QON No. 37

LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON ECONOMIC DEVELOPMENT AND TOURISM
JEREMY HANSON MLA (CHAIR), SUZANNE ORR MLA (DEPUTY CHAIR), MICHAEL PETTERSSON MLA

Inquiry into referred 2017–18 Annual and Financial Reports
ANSWER TO QUESTION ON NOTICE

Asked by MR COE MLA:

In relation to: Courts Project

1. When was the Directorate first notified that the Courts Project was not going to make its target for completion?

2. What is the projected final cost of the project?
    a. How far over budget is this figure?

3. Will the Treasurer list all contract variations that have taken place since the initial contracts were signed, and the value of each variation?

TREASURER: The answer to the Member's question is as follows:–

1. The Directorate was advised progressively via the project's Steering Committee that the contractor was failing to maintain progress in accordance with the contract programme. By late-2016 / early-2017 the advice to the Steering Committee was that a delay to the contracted completion date for Stage 1 was highly likely. During 2017-18 the advice to the directorate was updated monthly and from late-2017 the project team's assessment was that completion of Stage 1 was most likely to occur in the third quarter of 2018. The contractor did not formally report to the Territory that Stage 1 would be delayed until June 2017.

2. The capital appropriation (in 2015-16) for the delivery of the project was $7,927,000 spanning the period from 2015-16 to 2018-19. This appropriation covered project management, consultants, Shared Services ICT works and contingency for variations and risks relating to the public private partnership (PPP) project – but not the actual capital delivery costs that are part of the PPP Contract. This appropriation was increased by $3,520,000 in March 2018 through the transfer of recurrent savings arising from the delayed commencement of the PPP Monthly Service Payments (MSPs) into the capital appropriation under section 14B of the Financial Management Act 1996. Current projections for expenditure are within the current capital budget of $11,447,000.

   In relation to the PPP contract itself, the cost to the Territory is assessed on the basis of the Net Present Cost (NPC) of the future payments (MSPs) to the PPP contractor. These payments commence at the actual completion dates for Stage 1 and Stage 2 and end on a contractually fixed date in 2043. At the date of entering into the contract, the NPC was calculated at $250.4 million as set out in the published Contract Summary. Due to the delays in construction the NPC of the future

payments due to be made by the Territory will reduce in comparison to the $250.4 million initially expected. This reduction will be in excess of $10 million but is not able to be calculated accurately until after both Stages have been completed. In summary, the overall cost of the PPP contract to the Territory is expected to be reduced as a result of the delays, even after accounting for the increased appropriation noted above and the impact of variations.

3. The following are the schedule of contract variations issued to date

Item	Capital Cost / (Saving) ($)
Relocate PIC lift	150,000
Add metal detector	50,686
Convert hearing room to courtroom	167,581
Reduction in network outlets	(70,733)
Alteration to function kitchen and public link	0
Change of ceiling materials and café wall design	0
Installation of artwork	330,318
Changed layout to ground floor	185,796
Add public drinking fountains	31,457
Supply of 17 monitors	8,292
AV scope alterations (current estimate)	(102,205)
Security scope increases (current estimate)	243,551
Total	994,743

There are other variations under discussion but these have not yet been formally instructed.

Approved for circulation to the Standing Committee on Economic Development and Tourism

Signature: Date:

By the Treasurer, Andrew Barr MLA