
Gallans Road – Project Update – February 2025

Responsible Officer: General Manager (Phillip Rudd)

Report Author: Project Manager – Relocation and Properties (Guy Bezrouchko)

Recommendation

That Council receive and note the report.

Background

Council resolved to acquire the Gallans Road Property to consolidate workplaces as set out in the confidential report presented on 16 June 2021.

Since that original decision, Council has considered two further reports which have specifically addressed matters of procurement and budget allocation.

The first report (19 April 2023) identified the impact on the project of the 2022 floods and the town planning principles relevant to the project and, specifically, the required pathway to regulatory approval for the site. To receive the necessary regulatory approval, a full “change of use” DA for the entire site must be lodged and approved.

This type of DA required a coordinated approach based on the anticipated “whole of site use” and included multiple technical reports to support and evidence the impact assessment on the surrounding environment (natural, built and people) of the proposed new use. For example: land use conflict assessments, environmental/ecological assessments, traffic engineering, acoustic engineering, civil engineering, mechanical engineering, mosquito control assessment, bushfire, contamination and hazardous materials plans.

The report provided for the appointment of architects, *dwp*, to undertake carriage for the site architectural design to 80% and coordination of the required technical reports for the change of use development application.

The second report (18 October 2023) provided an update on the procurement process undertaken in the selection of the principal contractor and authorised the General Manager to negotiate and execute the project construction contract.

Additionally, the resolution included that Council receive quarterly project updates as per the project probity plan and Section 23A Capital Expenditure guidelines.

The Probity Plan – August 2023

Rous engaged O’Connor Marsden (OCM) to develop a Probity Plan and Risk Management Framework that would guide the procurement for the Head Contractor for Gallans Road Relocation Project.

The plan set out the principles by which probity was to be maintained for activities undertaken by Rous County Council (Council) in relation to the procurement of a Head Contractor for the Gallans Road Relocation Project., such as

- Act in accordance with the conduct guidelines, Probity Plan, Evaluation Plans and other Council processes.
- Avoid conflicts of interest where possible, noting the regional location of the project. Where a conflict cannot be avoided, it will be declared and managed in accordance with the legislation and Council’s policies.

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- Maintain the confidentiality and security of confidential information.
 - Act at all times in a professional manner.
 - Avoid the acceptance of gifts, hospitality and other benefits that may be perceived to affect the integrity of the procurement of the Head Contractor for Gallans Road Relocation Project.
 - Maintain appropriate records of decision making.

The Probity Plan adopted the key principles of the governance framework required for local government Capital Expenditure Projects and will meet the requirements of the Capital Expenditure Guidelines issued pursuant to section 23A of the Local Government Act 1993.

The extended period of negotiations, clarifications, and the detailed assessment of the Development Application (DA) by Ballina Shire Council has resulted in a delay in formal reporting in accordance with the requirements of the Probity Plan. This delay was necessary to ensure that all relevant information was available and adequately addressed before proceeding with the formal reporting process.

Project Update - January 2025

i. Construction Contract

In accordance with the Council resolution [54/23] and the Probity Plan, in January 2024 Rous proceeded with a select tender to award the construction contract.

Conforming tender responses were received from three contractors. These were reviewed and assessed by the tender assessment panel. The panel included staff and external construction consultants with all submissions reviewed by a quantity surveyor as a measure of quality assurance.

Additionally, Alder Construction Pty Limited (Alder) provided a valid alternative offer, which was evaluated as the preferred outcome and therefore became the basis for formal discussions and clarifications.

The alternative offer introduced a mezzanine entry foyer to building A which addressed some safety and site-flow concerns and enabled an improved connection between buildings A & B onsite.

Rous engaged specialist contract lawyers Bartier Perry to prepare a tailored AS4902 Design, Development and Construct contract for the entire project.

The focus of the contract was agreeing to fair and reasonable terms that provided clarity on project milestones, deliverables, timelines, and payment schedules. During this phase, risk management strategies were agreed, including penalties for delays, performance guarantees, and dispute resolution procedures.

Contract execution was delayed pending approval from Ballina Shire Council of the Development Application for Change of Use.

This delay was negotiated by Rous and Alder, focused on continued progress on the project and the commercial realities of both parties. This extended negotiation period added significantly to the project time frame.

In order to progress, Rous and Alder agreed via a Letter of Intent (LOI), in lieu of an executed contract, to continue with design documentation. The LOI expired on 31 March 2024.

Further negotiations took place to preserve the validity of the Alder offer whilst the DA remained under consideration by the Ballina Shire Council. These negotiations recognized the cost impact of actual delays incurred by Alder.

