placemaking: Creating lively and safe places

Placemaking: Developing walkable connected neighbourhoods

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Environment: Fostering an environmentally connected community

Culture: Supporting excellent, efficient operations

COUNCIL POLICY

Not Applicable.

STATUTORY PROVISIONS

Not Applicable.

BACKGROUND

At its meeting on 14 August 2018 Council resolved the following in regards to the Brighton Oval Sporting Complex Redevelopment:

“That the background papers supporting the motion, together with all other supporting documentation including the internal/external correspondence, budgets, cash flow forecasts, feasibility statements and memos concerning the recommendation that the Managing Contractor model be adopted as the prudent option, and a copy of the subsequent tender documents be presented to Audit Committee for review and comment.”

REPORT

Attached to this report are a number of key reports/documents that are referred to in the motion above. Due to the time constraint of meeting the Audit agenda, not all documents have been attached to this report as discussed in the motion.

The following documents are provided for review and comment.

1. Council report No: 240/18 - 10 July 2018 – Brighton Oval Complex Redevelopment
Refer Attachment 1
2. Council Report No: 272/18 – 14 August 2018 – Brighton Oval Redevelopment – Tender Documents.
Refer Attachment 2
3. Workshop Presentation – 10 July 2018 – Brighton Oval Options
Refer Attachment 3
4. Council Report No: 237/18 – 10 July 2018 – Prudential Report Brighton Oval Upgrade
Refer Attachment 4
5. Brighton Oval Redevelopment - KPMG Business Case –
Refer Confidential Attachment 5

There is a confidential report that is being considered by Council on the 28 August on the Brighton Oval Redevelopment that has a recommendation to provide the report confidentially to the Audit Committee.

If Council resolve that way the report will be forwarded to the Audit Committee on Wednesday morning.

BUDGET

Not applicable.

LIFE CYCLE COSTS

Not applicable.

COPY

Attachment 2

- 21/5/18 Email – Procurement Options
- 13/6/18 Email – Brighton Oval Redevelopment – Project Update
- 27/6/18 Email – Council Paper 27 June 2018 – Brighton Oval Contract Options – Draft
- 21/8/18 Email – 294 – Attachment 3 Brighton Oval Building Upgrade – Advice on proposed contract model

Jillian Conner

From: Kate O'Neill <koneill@mitchamcouncil.sa.gov.au>
Sent: Monday, 21 May 2018 9:59 AM
To: Howard Lacy
Subject: Procurement Options
Attachments: 17.44501 Library Concepts Report - Attachment D - Procurement Options - 26 April 2017.DOCX

Hi Howard

Apologies, I was away sick last week so a little behind on emails and phone calls.

Thanks for sending through the ad. I won't be applying. Too much going-on on the personal front for the next couple of months. Also feeling a little bit like corporate glue at the moment ☺ I really appreciate you thinking of me for this role.

For my own personal interest would be keen to know what range you are look at for this one?

Procurement Options – attached is the summary of the options for the Library.

Hope this helps.

Take care and coffee soon?

Cheers

Kate

MITCHAM LIBRARY CONCEPT & THEMING PLAN

SUMMARY OF PROCUREMENT OPTIONS

Traditional Lump Sum

Description:

A traditional contract strategy may be the optimum strategy for projects where the following requirements are satisfied or substantially satisfied:

- Where the optimum design for the project can be established without involving the prospective Contractor
- Where the Principal prefers to manage the interface between the detailed design/documentation and construction, and to select and engage the consultants and have them directly responsible to the Principal
- Where the Principal requires the Consultants to provide advice and monitoring of the project through the design, documentation and construction phases to ensure the Principals explicit requirements in scope and quality are met
- Where the time available for the project is such that the detailed design of the project is complete and coordinated before letting a construction contract
- Very few variations to the scope of the project design are anticipated during construction

The economic merit of this method lies in the predetermined detail of the scope of work and the tools for financial control provided by fixed price and any contracted unit prices (Schedules of Prices and Rates) included in the contract schedules.

If the design is incomplete, poorly coordinated or likely to undergo change, this strategy is likely to result in increased claims and disputes with consequential increase in project time and cost.

Traditional Lump Sum contract strategy may not be appropriate for 'fast track' projects because the traditional 'arms length' relationship between the design team and construction team is inappropriate when the design is carried out concurrently with the construction project.

It is important that the design team has detailed industry experience covering build ability, material selection and availability, whole of life and safety in design initiatives for the scope of the project.

Benefits:

- Cost and time certainty at the time of Contract Award.
- Principal control over design detail throughout the life of the project to ensure that "look, feel and performance" expectations are met.

Risks:

- Poorly documented and / or poorly coordinated design documentation will lead to time and cost claims from the Contractor for any item not specifically shown or noted on drawings and specification.
- Tender pricing is often submitted on the lowest possible cost basis, with the risk Contractors will be seeking to make up margin through the pursuit of variation claims during the project delivery.
- 3. In retail projects change in design needs is almost inevitable, as leasing requirements develop through the life of the job. Unless detailed pricing schedules are sought for potential tenancy changes, or if the design

Traditional Lump Sum

does not easily accommodate tenant driven design changes, then it is often a costly exercise in undertaking changes for the benefit of the lease deal.

- The Principal takes on board all risks associated with achieving the quite detailed, onerous and sometimes confused and ambiguous Major Tenants design briefs and control plans that typically form a core element of the lease deal requirement.

