



**10.1 TENDER AWARD - PROVISION OF CIVIL INFRASTRUCTURE MAINTENANCE SERVICES**

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**ANDREW FARRELL, SENIOR PROJECT MANAGER**

**1. PURPOSE**

- 1.1 To present the report of the Tender Evaluation Panel ("TEP") for the Provision of Civil Infrastructure Maintenance Services and recommend awarding of the contract to Fulton Hogan Industries P/L.

**2. EXECUTIVE SUMMARY**

- 2.1 Council's current contract to provide civil infrastructure maintenance services is due to expire on 30 June 2021 after a seven-year term. This contract is one of Council's largest service contracts, valued at approximately \$12.7m per annum.
- 2.2 Services provided under the current contract enable Council to meet its obligations under the Road Management Act and maintain the network of roads, paths and other civil infrastructure across the City. The services include:
- 2.2.1 The maintenance of roads, footpaths, bike paths, and drainage assets;
  - 2.2.2 The maintenance and installation of signs, line marking and street furniture;
  - 2.2.3 Graffiti cleaning of road assets; and
  - 2.2.4 Delivery of a variety of capital works projects including the construction of new infrastructure and upgrade of existing assets.
- 2.3 In preparation for the new contract, officers have undertaken a detailed review of the current contract. This has included:
- 2.3.1 An internal review of the current contract to assess projected needs, identify changes in service and delivery requirements, as well as identifying opportunities for improvement.
  - 2.3.2 Extensive consultation with internal users of the Contract.
  - 2.3.3 Councillor feedback and briefing to inform the desired outcomes and focuses of the Contract.
  - 2.3.4 Independent engineering review of the technical specifications to reflect Council's needs and industry best practice including incorporating improved sustainability and asset management requirements.
  - 2.3.5 Independent legal advice to assess risk allocation across the contract and to ensure that the form of agreement is contemporary and reflects best practice in contracting such services.
  - 2.3.6 Extensive consultation with relevant departments with Council and with stakeholders including initial workshops and tender document review.



- 2.4 The final tender specification contained many changes from the current specification that governs civil infrastructure maintenance works. This included the removal of capital works delivery from the scope of the new contract. This approach will ensure that capital works projects are subject to regular market testing through procurement processes.
- 2.5 An external probity adviser was engaged throughout the specification development and procurement process to ensure best value and compliance with Council's Procurement Policy and statutory obligations.
- 2.6 An open public tender process has been undertaken to identify the preferred tenderer to deliver the future provision of civil infrastructure maintenance services, in accordance with Council's procurement policy and the agreed evaluation plan.
- 2.7 The Tender Evaluation Panel (TEP) recommends Council enter a new contract with Fulton Hogan Industries Pty Ltd for the Provision of Civil Infrastructure Maintenance Services as outlined in the following Recommendation.

### 3. RECOMMENDATION

That Council:

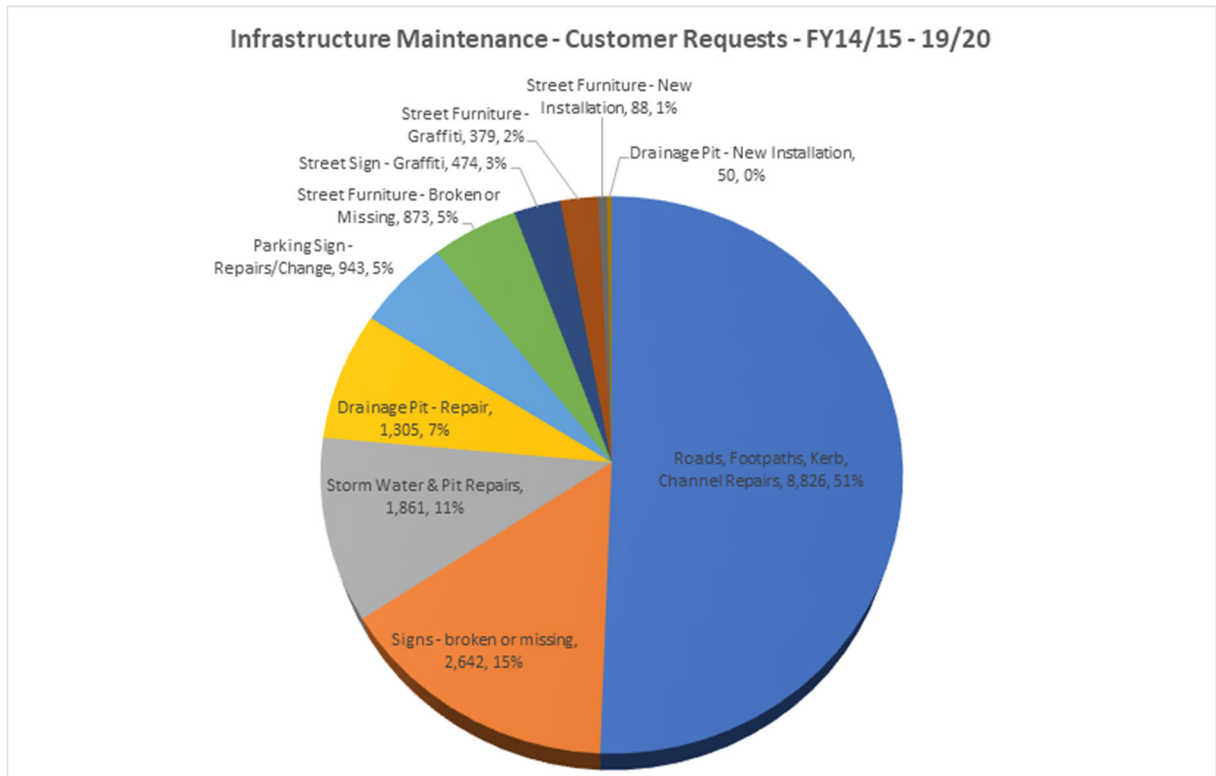
- 3.1 Awards the Contract for the Provision of Civil Infrastructure Maintenance Services to Fulton Hogan Industries Pty Ltd.
- 3.2 Notes that this service delivery contract is for a term of seven years, commencing 1 July 2021 until 30 June 2028.
- 3.3 Notes that this service delivery contract consists of both a lump sum and provisional sum component each year.
- 3.4 Notes the lump sum value of \$829,809.64 inc. GST per annum in the first year, with an estimated total cost of \$9,141,678.92 inc. GST over the seven-year term of the contract.
- 3.5 Notes the provisional sum value of \$2,700,500.00 inc. GST per annum in the first year, with an approximate cost of \$20,076,282.27 inc. GST over the seven-year term of the contract.
- 3.6 Notes the estimated total contract expenditure of up to \$29,217,961.19 inc. GST over the full life of the seven-year contract.
- 3.7 Notes that the contract contains an annual adjustment mechanism that will increase the lump sum and schedule of rates associated with the provisional sum by the All Groups Consumer Price Index, Melbourne each year.
- 3.8 Notes the substantial inclusion of CSR benefits in the evaluation and delivery of the proposed service contract.
- 3.9 Notes that the contract contains clauses that enable the extension of the contract at Council's discretion for up to 6 months at the end of the seven-year term of the contract.
- 3.10 Delegates to the CEO the authority to determine if the contract extension is to be exercised and to execute the extension as required.
- 3.11 Affixes the Common Seal of Port Phillip City Council to the contract between Council and Fulton Hogan Industries Pty Ltd.
- 3.12 Extends its gratitude to all Tenders that made submissions to this public tender, noting the high quality of submissions received.



