

# Agenda Report Template

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|---|--|
| <b>10.2.2 – Keirnan Park – Financial Assistance Agreement for Enabling Works, Tender and Construction of Stage 1A (SJ1364-02)</b> |  |
| <b>Responsible Officer:</b>   | Manager Project Delivery   |
| <b>Senior Officer:</b>  | Director Infrastructure Services   |
| <b>Disclosure of Officers Interest:</b>   | No Officer involved in the preparation of this report has an interest to declare in accordance with the provisions of the <i>Local Government Act 1995</i> . |

## Authority / Discretion

|           |   |
|-----------|---|
| Executive | The substantial direction setting and oversight role of the Council such as adopting plans and reports, accepting tenders, directing operations and setting and amending budgets. |
|-----------|---|

## Report Purpose

The purpose of this report is for Council to provide authority to the Shire President and Chief Executive Officer to execute the Financial Assistance Agreement from Department of Local Government, Sport and Cultural Industries (DLGSC), for the Keirnan Park Recreation Precinct Project Enabling Works, Tender and Construction Phase.

## Relevant Previous Decisions of Council

*Ordinary Council Meeting – 14 December 2020 – OCM405/12/20 - COUNCIL RESOLUTION / Officer Recommendation*

*That Council AUTHORISES the Shire President and Chief Executive Officer to execute the Financial Assistance Agreement between the Department of Local Government, Sport and Cultural Industries and Shire of Serpentine Jarrahdale for the WA Recovery Plan – Development of a Business Case for the Keirnan Park Recreation Precinct as per attachment 1, by affixing the common seal.*

*Ordinary Council Meeting – 19 October 2020 – OCM335/10/20 - COUNCIL RESOLUTION / Officer Recommendation*

*That Council:*

- 1. NOTES the update of the Keirnan Park Recreation Precinct as per this report;*
- 2. REQUESTS the Chief Executive Officer to negotiate an initial agreement with the Department of Local Government, Sport and Cultural Industries for \$2 million, to complete all project planning, including studies and design to enable Stage 1 of the Keirnan Park Recreation Precinct project to be ready for construction;*
- 3. AUTHORISES the Chief Executive Officer to commence spending planning funds (and recruiting dedicated project staff) for project planning prior to the funding agreement for project planning being executed;*
- 4. REQUESTS the Chief Executive Officer to negotiate a secondary agreement for \$18 million with the Department of Local Government, Sport and Cultural Industries for the construction for Stage 1 of the Keirnan Park Recreation Precinct once project planning is able to inform the final scope and milestones; and*

## Agenda Report Template

5. *APPROVES funding of Keirnan Park Recreation Precinct planning from grant funds and reallocate municipal funds set aside for Keirnan Park Recreation Precinct to the Building Asset Management Reserve.*

| <i>Account</i>  | <i>Description</i>      | <i>Type</i>          | <i>Debit</i> | <i>Credit</i> |
|-----------------|-------------------------|----------------------|--------------|---------------|
| 6500-80235-6600 | Keirnan Street Planning | Increase expenditure | 2,000,000    |               |
| 6500-80235-4820 | Keirnan Street Planning | Increase grant       |              | 2,000,000     |

*Reason: Recognition of grant funding to undertake Keirnan Street Planning project.*

| <i>Account</i>  | <i>Description</i>                            | <i>Type</i>          | <i>Debit</i> | <i>Credit</i> |
|-----------------|---|----------------------|--------------|---------------|
| 5300-17302-5202 | Transfer to Building Asset Management Reserve | Increase reserve     | 500,000      |               |
| 6500-80235-6600 | Keirnan Street Planning                       | Decrease expenditure |              | 500,000       |

*Reason: Transfer municipal funding for Keirnan Street Planning to reserve as project is now fully grant funded.*

### Background

In August 2020, correspondence was received from the Minister for Sport and Recreation, acknowledging the Shire's advocacy correspondence and confirming that the Shire had been successful in receiving a funding commitment of \$20 million towards the development of the Keirnan Park Recreation Precinct, through the State's COVID Recovery Plan.

A Financial Assistance Agreement (FAA1) for the initial \$2 million was executed on 21 December 2020. FAA1 scope was for project planning and detailed design for the project. This report provides details of a further Financial Assistance Agreement (FAA2) for the remainder \$18 million of the total \$20 million funding for construction of Stage 1A of Keirnan Park.

The Keirnan Park draft concept was presented to Councillors at a workshop on 2 February 2022 with a budget overrun of approximately \$17 million. The budget overrun was due to scope creep and cost escalation. This is detailed in agenda item 10.2.1 and summarised below.

