

**ITEM 11. EXEMPTION FROM TENDER - REQUEST FOR EXTENSION TO
PROPERTY SERVICES CONTRACT**

FILE NO: X007845

SUMMARY

The City of Sydney entered into the Services Agreement – Property Services (Property Services Agreement) with Brookfield Global Integrated Services (Brookfield) in May 2008.

This report seeks approval to extend the term of the Property Services Agreement by an initial eight months, with the option to extend by a further five months.

This extension allows for continuation of critical property services, while the future property services contracting model is fully developed, tendered and awarded.

Following an initial engagement in early 2016, in December 2016 MBM Pty Ltd were appointed as technical consultants by the City of Sydney to assist in detailed development and implementation of the future property services contracting model for the City of Sydney.

The early evaluation identified that the current model could be further enhanced by separating the current integrated contract model of facilities management and property management into separate contracts to procure best of class service providers. This will have numerous benefits, including improved services and better financial outcomes for the City.

The current term of the Property Services Agreement ends on 28 May 2017 and given the time required to implement the revised contractual model, approval is sought to extend the term of the Property Services Agreement.

RECOMMENDATION

It is resolved that:

- (A) Council approve an exemption from tender in accordance with section 55(3)(i) of the Local Government Act 1993, to extend the term of the Property Services Agreement by eight months to 28 January 2018, with a further option to extend the term by five months to 28 June 2018;
- (B) authority be delegated to the Chief Executive Officer to negotiate, execute and administer a variation to the Property Services Agreement to provide for the extension of the term under clause (A);
- (C) authority be delegated to the Chief Executive Officer to extend the variation by a further five months to 28 June 2018, if required;
- (D) Council note that, because of extenuating circumstances, a satisfactory result would not be achieved by inviting tenders; and
- (E) Council note the reasons why a satisfactory result would not be achieved by inviting tenders are:

- (i) sourcing a provider for a period of between eight to 13 months introduces a significant financial risk to Council due to the short engagement period;
- (ii) due to the size and complexity of Council's Core property management portfolio, introducing a new supplier would result in an unacceptable level of operational risk; and
- (iii) limited time is available from now to end of contract to achieve a robust tender process.

ATTACHMENTS

Attachment A: Financial Implications (Confidential)

(As Attachment A is confidential, it will be circulated separately from the agenda paper and to Councillors and relevant senior staff only.)

BACKGROUND

1. In May 2008, the City of Sydney appointed the services of a tier 1 property services provider, Brookfield, to provide total property management services on its behalf. This appointment covered an initial five year contract, with two x two year optional extensions. The Property Services Agreement has now reached its final extension and the City needs to prepare for the next tendering cycle.
2. Brookfield property services includes facility management, property management and utility management. This level of services integration was necessary at the time, as this appointment followed the amalgamation of Local Government boundaries in 2003 and 2004 as well as the acquisition of additional properties, significantly increasing the City's portfolio from 60 to circa 250 buildings or by 330%. This significant and rapid increase in the City's property portfolio presented a number of strategic and operational challenges and an integrated approach was considered most appropriate at the time.
3. In February 2016, the City outlined its intention to test and challenge the existing facility and property services delivery model for its property portfolio.
4. In March 2016, MBM Pty Ltd were appointed by the City of Sydney to assist in the improvement process. The first stage of services involved the engagement and consultation of a variety of internal and external stakeholders and industry experts to identify the optimum delivery model for the City. As a result of this process, it became apparent that the current model could be further enhanced by separating the current integrated contract model of facilities management and property management into separate contracts to procure best of class service providers. This will have numerous benefits, including improved services and better financial outcomes for the City.
5. Due to this modified approach, the City required further property technical consultancy services to ensure that the benefits of the revised model can be fully realised. Due to the estimated value of these works, a full Request for Tender was required, procurement was undertaken and these consultancy services were awarded to MBM Pty Ltd by Council in December 2016. The scope of the consultancy involves developing detailed technical specification, procurement and tender services, and contract establishment and transition management services.
6. The current Property Services Agreement expires on 28 May 2017.
7. In late 2016, Brookfield were invited to propose if they were able to extend the Property Services Agreement on equivalent terms for a period of eight months to the end of January 2018, subject to approval by Council. Brookfield advised that they would agree to such a proposal.
8. There are sufficient funds to vary the incumbent service provider, Brookfield, contract to extend a further eight months. The allocated funds are included within current divisional budgets.
9. An additional five month extension to 28 June 2018 may be required to ensure a smooth transition, should there be unexpected delays in the procurement process.

BUDGET IMPLICATIONS

10. Funding is available through the City Property Services Facilities Management and Project Management Services operating budget.

RELEVANT LEGISLATION

11. Section 55(3)(i) of the Local Government Act 1993.
12. Attachment A contains confidential commercial information of the tenderers and details of Council's tender evaluation and contingencies which, if disclosed, would:
 - (a) confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business; and
 - (b) prejudice the commercial position of the person who supplied it.
13. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise Council's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers.

OPTIONS

14. Proposals could be sought from the market to provide interim property contract solutions until the tender process is completed. However, sourcing a provider for a period of between eight to 13 months has significant pricing and integration risks.

CRITICAL DATES / TIME FRAMES

15. There are no other time critical issues, other than the one mentioned above under paragraph 6.

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