



## SHEFFIELD CITY COUNCIL Cabinet Report

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**Report of:** Neil Dawson

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**Date:** 10<sup>th</sup> April 2013

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**Subject:** Corporate Buildings Statutory Servicing & Repairs  
Contract

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**Author of Report:** Jed Turner  
Telephone: 27 34066

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### **Summary:**

The current contract for repairs, servicing and maintenance for the corporate estate expires in March 2014. The current provider is Kier Sheffield LLP (the 'LLP').

In addition to the services currently delivered by Kier Sheffield LLP there is a range of additional contracts that provide statutory servicing and testing for the Council. In order to provide economies of scale and reduce contract management interfaces it is recommend that all of these disparate arrangements are packaged together and that the Council goes out to the open market to procure a single service provider to deliver the full range of statutory servicing and repairs for all council managed properties excluding social housing.

The purpose of this Cabinet report is to recommend that the statutory servicing and repairs contract for the corporate estate is procured in the open market to seek a contractor to deliver this service post 2014 for a duration of 2 years with an option to extend by up to 3 years.

A comprehensive options review was carried out to determine the most appropriate delivery model for this service. The outcome is to have in place a 'stand alone' contract as this model provides the best strategic fit for this service to meet key outcomes such as: future flexibility to respond to changing circumstances; ability to compliment the asset rationalisation programme and changing face of public sector providers; provide a single point of contact and provide a service focussed solely on the customer base and client for corporate buildings without the risk of dilution as a result of being combined with other services such as housing.

The contract will include an annual review mechanism supplemented by periodic benchmarking to provide an opportunity for service review and changes. The notional value of this contract will initially be approximately £4m to £5m per annum, but this may reduce in response to the on-going implementation of the asset rationalisation plan and the fact that schools spend is discretionary and not guaranteed.

### Indicative Budget Profile

Indicative Budget Profile 2014/15					
Service	P&FM Corporate	Current Schools Spending (not guaranteed and subject to school discretion)**	P&FM KAPS (this element of spend will transfer to P&FM)	School Kitchens	Totals
Statutory Servicing and Testing	£1,086,900		£377,900	£56,000	£1,520,800
Repairs and Maintenance	£1,072,800	£150,000	£1,036,700	£100,000	£ 2,359,500
Minor Works (capital)*	Up to £1,700,000*	£150,000	-	£200,000	£2,050,000
<b>Total</b>	<b>3,859,700</b>	<b>£300,000**</b>	<b>£1,414,600</b>	<b>£356,000</b>	<b>£5,930,300</b>

#### Table Notes

*\*The value of minor works is not guaranteed and is up to a maximum of £1.7m. Minor Works is not exclusive and will be subject to a Value for Money (VfM) check.*

*\*\*School spend is not guaranteed as it is subject to school discretion.*

*The contract will not include any volume guarantees.*

*The notional value of this contract could reduce by up to a maximum of 20% in value over the next five years in response to the asset rationalisation plan.*

The scope of the contract will include:

- Provision of a 24hr Service responding to emergencies to either make safe and secure or provide solutions to maintain service delivery;

- Completion of all Repairs & Maintenance to the Corporate Estate and support SCC in the delivery of a traded service to 3<sup>rd</sup> party organisations such as schools, trusts and community organisations;
- Delivery of Minor Works schemes up to the value of £100k (subject to VfM check and therefore non-exclusive);
- Undertaking of all Statutory Servicing and Risk Assessments to the Corporate and Civic Estate and supporting SCC in the delivery of a traded service to 3<sup>rd</sup> party organisations, such as schools, trust community organisations;
- School Kitchens;
- Responsive repairs for footpaths and un-adopted highways (non- HRA land and outside the scope of the Amey Contract).

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### **Reasons for Recommendations:**

The current contract for the corporate estate for repairs, servicing and maintenance expires in April 2014 and this service needs to be re-let on the open market to secure a new contract (in accordance with the Council's Contracts Standing Orders and European Union Procurement Rules). The tender process will be competitive and follow the principles of transparency and non-discrimination and delivering value for money.

In addition to the services currently delivered by Kier Sheffield LLP there is a range of additional contracts that provide statutory servicing and testing for the Council. In order to provide economies of scale and reduce contract management interfaces it is recommend that all of these disparate arrangements are packaged together and that the Council goes out to the open market to procure a single service provider to deliver the full range of statutory servicing and repairs for all council managed properties excluding social housing.