**4. KEY POINTS/ISSUES**

**BACKGROUND & CONTEXT**

- 4.1 The current contract for the Provision of Civil Infrastructure Maintenance Services (#1848) is due to expire on 30 June 2021, completing its seven-year term.
- 4.2 The services provided under this contract are required to meet Council’s obligations under the Road Management Act to inspect, maintain and repair public roads, footpaths, bike paths and drainage assets.
- 4.3 The current contractor for the delivery of these services is Fulton Hogan Industries Pty Ltd, who has a team of approximately 50 staff based at the South Melbourne Operations Centre under a rental agreement. These staff include project engineers, asset inspectors, road maintenance crews, manager/team leaders and administration staff.
- 4.4 Fulton Hogan Industries Pty Ltd have been Council’s civil maintenance contractor via four different contracts since 1996 – approximately 24 years. Each of these contracts were publicly tendered and submissions evaluated using Council’s procurement processes to ensure that best value principles were applied each time.
- 4.5 The following diagram provides a representation of the type and number of customer requests have that has been received and attended to via the current contract since its commencement in 2014.





<b>Infrastructure Maintenance Historical Data (FY14/15 to FY19/20)</b>		
<b><u>Category</u></b>	<b><u>Number</u></b>	<b><u>Percentage</u></b>
Road, Footpaths, Kerb, Channel Repairs	8,826	50.6%
Signs – broken or missing	2,642	15.1%
Stormwater & pit repairs	1,861	10.7%
Drainage Pit - Repair	1,305	7.5%
Parking Sign – Repairs/Change	943	5.4%
Street Furniture – Broken or Missing	873	5.0%
Street Sign - Graffiti	474	2.7%
Street Furniture - Graffiti	379	2.2%
Street Furniture – New Installation	88	0.5%
Drainage Pit – New Installation	50	0.3%
<b>TOTAL</b>	<b>17,441</b>	<b>100%</b>

- 4.6 During March 2019, Council completed a cost benefit analysis of the contractor accommodation arrangements at its Operations Centre located at 69 White St, South Melbourne for the purposes of the Provision of Civil Infrastructure Maintenance Services.
- 4.6.1 This analysis consisted of stakeholder engagement, identification of alternate accommodation options, strategic analysis, risk analysis, financial analysis and cost-benefit analysis.
- 4.6.2 The analysis recommended that Council continue to supply the site for maintenance contractors as this minimises financial costs for Council and non-financial costs for the community, and that Council should retain use of the White St, South Melbourne site.
- 4.7 During April 2019, Council completed an assessment of the value for money and community expectations relating to the Provision of Civil Infrastructure Maintenance Services.



