

7.4.1 2021093 HVAC COUNCIL VARIATION REPORT

Responsible Manager:	Dino De Melis, Manager Facilities and Infrastructure Maintenance
Responsible Director:	Jarrod Doake, Director City Services

RECOMMENDATION

That Council

1. Notes that as per the *S5 Instrument of Delegation to the Chief Executive Officer*, where a variation for a lump sum contract exceeds (i) the approved contingency amount by more than 10% of the approved contract value (including contingency) or (ii) \$100,000, the variation must be presented to Council for approval unless exceptional circumstances prevail.
2. Approves a variation to Contract 2021093 Provision of HVAC Maintenance Services for Categories A, B & D (Major and Minor HVAC and Kitchen Exhaust Canopy Equipment) with Renown Services Pty Ltd in the amount of \$418,000.
3. Notes that the revised total contract value for Contract 2021093 Categories A, B & D will increase from \$1,003,695 to \$1,421,695 (inclusive of all extension options).
4. Approves a variation to contract 2021093 Category C (Provision of HVAC Maintenance Services Quoted works) with Renown Services in the amount of \$275,000.
5. Notes that the revised total contract value for Contract 2021093 Category C will increase from \$1,486,856 to \$1,761,856 (inclusive of all extension options).
6. Notes that the increased contract values resulting from this approved variation remains within the existing approved and adopted facilities maintenance reactive building and programmed works budgets.

Please Note: All values in this report are GST inclusive unless stated otherwise.

INTRODUCTION

In accordance with Council's Contract Variation delegation rules (within the S5 Instrument of Delegation to the Chief Executive Officer), this report explains the reason for a Contract Variations presented for Council consideration and approval.

BACKGROUND

On 31 August 2021 Council approved contracts for 2021093 Provision of HVAC Maintenance Services for:

1. **Category A (Major HVAC Equipment), Category B (Minor HVAC Equipment) and Category D (Kitchen Exhaust Canopy Equipment)** for a fixed Lump Sum of \$45,009.09 per annum and an estimated Schedule of Rates spend of \$90,000 per annum for reactive works, with an estimated total contract value of \$1,003,695 inclusive of all available extension options*;

2 . Category C (Quoted Works) for a schedule of rates-based contract with an estimated annual contract value of \$200,000 and an estimated total contract value of \$1,486,856 inclusive of all available extension options.*

*Please note that these figures were based on an assumed annual CPI indexation of 2%.

A copy of the original Council Report is attached for supporting background information (refer Attachment 1).

The contracts are for an initial period of two years with an optional extension of three years and a further optional extension of two years at the discretion of the CEO.

Both contracts started on 1/10/2021 and are currently part way through the first three-year extension period with a current end date of 30/09/2026, with the remaining option to execute the remaining final extension option of two years.

Due to the circumstances described below, activity under both contracts have exceeded the original spend estimates and they require additional funds to be approved to ensure service continuity during the remaining contract term.

DISCUSSION

The contract includes provision for Heating, Ventilation, and Air-Conditioning (HVAC) maintenance services to approximately seventy Council managed facilities, including Operational Centres, Preschools, Sports Pavilions, Community Halls and other Council owned facilities where Council support the delivery of the services. The services are required to fulfil Council's legislative obligations in accordance with the Building Act and Regulations. The facilities are maintained by Council and used by various community groups to provide a range of services for the community.

The increase in HVAC expenditure is primarily the result of Council's commitment to carbon-neutral efficiency projects. This initiative, led by Council's Sustainable Monash department, has been instrumental in prioritising the upgrade of outdated refrigerant systems in Council buildings, which are not only less efficient but also environmentally harmful. Beyond refrigerant replacement, a range of new sustainable HVAC strategies have also been implemented, including the installation of high-efficiency heating and cooling systems, advanced control technologies for optimised energy use, and improved insulation and ventilation solutions.

Additionally, the growth of Council-owned assets has necessitated further investment and additional routine maintenance to newly constructed HVAC assets at the Monash Aquatic and Recreation Centre, Wellington Hub, Mulgrave Reserve, Oakleigh Recreation Centre, Central Reserve Pavilion and Caloola Reserve. These proactive measures not only align with Council's environmental goals, but also ensure long-term cost savings through improved energy efficiency and reduced maintenance needs. Given that the additional expenditure aligns with Council's commitment to

carbon-neutral efficiency projects, a variation to Contract 2021093A/B/D for Major and Minor HVAC and Kitchen Exhaust for an amount of \$418,000 and an amended variation to Contract 2021093C for Quoted Works for an amount of \$275,000 are sought in response to the additional expenditure required on HVAC systems.

