

PLYMOUTH CITY COUNCIL

Subject: To Procure a Framework for Emergency Repairs and Statutory Compliance for Plymouth City Council Corporate Property

Committee: Cabinet

Date: 16th October 2012

Cabinet Member: Cllr Lowry

CMT Member: Adam Broome (Director for Corporate Services)

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Ref:

Key Decision: Yes

Part: I

Purpose of the report:

To procure a framework for the provision of emergency repairs and statutory compliance for Plymouth City Council Corporate Property (to be made available to Schools as required)

Corporate Plan 2012-2015:

The proposals in this Cabinet report will provide value for money for communities by risk managing a major area of Council expenditure, creating opportunities to make efficiencies and ensuring a safe and secure environment for customers and staff within Council property.

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land

- In 2011/12 the Council spent £3.3 million on repair and statutory compliance works (excluding schools).
 - In 2011/12 over 2000 maintenance and statutory compliance invoices were processed, this proposal will reduce invoice processing by up to 75%.
 - £150,000 annual savings are anticipated by utilising the economies of scale by packaging similar works into framework lots. Additionally, £20,000 will be saved from process savings through adopting the recommended option. There is potential for further savings to be made in the Transaction Centre which will be reviewed as a wider piece of work.
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Other Implications:

The proposal will:

- Improve the management of services and ensure the required levels of Health and Safety and Statutory Compliance within Council occupied buildings.
- Support the effective implementation of the Asset Management Plan objectives of reducing backlog maintenance.
- Support the mitigation of risk associated with high levels of expenditure of £3.3m per annum through improved supplier management.

- Improve data collation and management processes facilitating improved planned/reactive maintenance ratio's delivering better value for money.

Recommendations & Reasons for recommended action:

Cabinet is recommended to approve the procurement of a framework for emergency repairs and statutory compliance services, for a maximum term of four years, with a break clause at year three. The framework will be split into appropriate lots related to discipline: building repairs, mechanical repairs, electrical repairs, mechanical & electrical compliance works, security and fire services, water hygiene compliance, catering equipment and specialist services (lift maintenance). Maintenance and process costs will reduce by £170,000 per annum.

This provides the Council with a traditional approach to the market with lower risks to the organisation. As well as simplifying the existing procurement process, the proposal will maximise opportunities for Plymouth SME's. This will be achieved through reviewing contract requirements within the 'lots', ensuring that sub-contracting has to give appropriate consideration to local businesses. Prompt payment to, and performance indicators for use of, local suppliers and SMEs will also be within the contract documentation. Suppliers will be provided with the security of a contract for a three year term, so incentivised to invest in the service. Creation of local jobs and apprenticeships will form part of the evaluation process.

Alternative options considered and reasons for recommended action:

1. Do Nothing – Does not address the current inefficient procurement processes and management of repair and statutory compliance services. The Council will be exposed to fluctuations in the market and the risk of increased costs.
2. Outsourcing the repairs and maintenance service to a single supplier over a longer term contract (e.g. 10 years). For this to be effective the Council requires a much higher level of data around condition, trends, volumes and the strategic direction of its portfolio. This type of model would require an extended period of contract preparation, staff, Member and market consultaion. This option might provide financial efficiencies in the long term – but has been discounted due to the complexities involved and the exclusion of local SMEs through contracting with a single large supplier.
3. Shared Service Joint Venture with another Public Sector provider. As with option two, greater detail, preparation and consultation is required and, at this time, there is limited opportunity to pursue this option. Again, such an approach would require a single supplier hence would negatively impact on local businesses.

Background papers:

None

Sign off:

Fin	DJN 1213 .011	Leg	TH 0051	HR	xx	Corp Prop	CT 1213 .007	IT	xx	Strat Proc	JK/S PU/C P/292 /0812
Originating SMT Member: Malcolm Coe											
Have you consulted the Cabinet Member(s) named on the report? Yes											

1.0 Introduction

This report proposes that Plymouth City Council consolidates the procurement of goods and services for emergency repairs and statutory compliance servicing and maintenance of the Councils portfolio of buildings and estates, including low value capital and revenue funded refurbishment.

Building maintenance is a business critical service with statutory requirements. It is funded from the general revenue account, the spend for property maintenance in 2011/12 was £3.3m (excluding work with schools)

2.0 Current Position

There is significant fragmentation of spend in this area with over 200 suppliers currently used which limits the Councils ability to maximise its purchasing strength and creates inefficiencies in process including processing over 2,000 invoices per annum, representing about 3% of the total annual volume.

2.1 Reactive Maintenance.

As a temporary arrangement Corporate Property has now procured a number of call off contracts with local suppliers in 14 higher demand areas of maintenance such as roofing repairs, drainage, glazing, asbestos removal. These arrangements generally support jobs of below £500 in value, where costs are higher individual orders are procured in line with Council Standing orders. There are minimal financial risks for the supplier or incentive to complete the work in a timely manner. Supplier performance is monitored largely on trust and not through any consistent contract management procedure or process.

