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Sunshine Coast Regional Council

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Dear Mr Whittaker

Subject: Follow up: "City Hall" community consultation and other issues

Thank you for your letter of 22 November in response to our letter of 11 November 2018 in relation to the Maroochydore CBD Council Chamber project.

We are disappointed that "there are no plans to alter the membership of the SunCentral Maroochydore Shareholder Representative Group (SRG)" and remain unconvinced that there will in fact be adequate community engagement in relation to the project. We do not equate "keeping the community informed of the achievement of project milestones" with genuine engagement.

Our concern is supported by the following paragraph under Item 8.2.2 from the December 2018 Ordinary Meeting which gives us little confidence of community consultation; regular updates do not equate to genuine community consultation.

Community Engagement

During the course of the project, community engagement will be incorporated into the evolution of the design and through construction updates. As part of the development of a detailed Project plan, a community engagement plan will be developed for Council consideration. Regular Updates will be provided to community accordingly.

OSCAR sees this as a lost opportunity to better engage the community and we wonder why your response made no effort to justify why there would be no change to the SRG. It would seem to us that this project offers a perfect strategic opportunity for the Council to head off the growing criticism of its failure to be accountable to ratepayers and conduct too much of its business in secrecy or with little or insufficient community input.

We can see a number of reasons for Council's stance on this to be more accommodating of community expectations including:

- It would appear that the Council has learnt nothing from the failed Abacus deal experience in relation to the Brisbane Road Car park; this resulted in no small part from the unnecessary secrecy surrounding that project and the failure to properly engage the community;
- The failure of Council to give any credibility to the "wisdom of the crowd" when bringing large scale visionary projects to fruition; and
- A well-documented growing lack of trust in business and government institutions generally.

Given your response, and in lieu of adequate opportunities for input from the community, we want to place on record a number of concerns we have with the High Level Project Plan governing this project.

Our comments do not represent a detailed analysis of the Project Plan but are intended to identify contradictory messages within the plan. In particular this includes the lack of clarity, or perhaps confusion, by Council of their intention to deliver this project as a Design and Construct (D & C) or a Construct Only model.

2.1 Background to Project

Although not specifically stated, Council is telling the community that the MOU they had with John Holland has fallen through. Which party walked away, and why, we no doubt will never know.

The community is now going to own the building instead of leasing it from John Holland. We acknowledge this may be a good financial decision but as usual we are deeply concerned that the financial details are shrouded in secrecy.

We would like to ask how the evaluation and business case for the centralising of many services from Nambour and Caloundra to the new “City Hall” could be done without true costs/budgets being made public.

Council says it has engaged a Project Management Consultancy Team (PMT). Who are they and how were they selected quickly as the previous MOU supposedly collapsed only very recently? This new team will develop a Base Building Project Brief some of which will respond to the Council’s Accommodation Brief.

The Project Brief is the end all, and be all, of the project. If Council gets that wrong the project will be very wrong and/or the cost over runs will be significant.

We have deep concerns regarding the almost total absence of business experience within our Councillors and wonder how they can discuss and vote on issue such as.

Council has played developer on several projects previously including the civil/infrastructure portion of SunCentral. A project such as City Hall however is entirely of a new level and we are concerned that councillors may not be adequately experienced and aware of the traps and pitfalls that can arise with a major development eventually transferred to a Design and Construct (D & C) Contractor, or even worse a Construct Only Contractor.

2.3 Project Scope and Key Performance Indicators

Council proposes that the building will have a NLA of 9400 m² of which Council will utilise 7200 m². Only “Circa 156 car parking spaces” are envisaged; there has been considerable recent press in regards to the very low numbers of carparks and with the limited amount of street parking available in the area we have a concern that there will be insufficient parking for Council staff quite apart from community members wishing to conduct business at the Council.

There is a commitment to provide a Target Budget as soon as practical! We wonder how the Council can commit to such a development without some form of budget.

We find it difficult to believe that a prudent developer would proceed and commit without a high level budget in place to test the financial feasibility. Is this because Council don’t have to worry about a cost overrun as the ratepayers will pick the bill up into the future?

2.4 Assumptions and Constraints

In the Table under Procurement Strategy it is stated:

Key to the opportunities and constraints of the SCCH project will be for SCRC to review and settle on a Procurement Strategy as this will significantly impact on issues such as risk mitigation, construction commencement and overall duration and quality assurance.

By the time tendering for a D & C contract occurs the die will be cast. This is assuming the entire project brief is as clearly defined as possible. This is a difficult task even for experienced developers and contractors. Our Council does not have this expertise and should not be playing developer (again).

2.5 Third Party Interfaces

Council states:

A key third party interface will be that of community engagement. At the commencement of the design process the structure of the interface with the community will be developed.

