

**ITEM 8. TENDER – REJECT AND NEGOTIATE – PROPERTY MANAGEMENT SERVICES**

**FILE NO: S126567**

**TENDER NO: 1740**

**SUMMARY**

This report provides details of the outcome of the tenders received for Property Management Services.

The City currently contracts Brookfield Global Integrated Services (BGIS) to deliver integrated property services, inclusive of both facility management (maintenance) and property management (leasing) services. The current contract expires 28 June 2018.

City Projects and Property have been engaged in a tender exercise to contract a new service provider delivering to a new service delivery model. In December 2016, Council approved the engagement of a Property Services Consultant to assist the City, and in February 2017, approved the extension of the current BGIS contract to 28 June 2018 to allow for the procurement process to proceed.

This report recommends that Council reject the tender and enter into direct negotiations with suitable service providers.

**RECOMMENDATION**

It is resolved that:

- (A) Council reject the tender offers for Property Management Services;
- (B) Council not invite fresh tenders on the basis that it is unlikely a more satisfactory result would be achieved;
- (C) authority be delegated to the Chief Executive Officer to negotiate, execute and administer the contracts relating to the tender; and
- (D) Council be informed of the successful tenderers by CEO Update prior to executing and administering the contracts relating to this 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. The City of Sydney is responsible for a large and diverse mixed-use property portfolio comprising 256 buildings/assets with replacement costs valued at over \$2 billion. This includes community centres, libraries, public domain, depots, aquatic centres, corporate office and investment properties/assets.
2. The City currently engages the services of BGIS to deliver all maintenance works, and the commercial management of tenants, leases, rent collection and utility management (electricity, gas, water and waste collection) under a single integrated model. The original engagement with BGIS expired in May 2017.
3. In February 2016, the City engaged the services of a specialist consultant and commenced works to identify best modern practices to manage its portfolio and challenge the above integrated model.
4. In December 2016, Council resolved to appoint a technical consultant to deliver the technical specifications required for the property and facility management services tender.
5. Works included engagement and consultation with a variety of internal and external stakeholders and industry experts to identify current service gaps and potential improvements to develop the optimum delivery model for the City.
6. The above preliminary works have identified that the City can extract better market value through disaggregating the current model into separable contracts for facility management (maintenance) and property management (leasing and utilities).
7. In February 2017, Council endorsed the new model and the extension of the current BGIS contract to 28 June 2018, to allow for a robust procurement process to proceed.
8. Consistent with the approach for the Facility Management Services tender, the City has specified that the property management service provider utilise the City's Management Information System (MIS). This condition was inserted into the contract to mitigate against the loss of transactional data and records inherent with the current agreement with BGIS.
9. The new model also specifies a shared risk-based payment framework to ensure commercial and operational alignment with the new service provider. This is in contrast to the accepted industry practice of making scheduled equal monthly payments to the value of the yearly contracted fee.
10. It is recommended that Council reject all tender submissions for property management services, and enter into direct negotiations with suitable service providers to optimise financial, commercial and legal outcomes.

**INVITATION TO TENDER**

11. The tender was advertised in The Sydney Morning Herald, The Daily Telegraph, and on the City's eTendering website, on Tuesday 14 August 2017.
12. The tender was open to the public from Tuesday 15 August 2017 to Tuesday 19 September 2017. Tender submissions closed at 11.00am on Tuesday 19 September 2017. Thirty-one providers downloaded the tender documentation.

13. A briefing information session was held at Town Hall House on Thursday 24 August 2017 for potential bidders.

**TENDER SUBMISSIONS**

14. Submissions were received from the following organisations (listed alphabetically):
- BGIS Pty Ltd
  - Preston Rowe Paterson Australia
15. No late submissions were received.

**TENDER EVALUATION**

16. All members of the Tender Evaluation Panel have signed Pecuniary Interest Declarations. No pecuniary interests were noted.
17. All submissions were assessed in accordance with the approved evaluation criteria being:
- (a) experience and capability;
  - (b) service delivery and capacity;
  - (c) transition in and information management;
  - (d) quality and risk;
  - (e) information and value-add;
  - (f) lump sum price and schedule of prices;
  - (g) work health and safety; and
  - (h) financial and commercial trading integrity, including insurances.
18. Preliminary evaluation of property management services submissions by the panel have concluded that the submissions are deemed non-conforming. Please see Confidential Attachment A for details.

**FINANCIAL IMPLICATIONS**

19. There are sufficient funds allocated for this project within the current year's operating budget and future years' forward estimates.
20. Financial implications will not be apparent until negotiation with suitable providers has been completed.
21. Acceptance of the recommendation to reject and negotiate will not require an increase to the budget.

**RELEVANT LEGISLATION**

22. 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.

23. 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.
24. 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**

25. The transition period between service providers is a minimum of three months. The transition period will begin five days after contract execution. It is therefore critical that the contract is executed three months before the expiration of the current service provider agreement of 28 June 2018.
26. The anticipated contract award and start of the transition phase is targeted by the project as early February 2018:
- (a) gain Council approval to reject and negotiate tender – November 2017
  - (b) negotiate tender with suitable providers – November 2017 through January 2018
  - (c) complete negotiations and execute contract with service provider – February 2018

**OPTIONS**

27. Council has the following options in regard to this tender:
- (a) reject the tender and re-advertise, which is not recommended as it is considered this will not attract additional submissions; or
  - (b) reject the tender and negotiate with suitable service providers to carry out the work and delegate authority to the Chief Executive Officer to enter into a lump sum contract. This option is recommended.

**PUBLIC CONSULTATION**

28. There has been no public consultation regarding the tender.

**AMIT CHANAN**

Director City Projects and Property

Sherif Awadalla, Executive Manager Property Services