

Wiltshire Council

Cabinet

30 November 2021

Subject: Procurement of the Planned and Reactive Maintenance Contracts for Housing and General Fund Assets

**Cabinet member: Cllr Ian Blair-Pilling Cabinet Member for Leisure, Libraries, Governance, Facilities Management and Operational Assets.
Cllr Phil Alford Cabinet Member for Housing, Strategic Assets and Asset Transfer**

Key Decision: Key

Executive Summary

The council is required to procure the planned and reactive maintenance contracts required to operate and maintain the council's General Fund and Housing property estates. Current arrangements are coming to an end April 2023 and April 2022 thus there is a need to re-procure the services.

Currently most of these contracts are managed and delivered separately. The approximate annual values are:

- General Fund - £4.3m Revenue + £4.4m Capital
- Housing - £1.8m Revenue + £9.6m Capital

The new approach will, where appropriate combine activities across the two estates combining similar activities into single contracts whilst maintaining separation where there is no synergy or benefit.

The procurement activity will be split in two phases. The focus of phase one will be 'housing first' with contracts specific to Housing starting in July 2022. The contracts covering general fund assets and many of the joint contracts will follow in phase two to be procured during 2022 for an April 2023 start.

Proposal(s)

- 1. Note the proposed procurement strategy**
- 2. Delegate the award of successful tenders to the Cabinet Member for Housing, Strategic Assets, and Asset Transfer and the Cabinet Member for Leisure, Libraries, Governance, FM and Operational Assets**

Reason for Proposal

To use the termination of the existing contracts to implement a revised approach to deliver benefits across the Housing and General Fund property estates. The value of the contracts to be awarded require Cabinet approval thus the request for delegations.

**Terence Herbert
Chief Executive**

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Purpose of Report

- 1) To seek delegations to award the Planned and Reactive Maintenance Contracts that are subject to tender.

Relevance to the Council's Business Plan

- 2) The procurement of the maintenance contracts will ensure the council can continue to provide appropriate housing and deliver services from property that is safe and compliant.
- 3) The contracts are integral to the discharge of the council's health and safety obligations under the Health and Safety at Work Act (HSWA). This places an overarching legal duty on the council to keep its staff, its customers and those visiting its sites safe. The HSWA requires employers to take reasonably practical steps to ensure that any place of work is maintained in a condition that is safe and without risks to health.
- 4) The council is obliged to maintain its housing stock in accordance with the Home Standard as documented within the Government's Regulatory Standards. The contracts will support the maintenance of council housing stock and will facilitate an increase in maintenance activity undertaken by the directly employed housing repairs service.
- 5) The recommended procurement strategy will ensure the council is efficient and provides good value for money for Wiltshire residents.

Background

- 6) The council has a varied and diverse range of assets which need to be maintained. Excluding highway assets, it includes land and buildings in the following portfolios:

Housing:

- Council owned housing
- Extra care facilities and sheltered housing schemes
- Sewerage plants
- Land

General Fund:

- Operational estate – hubs, depots, leisure centres, schools
- Rural estate – farms and agricultural land
- Investment estate – commercial property and reversionary assets

- 7) The maintenance contracts cover a wide range of disciplines which broadly include:

- **Fabric** – maintenance and repairs of building structures
- **Mechanical & Electrical** – maintenance, servicing and compliance for heating, lighting, electrical, plant and other systems within buildings
- **Legionella** – management services include surveys, monitoring, lab services and treatment
- **Fire and Security Fire systems** – installation, maintenance, servicing and compliance
- **Asbestos** – management services, surveys and monitoring
- **Drainage** – pumping stations, sewerage treatment, interceptors and pumps
- **Technical services** – Specialist technical and professional services

- 8) Within each of these disciplines a range of activities are carried out by the council which include:

- **Planned Preventative Maintenance (PPM)** – statutory, legislative and best practice cyclical (yearly, monthly, weekly) works to maintain plant and machinery with associated remedial repairs.
- **Compliance Monitoring** – cyclical activity related specifically to Asbestos, Legionella and Fire Risk.
- **Reactive Repairs** – unforeseen works (leaks, breakages, failures) presenting themselves on a day-to-day basis.

- **Planned works** – larger improvement projects and work programmes, normally capital or grant funded e.g. refurbishments, low carbon/energy efficiency work.
- **Void management** - works required to put housing or commercial property back into circulation following a change of tenancy
- **Technical advice** – building surveys, dilapidations reports, structural and technical assessments.