The stated responsibilities of the PMT include:

- *Initiating engagement of stakeholders and developing an appropriate forum for regular discussion.*
- *Coordination of design reviews and progress reporting with SCC staff and interested community parties.*

This is a greater commitment to community engagement to that minuted in the December 2018 Ordinary Meeting and noted in the opening of this letter.

3.1 Project Organisation Structure

Obviously, as developer the Sunshine Coast Regional Council sits at the apex of this structure.

We are aware that Council have employed a Project Director that will lead the PMT. We also understand that in December 2018 Council may have appointed a Project Architect.

The diagram shows a Design Consultant Team and the Construction Contractor in separate boxes. However in 9.1 Procurement Strategy the Plan refers to engaging a D & C Contractor (or some form of). In a D & C model the Design Consultant will (and must be) included in the Contractor's box as they are solely responsible and it can be a good step in managing risk. The Organisation Structure shown also has a direct link to the Design team from the Council Delivery team. This is extremely risky, assuming the D & C Contractor even allowed it as it is impossible for the Design team to serve two masters and the commercial risk that Council would assume is very high.

It would appear that Council are proceeding down the higher risk "Construct Only" path notwithstanding the comments in 2.4, and elsewhere in the plan, regarding the procurement process.

We would request that Council provide the Risk Analysis that was performed for the various delivery models and the justification for the selected process.

3.2 Roles and Responsibilities

SCCH Project Control Group (PCG)

With the exception of the external Project Director all the key players within the PCG are Council employees. While this may be satisfactory with an experienced developer our Councillors and Council staff do not have that expertise.

Project Management Team

In 2.1 above it states that a Project Management Consultancy Team has been engaged. To us that suggests an external Consultant. However, the last paragraph of this section states:

“Members of the Project Management Team (PMT) will be procured by direction and appointment of council at the appropriate times during the course of the project.”

We can only interpret this to mean that at some stage the Consultancy team will fall away and be replaced by an internally appointed team headed by the new Project Director. In other words a newly formed PMT without the aggregated skills, and experience of an established PMT.

We would request clarity on the role of the PMT, their expertise, and whether they will participate in any pain/gain model that may be structured.

4.1 Scope

The (very) Draft Project Brief is contained in Attachment 2. This is totally lacking detail and reinforces our concern that Council have little grasp of what is to be constructed and even less idea of what it will cost.

4.2 Work Breakdown Structure (WBS)

The WBS in the Process map shows a Concept Design being prepared following the resolution of the Project Brief. This is good as it should establish a sound basis for a Project Budget and can be utilised as a Reference Design for the D & C Tender.

The Process Map however then continues down to Design Development (DD) prior to Tender and Construction.

This process would only be utilised in a Construct Only tender package.

This clearly demonstrates that Council have insufficient idea about the process and risk they are launching into. Simply the Process Chart does not reflect the stated option of a D & C process.

There is nothing wrong with a Construct Only Tender as long as you know exactly what you want and the documentation is detailed and accurate. This is not an easy task and again not one to be managed by a new and inexperienced team.

A Construct Only tender will generally result in the Client assuming a major portion of the risk, presumably because they are confident with their Brief and Design and the expertise of their team to manage it. They may also desire some flexibility to change the design on the go, however the time and cost impacts of this can be horrendous.

5.2 Cost Planning and Development

Council intends to engage an external Quantity Surveyor (QS) to track and monitor Costs.

The Plan anticipates this to be through the phases of:

- Project Brief Completion
- Concept Design

- Design Development
- Pre- Construction/Tender

This is incorrect if it is a D & C contract as the Client QS would only be leading the Cost Management for the first two phases.

The D & C contractor would be responsible for costs during the last two phases, although the Client would normally retain a QS during that period to advise on the impacts of delays and variations.

7.1 Risk Management

These are just standard risk pro-forma and worthless. The actual content of the Risk Register will be extremely detailed and cannot be progressed until Council decide whether they are going Construct Only or Design and Construct.

While many of the risks may be common to both the responsibility will obviously vary considerably.

9.1 Procurement Strategy

As noted previously Council appear confused as to the delivery model as they state on page 22 of the plan:

One further strategic aspect for SCC to consider is the eventual construction procurement contract. At present it is anticipated the project will be delivered as a form of Design and Construct (D & C) procurement project, however there are further variations on the D&C model which should be considered to establish greater control over financial risk and to provide greater clarity around value for money.

We welcome your response and the provision of greater clarity than that in the Project Management Plan. No doubt the PMP will have matured since drafting and we anticipate that your response will explain the chosen delivery model and the risk assessment supporting this decision.

This should provide a greater level of comfort and surety of a quality, value for money product delivered under the appropriate risk mitigation and control processes.

Yours sincerely



Greg Smith
President