CITY OF SYDNEY

4 March 2024

At 2.00 pm

# Corporate, Finance, Properties and Tenders Committee

## Agenda

1. **Confirmation of Minutes**
2. **Statement of Ethical Obligations and Disclosures of Interest**
3. **Investments Held as at 29 February 2024**
4. **Lease Approval - Mandible Street, Alexandria Properties**
5. **Lease Approval - 343 George Street, Sydney**
6. **Tender - T-2023-1033, Exemption from Tender and Contract Variation - 343 George Street Facade Remediation Stage 2**
7. **Exemption from Tender and Contract Variation - Green Square Water Reuse Scheme**
8. **Exemption from Tender - IT Licence, Subscription, Maintenance and Support Contracts**
9. **Exemption from Tender and Contract Variation - Meals on Wheels Pre-Packed/Cooked Individual Chilled and Frozen Meals**

CITY OF SYDNEY

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**Guidelines**

To enable the Committee to hear a wide range of views and concerns within the limited time available, we encourage people interested in speaking at Committee to:

1. Register to speak by calling Secretariat on 9265 9702 or emailing secretariat@cityofsydney.nsw.gov.au before 10.00am on the day of the meeting.
2. Check the recommendation in the Committee report before speaking, as it may address your concerns so that you just need to indicate your support for the recommendation.
3. Note that there is a three minute time limit for each speaker (with a warning bell at two minutes) and prepare your presentation to cover your major points within that time.
4. Avoid repeating what previous speakers have said and focus on issues and information that the Committee may not already know.
5. If there is a large number of people interested in the same item as you, try to nominate three representatives to speak on your behalf and to indicate how many people they are representing.

Committee meetings can continue until very late, particularly when there is a long agenda and a large number of speakers. This impacts on speakers who have to wait until very late, as well as City staff and Councillors who are required to remain focused and alert until very late. At the start of each Committee meeting, the Committee Chair may reorder agenda items so that those items with speakers can be dealt with first.

Committee reports are available at www.cityofsydney.nsw.gov.au

## Item 1.
### Confirmation of Minutes

Minutes of the following meeting of the Corporate, Finance, Properties and Tenders Committee are submitted for confirmation:

Meeting of 12 February 2024

# Item 2.
## Statement of Ethical Obligations

In accordance with section 233A of the Local Government Act 1993, the Lord Mayor and Councillors are bound by the Oath or Affirmation of Office made at the start of the Council term to undertake their civic duties in the best interests of the people of the City of Sydney and the City of Sydney Council and to faithfully and impartially carry out the functions, powers, authorities and discretions vested in them under the Local Government Act 1993 or any other Act, to the best of their ability and judgement.

## Disclosures of Interest

Pursuant to the provisions of the Local Government Act 1993, the City of Sydney Code of Meeting Practice and the City of Sydney Code of Conduct, Councillors are required to disclose and manage both pecuniary and non-pecuniary interests in any matter on the agenda for this meeting.

In both cases, the nature of the interest must be disclosed.

This includes receipt of reportable political donations over the previous four years.

# Item 3.

## Investments Held as at 28 February 2024

Document to Follow

# Item 4.

## Lease Approval - Mandible Street, Alexandria Properties

**File No: X039615**

## Summary

This report seeks Council approval to grant a new lease renewal to Murrays Australia Pty Limited for 30 and 33-39 Mandible Street, Alexandria, for a term of three years, which will expire 8 October 2027.

This proposed lease will secure income for the City until October 2027. This date aligns with the lease expiry for 25 Mandible Street, which is also owned by the City of Sydney.

It is anticipated that the redevelopment of the Mandible Street Sports Precinct will commence in early 2028.

Essential lease terms and conditions of the proposed lease are set out in Confidential Attachment A.

## Recommendation

It is resolved that:

(A) Council approve a three-year lease renewal from 9 October 2024 to 8 October 2027 to Murrays Australia Pty Limited ABN 65 008 468 666 for 30 and 33-39 Mandible Street, Alexandria for the amount outlined in Confidential Attachment A to the subject report; and

(B) authority be delegated to the Chief Executive Officer to finalise the terms of this proposal and to negotiate, execute and administer the lease relating to the proposal in accordance with the Confidential Attachment A to the subject report.

## Attachments

**Attachment A.** Essential Lease Terms and Conditions (Confidential)

## Background

1. The City owns 25, 30, 33-39, and 41 Mandible Street, Alexandria, and the total area is approximately 19,490m$^2$.

2. Council approved the development of concept designs for multi-purpose sports fields at Mandible Street, Alexandria, at its meeting of 21 February 2022.

3. The City acquired 30 and 33-39 Mandible Street Alexandria in October 2020 with the view of redeveloping the sites into community sporting fields.

