

## EXECUTIVE BOARD – 17 NOVEMBER 2015

<b>Subject:</b>	Repairs and Maintenance of Council Assets		
<b>Corporate Director(s)/ Director(s):</b>	Andy Vaughan, Corporate Director for Commercial and Operations Dave Halstead, Director of Neighbourhood Services		
<b>Portfolio Holder(s):</b>	Councillor Jane Urquhart, Portfolio Holder for Planning and Housing		
<b>Report author and contact details:</b>	Laura Shepherd, Commercialism Programme Manager <a href="mailto:Laura.Shepherd@nottinghamcity.gov.uk">Laura.Shepherd@nottinghamcity.gov.uk</a> Tel: 0115 8763456		
<b>Key Decision</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<b>Subject to call-in</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Reasons:</b>	<input checked="" type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision	<input checked="" type="checkbox"/> Revenue <input checked="" type="checkbox"/> Capital	
Significant impact on communities living or working in two or more wards in the City			<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Total value of the decision:</b> £42m			
<b>Wards affected:</b> City-wide		<b>Date of consultation with Portfolio Holder(s):</b> 15 October 2015	
<b>Relevant Council Plan Strategic Priority:</b>			
Cutting unemployment by a quarter			<input checked="" type="checkbox"/>
Cut crime and anti-social behaviour			<input type="checkbox"/>
Ensure more school leavers get a job, training or further education than any other City			<input checked="" type="checkbox"/>
Your neighbourhood as clean as the City Centre			<input type="checkbox"/>
Help keep your energy bills down			<input type="checkbox"/>
Good access to public transport			<input type="checkbox"/>
Nottingham has a good mix of housing			<input type="checkbox"/>
Nottingham is a good place to do business, invest and create jobs			<input checked="" type="checkbox"/>
Nottingham offers a wide range of leisure activities, parks and sporting events			<input type="checkbox"/>
Support early intervention activities			<input type="checkbox"/>
Deliver effective, value for money services to our citizens			<input checked="" type="checkbox"/>
<b>Summary of issues (including benefits to citizens/service users):</b>			
<p>The City Council has embarked upon a new strategic direction for its repairs and maintenance function, and minor works projects for the Council's buildings.</p> <p>The current arrangement is an outsourced model and the Council procures a principal contractor who, in-turn, appoints sub-contractors. The supply chain costs of payments to the principal contractor and for use of the SCAPE framework equate to an average 17% of total spend.</p> <p>The arrangement proposed within this report is for the Council to directly contract with the supply chain via a competitive procurement process and to fulfil the principal contractor role internally, which, in turn, removes the 17% supply chain cost.</p> <p>In fulfilling the principal contractor role internally this requires the Council's internal service to upscale and upskill. This will be addressed alongside wider restructuring of the Operational Property Services team.</p> <p>In addition to realising savings, this also provides the Council will the opportunity to undertake works on behalf of others and creates headroom for growth; this is in-keeping with the Council's broader commercialism strategy.</p> <p>The financial benefit of this revised approach is a net saving in 2016/2017 of £0.5m, this is after the increased costs of providing the principal contractor role internally have been taken into consideration. This £0.5m saving has already been assumed within the re-profiled Strategic Asset Management big ticket.</p> <p>This represents phase 1 of the broader transformation of the Council's Operational Property function.</p>			

A subsequent phase will follow in 2016/2017 where the Council will explore in-sourcing the delivery of appropriate works to the City Council's delivery arm or to Nottingham City Homes. This is anticipated to lever further savings.

It should be noted that the procurement exercise for the repairs and maintenance element is being undertaken jointly with Nottinghamshire County Council as part of a renewed sense of collaboration around this service area. Approval is sought to delegate authority to the Corporate Director to enter into contract once the procurement process has been completed.

The other identified procurement routes have been outlined in the exempt appendix and will comply with the Council's Financial Regulations and Public Contract Regulations.

