

ITEM 9. TENDER – REJECT AND NEGOTIATE - FACILITY MANAGEMENT SERVICES

FILE NO: S126567

TENDER NO: 1734

SUMMARY

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

The City currently contracts Brookfield Global Integrated Services (BGIS) to deliver integrated property services inclusive of both facility management and property management services. The current contract expires on 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 offers and enter into direct negotiations with suitable service providers.

RECOMMENDATION

It is resolved that:

- (A) Council reject the tender offers for Facility 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 of 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, 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 current 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 of a variety of internal and external stakeholders and industry experts to identify current service gaps and potential improvement 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. Previously the Management Information System (MIS) resided within the aggregated service delivery model with data, documents and workflows controlled by the service provider. This presented the risk of loss of transactional data and records. To mitigate this risk the City has resolved that it is critical to have the MIS data and records owned by the City.
9. The new model also specifies that payment for services only occurs post-delivery. This is in contrast to accepted industry practice of making scheduled equal monthly payment to the value of the yearly contracted fee.
10. Due to the complex nature of the facility maintenance services, the City resolved to run an extended procurement process involving Expression of Interest (EOI), followed by an Early Contractor Involvement (ECI) process to ensure the new disaggregated model was both understood and was capable of being delivered by the market.
11. The EOI was advertised in March 2017; nine submissions were received for evaluation. Throughout interviews with the proponents, the evaluation panel invited the service providers with the three highest scores to tender.
12. Twelve ECI workshops were held; these greatly assisted delivering commercial alignment between the City and the proponents on the scope of works and the delivery model, and clarified the complexity of the City's property portfolio.

13. The ECI process is relatively new to the service industry. It was also used to resolve legal and commercial issues as they arose throughout the ECI process. However, the submissions received for the facility management services tender deviated from the City's standard legal contract terms and conditions, and were therefore deemed to be non-conforming.
14. It is recommended that Council reject the tender submissions for facility management services, and enter into direct negotiations with suitable service providers to optimise financial, commercial and legal outcomes.

INVITATION TO TENDER

15. An Expression of Interest for facilities management was completed through March 2017 to June 2017. The evaluation panel recommended that the proponents with the top three scores be invited to the tender stage via the City's eTendering website on Friday 11 August 2017.
16. To encourage a collaborative procurement approach, early contractor involvement workshops were conducted throughout July 2017 and August 2017. There were four workshops per proponent, 12 in total.
17. These workshops enabled the City to clarify over 170 requests for information about the service delivery model and the City's property portfolio.

TENDER SUBMISSIONS

18. Submissions were received from the following organisations (listed alphabetically):
 - BGIS Pty Ltd
 - Spotless Facilities Services Pty Ltd
 - Ventia Pty Limited
19. No late submissions were received. Tender submissions closed at 11.00am on Friday 15 September 2017, at the conclusion of the early contract involvement workshops.

TENDER EVALUATION

20. All members of the Tender Evaluation Panel have signed Pecuniary Interest Declarations. No pecuniary interests were noted.
21. Evaluation criteria has been agreed with all panel members as follows:
 - (a) service delivery model;
 - (b) transition in;
 - (c) service delivery methodology;
 - (d) Management Information System (MIS);
 - (e) lump sum price and schedule of prices;

- (f) work health and safety; and
 - (g) financial and commercial trading integrity, including insurances.
22. Preliminary evaluation of facility management submissions by the panel have concluded that all three submissions are deemed non-conforming. Please see Confidential Attachment A for details.

FINANCIAL IMPLICATIONS

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

RELEVANT LEGISLATION

26. 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.
27. 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.
28. 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

29. 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.
30. The anticipated contract award and start of the transition phase is targeted as early February 2018:
- (a) Council approval to reject and negotiate tender – November 2017
 - (b) the City negotiates tender with suitable providers – November 2017 through January 2018
 - (c) complete negotiations and execute contract with service provider – February 2018

OPTIONS

31. 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

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

AMIT CHANAN

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