

**16 CONFIDENTIAL ITEMS****16.1 SOUTHERN MALLEE COMMUNITY INFRASTRUCTURE PROJECT (PINNAROO AND LAMEROO CHILDCARE CENTRES) - PROJECT UPDATE****RECOMMENDATION TO MOVE INTO CONFIDENCE****That:**

- 1. Pursuant to Section 90(2) & (3) of the Local Government Act 1999 the Council orders that the public, with the exception of the Chief Executive Officer, be excluded from attendance at the meeting held on Wednesday 21 August 2019 for Agenda Item 16.1 Southern Mallee Community Infrastructure Project (Pinnaroo and Lameroo Childcare Centres) - Project Update;**
- 2. The Council is satisfied that pursuant to section 90 (3) (b)(i) of the Local Government Act 1999, the information to be received, discussed or considered in relation to the Agenda Item 16.1 Southern Mallee Community Infrastructure Project (Pinnaroo and Lameroo Childcare Centres) - Project Update is:  
  
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.**
- 3. The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed by the need to discuss this Agenda Item 16.1 in confidence.**

**MOVED COUNCILLOR MICK SPARNON  
SECONDED COUNCILLOR TREVOR HANCOCK****That:**

- 1. Pursuant to Section 90(2) & (3) of the Local Government Act 1999 the Council orders that the public, with the exception of the Chief Executive Officer, Manager Corporate Services, Manager Infrastructure Services, Coordinator Executive Services and minute secretary be excluded from attendance at the meeting held on Wednesday 21 August 2019 for Agenda Item 16.1 Southern Mallee Community Infrastructure Project (Pinnaroo and Lameroo Childcare Centres) - Project Update;**
- 2. The Council is satisfied that pursuant to section 90 (3) (b)(i) of the Local Government Act 1999, the information to be received, discussed or considered in relation to the Agenda Item 16.1 Southern Mallee Community Infrastructure Project (Pinnaroo and Lameroo Childcare Centres) - Project Update is:  
  
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.**
- 3. The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed by the need to discuss this Agenda Item 16.1 in confidence.**

**CARRIED.**

**16 CONFIDENTIAL ITEMS**

**16.1 SOUTHERN MALLEE COMMUNITY INFRASTRUCTURE PROJECT (PINNAROO AND LAMEROO CHILDCARE CENTRES) - PROJECT UPDATE**

**Responsible officer:** Jason Taylor, Chief Executive Officer

**Attachments:** 1. Budget detail [↓](#)

<b>Section under the Act</b>	The grounds on which part of the Council or Committee may be closed to the public are listed in Section 90(2) & (3) of the <i>Local Government Act 1999</i> .
<b>Sub-clause and Reason:</b>	(b)(i) - 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.

**Executive Summary**

Council has been progressing the delivery of the Southern Mallee Community Infrastructure Project (SMCIP), funded under the Commonwealth Government’s Drought Communities Program Extension since late 2018.

The purpose of this report is to provide a project delivery and project finance update to Council and to seek Council approval for additional project expenditure in relation to the childcare component of SMCIP.

**RECOMMENDATION**

**That Council**

1. notes the progress that has been made in delivering the Southern Mallee Community Infrastructure Project funded under the Commonwealth Government’s Drought Communities Programme Extension.
2. approves additional expenditure on the Southern Mallee Community Infrastructure Project (for delivery of the two childcare centres) in accordance with the attached project budget detail, being an amount of \$516,328.53.
3. formally considers the source of funding for this increased project expenditure when it considers Budget Review 1 in October this year.

**MOVED COUNCILLOR TREVOR HANCOCK  
SECONDED COUNCILLOR REBECCA BOSELEY**

**That Council**

1. notes the progress that has been made in delivering the Southern Mallee Community Infrastructure Project funded under the Commonwealth Government’s Drought Communities Programme Extension.

2. approves additional expenditure on the Southern Mallee Community Infrastructure Project (for delivery of the two childcare centres) in accordance with the attached project budget detail, being an amount of \$516,328.53.
3. sources funding for this increased project expenditure by removal of the tipper truck change over from the plant replacement program (\$250,000) and considers the remaining amount at Budget Review 1 in October this year.

