

Report for Resolution

Report to Cabinet
14 March 2012
Report of Director of Regeneration & Development
Subject Extension of contract for Corporate (non-housing) Repairs and Maintenance

Item
18

Purpose

To seek approval to extend the corporate (non-housing) property repairs and maintenance contract for a three year period.

Recommendations

To approve the:

1. the extension of the Corporate Repairs and Maintenance Contract for a period of three years commencing 1 April 2013; and
2. the commitment to spend an anticipated £3.3 million from the General Fund and Housing Revenue Account over the extended 3 year term of the contract.

Financial Consequences

The financial consequences of this report are extending a contract for the anticipated sum of £3.3m (£1.1m per year over the 3 year term) to be financed from existing budgets in the General Fund and Housing Revenue Account.

Risk Assessment

- 1) Risk of challenge from other suppliers.

The contract was tendered on the basis of a three year period with options to extend for two further periods of three years, as outlined in the original OJEU notice. There is no basis for suppliers to be able to challenge.

- 2) Risk of supplier failure

There is a risk that the appointed supplier could fail during the life of the contract. This is low risk as the Council is not investing in the supplier and so the risk is one of service continuity rather than financial, which is further mitigated by the fact that a part of the contract value is planned in nature.

Strategic Priority and Outcome/Service Priorities

The report helps to meet the strategic priority “Safe and healthy neighbourhoods – working in partnership with residents to create neighbourhoods where people feel secure, where the streets are clean and well maintained, where there is good quality housing and local amenities and where there are active local communities”.

Executive Member: Councillor Waters – Resources, performance and shared services

Ward: All

Contact Officers

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Background Documents

None

Report

Background

1. The council's existing contract for corporate repairs and maintenance is due to end on 31 March 2013. There is a provision within the contract to extend for two periods, each of three years. The decision of whether to extend for the first period needs to be taken shortly because of the time required to procure a new contractor if the decision were to be not to extend.
2. The contract includes the maintenance and repair of non-housing buildings such as City Hall, community centres, car parks, stewardship properties, parks buildings and the commercial portfolio. It also includes the maintenance of floodlighting, parks lighting, non-adopted street lighting and lighting in housing common areas. Over a three year period the value of the contract is approximately £3.3M.
3. The current contractor is Norse Commercial Services Ltd. They are performing well and are keen to improve service delivery and value for money. A joint lean systems project has been undertaken by one of the Norse directors and council officers with a view to review existing arrangements, improve the current approach to the delivery of the contract to increase value for money. A number of opportunities for improvement have been identified. Some of the opportunities require changes to the way the teams work. These are cultural changes that will take time to embed and it is probably not worth embarking on the change process if only a year is left before the contract ends.
4. If the decision is taken to extend the contract for three years, at this point in the contract duration, this would allow an initial period in which to make the changes and an extended period in which to reap the benefits.

Contract Performance

5. Technical performance is monitored closely on a monthly basis and is summarised below:
 - Norse has maintained a 98% success rate to date this year in completing responsive repair requests on time.
 - Completion times for servicing have a success rate of 97% with all gas servicing 100% on time.
 - All work inspections have passed for quality and health and safety.
 - Customer satisfaction results are good but the return of questionnaires is slow. Norse is committed to improving customer feedback by varying the way that feedback is sought and making it easier for customers to contact them.
 - There are few disputes over invoices or contractual issues. Those that do arise are resolved quickly.

6. Social and environmental performance is also monitored to ensure that the requirements of the contract are met:
 - Norse has provided all the required environmental information to contribute to our monitoring of NI185.
 - They adhere to the specification for sustainable materials.
 - They have maintained LGPS membership for eligible employees.
 - They employ apprentices on the contract and are keen to promote a partnership with the council to encourage young people not in employment, education or training into training positions within Norse.

Value for Money

7. Consideration should be given as to whether more competitive prices could be obtained by ending the contract and re-tendering. The current contract is based upon various schedules of rates. The responsive repairs element is the National Schedule of Rates. These are amended annually according to the appropriate building indices and so keep in line with current building costs. The council currently applies a decrease on the specified rate in the schedule and whilst a re-tender could result in a further decrease to current rates it could also result in an increase to current costs.
8. There is considerable staff time required to re-tender and then to establish a new working relationship assuming that the contractor changes and of course although the cost of the contract may decrease there is also a risk that performance may also decrease.
9. There are other costs associated with tendering that will be avoided if the contract is extended, including end of contract LGS revaluation.
10. The lean systems project has indicated that savings can be made by working differently and by adopting a new payment mechanism. More work is required before detailed recommendations can be made, however, there is potential to save staff time in contract administration and to reduce works costs by making changes to operational procedures. These efficiencies are likely to exceed any savings achieved by re-tendering without the loss in performance often suffered at the end of a contract and beginning of a new one.
11. Norse have demonstrated a willingness to work with the council to lower costs and improve performance, which is an important aspect when considering whether to extend the existing contract.

Finance

12. The General Fund budget makes provision for repairs and maintenance work included within this contract and it is expected that the cost of this contract will be within existing forecasts. There is a small proportion of the contract that is

funded from the Housing Revenue Account to cover area offices and estates shops and again it is expected that these costs will be within forecasts. The contract assumes a total expenditure by the council of £1.1m per annum for a three year period. This sum is with current budget allocations and it is reasonable to assume that it would also be included in future budgets.