Design & Construct - Traditional

Description:

Detail design and construction strategy may be the optimum strategy when the following requirements are satisfied:

- The Principal wishes to develop the concept design as well as the detailed performance specification for the project; and
- The Principal requires the Contractor to be responsible for and accept the risks associated with the detail design and documentation of the project and the construction and commissioning of the project.

Construction can start, at the contractor's risk prior to the finalisation of the detail design, thereby potentially reducing the project schedule.

Subject to contract format/content, the Contractor is not generally entitled to extension of time or increase in the contract sum for variations to the detailed design caused by the progressive development of the design during the construction phase, or for late supply of design information, lack of coordination between documents, errors and omissions in documentation, constraints imposed by statutory and service authorities except where these are caused by the Principal directing variations to the originally specified/approved quality and performance requirements. There is an incentive to the Contractor to ensure the detail design and documentation is fine tuned by the use of buildability studies and value management to ensure that the adopted detail design and construction methodology minimises time and costs, whilst complying with the specified quality and performance requirements.

In a detail design and construction strategy, the control of the detail design passes from the Principal to the Contractor. Care must be taken to ensure the concept design performance specifications prepared by the Principal's Consultants are stated in clear, objective performance terms, as failure to do so shall cause disputes as to whether the Contractor's detailed design satisfies the requirements of the 'concept design and performance specifications'. The Principal must be prepared to engage suitable consultants to assist in the review and approval of the Contractors design and to monitor construction progress to ensure that the intent of the PPR and concept design is being achieved.

This strategy is not suitable where the Principal is likely to change the concept design or introduce changes in the Principals Project Requirements Brief (PPRB) throughout the life of the project.

Design & Construct - Traditional

Benefits:

- Cost and time certainty.
- Potential to fast track delivery due to the selection of more efficient and constructible design elements and materials and early works packages being undertaken while detailed design is progressing.
- Reduced Design Consultant costs overall as certain design disciplines are often handed over to Sub-contractors instead of being undertaken by more expensive design engineers (e.g. Fire, Mechanical, Hydraulic)
- The Head Contractor takes on board all risks associated with achieving the Concept design and PPRB requirements that can be quite detailed, onerous or sometimes confused and ambiguous.

Risks:

- Poorly defined concept design and PPRB will lead to time and cost claims from the Contractor for any item that the Principal seeks to change in the Contractor's design if the Contractor has met the minimum requirements of the concept and PPRB.
- The Principal has limited control over the selection of the design team and the further detailed development of the design and specification beyond the bare minimum required to achieve the concept design and PPRB.
- Tender pricing is often submitted on the lowest possible cost basis, with the risk Contractors will seek to use a lowest quality quickest response strategy that meets the minimum requirements of the PPRB, with a view to future Principal led changes to adjust the design and specification to meet expectations not clearly defined in the PPRB.
- In redevelopment and expansion project change in design needs is almost inevitable, as requirements to interface with existing facilities evolve and develop through the life of the job. Unless detailed pricing schedules are sought for potential changes, or if the design does not easily accommodate changes, then it is often a costly exercise in undertaking changes for the benefit of or to ensure the project quality and functionality meet the expectations of the Principal.
- Inclusion of healthy contingencies by the head contractor to cover unforeseen issues/ risk may unduly inflate tender prices.

Design & Construct - Novated

Description:

Novation of the consultant design team to the Contractor can occur at any stage. The commonly accepted 'best' time to novate is at the end of design development i.e. When the Principal's design issues and quality parameters have been firmly established and locked into the design documentation and specification: i.e. anything that can be seen, touched or needs to perform is documented and specified in detail.

Tenders for a fixed lump sum price together with a fixed completion date can be called based on the drawings and specifications prepared by each design consultant. The balance of the design consultant fees are subsequently added to the Contractor's price to give a full and final D&C price.

Design & Construct - Novated

Upon the appointment of the Contractor, the design consultants cease to take direction from the Principal and instead take their directions from and are paid by the Contractor. The 'Novation Agreement' prevents the Contractor from instructing any design consultant to reduce the scope or the quality of the development; however, the Contractor may instruct changes to documents to suit his preferred construction methods. One important aspect is that the Principal must appoint an independent party (typically a Project Manager) to superintend/administer the delivery contract on the Principal's behalf. In essence, post novation the delivery process is akin to a 'Traditional Design and Construct' contract.

Benefits:

- Cost and time certainty as the Contractor takes on board all risk associated with the project delivery.
- The Head Contractor takes on board all risks associated with achieving the quite detailed, onerous and sometimes confused and ambiguous design briefs and control plans that typically form a core element of the concept design and PPRB.
- Principal control over design detail to the point of novation to ensure that "look" and "feel" expectations of the Principal are met.

Risks:

- Poorly defined, documented design and PPRB will lead to time and cost claims from the Contractor for any item that the Principal seeks to change in the Contractor's final design if the Contractor has met the requirements of the Principal's design and PPRB.
- The Principal has limited control over the final detail in the design, but maintains control of the intended look, feel and performance of the project.
- Tender pricing is often submitted on the lowest possible cost basis, with the risk Contractor will seek to use a lowest quality, quickest response strategy that meets the minimum requirements of the PPRB & Design, with a view to future Principal-led changes to adjust the design and specification to meet expectations not clearly defined in the PPRB.
- In redevelopment and expansion projects, change in design needs is almost inevitable through the life of the job. Unless detailed pricing schedules are sought for potential changes, or if the design does not easily accommodate design changes, then it is often a costly exercise in undertaking changes for the benefit of the Principal.