The Council needs to maximise value for money and deliver an excellent statutory servicing and repairs service in the context of increasing financial constraints and spending pressures and provide flexibility for the Council for future options.

This service will contribute to making council owned properties (excluding social housing) safe places in which to work and providing buildings that are safe for users and customers who use and have access to our buildings by ensuring that repairs, servicing and maintenance are carried out with due attention to customer care, health and safety and "right first time".

## **Recommendations:**

It is recommended that:

1. The procurement of a single contractor - by way of OJEU competitive tender via restricted procedure, to deliver the services that form part of the corporate statutory and repairs contract from April 1<sup>st</sup> 2014 to June 3<sup>rd</sup> 2016 with an option to extend by up to 3 years - be approved.
2. The proposed key attributes that will be contained in the proposed contract as set out in Section 7 of this report be approved.
3. That bidders need to comply with TUPE and with the Code of Practice on Workforce Matters in Local Authority Service Contracts. The transferee organisation (primary service provider) will be responsible for the observance of the Code by the new employer.
4. The contract provides the opportunity for Third Parties (for example School/Trusts/Public Sector bodies accessing the contract outside the 'traded service' provisions) to have a "Call Off" arrangement based on a 2% Procurement Contribution Fee. If Third Parties would like SCC to provide a contract management service this would be subject to further discussion via the 'traded service' provisions and an enhanced fee to reflect the additional support required.
5. Delegated powers are granted to the Director of Commercial Services or his nominated representative in conjunction with the Director of Capital and Major Projects and the Head of Transport and FM, to ensure delivery of the stated objectives, including if required varying the scope of this contract, (subject to being within approved budget limits), accept tenders and award a Contract for this Project.

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**Background Papers: NA**

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**Category of Report:** OPEN

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## Statutory and Council Policy Checklist

<b>Financial Implications</b>
YES Cleared by: Anna Peysner
<b>Legal Implications</b>
YES Cleared by: Lawrence Gould
<b>Equality of Opportunity Implications</b>
YES Cleared by: Phil Reid
<b>Tackling Health Inequalities Implications</b>
NO
<b>Human rights Implications</b>
NO:
<b>Environmental and Sustainability implications</b>
NO Cleared by Robert Almond
<b>Economic impact</b>
YES
<b>Community safety implications</b>
NO
<b>Human resources implications</b>
YES – cleared by Cheryl Blackett
<b>Property implications</b>
NO
<b>Area(s) affected</b>
All Community Assembly areas
<b>Relevant Cabinet Portfolio Leader</b>
Cabinet Member for Resources
<b>Relevant Scrutiny Committee if decision called in</b>
Safer and Stronger Communities
<b>Is the item a matter which is reserved for approval by the City Council?</b>
NO
<b>Press release</b>
YES

# CORPORATE BUILDINGS STATUTORY SERVICING AND REPAIRS CONTRACT

## 1.0 SUMMARY

- 1.1 The current contract for repairs, servicing and maintenance for council owned buildings, expires in March 2014. The current provider is Kier Sheffield LLP (the 'LLP').

In addition to the services currently delivered by Kier Sheffield LLP there is a range of additional contracts that provide statutory servicing and testing for the Council. In order to provide economies of scale and reduce contract management interfaces it is recommend that all of these disparate arrangements are packaged together and that the Council goes out to the open market to procure a single service provider to deliver the full range of statutory servicing and repairs for all council managed properties excluding social housing.

The purpose of this Cabinet report is therefore to recommend that a contract is procured in the open market to seek a contractor to deliver the entire statutory servicing and repairs for the corporate estate service post 2014 for duration of 2 years with an option to extend by up to 3 years.

A comprehensive options review was carried out to determine the most appropriate delivery model for this service. The outcome is to have in place a 'stand alone' contract as this model provides the best strategic fit for this service to meet key outcomes such as: future flexibility to respond to changing circumstances; ability to compliment the asset rationalisation programme and changing face of public sector providers; provide a single point of contact and provide a service focussed solely on the customer base and client for corporate buildings without the risk of dilution as a result of being combined with other services such as housing.

The contract will include an annual review mechanism supplemented by periodic benchmarking to provide an opportunity for service review and changes. The notional value of this contract will initially be approximately £4m to £5m per annum, but this may reduce in response to the on-going implementation of the asset rationalisation plan and the fact that schools spend is discretionary and not guaranteed.

Indicative Budget Profile 2014/15					
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\*\*School spend is not guaranteed as it is subject to school discretion

The contract will not include any volume guarantees.

The notional value of this contract could reduce by up to a maximum of 20% in value over the next five years in response to the asset rationalisation plan.