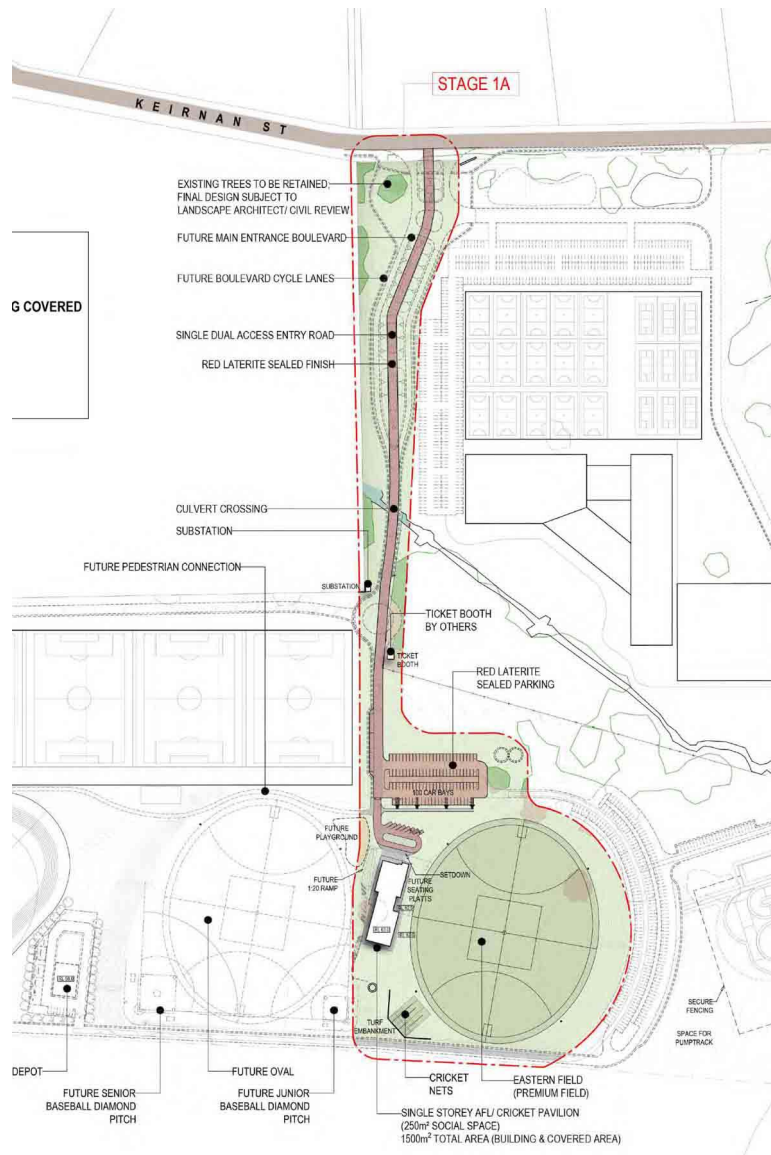
Scope reduction was carried out to achieve the project within the budgeted \$20 million.

The reduction in scope of Stage 1A involved removing a number of the additional items above and the following items below:

- Reducing elements within the building to balance sporting needs and social space, 4 change rooms only, reduced covered viewing area, no external seating plats. (size of social space 300m2)
- Building a singular entrance road into the site
- Reducing Car spaces to 100
- Single eastern oval
- Reduction in water storage
- Reduction in landscaping
- Reduction in surface treatments.

# Agenda Report Template

Figure 1 below is the current Stage 1A plan estimated to be within budget.



**Fig 1 Stage 1A Concept Plan with reduced scope**

The implications detailed in this report are on the basis that Council moves forward with the scope reduction as per Officer recommendation as detailed in agenda item 10.2.1.

## Early Works Package

An early works package was developed in October 2021 to undertake enabling works in order to progress ground water exploration and power investigation works to progress the design. Further, site clearing and earthworks were also identified as early works activities to ensure the Shire is in a position to enter into the main construction phase in FY 2022/23. This package was costed by Quantity Surveyors and is intended to access funds under the FAA2. It was then presented for stakeholder feedback and forms part of the development of the Financial Assistance Agreement negotiations.

# Agenda Report Template

## Community / Stakeholder Consultation

### Department of Sport and Recreation Consultation (28 October 2021)

The Early Works proposal was presented to the Department with the following feedback received:

- The Department would like to see works progress on the project and can foresee two Agreements running concurrently to facilitate these works.
- As the Shire would like to pursue some of the items identified in the early works package, the Department informed that the second Financial Assistance Agreement (FAA2) has flexibility to accommodate retrospective works.