Managing Contractor

Description:

The Contractor's relationship with the Principal and consultants may be summarised as follows:

- Under this delivery strategy, the Contractor enters into a managing contractor contract with the Principal in which the Contractor is responsible for managing both the design and construction of the project within an agreed timeframe and budget.
- The Managing Contractor is usually engaged on a fee for service basis and does not assume the cost risks associated with other forms of contract delivery. Risks associated with completing the design in a full and timely manner remain with the Managing Contractor; however subsequent sub-contractor pricing risk remains vested with the Principal.
- The Contractor may or may not directly engage the design consultants and specialist consultants required for the project to develop and document the design. Typically they do not, it is the Principal's design team that continue for the duration of the project.
- The Managing contractor will directly contract the trade contractors. This is generally done on an open book basis for each trade package with input and agreement of the Principal and the Principals Cost Management Consultant, giving regard to the project budget.
- The Managing contractor may or may not be entitled to a mark up on each of the subcontracts let, in addition to their management fee.
- The Managing Contractor takes on responsibility for the management of site, safety and supervision of the sub-contractors.

The Managing Contractor strategy may be the optimum strategy:

- When the project is required to be delivered in a "Fast Track" manner
- When the project has a budget which may necessitate additions or deletions that would not be economic or efficient in a lump sum tendered situation;
- Where the project warrants continuing review and/or refinement because of its magnitude, complexity, prestige or constraints;
- Where the Principal requirements are not adequately defined or may be redefined during the design/construction process;
- Where the Principal requires a continuing involvement with the day-to-day running of the project;
- Where funding allocation for the project requires the Principal detailed involvement in the cost management of the project and/or the stage-by-stage approval of the project;
- Where there are complex staging requirements such as the maintenance of user processes/operations during construction.
- Where unacceptable risk would be placed upon a single Contractor.

Benefits:

- Time certainty with the ability to fast track delivery by prioritising early works design and letting.
- The Principal maintains control of costs and contingency allowances within the budget, subject to amendment by legitimate variation.
- The Managing Contractor takes on board

Risks:

- Poorly documented design will lead to time and cost claims from the trade contractors which may or may not be able to be passed on from the Managing Contractor to the Principal. This is somewhat dependent upon whether the managing contract contemplates the Managing Contractor taking on board design risk given their

Managing Contractor

- risks associated with site and safety and the supervision and performance of the sub-contractor once the trade package is let.
 - The Managing Contractor may take on time risk associated with the design and documentation process, however the cost risk associated with the design is often still left with the Principal, subject to specific clarifications that may be inserted in the head contract.
 - Principal input throughout the detail design documentation phase continues to ensure that “look” and “feel” expectations of the Principal are met.
 - The Managing Contract can readily be converted to a GMP as detailed design is completed and trade letting draws to a close.
 - As requirements develop through the life of the job, unless detailed pricing schedules are sought from individual trade contractors for potential changes, or if the design does not easily accommodate design changes, then it is often a costly exercise for the Principal to undertake changes for the benefit of the Principal, and will likely give rise to an extension of time claim from the Managing Contractor, which usually carries costs.
- involvement during the design process.
 - Cost risks associated with gaps in trade package scope, stay with the Principal however time risk stays with the Managing Contractor.
 - The Principal carries the cost risk associated with progressive tendering of trade packages as the MC model is somewhat akin to a cost plus style contract and the passage of time may introduce some escalation costs into trade pricing.
 - The Principal still carries risks associated with achieving the quite detailed, onerous and sometimes confused and ambiguous design briefs and control plans. This risk may be reduced through specific clauses within the contract, but it is not often that full risk assignment to the Managing Contractor is possible.

Jillian Conner

From: Howard Lacy
Sent: Wednesday, 13 June 2018 12:11 AM
To: DL Elected Members and Senior Leadership Team
Cc: Rajiv Mouveri; Matthew Rechner; Marnie Lock
Subject: Brighton Oval Redevelopment - Project Update

Dear Acting Mayor and Elected Members,

With the Brighton Oval redevelopment Expression of Interest closing this week, it is timely to give you another project status update. The EOI closes this Thursday and we anticipate it will provide us with a number of construction companies to consider for the full Tender process which will start in late June. As part of that next tender process, we need to provide some base level drawings and designs of the proposed buildings for the companies to provide cost estimations on. Critical to that next stage tender process are the building functional layouts, floor areas, standard of finishes and the architectural style we want for the building exteriors.

Administration has commissioned local architects Folland and Panozzo to develop up preliminary designs taking account functional requirements set by state or local sports associations. This includes recommended floor areas and functional spaces for each of the various clubrooms. Administration has also attempted to take account the needs and preferences expressed by each club. Each club has had individual design meetings with Council's architects and have also provided feedback to Administration on the proposed designs including requesting changes. These have been incorporated where possible.

Project Budget

The project budget is extremely tight. Based on recent final delivered construction cost for the Kauri Parade Sports Complex, the cost rate per square metre of floor area was \$2850/m². For the purposes of the concept design for the three (3) new clubrooms at Brighton Oval a unit rate of \$2650/m² has been adopted allowing for a slightly lower standard of architectural style, internal/external finishes and fitout.

Administration is seeking formal advice from the clubs as to any financial contributions from clubs to assist in project delivery. Preliminary advice indicates that the SANFL will contribute \$75,000 towards the cost of the combined football/cricket clubrooms.