**Exempt information:**

An appendix to the report is exempt from publication under paragraphs 2 and 3 of Schedule 12A to the Local Government Act 1972 because it contains information relating to information which is likely to reveal the identity of an individual, and information relating to the financial or business affairs of any particular person (including the authority holding that information) and, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. It is not in the public interest to disclose this information because it could impact on ongoing staff consultation and compromise the Council's trading position

**Recommendation(s):**

- 1 To endorse the Council's revised strategy to its repair, maintenance and minor works function as set out in this report.
- 2 To delegate authority to the Corporate Director for Commercial and Operations to enter into contracts following completion of the procurement processes as outlined in the exempt appendix.
- 3 Once awarded, to delegate authority to the Director of Neighbourhood Services to make call-offs from the framework agreements and award contracts to successful tenderers.
- 4 To approve the up-scaling of the Council's Operational Property Services team to fulfil the role of 'principal contractor' and the use of executive budgets for this purpose. This is the subject of a separate restructuring process.
- 5 To note that this change will result in a net saving of £0.500m in 2016/2017, which is allocated to the assumed savings within the Strategic Asset Management Big Ticket. This net saving is a result of procurement savings less the increase in cost of providing the 'principal contractor' role internally.
- 6 To approve spend associated with this decision for 4 years from 1 April 2016 to 31 March 2020.

**1 REASONS FOR RECOMMENDATIONS**

- 1.1 This report proposes a new strategic direction for the Operational Property Services function of the Council, underpinned by commercialism principles.
- 1.2 This report sets out proposals for delivering the £0.5M saving already assumed within the Strategic Asset Management Big Ticket for 2016/7.
- 1.3 This is a phased approach and this represents phase 1, which centres around the use of contractors; it is envisaged that the balance between in-house (NCC and NCH) provision and the use of sub-contractors will change over the lifetime of these contracts.

**2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)**

- 2.1 The Council's budget strategy assumes savings from the Strategic Asset Management Big Ticket Programme. Within this programme, assumed savings

have been allocated against Operational Property Services activities as set out below. This report describes how the Council will deliver the £0.5m saving assumed in 2016/2017.

- 2016/17 - £0.5m
- 2017/18 - £0.9m
- 2018/19 - £1.3m

- 2.2 It is proposed that the Council moves away from the current principal contractor arrangement and replace this with individual contracts with building suppliers, and manages these suppliers via a newly created in-house Operational Property Services Team (Building Operations and Professional Services Team). The gross supply chain saving is estimated to be £0.9m but some of this gross saving will be required to reinvest and up-skill the newly created Operational Property Services team, result in a net saving of £0.5m.
- 2.3 It is proposed that this new team, once established, will run as a commercial unit and, in the fullness of time, offer its services to others as part of the Council's broader commercialism strategy. This may well contribute toward the 2017/2018 and 2018/2019 savings targets within the Strategic Asset Management Big Ticket.
- 2.4 This new strategic direction is part of a joint initiative between Nottingham City Council and Nottingham City Homes, and this represents the first phase. It is anticipated that during the lifetime of these contracts and, as Nottingham City Homes also scales up to operate commercially, further work will be redirected to Nottingham City Homes. NCH is going through its own 'gearing up' process.
- 2.5 The Operational Property Services Transformation Group is overseeing this activity, which includes Councillor Jane Urquhart as the relevant Portfolio Holder, the Corporate Director for Commercial and Operations, and the Chief Executive of Nottingham City Homes, plus a number of other colleagues. This is a significant first step towards a more commercial future for both organisations.

### **3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS**

- 3.1 Not making changes to the current procurement model was rejected as it is unlikely to release the savings assumed within the Strategic Asset Management Big Ticket.
- 3.2 In-sourcing all procured works was rejected as the in-house delivery arms in Nottingham City Homes and Neighbourhood Services are not equipped to provide all required works due to the specialisms required at this time, and it would put the authority at significant risk if the delivery arms up scaled too quickly.