- 4.7.1 The assessment found that while the contract met Council's objectives regarding the management of its assets, several enhancements to ensure best-value outcomes and alignment with Council's requirements were suggested.
- 4.8 Prior to undertaking a new approach to market, Council officers conducted a review of the existing contract, as well as a review of lessons learnt from other similar Council service contracts to:
- 4.8.1 Assess projected needs.
- 4.8.2 Identify changes in service and delivery requirements.
- 4.8.3 Identify opportunities for improvement.
- 4.8.4 Align requirements with the current Council Plan.
- 4.8.5 Align requirements with operational needs.
- 4.8.6 Align requirement with other service changes such as the 2019 Clean Streets Service Review in to Council's public realm cleansing and maintenance activities.
- 4.8.7 Ensure that the new contract would make use of the technology and improved processes being delivered under the Council wide Customer Experience Program.
- 4.9 An external probity adviser, Pitcher Partners P/L (Pitcher Partners), was engaged by Council in October 2020 to provide services in both the planning, development and tendering of the service contract. This included:
- 4.9.1 Planning & development of tender:
- The development of probity and communication guidelines
  - The delivery of probity workshops to all identified internal Council stakeholders involved in planned workshops, feedback and review of future tender documents.
  - Review of planned consultation processes – specifically market engagements undertaken on Council's behalf to ensure impartiality in the process
- 4.9.2 Tender process
- Review and participation in all Tender Evaluation Panel (TEP) activities.
  - Advice on management strategies and general advice where required.
  - Provision of a probity report upon the conclusion of the TEP process.
- 4.9.3 Please refer to the attached Probity Report for further details (Attachment 4).
- 4.10 To assist with the review process, and to provide independent expert advice, engineering consultants GHD Pty Ltd were appointed to work with officers in the review and development of a new, updated tender specification. This review included undertaking review and consultation, both within Council and with external parties to update the specification.



- 4.11 Through this review, in conjunction with a wide range of consultation with stakeholders, identified in the Consultation and Stakeholders section of this report, the new, updated specifications provide for:
- 4.11.1 **Excellence in customer service** and responsiveness through a partnered approach.
  - 4.11.2 **Value for Money** through a balanced assessment of financial (price) and non-financial factors including:
    - **Improved Environmental Sustainability** via practices that align with and contribute towards Council's *Don't Waste It!* and *Act and Adapt* strategies, including reducing potable water use, reducing CO<sub>2</sub> emissions, responsible waste management, recycling, supply chain accreditation and the use of new products, processing and manufacturing methods available in the market.
    - **Generation of Social Value** through the delivery of safe and fit for purpose roads, footpaths and drains; and seeking tenderers who have aligned policies and practices around employment of minority and disadvantaged groups, people with disabilities, gender safety and equity, involvement with local business and communities, etc.
    - **Generation of Economic Value** through the purchasing of services themselves and seeking tenderers who contribute to the local/Victorian community through their employment, purchasing manufacturing, supply chain relationships and practices.
  - 4.11.3 **Best practice in contract management** through improved transparency, data capture, reporting and full integration with Council's systems for customer requests, asset management and finance.
  - 4.11.4 **Increased visibility** in service delivery – for example, through co-branding of contractor's vehicles and plant.
  - 4.11.5 **Compliance** with the Road Management Act, Council's Road Management Plan and asset management plans.

## PROCUREMENT

- 4.12 The procurement process, which consisted of a public tender to identify a preferred contractor, has been concluded.
- 4.13 Prior to the procurement process commencing, a Procurement Plan (Attachment 1) was developed to establish the mandatory criteria, evaluation criteria and weightings for Council's approach to market, as well as to establish the proposed Tender Evaluation Panel (TEP).
- 4.14 The TEP membership is outlined in Table One (1):



<b>Table 1: Composition of TEP</b>	
<b>Name</b>	<b>Title</b>
Nick Dunstan	Coordinator – Service Transformation (TEP Chair)
Lachlan Johnson	Executive Manager – Construction, Contracts & Operations
Kimani Gitau	Civil Design Engineer / Project Manager
Andrew Farrell	Senior Project Manager
Peter Jumeau*	Coordinator – Infrastructure Maintenance, Protection & Inspection
Scott Thompson*	Contracts & Procurement Advisor
Lauren Challman*	Independent Probity Adviser (Pitcher Partners)
<i>* denotes a non-voting member in line with probity and procurement requirements.</i>	

In addition to the TEP, a Technical Reference Group (“TRG”) was established to provide specialist internal advice and assessment as required by the TEP.

- 4.15 Prior to the tenders being advertised, the mandatory criteria, individual criteria and their weightings were established. The details shown in Table Two (2).

<b>Table 2: Tender Evaluation Criteria</b>
<b>Mandatory Criteria</b>
<ul style="list-style-type: none"> <li>• Independently audited, prequalified OHS, Environment (EMS) &amp; Quality (QMS) Systems to a recognised Australia or internal standard such as:                             <ul style="list-style-type: none"> <li>• AS/NZS4801:2001 (OHS)</li> <li>• ISO9001:2005 (QMS)</li> <li>• Insurance certificates in accordance with the Form of Agreement.</li> <li>• ISO 14011:2015 (EMS)</li> </ul> </li> </ul>



<u>Criteria</u>	<u>% Weighting</u>
Price	40%
Capacity/Methodology	15%
Relevant Experience	15%
Occupational Health & Safety	5%
Quality Management System	10%
Corporate Social Responsibility	15%

- 4.16 The approach to market was released on 27 February 2021 and advertised in The Age newspaper on 27 February 2021, in addition to being published online on both Council's website and tender portal.
- 4.17 Following feedback from potential tenderers, the original tender closure date of 26 March 2021 was extended to 1 April 2021.
- 4.18 Upon the close of tenders on 1 April 2021, four (4) submissions were received.
- 4.19 The TEP pre-commencement meeting was undertaken on 6 April 2021 to undertake initial probity requirements before releasing tender responses to the TEP.
- 4.20 Prior to the release of tenders to the TEP, a Tender Evaluation Plan (Attachment 2) was developed to inform the assessment of received submissions and proposed TEP schedule in undertaking their assessment.
- 4.21 All TEP members signed probity and confidential declarations indicating they had no direct conflicts of interests to declare and that they would keep the tender information confidential.
- 4.22 TEP members undertook two-weeks of individual review of the submissions while the submissions financial components were compared by the TEP's TRG finance resource.
- 4.23 Collation of the individual TEP members' reviews, comments and clarifications occurred over three separate TEP meetings occurring between 19 April to 21 April 2021.
- 4.24 Upon the collation of individual scores, the TEP agreed to consensus scoring for all non-price elements for each submission and the financial comparison undertaken by the TEP's TRG financial resource was applied to obtain the initial tender scores as shown in Table Three (3) below:





<b>Table 3: Initial Tender Scoring</b>			
<b>No.</b>	<b>Tenderer's Name</b>	<b>Score (Out of 1,000)</b>	<b>Short-listed</b>
1	Fulton Hogan Industries P/L (Fulton Hogan)	872.1	Yes
2	Tenderer 2	804.0	Yes
3	Tenderer 4	729.3	No
4	Tenderer 1	727.1	No

- 4.25 The TEP agreed to shortlist the two (2) highest scored tenderers as they demonstrated a sound understanding of the service requirements together with the necessary relevant non-price experience, capacity, systems and CSR requirements.
- 4.26 It was noted that an indirect conflict of interest was present in one tender submission which proposed the use of an ex-Council staff member who was now employed by that tenderer. Following confirmation from the independent probity adviser, all Council TEP members provided further probity declarations reflecting their previous working relationship with the individual.
- 4.27 Clarifications were drafted and issued to the short-listed tenderers on 23 April 2021 and responses received on 28 April 2021.
- 4.28 Interviews were undertaken with the short-listed tenderers on 29 April 2021 and 30 April 2021 in addition to TEP review sessions both prior to and after each interview to consider each individual tenderer's clarifications and interview responses.
- 4.29 A post-interview TEP review meeting was held on 3 May 2021. The initial tender scoring was updated to reflect clarifications and interview content for non-price elements only to obtain Post Interview Scoring as shown in Table Four (4):

<b>Table 4: Post Interview Scoring</b>				
<b>No.</b>	<b>Tenderer's Name</b>	<b>Score (Out of 1,000)</b>	<b>Short-listed</b>	<b>Interviewed</b>
1	Fulton Hogan	869.4	Yes	Yes
2	Tenderer 2	809.5	Yes	Yes
3	Tenderer 4	729.3	No	No
4	Tenderer 1	727.1	No	No

- 4.30 Following confirmation from Council's Procurement, Contracts & Fleet team and external probity adviser, the TEP determined to proceed to Best and Final Offers (BAFOs) and seek confirmation from the short-listed tenderers regarding their specific



CSR commitments to ensure best value and alignment for Council in the delivery of these services.

- 4.31 BAFO and CSR commitment confirmations were sent to short-listed tenderers on 12 May 2021 and received on 17 May 2021.
- 4.32 A post-BAFO TEP meeting was held on 18 May 2021. Final review of the responses was undertaken, including updated financial analysis of the BAFOs.

<b>Table 5: Post BAFO (Final) Scoring</b>				
<b>No.</b>	<b>Tenderer's Name</b>	<b>Score (Out of 1,000)</b>	<b>Short-listed</b>	<b>Interviewed</b>
1	Fulton Hogan	865.9	Yes	Yes
2	Tenderer 2	804.6	Yes	Yes
3	Tenderer 4	734.1*	No	No
4	Tenderer 1	732.3*	No	No

*\* Please note – non-shortlisted tenderers scores changed due to BAFO responses reducing the price components base-line, affecting all scores.*

- 4.33 Please refer to the attached Evaluation Matrix (Attachment 3) for further details.
- 4.34 The TEP concluded that based on the agreed Procurement Plan that the submission from Fulton Hogan Industries Pty Ltd represented the best value for Council and that, subject to appropriate reference and financial checks, should be recommended to Council for the delivery of these services.
- 4.35 The recommended tenderer's assessment was underpinned by the following factors:
  - The preferred tenderer has required safety, environment and quality management systems and insurances as required.
  - Proposed resourcing strategy providing multi-skilled in-house crews that can be responsive to Council's needs.
  - Commitment to utilise Council's Technology One platform for works management to ensure alignment and seamless integration with Council operations.
  - Demonstrated ability to report/track works and associated data requirements.
  - Significant state and local government experience providing road maintenance and similar services.
  - Highly developed policies with on the ground evidence of implementation.
  - Evidence and commitments of CSR initiatives, both current and proposed by the preferred tenderer, that align with Council's requirements. Please refer to the attached Preferred Tenderer's CSR Commitments (Attachment 6) for further details.



### **FINANCIAL ANALYSIS**

4.36 Detailed financial and performance assessment checks were undertaken by Council, which found that tenderer:

- Obtained a pass score on the financial check
- Is trading in a profitable manner
- Has a minimal risk of failure
- Has a minimal risk of late payments
- Has a level of annual revenue that indicates that the proposed contract is within appropriate capacity and risk-based thresholds.
- Noted no current record of court actions, collections or defaults.

4.37 Please refer to the attached financial analysis for further detail.

### **REFERENCE CHECKS**

4.38 Reference checks were conducted by Council officers to garner feedback on the performance of the preferred tenderer.

