



13.4 CARPENTRY AND HANDYMAN SERVICES CONTRACT

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

PREPARED BY: MARK THOMPSON, ACTING MANAGER MAINTENANCE & ASSETS

JIM MACLEAN, COORDINATOR BUILDING MAINTENANCE

1. PURPOSE

- 1.1 To seek approval from Council to make a financial adjustment to the value of the Carpentry and Handyman Services Contract 000776 which commenced on 1 August 2021 for a contract value limit of \$1,815,000 (Inc. GST) to \$2,123,000 (Inc. GST) over the three-year term ending 31 July 2024

2. EXECUTIVE SUMMARY

- 2.1 Council awarded the panel of contractors to provide Carpentry and Handyman Services maintenance services on 21 July 2021. The resulting contract (000776) commenced on 1 August 2021 and is scheduled to run for a three-year period. The contract contains two (2) time one-year extensions provisions which can be executed at Council's discretion. The contract was awarded for a total value of \$1.65m (Ex. GST) or \$1.815m (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, and assuming that no extension options are exercised, results in an adjusted lifetime spend of \$1.918m (Inc. GST)
- 2.2 As with a number of other maintenance contracts, the accepted practice of Council to deliver some of the annual Minor Capital Works program has been to utilise the Carpentry and Handyman Services contract. This, coupled with increased maintenance works, has resulted in significantly higher spend than that originally forecast at the time of awarding the contract.
- 2.3 As of February 2023, the expenditure against on the panel over the first 18 months of the initial three-year term is \$1.5m (Inc. GST) leaving \$315,000 (Inc. GST) for the remaining 17 months of the contract. The forecast spend on related maintenance activities over the next twelve-months is approximately \$440,000 (Inc. GST) or approximately \$623,000 (Inc. GST) over the remaining initial three-year term.
- 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. Additionally, Council's Procurement Policy allows for increases in the value of contracts up to 15% without undermining the original intent of the contract.
- 2.5 To further address the capacity of the contract over the remaining three-year term it is proposed to increase the contract limit by 11%, increasing it from a CPI adjusted limit of \$1.918m (Inc. GST) to a total limit of \$2.123m (Inc. GST) thus addressing the original indexation omission and to provide additional capacity to deliver maintenance works over the remainder of the contract term.



- 2.6 Recently Council endorsed the establishment of a panel of suppliers for the delivery of minor capital works, this separate panel will mean that the Carpentry and Handyman Services Contract will only be utilised for maintenance activities going forward.

3. RECOMMENDATION

That Council:

- 3.1 Approves a variation to increase the threshold value of the Carpentry and Handyman Services Contract 000776 from the currently limit of \$1,815,000 (Inc. GST) to \$2,123,000 (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 on 21 July 2024 and that a competitive market procurement process will commence in late 2023 to ensure continuity of service delivery.

4. KEY POINTS/ISSUES

- 4.1 A public tender for Carpentry and Handyman Services was advertised in the Age newspaper 24 April 2021 and closed 14 May 2021. Council awarded contract 000776 Carpentry and Handyman Services at Council meeting 21 July 2021 for a period of three years with option for two x one-year extensions.
- 4.2 Since the establishment of the contract, a number of larger carpentry 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 \$1.815m (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 lifetime spend of \$1,915m (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, an 11% 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 Carpentry and Handyman Services Contract (000776) increasing the limit of the contract from the current limit of \$1.815m (Inc. GST) to \$2.123m (Inc. GST) over the three-year term ending on 21 July 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 Carpentry and Handyman 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 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 approved. Urgent maintenance works at community centres, childcare facilities, public toilets and corporate buildings will be delayed until a new contract can be put in place.

10. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY

- 10.1 The 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