



**Haringey** Council

Agenda item:

**[No.]**

**Cabinet Procurement Committee**

**On 2<sup>nd</sup> September 2008**

Report Title: **Contract for a Managing Agent Role to Coordinate and Manage an Integrated Programme of Reactive and Planned Maintenance for the Operational Building Portfolio.**

Forward Plan reference number (if applicable): **V74/25**

Report of: **Dinesh Kotecha, Head of Corporate Property Services**

Wards(s) affected: **All**

Report for: **Key Decision**

**1. Purpose**

1.1 To seek Cabinet Procurement Committee approval to award the Managing Agent contract for a period of 4 years, with the option to extend by a further two 1-year periods.

**2. Introduction by Cabinet Member**

2.1 I concur with the recommendations of this report. I note however that Homes For Haringey did not put in a tender for the provision of this service. I also note the comments at Paragraph 7; care must be taken in ensuring that all HR-related matters are dealt with without delay and detriment to the service or employees.

**3. Recommendations**

3.1 That Members approval be granted to award the contract for a Managing Agent for a period of 4 years, with the option to extend by a further two 1-year periods. in accordance with Contract Standing Order (CSO) 11.03, to the contractor named in Appendix A1.

3.2 That the contract be awarded based on the pricing arrangements set out in Appendix A1.

Report Authorised by: **Julie Parker, Director of Corporate Resources**

Contact Officer: **Malcolm Greaves, Corporate Landlord Manager; Ext 2900**

#### **4. Chief Financial Officer Comments**

4.1 Corporate Finance have been consulted in the preparation of this report and can confirm that maintenance budgets of £1447K exist within Corporate Property Services to cover this expenditure.

#### **5. Head of Legal Services Comments**

5.1 This report is recommending the award of a services contract valued in excess of the current EU services threshold of £139,393. As such full EU procurement rules are applicable.

5.2 The contract has been tendered in accordance with EU procurement rules and Contract Standing Orders (CSO). An OJEU notice was issued and the contract was tendered using the restricted procedure. Legal Services have been involved in and consulted throughout the procurement process and are satisfied that it has been duly conducted.

5.3 The contractor indicated in Appendix A.1 has been recommended for award of the contract on the basis that it submitted the Most Economically Advantageous tender in accordance with CSO 11.01(b). Under CSO 11.01 an award may be made either on this basis or on the basis of the lowest price.

5.4 As the contract value exceeds £250,000 the proposed award must be approved by Members according to CSO 11.03 which says that the Cabinet must award all contracts over this value.

5.5 The award of this contract is a key decision and as such is required by CSO 11.04 to be included in the Council's Forward Plan. Corporate Property Services have confirmed that the contract details are included as item 25 in Forward Plan version 74 covering the period 15<sup>th</sup> July to 14<sup>th</sup> Nov. 2008.

5.6 The Head of Legal Services confirms that there are no legal reasons preventing members from approving the recommendations in paragraph 3 of this report.

#### **6. Head of Procurement Comments**

6.1 The Strategy to move to a single Managed Agent solution was presented and agreed with Members at the outset of this procurement exercise and subsequently, the tender was advertised in OJEU and in accordance with Council Standing Orders.

6.2 Corporate Procurement have been involved with and supported this project throughout its life-cycle and which has involved robust competition between bidders.

6.3 The Managing Agent model is best practice and it will result in improved service delivery.

6.4 Effective contract management will be in place in readiness for the contract start date; risk analysis as been undertaken and alternative arrangements identified that could be quickly deployed, should this single supplier contract falter for any reason.

6.5 The Head of Procurement is satisfied that recommendations put before Members in para 3 represents overall best value for money for the Council.

## **7. Homes for Haringey comments**

7.1 Homes for Haringey provide a service to the Council both as agent, managing external contractors, and as contractor employing direct labour.

7.2 In terms of awarding the contract to a Managing Agent, there are no TUPE implications for Homes for Haringey staff employed in administration of the Service Level Agreement.

7.3 There are two FTE Homes for Haringey staff employed as electricians who may have claims to TUPE rights when the Managing Agent procures a new planned maintenance contract on behalf of the Council.

7.4 While the value of turnover for each of the fourteen external contractors also employed to undertake planned maintenance, it is unlikely that more than one or two have any employees with a claim to TUPE rights; but the Council must satisfy itself as to the actual rights of such employees at that time.

7.5 All the existing Homes for Haringey planned maintenance contracts expire on 31 March 2009, but some can be extended if the Managing Agent is unable to procure new services in time provided that the individual contracts allow for this and the works are exclusively for the Council's non-housing stock.