The preliminary project budget is therefore currently disbursed as follows:

Overall project budget	\$8,000,000
- add: contribution by SANFL	<u>\$ 75,000</u>
Total Project Budget	\$8,075,000

Allocated as follows:

- Clubroom construction (3 off)	\$7,027,500
- Council managed community space (150m ²)	\$397,500
- Lighting Upgrade – Lacrosse pitches	\$150,000
- Shared projects costs (eg soil testing, design, approvals, service relocations & connections, project management, landscaping and paving)	\$486,450
Total Project Budget	\$8,075,000

Building Design & Floor Space Allocations

A critical factor in delivering these 3 new buildings is the overall cost per square metre of floor area for the buildings as this determines the maximum floor area for each building to stay within the project budget. The most recent example of similar construction was the Kauri Parade Sports Centre, which was constructed at an overall cost of \$2850/m² and incorporated similar architectural style, building finishes and fittings. For the purposes of developing concept plans, Administration has adopted a rate per square metre of floor area of \$2650 which is considered appropriate for this early concept design phase and for determining approximate maximum floor space allocations.

On this basis, the floor space allocations that result (after adding \$75,000 contribution from SANFL; deducting \$486,450 for shared project costs; deducting 150m² for a separate Council managed community space and; reserving \$150,000 to pay for lighting upgrades to competition standard for both lacrosse pitches) are as follows:

Club	Existing area (m ²)	Current Council Design - Proposed Area (m ²)	Club Requested Area (m ²)
Football/Cricket	723	958	958
Rugby	469	931	1005
Lacrosse	359	768 (1)	858
Community facility	-	150	-

all areas exclude verandahs under roof/balconies

(1) Lacrosse has requested that \$150,000 of their building budget is allocated to fund installation of new competition lights to both pitches which was not originally funded as part of this project.

As can be seen from the above table, the floor space expectations of several clubs have requested floor space allocations that currently exceed the allocations set by Administration based on the forecast cost per metre square.

The building concept plans and floor space allocations are therefore still a work in progress and negotiations will continue with the clubs over the next week or so to finalise the concepts. Some adjustments to floor layouts, functional spaces and floor space allocations will be needed and hopefully the clubs will be prepared to negotiate a mutually acceptable configuration.

The next fortnightly stakeholder working group meeting is planned for Wednesday 13 June to clarify and confirm timeframes and reiterate the design and approval process from here.

We will be instructing our architects to continue to work with the clubs to achieve a design solution that meets the core principles of the project and is within the forecast budget. The existing plans already achieve these core design principles and in doing so, provide increased floor space compared to the current buildings:

- ✓ larger floor plans than what existing facilities have
- ✓ 4 x unisex change rooms enabling growth in female and junior participation
- ✓ double story buildings
- ✓ undercover balconies / elevated viewing
- ✓ kitchen / bar / function spaces,
- ✓ community space
- ✓ design to budget (estimated sqm rate used)

If any of the clubs are not willing to compromise their current expectations, Administration may need to recommend to Council that we proceed to tender based on Council's concept designs at the lower floor space allocations in order to keep the project within budget.

Similarly if final pricing from our tender process is higher than the estimated \$2650/m², the floor space allowances may have to be further reduced as there is little contingency in the overall project budget.

Project Timetable

Council should also note that the project timeframe is incredibly tight if we are to award a construction contract prior to Council entering caretaker mode in early September 2018 and as such there are some important decisions and steps we need to take to ensure deadlines are met. The key project dates are as follows:

Action	Completion Date
Finalise concept plans, drawings & tender documents	29 June 2018
Finalise draft council report	4 Jul 2018
Council meeting – preliminary project approval & approval to call tenders	10 Jul 2018
Tenders Issued	11 Jul 2018
Tenders close	2 Aug 2018
Assess tenders & prepare Council report	8 Aug 2018 (OR 22 Aug 2018)
Council decision	14 Aug 2018 (OR 28 Aug 2018)
Award Tender	31 Aug 2018

The next key deadline is to submit the finalised concept drawings, tender specifications and tender documents to Council for endorsement and to obtain Council approval to issue the tender documents. This is scheduled for the council meeting on 10 July 2018.

If any of the key deadlines are missed, there is a strong likelihood that project tendering and award of a construction contract will need to be deferred until after the November 2018 Council elections – most likely to a meeting of the new council in late January or early February 2019.

Summary

Administration is working with the Clubs to refine the concept designs and floor space requirements for the 3 proposed new clubrooms. This information is required for the final part of the tendering process currently underway.

For project planning purposes, Administration has adopted a rate of \$2650/m² as the preliminary cost point for determining floor space allocations after deduction \$468,450 from the project budget to cover shared project costs (such as survey, soil & utility investigations, design, project management, service relocations etc), \$150,000 for competition lights for the lacrosse pitches and 150m² for a community facility. This cost estimate is below that achieved on the Kauri Parade sports complex. If the final pricing from our tendering process is higher than estimated, the floor space allowances may have to be further reduced as there is little contingency in the overall project budget.

The current requests from 2 clubs exceed the proposed floor space allocations allowed for in the concept planning. Negotiations continue to achieve a mutually acceptable outcome for all clubs. If however any of the clubs are not willing to compromise their current expectations, Administration may need to recommend to Council that we proceed to tender based on Council's concept designs at the lower floor space allocations in order to keep the project within budget.

