

## **Eye Town Council**

### **Outline of proposed future maintenance contract**

#### **1. Background**

ETC is responsible for the management and maintenance of its town hall, an important grade 2\* listed building, and other smaller structures including two small chapels. Particular the former is a considerable factor in the ETC annual budget and securing value for money from maintenance investment is vital.

In the recent past, other than a substantial investment in a new roof and related work over the council chamber, maintenance work has generally been reactive in nature. This has meant that repairs have been undertaken as a problem has arisen, with work undertaken on a quotation basis. This has provided the potential for a number of contractors to have executed different sections of maintenance and no single party responsible for a working building.

The intention of this proposal is to seek to move maintenance to a planned investment process, where this is possible, having as much work as feasible undertaken by a single service provider, possibly with a reserve in case of e.g. ceasing to trade or poor performance. This will be a term contract with pre-tendered rates priced in competition for work drawn down over an agreed period. It is submitted that this will not only provide a better product but also encourage a working relationship with the primary winning company so as to make ETC a more important client, rather than just requesting for ad hoc quotations for individual pieces of reactive maintenance work. The market tires of this process in any event and whilst this may satisfy the mechanics of ETC's financial regulations it could be considered a time consuming and wasteful to companies asked to provide quotations for small pieces of work which they may well not get anyway and if they do are scarcely lucrative. It will also involve considerable councillor time

Thus ETC would be encouraging a longer term and potentially more commercially viable relationship with a local company. It would also be pursuing its primary obligation to deliver a 'best value' service under the 1999 Local Government Act and to obtain value for money under financial regulation (FR) 10.3.

#### **2. Asset management planning**

A preliminary maintenance plan has been drawn up for 5 years and is attached as Appendix A. The content and processes proposed in this are open for discussion. The annual budget for each financial year would be agreed by Council by November in the preceding year to satisfy (FR) 2.1 and 2.2.

In addition the town hall would benefit from an independent condition survey, providing a condition analysis of building elements, their expected life span and future maintenance requirements. This has not been included in the budget draft pending discussion but are envisaged under the FRs in section 11.1 (ii).

#### **3. Maintenance and buildings expenditure plan**

The plan at Appendix A sets out maintenance headings for approved expenditure under each main heading. This is prepared to comply with FR 1.3. Once approved by full Council these heads will provide maximum amounts of expenditure, unless increased amounts are approved by ETC, to be drawn down at pre-tendered competitive rates using the processes in section 4.

This will form the process for financial control as required under FR 2.4

Part of the approval requested from ETC will be the ability to undertake virement between budget heads with the approval of F&G/ETC. This is allowed under FR 3.2

Each heading will have a running tally of expenditure showing all orders and amounts remaining. The intention is to introduce an electronic ordering and monitoring system. This is intended to satisfy FR 3.3

A system of delegation will also be requested whereby all orders for works under the value of up to £xxx will be delegated to the head of the building sub-group and the RFO where they are drawn against agreed budget headings at pre-tendered rates. Maintenance expenditure above this figure will be brought before full council.

The budget contains some items that could be considered capital expenditure. It is possible that 'best value' interests will be satisfied by offering these works within the term contract. If so full council approval will be sought to satisfy FR 3.6 and 3.7.

The audit provisions to satisfy sections 4.5 of the FRs is addressed in section 4.

#### **4. Format of the proposed contract and procurement and delivery process**

This will be a competitive process after advertisement for all building work. Electrical and heating maintenance is addressed separately.

It is proposed that 'soft market testing' be undertaken with one or more potential candidates to discuss the shape and content of the proposed tender. This would be done with the proviso that the companies canvassed would not necessarily be asked to bid or would be successful. This would inform ETC about a potential response and its attractiveness to the local market. The intention would be to undertake this in September.

Subject to any comments received above a tender document would be drafted on a similar basis to all public sector and many private sector asset management programmes. These are usually based on a schedule of rates plus time charges where bidders price the items or time categories and (usually) the lowest response not considered to be abnormally low is recommended for acceptance. As stated previously it would be possible to have a primary contractor and a reserve contractor appointed.

The ETC portfolio is too small for an industry standard SORs and the work on the town hall is time intensive, 'bitty' and often specialised. The biggest single constituent by far will be labour and so the following is proposed:

Hourly based time charges for work across trades. This would include all overheads, insurances etc

Additional rates for work executed on an emergency basis out of hours (using this method the contractor to attend and make safe after emergencies e.g. water penetration is covered

Priced schedules for specific pieces of work – e.g. redecoration of doors externally and internally, redecoration of windows, glazing and some areas of internal decoration

Materials and access equipment would be reimbursed at nett cost plus say a 5% handling charge.

Each section of work would be drawn down from the pre-priced schedule using an agreed number of hours per order (with any saving on time being refunded to ETC and if more time was required say due to deterioration when work was opened up further time would be agreed in advance of work being undertaken)

An order would be placed similar to the draft in Appendix B to meet FR 10.1

It is proposed that the contract could run for 2 years with an extension provision at ETC's discretion for a further year. A formula for annual rate increases would be included in the tender document – say RPI x 75% for each subsequent year.

Controls:

The controls would be that:

No throughput guarantee would be given to the primary service provider (or the reserve if there was one appointed)

ETC would reserve the right not to use the contract for any piece of work but to undertake alternative market testing via competitive quotations if this was felt to serve 'best value' interests.

Each draw down would have an individual order calculated at pre-tendered rates and be retained on file for the duration of the contract.

Audit – it would be possible for ETC to commission a six monthly or annual audit on all work commissioned in this way. It is suggested that this is best undertaken by a local firm of quantity surveyors if it is felt to be required. Any fee for this has not been included in the buildings budget.

It is proposed in this plan that all orders valued at less than £xxxx would be delegated to the building sub-committee chair and the clerk to sign off and that proposed orders greater than this would be brought before full council.

Maintenance and servicing of the heating system is best undertaken by the installer to protect guarantees and as it would clearly offer a time saving to ETC in operative time. It is proposed to negotiate an annual service fee with the installing company and possibly the same for maintenance of electrical works undertaken by Scole Electrical.

Payment for building and other works is envisaged to be made on completion and prepared by the clerk in accordance with FR 6.2 and 6.3

## **5. Summary**

A change is envisaged away from full council approval of each individual item of maintenance expenditure. ETC would approve an over-arching contract to last for up to 3 years and works would be drawn down from this within pre-determined and agreed budget limits.

This may require a review of SO rule 17 (a) where capital expenditure could be involved

SO rule 23(b) would no longer need 3 separate quotes should the term contract rates be used as these will already have been pre-tendered

Works in excess of £10k under SO rule 23 (c) would be unlikely to be placed via the term contract and would be tendered outside it in open competition.

## **6. Future role of ETHIC and Buildings group**

The meeting of the buildings group held on July 14<sup>th</sup> suggested that the drafts for each drawn up by the clerk be referred to F&G for scrutiny and finalisation.

It seems logical that the buildings group could lead delivery of maintenance works under this budget submission with the possible exception of renovation to the toilet areas. Whole element renewal (examples: new windows, completion of roof covering or roof timbers renewal replacement) or major structural or wind and weather tightness works may be better referred to ETHIC to lead external fund raising and delivery.