4.39 Reference checks found that reference testimony was consistent with the scoring and opinion of the TEP, including that the preferred tenderer:

- 4.39.1 Currently undertakes, and has undertaken, a broad range of service delivery contracts for a range of local and state government agencies of comparable or great size.
- 4.39.2 Has excellent capacity and knowledge in the staff assigned to the delivery of service contracts with no major concerns or incidents raised by referees
- 4.39.3 Is responsive to programming, coordinating and site-specific requirements of each client referenced encompassing programmed works, as both a single provider and as part of a panel of supply.
- 4.39.4 Manages OHS to a high standard, both at an organisation and job-specific level, including the tracking and delivery of staff training to ensure skills and awareness.
- 4.39.5 Has multiple examples from clients of successful works in complex and live environments including occupied public space, the road reserve and in undertaking coordination with multiple stakeholders
- 4.39.6 Is reliable and transparent regarding program delivery including regular tracking and reporting of progress against agreed metrics
- 4.39.7 Is proactive in seeking improvements to process, material-usage and other efficiencies – both in trailing and proposing improvement across a range of functional and CSR related elements.

### **RECOMMENDATION**

4.40 The recommended tenderer has been assessed in accordance with best value principles; and in accordance with the assessment criteria and weighting set-out in the procurement plan agreed by the TEP prior to the procurement process.



- 4.41 The submission demonstrates the required experience, service appreciation and planning to deliver the required services to the quality expected.
- 4.42 The price submitted is within the available budget and delivers increased contract requirements and the specifications in full – specifically noting the inclusion and alignment of Council’s CSR strategies and requirements.

## 5. CONSULTATION AND STAKEHOLDERS

- 5.1 A Councillor Briefing was held on 9 September 2020 to brief Councillors of the progress in reviewing the service contract, preparation for the intended procurement process and seeking Councillor feedback on outcomes for the future contract.
- 5.2 Several internal workshops and external were undertaken including a broad range of internal stakeholders including:

- Infrastructure Maintenance staff
- Risk
- People, Culture & Safety
- Asset Management & Property
- Sustainability
- Corporate Social Responsibility
- Digital Technology Services
- Procurement, Contracts & Fleet

- 5.3 On behalf of Council, independent consultants GHD P/L undertook market engagement with both the incumbent contractor and other similar organisations to obtain feedback that could be considered by Council officers in the development of the new, updated tender specifications.
- 5.4 Feedback from all stakeholders and the results of the independent market engagement process feed into the development of the final specification.

## 6. LEGAL AND RISK IMPLICATIONS

- 6.1 The recommended tenderer holds:
- Valid WorkCover insurance
  - \$20m Public Liability Insurance
  - \$10m Professional Indemnity Insurance
  - \$35m Motor Vehicle Insurance
  - \$20m Contractor Plant & Equipment Insurance
  - \$20m Contract Works (Materials Damage) Insurance
- 6.2 The contract requires for Bank Guarantees totalling 10% of the annual lump sum price of the contract to be in place for the duration of the services delivery.
- 6.3 The contract contains clauses that enable the extension of the contract at Council’s discretion for up to 6 months at the end of the seven-year term of the contract.

These clauses:

- 6.3.1 reduce Council’s risk in re-tendering these services upon the conclusion of the proposed contract;



6.3.2 provide flexibility for Council to manage any future transition management arrangements associated with the future re-tendering of the services;

6.4 It is recommended that Council delegate to the CEO the authority to determine if the contract extension is to be exercised and to exercise the extension as required.

## 7. FINANCIAL IMPACT

7.1 Subject to Council's decision to enter into a contract with the recommended tenderer, it is estimated that the contract for the Provision of Infrastructure Maintenance Services will be \$3.53M inc. GST in the first contract year (FY 2021-22) and \$29.22m inc. GST over the seven (7) year duration of the service as outlined in the table below.

Table 7: Estimated Contract Sum				(inc. GST)
Year	Financial Year	Lump Sum Component <sup>1,2</sup>	Provisional Sum Component <sup>2,3</sup>	Total
1	2021-22	\$0.83m <sup>4</sup>	\$2.70m	\$3.53m
2	2022-23	\$1.32m	\$2.75m	\$4.07m
3	2023-24	\$1.34m	\$2.81m	\$4.15m
4	2024-25	\$1.37m	\$2.87m	\$4.24m
5	2025-26	\$1.40m	\$2.92m	\$4.32m
6	2026-27	\$1.43m	\$2.98m	\$4.42m
7	2027-28	\$1.45m	\$3.04m	\$4.50m
<b>Indicative TOTAL</b>		<b>\$9.14m</b>	<b>\$20.08m</b>	<b>\$29.22m</b>
<p><sup>1</sup> Fixed Lump Sum covering routine maintenance services under contract</p> <p><sup>2</sup> Subject to annual CPI adjustments (modelled at 2% p.a.)</p> <p><sup>3</sup> Provisional Sum covering preventative maintenance services is variable and reviewed each year in line with approved budget (modelled on \$2.7m p.a. as per current FY2021-22 draft budget.)</p> <p><sup>4</sup> Includes savings of \$462k applied to Year 1 Lump Sum component.</p>				

7.2 The price submitted is within the available allocated budget for this service.

7.3 The lump sum value of \$829,809.64 inc. GST per annum in the first year, with an approximate cost of \$9,141,678.92 inc. GST over the seven-year term of the contract.

7.4 Savings of \$462,000 inc. GST were identified in the Year 1 Lump Sum Component of the preferred tenderer's submission.

7.5 The provisional sum value of \$2,700,500.00 inc. GST per annum in the first year, with an approximate cost of \$20,076,282.27 inc. GST over the seven-year term of the contract.



