



TRANSGRID REVENUE RESET ANALYSIS

NutBrook Disclaimer Review

14 September 2021



aptness



SEPTEMBER 2021 - PEER REVIEW UPDATE

PURPOSE

TransGrid engaged Aptness Pty Ltd to assist with a data analysis exercise of the “Nutbrook Reports’, Revenue Reset Capex Spreadsheet, that was developed by others with the purpose to identify items that could be delayed, brought forward or kept in the allocated Financial Year of 2024.

Aptness Pty Ltd had undertaken a review of the recommendations and have identified items that can be reasonably considered for delay where asset failure should not normally pose immediate risk to the building or occupants, or for bringing forward within the Revenue Reset financial year spending plans to reduce risk or provide benefits to TransGrid. Justification for each item recommendation is provided.

In July 2021 a peer review was undertaken as a “sense check” against known site history and portfolio wide issues based on the insights and experience of the TransGrid Corporate Services National Property Facilities Team.

Aptness workshopped with the TransGrid facilities team to identify items that could be deferred, or should be retained, based on knowledge of sites and ongoing maintenance issues/risks.

As a result of this review of the NutBrook Disclaimers, a need has been identified for increasing the budget allowance within the latest version (2.8) of the Capex spreadsheet so to include:

1. 34% increase applied to the prescribed component to Ultimo for non-floor items.
2. 35% increase applied to FY totals to allow for increased costs for works delivery being:
 - a. 12% BGIS management fee (in contract)
 - b. 8% labour
 - c. 15% mark-up

CONTEXT

A review was conducted by Aptness to consider the potential cost over and above the Nutbrook allowances that had many exclusions. BGIS and TransGrid provided their additional fees to deliver the CAPEX works that would need to be budgeted in the costings.

METHODOLOGY

STEP 1

Obtain fees/additional costs from BGIS and TransGrid to deliver CAPEX works.

STEP 2

Identify additional industry standard fees and costs associated with project works where not already allowed for by the NutBrook Report.

STEP 3

Determine reasonable additional cost percentage increase to apply to all works.

REVIEW FINDINGS

BGIS advised the following statement:

“I would recommend a 5 % year on year increase of the Nutbrook costs plus a 12 % BGIS Project Management Fee on top of project costs.”

Table 1.1 below contains Aptness responses to each NutBrook Disclaimer recently provided by TransGrid. The review was to determine considerations for additional costs on top of the baseline costs provided by the NutBrook report.

The findings based on known information, is that there are additional costs that need to be considered for budget allowances, being:

- 35% Builders margin
- 10% GST
- 12% BGIS management fees
- 18% Preliminaries
- 15% Mark-up
- 5% Year on Year increase as indicated by BGIS
- Design fees for larger/complex works

Table 1.1

NutBrook Disclaimer	Aptness Comments
Budget figures have been provided based on the information received and sighted at the time of the ‘nondestructive’ on site audit;	Nutbrook assessments conducted were visual inspections only so there is a risk of more issues being uncovered as further examination or breakdown of items are undertaken.
Excludes builders’ margin;	This mark-up allowance is to cover business operational costs and profit of the builder. A 30 to 35 percent mark-up is a common industry practice for general works.
Estimates exclude GST;	GST will be applicable for all building works.
Estimates exclude design and project management fees;	Aptness: BGIS have provided a response of 12% for management fees. Design fees, including and not limited to, specification, plans, technical drawings, feasibility studies, geographical assessment, engineering reports/assessments and the like, need to be considered for technical and major works such as large solar installations, lighting upgrades, bulk procurement exercises, and office fit-outs. Smaller individual repairs and simple like-for-like replacements generally do not incur design fees, however, may be required in some instances, particularly if the existing systems are found redundant.
We would recommend the client make provision for contractors’ preliminaries to be c.18%;	This is a reasonable allowance for site establishment costs, safety fences, traffic coordination, temporary facilities, statutory fees etc.
We would recommend the client make provision for the contractors’ mark up on product and materials to be 10%;	Aptness has experienced a general industry practice of 15% mark-up on material.
We would recommend the client make provision for 10% contingency.	This is a reasonable allowance for unforeseeable issues and minor expansions to scope of works.

RESULTS

As part of the review process, TransGrid requested Aptness to consider if a 35% increase to budget for all works would be achievable based on the findings and known information. The 35% increase is made up by:

- a. 12% BGIS management fee (in contract)
- b. 8% labour (TransGrid cost)
- c. 15% mark-up

Aptness can reasonably support the increase being limited to 35% based on opportunities within the TransGrid property portfolio to obtain the following efficiencies:

1. Buying power through the Property Facilities Management Service Provider (BGIS);
2. Combining similar natured works to develop "CAPEX Work Programs" for streamlined delivery;
3. Determining what works could cross over and absorb other items within list of works;
4. Procurement exercises of determine works programs and of large valued items;
5. Reduced expected outcomes, or results, by TransGrid so to first focus on safety, compliance and business continuity;
6. Potential reduced future use of facilities by divestments or by relocating and consolidating staff.

UPDATES

The following changes to the Capex spreadsheet version 2.8 as a result of internal review and further feedback being:

- Ultimo works costs, excluding floor levels, applied to TransGrid program and listed as 'Prescribed Portion'
- 35% delivery costs applied to FY24 to FY28 revenue reset period as per the recommendations in this report.

RECOMMENDED ACTIONS

OPEX expenditure is expected to be impacted year on year as works are delayed and asset condition worsens or fails. The OPEX expenditure should also be reviewed as part of the overall property portfolio strategic plans.