Current approach to contracts

- 9) The General Fund has 5 core contracts covering the bulk of the maintenance activity, supported by a number of smaller, specific contracts for technologies or elements that are only present at a few sites or are unique to one building e.g. the County Hall bubble roof.
- 10) The existing core contracts commenced in April 2016 each running for a 5-year term ending in April 2021. Each contract lot has the option of a '+1 +1' extension and have already been extended for +1 year until April 2022.
- 11) Housing has 3 core contracts covering the bulk of the planned maintenance work, with larger projects being procured separately. These contracts commenced in April 2013 on a 5 +2 + 2 basis. They will terminate at the end of June 2022.
- 12) A large proportion of reactive repairs and voids work in Housing is undertaken by the in-house repairs service. This covers disciplines including carpentry, plumbing, and bricklaying. Plans to expand the in-house capability increasing the number of employees and the range of activities are being developed and the expansion will begin in 2022. The range of additional works delivered by the in-house team will include decorating, landscaping, drainage works.....
- 13) A framework of 5 contractors is in place to support the in-house repairs service during peaks in demand.
- 14) There is a periodic requirement to employ specialists to provide technical advice on various systems and buildings in both Housing and General fund property. This might include specialist M&E advice, structural surveying, dilapidations report or specification writing. Currently this is either procured ad-hoc or routed via the term maintenance contractors.

Future Approach to Contracts

- 15) The approach to the new contracts has been designed around the following principles and considerations:
 - **Joint Contracts** – the opportunity has been taken to unify contracts wherever possible to reflect the synergies between the maintenance activities undertaken on Housing and General Fund assets.

Conversely, separate contracts have been recommended where it is appropriate for them to focus on only one part of the asset base.

- **Management and Responsibility** – consideration has been given to the provider responsibilities v council responsibilities, and the degree to which the council provides design and technical input and expertise to the delivery of all types of work.
- **Flexibility** – the mix of contracts takes account of the expansion and/or contraction of the property portfolios as assets are built, demolished, sold or community asset transferred. It also takes account of the aspiration to deliver more activity through in-house resources.
- **Risk of Contractor Failure** – consideration has been given to the size and scope of individual contracts to ensure that they attract the appropriate-sized contracts and offer opportunities for local providers. This will also limit the council's exposure to the risks of contractor failure, ensuring no contract is "too big to fail".
- **Customer Satisfaction** – within the new Housing contracts customer satisfaction will become a key performance measure with future contract extension potential linked to that performance, which is aimed at improving customer satisfaction across all contracts.

Synergies Between General Fund and Housing

16) Under the current arrangements the General Fund and Housing contracts are managed separately. However, synergies exist between activities on both property estates. Unified contracts have been scoped for these activities to drive efficiency and economy.

17) There are key differences which merit the activity being kept separate. This separation is mainly confined to the fabric and M&E contracts, and reflects the standardisation/repetition of maintenance activity in Housing v's the diversity and complexity in the General Fund. Domestic gas boilers for example, are materially different to the plant and machinery found in a leisure centre or a hub building. There is merit in keeping these elements separate in order to maintain focus and reduce management costs.

18) The following activities have the most synergy across both of the councils asset base. In most cases, the volume of the activity is skewed towards one or other part of the asset base but over all the activity is broadly the same:

- Drainage
- Asbestos
- Legionella
- Fire Risk (FRA), Fire and Security systems
- Biomass and Renewables
- Lifts, CHP, Generators, High voltage, UPS and BMS systems
- Technical services
- Asbestos Removal

- Commercial Doors and Windows and communal doors
- Technical services (specialist advice and surveys)

19) The following activities have been identified to have the least amount of synergy and merit being kept separate.

- General Fund M&E
- Housing Heating and Electric
- General Fund Fabric
- Housing Fabric

Future Contract Mix

20) The approach will be to modify the existing contract mix to separate out some of the activity currently included in the larger lots and bring these under separate contracts. These activities include:

- Lifts
- Generators, High voltage, UPS
- BMS systems
- Fire prevention works (housing only)
- Housing fabric
 - Kitchens and bathrooms
 - Roofing
 - Disabled adaptations
 - Windows and doors
 - Accessibility adaptations
 - Internal and external wall insulation

21) These activities are discreet enough to be included in separate contracts which would be attractive to providers. Fire and Security activity in the general fund is already under separate contract while in housing, this is included as part of the wider electrical contract.

22) The proposed contract mix, coverage and estimated values are shown Appendix two.

Timescales

23) It is proposed to split the procurement activity over two phases. Contracts covering Housing expire in June 2022 and therefore must be procured in 2021/22. The contracts in the General Fund expire in March 2023.

24) The focus of phase one for 2021/22 will be 'housing first' for a July 2022 start. The contracts covering General Fund assets and the joint contracts will follow in phase two to be procured during 2022 for an April 2023 start.

Overview and Scrutiny Engagement

This report will be presented to the Financial Planning Task Group for their consideration and comment.

Safeguarding Implications

25) Successful contractors will be expected to comply with the council's safeguarding policies given that they will be undertaking works within all types of council assets including sheltered schemes, respite centres and schools.

Public Health Implications

26) There are no public health implications.

Corporate Procurement Implications

27) The procurement approach has been developed in conjunction with the Corporate Procurement Unit and has received full approval from the Council's Commercial Board.

Equalities Impact of the Proposal

28) There are no equalities impacts for this proposal.

