

Wiltshire Council

Cabinet

24 May 2011

Subject: Award of Building Term Maintenance Contract

Cabinet member: Councillor John Noeken – Resources

Key Decision: No

Executive Summary

Existing arrangements for building maintenance have been in place since 2007, with a Term Maintenance Contract implemented by the then County Council. Four contractors were appointed under contracts to provide reactive maintenance and to undertake small scale planned maintenance works across the County. During the course of the last four years, these contracts have proven to be very successful and enabled a high level of service to be maintained across Council properties. These arrangements lasted for a period of four years, and hence have become due for replacement.

Procurement of new contracts for Building Term Maintenance Contracts has been conducted under the overarching governance of the Procurement and Commissioning Programme. An Opportunity Assessment has been completed ensuring that lessons are learned from the previous term contracts, and that opportunities are identified, captured and implemented to maximise the savings available through procuring at this time.

By comparing the current tenders with those submitted in 2007 it is determined that there will be a 12.7% saving on the rates available through the previous contracts. On the baseline revenue spend of £2.3m, savings in the order of £290,000 per annum are expected, which equates to £24,000 per month. These savings are being captured by the Procurement and Commissioning Programme, and a benefit tracking process is in place to confirm savings achieved match those expected.

Proposal

That the Corporate Director, Resources be given delegated authority to award the contracts for the Building Term Maintenance Contract as follows, following the satisfactory conclusion of the requisite “standstill” period (10 days)

- i) Steele Davis (Swindon) Ltd for the East, West and South geographical lots
- and
- ii) Wilkins Builders Ltd for the North geographical lot,

Reason for Proposal

To put in place means to maintain the Council's premises following the expiry of the existing contracts.

**Carlton Brand
Corporate Director, Resources**

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Purpose of Report

1. To seek approval for the appointment of two building term maintenance contractors and approval for a reserve choice if needed.

Background

2. The Council is responsible for maintaining over nine hundred premises throughout the County. They comprise many different types of building and need to be maintained in order for the Council to meet its statutory duties and to ensure Council services can continue to be delivered.
3. In order to provide reactive maintenance for emergency repairs and minor repairs, a Term Maintenance Contract is required with contractors who can respond to maintenance and emergency issues within an appropriate response time.
4. Existing arrangements for building maintenance have been in place since 2007, with a Term Maintenance Contract implemented by the then County Council. Four contractors were appointed under contracts to provide reactive maintenance and to undertake small scale planned maintenance works across the County. During the course of the last four years, these contracts have proven to be very successful and enabled a high level of service to be maintained across Council properties.
5. The transition to Wiltshire Council resulted in works to all buildings inherited by the new Council being undertaken through the existing County Council term maintenance contract. This enabled works to ex-District Councils to be undertaken through a formally procured arrangement, and ensured a consistent approach across the new Council's buildings.
6. The baseline spend through this contract is typically £3.9m per annum, of which approximately £2.3m is revenue and £1.6m is capital. This maintenance spend is most typically raised through a high volume of low value orders. Approximately 8000 works orders are raised annually, with works being prioritised by the response time required to deal the matter in hand.

Main Considerations for the Council

7. As a result of the ending of the existing contracts, a re-procurement exercise was carried out, and has been captured by the Procurement and Commissioning Board. An Opportunity Assessment has been completed which looked at the lessons learned from the previous four year term, and areas where cashable revenue savings were able to be identified, quantified and captured.
8. The contract was subsequently tendered through an OJEU (Official Journal of the European Union) compliant process. This process received 62 initial expressions of interest from which 8 contractors were shortlisted to tender formally.
9. The contract was offered in four geographical lots (North, West, East and South) to enable small and medium size businesses the opportunity to bid and to allow discounts to be offered for the award of multiple lots.
10. Tenders were evaluated on the basis of 70% price, 30% quality.
11. The most economically advantageous combination was:
 - iii) Three lots awarded to Steele Davis (Swindon) Ltd
 - iv) One lot awarded to Wilkins Builders of Calne.
12. Whilst the geographical base of contractors cannot legitimately be used as a means of selection of contractors and the proposed contractors have been evaluated on their technical, quality and financial merits, members may wish to note that the two contractors proposed to be appointed are based in Wiltshire, employing predominantly local labour and sub-contractors.
13. Both proposed contractors are currently on the Council's existing Term Maintenance Contract, and hence the award of contracts to these contractors removes any practical issues related to the transition of work from one group of contractors to another. There are also no significant TUPE staff transfer issues that result from this contract award.
14. The proposed contracts are due to commence on 1st July 2011, and whilst there is a legally required "Stand-still" period, during which unsuccessful contractors are notified and may challenge the evaluation. Once this period expires, and assuming no formal challenge is made, officers would propose implementing the new contract rates with immediate effect to maximise the benefits available from the more competitive contract.

Environmental and climate change considerations

15. Contractors are required to comply with regulations on Site Waste Management, and Environmental Performance, which commits them to recycling waste, minimising risk of environmental incidents such as oil tanks spillages and the like.