#### 1.2

- The scope of the contract will include :Provision of a 24hr Service responding to emergencies to either make safe and secure or provide solutions to maintain service delivery
- Completion of all Repairs & Maintenance to the Corporate and Civic Estate and supporting SCC in the delivery of a traded service to 3<sup>rd</sup> party organisations such as, schools, trusts and community organisations.
- Delivery of Minor Works schemes up to the value of £100k (subject to VfM check)
- Undertaking of all Statutory Servicing and Risk Assessments to the Corporate and Civic Estate and support SCC in the delivery of a traded service to 3<sup>rd</sup> party organisations such as. schools, trust community organisations:
  - Asbestos (Management Plans, Surveys, effective repair and Analytical)

- Air Conditioning Energy Assessments and F gas compliance
  - Air Conditioning & Air Handling Units Servicing and Repairs
  - Air Source Heat Pumps Servicing and Repairs
  - Ground Source Heat Pumps Servicing and Repairs
  - Automatic Door Servicing and Testing and Repairs
  - Combined Heat & Power Servicing
  - Fire Alarms and Emergency Lighting Testing and Servicing
  - Fire Risk Assessments & Risk Assessment Reviews
  - Fire Appliance Servicing and Replacement
  - Flue/Chimney Servicing and Testing
  - Gas Servicing and Testing (including all other plant servicing e.g. oil)
  - PAT/FAT Servicing and Testing
  - Hardwire Testing Electrical Testing (17th Edition)
  - Lift & Hoist Servicing and Testing
  - Legionella L8 Compliance (Risk Assessments, temperature monitoring, sterilization, purging, water analysis etc). Also includes Water Features (Filtration, chemical dosage)
  - Lightening Protection Servicing and Testing
  - Photo Voltaic & Solar Panel Servicing
  - Green Roof and Grey Water Servicing
  - Working at Height Servicing and Testing (man safe systems/ Latch Wires)
  - Fibre Optic lighting in Barkers Pool /Sheaf Square – Servicing and Repairs
  - Energy Systems – Servicing and Repairs to the TREND BMS
  - School Kitchens (Gas Servicing Testing, Consultancy, Mixer & Refrigeration Servicing, Electrical 17th Edition Hard Wire Testing, FAT and PAT Testing, Fans and Filtration Servicing & Cleaning)
  - Responsive repairs for lighting, footpaths and un-adopted highways (non- HRA land outside the scope of the Amey contract).
- Premise Related “Hard” Security Services: Servicing of Intruder Alarms, Fob Access Systems, CCTV Systems will be non-exclusive and subject to VfM business case in order to provide some future flexibility.
  - Generally, all capital construction and elemental works will be excluded from this contract and will be separately procured through open tender or regional frameworks as determined through procurement strategy reviews in order to



demonstrate on-going best value for the Council.

1.3 The Key Milestones are as follows:

<b>Activity</b>	<b>Date</b>
Cabinet Member Briefings	January/February 2013
Resources Change Board	January/February 2013
Project Board Report Approval	14 <sup>th</sup> February 2013
EMT Approval	5 <sup>th</sup> March 2013
CMT/EMT Approval	18 <sup>th</sup> March 2013
Cabinet Report Approval	10 <sup>th</sup> April 2013
Issue of OJEU notice	22 <sup>nd</sup> April 2013
Invitation to Tender	19 <sup>th</sup> June 2013
Identify Preferred Tenderer	3 <sup>rd</sup> October 2013
Contract Award	5 <sup>th</sup> December 2013
Start of new contract	1 <sup>st</sup> April 2014

1.4 The key outcomes that the Council expects to see from the new contract are:

- The improvement of the existing service (Section 6 provides details of opportunities for service improvements);
- The appointment of a single active contractor responsible for the delivery of all statutory servicing, compliance and repairs across the property portfolio (excluding housing);
- The provision of greater flexibility to respond to changing circumstances and a shrinking property portfolio as the asset rationalisation strategy progresses;
- The on-going provision of employment and training opportunities;
- The embedding of environmental considerations;
- Ensuring that client and constructor interfaces are lean and effective (all data and compliance information is electronically populated into the client's central asset management system);
- The transfer of the management of "Hard" Facilities Management (FM) services of the Council's Civic Buildings from KAPs to SCC's FM team in order to provide the efficiency benefits of a 'one stop shop' service.