2.2 Statutory Maintenance and Compliance

This relates to regular periodic maintenance of Gas, Electrical, systems, Air Management and Water Storage systems, Lifts, Fire alarms etc. i.e. where the Council has a statutory duty to undertake maintenance as Landlord to ensure safe operation and performance.

The Council has 16 contracts in place with 13 suppliers; these contracts were awarded after competitive tender and expire in March 2013. Following the introduction of Corporate Landlord the Corporate Property Team are working through the asset register to identify gaps in maintenance, risks to health and safety, and impact on budgets.

3.0 Opportunities

The recent implementation of Corporate Landlord within the Council has helped address a lack of strategic direction in maintenance activities and has identified an opportunity to address the current fragmented approach to procuring services needed to maintain the estate. This will be achieved by:

- Providing a clear procurement strategy that will deliver an established property maintenance supply chain by April 2013
- Procuring a new suite of 'fit for purpose' contracts for repairs and maintenance
- Improving the management and level of planned maintenance

- Implementing an intelligent client regime of performance and contract management for reactive repairs
- 90% reduction in the number of suppliers (excluding major capital/grant funded projects). Taking advantage of the economies of scale should produce annual savings of £150,000 on spend on repairs and statutory compliance works
- 75% reduction, (1500), in invoice processing for reactive repairs and maintenance. This will produce a process saving of £20,000 in the corporate property and transaction centre areas.

4.0 Options

Five Options have been evaluated for the provision of emergency repairs and statutory compliance being:

4.1 Strategic Maintenance Framework

Procure a framework for a maximum term of four years, (with a break clause at year three), split into appropriate lots related to disciplines of: building repairs, mechanical repairs, electrical repairs, mechanical & electrical compliance works, security and fire services, water hygiene compliance, catering equipment and specialist services (lift maintenance).

This approach improves the Council's management of repairs whilst lowering the risk to the organisation. Opportunities for local SME's can be maximised through considering the sub-contracting arrangements within each 'lot' ensuring that quotes for work are sourced locally with adequate prompt payment clauses.

The option will provide opportunities for larger suppliers to bid for multiple contracts and provide security of contract for a three year term. This will incentivise suppliers to invest in, and improve the service.

This is the recommended option

4.2 Do Nothing;

This has been discounted as it will fail to address the current inefficient procurement processes and management of the Facilities Management, (FM), service. The Council will be exposed to fluctuations in the market and the risk of increased costs.

4.3 Strategic 'Hard' Facilities Management, (FM) Solution

This involves the outsourcing of repairs and maintenance services to a single provider in a term contract (typically a period of 10 years). Under this type of arrangement, the contracting agency defines an end outcome goal and the contractor decides how best to achieve the desired outcome for an annual fee.

This option has been discounted as it requires a significant lead in period regarding contract preparation, consultation and marketing. It also conflicts with the Council's strategic direction through not boosting the local supply chain as the contract would be let with a single large supplier with minimal opportunity to influence the contract to consider local SMEs.

4.4 Wider Strategic FM Solution

The Council has an opportunity to procure a single service provider to deliver a Total Facilities Management solution this would encompass all Hard and Soft FM services e.g. Reactive Repairs, Planned Maintenance, Statutory Maintenance, Utilities, Estate Management, Capital Maintenance Projects, Cleaning, Reception, Catering, Post and Courier, Help desk and potentially technical and administrative staff.

Similar to 4.3 but with a wider scope and therefore creates opportunities to deliver, savings and service quality improvements.

This option has been discounted as it requires a significant lead in period regarding contract preparation, consultation and marketing. Again, it restricts the engagement of local SMEs. In addition, having to align existing contract arrangements and processes across such a range of functions would require considerable investment.

4.5 Shared Service Joint Venture

The alternative to the open market is to consider a shared service model with another public or private sector partner via a Joint Venture agreement. This option could be delivered using the 'Teckal' exemption which permits public bodies to perform services for one another without open market competition and provides a quicker solution to transferring services if the option demonstrates Best Value. The commercial advantage of this approach can be delivered through lower overheads, performance management and investment in staff development.

Whereas strategically this is the preferred long term option, the Council first of all needs to consolidate its current arrangements across all of these spend areas, compile reliable trend data in terms of future likely spend, and position itself in the market alongside potential partners.

It is therefore recommended that the Procurement Framework (4.1) is the preferred option to drive efficiencies and boost local procurement in the short to medium term with a view to considering the market appetite and potential for Shared Services (4.5) after collating two years of robust management information

5.0 Conclusion and Recommendation

Cabinet is recommended to approve the procurement of a framework for emergency repairs and statutory compliance services, for a maximum term of four years, with a break clause at year three, split into appropriate lots related to discipline.

All other options either require a significant lead in period and / or do not maximise opportunities for local SME's through contracting with single suppliers.