

Gloucester City Council

Meeting:	Audit & Governance Committee	Date:	17 March 2014
Subject:	Response to Internal Audit Report Recommendations – Response Repairs Contract		
Report Of:	Head of Regeneration		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
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Appendices:	None		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 The report is an update following previous Audit & Governance Committee meeting held on 25 November 2013. The purpose of the report is to provide an update for Committee Members following a recommendation to review the current contract arrangements.

2.0 Recommendations

- 2.1 Audit & Governance Committee is asked to note the information contained in the report.

3.0 Background and Key Issues

- 3.1 Following Audit Review of the contract in August 2013 various recommendations were made and set out as high, medium or low priority.

Below is a response and update relating to each of the items raised:

3.2 High Priority Recommendations

- 3.2.1 We have reviewed the contract arrangements with the Contractor.

A contract review meeting was held at The Docks Offices between the City Council and the Contractor to establish whether the current contract could be deemed fit for purpose.

Through the review process it became apparent that the Contractor is keen to keep the contract and demonstrated a willingness to work with the City Council to resolve issues. The Contractor had appointed a new Contract Manager and he expressed his desire to identify and resolve outstanding issues.

When officers drilled down to the details of orders that had been raised under the MTC, it became clear that small works make up a large share of current contract arrangements. The City Council are achieving extremely competitive prices for low value works. This is due to work being priced using the National Schedule of Rates (NSR) less a discount.

Upon speaking to the Contractor it was revealed that in order for them to deliver the contract with a large volume of small/minor works they were struggling to cover costs. Without amending practices the contract was not sustainable.

It was identified that the prescribed timescales, for which works orders were to be completed following orders raised, were 4hr, 24hr or 72hr response depending upon the urgency of the job. In practice, this meant the Contractor was deploying staff to undertake work with low values of say sub £100 and then deploying a few days later to the same site or nearby for similar value. This was done to meet the requirements of the response times set out in the works order. Frequently, the works were not urgent and could be undertaken beyond the 72hr period without risk to the Council.

In order for the City Council to receive the benefit of the low value works and for the Contractor to be able to continue to deliver small works a more sustainable model would need to be adopted. It was agreed between the parties that non-urgent low value works would be clustered by timescale and geographical location. Thus, deployed operatives could undertake various works in a cost effective manner without detriment to service delivery.

- 3.2.2 In order to comply with best practice, where the Contractor is not used to undertake works where practicable Officers obtain quotes from at least three parties to ensure value for money has been achieved. In the majority of cases other firms would only be approached if the Contractor did not have capacity or expertise to undertake the works, in which case, Officers would seek email confirmation of the same.
- 3.2.3 Officers have been briefed and informed of the importance of ensuring that all work orders are raised prior to the purchase invoice. In line with good practice these measures have been adopted.
- 3.2.4 Regular review meetings have been held subsequent to the contract review in December 2013. Gloucester City Council's Contract Manager, Hayley Taylor, meets with her counterpart at the Contractor to discuss contract issues. Formal minuted meetings are scheduled on a quarterly basis and are attended by the Asset Manager.

Work has commenced on agreeing a suitable format for Key Performance Indicators (KPI's). The Contractor has produced a proposal which is to be discussed at the next quarterly meeting. Legal Services have been consulted with regard to whether a contract amendment would be required to allow works to exceed the 72hr timeframe.

3.3 Medium Risk Recommendations

- 3.3.1 Sign off sheets are now used for all procured works.
- 3.3.2 No further training has been given to contract manager.

3.4 Low Risk Recommendations

3.4.1 Contracts Register has been updated.

3.4.2 A copy of the original has been made and kept by Asset Management. The original has been lodged with Legal Services.

3.4.3 No contract variation has been issued.

4.0 Alternative Options Considered

4.1 Cease to use the current repairs and maintenance contract with the Contractor and revert to a multi supplier model.

5.0 Reasons for Recommendations

5.1 Following the recommendations provided by Audit and the previous presentation to Audit & Governance Committee significant progress has been made to improve delivery of the contract.

A change of contract manager at the Contractor has led to improved communication and a reciprocated willingness between the parties to resolve issues.

Reverting to a multi supplier model uses more officer time to procure works. There is risk that the Council would not achieve equivalent value as current arrangements allow for a discount from a recognised industry benchmark, the National Schedule of Rates (NSR).

Cost of procuring small works would increase as these would no longer be based upon the NSR but would be priced on a job by job basis where contractors would allow for travel costs, minimum call out etc.

6.0 Future Work and Conclusions

6.1 The parties to agree the exact form of KPI's to further enable continued monitoring of contract performance and suitability for delivery of repairs and maintenance.

6.2 Issue contract variation if required to reflect ability for the Contractor to complete works beyond the 72hr timeframe.

6.3 Consider appropriate training for the Council's contract manager.

7.0 Financial Implications

7.1 Continuing to use the MTC will enable the council to procure works with a single supplier offering a discount from NSR.

7.2 There are fewer large work orders of say over £5,000 than was estimated when the contract was procured. Small works are delivered very cost effectively under the terms of the MTC.

(Financial Services have been consulted in the preparation this report.)

8.0 Legal Implications

- 8.1 Legal Services have been approached and will advise whether a contract amendment is required to enable the Contractor to deliver services beyond the 72hr timeframe.
- 8.2 Legal Services will be instructed to prepare the necessary documentation to effect the agreed contract variations.

(Legal Services have been consulted in the preparation this report.)

9.0 Risk & Opportunity Management Implications

- 9.1 It has been identified that there is a risk that the parties cannot agree suitable KPI's and/or the contractor's future performance is unsatisfactory. The contract allows for the Council to procure works outside of the contract and is therefore not reliant on the Contractor as sole means of delivering repairs and maintenance services.
- 9.2 By adopting an approach whereby the Council works with the Contractor there is the ability to continue to procure works at less than the industry benchmark (National Schedule of Rates) which will provide savings and ensure value for money. In particular this would be true of low value work orders.

10.0 People Impact Assessment (PIA):

- 10.1 The report relates to existing contractual relationships between the Council and Gardiners.
- 10.2 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

11.0 Other Corporate Implications

Community Safety

- 11.1 N/A

Sustainability

- 11.2 N/A

Staffing & Trade Union

- 11.3 N/A

Background Documents: None.