- 7.6 The provisional sum value is determined by Council's annual budget and based on the schedule of rates provided in the proposed contract, providing the flexibility and scalability Council requires to deliver the works required on a year-to-year basis. This approach recognises that as Council continues to mature its asset management approach, supported by the considerable investment in the Customer Experience program, the level of maintenance across the relevant asset classes will change. The investment in these areas is developed based on asset condition data and outlined in the relevant asset management plans. The contract is structured to allow flexibility in the spend through a schedule of rates.
- 7.7 The total contract expenditure is expected to be \$29,217,961.19 inc. GST over the full life of the seven-year contract.
- 7.8 The contract contains an annual adjustment mechanism that will increase the Lump Sum Component and schedule of rates associated with the Provisional Sum Component by the All Groups Consumer Price Index ("CPI"), Melbourne.

## 8. ENVIRONMENTAL IMPACT

- 8.1 Extensive consultation and input from Council's Sustainability team was incorporated in the tender specifications to ensure best Corporate Social Responsibility (CSR) outcomes for Council.
- 8.2 The contract specifications, deliverables and metrics have been aligned to the draft Council Plan environmental objects including the Act and Adapt & Don't Waste It strategy.
- 8.3 The tender for these services represents one of Council's most rigorous approaches to the market seeking dedicated CSR commitments from respondents.
- 8.4 A filter criterion required tenderers to have an independently, pre-qualified Environmental Management System ("EMS") to have a recognised Australian or international standard such as ISO14001 in place to be a conforming tender.
- 8.5 Aside from completing the standard Council CSR return schedules, each tender response required detailed responses, metrics and commitments. These commitments were reaffirmed in the BAFO process and will form part of the form of agreement between the contractor and Council. The preferred tenderer's response delivers the following outcomes:
- 8.5.1 A City with lower carbon emissions
- Ability to achieve zero net carbon emissions within the performance of this contract.
  - Commitment to formalise an Environmental Sustainability Commitment Proposal should they be successful
  - Reducing gross emissions from operations associated with the performance of this contract including gas, electricity, fuel, refrigerants, transport, waste, water any other emissions reasonably deemed within the emissions reporting boundary.
  - Reducing gross emissions from materials and construction of infrastructure in accordance with the Infrastructure Sustainability Council of Australia Energy & Carbon Guideline (2018)



- Offsetting all residual total embodied carbon (tCO<sub>2e</sub>)
- All carbon accounts to be completed and reported in compliance with the Climate Active Carbon Neutral Standard (formerly the National Carbon Offset Standard - NCOS).
- Demonstrated commitment of how emissions from motor vehicles, plant and equipment associated with the performance of this contract will be minimised, including:
  - Use of zero and low emission vehicles, plant and equipment
  - Reducing emissions from vehicles through setting minimum vehicle emissions requirements, use of technology tracking, booking and route planning, maintenance & operation and driver education.
  - Reducing motor vehicle use, including promoting active and public transport and reducing travel by using telecommunications where practical
- A commitment to implement a Sustainability Management Plan which includes goals for the number and percentage of zero and low emission vehicles, plant and equipment throughout the life of the contract.
- Prioritising locally sourced materials where practicable. Materials associated with this contract will be procured to meet the following targets (based on materials construction budget and distance from construction site):
  - 20% or more of the materials must come from within 500 kilometres
  - An additional 30% must come from within 1,000 kilometres
  - An additional 25% must come from within 5,000 kilometres
  - 25% of materials may be sourced from any location.

8.5.2 A sustained reduction in waste – circular economy

- Materials used in construction must be all or in part consist of recycled or reclaimed materials
- Commitment to develop target minimum requirements for specific product types, in line with current best practice including:
  - Portland cement content is reduced by 30% (measured by mass across all concrete used in the delivery of the service against a reference case)
  - At least 40% of coarse aggregate in concrete is to be crushed slag aggregate or another alternate material provided that the use of such material does not increase the use of Portland cement by a specified limit.
  - Commitment to be set and reported against annually through-out the life of the contract
  - Minimising operational waste as per the following diversions ratios (in weight):



- Metal - 99%
- Paper and Cardboard - 99%
- Soil and Biomass, including timber and shipping pallets - 100%
- Asphalt - 100%
- Soft Plastics and polystyrene - 100% of clean waste
- Concretes and all other – 90% weighted average.

#### 8.5.3 Ethical Sourcing

- 100% of all new timber must be certified Forest Stewardship Council (FSC)
- Demonstrated ability and commitment to tracking and reporting of identified materials per job, tied to asset locations.

#### 8.5.4 Environmental Protection

- Materials used as part of this contract must, as far as reasonably practicable, not contain an extensive list of products specified by Council (i.e. toxic or hazardous materials, chemicals, etc.)
- All construction works will be carried out in accordance with the following policies and guidelines:
  - Environmental Protection Act 2017 and associated general environment duty. Compliance with transitional State Environmental Protection Policies, while in force, are also mandatory.
  - Utilisation of EPA Guidance 1820 Construction Guide to preventing harm to the environment and EPA guidance referenced at Chapter 7 of Guidance 1820 to support compliance with the Act.
  - Port Phillip Site Contamination Management Policy

#### 8.5.5 A Water Sensitive City (Water Quality)

- Storm Water Management Plans to plant, design and carry out construction and maintenance works to minimise the impact of construction on the stormwater system and the Bay.
- Organisational level Water Management Plan to demonstrate how potable water use will be managed efficiently for all construction and operational processes associated with the performance of this contract, supporting the use of alternative sources.

