
Decision Maker:	PORTFOLIO HOLDER FOR RESOURCES, COMMISSIONING & CONTRACT MANAGEMENT		
Date:	with pre-decision scrutiny from the Executive, Resources and Contracts PDS on 3 July 2023		
Decision Type:	Non-Urgent	Non-Executive	Key
Title:	CONTRACT EXTENSION: MECHANICAL & ELECTRICAL REACTIVE REPAIRS AND MAINTENANCE		
Contact Officer:	Keith Poles Head of Facilities Management 0208 313 4771 E-mail: Keith.Poles@bromley.gov.uk		
Chief Officer:	Director of Housing, Planning, Property and Regeneration		
Ward:	All		

1. REASON FOR REPORT

- 1.1 The current contract for Mechanical and Electrical Reactive Repairs and Maintenance commenced in October 2021 and expires on 30 September 2023. The contract has a formal extension option of up to two years and authorisation to apply an extension of up to one year is requested. The estimated value of the proposed extension is £195k.
- 1.2 The report also sets out the broader procurement strategy for Facilities Management.

2. RECOMMENDATION(S)

- 2.1 The Executive, Resources and Contract Policy Development and Scrutiny Committee is asked to note and comment on the report.
- 2.2 The Portfolio Holder for Resources, Commissioning and Contract Management is recommended to approve a one year extension to the Mechanical & Electrical Reactive Repairs contract held with B&M McHugh at an estimated value of £195k (revised whole life value of £585k).

Impact on Vulnerable Adults and Children

1. Summary of Impact: N/A
-

Transformation Policy

1. Policy Status: Existing Policy
 2. Making Bromley Even Better Priority:
(5) To manage our resources well, providing value for money, and efficient and effective services for Bromley's residents.
-

Financial

1. Cost of proposal: Estimated Cost: £195k
 2. Ongoing costs: £195k p.a
 3. Budget head/performance centre: Building Maintenance
 4. Total current budget for this head: £3.38m
 5. Source of funding: General Fund Budget 2023/24
-

Personnel

1. Number of staff (current and additional): N/A
 2. If from existing staff resources, number of staff hours: N/A
-

Legal

1. Legal Requirement: Statutory Requirement:
 2. Call-in: Applicable:
-

Procurement

1. Summary of Procurement Implications: Detailed in report
-

Property

1. Summary of Property Implications: N/A
-

Carbon Reduction and Social Value

1. Summary of Carbon Reduction/Sustainability Implications: N/A
-

Customer Impact

1. Estimated number of users or customers (current and projected): N/A
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments:

3. COMMENTARY

Background

- 3.1 Pre-insourcing of the Amey Total Facilities Management (TFM) contract, several service contracts were let to ensure continuity of service to LBB. The transition from the outsourced service to the current mixed service delivery approach provides a current mix of insourced personnel and outsourced contractors delivering the various service streams for the provision of the Facilities Management (FM) offering. These contracts were let based on the data and records available at the time from the incumbent contractor Amey.
- 3.2 Since the insourcing exercise it has been identified that the data sets provided by and the responsibility of the previous contractor Amey, were in some instances absent or incomplete, such as asset register service records. Therefore arrangements are to be implemented to undertake a comprehensive asset register across the Council's estate to ensure that all FM requirements are being met.
- 3.3 Following completion of that work, the Council will be in a position to review the direction and strategy required to improve and ensure its estate is maintained in a safe and functional condition. This will place the Council in a position to correctly revisit the market in relation to its FM service contracts to obtain best value. This also aligns the future strategy with the Operational Property Review works and Accommodation Strategy which will improve the condition of the operational estate and reduce its maintenance liability in the long term.
- 3.4 At this stage it is not possible to quantify the savings as the scope and nature of the work undertaken by the contract in the future will be dependent on the asset capture and the delivery of the OPR works. However, the savings will ensure the existing budget envelope will be maintained not exceeded.

Strategic Approach

- 3.5 The approach to delivering the wider FM retendering exercise will require in a number of actions running in sequence. The strategy will be based on the following work streams:
1. Undertake a comprehensive asset register.
 2. Cross reference this with existing contract scopes to establish gap analysis of service provisions in place.
 3. Retendering and alignment of all contracts (including new Civic Centre which is to be in place by July 2025) reflecting the known requirements informed by the completed asset register.
- 3.6 In order to present Members with a comprehensive retendering and procurement strategy for the FM service provision, the asset register piece of work needs to be completed, to inform the future tender process of the exact extent and requirements of the Council's estate.
- 3.7 In the interim period, there is a short-term requirement to extend the existing Mechanical and Electrical Services contract with B&M McHugh to ensure continuity of service pending the outcome of the Asset Register exercise and implementation of a broader procurement strategy.

Mechanical and Electrical Services – Contract Extension

- 3.8 Currently the contract with B&M McHugh is for Mechanical and Electrical services, reactive and planned maintenance. It should be noted that the council does not have a formal building maintenance contract and has been using other contractors to deliver this service.