## **2.0 WHAT DOES THIS MEAN FOR SHEFFIELD PEOPLE**

2.1 The Council currently owns approximately 960 buildings. The on-going Asset Rationalisation Programme will result in significant fewer buildings to maintain compared to present requirements enabling finite resources to be much better utilised.

2.2 Providing quality services in challenging economic circumstances remains a priority for the Council. Providing value for money is also a key priority as this will

help to ensure that our buildings are as safe as possible for the people that use and occupy them within the resources available.

The procurement of a single repairs and servicing contract will provide economic advantages through the simplification of contractual and management interfaces thereby reducing the associated delivery cost. This will enable limited resources to be utilised in the best possible manner to maintain facilities that are safe for the people of Sheffield to use.

### **3.0 OUTCOME AND SUSTAINABILITY**

3.1 The proposals in this report are aimed at maximising the quality of service for repairs, servicing and maintenance whilst at the same time:

- providing the lowest price on volume;
- reducing overall costs to SCC;
- complimenting the asset rationalisation programme;
- having an efficient ratio of responsive and planned service;
- providing a single central point of responsibility in terms of Premise related compliance.

3.2 The proposals in this report will also contribute to key corporate priorities such as employment and skills, environmental considerations and the utilisation of local supply chains.

### **4.0 BACKGROUND**

4.1 In 2003 Sheffield City Council (SCC) established an innovative limited liability partnership with the Kier Group called Kier Sheffield LLP (LLP). This is a form of Joint Venture and was established in order to demonstrate long term commitment from the City Council as well as provide a trading platform for Kier to expand the business. The Council has a 19.99% share in the LLP and one Board Member. The LLP has no time restriction on it and can be in place for as long as both parties see value in it.

The Construction and Building Services contract was awarded to the LLP in 2003 and expires in March 2014. This contract covers repairs and maintenance for all Council owned buildings. This includes social housing repairs and maintenance, corporate and civic buildings repairs and maintenance and all capital works across the Council's portfolio.

This focus of this procurement strategy and report is only in relation to the Councils corporate estate i.e. Council owned buildings other than social housing.

### **5.0 ALTERNATIVE OPTIONS CONSIDERED**

5.1 A number of options were identified and considered. These were:

- Varying the KAPS contract to allow KAPS to procure works. This was

considered as High Risk from a procurement challenge perspective as the original OJEU procurement did not include the “CPV codes” for statutory servicing, testing, repairs and maintenance. As such, competitors could make a claim against the Council for uncompetitive procurement which would present a risk of additional cost and delay to the Council.

- KAPS managing the function following SCC procurement of a two year contract. This was ruled out as it was considered that the market would not respond positively to being managed by another contractor (ie KAPS). There was also a risk that KAPS would not effectively manage the transformation from the current arrangements to where we need to be in 2016 and thereby leave SCC potentially in an exposed position.
- SCC procuring a maintenance contractor for both housing and the corporate portfolio but incorporate a break clause to split out the corporate works in 2016. ) This was ruled out due to the complexity of the discussions in relation to Housing and the future vision of P&FM requiring a ‘stand alone’ contract that is unfettered by a combined housing and corporate contract to provide enhanced focus on the maintenance of the corporate estate. This option also carried the risk that the corporate portfolio could become a ‘Cinderella’ service because of the size and scale of the housing operation and result in less client focus on this service and potential impact on performance and innovation. However, there may be some elements of the Housing contract (or in-house service), such as stand-by which P&FM could have the options of buying into if desired and appropriate.
- Early termination of the KAPS contract and allowing SCC to procure full Hard and Soft FM for corporate client portfolio in 2014. This was considered to be unachievable given the timescales and complexities involved at this stage.
- SCC procuring a single repairs and maintenance and statutory compliance and testing contractor for 2014-2016 with an extension provision for up to 3 years and to be directly managed by Property and FM) was the **preferred option** as this carried no risk of challenge, enabled P&FM to manage the contract direct, provided a clean break from social housing and provided future flexibility to be co-terminus with the existing KAPS contract.

### 5.3 The Preferred Option:

An Options Appraisal exercise was undertaken to assess all of the possible options in detail in order to identify a Preferred Option. Through this assessment, the preferred option identified was to have a separate procurement strategy for the non-housing contract for our civic and public buildings.

The Key reasons for this option are:

- A separate contract for non-housing allows for an opportunity to have in

place a contract that is more focussed on statutory servicing and compliance, opportunity to reduce interface arrangements with KAPS and SCC, provide future flexibility to be co-terminus with existing KAPS contract and respond to changing circumstances, best able to compliment the asset rationalisation programme and changing face of public sector providers, provide a single point of contact and a service focussed solely on the customer base and client for corporate buildings (and not be distracted by other services if this was combined with housing for example).