## **8. Local Government (Access to Information) Act 1985**

### **8.1 Background Documentation:**

8.1.1 The following background paper was used in the preparation of this report: Cabinet Procurement Committee report on Reactive and Planned Maintenance approved on the 27<sup>th</sup> November 2007, entitled "**Reactive and Planned Maintenance Contracts for the Operational Building Portfolio managed by Corporate Property Services**".

### **8.2 Exempt Information:**

8.2.1 This report contains exempt information and non-exempt information. Exempt information is contained in Appendix A and is not for publication.

8.2.2 The exempt information is exempt under the following category (identified in the amended schedule 12A of the Local Government Act 1972: s. (3) Information relating to financial or business affairs of any particular person (including the authority holding that information).

## **9. Strategic Implications**

- 9.1 The purpose of the Managing Agent contract is to improve the way in which building maintenance services are planned, prioritised and delivered across the operational building portfolio.
- 9.2 The key objectives are:-
  - 9.2.1 Achieve an improved economy of scale with a 5% target cost saving in the first year over the current contractual arrangements.
  - 9.2.2 Improve the planned to reactive maintenance ratio to 70:30 in terms of spend (currently 50:50) to derive costs savings and building efficiencies.
  - 9.2.3 Deliver improved quality of service and levels of customer satisfaction by the implementation of an integrated contract.

## **10. Financial Implications**

- 10.1 There will be a saving from the procurement of the Managing Agent contract at 5% of the value of works completed in the first year. The contractor recommended in Appendix A1 has guaranteed this saving.
- 10.2 The Managing Agent will add value by optimising the procurement and delivery of planned maintenance contracts for a one off restructuring fee as indicated in Appendix A.
- 10.3 The Managing Agent will be paid a percentage management fee based on the value of planned, non-cyclical and condition survey works completed. This will be lower than the fees currently incurred as indicated in Appendix A.
- 10.4 The consolidated maintenance budget of £1447K is available within Corporate Property Services existing budgets for this contract. This is therefore the current maximum annual value of this contract.

## **11. Legal Implication**

### **11.1 TUPE**

- 11.1.1 Inspace Maintain Ltd has advised that up to six of their operatives could be affected by TUPE which has been accounted for in the tender bids.

### **11.2 Homes for Haringey**

- 11.2.1 Homes for Haringey have advised that none of their management or staff functions will be subject to TUPE for the Managing Agent contract including the reactive maintenance delivery. Six months formal notification to discontinue their services will be required (e.g. 1<sup>st</sup> October 2008 latest to

achieve 1<sup>st</sup> April 2009 transfer to the new Managing Agent in relation to the planned maintenance contracts).

11.2.2 After the award of contract to the Managing Agent and following the review of the planned maintenance term contracts, Homes for Haringey have advised that TUPE may apply to a small number of employees.

11.3 Other legal implications are as per the Head of Legal Services comments above.

## **12. Equalities Implications**

12.1 The Council's Equal Opportunities policies have been embedded into the tender specification and contractor's policies and procedures have been reviewed during the pre-qualification stages for compliance with Haringey's standards.

## **13. Consultation**

13.1 This report relates to previously agreed policy at which time full consultation took place with affected parties.

13.2 Discussions have been held with our incumbent suppliers Inspace Maintain Ltd and Homes for Haringey on the proposals and any TUPE implications which are detailed in section 12 above.

13.3 Both organisations were invited to tender. Inspace Maintain Ltd entered a tender bid but Homes for Haringey declined to bid.

## **14. Background**

14.1 Since the 2<sup>nd</sup> April 2007 the policy of Corporate Management of Property (CMP) has changed the way in which buildings are managed and operated. Directorates are no longer responsible for the Hard Facilities Management Services to their buildings. (I.e. building structure, mechanical and electrical services). A team within Corporate Property Services now facilitates the delivery of these aggregated reactive and planned maintenance programmes using term contracts.

14.2 The building portfolio which is currently managed under the CMP processes comprises operational buildings within:-

- Offices, Call Centres & Customer Services Centres
- Children's and Family
- Adult Social Services
- Recreation
- Adult Learning, Libraries & Culture
- Urban Environment Depots

Other areas such as Commercial buildings, Community Centres and Leisure Centres are scheduled to be included during this financial year.