4. Murrays Australia Pty Limited hold a lease for 30 and 33-39 Mandible Street Alexandria which will expire 8 October 2024 and they wish to renew for a further three years, being from 9 October 2024 to 8 October 2027. The current lease to Murrays' Australia Pty Ltd does not have an option to renew.

5. Murrays Australia Pty Limited use these sites to undertake repairs and servicing of their coaches as well as parking of coaches.

6. The combined area for 30 and 33-39 Mandible Street is 9,876m$^2$.

7. The lease to Concrite Pty Ltd for 25 Mandible Street Alexandria, which adjoins 33-39 Mandible Street, and forms part of the proposed sporting precinct, is in place until 20 December 2027.

8. It is anticipated that the redevelopment of the Mandible Street Sports Precinct will commence upon completion of the lease to Concrite Pty Ltd.

9. This proposed lease will secure income for the City until October 2027. This date aligns with the earliest redevelopment and the expiration date of other leases within the Mandible Street Alexandria complex.

## Rental Determination

10. The City appointed independent valuers, Ray White Valuations, to undertake an assessment of the rental value of the properties for leasing purposes.

11. The proposed lease terms are in line with the independent valuation as outlined in Confidential Attachment A.

## Key Implications

### Strategic Alignment - Sustainable Sydney 2030-2050 Continuing the Vision

12. Sustainable Sydney 2030-2050 Continuing the Vision renews the communities' vision for the sustainable development of the city to 2050. It includes 10 strategic directions to guide the future of the city, as well as 10 targets against which to measure progress. This report is aligned with the following strategic directions and objectives:

    (a) Direction 1 - Responsible governance and stewardship - specifically expand revenues from commercial operations, property portfolio and other income generating assets.

## Financial Implications

13. Revenue for the 2024/25 budget will have a positive impact as there is an uplift in rent as of 8 October 2024.

## Relevant Legislation

14. Local Government Act 1993 - Section 10A provides that a council may close to the public so much of its meeting as comprises the discussion of information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business.

15. Attachment A contains confidential commercial information and details which, if disclosed, would confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business.

16. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise Councils ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers.

## Options

17. The City could go back to market in an attempt to source an alternative lessee. This is not recommended given the limited use for both properties and the short lease term on offer which would have a negative impact on leasing the properties.

18. On balance, there is no commercial advantage to go back to the market and source an alternative lessee.

**KIM WOODBURY**

Chief Operating Officer.

David Graham, Commercial Property Manager

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# Item 5.

## Lease Approval - 343 George Street, Sydney

**File No: 2024/111593**

## Summary

This report seeks approval from Council to grant a new lease within 343 George Street, Sydney.

343 George Street is a Local and State Heritage Listed commercial office building comprising ground and lower ground floor retail accommodation and ten upper commercial office floors. It is situated on the corner of George Street and Barrack Street opposite the western end of Martin Place within the Sydney CBD. The property forms part of the City's Commercial Investment Portfolio and is a key income asset for the City of Sydney.

Details of the lease proposal are outlined in Confidential Attachment A and the essential lease terms and conditions are contained within Confidential Attachment B.

This report recommends that Council approve granting a lease within 343 George Street, Sydney.

## Recommendation

It is resolved that:

(A) Council note the lease proposal information for 343 George Street included in Confidential Attachment A to the subject report;

(B) Council approve the granting of a lease for 343 George Street in accordance with the essential lease terms and conditions contained within Confidential Attachment B to the subject report; and

(C) authority be delegated to the Chief Executive Officer to negotiate, execute and administer the terms of the lease, including in relation to the exercise of the option, in accordance with the essential terms and conditions contained within Confidential Attachment B to the subject report.

## Attachments

**Attachment A.** Lease Proposal (Confidential)

**Attachment B.** Essential Lease Terms and Conditions (Confidential)

## Background

1. The City of Sydney has a diverse commercial portfolio comprising offices, retail, industrial and stratums (air space bridges and tunnels over and under roads).

2. The income derived from the commercial portfolio is the City of Sydney's second highest revenue source and provides a vital role in contributing to the financial sustainability of Council, enabling the City to continue to support community-based organisations and infrastructure projects.

3. The City of Sydney acquired 343 George Street in 2011. The property is a Local and State heritage listed asset comprising retail and commercial office accommodation.

4. The 343 George Street commercial office building has a total lettable area of 10,258$m^2$ and forms part of the City's Commercial Investment Portfolio. It is a key income asset for the City.