Environmental and Climate Change Considerations

29) The Council's aim to be carbon neutral by 2030 has been considered as part of this procurement. The contractors will be integral to the delivery of works to reduce the council's carbon emissions through the implementing of energy saving works in buildings. The appointed contractors will deliver the requirements of the Housing Energy Efficiency Programme (HEEP), the Property Carbon Reduction Programme, and any future programmes designed to support the council's carbon neutral aspirations.

30) Flexibility exists within the contracts for the council to develop and procure specific programmes of work relating to energy efficiency if it is economically advantageous to do so, or if the activity requires specific technical specialisms that are not within the remit of the contract or the capability of the provider.

31) More broadly, there are no environmental implications above those for the current contracts. Successful suppliers will be expected to baseline their environmental footprint and improve environmental performance over the life of the contract.

Risk Assessment

The Council is required to procure these works due to expiration of existing contracts. The approach recommended is endorsed by the Council's commercial board and as such risk of challenge has been considered and mitigated.

Risks of non-engagement by the market will be managed by holding market engagement events and providing information and support to contractors so that they can take part in the process.

Financial Implications

- 32) The General Fund revenue budget for this activity is currently £4.3m based on the current size and make-up of the property estate. Current pressure on supply chains and turmoil in the energy markets mean it is a challenging time to expose the service to competition and the results cannot be forecast. The costs of keeping buildings open and safe is escalating, therefore cashable savings will not be directly attributable to this procurement exercise. The efficiencies expected from the unified contracts will serve to reduce budget pressure. The volume of work undertaken will be matched to the available budget, with reductions in the size of the estate being essential to manage the escalating costs and budget pressure.
- 33) The Housing Revenue Account (HRA) Business Plan has been developed based on annual revenue spend and capital maintenance requirements over a period of 30 years. Increases in the number of properties which will be delivered through the Council House Build Programme have been factored into the financial model as has inflation over that period. The efficiencies expected from the unified contracts, and the cost reductions from the expansion of the in-house provision, will strengthen the Business Plan and enable new work programmes to emerge within the HRA.
- 34) The total value of the contracts represents a key decision and therefore requires cabinet approval and are thus seeking delegations from the relevant cabinet members.

Workforce Implications

- 35) It is expected that TUPE will apply in some instances between the outgoing and incoming contractors. However, there are no direct workforce implications for the council over and above what is already budgeted for.

Options Considered

- Do nothing – this option was discounted; the contracts have to be procured and this needs to be done adopting the best procurement approach appropriate at this time.
- Re-procure existing contract mix – this option was discounted as it would not provide any of the benefits set out in this paper, nor take advantage of the opportunity to unify activities across the General Fund and Housing estates.
- Insource all works to be directly delivered – this option was discounted due to the scale, technical complexity, risk and organisational capacity of such an undertaking. Specific, targeted areas for in-house provision have been identified and will be added to the current in-house activities.
- Unify all contracts across both Housing and General Fund into a single contract and seek a single provider – industry evidence of catastrophic failures of large scale public service providers in this field have clearly demonstrated that this is not an option for the council. Over-reliance on a single provider creates unacceptable levels of financial, service and reputational risk.

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Background Papers

none

Appendices

Appendix One: Proposed contract mix

New Contract Name	Coverage	Phase One 21/22	Phase Two 22/23	Estimated annual revenue	Estimate annual capital	Estimated annual value
Drainage	SAM&FM + Housing			£535,000	£90,000	£625,000
Asbestos	SAM&FM + Housing			£236,000	£310,000	£546,000
Legionella	SAM&FM + Housing			£380,00	£50,000	£430,000
FRA and Fire Risk	SAM&FM + Housing			£20,000	N/A	£20,000
Fire and Security	SAM&FM + Housing			£410,000	£350,00	£760,000
CHP	SAM&FM + Housing			£10,000	£8,000	£18,000
Biomass and RE	SAM&FM + Housing			£140,000	£20,000	£160,000
Lifts	SAM&FM + Housing			£260,000	£30,000	£290,000
M and E	SAM&FM			£1.6m	£1.3m	£2.9m
General fund Fabric	SAM&FM			£1.6m	£2.4m	£4m
Generators, UPS and Power	SAM&FM + Housing			£12,000	6,000	£15,000
BMS and Controls	SAM&FM + Housing			£30,000	£5,000	£35,000
Housing Heating and hot water	Housing			£55,000	£3m	£3,055,000
Housing Electrical	Housing			£500,000	£3m	£3.5m
Kitchens and bathrooms	Housing			£100,000	£1,000,000	£1,100,000
Disabled Adaptations	Housing			£30,000	£400,000	£430,000
Flat and Traditional Roofing	Housing			£170,000	£630,000	£800,000
External PPM & Decorating	Housing			£50,000	£850,000	£900,000
Fire Prevention Works	Housing			£20,000	£200,000	£220,000
Internal, External and cavity Wall Insulation Systems	Housing			£80,000	£1,500,000	£1,580,000
Housing Doors and Windows	Housing			£140,000	£760,000	£900,000
Housing EPC	Housing			£80,000	-	£80,000
Technical Services	SAM&FM + Housing			£120,000	N/A	£120,000