**CARRIED.**

### **Background**

On 19 August 2018, the Australian Government announced \$75 million for the Drought Communities Program to support communities impacted by drought. On 26 October 2018, this support was extended to include a further 21 drought-affected regions. This extension included Southern Mallee District Council becoming eligible to receive funding for projects up to \$1 million.

Council applied on 23 November 2018 for \$1 million for the Southern Mallee Community Infrastructure Project (SMCIP) comprised of four parts:

1. Pinnaroo Community Childcare Development (\$290,000 (+ matched funding of \$290,000));
2. Lameroo Community Childcare Development (\$580,000);
3. Pinnaroo Community Swimming Pool Renewal (\$65,000); and,
4. Lameroo Community Swimming Pool Renewal (\$65,000).

### **Context**

Council was ambitious with its SMCIP projects. In particular, considerable planning and costing work was completed for the Pinnaroo Childcare. The Lameroo Childcare was only at a concept stage when Council decided to fund its delivery. Nevertheless, Council is investing the Commonwealth Drought funding into very worthwhile projects. Additionally, Council has undertaken very limited strategic planning in recent years and has no other 'shovel ready' projects that this funding could have been spent on.

Council's initial budget and timelines for the delivery of the childcare centres is not sufficient to complete the projects on time or on budget.

### **Policy and statutory implications**

The Local Government Act 1999 is relevant to this matter.

Council's Funding Policy and its Procurement Policy are both relevant to this matter.

### **Issues**

This section provides an overall SMCIP project delivery update, update on the request for a variation to the grant agreement (extension of time), and an update on project finances.

Project delivery update

The timeline for SMCIP was always going to be tight given the 8 week period for our application to be assessed and approved. Council was then required to undertake a recruitment process for a Coordinator to assist with overseeing the project.

The main reason for the delay in the project has been lack of contractor and skill availability in the region. This issue is in part because 7 out of 8 of the councils in our region received drought assistance funding and all are attempting to engage the limited number of contractors servicing the region. It has also taken longer than expected to get our childcare buildings to the assembly line production stage mainly because of necessary childcare service approvals.

Many elements of the projects have already been completed. This includes all of the painting and design works at the two swimming pools and all of the design and approvals for the two childcare centres. At this Council meeting there are confidential reports to award the contract for the swimming pool change room refurbishments and to award the contract for decking at the two childcare centres.

The two childcare centres are now at the end of the production process. They will be transported to site in Lameroo and Pinnaroo from the week commencing 19 August 2019. The installation stage will then commence with the buildings connected to services and all necessary site works undertaken.

Variation of grant agreement (extension of time) update

On 12 July 2019 Council made a formal request to the Commonwealth Government's Department of Industry, Innovation and Science for an extension of time to our funding agreement to allow additional time to complete the Southern Mallee Community Infrastructure Project.

On 2 August 2019 Council received approval of the extension of time request. The original project completion date under the funding agreement was 30 June 2019, with the final project completion report due on 31 August 2019.

Council has now signed off on the Commonwealth's Variation of Grant Agreement which provides for a new project completion date of 30 November 2019, with the final project completion report due on 30 January 2020.

The extension was approved as we were able to demonstrate that we have encountered extenuating circumstances in attempting to complete the project. However we have been advised that if we are unable to complete the project by 30 November 2019 funds may be recovered and used to provide assistance to other drought-affected communities and that it is highly unlikely that additional extensions will be granted.

The current estimated completion date for the project is now 31 October 2019.

Project finances update

Council knew in early 2019 that the development of the childcare centres would cost more than the final project budget allocation of \$1,049,438. This was particularly the case as the original budget was a higher amount of \$1,337,438. This amount included \$288,000 of State Government Regional Growth funding. Council sought this funding and was initially awarded this amount for the project. However the funding was retracted upon funding administration being made aware of our Drought Communities Program funding. An appeal of this decision to Minister Whetstone resulted in no change to the decision.

The current \$1,049,438 project budget consists of \$870,000 of Drought Communities funding and \$179,438 of Childcare savings.

Council awarded the tender to Ausco for the development of the two childcare facilities in March for a tender amount of \$1,121,180 noting this was \$127,000 over the project budget and noting that this was not the final tender price as a number of design matters had to be resolved. The CEO signed the final contract for a value of \$1,197,670.

The contract with Ausco does not include utility connections, timber decking to the buildings or landscaping. There has always been an expectation that Council would have to fund these items, however, many of these items are now known to be more expensive than expected, and there is no project contingency in the budget to cover these items.