5. This report seeks approval from Council to grant a new lease within 343 George Street, Sydney.

## Key Implications

### Strategic Alignment - Sustainable Sydney 2030-2050 Continuing the Vision

6. Sustainable Sydney 2030-2050 Continuing the Vision renews the communities' vision for the sustainable development of the city to 2050. It includes 10 strategic directions to guide the future of the city, as well as 10 targets against which to measure progress. This report is aligned with the following strategic directions and objectives:

   (a) Direction 1 - Responsible governance and stewardship - specifically expanding revenue from commercial operations and the property portfolio.

## Financial Implications

7. Financial implications are outlined in Confidential Attachment A.

## Relevant Legislation

8. Local Government Act 1993 - Sections 10A and 10B provide that a council may close to the public so much of its meeting as comprises the discussion of information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business and if discussion of the information in an open meeting would, on balance be contrary to public interest.

9. Attachment A contains confidential commercial information which, if disclosed, would confer a commercial advantage on a person with whom the City of Sydney is conducting (or proposes to conduct) business.

10. Discussion of this matter in an open meeting would, on balance, be contrary to the public interest because it would compromise the City of Sydney's ability to negotiate fairly and commercially achieve the best outcome for ratepayers.

## Critical Dates / Time Frames

11. Critical Dates are outlined in Confidential Attachment A.

**KIM WOODBURY**

Chief Operating Officer

Scott Young, Development Manager

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# Item 6.

## Tender – T-2023-1033 – Exemption from Tender and Contract Variation – 343 George Street Façade Remediation Stage 2

Document to Follow

## Item 7.

### Exemption from Tender and Contract Variation - Operation and Maintenance of the Green Square Water Reuse Scheme

**File No: X094239.001**

**Tender No: RFP-2022-724**

### Summary

This report seeks approval of an exemption from tender and a contract variation to increase the total contract value to enable the City to continue to deliver the Green Square Water Reuse Scheme (GSWRS) to the community.

The Green Square Water Reuse Scheme provides the Green Square Town Centre community with recycled water for various non-potable purposes, including toilet flushing, irrigation, laundry, and cooling towers. This initiative reduces potable (drinking) water demand for these activities, promoting water conservation.

The Green Square Water Reuse Scheme was built and operated by Altogether Pty Ltd under contract to the City and started operation in 2018. In 2022, Altogether advised the City that it did not wish to take up the option to continue to operate the scheme.

In October 2022, the City engaged Sydney Water Corporation to operate and maintain the Green Square Water Reuse Scheme for three years to ensure that there was no interruption in the supply of high standand recyced water to the Green Square Town Centre community. The engagement of Sydney Water Corporation to operate the Green Square Water Reuse Scheme brought valuable expertise and resources in improving efficiency, reliability, and long-term sustainability.

The City and Sydney Water Corporation have undertaken a major review of operations and maintenance of the scheme, given the infrastruture is now over five years old. The review recommends a proactive strategy to maintain essential spare parts on-site at the plant, coupled with initiating replacement orders several months before their anticipated end-of-life cycle. This approach aims to better guarantee the uninterrupted operation of the facility, particularly since supply times for filters/membranes and critical parts have worsened since Covid-19 and other recent world events.

To adopt this proactive strategy and to cover higher filter/membrane replacements as they reach end of design life (typically five to seven years), the City will need to vary the approved contract scope and increase to the current contract value with Sydney Water Corporation. The proposed increase in the contract value largely reflects the current asset condition, and no allowance for spare parts and membrane replacement in the original contract estimate. These constitute 80 per cent of the value of the recommended increase. The scheme has also been expanded to supply recycled water to future buildings outside to the Green Square Town Centre.

This report recommends that Council approve an exemption from tender and contract variation to increase the total contract value as outlined in Confidential Attachment A. This approval will ensure the continuation of service to the Green Square community.

## Recommendation

It is resolved that:

(A) Council approve an exemption from tender in accordance with section 55(3)(i) of the Local Government Act 1993 for the contract to Sydney Water Corporation for the operation and maintenance of the Green Square Water Reuse Scheme (GSWRS);

(B) Council note the reasons a satisfactory outcome would not be achieved by inviting tenders is due to the following extenuating circumstances:

   (i) operators of water infrastructure and suppliers of water in NSW must hold relevant licences under the Water Industry Competition Act 2006 specific to the particular scheme, which take an estimated two years to obtain;

   (ii) Sydney Water Corporation is the current operator of the Green Square Water Reuse Scheme and, as a nominated public water utility in the Water Industry Competition Act 2006, is exempt from the requirement to obtain licences for this scheme; and

   (iii) it is not possible to procure an alternative operator prior to the exhaustion of the current total value, meaning the only other option is to cease operating the scheme;

(C) Council approve the variation to increase the total contract value of the contract with Sydney Water Corporation for the operation and maintenance of the Green Square Water Reuse Scheme, as detailed at Confidential Attachment A to the subject report;

(D) Council note that the revised total contract value for this contract is outlined in Confidential Attachment A to the subject report; and

(E) authority be delegated to the Chief Executive Officer to finalise, execute and administer the variation to the contract to give effect to the resolutions above.