The benefits that this solution will deliver are as follows:

- Simpler management system for this type of work, enabling one “Service Partner Provider” for delivery of Facilities Management ;
- Clear concise data recorded and held with Technology Forge allowing SCC to manage/mitigate compliance risk and influence investment strategies/decisions;
- Clear reporting for internal and external bodies on statutory servicing and testing programmes;
- Service cost reductions through economies of scale in the compliance contract and by linking the services already provided on sites within “Soft FM” with some of those required within “Hard FM”;
- An integrated approach to FM delivery across all Corporate Properties through the “Intelligent Client “ model;
- Reduction in Health and Safety compliance risks by providing one standard system of delivery that is continually delivered and monitored to an agreed standard.

Risk:

It is recognised that in normal circumstances we would recommend a five year contract, but we have proposed a two year contract, with option to extend by a further three years, in order to align with the first break point of the KAPS contract (June 2016) in order to provides flexibility and offer options to review alternatives at this time. There is a risk that potentially a 2 year contract may not get quite as good price but this risk has been considered and the option to extend by a further three years does provide some certainty for the potential bidders.

## **6.0 OPPORTUNITIES FOR SERVICE IMPROVEMENT**

6.1 The tender provides the opportunity for potential service and infrastructure improvements that will be incorporated into this procurement strategy. These are:

- Having in place an Asset Management Plan for each building.
- Maximising FM arrangements with future Partner, both across the

portfolio and for each building.

- Reducing the number of interfaces so that we don't have a complex triangular relationship between KAPS, SCC and future partner.
- Maximising planned repairs and the only responsive repairs should be safeguarding statutory health and safety requirements.
- Minimise the client (SCC) input and resource into the management of the contract – lean client/active contractor model. Example – simplify payment, ordering, monitoring arrangements etc
- Ensuring that the SCC Intelligent Client Model is fully embedded into the procurement and the future contract management arrangements.

## 7.0 KEY ATTRIBUTES OF PROPOSED CONTRACT TO PUT TO THE MARKET

7.1 **Exclusivity and Annual Review Mechanism:** Under the new contract it can be expected that the successful provider will have exclusivity over Statutory Servicing & Testing and Repairs & Maintenance type works, although there will be no volume/turnover guarantee. Minor Works will be non-exclusive and be subject to a VfM test.

It is proposed that exclusivity will be “jointly” reviewed/ withdrawn subject to:

- Poor performance or contractual breach.
- VfM assessment, incorporating benchmarking data, TUPE/redundancy cost/implications, and additional procurement/ contract management costs.
- Annual Service Review.

There will be some limited opportunities for business cases to introduce future flexibility (these could include “green deal”, environmental/ estate works or services, and small capital schemes). These works shall be priced on an open book basis, with fixed tendered percentage addition of over-heads and profit. It shall be the Service Provider's responsibility to demonstrate Best Value to the Client. The acceptance of a business case should be at the discretion of SCC.

**Contract Length:** 2 year contract with an option to extend by up to 3 years (option to agree annual extensions or any combination of extension as long up to a maximum of three years). The contract will include an annual review mechanism to provide opportunity for service review and changes.

**Service Centre:** A central help-desk will be operated by P&FM within the hours of 8.00am – 5.00pm (Mon- Fri, excluding bank holidays) and any orders shall be placed on Technology Forge. The Service Provider will be responsible for operating a separate telephony system to accept and co-ordinate any emergency repairs outside these hours.

**Targeted employment and skills opportunities:** The contract will include employment and training outputs. An Employment and Skills Plan will be developed, setting out clear benchmarks for apprentices, work experience, graduate placements etc.

The general employment and skills benchmark is likely to be 1 apprentice per c. £1m spend approx, although there will be the opportunity to review this requirement subject to the risk of any significant future redundancy issues. Benchmarks in terms of work placements and skills/training are yet to be determined.