The overall project timetable is very tight in order to have a construction contract awarded prior to Caretaker mode in early September 2018. If the construction contract is awarded prior to Caretaker, the detail design, Development Approvals and construction could then continue during Caretaker and into the next Council term. Overall construction is expected to take 12-18 months depending on staging.

A briefing is proposed in advance of Council's consideration of the proposed report prior to the 10 July meeting.

Regards



HOWARD LACY

General Manager (Elect) City Assets & Services

City of Holdfast Bay

P 08 8229 9999

E hlacy@holdfast.sa.gov.au

Brighton Civic Centre

24 Jetty Road, Brighton SA 5048

www.holdfast.sa.gov.au

Jillian Conner

From: Annunziata Thompson
Sent: Friday, 15 June 2018 4:51 PM
To: Marnie Lock; Howard Lacy; Rajiv Mouveri
Cc: Matthew Rechner
Subject: Minutes Brighton Oval Stakeholder Meeting - 13 June (draft) 2018.docx
Attachments: Minutes Brighton Oval Stakeholder Meeting - 13 June (draft) 2018.docx

Hi all

Attached are some draft minutes from the Brighton Oval meeting on Wednesday, if you could run your eyes over them in case there is something you think is missing that would be great. If there is something you want added or removed let me know.

Cheers
Nunce



ANNUNZIATA THOMPSON

Community Recreation & Sports Coordinator
City of Holdfast Bay
P 08 8229 9965
E athompson@holdfast.sa.gov.au

Brighton Civic Centre
24 Jetty Road, Brighton SA 5048

www.holdfast.sa.gov.au

Jillian Conner

From: Michael de Heus <Michael.deHeus@tonkin.com.au>
Sent: Wednesday, 27 June 2018 12:50 PM
To: Rajiv Mouveri; Matthew Rechner; Cadel Blunt
Cc: Marnie Lock; Howard Lacy; Stacey Pape
Subject: RE: Council Paper 27 June 2018.docx
Attachments: Brighton Oval Contract Options - DRAFT.pdf

Hi Rajiv / all

I have attached a draft of the contract model options. I have tried to simplify it suitable for an attachment to a Council report but still quite wordy. Any other comments corrections, please let me know

Kind regards


Michael de Heus FIEAust CPEng
Principal Engineer
Program Manager - Metropolitan Local Government



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Development – Environment – Local Government – Mining & Resources – Spatial – Transport – Water

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From: Rajiv Mouveri [mailto:RMouveri@holdfast.sa.gov.au]
Sent: Wednesday, 27 June 2018 10:36 AM
To: Matthew Rechner <MRechner@holdfast.sa.gov.au>; Michael de Heus <Michael.deHeus@tonkin.com.au>; Cadel Blunt <CBlunt@holdfast.sa.gov.au>
Cc: Marnie Lock <MLock@holdfast.sa.gov.au>; Howard Lacy <HLacy@holdfast.sa.gov.au>
Subject: Council Paper 27 June 2018.docx

Hi Matt and Michael

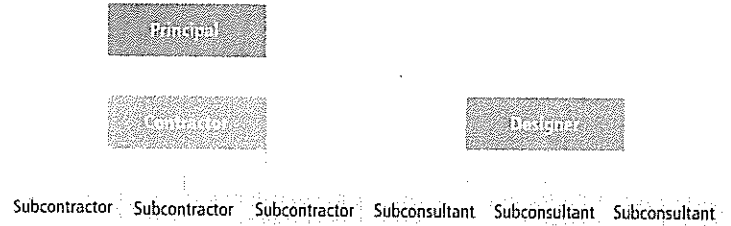
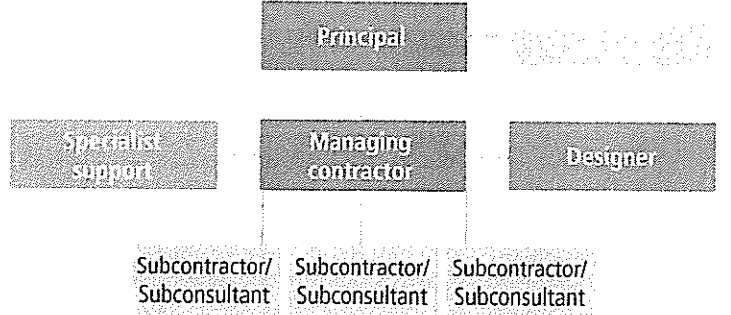
Here is the draft structure of the council paper with your names assigned to some parts. As you know the completion date is Friday morning, so that we can do the formatting and editing for Howard to consider by lunch time.

Once the approval is gained from the Council, this paper will form the back bone of the tender document. Therefore, put as much information as possible now. We can cut it down if we need to.

You are welcome to comment on the structure and suggest changes.

