

**ITEM 12. TENDER - PROVISION OF INSURANCE VALUATIONS AND
FINANCIAL ACCOUNTING (AASB13) FAIR VALUATIONS OF
SPECIFIED LAND AND BUILDINGS**

FILE NO: X007057

TENDER NO: 1719

SUMMARY

This report provides details of the tenders received for the provision of insurance valuations and financial accounting (AASB13) fair valuations of specified land and buildings.

Council owns and manages a significant property portfolio with a value exceeding \$2 billion. These properties include land and buildings used to deliver corporate services, cleaning operations and community services. These properties require periodic valuation for insurance purposes, to support property management decisions and to complete the City's annual financial reports in accordance with relevant accounting standards.

The City's valuation advice includes elemental values for building components to support long term financial planning in accordance of with the Office of Local Government's (OLG) Code of Accounting Practice and Financial Reporting.

This report recommends that Council accept the tender offer of Tenderer 'B' for the provision of insurance valuations and financial accounting (AASB13) fair valuations of specified land and buildings.

RECOMMENDATION

It is resolved that:

- (A) Council accept the tender offer of Tenderer 'B' for the provision of insurance valuations and financial accounting (AASB13) fair valuations of specified land and buildings; and
- (B) authority be delegated to the Chief Executive Officer to negotiate, execute and administer the contracts relating to the tender.

ATTACHMENTS

Attachment A: Tender Evaluation Summary (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. Council owns and controls a significant portfolio of property which comprises buildings and land utilised by the City in the delivery of its services and functions, or which it holds for strategic and/or investment purposes.
2. In accordance with its risk management program, Council mitigates the risks associated with ownership and control of buildings by obtaining insurance cover for loss or damage to its buildings. Insurers require valuations that reflect the cost of replacement of the buildings under insurable loss circumstances. The valuations are required at least every three years, with 'desktop' updates in the intervening years.
3. The City is also required to prepare audited annual statutory general purpose financial reports in compliance with accounting standards and in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting for 2016/17. Under these provisions, Council is required to reflect its assets, including its land and buildings, at fair value, with revaluations undertaken at least every five years. This tender will provide valuations of the respective assets for Council's annual financial statements for the three financial years ending 30 June 2017 through to 30 June 2019.
4. It should be noted that the financial valuation of community land (parks and opens spaces, etc) does not require independent valuation and is therefore being undertaken as an internal exercise. These valuations do not form part of the tender.
5. In the past, Council has separately procured valuation services for insurance, property management and financial accounting purposes; however these requirements have now been aligned to achieve an efficient and cost effective outcome.

INVITATION TO TENDER

6. The tender was advertised in The Sydney Morning Herald, The Daily Telegraph and the City's eTender website on 7 April 2017, with submissions closing on 28 April 2017.

TENDER SUBMISSIONS

7. Twelve (12) submissions were received from the following organisations:
 - AON Risk Services Australia Limited
 - APV Valuers and Asset Management
 - Australis Advisory Group Pty Ltd
 - CB Richard Ellis Pty Ltd
 - Colliers International Valuation & Advisory Services
 - Ernst and Young
 - Herron Todd White
 - Jardine Lloyd Thompson Pty Ltd (JLT)

- Liquid Pacific Holdings Pty Ltd
 - Opteon Property Group
 - Preston Rowe Paterson Pty Ltd
 - Jones Lang LaSalle (JLL) Advisory Services Pty Ltd.
8. No late submissions were received.

TENDER EVALUATION

9. All members of the Tender Evaluation Panel have signed Pecuniary Interest Declarations. No pecuniary interests were noted.
10. The relative ranking of tenders as determined from the total weighted score is provided in the Confidential Tender Evaluation Summary – Attachment A.
11. All submissions were assessed in accordance with the approved evaluation criteria being:
- (a) the lump sum price and schedule of prices;
 - (b) demonstrated experience, resource capacity, technical capability and qualifications;
 - (c) reporting capability - samples required, per returnable schedules;
 - (d) project program / staging, including, but not limited to:
 - (i) program showing intended staging, milestones and delivery timeframes;
 - (ii) program meets Council deadlines;
 - (e) proposed methodology, including, but not limited to:
 - (i) compliance with relevant accounting standards and OLG Accounting Code;
 - (ii) market valuations approach;
 - (iii) use of market-based data;
 - (iv) use of any industry guides (if proposed, e.g. “Rawlinson’s”);
 - (v) site visits/physical inspections (as applicable);
 - (f) Work, Health and Safety; and
 - (g) financial and commercial trading integrity including insurances.

PERFORMANCE MEASUREMENT

12. The City will ensure that all relevant performance standards are monitored by:
- (a) delivery of valuations that fully meet the requirements as set out within the Performance Review Specifications in the tender;
 - (b) financial accounting valuations in respect of the financial year 2016/17 must be delivered by no later than 28 July 2017; and
 - (c) insurance valuations must be delivered by no later than 6 October 2017.

FINANCIAL IMPLICATIONS

13. There are sufficient funds allocated for this project in the City's operational budget for 2016/17 and the draft operational budget for 2017/18.

RELEVANT LEGISLATION

14. The tender has been conducted in accordance with the Local Government Act 1993, the Local Government (General) Regulation 2005 and the City's Contracts Policy.
15. 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.
16. 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.

CRITICAL DATES / TIME FRAMES

17. If approved by Council, the time frame for this project is:
- (a) Execute contract with successful tenderer May 2017;
 - (b) Financial Accounting Valuations July 2017; and
 - (c) Insurance Valuations October 2017.

BILL CARTER

Chief Financial Officer

Scott McGill, Senior Accountant – Financial Analysis and Statutory Reporting