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Meeting	Cabinet Resources Committee
Date	2 March 2011
<b>Subject</b>	<b>Extension of Term Maintenance Contracts</b>
Report of	Cabinet Member for Resources and Performance
Summary	To extend the existing Term Maintenance Contracts for building, mechanical, electrical, lifts and water hygiene beyond the contracted dates for a period of twelve months.

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Status (public or exempt)	Public
Wards affected	All
Enclosures	None
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

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## **1. RECOMMENDATIONS**

- 1.1 That the Council's Contract Procedure Rule 5.6.1.2 be waived as the initial contract had been extended before.**
- 1.2 That, subject to 1.1 above being agreed, the Commercial Services Director be authorised to extend the existing Term Maintenance Contracts with Kirkman and Jourdain Ltd., D Long Construction Ltd., Procure Building Services Ltd., Oakray Ltd., RGE Services Ltd., T&D Barrs Ltd., Clearwater Technology Ltd., and Industrial Lifts Services Ltd., to undertake both cyclical and responsive maintenance works throughout the Council's non-housing operational buildings for a period of twelve months from 1 April 2011 until 31 March 2012.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 On 2 November 2007, the Director of Environment and Transport approved a delegated powers report (DPR 395) which approved the establishment of a Planned Building Maintenance Contract for Cyclical and Responsive Works.

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 Due to the "One Barnet" programme and the present uncertainty, the exact scope and structure of future maintenance contracts is unknown and therefore it would be beneficial to continue with existing arrangements. It is also felt that tendering for a period of less than three years may not return the most economic solution.
- 3.2 The Corporate Plan 2010-2013 has as one of its priorities 'Better services with less money' with some of its key strategic objectives to 'explore new ways of bundling and commissioning services to generate better outcomes for less money' and to 'ensure that 100 percent of the 50 largest contracts, by spend, are under formal contract.'
- 3.3 Through the One Barnet programme the Council has pledged:
- More efficient and strategic use of property;
  - More effective use of property; and
  - More efficient and strategic use of public sector systems

This means having only those assets that the Council need to deliver the core functions agreed upon through the One Barnet programme and to maximise opportunities with partners to get the best effect from the public sector assets across the Borough. It also demands that the Council significantly improve the processes and systems through which the Council manage our estate, optimising resources in terms of service delivery and community benefit.

## **4. RISK MANAGEMENT ISSUES**

- 4.1 A risk assessment has been carried out and the main issues have been summarised in the following table:

Risk	Early Warning Mechanisms/ Hazards	Residual Risk		Consequences / Mitigating Actions
		Likelihood	Impact	
Failure to have a new Contract in place	Existing Contracts expire on 31 March 2011	High	High	Loss of essential servicing of mechanical & electrical plant necessary to meet legislative requirements, enable preventative maintenance and support service delivery/ it is proposed to extend the existing Contracts
Discovery of asbestos in concealed areas	Asbestos Surveys undertaken for all corporate buildings and reports kept at each site	Low	Medium	Delay and additional cost of removal if found / Asbestos survey reports have been passed to all Premises Managers.
Contractor liquidation/insolvency	Lack of performance. Essential maintenance work not undertaken	Low	High	Delay and additional costs/ Financial check prior to Contract award/ Regular monitoring of contracts and performance indicators.
Health & Safety – working in an operational building	Regular site inspection/construction sites	Low	Medium/ High	Injury/Experienced contractors, segregation of working areas
Contractors working with vulnerable people	All Contractors to be CRB checked	Low	Medium/ High	Delays whilst checks are being undertaken / All operatives should already be CRB checked as existing contracts are in place.

4.2 The various issues have been considered and it is essential that the cyclical maintenance on mechanical and electrical plant is undertaken in order to meet the Council's statutory obligations as failure to do so will give rise to significant levels of public concern.

## 5. EQUALITIES AND DIVERSITY ISSUES

5.1 The proposed works will enhance the Borough's reputation as a good place to live and work and will assist in ensuring that all Council buildings are legal and safe, meet current statutory obligations and are suitable for service delivery.

- 5.2 The successful Contractors have indicated in their Pre Qualification Questionnaires (PQQ's) submitted prior to entering into Contract to undertake cyclical maintenance works on behalf of the borough that they would support the Council in meeting its public obligations to promote race, equality and disability equality whilst undertaking work on behalf of the Council.
- 5.3 The Planned Building Maintenance Contract had been procured using the Council's procurement process which sets out to the contractors their responsibility in supporting the Council's service delivery.
- 5.4 As part of the tendering process, advertisements were placed in the Barnet local press inviting interest from local contractors. In general, the existing contractors have some form of training schemes running within their organisations.

**6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)**

- 6.1 The total planned and responsive maintenance works costs for 2009/10 was £2,048,064. This was made up of a number of disciplines and include building, mechanical, electrical, water treatment works and lift maintenance.