## Attachments

**Attachment A.** Financial Implications (Confidential)

## Background

1. Recycled water is integral to our Sustainable Sydney 2030 vision. Connecting to recycled water for non-potable uses such as toilets, cooling towers and irrigation reduces demand on drinking water. It also allows our parks and open spaces green and cool even during drought. The Green Square Water Reuse Scheme (GSWRS) is a key part of this vision and is one of Australia's largest residential stormwater harvesting and reuse schemes.

2. The water is treated on-site at the Green Infrastructure Centre before being sent to storage tanks hidden under the nearby Matron Ruby Grant Park. It is then delivered to the Green Square town centre and surrounding apartment buildings via a series of purple pipes – making it easy to distinguish from potable water – and is used to flush toilets and water green spaces.

3. This innovative system captures stormwater from the Green Square trunk drain. It treats it within the Green Infrastructure Centre, resulting in significant savings of up to 456 million litres of drinking water annually.

4. The Green Square Water Reuse Scheme was built and operated by Altogether Pty Ltd under contract to the City and started operation in 2018. In 2022, Altogether advised the City that it did not wish to take up the option to continue to operate the scheme due to other commitments on water schemes that they owned and key staffing shortages at the time. To leverage strategic growth opportunities, management of the treatment plant transitioned to Sydney Water Corporation in December 2022. Sydney Water Corporation are also nominated as the "provider of last choice" for water supply in Sydney under legislation.

5. The GSWRS was initially built to deliver recycled water for the Green Square Town Centre only. However, the City saw opportunities to expand the scheme and connect to residential and commercial premises outside the Green Square Town Centre, including two future afforable housing developments on Botany Road and Meriton's Sutton site development.

6. The Water Industry Competition Act 2006 (WICA) requires any person that operates and maintains any water industry infrastructure in NSW, or that supplies water, to hold relevant licences. Licences are specific to the particular infrastructure/scheme, and obtaining a new licence or amending an existing licence can take up to two years.

7. Under WICA, nominated public water utilities are exempt from holding licences in relation to water industry infrastructure within their area of operations. Sydney Water Corporation is a nominated public water utility and its area of operations include Green Square and the location of the GSWRS infrastructure.

8. The City plans to initiate the application process for the WICA license upon the commencement of the amended WICA Act framework, expected to be available in July 2024.

9. Once the City has a WICA licence, the City intends to go to market for the future operation and maintainence of the GSWRS.

10. Considering these constraints and the potential risk of supply disruption, the most viable option at this time was to engage Sydney Water Corporation as the operator of the GSWRS, ensuring full compliance with WICA.

11. The City entered into a Major Services Agreement with Sydney Water on 31 October 2022 for a term of three years. The engagement was approved under exceptional circumstances by delegated authority, based on the anticipated expenditure value at that time.

12. Following an initial transitional period with the previous contractor, Sydney Water Corporation assumed full responsibility for operating the scheme on 19 December 2022.

13. Sydney Water has demonstrated considerable expertise in assessing critical concerns pertaining to asset condition, spare parts and consumables.

14. The prior operational approach, wherein spare parts and consumables were procured exclusively after their failure, has become impractical and non-viable. This is primarily due to the progressive ageing of the assets and the substantial increase in lead times for securing necessary spare parts and consumables since the Covid-19 pandemic. This approach is no longer sustainable and presents a tangible risk of causing disruptions in recycled water supply to residents and could affect the plant's operational efficiency.

15. Considering these challenges, a proactive strategy has been adopted to maintain essential spare parts on-site at the plant, coupled with initiating replacement orders several months before their anticipated end-of-life cycle. This approach aims to guarantee the uninterrupted operation of the facility.

16. Major consumables like membranes are replaced every 5-7 years. Major consumables' end-of-life is predicted to happen within the next 12-18 months. Major consumables like membrane replacement were not anticipated in the original estimate when entering into the contract with Sydney Water Corporation.

17. Sydney Water leverages its substantial purchasing power, securing favourable prices and adhering to stringent quality standards. This presents a good value for money and an opportunity for the City of Sydney to benefit from incorporating spare parts and consumables into the contract with Sydney Water.

18. The City's operational budget holds sufficient funds to cover the additional funds for spare parts and consumables.

**Request for Increasing the Contract Value**

19. The current approved contract amount will not be enough to cover GSWRS operation until the end of the contract term on 30 October 2025, if there is a major breakdown or a need for membrane replacement, with estimated costs surpassing the remaining contract sum.

