

Executive

25 January 2018

Report of the Assistant Director, Housing and Community Safety

Portfolio of the Executive Member for Housing and Safer
Neighbourhoods

Re-procurement of Managed Stores Service for Buildings Services and Highways Departments

Summary

1. To seek approval to proceed with the re-procurement of the Managed Stores service for Building Services and Highway departments.
2. The following report is submitted in line with City of York Council's (CYC) finance and governance requirements regarding the procurement of services with a value in excess of £500k.

Recommendations

3. Executive is asked to approve the request to proceed with the procurement as set out in this report.
4. Delegated authority to be given to the Assistant Director for Housing and Community Safety to approve the award of contract once tender process is complete.

Reason

5. The above award approval process is in line with CYC's internal governance rules and our Public Contract Regulations obligations (PCRs). It also facilitates a quicker route into the critical mobilisation phase of the project.

Background

6. Following a review of the Council's existing materials store and supply service, and the future supply requirements for Building Services and Highways departments, it is proposed that CYC re-procure an on-site Managed Stores solution, to commence upon the existing contract's expiry in September 2018.
7. Given its value and importance to effective service delivery, a project board made up of senior managers, and officers, from Procurement, Building Services, Highways and Legal, and the University of York has been established to oversee the procurement of this service contract.
8. The existing service is delivered via a framework agreement supplied by Crown Commercial Services (CCS), which has now expired. CYC entered into the framework agreement jointly with the University of York (UoY) in 2013. The respective annual throughput for each organisation is currently £2.1m for CYC (this includes £1.6m of reactive repairs spend, and an additional £500k of capital maintenance, facilities management, highways and street lighting spend), and £800k for UoY.
9. The existing supplier leases warehouse storage and office premises from us at Hazel Court, through which we derive an income of £65k pa. The lease runs concurrently with the supply contract, terminating in September 2018. We would seek to replicate this arrangement in any re-procured contract.

Procurement compliance

10. As the estimated contract value of the re-procured contract exceeds the relevant EU Threshold set out in the Public Contracts Regulations 2015 (PCRs), CYC is required to procure the contract in accordance with the PCRs. Current procurement rules mean that the term of a framework agreement shall not exceed 4 years, unless exceptional circumstances apply. The subject matter of this procurement is unlikely to fall within exceptional circumstances. Therefore, if the re-procurement were to be via a framework agreement (there are a number of managed stores framework agreements in existence, e.g. YPO, Cirrus, Fusion) it would be restricted to a maximum duration of four years. However service managers are keen to secure a longer term contract in order to

access further value for money and service quality; deriving these improvements by providing greater certainty for any supplier, plus a higher value throughput. In addition framework agreements do not provide suppliers with exclusivity; therefore CYC and UoY would be unlikely to benefit from further economies of scale if we were to continue to operate through this type of contract.

11. In order to secure a contract that is compliant with the PCRs and with a longer term than 4 years we will need to procure the goods and services through a contract based on our own terms and conditions. Our Procurement team have provided the Project Board with the necessary assurance that they possess both the necessary experience and capacity to undertake a 'bespoke' procurement of this nature.
12. It is therefore proposed that we procure a contract for a period of 6 years, with a right for CYC or UoY to request that the service provider agree to the extension of the service contract term up to 8 years and then subsequently up to 10 years. (As CYC owns the premises at Hazel Court where the service will be based, CYC will need to grant the service provider a lease of those premises for a term of 6 years but with provision for CYC and the service provider to enter into further leases corresponding with any extensions of the service contract term). The Project Board's felt this format provides sufficient additional throughput to encourage better pricing; continuity to both CYC and supplier to form a the stable platform necessary for innovation; whilst also making early 'no fault' exit possible should performance fall below required levels.

Anticipated efficiencies

13. In order to maximise potential efficiencies it is proposed that the managed stores service is expanded to accommodate supply of materials for our HRA planned maintenance services, and our highways service. The total combined financial throughput, including UoY, for the new contract is anticipated to be in excess of £3m pa.
14. UoY carried out a bench marking exercise of the existing contract against best prices available on-line, both for their own assurance, and on behalf of CYC. This showed that the contract was achieving value for money for both organisations. With an average saving across the top 20 items purchased by CYC of 3%.

