

## PFCC Decision Report

**Report reference number:** PFCC/154/22

**Classification:** OFFICIAL

**Title of report:**

Contract Extension – Commercial and Domestic Heating Planned Maintenance Agreement

**Area of county / stakeholders affected:** Force-wide

**Report by:**

Gary Cummins (Supplier Relationship Manager, 7 Force Commercial Services)

**Chief Officer:** ACO Mark Gilmartin – Director of Essex & Kent Support Services

**Date of report:** 24/10/2022

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### 1. Executive Summary

The existing provisions for commercial and domestic heating maintenance expired on 30/09/2022. The contract allows for 3 x one-year extension options. This report outlines the recommended extension proposal, a two-year agreement to ensure continuity of service and compliance against Essex Police's statutory obligations. This proposal also ensures a minimised cost increase by leveraging a longer-term commitment.

### 2. Recommendations

The recommendation to the PFCC is to agree a two-year contract extension with the incumbent commercial and domestic heating supplier, Munro Building Services (South) Ltd. A two-year extension will ensure continuity of service for the force and that ongoing statutory obligations are met. A two-year extension also minimises the financial impact to the force compared to a one-year extension (which would be 3%

more expensive as of the latest proposal). This approach has been approved by the supplier.

### **3. Background to the Proposal**

The existing contract with Munro was placed on 01/10/2019 for a period of three years. The contract includes extension provisions of 3 x one-year extensions.

Operational stakeholders in Essex Police were engaged in July 2022 to discuss ongoing requirements for the contracted services. The Essex Police Engineering Maintenance Manager confirmed an ongoing need for the service and confirmed the delivery performance from the supplier has remained good during the contract term.

A proposal was requested from the supplier in August 2022 which was returned indicating a 12% price increase (which reduced to an 8% price increase when operational efficiency was factored in). In tandem, 7F Commercial Services requested an alternative proposal with a two-year commitment to leverage available extension options to drive further cost efficiencies. The supplier subsequently proposed a 5.1% increase for a two-year, instead of a one-year, extension period.

Based on the 5.1% proposal, 7F Commercial Services worked with the supplier to review the cost build against the delivery of the service to the force. The primary drivers for the increase were the rising cost of fuel and the rise in qualified engineers' salaries which aligns with current market conditions.

Based on 7F Commercial Service's analysis, this proposal was discussed with the Essex Police Engineering Maintenance Manager and deemed acceptable.

### **4. Proposal and Associated Benefits**

**Operational Benefits** – The key operational benefits of extending the contract are continuity of service and ensured compliance against statutory obligations. Without this service, the force is exposed to significant legislative risk.

**Financial Benefits** – The two-year extension proposal offers a saving of c.£21.3k compared to the original 12% increase requested for a one-year extension. The overall cost impact to the force versus the existing contract pricing is +£16.2k (excluding ad hoc requirements for which costs are passed through).

### **5. Options Analysis**

Alternatively, a one-year extension to the existing contract was reviewed. The proposal from the supplier was a 12% increase – subsequently reduced to 8%. This represents a saving of c.£11.9k compared with £21.3k.

The option to retender the requirements was reviewed but was rejected on the basis of timeframes and positive feedback on the operational performance of the incumbent from Essex Police operational stakeholders.

## 6. Consultation and Engagement

Consultation has been undertaken with Essex Estate Services to determine the ongoing requirement and specification, feedback against performance metrics and the desire to extend on existing terms.

## 7. Strategic Links

Extension of the contract supports ongoing maintenance requirements for Essex Police including statutory safety and compliance requirements under UK law.

This contract supports delivery of the wider Police and Crime Plan and specifically the priority relating to “Supporting our Officers and Staff”.

## 8. Police operational implications

There is no impact to operational policing.

## 9. Financial implications

As this is a continuation of the existing service, no mobilisation requirements are expected. The contract will be extended on existing terms with the updated price schedule to ensure no disruption.

Overview of proposal vs. current costs:

	Existing Contract	Proposed Extension	Difference +/- £	Difference %
Year 1 Service Cost	£70,877.25	£74,471.11	+£3,593.86	5.1%
Year 2 Service Cost	£70,877.25	£74,471.11	+£3,593.86	5.1%
Unplanned Work	£128,880.00	£135,690.00	+£6,810.00	5.3%
Emergency Work	£41,855.00	£44,050.00	+£2,195.00	5.2%
Plant, Materials & Labour	£323,680.00	£390,880.00	+£67,200.00	20.8%
Total	£636,169.50	£719,562.22	+£83,392.72	13.1%

Note: Plant, material and labour costs are pass-through costs against estimated estate upgrades and do not represent a price increase by the supplier.

This extension is to take effect from 01/10/2022 for a period of two years to 30/09/2024.

## **10. Legal implications**

The extension will formally extend the existing contract for a further two years in accordance with the costs detailed within section 9.

## **11. Staffing implications**

There are no staffing implications arising from this decision report.

## **12. Equality, Diversity and Inclusion implications**

There are no equality, diversity and inclusion implications arising from this decision report.

## **13. Risks and Mitigations**

The primary risk of extending the contract is the increased cost of the service. A cost neutral proposal was not achievable due to rising supplier costs. To mitigate the overall impact, 7F Commercial Services negotiated directly with the supplier to ensure the most cost-effective option, leveraging longer term commitments to ensure a reduced cost across two years. Failure to extend the contract as per the proposal (e.g. for one year only) will result in further increased costs.

The primary risk of not extending the contract is the ongoing need for service continuity to ensure the force's compliance with statutory requirements.

The construction industry is still facing supply / material delays which may have an impact on the service. However, the Estates team will work with the appointed contractor to mitigate any time delays where necessary.

Identifying and awarding to an alternative supplier was not achievable in the timeframe.

## **14. Governance Boards**

Not applicable. The original contract was awarded with extension rights.

## **15. Links to Future Plans**

Not applicable

## **16. Background Papers and Appendices**

There are no background papers associated with this decision report.

**Report Approval**

The report will be signed off by the PFCC's Chief Executive and Chief Finance Officer prior to review and sign off by the PFCC / DPFCC.

Chief Executive / M.O.

Sign: 

Print: P. Brent-Isherwood

Date: 8 November 2022

Chief Finance Officer

Sign:  \*\*

Print: Janet Perry

Date: 20 November 2022

\*\* This DR was submitted after the date of the Contract Extension. It is unclear what has happened during the intervening period and why it was delayed

**Publication**

Is the report for publication?

YES   
NO

If 'NO', please give reasons for non-publication (Where relevant, cite the security classification of the document(s). State 'None' if applicable)

None

If the report is not for publication, the Chief Executive will decide if and how the public can be informed of the decision.

**Redaction**

If the report is for publication, is redaction required:

1. Of Decision Sheet? YES  NO  2. Of Appendix? YES  NO

If 'YES', please provide details of required redaction:

N/A

Date redaction carried out: .....

**Chief Finance Officer / Chief Executive Sign Off – for Redactions only**

If redaction is required, the Treasurer or Chief Executive is to sign off that redaction has been completed.

**Sign:** .....

**Print:** .....

**Chief Executive / Chief Finance Officer**

**Decision and Final Sign Off**

I agree the recommendations to this report:



**Sign:**

**Print:**           ROGER HIRST

**PFCC**

**Date signed: 25 November 2022**

I do not agree the recommendations to this report because:

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**Sign:**

**Print:**