

**PAPER NO. 8**

**REPORT TO THE EXECUTIVE MEETING OF 7 SEPTEMBER 2015**

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**Meeting:** Executive

**Date:** 7 September 2015

**Subject:** Mechanical & Electrical Management

**Report of:** Mark Perris

**Portfolio Holder:** Councillor Phillip King; Financial & Commercialisation

**Status:** Decision

**Relevant Ward(s):** All

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1. Purpose of the Report

- 1.1. To seek approval for the provision of a Mechanical & Electrical (M&E) Maintenance contract for all Council owned buildings, where the Council have responsibility for repairs.

2. Recommendations:

- 2.1. **That the Executive approves the award of a contract for M&E Maintenance to Contractor 1 identified through the recent tender process.**
- 2.2. **That the Executive delegates authority to the Corporate Director Resources, in consultation with the Portfolio Holder, Financial and Commercialisation together with the Head of Legal and Democratic Services to negotiate and finalise the contract, including minor variations based on finalisation of the Asset Register.**

3. Summary of Reasons for the Recommendations

- 3.1. To provide an effective M&E maintenance service is essential to the successful management and use of any building, ensuring the longevity of all plant and machinery and ensuring the Council complies with its statutory obligations.
- 3.2. The evaluation panel agreed that Contractor 1 should be offered preferred provider status on the basis of the tenders submitted.
- 3.3. Awarding a contract on the basis of the tender submitted by Contractor 1 offers the best option for future M&E maintenance services.

#### 4. Key Facts

- 4.1. Harborough District Council Executive resolved at its meeting on 30 September 2013 that authority be delegated, at that time, to the Head of Finance & Assets, in consultation with the portfolio holder, together with the Head of Legal and Democratic Services and the Section 151 Officer:
  - That the FM and other services and systems necessary to ensure the efficient and effective operation of the Council's refurbished headquarters, The Symington Building, are commissioned.
  - To negotiate and execute, or authorise the execution of all the necessary contractual arrangements in connection with the relevant services
- 4.2. Following the meeting of 30 September 2013, a contract was awarded to ISS to provide cleaning, caretaking, key holding and some lift and small mechanical and electrical maintenance services for existing systems, not replaced during the refurbishment contract, e.g. lightning protection.
- 4.3. Following completion of The Symington Building in December 2013, and to ensure management of warranties and resolution of defects within the construction contract, the Council procured M&E maintenance through firstly Willmott Dixon and then, direct to Derry Building Services, the contractor who installed the system.
- 4.4. The tender included all the M&E services currently provided by both Derry Building Services and ISS within this single contract to consolidate providers. As part of the proposals, the M&E services provided by ISS will be terminated and there are provisions for this within the existing contract.
- 4.5. Other buildings, much like the main office building prior to refurbishment, have not been maintained on a regular basis, with limited maintenance contracts and a long history of under investment.
- 4.6. An example of the effects of the lack of maintenance has resulted in some recent equipment replacement works undertaken, ahead of schedule, based on a normal lifespan of the equipment, including;
  - Replacement Boilers at Harborough Market programmed for 2015/16;
  - Chiller Repairs at Harborough Market programmed for 2015/16;
  - Welland Park Café replacement Boiler undertaken in 2015;
  - Doddridge Road Boiler replacement undertaken in 2015;
  - Water Boiler ventilation upgrade undertaken in 2015 (Boilers having been replaced in 2013) at Harborough Market;
  - Fuse board Upgrade at Homeless property undertaken in 2015; and
  - Water Heater replacement at The Settling Rooms undertaken in 2015.
- 4.5. As such, based on the historic issues and levels of replacements that have been required, the tender included all buildings where Harborough District

Council are responsible for repair. This ensures that the appropriate level of maintenance is undertaken and that the statutory compliance requirements are met, thus that the Council is able to demonstrate effective health & safety management. These buildings need to be maintained and serviced to enable the Council to meet its statutory duties and to ensure Council services can continue to be delivered.

4.6 In addition, following discussions with Oxford Innovations, it was agreed to include the Innovation Centre within the contract. This offered some benefits;

- provide certainty over levels of maintenance being undertaken to ensure that the property does not require substantial capital works at a future date ahead of the normal life cycle replacement, which are the responsibility of HDC and outside the scope of the management contract and profit share.
- provide a more attractive contract for potential bidders with a more substantial contract on offer.

4.7 There is a requirement to appoint M&E Servicing Contractors to undertake regular servicing and planned preventative maintenance of M&E installations within these buildings. The scope of requirements is:

- Servicing: To service and maintain Mechanical and Electrical (M&E) equipment in the Council's property portfolio.
- Repairs: To provide a call out service to attend to breakdowns of equipment and to undertake repairs.

A more detailed synopsis of the scope of the contract and the buildings included within the contract are outlined in Appendix A.