20. The reasons for the variation to increase the total contract value of the contract with Sydney Water Corporation for the operation and maintenance of the Green Square Water Reuse Scheme are:

    (a) Spare Parts: Ensuring the scheme's uninterrupted operation necessitates critical and non-critical spare parts, particularly due to uncovered asset condition and their extended lead times. Stocking critical spare parts in the plant will ensure uninterrupted service to the community.

(b) Consumables: Vital consumables such as Ultrafiltration membranes and reverse osmosis membranes are replaced every 5-7 years and are approaching their end of life and will require replacement within the next 12-18 months, justifying their procurement for the plant's continued operation.

(c) Future Expansion: Expanding the scheme increases the volume of recycled water supplied beyond the Green Square Town Centre, offering environmental benefits and enhancing the scheme's economies of scale. This expansion necessitates additional infrastructure maintenance and extends services to new areas to support the overall growth.

(d) Additional Reactive Maintenance: Unforeseen needs for reactive maintenance and emergency work have arisen, compelling the need for additional financial resources.

21. The GSWRS represents a significant initiative that contributes toward bolstering community resilience during droughts, preserving potable water resources and reducing operational costs. Leveraging Sydney Water's expertise in this realm will ensure a robust foundation and lay the groundwork necessary for the GSWRS' expansion and growth.

22. This report recommends that Council approve an exemption from tender and variation of the contract with Sydney Water Corproration, including the increase to the total contract value, as detailed in Confidential Attachment A.

## Performance Measurement

23. Operational and financial performance targets are monitored monthly, quarterly and annually through a combination of meetings, audits, inspections and reporting.

## Financial Implications

24. There are sufficient funds allocated for this project within the current year's operating budget and future years' forward estimates.

## Relevant Legislation

25. Local Government Act 1993 - Section 10A provides that a council may close to the public so much of its meeting as comprises the discussion of information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business.

26. Attachment A contains confidential commercial information 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.

27. 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.

28. Sydney Water Corporation is exempt from the requirement to hold licences to operate the GSWRS under the Water Industry Competition Act 2006.

### Critical Dates / Time Frames

29. The end of the current contract is 30 October 2025.

30. The City plans to initiate the application process for the WICA license upon the commencement of the amended WICA Act framework, expected to be available in July 2024.

31. Once the City has a WICA licence, the City intends to go to market for the operation and maintainence of the GSWRS (noting this will be wwell in advance of the 30 October 2025 contract end date).

### Options

32. The three options available to the City for operating the GSWRS are:

33. Option 1: Use a licensed WICA operator and secure WICA scheme approval: this option involves contracting the services of a licensed WICA operator and obtaining scheme approval under WICA. Historically, this was the arrangement with the previous contractor. However, a limited number of qualified WICA operators are in the market. Most of these operators obtain WICA licenses primarily for their schemes and have no interest in operating schemes they do not own. Additionally, obtaining a WICA operator license and scheme approval can be time-consuming, potentially taking up to two years. This option is not possible at this time.

34. Option 2: City obtain WICA license and scheme approval: this option involves the City obtaining its own WICA operational license and securing scheme approval under WICA. With this option, the City would have control over the WICA license. However, this option would require approximately two years to complete the WICA licensing process, perform the tender process to secure contractors to operate, and transition the scheme's operation. This option is not possible at this time.

35. Option 3 - The recommended option to increase the total contract value of the existing contract with Sydney Water Corporation for the operation and maintenance of the Green Square Water Reuse Scheme, as outlined in this report.

**KIM WOODBURY**

Chief Operating Officer

Mufid Noufal, Water Systems Manager

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# Item 8.
## Exemption from Tender - IT Licence, Subscription, Maintenance and Support Contracts

**File No: S064539**

## Summary

The City uses a broad range of IT applications, platforms and appliances that are critical to the delivery of its business functions. These products perform within an ecosystem of interrelated platforms that are managed via the City's strategy for core systems and digitalisation as set out in the operating plan.

Each application, platform or appliance may have multiple integration points with other systems and inter-dependencies as part of the City's IT architecture. As such, in most cases, these systems cannot simply be swapped for alternate products. Instead, they can be upgraded and/or replaced via planned work over a rolling five-year horizon.

To support this planned approach and to maintain business continuity, it is essential to continue the subscription, licencing, maintenance and support arrangements in line with the product management cycle.

Most of these applications have subscription, licencing, maintenance and support contracts in place that were established with suppliers at the time the products were procured and which have been updated as required since.

This report recommends that Council grant an exemption from tender for the IT maintenance, support, subscription and licencing of the software applications, platforms and hardware appliances' agreements with suppliers and for the periods listed in Confidential Attachment A.

The estimated total contract value with each supplier listed in Confidential Attachment A is anticipated to exceed $250,000 (including GST). The detailed reasons supporting each exemption from the tender request are outlined in Confidential Attachment A.

