

Property Services – Restructure and Related Contract Procurement

Portfolio: Councillor M Nazir - Regeneration

Related portfolios: ALL

Service: Property Services

Wards: ALL

Key decision: YES

Forward plan: NO

1 Summary

1.1 This report seeks approval for the transformation of the Property Services teams to meet the long term ambitions of The Council's Members, citizens, partners and customers to deliver:

- i. a strategic asset management function;
- ii. an efficient lifecycle function for; building repair, maintenance and contract management that fulfils the Council's statutory obligations through a single contract incorporating a service level agreement (the "Contract") with Solihull Metropolitan Borough Council ("SMBC") under which the Council will be able to place works and services orders through two framework agreements ("Framework Agreements") SMBC have set up to appoint two single supplier contractors (the "Contractors"); and
- iii. significant revenue cost efficiencies throughout and beyond the transformation programme and allowing members and Senior Management to focus budgets on frontline services.

1.2 In accordance with the Council's Contract Rules, a Cabinet resolution is required to award a contract where the anticipated value will exceed £500,000. It is expected that the value of the Contract which SMBC will deliver through the Framework Agreements with the Contractors will exceed this value.

2 Recommendations

Note: The decision will be made in the private session following consideration of the confidential information.

The recommendations are:

- 2.1 That Cabinet agrees to the Council entering into the Contract with Solihull Metropolitan Borough Council (SMBC) to host and manage building and mechanical and electrical repair services and works for the Council through the Framework Agreements with Graham's FM (John Graham Holdings Ltd) and Dodd Group (Midlands) Ltd, with the Contract to be tailored to meet the requirements of the Council for a period of three years, unless the arrangement is terminated within this time, with an anticipated annual spend of £5-10m.
- 2.2 That Cabinet delegate authority to the Executive Director for Regeneration to sign or authorise the sealing of the single Contract for the management and delivery of building related services and work orders.
- 2.4 That Cabinet approve the market testing of longer term procurement options for all Council building related services, including management of the commercial/retail investment estate.
- 2.4 That Cabinet acknowledge the restructure of the Council's Property Services team to deliver:
 - i. A strategic asset management team to advise on acquisitions, disposal and development opportunities;
 - ii. A programme & commissioning team to provide customer/client facing property advisory, support; and
 - iii. A contract and performance monitoring team to manage the lifecycle maintenance of the assets through the Contract with SMBC and other related supply chain contracts.

To achieve revenue savings of £1,150k per annum to contribute to the £85m savings need over the next four years. This includes £316k procurement savings arising from the Contract and £834k from the restructure of the Council's Property Services.

- 2.5 To note this will include the removal of the Head of Property Services post, subject to approval at Personnel Committee, in addition to the previous removal of the Assistant Director of Regeneration post for oversight of the Council's Property Services which is part of a continuing restructure of management posts within the Regeneration directorate.

3. Report detail

- 3.1 A Paper was submitted to 2nd July Cabinet (see Cabinet Report attached at Appendix 2) to open negotiations to join SMBC's Contract to provide building maintenance services and for the Executive Director for Regeneration to report back to Cabinet on the outcome of these negotiations.
- 3.2 For a number of years the Council's Property Services has relied on a variety of ad-hoc, termed and single tender contracts to meet the demands of their customers for capital projects, maintenance and repairs. As the portfolio has

reduced and buildings services have been outsourced, the retained team now needs to transform to support operational service areas in the commissioning of building services with the creation of a separate team to monitor the performance of the supply chain for quality and value.

- 3.3 The structures proposed within the attached paper fully reflect the need to change to meet the operational demands for each directorate and provide robust performance, cost and contract monitoring of the outsourced Property Services.
- 3.4 The Contract is an immediately available compliant route for service delivery, removing the current high level of procurement activity and cost from the building services and project management teams. The new Contract will enable the retained teams to refocus on customer service and project management.
- 3.5 The potential volume of savings identified by the Contract has been calculated at an average of 22%. This is anticipated to achieve in excess of £316k revenue savings in 2015/16 and beyond (against an already reduced budget). Clearly all savings are dependent on the size of the retained estate and severity of work required.
- 3.6 By transforming the retained Property Services team to become a customer focused, commissioning service with a focus on service outcomes, this will deliver a measurable improvement in performance and value for money. The resultant restructure will meet the required level of budget savings for 2015/16 and beyond.
- 3.7 A full range of options were explored to test the viability of each Property Services area, independently, collectively, as a shared service on outsourced models.