#### 8.5.6 Supporting innovation in sustainability

- A commitment to proactively proposing innovative methods and materials to improve environmental sustainability outcomes.
- Inclusion of a proposed annual budget to promote innovative use and trial of new environmental products or services.
- A commitment to submit a formal plan, either standalone or as part of an agreed sustainability management plan, to confirm innovation metrics





- 8.6 The preferred tenderer consistently received the highest CSR score through-out the TEP process (individual scoring, consensus scores, clarifications, metric confirmation and result).
- 8.7 Please refer to the Summary of CSR Commitments for further details (Attachment 7).
- 8.8 The contract requires that the successful tenderer formalise their CSR commitments with Council within six months of the contracts commencement in order to set metrics which are to be reported against through-out the life of the contract.

## 9. COMMUNITY IMPACT

- 9.1 Extensive consultation and input from Council's Community, Wellbeing & Inclusion, Procurement, Contracts & Fleet team and Accessibility team was incorporated in the tender specifications to ensure best Corporate Social Responsibility ("CSR") outcomes for Council.
- 9.2 As with other areas of CSR, the tender for these services represents one of Council's most rigorous approaches to the market seeking commitments to drive positive community outcomes beyond the direct services being procured.
- 9.3 Aside from completing the standard Council CSR schedules, each tender response was required to provide detailed responses, metrics and commitments to the following categories:
  - 9.3.1 Opportunities for Aboriginal people and Engagement with Victorian Indigenous business, including:
    - Engagement of Indigenous Business by suppliers
    - Purchasing from Victorian Aboriginal businesses
  - 9.3.2 Opportunities for Victorians with a disability
    - Employment opportunities for people with disability
    - Purchasing from social enterprises which employ and/or provide support to people with a disability.
  - 9.3.3 Women's equality and safety
    - Adoption of family violence leave policy
    - Adoption of gender equality policy
  - 9.3.4 Opportunities for disadvantaged Victorians
    - Job readiness and employment for:
      - Long term unemployed people
      - Disengaged youth
      - Single parents
      - Migrants, refugees and asylum seekers
      - Workers in transition
    - Purchasing from Victorian Social Enterprises
  - 9.3.5 Supporting safe and fair workplaces



- Purchasing from suppliers that comply with industrial relations laws and promote secure employment.

9.4 Please refer to the Summary of CSR Commitments for further details (Attachment 7).

9.5 The contract requires that the successful tenderer formalise their CSR commitments with Council within six months of the contracts commencement in order to set metrics which are to be reported against through-out the life of the contract.

## 10. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY

10.1 As one of Council's key service delivery contracts, the Provision of Civil Infrastructure Maintenance Services contract interacts and underpins numerous aspects of the existing and draft new Council Plan and is directly associated with physical aspects of its delivery within the municipality.

### COUNCIL PLAN (Existing)

10.2 Direction 1 – We embrace difference, and people belong.

10.2.1 A safe and active community with strong social connections.

10.2.2 Community diversity is valued and celebrated.

10.3 Direction 2 – We are connected and it's easy to move around.

10.3.1 An integrated transport network that connects people and places

- Improving connectivity, safety and amenity of walking and biking networks.
- Ongoing program of renewals and improvements to laneways, roads, footpaths and signage.

10.3.2 Demand for parking and car travel is moderated as our City grows

- Reducing reliance on cars, by directing housing and employment growth to areas with the best access to public transport and shops.
- Improve local community travel choices, especially by schools, by investing in infrastructure and behaviour change programs.

10.3.3 Our streets and places are designed for people

- Prioritising walking, bike riding and public transport when designing roads and allocating resources.
- Pursuing universal accessibility for people with disabilities, children and older people.

10.4 Direction 3 – We have smart solutions for a sustainable future

10.4.1 A greener, cooler and more liveable City.

10.4.2 A city with lower carbon emissions.

- Reducing Council energy consumption and greenhouse emissions.
- Facilitating a reduction in community greenhouse gas emissions by partnering with the community and private sector.



- Promoting sustainable and low energy precinct infrastructure, including in Fishermans Bend.
  - Invest in renewable energy and energy efficiency measures in Council buildings and Melbourne Renewable Energy Project, a group purchasing model to drive investment in renewable energy.
  - Embed sustainability into Council's procurement, fleet and investment policies and practices and investigation opportunities to install electric car charging stations.
- 10.4.3 A City that is adapting to climate change.
- Managing and reducing the impacts of flooding and sea level rise.
- 10.4.4 A water sensitive City.
- Reducing potable water consumption by encouraging more efficient water use and establishing alternate water sources.
  - Improving the water quality entering Port Phillip Bay and increasing ground permeability.
  - Increase ground permeability of ground surfaces across public streets and spaces, and work with the community to achieve greater permeability on private property.
- 10.4.5 A sustained reduction in waste.
- Reducing waste and maximising recycling and diversion from landfill through service innovation and facilitating community action.
  - Managing waste collection to improve amenity and achieve cleaner streets, public spaces and foreshore areas.
  - Increase investment in street cleaning, litter bins and equipment to improve amenity and receptiveness and investigate opportunities for further improvements to service delivery.
- 10.5 Direction 4 – We are growing and keeping our character.
- 10.5.1 Liveability in a high-density City
- Designing, activating and managing public spaces that are safe and inviting places for people to enjoy.
  - Extending, connecting and diversifying our open space network to cater for increased demand.
  - Invest in improving parks, playgrounds and street and public space lighting.
  - Continue to improve community safety by evaluating CCTV, undertaking community safety audits and implementing crime prevention through environmental design guidelines.
  - Continue to maintain a high standard of amenity, ensure compliance with planning requirements and local laws, and support public health and safety through service improvements and mobile technologies.