4.8 The M&E Servicing Procurement Methodology has been devised to meet the needs of the property portfolio and to deliver the following benefits:

- To reduce unit costs of M&E servicing contract activities;
- To reduce the contract administration burden on property personnel and thereby enable the small team of staff to manage the M&E servicing of the property portfolio more effectively than was previously the case;
- To provide all necessary evidence of statutory compliance and quality assurance through improved availability of servicing data, reports and test certificates;
- To manage commercial risk by balancing cost and quality considerations to ensure that critical M&E servicing is carried out to standards that achieve optimum safety, reliability and asset life, all at a fair price; and

- The single lot structure that is being implemented represents a major step change from the multiplicity of smaller contracts that have historically been in place. It provides a robust mechanism for securing savings and benefits.
- 4.9 This incremental approach enables Asset Management personnel to gain experience of working with a larger provider with a robust delivery model following a crucial period of transformation in the property estate. Experience gained in the operation of this contract will then enable a future procurement programme to build on the foundations and successes of the current programme, and may see further rationalisation of the supply chain in other maintenance areas.
- 4.10 The value of the contract required compliance with the full EU procurement procedures (the 'OJEU process') and a tender for the contract was advertised in accordance with these procedures in May 2015.
- 4.11 In addition, the Council utilised the constructionline service, a system where contractors are pre-checked removing burdensome administration, as this has already been undertaken.
- 4.12 The opportunity was advertised as follows;
- OJEU;
  - Contract Finder (in accordance with new procurement regulations);
  - Constructionline;
  - Source Leicestershire (in accordance with Constitution).
- 4.13 The tender was conducted using the Bip Delta e-tendering system and followed the process set out in the tender documentation. Weighting of the evaluation was:
- Technical: 40%
  - Price: 60%. Details of the pricing model are included as Appendix C.
- 4.14 Tenders were evaluated by a panel including an external technical consultant. Three tenders were received; all tenders were compliant and judged acceptable by the Evaluation Panel, and there was a unanimous consensus within the Panel.
- 4.15 A summary of the tender submission is included as Appendix D.
- 4.16 The Evaluation Panel therefore agreed that Contractor 1 should be awarded preferred provider status and the contract for M&E maintenance; the decision is subject to a statutory 'standstill' period of ten days. Award of the contract is subject to the Executive's approval, due diligence, and agreement of the final contract, following final verification of the Asset Register.
- 4.17 The initial contract term will be for a period of 5 years from November 2015. Contract period extensions of a maximum of 2 further years may be granted by the Council, subject to satisfactory performance by the contractors.

- 4.18 The length of contract has been chosen to give the maximum benefit from a longer contract amortising the initial lead-in costs over a longer period as the contractor becomes familiar with the buildings and specific installations.
- 4.19 The contract offers the flexibility to add or remove buildings during the course of the contract with explicit pricing to benefit from savings if properties are sold or let on full repairing terms.
- 4.20 The contract will include a number of key performance indicators including;
- statutory compliance (target 100%);
  - plant availability;
  - Planned Preventative Maintenance tasks complete (on time); and
  - timescales for reactive repairs.

## 5 Legal Issues

- 5.1 The Council would lay itself open to legal challenge if it failed to comply with EU procurement directives, UK law and its own constitution. These obligations require a degree of confidentiality whilst the tender process is current.
- 5.2 Award of the contract is subject to the Executive's approval; the option of deciding not to proceed is available. However, the decision regarding the choice of provider could not be overturned without exposing the Council to a serious risk of legal challenge.
- 5.3 In effect, the Council can either award a contract to Contractor 1 or award to no provider and seek an alternate approach.
- 5.4 The proposed form of contract is the JCT Standard Form of Measured Term Contract 2011 Edition.

## 6 Resource Issues

- 6.1 Appendix E gives details of the financial implications for the Council.
- 6.2 It should be noted that there will be additional expenditure, in addition, to the service contract figure for reactive maintenance for breakdowns, etc.

## 7 Equality Analysis Implications/Outcomes

- 7.1 None.

## 8 Risk Management Implications

- 8.1 Failure to identify suitable M and E management arrangements could jeopardise the future operation of the property portfolio, delivery of frontline services and compliance with statutory requirements.

8.2 Failure to ensure compliance with the Council's statutory and regulatory obligations would leave the Council at risk of legal challenge and would potentially have similar implications. The risks will be mitigated through an effective, efficient and compliant procurement process.

8.3 The contract model utilised allows flexibility in taking properties out of the contract if sold or let on full repairing terms, and the appropriate cost reduction.

## 9 Consultation

9.1 The options for M&E Maintenance have been discussed with Oxford Innovations in respect of the Innovation Centre.

## 10 Options

10.1 A summary of the various options available is included in Appendix B.

## 11 Background Papers

11.1 None.

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**Previous report(s): Executive - Commissioning of facilities management and associated requirements for The Symington Building; 30 September 2013**

**Information Issued Under Sensitive Issue Procedure: Yes (part)**

**Ward Members Notified: Yes**

### **Appendices:**

<b>Appendix A</b>		<b>M&amp;E Maintenance; Service Outline</b>
<b>Appendix B</b>	<b>exempt</b>	<b>M&amp;E Maintenance Options</b>
<b>Appendix C</b>		<b>Pricing Model (blank)</b>
<b>Appendix D</b>	<b>exempt</b>	<b>Tender Information</b>
<b>Appendix E</b>	<b>exempt</b>	<b>Financial Implications of Tender Acceptance</b>