- 14.3 Currently the reactive maintenance programme has been optimised through a measured term contract with Inspace Maintain Ltd which terminates in October 2008. (Delivery model shown in Appendix 1). This contract operates against a defined Service Level Agreement which is being used to deliver greater customer satisfaction, higher levels of performance and improved value for money. The contract is based on a National Schedule of Rates.
- 14.4 The planned maintenance programme is currently provided by Homes for Haringey (HfH) through a range of term contracts which terminate on the 31<sup>st</sup> March 2009 (delivery model shown in Appendix 1). The service is managed through several functional groups within HfH and delivered through a combination of direct labour and term contractors. It operates a much generalised SLA with a management fee being charged on the basis of the value of works delivered.
- 14.5 It is now proposed that the management of planned and reactive maintenance be combined into one single package co-ordinated through a Managing Agent (delivery model shown in Appendix 2). The contract would be for four years with the option of extension for a further two one year extensions. The contract would operate against a defined service level agreement with the fees based on the value of works delivered. The reactive maintenance contract would be mobilised immediately following the award of contract and the Managing Agent would own the supply chain. A detailed review of the planned maintenance works currently managed by Homes for Haringey would be carried out from October 2008 onwards with the objective of the new Managing Agent taking responsibility from 1<sup>st</sup> April 2009. This would allow time for the six months formal notification required for termination of Homes for Haringey's services. It would also provide time for the new Managing Agent to review, bundle and optimise the delivery processes and procure new contracts. Homes for Haringey would have the opportunity to tender for some of the new planned maintenance packages.
- 14.6 Consolidating the maintenance contract into one managed package will deliver improved economies of scale and provide an improved value for money service. It will also enable more preventative maintenance to be targeted, such that areas of reactive works can be reduced. Within the Corporate Property Services business plan a sum of £70k per annum (5% efficiency saving) has already been forecasted with a further £20k saving once the Community Buildings portfolio is integrated. The integrated maintenance contract will also deliver higher levels of efficiency and the ability to performance monitor against the agreed service levels.
- 14.7 The contract with the Managing Agent would be managed by Corporate Property Services, who will ensure that all performance criteria are met. Any under-performance issues will be immediately addressed by Corporate Property Services working in conjunction with Construction Procurement Group. In terms of managing the performance of the new managing agent contract, the following processes will be adopted:-

- 14.7.1 The clear and specific criteria outlined in the detailed tender documents will be used to ensure performance compliance.
- 14.7.2 The contract will have regular monthly performance meetings, at which all parties will attend and present KPI information.
- 14.7.3 Much improved performance information and evidence of improved efficiency is a key feature of the specification.

## **15. Sustainability**

- 15.1 Contractor's pre-qualification submissions required a response and evidence of their commitment to the sustainability agenda. The contractor named in Appendix A1 has demonstrated this throughout the evaluation process, including delivery methods, material selection, innovation and areas such as waste reduction and disposal.
- 15.2 Delivery of the reactive repairs service is proposed through the local supply chain of a national provider with a helpdesk based in Warrington and trades based within Haringey and adjoining Boroughs. There are further opportunities to encourage local suppliers for the planned maintenance packages.

## **16. Risks**

- 16.1 Recognising that there will be a heavy reliance on just one strategic partner, the procurement process has been very detailed and thorough to ensure that the selected bidder has sufficient capacity and capability to manage and deliver this contract.
- 16.2 If the contractor should under-perform to such an extent that contract termination is necessary; the Construction Procurement Group's framework agreements could provide short-term, interim continuity of service.

## **17. Tendering process**

- 17.1 This procurement opportunity has been advertised in accordance with Haringey standing orders and OJEU requirements. 46 expressions of interest were received. 13 companies returned the completed Pre-Qualification Questionnaires (PQQ's). Following formal review of the PQQ's, 9 companies were invited to tender for the contract. Three tenders were submitted
- 17.2 Tenders were evaluated using the criteria of 70% quality and 30% price assessment as detailed within Appendix A of the report. The quality evaluation included a written submission, formal interview and reference visits to bidder's clients.
- 17.3 Appendix A Exempt information of this report details the analysis of the three tenders and shows the cost bench marked against the current process of delivery. Please note there are no bench marks for Non Cyclical and Condition Surveys as they are currently commissioned on an as required basis through the standard Haringey procurement procedures.

## **18. Contract implementation**

- 18.1 If the recommendation is approved and the Managing Agent contract be awarded to the contractor named in Appendix A1, the reactive maintenance will be mobilised immediately to replace the incumbent supplier during October 2008 when their contract expires.
- 18.2 A detailed review of the planned maintenance works then commences from October 2008 onwards with the objective of achieving a mobilisation date of the 1<sup>st</sup> April 2009. This will ensure a seamless transfer and provide time to bundle and optimise the planned maintenance works to achieve the key objectives stated below.

