



13.3 **ELECTRICAL MAINTENANCE CONTRACT VARIATION**

EXECUTIVE MEMBER: **LACHLAN JOHNSON, GENERAL MANAGER, CUSTOMER, OPERATIONS AND INFRASTRUCTURE**

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1. PURPOSE

- 1.1 To seek approval from Council to make a financial adjustment to the value of the Electrical Services Contract (000742) increasing the limit of the contract from the current limit of \$1.65m (Inc. GST) to \$2.0m (Inc. GST) over the three-year term ending on 25 May 2024.

2. EXECUTIVE SUMMARY

- 2.1 Council awarded the panel of contractors to provide electrical maintenance services on 21 April 2021. The resulting contract (000742) commenced on 10 May 2021 and is scheduled to run for a three-year period. The contract contains no extension provisions. The contract was awarded for a total value of \$1.5m (Ex. GST) or \$1.65m (Inc. GST). These projections erroneously omitted allowances for CPI adjustment in the projected contract spend despite these adjustments forming part of the tender and eventual contract. Allowing for these CPI adjustments of 6.1% in 2022/23 and a forecast adjustment of 4.5% in 2023/24 results in an adjusted lifetime spend of \$1.74m (Inc. GST).
- 2.2 Since the time of awarding, the electrical panel has functioned well for the provision of maintenance activity. In addition to maintenance activity, the panel has also been utilised for the delivery of electrical related capital works through Council's Minor Capital Works program. Due to a number of unforeseen pieces of electrical work, this has increased the estimated expenditure on the contract beyond the original forecast over the three-year period.
- 2.3 At January 2023, the expenditure against on the panel over the first 20 months of the three-year term is \$1.5m (Inc. GST) leaving \$150,000 (Inc. GST) for the remaining 14 months of the contract. The average yearly spend for maintenance activities is approximately \$550,000 (Inc. GST).
- 2.4 Through analysis of the spend against the contract, the error from the original establishment of the contract was discovered. This saw the omission of CPI increases in the calculation of the likely costs per annum.
- 2.5 Additionally, Council's Procurement Policy allows for increases in the value of contracts up to 15% without undermining the original intent of the contract.
- 2.6 It is therefore proposed that Council adjusts the upper limit of the Electrical Services Contract (000742) increasing the limit of the contract from the current limit of \$1.65m (Inc. GST) to \$2.0m (Inc. GST) over the three-year term ending on 25 May 2024, thus addressing the original indexation omission and to provide additional capacity to deliver electrical maintenance works over the remainder of the contract term.



- 2.7 Recently Council endorsed the establishment of a panel of suppliers for the delivery of minor capital works, this separate panel will mean that the Electrical Services Contract will only be utilised for maintenance activities going forward.
- 2.8 This report does not seek any budget increase or the reallocation of funds from capital programs to maintenance. This report seeks an increase on the permissible upper limit of the spend against the Electrical Services Contract.

3. RECOMMENDATION

That Council:

- 3.1 Approves a variation to increase the threshold value of the Electrical Services Contract 000742 from the currently limit of \$1,650,000 (Inc. GST) to \$2,005,250 (Inc. GST).
- 3.2 Notes that the increase to the limit of the contract has no budget implications.
- 3.3 Notes that the current contract term finishes in May 2024 and that a competitive market procurement process will commence in late 2023 to ensure continuity of service deliver.

4. KEY POINTS/ISSUES

- 4.1 A public tender for Electrical Services was advertised in the Age newspaper 17 October 2021 and closed 6 November 2021. Council awarded contract 000742 Electrical Services at Council meeting 21 April 2021 for a period of three years with no extensions.
- 4.2 Since the establishment of the contract, a number of larger electrical works packages funded through Council's annual Minor Capital Works Program were delivered, in accordance with Council's Procurement Policy, through the panel. This has contributed to a higher than anticipated spend against the panel.
- 4.3 In reviewing the panel contract spend, an error was discovered that the original forecast expenditure of \$1.65m (Inc. GST) did not consider the indexation of prices that the contract calls for. Allowing for these CPI adjustments of 6.1% in 2022/23 and a forecast adjustment of 4.5% in 2023/24 results in an adjusted life-time spend of \$1.74m (Inc. GST). Addressing this error will partially assist in providing appropriate capacity to utilise the contract over the remaining term.
- 4.4 Additionally, to further address the higher than estimated spend, a 15% increase on the adjusted contract limit is sought. Council's Procurement Policy allows for an up to 15% increases on the value of a contract without re-approaching the market.
- 4.5 It is therefore proposed that Council adjusts the upper limit of the Electrical Services Contract (000742) increasing the limit of the contract from the current limit of \$1.65m (Inc. GST) to \$2.0m (Inc. GST) over the three-year term ending on 25 May 2024, thus addressing the original indexation omission and to provide additional capacity to deliver electrical maintenance works over the remainder of the contract term.
- 4.6 By making these two adjustments to the contract value it will enable Council to continue to provide maintenance services over the remaining life of the contract and provide time to commence a new procurement process.



5. CONSULTATION AND STAKEHOLDERS

- 5.1 Internal departments have been consulted on the factors that have led to the above forecast spend against the Electrical Services Contract. This led to the establishment of a dedicated capital works panel in early 2023.

6. LEGAL AND RISK IMPLICATIONS

- 6.1 The proposed adjustments are in-line with Council's Procurement Policy.
- 6.2 If the contract limit is not adjusted, it is likely that Council's maintenance requirements will exceed the current limit of the contract before the expiry of the current contract leading to an interruption in the maintenance of Council assets.

7. FINANCIAL IMPACT

- 7.1 The adjusted CPI figures align with the actual result in 2022/23 and Council's current forecast for 2023/24.
- 7.2 As per the conditions of contract, the CPI adjustments are compounded.
- 7.3 There is no budgetary impact associated with increasing the contract limit as Council's spend on maintenance is limited through the approved budget.

8. ENVIRONMENTAL IMPACT

- 8.1 The terms of the contract in relation to environmental performance remain the same.

9. COMMUNITY IMPACT

- 9.1 Services will be impacted, if the increase to the contract amount is not able to be approved. Urgent maintenance works at community centres, childcare facilities, public toilets, corporate buildings, foreshore lighting and electric BBQs will be delayed until a new contract can be put in place.

10. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY

- 10.1 The electrical maintenance of our buildings is a critical service which enables these assets to deliver valuable services to our community across all five strategic directions.

11. IMPLEMENTATION STRATEGY

11.1 TIMELINE

- 11.1.1 Following endorsement, Council officers will implement an amendment to the contract sum.

11.2 COMMUNICATION

- 11.2.1 There are no communication requirements associated with the adjustment.

12. OFFICER DIRECT OR INDIRECT INTEREST

- 12.1 No officers involved in the preparation of this report have any material or general interest in the matter.

ATTACHMENTS

Nil