**Pricing Mechanism:** Payment will be via monthly consolidated applications for completed works (stage payment shall only be released for orders greater than £10,000 in value). For the purpose of the price framework there shall be the following work-streams & pricing proposals:

- **Standby/ Out of Hours** – Standard tendered out of hour's emergency 'call-out' charge that includes travelling to and from site plus responsive rate price plus tendered adjustment for out of hour's service.
- **Responsive Repairs** - A composite flat rate price for any repair carried out within normal working hours requiring less than 1 labour day to complete. This rate includes all costs, excluding plant and materials that will be invoiced at actual cost plus tendered % OH&P uplift. This mechanism will significantly simplify the specifying of materials pre-contract, enabling works to be specified to match existing.
- **Cyclical Maintenance** - This shall include all legislative testing, inspections and/or certification works where a tendered price per service/ inspection shall operate. This shall be payable on receipt of the required certification. There shall be no allowance within these rates for repairs, which will be priced in accordance with the responsive repair or minor works framework. Whilst it is acknowledged that some of these services will be undertaken by Specialist Sub – Contractor, the main service provider will be asked to price this work and bear any financial risk associated.
- **Minor/ Planned Works (Up to £100k):** This applies to any works that are not covered by the responsive flat rate or the servicing/ cyclical maintenance rates. The Constructor will be requested to provide an estimate based on an agreed number of hours multiplied by the relevant hourly rate and materials, plant & specialist "sub-contractors" being priced at supplier's quotes plus a tendered profit, preliminaries and indirect overhead percentage. At the client's discretion these works shall be subject to a value for money check that shall be assessed using the relevant BCIS database of rates with appropriate adjustments.

The Contractor will be required to provide costing information to the Council on an 'Open Book' arrangement so that the Council is able to analyse cost data and also how this compares to the fixed cost prices.

**Performance Price Mechanism:** A key requirement will be that all appointments and orders are completed on time. Where this is not the case there will be a series of financial penalties applied for each breach on a

ratcheting scale (i.e. the level of penalties applied depends on the lateness of the particular order).

A series of incentivized KPIs will also be used to monitor performance in relation to customer satisfaction, complaints, quality and provision of information whereby the Service Provider will suffer performance related deductions where they fail to meet an agreed target (based on the current performance benchmarks).

Deductions will be taken on a monthly basis with no allowance for seasonal variations, albeit that waivers will be applied in extenuating circumstances and those outside the Service Providers Control.

**Premium Arrangements – Goodwill, Annual Payments, Super Profit, Turnover guarantee etc:** It is proposed that all premium arrangements & “claw-back” provisions are excluded from this contract given the contract timescale and in order to ensure that the Council achieves the best value from the market.

**Inflationary Uplift Mechanism:** It is proposed that we have a fixed price for two years. Any extension option will be subject to contractor evidence of costs against BCIS.

The annual review will serve as a mechanism to review cost, prices, process and specifications in order to deliver on-going efficiencies. Part of this review will also include benchmarking and applications of the “value for money” model (whereby exclusivity may be withdrawn).

**Pensions:** We need to close off the current pension pot provisions and any other pension issues under the current contract. The new contract needs to be simpler and ensure compliance with the Statement of Principles of Good Employment Practice. Section 8.2 and 8.3 provides further detail on the Council’s approach to pensions.

**ICT:** Investment is required with regard to planning, programming and scheduling of works to meet the service improvement suggestions. The Client has procured and will manage the Technology Forge System that will be used as the central assets management system, and the service provider will be responsible for ensuring the system is populated with accurate status and completion data (including details or repairs undertaken & any relevant certification). The Client will provide “standards” for data input, to facilitate monitoring and progress reports to be provided by the contractor.

PDA’s (or similar) should be available to operatives and supervisors to assist in job planning, real time invoicing and reducing job processing costs.

**Specification Review:** The specification to provide for statutory compliance will be updated to reflect current best practice.

**Manor Lane:** Property & Facilities Management (P&FM) are to undertake further feasibility work for the various options for Manor Lane, including consultation with Planning. However, initial investigation suggests there may currently only be very limited options available. With this in mind it is likely that the site will be offered to the new service provider(s) at a fair rental value, although options to split the site will need to be explored.

Future use of Manor Lane will need to factor in the on-going use of the Construction Training Centre which is managed by the Children, Young People and Families Portfolio. The Training Centre is a fixed building which has ERDF funding, and there is a condition with the ERDF that the facility is available for 20 years. The last grant claim was March 2008. If we dispose of this asset before March 2028, we would need to inform DCLG and we could be subject to grant clawback if the facility is no longer available.

**TUPE/Residual Costs:** Bidders to include an allowance within their rates over the life of the contract.

**Contract Management Arrangements:** To operate within the Intelligent Client Model framework (i.e. Client required to undertake robust Technical Quality Assurance Role). The Quality Assurance Framework needs to reflect the SCC Intelligent Client Model with regard to client, contract management, and constructor responsibilities. A key aspect of the new contract is to define the requirements of what we would want from an active asset management partner; values, culture, roles and responsibilities.