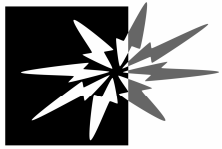
## **19. Conclusion**

- 19.1 Following the tender process and outcomes, as detailed in Appendix A, the project team is able to recommend a preferred bid and seeks the approval of Members to the award of the contract to the contractor named at the stated prices as set out in the tender adjudication report in Appendix A. As well as the highest quality this tenderer submitted the most competitive price.
- 19.2 It is recommended that the option detailed in Appendix A be approved, with the consequence that the planned maintenance contracts and management thereof by Homes for Haringey will cease from the 1<sup>st</sup> April 2009.

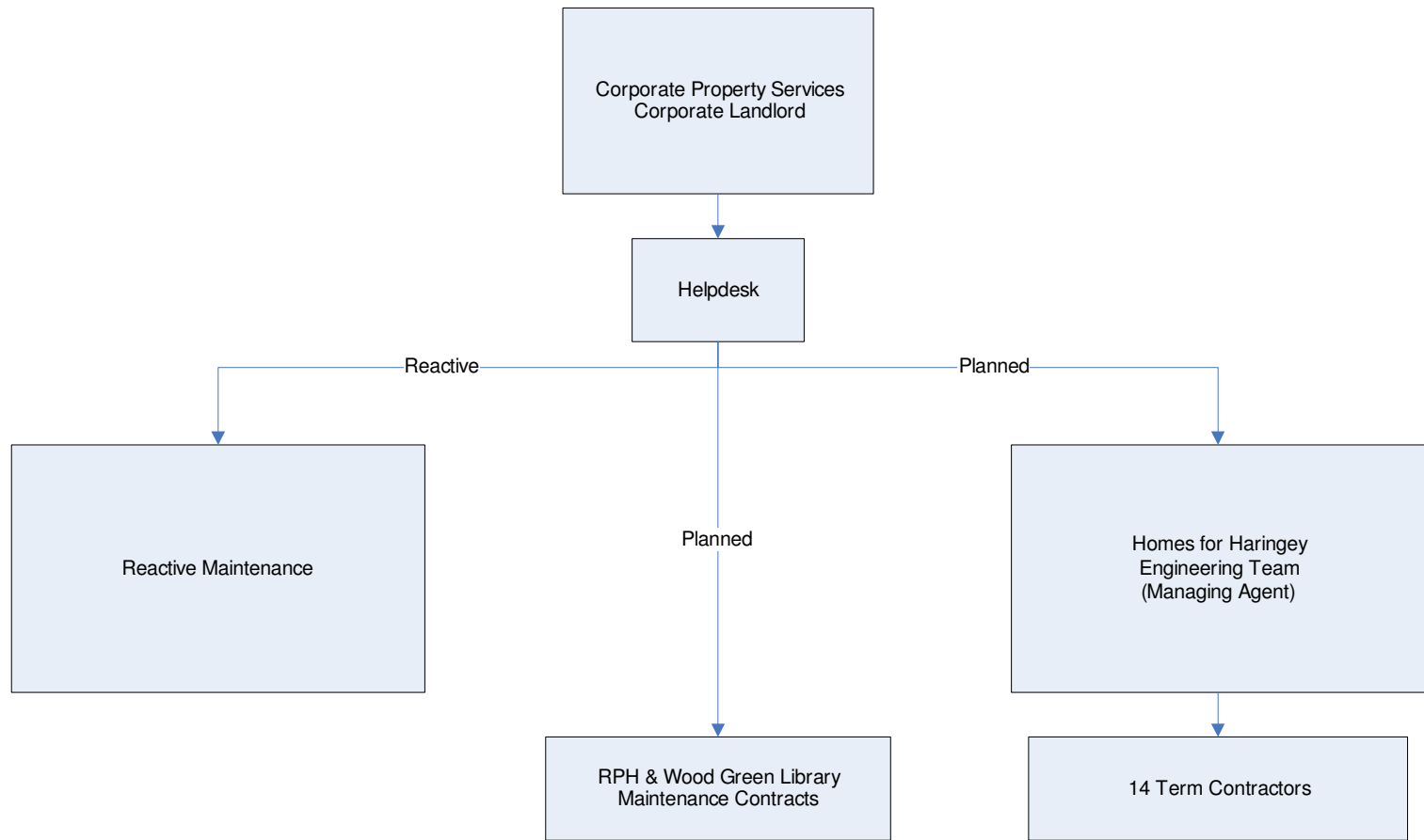
## **20. Appendices**

- 20.1 Appendix 1: Existing Model of Reactive & Planned Maintenance
- 20.2 Appendix 2; Proposed Model of Reactive & Planned Maintenance
- 20.3 Appendix A: Exempt Information





# Existing Model of Reactive & Planned Maintenance





# Proposed Model of Reactive & Planned Maintenance

Appendix 2