The requirement to invite tenders in section 55(1) of the Local Government Act 1993 does not apply to those contracts if Council decides by resolution that, because of the extenuating circumstances, as listed in Attachment A, a satisfactory result would not be achieved by inviting tenders (section 55(3)(i) of the Local Government Act 1993).

**Recommendation**

It is resolved that:

(A) Council approve an exemption from tender for the provision of the maintenance, support, subscription and licencing of the software applications, platforms and hardware appliances upon the expiry of the current agreements, for the respective extension period along with the optional extension, if appropriate, as listed in Confidential Attachment A to the subject report, noting that because of extenuating circumstances, a satisfactory result would not be achieved by inviting tenders;

(B) Council note the reasons why a satisfactory outcome would not be achieved by inviting tenders differ for each application, platform or appliance and include:

(i) high costs and/or extensive business disruption associated with a transition to a new provider;

(ii) upgrades or changes to service requirements are planned to be implemented within the next five years;

(iii) cost to take the arrangement to market would be disproportionate to the potential value of change; and

(iv) a lack of availability of alternative suppliers;

(C) Council note that the detailed reasons as to why a satisfactory result will not be achieved by inviting tenders are outlined further in Confidential Attachment A to the subject report;

(D) Council enter into the subscription, licencing, maintenance and support agreements with the suppliers upon the expiry of the current agreements for the respective extension period along with the optional extension, if appropriate, as listed in Confidential Attachment A to the subject report; and

(E) authority be delegated to the Chief Executive Officer to finalise, execute and administer (including exercising options, if appropriate) the subscription, licencing, maintenance and support agreements with the relevant suppliers as listed in Confidential Attachment A to the subject report.

## Attachments

**Attachment A.** List of IT Licence, Subscription, Maintenance and Support Agreements Requesting Exemption from Tender (Confidential)

## Background

1. The City has a number of software applications, platforms and hardware appliances that are in daily use and are critical to the delivery of its services to the community. The agreements associated with these applications, platforms and appliances have been established with suppliers and will require renewal. The estimated total contract value with each supplier listed in Confidential Attachment A is anticipated to exceed $250,000 (including GST). The detailed reasons supporting each exemption from the tender request are outlined in Confidential Attachment A.

2. As part of its software asset management strategy, the City is continuing to identify software in use City-wide, confirming current use and contract periods to plan future contract requirements and terms, and also planning for replacements.

3. Software applications of this type have historically been licensed in perpetuity with additional annual support. However, technological advances have changed the licence model over time to an annual subscription model.

4. Maintenance and support are essential to ensure the availability and reliability of software by guaranteeing suppliers' availability to troubleshoot and rectify errors and / or to extend the lifecycle of an application or appliance through product enhancement. In many cases, retaining maintenance and support payments is integral to the licensing of the software.

5. A previous request for exemption from tender for a select range of IT applications and appliances was granted by the Council on 23 October 2023 for up to six years.

6. The IT applications, platforms and appliances that are the subject of this exemption request are due in the coming months and, in some cases, require Council approval as they are due to exceed the previously approved exemption amounts. This report also covers systems and applications whose expiry has lapsed or is imminent.

7. The relevant IT applications, platforms and appliances were each originally procured using the required procurement processes. The Technology and Digital Services (TDS) unit has consulted relevant business representatives and the procurement team in preparation for this bulk exemption from tender request.

8. Technology and Digital Services frequently examines the market through market scans and tendering related to project work to identify alternatives to ensure IT applications, platforms and appliances deliver the best value for the City, its residents and visitors.

9. Due to the essential nature of some IT applications, platforms or appliances, it is anticipated that there will be future reports to Council to approve other exemptions from tender, as required.

10. This report recommends approval of the exemption from tender for the provision of the maintenance, support, subscription and licencing of the software applications, platforms and hardware appliances upon the expiry of the current agreements for the respective extension period, along with the optional extension, if appropriate, as listed in Confidential Attachment A to the subject report.

## Performance Measurement

11. Operational and financial performance targets are monitored monthly, quarterly and annually through a combination of meetings, audits, inspections and reporting.

## Financial Implications

12. There are sufficient funds allocated for these subscriptions, licencing, maintenance and support agreements within the current year's operational budget and future years' forward estimates.

## Relevant Legislation

13. Local Government Act 1993 - Section 10A provides that a council may close to the public so much of its meeting as comprises the discussion of information that would, if disclosed, confer a commercial advantage on a person with whom the Council is conducting (or proposes to conduct) business.

14. Attachment A contains confidential commercial information of the suppliers which, if disclosed, would:

    (a) confer a commercial advantage on a person or company with whom Council is conducting (or proposes to conduct) business; and

    (b) prejudice the commercial position of the person or company who supplied it.