Regards
Rajiv Mouveri

Brighton Oval Contract Options

Contract Type	Structure	Roles/Responsibilities	Cost	Advantages for Council	Disadvantages for Council
<p>Design & Construct</p>		<ul style="list-style-type: none"> Principal (council) prepare PPR (Principal Project Requirements) which defines scope, quality and functionality requirements Tenderers complete preliminary design and submit lump sum price Contractor is engaged and completes the design and construction documentation and carries out construction 	<ul style="list-style-type: none"> Design solutions and lump sum price offered by tenderers at end of tender period Final cost is dependent on the adequacy of the project brief Any changes or omissions from the PPR will be paid as variations 	<ul style="list-style-type: none"> Lump sum price known early on prior to awarding contract Principal retains some control of preliminary design input/output (through PPR) Cost to develop preliminary design for tender borne by contractor Contractor to bare all risk for developing design Design and documentation can be completed concurrently with construction to reduce duration of the project (ie. Design Rugby building first then design the other buildings while concurrently building the rugby club) Any design related queries remain the responsibility of the contractor Risk transferred to contractor 	<ul style="list-style-type: none"> Risk of final cost exceeding budget if PPR does not adequately define scope and requirements (due to omissions or unknown project requirements) Higher price may be tendered to allow for high degree of risk placed on the contractor May minimise innovation due to preliminary design being based entirely on PPR (ie no incentives) No savings or extras offered to Principal Longer tender period is required to enable the preliminary design to be prepared and assessed If sporting clubs cannot agree to concept design, preliminary design (and therefore tender) will be delayed Large risk of unknowns in stakeholder (sporting clubs) altering design or not accepting design If D&C price exceeds budget may be difficult and time-consuming to redesign and/retender Lowest price tendering may lead to cost cutting during construction work and/or lowest acceptable quality
<p>Managing Contractor</p> <p>Two stage design and construction management negotiated Guaranteed Construction Sum.</p>		<ul style="list-style-type: none"> Principal prepare PPR which includes budget estimate and completion time Stage 1: Managing contractor (MC) is engaged and works collaboratively with principal and stakeholders to revise the project brief and refine the design to meet budget and time constraints. Managing contractor submits Guaranteed Construction Sum (GCS). Stage 2: MC completes design and construction documentation, calls tenders for and lets subcontract trade packages and manages construction 	<ul style="list-style-type: none"> Managing contractor tenderers submits fixed preliminaries and fee for managing Stage 1 (design) and Stage 2 (construction) – Single Managing Contractor is selected At the end of Stage 1, Managing contractor submits an offer consisting of a revised project brief, Guaranteed Construction Sum (GCS) and time for completion. Stage 2 management fees may also be revised at this stage if the scope has changed. At the end of Stage 1, principal can choose to engage the managing contractor for Stage 2 (based on GCS) or engage another contractor to complete Stage 2. Design cost difficult to determine as it may involve multiple options/iterations with stakeholder involvement 	<ul style="list-style-type: none"> Guaranteed construction sum at end of Stage 1 Variations are usually minimal as the managing contractor is involved in refining the project brief before submitting a construction sum Increased innovation due to early contractor involvement Cost analysis of design 'options' can be completed throughout preliminary design process to ensure budget is met Can include value management process Can include incentives or paid/share arrangement 	<ul style="list-style-type: none"> GCS is not obtained until end of Stage 1 Full design of all buildings must be largely completed before documentation and construction can commence Unlikely Stage 2 will be awarded by caretaker's period Negotiations with stakeholders (clubs) on scope to achieve budget required May not meet functional brief to achieve budget Need a quantity surveyor to review/check prices submitted by contractor Higher cost to council to administer the contract

		<ul style="list-style-type: none"> Principal must pay one or more tenders to assist in development of preliminary design Cost to complete project not known until end of Stage 1 Unlikely Stage 2 will be awarded by caretaker's period Higher cost to council to administer the contract Difficult to have 2 contractors preparing design for stakeholder review
	<ul style="list-style-type: none"> Guaranteed D&C price at end of Stage 1 Fewer variations due to contractor involvement in developing design Innovation increased due to early contractor involvement Cost analysis of design 'options' can be completed throughout preliminary design process to ensure budget is met Can include value management process Can include incentives or paid/share arrangement Can agree on what risks council wishes to accept and what it requires the contractor to accept 	<ul style="list-style-type: none"> Principal responsible for ensuring the design can be built within budget - Construction costs could exceed budget and this may not be known until design is complete and contractor has priced buildings No opportunity for cost/time savings by Early Contractor Involvement Constructability issues may arise during construction due to lack of contractor involvement in design Construction queries will need to be managed and facilitated by principal No concurrent construction can occur as design needs to be finalised for all buildings so contractor can price whole project before being engaged Changes to design are a variation Latent conditions are typically council risk Tenders compete on cost and may result in cost cutting during construction (quality, materials etc) or variation requests
<ul style="list-style-type: none"> Can adopt an open book approach with subcontractors although this reduces certainty in the final price and requires significant additional quantity surveyor input 	<ul style="list-style-type: none"> Fixed fee paid to one or more contractors for development of preliminary design (Stage 1) IF transfers to council Lump sum price provided by one or more contractors to complete design and construction (Stage 2) 	<ul style="list-style-type: none"> Designer and contractor paid in separate contracts Cost to construct is unknown until design complete and IFC drawings provided to contractor for pricing
	<ul style="list-style-type: none"> Stage 1: One or more contractors are engaged under ECI agreements to work collaboratively with principal to develop a preliminary design. At the end of Stage 1, contractors then provide a lump sum for the completion of design and construction (stage 2). Stage 2: One contractor is engaged under lump sum D&C arrangement 	<ul style="list-style-type: none"> Principal engages design team to complete full design to IFC Principal then tenders and engages a contractor to construct project based on fully complete design
<p>Early Contractor Involvement (ECI) (Competitive RFT)</p>	<p>Traditional Design Then Construct Only</p>	

Jillian Conner

From: Jillian Conner
Sent: Tuesday, 21 August 2018 2:57 PM
To: Howard Lacy; Rajiv Mouveri
Subject: Emailing: 294 - Attachment 3 - Brighton Oval Building Upgrade - Advice on proposed contract model.docx
Attachments: 294 - Attachment 3 - Brighton Oval Building Upgrade - Advice on proposed contract model.docx

Your message is ready to be sent with the following file or link attachments:

294 - Attachment 3 - Brighton Oval Building Upgrade - Advice on proposed contract model.docx

Note: To protect against computer viruses, e-mail programs may prevent sending or receiving certain types of file attachments. Check your e-mail security settings to determine how attachments are handled.