**Evaluation Criteria:** Price 70%/ Quality 30%

## 8.0 FINANCIAL ASSUMPTIONS AND RISKS

8.1 There are some inherent transitional and general risks that can be summarized as follows:

- Restructuring and potential redundancies post TUPE transfer (Current LLP and Council Staff / Operative) as a result of the change from a Repairs and Maintenance (R&M) service to more emphasis being placed on H&S compliance/ testing, assets reduction, removal of duplication and simplified contract management arrangements. The impact of these changes is over a period of time and the City Council will continue to review client side arrangements to ensure maximum efficiency and optimum performance. The successful contractor will be expected to manage any restructuring/skills alignment and take this into account in their tender bids.
- Issues relating to the potential breakup of the LLP, including SCC potential liability of 19.9% of any losses after expiry of current C&BS contract and apportionment of support and indirect staff (finance, stores, HR etc). Kier LLP has to date (during the C&BS contract duration) managed and funded all redundancies itself but the current contract is silent in terms of an exit



strategy, which means there is a potential risk that if there is a redundancy scenario post April 2014 for LLP employees who are not eligible for a TUPE transfer SCC may be liable for 19.9% of the redundancy costs. The Council is engaging with Kier to try and mitigate as much as possible this risk and if there is a potential financial liability on the Council post April 2014 this would need to be managed at this time.

- Potential complex TUPE transfer from multiple organisations, possibly with differing T&Cs. This is likely to affect the cost of providing these services and the prices received. Risk considered low because TUPE unlikely to apply to most service and testing contract arrangements.
- Currently there is only limited data available in terms of a full assets & stock condition register, which would enable a robust procurement/ negotiation exercise to be currently carried out. Consequently this may lead to prices that include a risk allowance for the period March 2014 – June 2016. However, this period provides an opportunity to capture this data for a robust re-tender in 2016.
- When the LLP was awarded the C&BS Agreement, the LLP also entered into an Admissions Agreement with SYPF allowing those employees who TUPE transferred to the LLP to remain in the SYPF. As an “Admitted body” the LLP is obligated to pay to SYPF all contributions and payments as required by the pension fund regulations. On commencement of the C&BS Agreement the LLP assumed responsibility for the funding of the SYPF fund in relation to those employees transferring to the LLP. The LLP is responsible for ensuring that the SYPF fund is fully funded during the duration of the C&BS agreement. A final actuarial valuation will be prepared six months prior to termination, and the LLP is responsible for funding any deficit position. To achieve this, the LLP can call on the “Pension Pot”, failing that the deficit falls to the LLP and failing that to Kier Group.

8.2 In terms of Pensions the current provider (Kier) has a contractual commitment at the end of the C&BS contract to balance any pension liability. Therefore, this should not present a risk at the point of transfer.

8.3 Under TUPE Regulations, employees cannot insist that the existing SYPA arrangements are made available to them (The National Code of Practice on Workforce matters in public sector contracts has now been withdrawn).

However, under the Council’s “Transfer of Employees to other Employers – A Code of Good Practice” the Council will expect a new employer to take up Admitted Body status in the Local Government Pension Scheme. Where this is not possible the matter will be the subject of consultation with the Trade Unions within the established consultation processes. The new employer must demonstrate that the alternative pension scheme to be provided will be broadly comparable in all material respects. Where the new employer is not part of the LGPS the minimum acceptable provision will be a scheme certified as broadly comparable by the Government Actuary’s Department.

In respect of pension arrangements for new employees, the new employer will be required to provide the following:

- Membership of a good quality employer pension scheme; either a contracted-out, final salary based defined benefit scheme, or a defined contribution scheme which is broadly comparable to the LGPS in all material respects. The scheme must be certificated as broadly comparable to the LGPS by the Government Actuary's Department.

Where a subsequent transfer is envisaged by the transferee organisation to a new employer, the Council will impress upon the transferee organisation the need to comply with TUPE and with the Code of Practice on Workforce Matters in Local Authority Service Contracts. The transferee organisation (primary service provider) will be responsible for the observance of the Code by the new employer.

## **9.0 HUMAN RESOURCE IMPLICATIONS**

9.1 TUPE, potential redundancy liability issues and pensions are covered in paragraphs 8.1, 8.2, 8.3 above. The Council will impress upon the transferee organisation the need to comply with TUPE and with the Code of Practice on Workforce Matters in Local Authority Service Contracts. The transferee organisation (primary service provider) will be responsible for the observance of the Code by the new employer.