10.6 Direction 5 – We thrive by harnessing creativity.

10.6.1 A prosperous City that connects and grows business.

10.7 Direction 6 – Our Commitment to you.

10.7.1 A financially sustainable, high performing, well-governed organisation that puts the community first.

- Improved customer experience and technology and being more innovative.
- Improving community engagement, advocacy, transparency and governance.
- Inspiring leadership, a capable workforce and culture of high performance and safety.
- Ensuring sustainable financial and asset management and effective project delivery.
- Be the partner of choice for other councils and organisations to work with, to enable improved customer experience productivity and innovation.
- Invest in improving the condition, functionality, capacity and sustainability of council assets.

#### **POLICY IMPLICATIONS**

10.8 The tender process has been conducted in accordance with Section 186 of the Local Government Act 1989 and Council's Procurement Policy.

10.9 Council's Road Management Plan 2017

10.9.1 The procurement of these services aligns with the CoPP Road Management Plan 2017 – this document describes the management system that has been established by Council to carry out its duty to inspect, maintain and repair public roads for which it is responsible.

10.9.2 The Road Management Plan is reviewed and amended in accordance with the Road Management (General) Regulations 2017 Part 3 and prepared in accordance with the Road Management Act 2004.

10.9.3 In exercising its functions and powers under the Road Management Act, Council also complies with the following Codes of Practice and Regulations

- Road Management (Works and Infrastructure) Regulations (2015)
- Road Management (General) Regulations 2016
- Code of Practice – Operational Responsibility for Public Roads (2004)
- Code of Practice – Clearways on Declared Arterial Roads (2004)
- Code of Practice – Road Management Plans (2004)
- Code of Practice – Management of Infrastructure in Road Reserves (2016)
- Code of Practice – Worksite Safety – Traffic Management (2010)



10.10 The procurement of these services aligns with Council's Act & Adapt – Sustainable Environment Strategy and Don't Waste It – Waste Management Strategy, through the inclusion of numerous CSR elements in the tender process and ensuring the preferred tenderer is committed to specific metrics and principles that are aligned with Council's expectations.

10.10.1 This includes:

- minimising its impact on the environment
- supply chain impacts and sustainability
- the design, use & disposal of products and services
- the use and reporting of environmental, workforce, sustainability and other data

10.10.2 Please refer to the attached CSR document for specific detail.

10.11 The proposed delivery of these services interacts with a broad range of other Council plans and strategies – this includes, but is not limited to:

- Council Plan
- Road Management Plan
- Asset Management Strategy
- Flood Management Strategy
- Municipal Public Health and Wellbeing Plan
- Foreshore Management Plan
- Graffiti Management Plan
- Laneway Strategy
- Laneway Upgrade Program
- Public Toilet Plan
- Road User Safety Strategy
- Financial Strategy

10.12 The procurement of these services interacts with a broad range of other Council policies given the nature of the services provided – this includes, but is not limited to:

- Procurement Policy
- Contracts and Procurement Guidelines & Procedures
- Anti-fraud and Corruption Policy
- Code of Conduct
- Information Communication Technology Policy
- Legislative Compliance Policy & Framework
- Occupational Health & Safety Policy
- Privacy Policy
- Records Management Policy
- Risk Management Policy



- Site Contamination Management Policy

## 11. IMPLEMENTATION STRATEGY

### 11.1 TIMELINE

- 11.1.1 It is recommended that Council awards the proposed so that service delivery under the proposed contract can commence on 1 July 2021 in line with the completion of the current services contract.
- 11.1.2 As the incumbent provider of these services, the preferred tenderer can transition directly into delivering the Provision of Civil Infrastructure Maintenance Services contract, eliminating any risk of diminished service provision to the community.
- 11.1.3 The preferred tenderer has provided a transition plan to identify and assist with the transition between contracts focussed on the changing of requirements between the service contracts, updating and implementing the required safety, quality and CSR outcomes, and assisting in the transition of some responsibilities between the parties.

### 11.2 COMMUNICATION

- 11.2.1 Following the award of tender, contract documentation will be prepared and forwarded to the successful tenderer within three business days.
- 11.2.2 All unsuccessful tenderers will be notified in writing and offered a detailed debrief with the TEP chairperson.

## 12. OFFICER DIRECT OR INDIRECT INTEREST

- 12.1 No officers involved in the preparation of this report have any direct interest in the matter.
- 12.2 All Council TEP members declared a perceived conflict of interest relating to an ex-Council staff member employed and proposed to be involved in a future contract by the tenderer, who is not the preferred tenderer, should they be successful, this matter was assessed and managed by the TEP Chair and probity advisors.
- 12.3 Please refer to the attached Probity Report for further details (Attachment 4).

**TRIM FILE NO:** 14/01/20040

### ATTACHMENTS

1. Procurement Plan
2. *Confidential*- Tender Evaluation Plan
3. *Confidential*- Tender Evaluation Matrixes
4. Probity Report
5. *Confidential*- Preferred Tender Reference Checks
6. *Confidential*- Preferred Tenderer Financial Report
7. Summary of Preferred Tenderer's CSR Commitments