### **4 FINANCE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY/VAT)**

- 4.1 The net savings associated with this decision are set out in section 2.1 and will be aligned to the Strategic Asset Management Big Ticket Programme. This programme already has savings committed in the Medium Term Financial Plan that require delivery.
- 4.2 This report also requires the creation of a new in-house Building Services Team funded from gross savings. Recommendation 4 captures the use of executive budget to support this cost.

- 4.3 This spend aligns to the reactive maintenance budgets that are in specific service area budgets. The risk associated with the delivery of saving is that if services reconfigure, there may be a reduction in spend on maintenance. This issue will need to be taken into consideration on a case by case basis if services reconfigure.
- 4.4 The appropriate procurement processes will be undertaken.

## **5 LEGAL AND PROCUREMENT COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND INCLUDING LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)**

- 5.1 The Public Contracts Regulations 2015 (the Regulations) provide for the City to be able to make a direct award to Nottingham City Homes (NCH) without the requirement to advertise the contract opportunity. Contracts between the City and NCH are exempt from the requirements set out in the Regulations to advertise and hold a competitive tender because they are contracts made between entities within the public sector. This exemption is often referred to as the Teckal exemption but is now expressly contained in the Regulations. NCH is considered to be a Teckal company because of the control the City can exert over NCH through a combination of the Articles of Association and the Partnership Agreement between the two parties. To ensure NCH continues to benefit from the Teckal exemption it must undertake more than 80% of its activities for the City. This level of activity must be kept under review.
- 5.2 The City must satisfy that it is able to make use of the framework being awarded by the County. To do this the City is engaging with the County as part of the County's procurement process but the City will be ultimately responsible for ensuring that future use by the City of the framework complies with the Regulations.
- 5.3 The restructuring of this service is likely to be a service provision change pursuant to regulation 4(1) TUPE. Regulation 4(1) operates to transfer the contracts of employment of any employee assigned to the organised grouping of employees that are assigned to carrying out the services under the contract. If TUPE does apply, the parties are required to inform and consult and provide work force information in compliance with TUPE. Failure to comply with the Regulations risks employment tribunal complaints being brought.'
- 5.4 Procurement supports the recommendations set out within the report and will support the client with the external procurement requirements to ensure that it complies with the Councils Financial Regulations, Public Contract Regulations and delivers value for money.

## **6 SOCIAL VALUE CONSIDERATIONS**

- 6.1 The revised strategy will meet key strategic aims by providing local jobs for local people as outlined in Nottingham City Council's Procurement Strategy.
- 6.2 The development of the flexible resourcing model will focus around providing local employment opportunities and building a core infrastructure from entry level with apprentices, upwards.

## **7 REGARD TO THE NHS CONSTITUTION**

7.1 Not applicable

## **8 EQUALITY IMPACT ASSESSMENT (EIA)**

8.1 Following discussions with the Equalities Team it has been identified that it would be more appropriate to undertake specific Equality Impact Assessments with individual project work streams

## **9 LIST OF BACKGROUND PAPERS RELIED UPON IN WRITING THIS REPORT (NOT INCLUDING PUBLISHED DOCUMENTS OR CONFIDENTIAL OR EXEMPT INFORMATION)**

9.1 None

## **10 PUBLISHED DOCUMENTS REFERRED TO IN THIS REPORT**

10.1 None

## **11 OTHER COLLEAGUES WHO HAVE PROVIDED INPUT**

Andy Vaughan – Corporate Director for Commercial and Operations  
Dave Halstead – Director of Neighbourhood Services  
Colin McInnes – Project Manager  
Andrew James – Team Leader, Contracts and Commercial, Legal Services  
Sue Oliver – Category Manager, Procurement  
Hannah Gemmill – HR Business Partner  
Faye Truong – Service Redesign Consultant  
Ceri Walters – Head of Commercial Finance  
Paulette Brown – Solicitor  
Steve Hale, Property Director, Nottingham City Homes  
Nick Murphy, Chief Executive, Nottingham City Homes  
Daniel Doherty – Interim Assistant Director, Property Services, Nottingham City Homes.