15. In short our research has shown us that a managed stores approach is a tried and tested route to achieving value for money, high quality service provision, and securing a rental income. It is the view of officers that continuance of this approach will ensure existing benefits are maintained, and that further efficiencies will come as a result of a larger financial throughput, and increased continuity and certainty for the supplier.

Contract Management

16. Overall management responsibility for the contract for CYC rests with the Head of Building Services.
17. Operational, day to day management lays with the Planned & Cyclical Maintenance Manager and the Reactive Repairs & Voids Manager in Building Services
18. We are currently exploring options with UoY with regard to establishing a dedicated contract coordination role linked to the lifetime of the contract, which would be jointly funded by the parties based on the anticipated value of each organisations throughput . Should we agree to proceed with this proposal we will need to agree under which organisation the post will sit; the specific funding mechanisms and costs; and seek the comments of both organisations' HR departments.

Implications

Financial

18. The costs of materials and equipment purchased through the managed stores contract is funded through a number of council budgets the most significant being the Housing Revenue Account general repairs budgets. There are however other budgets including Housing capital, highways revenue and capital as well as some service property repair budgets. It is anticipated that the costs arising from the new service will be accommodated within these budgets. Any variations resulting from changes in the costs will be reported through the council's regular quarterly monitoring reporting.

Human Resources (HR)

19. The proposal is for a re-procurement exercise which may result in a service change between external providers. There are therefore no staffing implications for CYC as the Transfer of Undertaking (Protection of Employment) TUPE regulations would only apply between the outgoing and incoming service providers .
20. Where jointly funded posts are agreed one of the organisations (in this case either the Council or University of York) will need to host the post and be the employer. To support such an arrangement it is recommended that a formal agreement be put in place between both organisations detailing how the arrangement will be managed and funded, including any indemnities that may be needed. “

Equalities

21. See Better Decision Making assessment attached in appendix 2

Legal

22. As mentioned above CYC and the service provider will need to enter into a lease of CYC-owned premises at Hazel Court which the service provider will need to occupy for a term equal to the duration of the service contract (excluded from the automatic renewal/security of tenure provisions of the Landlord and Tenant Act 1954).

CYC proposes to require the service provider to pay an all-inclusive rent (i.e. also including rates, service charge contribution towards the cost of maintaining communal facilities etc and utilities) of £65,000 per annum to CYC for the lease of the premises. That figure accords with Property Services' opinion of an open-market all inclusive rent for a lease of the premises. Section 123 of the Local Government Act 1972 gives the Council power to grant a lease of its property without obtaining Secretary's consent provided that best consideration reasonably obtainable is received in return. (If best consideration is not being received then specific consent would need to be obtained from the Secretary of State (for Communities and Local Government) unless CYC considers (under the General Consent Order) that:

- (i) The purpose of the disposal will facilitate the improvement of the economic, environmental and social well-being of the area

And

- (ii) The difference between the consideration being obtained and best consideration/full market value is less than £2 Million).

23. It is proposed that CYC procures the contract via the open procedure under the PCRs, although before the formal process is launched CYC engages in soft market-testing to help determine the suitability of the open procedure as the route to the market. Soft market testing will also allow CYC to measure market interest and market values for the supply of goods/service.

Crime & Disorder

24. None

ICT

25. Supplier will be expected to provide necessary links into CYC systems.

Property

26. Storage will remain on site at Hazel Court in existing premises. The rental income of £65k will return to CYC via Property Services.

Risk Management

25. High value materials stock on CYC premises will require the supplier to provide rigorous security and insurance provision. Storage of chemicals will require appropriate safe storage and compliance with all necessary fire safety/suppression measures

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**Report
Approved**

✓ **Date** 22/12/17

Wards Affected:

All

For further information please contact the author of the report

Background Papers:

None

Annexes:

Annex 1 – Better Decision-making Tool