The outcome of these negotiations was finalised in July 2024 by Rous and Alder agreeing to three key elements: -

- New Letter of Intent was agreed to complete the design documentation to 100% and to undertake refurbishment works at Rous' Kyogle Street depot. (Note: the Kyogle Street works were completed under a separate budget allocation related to Rous' insurance claim following the Feb/March 2022 floods.)

By completing the design documentation Rous could, if needed, go back to the market for a construction contract.

- Rous agreed to pay delay costs.
- Executed AS4902 contract for the amount of \$21,072,584 (inclusive of delay costs).

The contract was split into two separable portions: -

- Separable portion 1
Building A (administration, stores and workshop), Area C (fleet storage and hardstand area) and Carpark
- Separable portion 2
Building B (Chambers and public engagement)
- The cost estimate included in the tender response contained various provisional amounts totaling \$1,120,000. Through the contract preparation and negotiation stage Alder were required to formalise these provisional amounts as such improving cost estimates. The provisional amount was reduced to \$130,000 at contract execution.

ii. Development Application – Change of Use – Approved 22 August 2024

Ballina Shire Council considered and approved Rous' Development Application (DA2023/343) Change of Use from rural industry to Public Administration Building and Depot with associated demolition, building and civil works and earthworks and retaining walls, fences, car parking and vegetation management works at its public meeting on Thursday 22 August 2024.

DA2023/343 contains 95 conditions which govern demolition works, building work before issue of a construction certificate, building work after issue of a construction certificate, before issue of an occupation certificate and occupation and ongoing use.

iii. Reporting Requirements – Capital Expenditure Guidelines

The Probity Plan identifies Rous' reporting requirements for the project and are identified in the Office of Local Government Capital Expenditure Guidelines, Section 12.

These reporting requirements are:

a) *Quarterly reporting to the council on the progress of the project.*

Rous, Alder and project consultants have continued to progress the project consistent with the DA approval, the construction contract and regulatory certification.

Key achievements are: -

- Design documentation to 90% has been completed and is now in the final stages of "Issued for Construction".
- Demolition work has been completed.
- Section 4.55 Modification for Condition 26 - lodged and approved by Ballina Shire Council

All focus now is on meeting the relevant 'building work before issue of a construction certificate' DA conditions to receive a Construction Certificate. Once the construction certificate is received a revised construction program will be established and construction will proceed to practical completion.

At this stage construction is expected to be completed within the calendar year.

b) *Quarterly reporting to the council on the costs and budget variances regarding the project.*

Refer to the finance section of this report.

Approved variations to the contract amount

Variation	Description	Amount \$
# 2	Include toilet Area C shed	15,814
# 3	Building A – Fire System	2,310
# 4	Additional asphalt – Area C – DA condition	51,700
# 5	Time lapse cameras	19,899
		89,723

c) *Any issue that may have an adverse impact on the project (this may include monetary and non-monetary inputs and outcomes).*

There are no major issues at this time which will unduly affect the project.

d) *Reporting capital works projects in council's annual report.*

To be complied with.

As required under the Capital Expenditure Guidelines, reporting will be provided as part of the Quarterly Budget Reporting Statement (QBRS) each quarter, starting in April 2025.

Governance

- Finance

October-23 Council approved a total budget of \$24,886,300 to complete Gallans Road total project.					
This budget allocation accounts for all costs from 1 July 2023 onwards					
		Approved budget (adjusted)	Actual expenditure 1/7/23..30/6/24	Actual expenditure 1/7/24..31/12/24	Budget remaining 1 January 2025
Alder	Building A & B, Area Cand Carparking	20,374,200	199,338	1,798,901	18,376,000
Alder	Furniture, Fixtures and fittings	788,100	10,434	0	777,700
	BSC- Fees and contributions	500,000	34,468	140,356	325,100
	Electricity Upgrade	750,000	0	0	750,000
	Project Management - internal costs	300,000	107,687	53,645	138,700
	Project superintendent	357,400	243,728	113,688	0
	Private certifier, QS, Town Planner, Architect, Legal, Electrical advice, PMO, Terania, OCM	1,012,400	715,436	123,985	173,000
	Contingency- Other, Vacate Gallans Road	804,200	107,892	0	696,300
		24,886,300	1,418,983	2,230,575	21,236,800

Project expenditure is within the allocated budget.

Conclusion

Rous has been successful in managing two separate but related processes in tandem to secure regulatory approval and to engage the head contractor for the Gallans Road workplace consolidation process.