13 September 2018

BY EMAIL: rmouveri@holdfast.sa.gov.au

Rajiv Mouveri
Manager Assets & Facilities
City of Holdfast Bay
24 Jetty Road
BRIGHTON SA 5048

Dear Rajiv

Brighton Oval Building Upgrade Project ('Project') – Contracting Model

I refer to your recent correspondence with Susie Inat regarding the Project and the proposed contracting model.

You have asked us to:

- advise whether the proposed contracting model for the Project is workable for the City of Holdfast Bay (**Council**);
- identify the various cost points for the Project (e.g. when certainty of profit margins and constructions costs will be known); and
- outline the risk profile for the Council, compared to that of the selected contractor.

1. Contracting Model

- 1.1 We were approached to act on behalf of the Council regarding the Project on the basis that the Council had chosen to adopt a managing contractor model, similar to the model that was recently adopted by the City of Mitcham in relation to its library redevelopment process.
- 1.2 We understand that:
- (a) timing is a key driver for the Council in selecting this model because, during the caretaker period (which commences on 4 September 2018), the Council will be unable to make designated decisions which involve issuing significant contracts; and
 - (b) if a contract is not issued for the whole of the Project by the end of August 2018, the Project will likely experience significant delay in approvals or event concept modifications which will significantly delay delivery of the Project and increase the Project risks (including financial and other risks).
- 1.3 The model chosen by the Council is a managing contractor model under which the Council retains a construction manager (**Contractor**) to control, manage and coordinate the delivery of the Project. The scope of work of the Contractor is to develop and subcontract individual works packages for the Project, and oversee the design and construction of the Project from conception to completion.
- 1.4 The Council will pay for costs incurred in relation to the individual works packages on a pass through basis, and will pay for the services provided by the Contractor in the form of a fixed management fee, a fixed preliminaries fee and a fixed overhead and profit margin.

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- 1.5 The managing contractor model is a commonly used model, and is often used to deliver large commercial projects on a fast-track basis.
- 1.6 However, the model to be used by the Council for the Project differs from the traditional managing contractor model in that the Contractor (and not the Council) will be engaging the subcontractors that will be performing the works under what is essentially a design and construct contract with the Contractor. In addition, the work will involve 2 stages:
- (a) a detailed design and costing process in the draft contract which involves input from stakeholders (such as the Council and the Clubs) and which will result in a Guaranteed Maximum Price being negotiated between the Council and the Contractor before any construction commences; and
 - (b) delivery of the works in accordance with the contract for that Guaranteed Maximum Price under what will essentially become a lump sum design and construct contract.
- 1.7 This process is described in further detail in paragraph 1.8 of this letter and is reflected in the draft construction contract provided to tenderers as part of the tender process.
- 1.8 This process provides a mechanism by which the Council can manage project cost risk, and is supported by the following risk mitigation mechanisms:
- (a) a requirement for the Contractor to use a competitive and transparent tender process when securing subcontractors for works packages;
 - (b) a requirement for the Contractor to obtain the prior written approval of the Council before the award of any tender (where a Guaranteed Maximum Price has not yet been agreed between the Council and the Contractor);
 - (c) requirements for the Contractor to do everything in its power to keep costs to a minimum whilst properly performing and delivering the works, to obtain the best price consistent with quality and value, and keep costs within the Council's budget;
 - (d) a requirement for the Contractor to provide access to its books and records on request; and
 - (e) the ability for the Council to terminate the contract at any time without cause (i.e. at its discretion), which would include (but not be limited to) if a Guaranteed Maximum Price cannot be negotiated within the Council's budget.
- 1.9 In addition, we understand that the Council has engaged Tonkin Consulting as Superintendent to act on its behalf, and will be engaging a quantity surveyor to monitor costs on behalf of the Council.

2. Cost points in the draft contract

- 2.1 As mentioned in paragraph 1.68 above, the draft contract contains a detailed design and costing process involving input from stakeholders which will result in a Guaranteed Maximum Price being negotiated between the Council and the Contractor before construction commences.
- 2.2 This process involves the following
- (a) **Review of concept design and concept design cost review** – This step involves the Contractor working up detailed costings based on the current concept design and Principal's Project Requirements, the Council and its quantity surveyor reviewing those costings and the Council either giving the Contractor a direction to proceed with the next step or to take action to reduce the cost of the Project as the Council considers appropriate.
 - (b) **Development and approval of final concept design and final concept design cost review** – This step involves the Contractor consulting with the Clubs to ensure the final concept design meets their reasonable requirements and has their endorsement, and submitting the final concept design to the Principal for approval. Once approved, the Contractor must provide up to date and accurate costings based on the final concept

design to the Council. The Council and its quantity surveyor will then review those costings and the Council will either instruct the Contractor to provide reasonable assistance to the Council to obtain development plan consent for the works or to take action to reduce the cost of the Project as the Council considers appropriate.