15. 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

16. The majority of the current subscription, licencing, maintenance and support agreements listed in Confidential Attachment A are due to expire on different dates within the next year (as further specified in Confidential Attachment A).

## Options

17. Other than retendering for these services, there are no other options available for this proposal. Maintenance and support not only extend the lifecycle of an application or appliance through product enhancements but, in many cases, are also integral to the licensing of the software.

## Public Consultation

18. No public consultation has been undertaken.

**SUSAN PETTIFER**

Director People, Performance and Technology

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# Item 9.

## Exemption from Tender and Contract Variation - Meals on Wheels Pre-Packed/Cooked Individual Chilled and Frozen Meals

**File No: S074367**

**Tender No: 1991**

## Summary

The City provides Meals on Wheels for eligible community members. This service assists people growing older and/or living with disability to live independently in their own homes and to remain active and connected within their communities. It also provides isolated clients with regular social contact, general welfare monitoring and nutritionally balanced meals.

The City's Meals on Wheels program currently sources pre-packed individual meals from a commercial food supplier, Master Catering Services Pty Ltd (ABN: 13 073 839 451).

The incumbent supplier was engaged following a competitive tender process approved by the Chief Executive Officer on 23 April 2020 following endorsement by the Tender Review Group on 22 April 2020, in accordance with the Register of Delegations from Council to the Chief Executive Officer. The initial term of this contract was for one year (18 May 2020 to 18 May 2021), with two optional extension periods of one year each (18 May 2022 and 18 May 2023 respectively). These two optional extension periods were exercised.

A resolution of Council (12 December 2022, Item 6.9) approved an exemption from tender to provide the City with time to research the market, develop strategies to align with the proposed Commonwealth Governments aged care reforms, and tender for a new contract. The extension was for a further 12-month period. The contract is due to expire on 18 May 2024.

The Commonwealth Government recently announced that the launch of the Support at Home program, which will replace the current Commonwealth Home Support Program, has been delayed until July 2027. The new program was to have been rolled out from July 2024. The delay in the launch of the new program and uncertainty about the future funding model means the City is unable to propose strategic operational changes at this time.

A Request for Information (RFI) was conducted in 2023 to inform the City about the current food supply market prior to the tender process. Twenty-six businesses were invited to be part of the RFI process, and ten submissions were received. The results of the process are detailed in Confidential Attachment A.

This report recommends that Council grant an exemption from tender and approve a contract variation for the provision of Meals on Wheels Pre-Packed/Cooked Individual Chilled and Frozen Meals.

Extending the current meal provision contract for a three-year period will allow the City to continue providing the existing service until 30 June 2027. It will also provide sufficient time for the Commonwealth Government to communicate its aged care reforms and for the City to research and develop any new operational strategies, and tender for a new contract period.

## Recommendation

It is resolved that:

(A) Council approve an exemption from tender in accordance with section 55(3)(i) of the Local Government Act 1993 for Meals on Wheels Pre-Packed/Cooked Individual Chilled and Frozen Meals to extend the term of the existing contract to 30 June 2027 (37 months and 13 days) with an optional further 12-month extension (30 June 2028);

(B) Council note that a satisfactory result would not be achieved by inviting tenders for this work because:

  (i) the Commonwealth Government's funding model announcement (expected July 2027) is likely to have significant changes in how grant funding is allocated (post July 2027;

  (ii) significant uncertainty will continue in the market until the funding model changes are implemented; and

  (iii) market testing has indicated a lack of suppliers capable of meeting the City's requirements;

(C) Council approve a contract variation for Meals on Wheels Pre-Packed/Cooked Individual Chilled and Frozen Meals to:

  (i) increase the contract value to accommodate an increased need to procure meals through the life of the contract, as shown in Confidential Attachment A to the subject report;

  (ii) extend the contract by a further three years one month and 13 days to 30 June 2027 to align with the Commonwealth Home Support Grant and enable a tender process to take place in line with any changes to funding provided by the Commonwealth;

  (iii) include a 12-month option (1 July 2027 to 30 June 2028) as a contingency should the Commonwealth’s aged care reforms be further delayed; and

  (iv) include a five per cent contingency on the extended contract value to allow the service to meet increased community need;

(D) Council note the total contract sum and contingency for Meals on Wheels Pre-Packed/Cooked Individual Chilled and Frozen Meals is outlined in Confidential Attachment A to the subject report; and

(E) authority be delegated to the Chief Executive Officer to negotiate, execute, administer the variation to the contract and enter into any necessary documentation with the current supplier to give effect to the resolutions above.

## Attachments

**Attachment A.** Financial Implications (Confidential)

## Background

1. The City provides Meals on Wheels for eligible community members. This service assists people growing older and/or living with a disability to live independently in their own homes and to remain active and connected within their communities. It also provides isolated clients with regular social contact, general welfare monitoring and nutritionally balanced meals.