This will ensure that the contract has sufficient funds to cater for ongoing service requirements during the remaining term of the contract.

FINANCIAL IMPLICATIONS

In line with Councils Contract Variation Delegation Rules, for lump sum contracts, Council must approve variations to Council Approved Contracts that do not meet the definition of Exceptional Circumstances and where the variation exceeds contingency and is greater than 10% of the awarded sum including approved contingency or greater than \$100,000.

Please refer to the following table for a summary of the contract expenditure and the proposed variation:

Contract 2021093A/B/D Major and Minor HVAC and Kitchen Exhausts:

Spend Information	Value (GST Inclusive)
a. Contract value inclusive of all available extension options incorporating a fixed lump sum for Contract 2021093A/B/D Major and Minor HVAC and Kitchen Exhausts of \$45,009.09 per annum and an estimated Schedule of Rates spend of \$90,000 per annum for reactive works.	\$1,003,695
b. Approved Contingency	\$0
c. Total available Contract funds remaining and uncommitted as at January 2025	\$2,688
d. Approved Contract Variations to date	\$0
e. Value of proposed Contract Variation pending approval in this report	\$418,000
f. Additional Contingency required	\$0
g. Total revised value for Contract 2021093A/B/D Major and Minor HVAC and Kitchen Exhausts	\$1,421,695

Contract 2021093C Quoted works:

Spend Information	Value (GST Inclusive)
a. Contract value inclusive of all available extension options incorporating an estimated annual contract value of \$200,000 for Contract 2021093C Quoted Works	\$1,486,856

b. Approved Contingency	\$0
c. Total available Contract funds remaining and uncommitted as at January 2025	\$224,867
d. Approved Contract Variations to date	\$0
e. Value of proposed Contract Variations pending approval in this report	\$275,000
f. Additional Contingency required	\$0
g. Total revised value for Contract 2021093C Quoted Works	\$1,761,856

CONCLUSION

That Council approves the recommendations contained within this report.

ATTACHMENT LIST

1. Attachment 1 - 2021093 Council Recommendation Report PUBLIC (D 21-334882) [7.4.1.1 - 5 pages]

**5.5 TENDER FOR PROVISION OF HVAC (Heating, Ventilation, and Air Conditioning)
MAINTENANCE SERVICES (2021093: RM)**

Responsible Senior Officer: Jarrod Doake, Chief Operating Officer

RECOMMENDATION*

That Council:

1. *Awards the tender from Renown Services Pty Ltd for the following Provision of HVAC Maintenance Services, Contract No. 2021093:*

- **Category A: Major HVAC Equipment, Category B: Minor HVAC Equipment, Category D: Kitchen Exhaust Canopy Equipment**, for a fixed Lump Sum of \$45,009.09 per annum and an estimated Schedule of Rates spend of \$90,000 per annum for reactive works, and an estimated total contract value of \$1,003,695 inclusive of all available extension options*;
- **Category C: Quoted Works**, for a schedule of rates based contract with an estimated annual contract value of \$200,000 and an estimated total contract value of \$1,486,856 inclusive of all available extension options*.

**Assuming an annual CPI increase of 2%.*

2. *Authorises the Chief Executive Officer to execute the contract agreement;*

3. *Notes that the:-*

- a. *Services for this contract will commence October 1, 2021 with an initial term of two (2) years and the contract has two (2) separate extension options. The first extension option is three (3) years, and the second extension option is two (2) years. Council authorises the Chief Executive Officer to approve extension options subject to satisfactory performance.*

4. *Notes that the total allocated budget for year one available for this contract including the fixed Lump Sum and contingencies is \$335,009.*

*(*Please note that all dollar figures are GST inclusive unless stated otherwise)*

INTRODUCTION

Council has conducted a tender for Provision of HVAC (Heating, Ventilation, and Air Conditioning) Maintenance Services.

BACKGROUND

Council is seeking to appoint a supplier to provide HVAC Maintenance Services to approximately seventy council managed facilities, including Operational Centres, Preschools, Sport Pavilions, Community Halls and other council owned facilities where council support the delivery of services. The services are required to fulfil Council's legislative obligations in accordance with the Building Act and Regulations. The facilities are maintained by Council and used by various community groups to provide a range of services for the community.