Given the scale of the projects that Council is undertaking, there have been a number of expected, and some unexpected, costs beyond the initial budget. Principally this includes the building construction costs exceeding initial budget which Council has been aware of since March. This cost increase, together with the more recently unexpected increases in project items are as follows:

- final contract with Ausco (\$1,197,670) – exceeding budget by \$148,232
- supply and installation of much larger septic tanks at both sites (childcare centres have laundries necessitating relatively large septic systems) – total cost \$87,860
- site works due to the site levels (particularly at Lameroo) – total cost \$49,737
- rear decking areas to both sites – total cost \$83,852.

The decking construction contract is being considered by Council at this meeting. The septic tank cost variation from Ausco has not been approved and is subject to Council's determination of this item. Only the smaller value Ausco variations have been approved to date.

**Alternate options**

Council could decide not to approve additional project funding but this would result in the two childcare centres being unable to be completed or to open for business.

Council can utilise accumulated savings to fund the increase in the total project budget for the childcare projects. Alternatively Council could look at part, or wholly funding, an increase in the total project budget for the childcare centres by reallocation of funds from other projects in the 2019/20 annual business plan and budget. This is not recommended and should include community consultation if it is the preferred option.

Budget Review 1 will be presented to Council for consideration at its October 2019 meeting and this would be an appropriate time to decide the source of funding for any increase to the childcare centre development budget.

**Financial implications**

The detailed project budget is included in an attachment to this report. The significant project items that have exceeded the initial project budget are outlined in the issues section.

The total additional project budget required to complete the two childcare centres is \$516,328.53. If this additional budget is approved then Budget Review 1 will provide a recommendation on how to fund this amount.

**Work Health and Safety and Risk implications**

There are no work, health and safety implications associated with this matter.

A decision not to increase the project budget, and thus not complete delivery of the two childcare centres would present a very significant risk to Council's reputation. The childcare projects have significant levels of community support and will deliver broad social and economic benefits. There would also be risks related to Commonwealth funding if Council decided not to complete the projects.

**Consultation**

There is a project steering committee for the delivery of the two childcare centres comprised of one elected member, Lameroo Regional Community School and Pinnaroo Primary School representation and relevant project staff. The community has been kept up to date on this project through regular project newsletters.

Council is in regular contact with relevant Commonwealth and State Government departments about this project.

**BUDGET DETAIL - CHILDCARE CENTRES**

	Original Budget	Final	variance	Comment
<b>Income</b>				
COGS Operational Surplus	\$ 179,438.69	\$ 179,438.69		
Regional Growth Fund	\$ 288,000.00			
Pinnaroo Community Childcare Development (Commonwealth)	\$ 290,000.00	\$ 290,000.00		
Lameroo Community Childcare Development (Commonwealth)	\$ 580,000.00	\$ 580,000.00		
<b>Total Income:</b>	<b>\$ 1,337,438.69</b>	<b>\$ 1,049,438.69</b>		
<b>Expenditure</b>				
<b>PINNAROO</b>				
<u>Modular Construction</u>				
Cost of unit	\$ 318,240.00	\$ 362,862.00	\$ 44,622.00	
Transport	\$ 17,400.00	\$ 11,829.00	\$ 5,571.00	
Installation	\$ 224,950.00	\$ 211,840.00	\$ 13,110.00	
Building Certification	\$ 976.00	\$ 976.00	\$ 976.00	
CTB Levy	\$ 1,820.00	\$ 1,820.00	\$ 1,820.00	
Operable Wall	\$ 9,508.00	\$ 9,508.00	\$ 9,508.00	
<b>SUB TOTAL</b>	<b>\$ 596,835.00</b>			(exc GST) amount as per contract entered into in March 2019
<u>AUSCO variations approved</u>				
Rangehood/cabnetry/door entry	\$ 1,765.00	\$ 1,765.00	\$ 1,765.00	
Water supply	\$ 8,301.11	\$ 8,301.11	\$ 8,301.11	
Site fencing	\$ 1,909.58	\$ 1,909.58	\$ 1,909.58	
Site toilet	\$ 925.00	\$ 925.00	\$ 925.00	approved after negotiation down from \$10,550 required due to levels
Accessible ramp	\$ 18,900.00	\$ 18,900.00	\$ 18,900.00	
<u>AUSCO variations not yet approved</u>				
Supply and instal septic tank	\$ 6,600.00	\$ 36,511.38	\$ 29,911.38	negotiated down from \$38,403 - approval pending Council consideration
<b>Other</b>				
Fencing	\$ 12,100.00	\$ 22,743.00	\$ 10,643.00	
Landscaping	\$ 3,750.00	\$ 15,000.00	\$ 11,250.00	
Furniture/Resources	\$ 10,650.00	\$ 10,650.00	\$ 10,650.00	funding not from this project budget
Back Decking	\$ 15,000.00	\$ 41,926.00	\$ 26,926.00	Awarding of contract in separate August Council report
Electrical Connection	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	
Contingency	\$ 10,000.00	\$ 20,000.00	\$ 20,000.00	
<b>Total for Pinnaroo site</b>	<b>\$ 618,690.00</b>	<b>\$ 776,816.07</b>	<b>\$ 158,126.07</b>	

