

**ITEM 14. VARIATION TO CONTRACT AWARDED BY COUNCIL - GREEN
SQUARE CREATIVE CENTRE - HEAD CONTRACTOR**

FILE NO: S118549.006

SUMMARY

On 23 November 2015, Council accepted a tender for head contract services for the construction of the Green Square Creative Centre Community Facilities and Park at 3 Joynton Avenue, Zetland.

The site sits within the Green Square Town Centre. The town centre development, when complete, will be a high density, vibrant and diverse place with residential community and recreational facilities, public transport, retail and commercial spaces. The new Community Centre, park and private wire network is on the former Royal South Sydney Hospital Site.

The former South Sydney Hospital Site is bounded by Joynton Avenue, Hansard Street, Portman Street, and Zetland Avenue and forms a vital component of the new community precinct including the Joynton Avenue Creative Centre, Banga Community Shed, the Green Infrastructure Centre with landscaped surrounds to the buildings and a new open space, Matron Ruby Grant Park.

The Joynton Avenue Creative Centre (Esme Cahill building) is being transformed into a creative and cultural centre with artist studios, workshops, classrooms, gallery spaces and community hire space. It will feature a sheltered outdoor area for use by the local community and centre users, with the roof form expressing the heritage building's arches. The Banga Community Shed (Pathology building) will house a community shed with workshops and are being extend to include public toilets.

Matron Ruby Grant Park will provide non-structured open space with enhanced entrances, improved connections through and within the site as well as landscaping for the precinct, in accordance with the South Sydney Hospital Site Public Domain Coordination Plan. Public Domain improvements around the building curtilages and along Joynton Avenue and Hansard Street will improve streetscape amenity and safety.

The works have encountered delays due to contamination remediation, sewer connection works and third party delays. The City entered into negotiations with the Contractor for the variations, provisional sums and time related costs claimed by the Contractor to completion of the works. The project is nearing completion and through the negotiations a final contract lump sum for the complete contract has been recommended for approval.

This report recommends that Council approve the increase of the contract contingency to the existing Head Contractor's contract.

RECOMMENDATION

It is resolved that:

- (A) Council increase the contingency to the contract for Head Contractor services for the construction of the Green Square Creative Centre and Matron Ruby Park at 3 Joynton Avenue, Zetland, as outlined in the subject report;
- (B) authority be delegated to the Chief Executive Officer to negotiate, execute and administer any documentation required for the purposes of effecting the increase to the contract contingency referred to in clause (A);
- (C) Council note the financial and contractual implications detailed in confidential Attachment A to the subject report; and
- (D) Council approve the increase to the project budget as set out in confidential Attachment A.

ATTACHMENTS

Attachment A: Financial and Contractual Implications (Confidential)

(As Attachment A is confidential, it will be circulated separately from the agenda paper and to Councillors and relevant senior staff only.)

BACKGROUND

1. On 23 November 2015 Council resolved to engage the Contractor for the delivery of the Green Square Creative Centre Community Facilities and Park at 3 Joynton Avenue, Zetland.
2. The Contractor commenced the works on the South Sydney Hospital Site on 19 January 2016. The current status for the contract works is 91% complete and remediation works 100% complete.
3. Demolition of the existing buildings on site and associated remediation works around these buildings was completed in late 2012. The City undertook analysis of the site conditions for contamination in preparation for the construction works with a Remediation Action Plan prepared for the treatment and management of any further contaminated materials found on site. The Remediation Action Plan and known contamination issues was shared with contractors and formed part of the projects contract.
4. Since commencement of the project, a significant quantum of hazardous materials and contamination has been identified. As a result, the required amount of contamination and remediation works has increased throughout the South Sydney Hospital site.
5. In March 2017, Council approved additional construction contingency as a consequence of additional hazardous and contaminated materials identified on site during remediation and demolition works of the former outpatients building and external areas.
6. From the period of March 2017 there has been a further discovery of contaminated materials requiring additional refurbishment and remedial actions. In addition substantial works directed under Provisional Sums (including repairs to the Joynton Avenue Creative building, stormwater management for Matron Ruby Park and through site link). These contamination remedial works, provisional sum works and design changes that have collectively extended the project time frame. The resultant impact has been additional costs for the works, consequential disputes and claims for time related costs submitted by the Contractor.
7. The contract included 54 nominated Provisional Sum items that are allowances to cover specific elements of work or materials, where the extent of the work or materials cannot be specifically detailed when entering a contract.
8. As of June 2017 the Contractor had issued eight Notices of Dispute and instigated the dispute process for one of these Notices. The City defended its position of significant works being partially covered under the original scope and on the relevant drawings. The Expert determined for the Contractor.
9. In lieu of disputing each and every Provisional Sum item and to minimise the cost impact of this process, the City considered the way to move forward, through the negotiation process, to completion was pragmatic, economical and effective.
10. In addition to the direct cost claims made against the contract for both variations and Provisional Sums, the Contractor has claimed ongoing time related claims to the end of September 2017. These cost of the time related claims has depleted the allocated construction contingency. City staff have been negotiating a resolution to resolve outstanding issues.

11. It is recommended that Council increase the contract contingency to the existing Head Contractor's contract, due to the unforeseen increased costs, as outlined in the subject report – Attachment A.

FINANCIAL IMPLICATIONS

12. There are currently insufficient funds within the existing project budget for the negotiated final contract lump sum and the details of additional funding are outlined in Confidential Attachment A.

RELEVANT LEGISLATION

13. Local Government Act 1993.

CRITICAL DATES / TIME FRAMES

14. Program Key Milestones:

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| (a) Construction works commenced: | January 2016 |
| (b) Construction Work Completion | November 2017 |

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