Equalities Impact of the Proposal

16. As criteria for short listing the procurement process tendering contractors were required to hold and implement an Equal Opportunities Policy.

Risk Assessment

17. The key risks associated with the contract award are listed below:
 - i) Challenge from unsuccessful bidders – there is a residual risk of a delay due to a challenge during the “standstill” period. A legal challenge, whether successful or not, would delay the awarding of the contract whilst it is investigated and responded to.
 - ii) Financial security of contractors – the current market place is considered to be extremely tough, and there is a risk that contractors may come under continuing pressure over the term of this contract. In the event of one contractor going into liquidation, the Council may either go to the next most competitive tenderer, or extend the number of lots undertaken by the other appointed contractor, thus mitigating the risk.
 - iii) Claims-based approach from contractors – with a greater level of pressure expected in the market over coming years, it is to be expected that contractors will take a stronger line in testing the boundaries of the existing contracts. This requires a stronger and more stringent approach to contract management within the Strategic Property Services group to ensure that the Council continues to obtain the right quality of service within the financial terms of the contract.

Financial Implications

18. The contract is priced on the basis of a number of adjustments to the National Schedule of Rates. This reflects the following topics, on which contractors have tendered percentage adjustment to the scheduled rates:
 - i) Overall competitive adjustment – to reflect the overall adjustment to reflect market conditions.
 - ii) Value banding adjustments – the contractor’s adjustment depending on priority response time for individual orders.
 - iii) Area adjustment – adjustment to reflect the geographical “lot” area.
 - iv) Multiple lot adjustment – to reflect the benefit available to the Council for awarding one contractor more than one geographical lot.
19. An Opportunity Assessment has been undertaken within the governance of the Procurement and Commissioning Programme which identified certain areas where savings could be made.
 - i) Geographical lots
The contract was divided into four geographical areas (north/south/east/west) so that local, small/medium business enterprises

could bid for one or two of the lots. However, larger providers may also be able to offer best value through economies of scale. It was considered not in to be the Council's interests to seek a single provider at this time and so a minimum of two and a maximum of three providers would be appointed which ever combination offered best value for the Council.

ii) Consolidated invoicing

The contract typically involves the issue of multiple low value orders each year (c.8,000). By seeking to consolidate the invoicing, savings will result within Property Services and more significantly within Shared Services. This topic is the subject of a separate workstream within the Procurement and Commissioning Programme.

iii) Prioritisation

The rates the contractor can charge are linked to the response time the Council requires. An emergency call requiring a response within two hours typically attracts a premium of 25% on standard rates. All orders will be defaulted to standard rates unless the work is urgent by way of health and safety or to avoid an unacceptable disruption to the provision of services to the public.

20. The nature of the contract is such that there is no defined scope of work, or overall contract value. Accordingly, in order to determine best value, tenders are evaluated by applying the contractors' tendered rates to a 'basket of work'. The basket gives a notional quantity and type of maintenance work undertaken by the Council as a means for comparison of prices received.
21. The tenders received have been analysed using this "basket of goods" approach, and the following summarises the results of the tender process.
22. By comparing the current tenders with those submitted in 2007 we can determine that there will be a 12.7% saving on the rates available through the existing contracts. On the baseline revenue spend of £2.3m, savings in the order of £290,000 per annum are expected, which equates to £24,000 per month. These savings are being captured by the Procurement and Commissioning Programme, and a benefit tracking process is in place to confirm savings achieved match those expected.
23. It should be noted that whilst paragraph 19 above identifies the cashable revenue savings achievable through these contracts, the contract is also available for use on small capital building projects. This expenditure could represent a further capital spend of up to £1.6m. The result would reduce the cost of these works by a similar amount. These cost savings are harder to capture, but will result in reduced capital expenditure on these capital works. However, for capital works the most efficient means of procurement must always be weighed up between using these term maintenance contracts and using a one-off competitively tendered approach.
24. It is worth noting that the extremely competitive nature of the property and construction markets has resulted in extremely beneficial rate adjustments. The national benchmark currently demonstrates a marginal increase in rates for building maintenance works over the period 2007-2011. The local market has

enabled far more competitive rates to be achieved, and hence it can be seen to be a good time to be procuring this type of contract. A consequence of this market picture is that contractors at all levels of the supply chain are under pressure, and hence careful management of these contracts is required to ensure that quality and service levels are maintained, and that their financial stability is kept under review.

Legal Implications

25. Legal Implications are included within the report

Conclusion

26. It is recommended that the Director of Resources be delegated authority to award the contract lots for the Building Term Maintenance Contract as follows, following the satisfactory conclusion of the requisite "standstill" period (10 days)
- iv) Steele Davis (Swindon) Ltd for the East, West and South geographical lots and
 - v) Wilkins Builders Ltd for the North geographical lot.

Carlton Brand Corporate Director – Resources

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Background Papers:

The following unpublished documents have been relied on in the preparation of this Report: None

Appendices

None