<b>LAMEROO</b>				
Modular Construction				
Cost of unit	\$ 318,240.00	\$	362,862.00	\$ 44,622.00
Transport	\$ 17,400.00	\$	11,829.00	\$ 5,571.00
Installation	\$ 224,950.00	\$	211,840.00	\$ 13,110.00
Building Certification		\$	976.00	\$ 976.00
CTB Levy		\$	1,820.00	\$ 1,820.00
Operable Wall		\$	9,508.00	\$ 9,508.00
<b>SUB TOTAL</b>		\$	<u>598,835.00</u>	
<u>Ausco variations approved</u>				
Site survey		\$	3,565.00	\$ 3,565.00
Rangehood/cabnetry/door entry		\$	1,765.00	\$ 1,765.00
Supply and install retaining walls		\$	11,937.00	\$ 11,937.00
Site fencing		\$	1,909.58	\$ 1,909.58
Site toilet		\$	925.00	\$ 925.00
Accessible ramp		\$	18,900.00	\$ 18,900.00
<u>Ausco variations not yet approved</u>				
Supply and instal septic tank	\$ 9,700.00	\$	51,348.57	\$ 41,648.57
<u>Other</u>				
Fencing	\$ 12,100.00	\$	12,840.00	\$ 740.00
Landscaping	\$ 3,750.00	\$	15,000.00	\$ 11,250.00
Furniture/Resources	\$ 10,650.00	\$	-	\$ 10,650.00
Back Decking	\$ 15,000.00	\$	41,926.00	\$ 26,926.00
Electrical Connection	\$ 10,000.00	\$	10,000.00	\$
Contingency		\$	20,000.00	\$ 20,000.00
<b>Total for Lameroo site</b>	\$ 621,790.00	\$	<b>788,951.15</b>	\$ 167,161.15
<b>PROJECT COMBINED TOTAL</b>	\$ 1,240,480.00	\$	<b>1,565,767.22</b>	\$ 325,287.22
<b>Additional project budget required</b>		\$		\$ 516,328.53

(exc GST) amount as per contract entered into in March 2019

required due to site levels

approved after negotiation down from \$10,550 required due to levels

negotiated down from \$55,699 - approval pending Council consideration

funding not from this project budget

**Awarding of contract in separate August Council report**

Project combined total exceeds original budget by \$228,328.53

Project combined total exceeds Ausco contact amount by \$368,097.22

Project combined total exceeds actual project budget by \$516,328.53



**RECOMMENDATION TO COME OUT OF CONFIDENCE**

That having considered agenda Item 16.1 in confidence under section 90 (2) and (3) (b)(i) of the Local Government Act 1999, the Council pursuant to section 91 (7) of the Act orders that the documents considered by the Council, including the officer's report and all minutes be retained in confidence. This order is to be reviewed at or before the ordinary Council meeting to be held in January 2020, as to if this order is to continue in operation.

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**MOVED COUNCILLOR NEVILLE PFEIFFER  
SECONDED COUNCILLOR TREVOR HANCOCK**

That having considered agenda Item 16.1 in confidence under section 90 (2) and (3) (b)(i) of the Local Government Act 1999, the Council pursuant to section 91 (7) of the Act orders that the documents considered by the Council, including the officer's report and all minutes be retained in confidence. This order is to be reviewed at or before the ordinary Council meeting to be held in January 2020, as to if this order is to continue in operation.

**CARRIED.**