Monash is seeking to form a relationship with suitably qualified and experienced suppliers to manage and deliver HVAC Maintenance to nominated facilities. The suppliers are required to maintain the equipment to meet Council's objectives in providing safe and accessible facilities for users.

Council has divided the services into the following four major categories:

Service Group	Work Required	Form of Contract
Category A. Major HVAC Equipment	Fixed Price Routine & Reactive	Routine and Reactive
Category B. Minor HVAC Equipment	Fixed Price Routine & Reactive	Routine and Reactive
Category C. Quoted Works.	Schedule of Rates	Routine and Reactive
Category D. Kitchen Exhaust Canopy Maintenance	Fixed Price Routine & Reactive	Routine and Reactive

NOTIFICATION

A public notice was placed in The Age newspaper on 20 March 2021 and the tender closed on 21 April 2021.

TENDERS RECEIVED

13 tender submissions were received by the appointed closing time. The tenders received are listed below:

Tenderer
A.G. Coombs Servicing Pty. Ltd.
Airepair Air Conditioning Services Pty Ltd
JPC Air Conditioning Pty Ltd- ASM -Chilltech
BSA Advanced Property Solutions (Vic) Pty

Ltd
CFM Air Conditioning Pty Ltd
ENGIE Mechanical Services Australia Pty Ltd
Hirotec Maintenance Pty Ltd
NAMS Airconditioning Services
Optimum Energy Australia Pty Ltd
Quadrant Mechanical Services Pty Ltd
Renown Services Pty Ltd
SP&R Air-conditioning Pty Ltd
TCM Solutions Pty Ltd

Tender Conformance:

All submissions were assessed for their compliance with the tender conditions including the contractual terms and conditions and the requirements of the response schedules.

All tender submissions were deemed conforming.

TENDER EVALUATION

All members of the evaluation panel signed Conflict of Interest and Confidentiality forms and no conflicts were raised.

The tenderers were assessed in accordance with the evaluation criteria published in the tender documentation:

Pass/Fail Assessment Criteria	Score
Completed and signed returnable schedules	<i>Pass/Fail</i>
OHS Quality Systems	<i>Pass/Fail</i>
Mandatory Insurances	<i>Pass/Fail</i>
Conforming Tender	<i>Pass/Fail</i>
Participation in the Mandatory pretender brief	<i>Pass/Fail</i>

Table 2	Key Selection Criteria	Criteria Weightings
Qualitative Criteria	Capacity and Capability	25%
	Project Timelines	5%
	Sustainability (Mandatory)	10%

Quantitative Criteria	Price (Mandatory)	60%
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DISCUSSION

The following information supports the evaluation panel’s recommendations.

Reference checks were undertaken on the highest ranking tenderer for further consideration. Renown Services Pty Ltd were highly commended by organisations and other local government authorities contacted.

For this service, the panel confirms that only one supplier is required to satisfy Council’s service needs. The final evaluation (including price and non-price evaluation criteria) ranked the following suppliers the highest.

Tenderer	Rank	Total Weighted Score
Renown Services Pty Ltd	1	77.70%
Quadrant Mechanical Services Pty Ltd	2	70.70%
A.G. Coombs Servicing Pty. Ltd.	3	68.30%
Airepair Air Conditioning Services Pty Ltd	4	62.50%
CFM Air Conditioning Pty Ltd	5	59.10%
JPC Air Conditioning Pty Ltd- ASM - Chilltech	6	57.30%
BSA Advanced Property Solutions (Vic) Pty	7	56.70%
TCM Solutions Pty Ltd	8	54.90%
ENGIE Mechanical Services Australia Pty Ltd	9	53.20%
Hirotec Maintenance Pty Ltd	10	47.30%
NAMS Air conditioning Services	11	46.90%
SP&R Airconditioning Pty Ltd	12	38.70%

HVAC Maintenance Services

Optimum Energy Australia Pty Ltd	13	33.50%
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As such, the evaluation panel recommends Renown Services Pty Ltd as representing the best value outcome for Council.

FINANCIAL IMPLICATIONS

The total estimated expenditure for the first year of the contract is \$335,009 and an estimated total contract value of \$2,490,551 inclusive of all available extension options (including CPI of 2%).

The 2021/22 Operating Budget makes provision for an allocated budget toward this contract as follows.

Budget Account	Contract allocation (excluding GST)
Routine Maintenance (802)	\$200,000
Non-Routine Maintenance (803)	\$100,000
Facilities Programs (857)	\$ 35,009

CONCLUSION

That Council approves the recommendations contained within this report.