The retained teams are:

- i. **Strategic Asset Management** - to advise on acquisitions, disposal and development opportunities;
- ii. **Integrated Facilities Management** providing:
 - (a) **Programme & Commissioning**
to provide customer/client facing property advisory, support
 - (b) **Commercial Management**
to provide contract and performance monitoring;
 - (c) **Energy Management**; and
 - (d) **Soft FM services**

to provide cleaning, caretaking and curator services. These remain unaffected by this report and related business case.

4. Council Priorities

- 4.1 A key aim of this report is to rationalise the supply chain to reduce management time and drive down costs. The recommendations of this report meet the Council's aim to manage available resources responsibly for the benefit of our community and deliver best value.
- 4.2 Customers and Property Services staff will have much more transparency and be able to actively challenge through the Council specifications to demand the required levels of service. Council officers will be empowered to challenge the self certification process within the supply chain to demonstrate best value.
- 4.3 The initiatives identified within this report will contribute to the Council's ongoing budgetary requirements.
- 4.4 In September 2012 the Council adopted the Marmot Objectives as objectives for improving Health and Wellbeing and reducing inequalities for the people of Walsall. These objectives have provided the framework for the Joint Strategic Needs Assessment, the Health and Wellbeing Strategy, the Sustainable Communities Strategy, and "The Walsall Plan". The Contract will include key performance indicators to measure the Contractors' compliance with the Walsall Plan in particular the level of spend with local suppliers, appointment of staff and offer of apprenticeships to local citizens.

5. Risk Management

- 5.1 There are currently over 150 contracts/suppliers with open orders within Property for building services. With so many contractors there is a high risk that the Council is not achieving value for money due to the high level of administration, operational management costs and the fragmentation of purchasing power.
- 5.2 With the volume of small repetitive orders there is a high risk of disaggregation of work and a delay in responding to and meeting customer deadlines.
- 5.3 If agreement is not reached with SMBC for the Contract, Property Services may not be able to deliver the committed savings.

6. Financial implications

- 6.1 The savings from the Contract are directly linked to the volume of expenditure on reactive and planned maintenance. The annual budget for maintenance will reduce in direct relationship to the size of the retained estate. The

potential savings from this Contract have been established from the 2013/14 expenditure and these indicate an average saving of 22% which, if applied to the current estate will save in excess of £315k in 2015/16.

- 6.2 During the mobilisation of this Contract, expected to be January – March 2015, the Property Services team will be restructured to meet the commissioning and contract monitoring requirement sought from this Contract.

The savings identified from this restructure have been set out in the attached report and savings matrix, but will total £834k in 2015/16.

7. Legal Implications

- 7.1 All contractual arrangements must comply with the Public Contracts Regulations 2006 (as amended) and the Council's Contract Rules.
- 7.2 Once the approval being sought under this report is given, Legal Services will provide Property Services with comments about the principal terms of the proposed Contract in conjunction with the Framework Agreements and negotiate a Contract which is fit for the Council's needs.
- 7.3 By entering into the Contract, the Council would be able to place building services and mechanical and electrical repair works orders through established Frameworks Agreements which are OJEU compliant.

8. Property Implications

There are no direct asset implications as a result of this business case. However the implementation of recommendations from this report may impact on future property demands.

9. Health and Wellbeing Implications

None identified and or anticipated

10. Staffing Implications

- 10.1 The Contract will radically change the procurement, commissioning and contract management processes with the current Facilities Management and Design and Project Management teams. By joining this Contract there is the opportunity to radically change the operational management of these teams and by association the whole structure of the Property Services Division. The full implications of this restructure will be set out in the Property Services Restructure Business Case to be presented at JNCC on 4th November and for staff consultation thereafter.

11. Equality implications

The commissioning and procurement provided by Solihull MBC meets the requirements of the Equality Act and will include contract conditions which:

- Prohibit the contractor from unlawfully discriminating under the Equality Act
- Require them to take all reasonable steps to ensure that staff, suppliers and subcontractors meet their obligations under the Equality Act.

The SMBC Business Charter for Social Responsibility template is attached at **Appendix 1**.

12. Consultation

12.1 Consultation has been carried out with all Directorates, Executive Team and key customers. It is widely acknowledged there needs to be a significant improvement in the way building service contracts are procured and assets managed.

12.2 Full consultation with Unions all Council staff impacted will be carried out following approval of this report. Consultation will commence w/c 4th November 2014.

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Simon Neilson
Executive Director
29th October 2014



Councillor Mohammad Nazir
Portfolio Holder
29th October 2014

Background Papers

**SMBC Business Charter for Social Responsibility
template
Cabinet Paper 2nd July
Walsall Plan**

**Appendix 1
Appendix 2
Appendix 3**