- 3.9 The current contract commenced in October 2021 for a two year period with the option to extend for up to two years. The original estimated value was £356k per annum based on call-off of required works from an agreed schedule of rates for both reactive and planned preventative maintenance services, including out of hours support. The current estimated annual value is £195k.
- 3.10 The methodology of basing the contract on a housing schedule of rates that is typically designed for repetitive items of work common to the Housing sector - as opposed to a cost plus approach as is the norm in commercial maintenance contracts where plant and equipment and access, differs significantly from site to site – has not proved practical and does not provide a best value service for LBB. For example, the schedule of rates for portable appliance testing is at a high level (from £3.50 to £13 per unit) more suitable for low volume sites than the rates for high volume commercial sites where we would be seeking rates of under £1 per unit. The current contract also has a dependency on sub-contractors resulting in elevated costs.
- 3.11 Therefore it is intended to go out to tender for this requirement in due course, as set out in paragraphs 3.5 to 3.7 above. In the interim, it is proposed to extend the current contract for up to one year to ensure continued delivery of required services pending the outcome of an alternative procurement strategy. The extension will be applied on a rolling three month agreement with the provider for up to one year. During this period, we would seek to move away from the current schedule of rates and negotiate revised rates based on a cost plus methodology. The incumbent contractor has agreed to this approach.
- 3.12 This time frame will allow the Council to procure and instruct a specialist Asset capture company to carry out a detailed asset capture and verification exercise on both the corporate estate and other significant assets to ensure we all assets are maintained correctly and in accordance with relevant legislation and manufacturers legislation.
- 3.13 The availability of accurate detailed asset information will enable LBB to go to the market, intended for the second quarter of 2024, with clear information for prospective service providers to give accurate costings on a cost-plus basis. This approach will enable the Council the ability to accurately forecast maintenance costs long term and provide a degree of cost certainty.
- 3.14 The scope of a new contract, sourced through by retendering in due course, would be for mechanical electrical and building fabric for both reactive and planned maintenance. This approach would negate the requirement for a separate fabric contract process and the combined approach would be a more attractive proposition for a wider group of service providers with the intended outcome being a simplified service to manage which is expected to result in efficiencies and an enhanced service to our customers.

Options Appraisal

- 3.15 Do Nothing (option one). This option is not recommended as the service is necessary for the maintenance of our assets and compliance with relevant legislation.
- 3.16 Retender the service (option two). This is the recommended option for the longer term but requires an asset register to be completed to facilitate the correct specification allowing engagement with the market and alternative contracts to be procured.
- 3.17 Extend the contract for the full term (option three). This is not recommended as the specification and scope of the contract needs to be redesigned and retendered to deliver better outcomes and value for money.

- 3.18 Extend the contract a shorter period (option four). This option will allow the essential services to continue pending the completion of an asset register exercise and preparing to proceed to procurement for replacement contracts. The short term extension on a rolling three month basis will allow flexibility in managing the subsequent procurement exercise as well as the opportunity to seek revisions to the current schedule of rates.

Preferred Option

- 3.19 Option four – extending the contract for a shorter period pending preparation to retender the requirement – is the recommended option.

4. MARKET CONSIDERATIONS

- 4.1 The potential market for suitable suppliers (including the use of suitable frameworks) will be determined as part of the formal procurement strategy to be agreed.

5. PROCUREMENT AND PROJECT TIMESCALES AND GOVERNANCE ARRANGEMENTS

- 5.1 **Estimated Value of Proposed Action:** £195k for up to one year extension period
- 5.2 **Other Associated Costs:** N/A
- 5.3 **Proposed Contract Period:** 1 October 2023 to 30 September 2024. The extension will be agreed on a three month rolling basis during this period.

6. PROCUREMENT CONSIDERATIONS

- 6.1 The report seeks a one year extension to the contract with B&M McHugh, utilising the formal extension options built into the contract, the value of the proposed extension being an estimated £195k.
- 6.2 The Council's requirements for authorising an extension are covered in CPR 23.6 and 13.1. For an extension of this value, the Approval of the Portfolio Holder following Agreement by the Chief Officer, the Assistant Director Governance & Contracts, the Director of Corporate Services and the Director of Finance must be obtained. In accordance with CPR 2.1.2, Officers must take all necessary professional advice.
- 6.3 Following Approval, the extension must be applied via a suitable Change Control Notice, or similar, as specified in the contract.
- 6.4 The actions identified in this report are provided for within the Council's Contract Procedure Rules, and the proposed actions can be completed in compliance with their content.

7. FINANCIAL CONSIDERATIONS

- 7.1 The report seeks a one-year extension to the contract with B&M McHugh, utilising the formal extension options built into the contract, the value of the proposed extension being an estimated £195k.
- 7.2 There is sufficient existing budget within the service to meet the cost of the contract extension and therefore this will not create an additional pressure on the general fund.

8. LEGAL CONSIDERATIONS

- 8.1 This report requests the Portfolio Holder for Resources, Commissioning and Contract Management approve a one-year extension to the Mechanical & Electrical Reactive Repairs contract within its existing contractual terms.
- 8.2 There is a range of specific legal duties which requires the Council to undertake maintenance of its properties. Failure to ensure that its properties and buildings are maintained to a level to avoid risks to its staff and members of the public can lead to both criminal and civil liability.
- 8.3 As this contract provides for the requested extension then this is a Forma Contract Extension under the Council's Contract Procedure Rules and is governed by the Rules (specifically CPR 23.6) as detailed in the Procurement Considerations above.

Non-Applicable Headings:	Social Value, Carbon Reduction and Local/National Priorities Stakeholder Engagement Impact Assessments Transformation/Policy Considerations IT and GDPR Considerations Strategic Property Considerations Personnel Considerations Ward Councillor Views
Background Documents: (Access via Contact Officer)	