## **10.0 LEGAL IMPLICATIONS**

10.1 It is acknowledged that the Transfer of Undertakings (Protection of Employment) Regulations 2006 may apply and, if that is the case, staff employed under the existing contract would transfer over to the successful tenderer. Corporate policies and procedures in this respect will be followed as the project progresses.

10.2 Officers are mindful of the importance of putting into place appropriate arrangements to secure the desired outcomes, ensure compliance with all legal requirements and protect the Council's position.

10.3 The Council's Contracts Standing Orders, including the European Union Procurement Rules, will be adhered to throughout the procurement. The tender process will be competitive and follow the principles of transparency and non-discrimination, and facilitate the achievement of value for money.

10.4 The successful tenderer will be required to enter into a formal written contract with the Council which will provide for effective service delivery at levels which accord with the Council's requirements.

## **11.0 ENVIRONMENTAL & SUSTAINABILITY IMPLICATIONS**

11.1 This contract will be designed taking cognisance of Sheffield City Council's Sustainable Development Strategy and the following will incorporate the

following:

- a) The contract will be formulated to ensure that the successful Contractor complies with the current statutory requirements regarding Noise and Pollution Control, Site Waste Management, Environmental Protection and Landfill. All works will be undertaken to the latest workmanship standards using materials meeting the contract specification and therefore will take cognisance of all current legislation governing material production and their impact on the environment. All timber for the project must be obtained from a FSC certifiable source. The WRAP (Waste & Resources Action Programme) initiative will be incorporated into the contractual requirements in order to ensure waste is minimised and to ensure materials are used in a sustainable and efficient way.
- b) The procurement of this contract will be via the Official Journal of the European Union (OJEU) which will mean it is open to companies from all Member States to express interest in the opportunity. The nature of the works will require the successful bidder to establish a local site base and because it is a TUPE transfer (in the event that the current provider does not win the contract), this will give opportunities for the employment of local people.
- c) SCC's Employment and Skills requirements will be included into this contract. These will define the requirements of the successful contractor in relation to employment and skills.

## **12.0 EQUALITY OF OPPORTUNITY IMPLICATIONS**

- 12.1 An Equality Impact Assessment has been completed and is attached. It concludes that, for most groups, this project will have little or no impact.

No negative equality impacts have been identified.

## **13.0 REASONS FOR RECOMMENDATIONS**

- 13.1 The current contract for the corporate estate for repairs and maintenance expires in April 2014 and this service need to be re-let on the open market to secure a new contract in accordance with the Council's Contracts Standing Orders and the European Union Procurement Rules (which will be adhered to throughout the procurement). The tender process will be competitive and follow the principles of transparency and non-discrimination, and delivering value for money.
- 13.2 The Council needs to maximise value for money and deliver an excellent statutory servicing and repairs service in the context of increasing financial constraints and spending pressures, and provide flexibility for the Council for future options.
- 13.3 This service will ensure that SCC meet their responsibilities regarding statutory

obligations with respect to Health and Safety in and around buildings and ensuring that repairs and maintenance are carried out with due attention to customer care, health and safety and 'right first time'.

## **14.0 RECOMMENDATIONS**

It is recommended that:

- 14.1 The procurement of a single contractor - by way of OJEU competitive tender via restricted procedure, to deliver the services that form part of the corporate statutory and repairs contract from April 1<sup>st</sup> 2014 to June 3<sup>rd</sup> 2016 with an option to extend by up to 3 years - be approved.
- 14.2 The proposed key attributes that will be contained in the proposed contract as set out in Section 7 of this report be approved.
- 14.3 That bidders need to comply with TUPE and with the Code of Practice on Workforce Matters in Local Authority Service Contracts. The transferee organisation (primary service provider) will be responsible for the observance of the Code by the new employer.
- 14.4 The contract provides the opportunity for Third Parties (for example School/Trusts/Public Sector Bodies accessing the contract outside the "traded service" provisions) to have a "Call Off" arrangement based on a 2% Procurement Contribution Fee. If Third Parties would like SCC to provide a contract management service this would be subject to further discussion via the 'traded service' provision and an enhanced fee to reflect the additional support required.
- 14.5 To grant delegated powers to the Director of Commercial Services or his nominated representative in conjunction with the Director of Capital and Major Projects and the Head of Transport and FM, to ensure delivery of the stated objectives, including if required varying the scope of this contract, subject to being within approved budget limits, accept tenders and award a Contract for this Project.