2. The City's Meals on Wheels service is available to residents of the City of Sydney local area and parts of Sydney's inner west who are:

   (a) 65 years of age and over or 50 years of age and over if Aboriginal or Torres Strait Islander; and

   (b) approved for funding under the National Disability Insurance Scheme (NDIS).

3. In early 2020, the City was asked by the Commonwealth Department of Social Services (the Commonwealth) to expand our Meals on Wheels service area to include parts of the inner west, namely the suburbs of Balmain, Annandale, Leichhardt, Lilyfield, Rozelle and Tempe from 1 July 2020. This request followed the decision by Inner West Council to cease operating their Meals on Wheels service from 30 June 2020. The expansion of the City's service area was approved by Council on 18 May 2020.

4. The City receives funding from the Commonwealth to provide our Meals on Wheels service. In 2023/24, the total amount of funding to the City is $712,055.56. This comprises $200,221.79 for the suburbs of the inner west and $511,833.77 for the City of Sydney local government area.

5. Referrals for the City's Meals on Wheels service are made through the Commonwealth Government My Aged Care portal or via the National Disability Insurance Scheme (NDIS).

6. In addition to the delivery of meals, the Meals on Wheels service also provides ongoing welfare checks, along with referrals and social supports for those experiencing social isolation. The service supports people who need ongoing or short-term support. This includes people who are adapting to changed circumstances such as functional loss or who need to regain confidence and capacity to resume their usual activities.

7. The City's Meals on Wheels service provides a diverse menu of healthy and affordable meals and offer clients the choice of chilled, frozen and hot meals or a combination of both. While many other Meals on Wheels services have moved to frozen meals only, the City considers it important to continue to provide options to clients and sees this offering as a point of difference and a vital component of our service. Annual surveys conducted over a four-year period show Meals on Wheels clients reporting an average satisfaction rate of 97.25 per cent. The City's current food provider, Master Catering Services Pty Ltd, is the only provider to respond to the Request for Information that is capable of providing all of these options.

8. The current contract was approved by the Chief Executive Officer on 23 April 2020 following endorsement by the Tender Review Group on 22 April 2020, in accordance with the Register of Delegations from Council to the Chief Executive Officer. The initial term of this contract was for one year (18 May 2020 to 18 May 2021), with two optional extension periods of one year each (18 May 2022 and 18 May 2023 respectively). Both of these extension periods were exercised.

9. A resolution of Council (12 December 2022 Item 6.9) approved the exemption from tender in accordance with section 55(3)(i) of the Local Government Act 1993 for a further 12-month period (18 May 2023 to 18 May 2024 respectively). The contract is due to expire on 18 May 2024.

10. The purpose of the resolution was to provide the City with time to research the market and develop strategies to align with the proposed Commonwealth Government's aged care reforms, and to tender for a new contract.

11. Following the contract extension being approved, the Commonwealth Government has advised that a new model of Support at Home program for older people which was meant to be rolled out from July 2024 has now been delayed until July 2027. This program will replace the current Commonwealth Home Support Program (CHSP) and is likely to change the way services are funded in the future. These delays mean the City is unable to make any strategic operational changes or to undertake the required research at this time.

12. A Request for Information (RFI) conducted in 2023, was undertaken to better understand the current food supply market and validate going out to tender. Further information is provided in Confidential Attachment A.

13. Extending the current meal provision contract will allow the City to continue providing Meals on Wheels in its current form until 30 June 2027. It will also provide sufficient time for the Commonwealth Government to communicate its aged care reforms and for City to research and develop any new operational strategies, and to tender for a new contract period.

14. Once further information is received from the Commonwealth regarding changes to funding, Council will be advised of any implications for the City's Meals on Wheels service, or asked to make any required decisions associated with the changes.

15. The tender for a new supplier of meals will take into account any implications, changes to funding or decisions of Council.

### Financial Implications

16. There are sufficient funds allocated for this service to cover the costs associated with this contract in the current years' operating budget.

## Relevant Legislation

17. The exemption from tender process has been conducted in accordance with the Local Government Act 1993 and the Local Government (General) Regulation 2021.

18. Local Government Act 1993 - Section 10A provides that a council may close to the public so much of its meeting as comprises the discussion of information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business.

19. 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.

20. 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

21. As the current contract with the meals supplier ends on 18 May 2024, to ensure the City can continue the Meals on Wheels service it is critical that Council supports an exemption from tender at the March 2024 Council meeting. Not proceeding with the current contract would render the City unable to continue to provide Meals on Wheels to priority populations from 1 July 2024.

## Options

22. No other alternative viable options have been identified during the process.

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