- (c) **Obtain development plan consent** – This step involves the Council obtaining development plan consent for the works, with the reasonable assistance of the Contractor. Once development plan consent is obtained, the Council will instruct the Contractor to proceed with the next step.
- (d) **Development and approval of 30% of design documents** – This step involves the Contractor consulting with the Clubs to ensure the 30% design documents meet their reasonable requirements and endorsement, and submitting the design documents to the Principal for approval. Once approved, the Contractor must provide up to date and accurate costings based on the design documents to the Council. The Council and its quantity surveyor will then review those costings and the Council will either approve or rejected the design documents.
- (e) **Negotiation of Guaranteed Maximum Price** – Once the Council has approved the 30% design documents, it will direct the Contractor to provide a Guaranteed Maximum Price for all of the works. On receipt of this quotation, the Council will have its quantity surveyor assess the veracity of that quoted price. If the quotation is consistent with the quantity surveyors independently determined maximum price, the quotation must be accepted by the Council. Otherwise the parties will negotiate in good faith to agree an appropriate Guaranteed Maximum Price. If the parties do not reach agreement on an appropriate price, the Council may terminate the contract and engage another builder. Council will however be required to pay the Contractor's quoted cost of developing the 30% design cost estimate.
- (f) **Development and approval of 70% and 100% of design documents** – These steps involve the Contractor consulting with the Clubs to ensure the 70% and 100% design documents meet their reasonable requirements and have their endorsement, and submitting the design documents to the Principal for approval. Once approved, the Contractor can proceed with the next step / the works under the contract.

2.3 A flow chart describing this process is set out in the attachment to this letter.

2.4 If the Council decides not to proceed at any stage in the design and costing process, the draft contract gives the Council the ability to terminate the contract for convenience by 14 days prior written notice to the Contractor. The consequence of exercising this termination right is that the Council must pay to the Contractor amounts incurred and due to be paid to the Contractor, the cost of materials and equipment reasonably ordered by the Contractor for the works, and other demobilisation costs.

2.5 The draft contract also includes provisions relating to variations to the work and their pricing which contain a number of mechanisms to enable the Council to manage these costs. In particular, the provisions provide that:

- (a) The Contractor must provide a quotation (including the Contractor's estimate of the additional time and cost associated with the proposed variation and any adjustments to the Contract Sum (including a specified percentage for profit, supervision and overheads¹) before carrying out any such variation, or entering into or varying any subcontract for such work.
- (b) A variation will not be effective until the Superintendent has directed the Contractor to effect the variation on the basis of the quotation, or otherwise waived that requirement and priced the variation.
- (c) Any variation costs are capped at the accepted quotation.

¹ We understand that the tender documents request the Contractor to provide the specified percentage for profit, overhead and margins on any variations.

3. Risk profile of the draft contract

3.1 We obtained detailed instructions from the Council on the risk profile to be reflected in the draft contract.

3.2 The table below sets out the risks associated with the Project and indicates which party carries this risk under the draft contract in accordance with the Council's instructions:

Item	Risk	Additional cost	Additional time / delay
1.	Design responsibility / risk	Contractor	Contractor
2.	Discrepancies in contract documents	Contractor	Contractor
3.	Subcontractor responsibility / risk	Contractor	Contractor
4.	Change in legislative requirements	Council	Council
5.	Discovery of minerals, fossils and relics	Council	Silent
6.	Latent conditions (with appropriate carve outs for known latent conditions)	Council	Council
7.	Loss or damage that occurs to anything, including the Council's property, facilities or assets, for the duration of the works (other than for the Excepted Risks listed in item 8 below)	Contractor	Contractor
8.	Loss or damage for: <ul style="list-style-type: none"> any negligent act or omission of the Superintendent, the Council or its subcontractors; war, invasion etc; ionising radiation or contamination by radioactivity from nuclear fuel or waste not caused by the Contractor or its subcontractors 	Council	Council
9.	Incorrect data / survey information	Contractor	Contractor
10.	Disturbance of survey marks	Contractor	Contractor
11.	Superintendent direction to suspend the works: <ul style="list-style-type: none"> because of an act, default or omission of the Contractor or its subcontractors; because of any act or omission of the Superintendent, Clubs, the Council or its subcontractors intended to mitigate the consequences of breach of Contract by the Contractor or not in accordance with the Contract, or that could have been competent and experienced contractor at the time of the Tender; for protection or safety of any person or property, to comply with a court order or where the Superintendent is otherwise entitled to suspend the work under the Contract if the Contractor made such action necessary 	Contractor	Contractor
12.	Superintendent direction to suspend the works:	Council	Council

Item	Risk	Additional cost	Additional time / delay
	<ul style="list-style-type: none"> because of any act or omission of the Superintendent, Clubs, the Council or its subcontractors (except in the circumstances mentioned in item 11); or for protection or safety of any person or property, to comply with a court order or where the Superintendent is otherwise entitled to suspend the work under the Contract (except in the circumstances mentioned in item 11) 		
13.	Delays caused by default or breach of Contract by the Superintendent, the Council or its subcontractors	Council	Council
14.	Change of scope of works and variations (but only to the extent set out in an approved quotation)	Council	Council

If you have any queries in relation to any aspect of the above, please do not hesitate to give me a call on the number below.

Yours sincerely

Lisa Papanicolaou
Senior Associate

Contact: Lisa Papanicolaou T: +61 8 8233 5510
Lisa.Papanicolaou@minterellison.com

Attachment – Design Development and Costing Process

