

Relevant Information for Council

FILE: X090142 **DATE:** 10 May 2024

TO: Lord Mayor and Councillors

FROM: Veronica Lee, Director City Services

THROUGH: Monica Barone PSM, Chief Executive Officer

SUBJECT: Information Relevant To Item 6.12 – Tender - T-2023-984 - City Civil Works

For Noting

This memo is for the information of the Lord Mayor and Councillors.

Purpose

The memo provides further detail about the City Civil Works tender, including information about the contract term, value, risk mitigation and how it supports the City's sustainability targets and Aboriginal and Torres Strait Islander targets.

Background

At the meeting of the Corporate, Finance, Properties and Tenders Committee on 6 May 2024, the following further information was sought:

Length and value of the contract

If Council approves accepting the City Civil Works tender offers, the City will enter into separate contracts for Work Lot 1 (capital renewals and construction program), Work Lot 2 (operational maintenance) and with each panel member for Work Lot 3 (project work). The contract term under each of these contracts is five years with an initial option to extend for three years and a further option to extend for two years at the City's discretion.

The longer contract term has meant that we offered strong market appeal, resulting in a highly competitive tender offering. This leads to capable, effective and committed service providers to service the complex needs of the City. The contract structure also provides greater certainty for the City when estimating future expenditure.

The Contract Sum for this tender is an upper limit of the value of services that may be procured through the contracts for the terms and any further terms of Work Lots 1, 2 and 3. It is also a limited portion of the total amount of civil works expenditure included within the City's Long Term Financial Plan.

The City has \$2.5B of infrastructure assets that require routine renewal and maintenance. The community make many thousands of enquiries each year regarding the repair and maintenance of the City's infrastructure assets. Council has also adopted numerous strategies that require new or upgraded civil infrastructure. The Contract Sum is a portion of the value of all these works, and mainly relates to works that are routine in nature that can be effectively delivered through a schedule of rates arrangement.

The service providers are committed to deliver to the rates quoted for tender, subject to an annual price adjustment during the term for the schedule of rate items against a specific construction industry index. This may result in an increase in the rates or a decrease if there are downward changes in the index. There is also an option for the service providers to nominate lower rates for a specific job.

The ability of the City to procure services outside of the schedule of rates is limited to an aggregate value of \$250,000 per job for Work Lots 1 and 2, and to an aggregate value of \$500,000 per job for Work Lot 3, with competitive quotes required for the procurement of these types of services. Any services outside the schedule of rates are limited to items of the general nature contemplated by the contract.

Nature of the contract

The City may terminate any of the contracts at its sole discretion at any time for any reason with appropriate notice. The contracts also provide the City with the ability to terminate for cause. The contracts also provide appropriate mechanisms in the event of mergers or acquisitions, with the City having the discretion whether to continue with the contract, shift the work to another Work Lot or retender.

The City has sole discretion to extend the contract terms for Work Lots 1, 2 and 3 for the additional three year and two-year options. The City may choose to extend one, some or all of the contracts.

Under each contract, there is no guarantee of any amount of work for any successful tenderer. The City may elect at any time to use an alternative means to deliver any required services. The contract structure provides flexibility regarding moving work between the Work Lots should performance or capacity of the service providers so require.

Sustainability targets and Aboriginal and Torres Strait Islander targets

The City Civil Works contracts will assist the City in meeting its sustainability targets. Performance requirements for service providers include environmental management protection requirements for sites, circular economy and embodied carbon improvements over time and data collection requirements for the City's targets.

Service providers are required to follow set resource recovery practices, continue to innovate process and materials, meet energy efficiency and greenhouse gas emission reductions and to transition to electric plant and equipment.

The City Civil Works service provider performance requirements includes a criterion for at least five per cent of all City expenditure under the contract to be serviced by Indigenous employees, suppliers or service providers. This requirement increases to 7.5 per cent in 2029.

Consideration of risks

Following are some risks associated with civil works delivery and how the City Civil Works contracts mitigate this risk for the City and the community:

High Risk Works - All Services Providers must meet City WHS and Environmental management requirements and will continue to report on compliance with set targets. Works will continue to be monitored by City staff. Establishment of these contracts ensures the City is well placed to deal with infrastructure works arising from increased rainfall and other impacts of climate change.

Timely and Capable Service Provision - The schedule of rates in the City Civil Works contracts enable the service providers to expeditiously respond to emergency and reactive works needs. Council resolutions and the many community requests that require a prompt response can be effectively serviced. The contracts also provide the City with the flexibility to scale work up or down over the contract term, whilst always ensuring there is capacity to deliver the complex mix of services that must be coordinated.

Value for Money - The City may elect to deliver civil works through internal staff, established service providers and ongoing competitive tendering. The City Civil Works contract includes provision for ongoing performance management, a competitive panel and ongoing market testing of rates. The longer term of this contract has ensured tendered rates are highly competitive.

Consistent and high standard of civil works service - Longer term contracts result in the development of a deeper understanding of the City's technical and operational requirements and this familiarity and capability results in fit for purpose community consultation, design and delivery of civil works.

Capacity and/or Performance Risk - The City may elect at any time to use an alternative means to deliver any required services. The contract structure provides flexibility regarding moving work between the Work Lots should performance or capacity of the service providers so require.

Memo from Veronica Lee, Director City Services

Prepared by: Peter Shields, Chief Engineer

Approved



MONICA BARONE PSM

Chief Executive Officer