

20.2 LATE ITEM - KEVIN RICHARDS MEMORIAL OVAL CHANGE AND CLUB ROOM

File No:	CM.514
Responsible Executive Officer:	Director Strategic Projects & Infrastructure
Reporting Author:	Project Manager
Date of Report:	4 October 2021
Applicant/Proponent:	Nil
Disclosure of Interest:	Nil
Attachment(s):	Confidential – Tender Evaluation Report

PURPOSE

For Council to consider the tender for the Kevin Richards Memorial Oval (KRMO) Change and Club Room offered under RFT 04-21/ 22.

BACKGROUND

In October 2020, Council endorsed the KRMO Master Plan that outlined a five-stage strategy to deliver improved facilities to accommodate a range of community and recreational needs. As part of the master planning process, the new change room, formalised spectator seating increased amenities, and increased function space for the sporting clubs were critical requirements.

The design consultant, Peter Hunt Architects, was engaged as the lead consultant for the design process and to prepare documentation to tender the change and club room construction. The change and club room design reflected the Design Brief, the user needs, and meets standards for District Level facilities.

In May 2021, Council resolved to invite tenders for the construction of the change and club room at the KRMO consisting of the following scope of works:

- a) Ground floor new community access change rooms, stores, toilets and showers designed to accommodate the community and sporting needs of the KRMO and future outdoor sports courts proposed in later stages of the development.
- b) First floor new club room facility to accommodate the current and future needs of the long term precinct tenants, the Karratha Football and Sporting Club, whilst enabling community use of the areas.
- c) Formalisation of the new northern car park and associated facilities.

The scope of works was tendered as three (3) separable portions, including:

SP1	The demolition of the Karratha Volunteer Fire and Rescue running track and all associated infrastructure. This is required to facilitate the car park to service the northern play space and change and club room
SP2	The construction of the northern car park including sealed car park, lighting, drainage and crossover to Tilbrook Place, soft landscaping and footpath works. A separate electrical package of works enables power to the play space for lighting and BBQs, and lighting to the car park.
SP3	The construction of the two storey masonry and steel structure and terraced stadium seating and all associated amenities as documented for the completion of the change and club room.

Tenders were publicly advertised under RFT 04-21/ 22 on 14 August 2021 and closed 22 September 2021.

Five (5) tenders were received by the closing date from:

- Cooper and Oxley Group Pty Ltd
- Emirge Pty Ltd
- H&M Tracey Construction Pty Ltd
- Pilbara Building Company Pty Ltd
- Thomas Building Pty Ltd

The tenders were evaluated by a three (3) person panel comprising of:

- Manager Infrastructure Projects
- Manager Community Facilities
- Project Manager

The tenders were first assessed for compliance with the tender documents. The tenders were then assessed against the qualitative criteria that were weighted.

The criteria and associated weightings were:

Criteria	Weighting
Price	60%
Relevant Experience	15%
Methodology	10%
Capacity to Deliver	15%

The Regional Price Preference Policy was applied to four (4) local tenderers.

A copy of the Evaluation Report is contained within the confidential section of the agenda.

The Director Strategic Projects & Infrastructure and the Chief Executive Officer have endorsed the recommendation.

LEVEL OF SIGNIFICANCE

In accordance with Council Policy CG-8 Significant Decision Making Policy, this matter is considered to be of moderate significance in terms of social and economic issues.

The upgrade of the change and club rooms, the northern car park and the progression of the endorsed Master Plan will significantly improve the overall amenities and aesthetics of the KRMO Precinct.

STATUTORY IMPLICATIONS

Tenders were called in accordance with Section 3.57 of the *Local Government Act 1995* and associated regulations.

COUNCILLOR/OFFICER CONSULTATION

In October 2020, Council endorsed the KRMO Master Plan and the proposed staging strategy. A further update on the KRMO Master Plan, including the detailed design of the change and club room was provided to Council in March and May 2021 to update on the progress, cost estimates, funding secured and a briefing on the value management process performed by Officers.