### Policy Concept Forum (1 November 2021)

Councillors were provided a project update that included a proposal to undertake early works to ensure the Shire is in a position to enter into the main construction phase in FY 2022/23. These works can take 6 to 12 months to deliver and ideally need to be completed to reduce any schedule risks and weather risks. The proposed early works package consists of the following:

| Item  | Cost Estimate by QS |
|---|---------------------|
| Power – Supply and Communications               | \$324,500           |
| Ground Water – Exploration and Production Bores | \$450,000           |
| Site Clearing                                   | \$250,000           |
| Earthworks – Stage 1A                           | \$1,346,000         |
| <b>SUB-TOTAL</b>                                | <b>\$2,370,500</b>  |
| Contingency (26% due to overheated demand)      | \$629,500           |
| <b>TOTAL</b>                                    | <b>\$3,000,000</b>  |

This package is subject to service authority capacity to perform their portion of the work, heritage and planning approvals.

### Councillor Workshop (30 March 2022)

The reduced scope of stage 1A was presented at the workshop with the following feedback received:

- Show reduced scope to the Stakeholder Reference Group and seek feedback

### Stakeholder Reference Group meeting (31 March 2022)

The reduced scope of stage 1A was presented at the meeting with the following feedback received:

- Concern over the size of the social space within the sports pavilion
- The supply of only one oval in the reduced scope

### Department of Sport and Recreation Consultation (14 April 2022)

The reduced scope was presented to the Department with the following feedback received:

- Further scope reductions can be made in rationalising the internal spaces of the sports pavilion

## Statutory Environment

Nil.

# Agenda Report Template

## Comment

The FAA2 outlines the obligations upon the Shire in relation to insurances, milestone reporting and general legal requirements, and is included as **attachment 1**. It also provides for the release of the remaining \$18 million funding at the successful completion of the milestones.

The following reportable milestones have been recommended as a suitable timeframe for the detailed design project. These milestones align to and exceed the project milestones within the Corporate Business Plan relating to Keirnan Park and are achievable within allocated resources.

The budget overrun mentioned in the background resulted in value management options being produced by the lead consultant. This meant the progress in developing the design has been delayed by a number of months. Therefore, Officers propose revising the funding agreement to incorporate new milestone dates and scope as follows:

Current milestones:

| Main Activities / milestones                    | Milestone date      |
|---|---------------------|
| Execution of Agreement                          | March 2022          |
| Advertising of Tender for Stage 1A construction | 30 July 2022        |
| Evidence of construction award for Stage 1A     | 30 December 2022    |
| <b>Project completion date</b>                  | <b>30 June 2024</b> |

Revised Milestones:

| Main Activities / milestones                    | Milestone date          |
|---|-------------------------|
| Execution of Agreement                          | May 2022                |
| Advertising of Tender for Stage 1A construction | 31 December 2022        |
| Evidence of construction award for Stage 1A     | 30 July 2023            |
| <b>Project completion date</b>                  | <b>30 December 2024</b> |

The following payment instalments have been proposed by the Department. Officers consider this to be fair and reasonable:

| A<br>Serial | B<br>Milestone  | C<br>Instalment Amount |
|-------------|---|------------------------|
| 1           | Execution of Agreement  | \$3 million            |
| 2           | Acquittal of FAA1 (completion of planning, business case and detailed design stage) and evidence of construction award for all elements of Stage 1A | \$10 million           |
| 3           | Evidence provided that 50% of the estimated project cost (i.e. \$9 million has been expended against eligible items)                                | \$4.9 million          |
| 4           | Acquittal of the Grant  | \$100,000              |

The \$3 million commitment upon execution of the agreement was based on the Early Works package outlined above. The Shire has proceeded with the power and ground water supply

# Agenda Report Template

portion of the works to enable the detailed design to progress, based on advice from the Department.

Council is requested to authorise the Chief Executive Officer and Shire President to execute the FAA2 once a response from the Department has been received.

## Options and Implications

### Option 1

That Council:

1. REQUESTS the Chief Executive Officer renegotiate the FAA2 in line with the reduced scope in accordance with Officer Recommendation in agenda item 10.2.1;
2. AUTHORISES the Shire President and Chief Executive Officer to execute a revised Financial Assistance Agreement between the Department of Local Government, Sport and Cultural Industries and Shire of Serpentine Jarrahdale for the WA Recovery Plan – Stage 1A construction for the Keirnan Park Recreation Precinct, by affixing the common seal.

Implications: The project can proceed with the enabling works, tender and construction phase of the project.

