

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

CABINET REPORT

4 February 2015

Title: Temporary Extension to Mechanical and Electrical Services Contract

Submitted by: Executive Director Operational Services

Portfolios: Finance and Resources
Culture and Leisure

Ward(s) affected: All

Purpose of the Report

To report the decision of the Executive Director, Operational Services and the Portfolio Holders for Finance and Resources and Leisure and Culture to award a temporary extension to Lorne Stewart in relation to the mechanical and electrical maintenance contract at Jubilee2.

Recommendations

It is recommended that Cabinet:

- (a) Note the decision of the Executive Director, Operational Services and the Portfolio Holders for Finance and Resources and Leisure and Culture to award a temporary extension to Lorne Stewart in relation to the mechanical and electrical maintenance contract at Jubilee2**

Reason

The decision was taken by the Executive Director, Operational Services and the Portfolio Holders to award a temporary extension for the for the mechanical and electrical maintenance contract at Jubilee2 on the grounds of urgency and value for money following an offer by Lorne Stewart of a backdated rebate to the Council in the form of a reduced contract price for a ten month period on expiry of the current contract.

1. Background

- 1.1** The Council has a contract with Lorne Stewart for maintaining the mechanical and electrical installations at Jubilee2. The original contract term was for two years, with an option to extend for a further one year. The contract extension has been applied and the contract expires on 8 February 2015. Lorne Stewart offered the Council a £5,000 rebate subject to a further ten months contract extension which had to be agreed by 31 December 2014. This allowed them to discount their usual fee by £500 a month and has come about as a result of issues associated with the building management system controls that have now been resolved. Whilst Lorne Stewart has now put the problems right there are sound operational and commercial reasons for extending the contract.

2. Issues

- 2.1 There had been difficulties in the delivery of the building management system (BMS) element of the mechanical and electrical maintenance contract at Jubilee2, which was identified through robust contract management. These issues have now been resolved and are being closely monitored by officers but this offer enables the Council to ensure that no BMS legacy issues are carried forward into the new contract. In addition the proposal offers a financial saving to the Council and the opportunity to further research the market for suitable suppliers and to value engineer the specification for potential further savings. It is worth noting that when the contract was awarded three years ago only two companies tendered.

3. Options Considered

- 3.1 An alternative of going out for a one year contract was considered, but this had several risks:

- Lorne Stewart could withdraw their offer of a rebate
- If Lorne Stewart maintained the value of the rebate in their full year costs they would have 12 months to prove the robustness of their work and systems rather than 10 months
- If they maintained the rebate, any other company tendering for this would be unlikely to be successful and this could deter them from tendering again in 12 months' time.

When the contract is retendered the ideal contract term to obtain the most economically advantageous tender returns is 2 years + 1 year. If the Council had taken this contract to the market in December 2014 it would not have benefited from the rebate offer.

There is the option to retender now on a 2+1 basis, as described above, but we would not benefit from the rebate offer under these circumstances. Offering this extension will also allow officers to further research the market place to identify potential future providers for this service, generating greater potential for competition in what has proven to be a very restricted supplier base due in the main to the specialist nature of the service.

4. Proposals and Reasons for Preferred Solutions

- 4.1 The contract offered the best value for money for the Council, in relation to both in a reduced contract fee and deferred procurement costs. In terms of urgency, Lorne Stewart required a response by 31 December 2014 so they could adjust their price and be confident that they could also defer their retendering costs for the contract to later in the year. In terms of value for money, their offer offers a £5,000 saving over ten months on their current contract price which would otherwise be £14,584 for ten months.

5. Outcomes Linked to Corporate Priorities

- 5.1 The original contract expires on 8 February 2015, but due to the temporary contract extension the contract now expires on 8 December 2015. The contract will be advertised for retender around July 2015.
- 5.2 The proposal will impact on the Council’s corporate priorities by providing employment and ensuring that the plant and equipment at Jubilee2 is maintained in a way that makes the most efficient use of the Council’s utilities.

6. Legal and Statutory Implications

- 6.1 In line with the Council’s scheme of delegation the rebate and extension was agreed and signed-off by the Executive Director, Operational Services and the Portfolio Members for Resources; and Leisure and Culture on the grounds of urgency, as a timely decision needed to be communicated back to Lorne Stewart and for reasons of value for money as the offer was economically advantageous to the Council. The constitution now requires their decision to be reported to Cabinet.

7. Financial and Resource Implications

- 7.1 The original offer was £17,433 for years one and two and £17,956 for year three. Fees were invoiced monthly in arrears and were for service only, with agreed rates for reactive maintenance and parts charged cost plus 10%.

The revised offer is to reduce the monthly fee by £500 for ten months, resulting in a saving to the Council of £5,000.

8. Major Risks

- 8.1 As Identified in Options Considered.

9. Key Decision Information

- 9.1 Contract Specification and signed contract – held by legal
- 9.2 Offer of rebate and contract extension

Implications included	Head of Service agreed report, signed & dated	Financial Implications signed & dated	Legal & risk implications signed & dated
Financial			
Legal			
Risk			
Corporate format used			