In May 2021, Council resolved to call for tenders for the construction of the change and club room.

COMMUNITY CONSULTATION

The KRMO Master Plan development has occurred in consultation with several key stakeholders including the Karratha Football and Sporting Club, Rotary Club Men's Shed, the Department of Education represented by Millars Well Primary School, Karratha Volunteer Fire and Emergency Service, Karratha Community Arts, Karratha Community Association, One Tree Day Care and the Karratha Community Garden.

Community engagement activities occur in accordance with the iap² public participation spectrum process to inform, consult, involve, collaborate and empower. The following engagement has occurred during the tender period.

Who	How	When	What	Outcome
Karratha Football & Sporting Club (KATS) Members Meeting	Special Club Meeting	2 September 2021	Special Meeting to vote on the Club contributing the existing building to the City, transitioning to the new club room and a long-term Leasing Agreement.	Unanimous vote by Members to transition to the new club room and the Leasing Agreement.

First Floor Club Room

When adopting the KRMO Master Plan in October 2020, Council noted the program for delivery of the club room will be dependent on funding and a suitable lease agreement to be reached with the Karratha Football & Sporting Club. Discussions have progressed with the Club and several general conditions have been negotiated in principle, including:

- Lease of the first floor facility to include function space, office, toilets, kitchen space, servery spaces and storage spaces.
- The function space, kitchen and servery areas will be available for community hire through the Club.
- The lessee will pay for operating costs of the leased facilities including power, water, cleaning costs.
- The lessee would be responsible for general maintenance of the facility. The City would remain responsible for major maintenance to mirror the lease agreement at the Frank Butler Community Centre.
- The lessee will fit out the new club space including kitchen, bar and function spaces. Estimated cost up to \$220k.

After completing the project, the Karratha Football & Sporting Club would relinquish the lease over the land that contains the existing club room to enable further development and implementation of the KRMO Master Plan. Of note, the Karratha Football & Sporting Club currently owns the building that they occupy and only lease the parcel of land from the City. Taking the estimated existing club room value of \$1.2m into account, and the requirement to fit out the new club space, Officers believe that the Karratha Football & Sporting Club are making a considerable contribution towards the proposed new club room. Further lease negotiations are required and if Council agrees to progress the project, Officers will negotiate a final lease agreement and present to Council for consideration.

POLICY IMPLICATIONS

Council Policies CG12 Purchasing and CG11 Regional Price Preference are applicable.

FINANCIAL IMPLICATIONS

Council has allocated \$13.1m in the Long Term Financial Plan to progressively implement the projects identified in the endorsed KRMO Master Plan.

Council has allocated \$7,530,000 in its 2021/2022 Budget to commence the change and club room construction including demolition of the fire running track (SP1 and SP3), to commence construction of the northern car park (SP2) and site headworks, which are proposed to be delivered through a separate contract. The demolition works in SP1 are required to enable the development of the change and club room and car park to occur.

The change and club room development was initially estimated as \$7,373,701. At its May 2021 Meeting, and prior to tendering, Council supported a series of value management options that resulted in a potential saving of \$555,000 for the change and club room project.

Further funding had also been secured during the design stage of the project to result in a net cost to Council as outlined in the following table:

	Building Budget Estimate SP1 & 3	Car Park Budget Estimate SP2	Total External Funding	Net Cost to Council
October 2020 Concept Design	\$7,373,701	\$403,133	\$1,151,211	\$6,625,623
Pre Tender Estimate	\$7,249,227	\$513,590	\$2,151,129	\$5,612,238
May 2021 Report – Post value management	\$6,694,227	\$550,000	\$3,359,487	\$3,884,740

The value management options that were included in the tender were as follows:

Item	Description
Reducing the stadium seating shade by 25%	Given the orientation of the seating, with a 25% reduction in shading, all of the seating would be shaded during traditional times for most junior games and all of the women's, reserves and league football games.
Replacing the eaves and soffit linings with metal cladding	Proposed to replace Spandek eave linings and compressed fibre cement to soffit linings, with custom orb or mini orb cladding which reduces maintenance costs
Removing external wall anti-graffiti coating in lieu of an alternative maintenance solution	The cost, ease of application and availability of a standard paint product is seen as a benefit in lieu of holding stock and having specialist labour to apply the required anti-graffiti solvents.
Remove low level fencing dividing the oval and the change rooms	Deemed not required.
Remove compressed fibre cement feature cladding to the façade	While proposed as an architectural feature, it was deemed the same outcome could be achieved with an architectural finish block or a painted rendered feature.
Reduce the stadium seating by 5m on either side	Reduced the overall formal seating capacity from approximately 230 people to approximately 180 which is still deemed adequate.

Item	Description
Relocate communications room and adjust office space on the first floor	<p>The relocation and reduction in the office on the first floor allows an area saving of approximately 18 sqm. Reducing the first floor building envelope also reduces proportionally the east and west balcony areas and undercroft.</p> <p>This maintained the function room at 220 sqm, but reduces the space available for club office, administration, meeting and timekeeper room by 10sqm.</p>
Reduce the players run to 2.4m and increase stores	A relative cost neutral change however it maximises storage and reduces ongoing maintenance in circulation spaces.
Reduce the tiling in wet areas	Tiling was documented as full height (2.7m). The proposal was to reduce this to 2m in line with other City facilities.

These potential value management savings were designed to save cost whilst minimising impact on the facilities functionality. They were proposed recognising that recent market evidence was demonstrating that construction costs were rising. Officers note that the tender prices now received have reinforced the current challenging construction market conditions with concerns raised for subcontractor costs and availability, plus material cost and supply. All tenders received have exceeded the budget estimate including the value management options.

The preferred tenderer has provided a submission for the three Separable Portions which exceeds the pre contract value, however Officers in their evaluation, and the preferred tenderer in their submission, have identified a series of potential further cost saving measures that could be negotiated.

The northern car park has now been tendered twice and on each occasion has exceeded the budget estimate. The car park is intended to service the KRMO as the primary car park including the new facility plus the new play space. The works include construction of an asphalt car park, soft landscaping, lighting, and footpath works adjacent to Tilbrook Place.

External Funding

Project funding has now been secured from the following sources:

- \$375,000 (excl. GST) from the Department of Local Government, Sport and Cultural Industries for the change rooms.
- \$776,211 (excl. GST) for cash-in-lieu of public open space funds.
- \$999,918 (excl. GST) from the Department of Infrastructure, Transport, Regional Development and Communications and their Local Roads and Community Infrastructure Program Phase 2 – to be expended by 30 June 2022.
- \$1,208,358 (excl. GST) from the Department of Infrastructure, Transport, Regional Development and Communications and their Local Roads and Community Infrastructure Program Phase 3 - to be expended by 31 December 2022.

The greatest current risk to funding is advice from the Department of Local Government, Sport and Cultural Industries that not securing a preferred contractor by November 2021 will result in withdrawal of funding support. Further, if Council elected to re-tender the works, then further variations to funding agreements would be required including consideration to reallocating the Local Roads and Community Infrastructure Program Phase 2 and 3 funding to other projects as these are due to be expended by 30 June 2022 and 31 December 2022.

Council has several options available in respect to the tender including:

1. Reject Tenders and re-tender.
2. Reject Tenders and defer (potential redesign).
3. Accept the preferred tender as submitted.
4. Negotiate with a preferred tenderer for the change/club room only - no car park.
5. Negotiate with a preferred tenderer for the change/club room and car park.