The annual expenditure for the five disciplines based on the last financial year was as follows:

Discipline	Total Annual Expenditure	No of Contracts
Building	£1,350,259	3
Mechanical	£275,833	2
Electrical	£223,007	2
Water Treatment	£177,873	1
Lifts	£21,092	1

The ongoing expenditure will be monitored via the Council's ordering system (SAP) and this forms the basis of one of the Council's key performance indicators.

- 6.2 The Council has carried out negotiations with all its existing Term Contractors with a view to retaining them for a further twelve month period. They were initially asked to consider extending present contractual arrangements without applying any annual uplifts in line with national indices (BCIS). They all agreed to this and confirmed the same in writing. Although the national indices have not been published, Contractors have agreed to provide future services to the Council at current prices which would effectively result in savings in the region of 6.6% (£135,172) based on the average of last years indices applied across all disciplines.
- 6.3 A further request was made to each of the Term Contractors who were asked to consider reducing their prices by a further 6.5% and in so doing would effectively result in a real term reduction of 10% i.e. 6.5% net of inflation. This has been accepted by all but one of the three Building Contractors (Procure Ltd) and they have confirmed the same in writing. Procure were only willing to accept a 2.5% discount. This would mean that the Council would receive future services from our Term Contractors at a lower price to that being paid for at present, effectively realising a further saving of £133,124 based on last years spend. The total savings that would be realised by the Council would be in the region of £268,296 and this demonstrates good value for money.

### **Table showing anticipated benefits to be achieved by the Council**

The anticipated savings shown in the table below are based on the total planned and responsive maintenance works costs for 2009/10 which was £2,048,064.

	Anticipated savings based on 2009/10 spend
Use of existing Contracts without applying annual BCIS uplifts	£135,172
Further negotiated discount (6.5% reduction on existing prices)	£133,124
Total	£268,296

- 6.4 The extension of the term contracts will result in the establishment of a robust and transparent method of selecting contracting services advocated in the Council's Procurement Strategy. The contracts will provide a call off facility for use by premises managers and will facilitate maintenance and repair in all Council non-housing operational buildings.
- 6.5 The Council will ensure that appropriate and timely building maintenance is implemented thereby ensuring that all buildings are operated safely, efficiently and more sustainably, reducing avoidable energy and water consumption and associated carbon emissions.
- 6.6 The total planned and responsive maintenance works costs will be contained within exiting Budgets in the Commercial Directorate budgets.
- 6.7 There are no staffing or IT implications.

## **7. LEGAL ISSUES**

- 7.1 The value of the contract extension will be less than half the cost of the existing contract without the extension in accordance with Contract Procedure Rules 5.6.1.3.
- 7.2 The criteria for waiver is justified because there are other circumstances which are genuinely exceptional in accordance with the Contract Procedure Rules 5.8.4 as detailed in 3.1 of this report.

## **8. CONSTITUTIONAL POWERS**

- 8.1 The Council's constitution in Part 3, Responsibility for Functions, paragraph 3.6 states the functions of the Cabinet Resources Committee including agreeing exceptions to standing orders.
- 8.2 The Council's Contract Procedure Rules in Paragraph 5.6.2 states the acceptance parameters for Contract Extensions.
- 8.3 The Council's Contract Procedure Rules in Paragraph 5.8 states that a waiver of the Contract Procedure Rules maybe agreed by the appropriate decision making body if they are satisfied after considering a written report by the appropriate officer that the waiver is justified.

## 9. BACKGROUND INFORMATION

- 9.1 The existing contracts were tendered in 2006 with contracts starting in April 2007. The contract was initially for a three year period with the option to extend for a further two years in twelve month increments at the Authority's sole discretion. The initial option to extend the contract for twelve months has been taken up and consequently the present contract expires on 31 March 2011. It is now proposed to extend the contract for a further and final twelve month period which will be a permitted extension in accordance with the original terms of the contract.
- 9.2 The contract covers a number of services operating within all of the Councils Corporate building stock and within those schools that sign up to the Councils Building Maintenance Service. The contract covers both cyclical and responsive maintenance works.
- 9.3 The contract awards were as follows:

Building works Borough wide	Kirkman & Jourdain Ltd. D Long Construction Ltd. Procure Building Services Ltd
Mechanical and Electrical services North of the Borough	Oakray Ltd.
Mechanical services South of the Borough	T&D Barrs Ltd.
Electrical services South of the Borough	RGE Services Ltd.
Water Hygiene Borough wide	Clearwater Technology Ltd.
Lifts Borough wide	Industrial Lift Services Ltd.

- 9.4 An existing competitive schedule of rates exists for all of the above works which will provide a saving on procurement costs together with any management and overhead costs associated with retendering, thereby providing the Council with good value for money.
- 9.5 In accordance with Contract Procedure Rules as noted in paragraph 9.1 above, there has already been a contract extension and therefore this matter must be referred to the relevant Cabinet Committee for authorisation as stated in paragraph 8.1 above.

## 10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Legal –PD  
CFO – MC