### Option 2

That Council:

1. REQUESTS the Chief Executive Officer renegotiate the FAA2 in line with the reduced scope in accordance with Officer Recommendation in agenda item 10.2.1;
2. REQUESTS the Chief Executive Officer renegotiate the FAA2 milestones to complete the design works and only proceed with tendering for the works at an agreed milestone date;
3. AUTHORISES the Shire President and Chief Executive Officer to execute a revised Financial Assistance Agreement between the Department of Local Government, Sport and Cultural Industries and Shire of Serpentine Jarrahdale for the WA Recovery Plan – Stage 1A construction for the Keirnan Park Recreation Precinct, by affixing the common seal.
4. REQUESTS the Chief Executive Officer to bring a report back to Council advising of how/when Stage 1A construction can be executed.

Implications: The project can proceed to the construction phase with revised timelines.

### Option 3

That Council:

1. DOES NOT AUTHORISE the Shire President and Chief Executive Officer to execute the Financial Assistance Agreement between the Department of Local Government, Sport and Cultural Industries and Shire of Serpentine Jarrahdale for the WA Recovery Plan – Stage 1A construction for the Keirnan Park Recreation Precinct; and
2. REQUESTS the Chief Executive Officer renegotiate the Financial Assistance Agreement (FAA1) between the Department of Local Government, Sport and Cultural Industries to accommodate the early works incurred costs and termination costs as a result of this resolution.
3. REQUESTS the Chief Executive Officer to return any unspent grant monies.

Implications: Put a hold on the entire Keirnan Park project, terminate the consultants' contract with possible termination costs. Shire reputation affected by not completing the project which may, in turn affect future grant funding opportunities.

# Agenda Report Template

Option 1 is recommended.

## Conclusion

The Shire has received the draft Financial Assistance Agreement from the Department of Local Government, Sport and Cultural Industries for the second committed instalment of the Keirnan Park Recreation Precinct funding. The agreement is intended to administer the second instalment of funding, \$18 million of the total \$20 million, to fund the project Enabling Works, Tender and Construction Phase. Officers are proposing that the funding agreement be revised to capture the reduced scope and changes to milestones outlined in this report. If the State agrees to these changes, this report seeks to authorise the Shire President and Chief Executive Officer to execute a revised agreement.

## Attachments (available under separate cover)

- **10.2.2 - attachment 1** – Keirnan Park Recreation Precinct - Department of Local Government Sport and Cultural Industries - Financial Assistance Agreement – WA Recovery Plan – Stage 1A Construction (E22/1813)

## Alignment with our Strategic Community Plan

|                       |  |
|-----------------------|--|
| <b>Outcome 1.1</b>    | A healthy, active, connected and inclusive community   |
| <b>Strategy 1.1.1</b> | Provide well planned and maintained public open space and community infrastructure                                 |
| <b>Outcome 4.2</b>    | A strategically focused Council  |
| <b>Strategy 4.2.2</b> | Ensure appropriate long term strategic and operational planning is undertaken and considered when making decisions |

## Financial Implications

Execution of the Financial Assistance Agreement (FAA2) will result in the Shire receiving a total of \$18 million disbursed in four tranches of \$3 million in 2021/2022 Financial Year, \$10 million and \$4.9 million in 2022/2023 Financial Year, and \$100,000 from the Department in the 2023/2024 Financial Year.

## Risk Implications

Risk has been assessed on the Officer Options and Implications:

| Officer Option | Risk Description                                    | Controls | Principal Consequence Category | Risk Assessment |             |             | Risk Mitigation Strategies (to further lower the risk rating if required) |
|----------------|---|----------|--------------------------------|-----------------|-------------|-------------|---|
|                |   |          |                                | Likelihood      | Consequence | Risk Rating |   |
| 1              | There is no material risk associated with Option 1. |          |                                |                 |             |             |   |

## Agenda Report Template

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|---|--|-----|-------------------------------|----------|----------|----------|-----|
| 2 | Due to the time associated with requesting amendments, the Chief Executive Officer may not be able to secure a finalised agreement prior to caretaker mode, resulting in a delay of receiving funds and project progression. | Nil | Organisational<br>Performance | Possible | Moderate | MODERATE | Nil |
| 3 | Enabling Works, Tender and start of the Construction Phase funding is not completed in full in 2022/2023 requiring municipal funds to complete in future years.  | Nil | Financial                     | Rare     | Major    | LOW      | Nil |

**Voting Requirements:** Simple Majority

**That Council:**

1. **REQUESTS** the Chief Executive Officer renegotiate the FAA2 in line with the reduced scope in accordance with Officer Recommendation in agenda item 10.2.1;
2. **AUTHORISES** the Shire President and Chief Executive Officer to execute a revised Financial Assistance Agreement between the Department of Local Government, Sport and Cultural Industries and Shire of Serpentine Jarrahdale for the WA Recovery Plan – Stage 1A construction for the Keirnan Park Recreation Precinct, by affixing the common seal.