Should Council remain committed to the project scope and delivery timeframe then Officer's recommend a negotiation with the preferred tenderer in an attempt to execute a contract within a revised budget. In support of this approach, Officer's note:

- Prices have been submitted by five recognised builders.
- The external funding secured to date is at risk and it is unlikely that further funding will be secured in time.
- The number of tender bids received is unlikely to significantly increase should a further tender be advertised.
- Construction costs are increasing.
- Maintains project momentum noting this development is a precursor to further priorities as part of the KRMO Master Plan implementation including oval lighting and outdoor sports courts.
- The City has invested in the current design that is commensurate with other District Level sporting facilities.
- The car park serves multiple purposes including the playground under construction and is required for ease of access and compliance reasons.
- The project has been five years in the planning stage with multiple options explored and considerable community engagement.

The implication of negotiating with the preferred contractor is that Council's financial contribution to the project would need to increase. If supported and as detailed in the Confidential Evaluation Report, a contract value of up to \$8m (ex GST) is recommended for SP1 and SP3 combined. Further, a budget sum of \$550k (ex GST) could be allowed for SP2.

If Council agrees with the Officer's recommendation and a contract can be executed with the preferred tenderer, then the estimated net cost to Council for construction works would be \$5,190,513 (ex GST). This represents an increase in Council's contribution to the project construction of \$1,305,773 (ex GST) as detailed in the following table, yet is less than anticipated at the pre tender estimate stage.

	Estimated Building Construction Value SP1 & 3	Estimated Car Park Construction Value SP2	Total External Funding	Net Cost to Council
Pre Tender Estimate	\$7,249,777	\$513,590	\$2,151,129	\$5,612,238
May 2021 Report – Post value management	\$6,694,227	\$550,000	\$3,359,487	\$3,884,740
Proposed Maximum Contract Award	\$8,000,000	\$550,000	\$3,359,487	\$5,190,513

All forecast costs are exclusive of construction contingency and professional fees. To date Council has spent \$133,561 on the design and documentation for the project.

Council's contribution is intended to be funded from its Infrastructure Reserve. At the time of preparing this report, the forecast Infrastructure Reserve closing balance at 30 June 2022 is \$23.84m. Whilst sufficient funding is currently available to deliver the project, Council has a significant number of capital projects listed in its Long Term Financial Plan that will require funding and a further contribution to this project reduces funding availability for other works.

Further details of the proposed value management items are contained in the attached Confidential Evaluation Report.

STRATEGIC IMPLICATIONS

This item is relevant to the Council's approved Strategic Community Plan 2020-2030 and the Corporate Business Plan 2020-2025. In particular, the Operational Plan 2021-2022 provided for this activity:

Programs/Services:	1.a.2.6	Infrastructure Project Management
Projects/Actions:	1.a.2.6.20.1	Design and deliver Stage 1 Play space and commence Stage 1 Changes rooms as part of Kevin Richards Memorial Oval Redevelopment

RISK MANAGEMENT CONSIDERATIONS

The level of risk to the City is considered to be as follows:

Category	Risk level	Comments
Health	Low	Aligns with the City's committed to providing appropriate public open spaces to support good health and wellbeing within our communities.
Financial	Moderate	The project has received near to \$3.36M in external funding with commitments to complete the construction by December 2022. The Department of Local Government, Sport and Cultural Industries (DLGSCS) has advised Officers that it is likely to withdraw funding should the works not proceed with a preferred tenderer nominated by the end of October 2021. As this funding has been rolled over for several years, there is a high risk that should work not proceed the loss of the current \$375,000 (excl. GST) of external funding would need to be covered by the City. DLGSCS has confirmed that a letter of preferred tenderer would satisfy this.
Service Interruption	Low	The existing facilities will be retained during construction to minimise, and in most cases, eliminate disruption to the stakeholders.
Environment	Low	Noise output and dust pollution throughout construction, will be managed by the contractor.
Reputation	Moderate	An upgraded facility is likely to deliver positive reputational impact for Council.
Compliance	Moderate	Works are expected to comply with relevant standards.

IMPACT ON CAPACITY

There is no impact on capacity or resourcing to carry out the Officer's recommendation, as supervision of works and future maintenance programs are included in existing resources.

RELEVANT PRECEDENTS

The Bulgarra Sporting Precinct, including the Frank Butler Community Centre, is an equivalent comparison for the KRMO Redevelopment, which was established, managed and funded by the City. The critical difference between the two sites is the location of the existing club room at KRMO, independently owned and operated by the Karratha Football and Sporting Club.

The redevelopment of the Bulgarra Sporting Precinct commenced with the new change rooms and the Frank Butler Community Centre resulting in capital expenditure of approximately \$11.66m (excl. GST) over five years from July 2020 to June 2015.

The works included the following key elements:

- Frank Butler Community Centre including the demolition of existing facilities
- Sports change rooms and toilets including the demolition of existing facilities
- Formalised vehicle parking
- Provision of large storage spaces
- Upgrade of the multiuse courts
- Oval lighting upgrade
- Upgrade of sporting facilities to suite governing body guidelines
- Provision of a play space

Further District Level facilities include Wickham Sporting Precinct and the Windy Ridge Oval in Dampier, both subject to facility planning work in the current Council Budget.

The scale of the KRMO Change and Club room project is equivalent in terms of size and cost with the Bulgarra Sporting Precinct, including the Frank Butler Community Centre and Change rooms with the main point of differentiation being the provision of a two storey facility with spectator seating.

VOTING REQUIREMENTS

Simple Majority.

OPTIONSOption 1

As per Officer's recommendation.

Option 2

That Council by SIMPLE Majority pursuant to Section 3.57 of the *Local Government Act 1995* RESOLVES to:

1. REJECT all tenders under RFT 04-21/21 Kevin Richards Memorial Oval Change and Club Room as no tenderer offered an advantageous outcome to the City; and
2. READVERTISE the tender.

Option 3

That Council by SIMPLE Majority pursuant to Section 3.57 of the *Local Government Act 1995* RESOLVES to:

1. ACCEPT the tender submitted by Thomas Building Pty Ltd ABN 86 768 265 615 as the most advantageous tender to form a contract, based on the assessment of the compliance criteria, qualitative criteria and pricing structures offered under RFT 04-21/21 Kevin Richards Memorial Oval Change and Club Room; and

2. EXECUTE a contract with Thomas Building Pty Ltd, SUBJECT to any variations of a minor nature.

CONCLUSION

The evaluation panel believes the recommended tenderer has the capacity to deliver the works to the standard expected by the City and has provided the most advantageous outcome for the project.

Considering the prices submitted and the further opportunities identified by the preferred tenderer and Officers to value manage the construction, Officer's recommend that the best opportunity to deliver the works is to nominate a preferred contractor and to enter into value management negotiations. The intent is to achieve a construction contract value within a revised construction budget estimate. Should the negotiations be unsuccessful, further options will be presented to Council for consideration.

OFFICER'S RECOMMENDATION

That Council by SIMPLE Majority pursuant to Section 3.57 of the *Local Government Act 1995* RESOLVES to:

1. **ACCEPT the tender submitted by Thomas Building Pty Ltd ABN 86 768 265 615 as the preferred tender to form a contract based on the assessment of the compliance criteria, qualitative criteria and pricing structures offered under RFT 04-21/21 Kevin Richards Memorial Oval Change and Club Room; and**
2. **EXECUTE a contract with Thomas Building Pty Ltd ABN 86 768 265 615 for the delivery of the Separable Portions One, Two and Three works as contained in this report and SUBJECT to:**
 - a) **Clarifications being satisfied associated with any exclusions and costs savings within its tender submission, and any value management items identified;**
 - b) **The negotiated contract price for Separable Portion One and Separable Portion Three being within the revised maximum construction contract value of \$8,000,000 (excluding GST);**
 - c) **The negotiated contract price for Separable Portion Two being within the revised maximum construction contract value of \$550,000 (excluding GST); and**
 - d) **Any further variations of a minor nature.**