

3. CHANGE OF CONTRACTING PRACTICES: CITY CARE FMM CONTRACT

Officer responsible Property Manager	Authors Chris Kerr, Associate Director of Operations, DDI 941-8671 Peter Wills, Property Asset Manager, DDI 941-8503
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The purpose of this report is to confirm the contract value for the Facility Maintenance Management (FMM) contract with City Care, for the maintenance of the Council property portfolio, in accordance with the Council's earlier recommendations.

EXECUTIVE SUMMARY

In the report to the March 2002 Council meeting (Change of Contracting Practices - Property Unit), approval was granted to negotiate a FMM contract with City Care.

That report outlined a four stage process; the first being to rationalise the specialist services trades so that new single-supplier maintenance contracts could be established for lifts, fire and safety and HVAC. At the June 2002 Committee meeting a further report (Change of Contracting Practices – Lift Maintenance Service Contract) requested and obtained approval to proceed with the lifts portion of this rationalisation.

Negotiations with City Care have confirmed savings of 7% in the direct cost of service delivery for the first year. Further savings are anticipated as Supply Chain Optimisation (SCO) benefits are realised in subsequent years. Internal efficiency savings also support the proposal.

BACKGROUND

A report to the March 2002 Council meeting (Change of Contracting Practices - Property Unit) supported recommendations for entering into a comprehensive Facilities Maintenance Management (FMM) contract with City Care.

The Council, at this meeting, resolved:

1. *“That the concept of FMM and its implementation be approved.*
2. *That City Care Ltd be nominated as the FMM provider of choice for the purposes of negotiating an FMM agreement based on the provisions of the existing sale and purchase agreement, with the draft FMM agreement to be subject to final ratification by the Council, via a further report to the Property and Major Projects Committee.*
3. *That, for the purposes of Section 247E of the Local Government Act 1974, it be recorded that the Council has decided to negotiate a contract with City Care Ltd rather than calling tenders for the contract, for the reasons set out in this report.’*

A staged approach was recommended:

- Stage 1 – put contracts for Lifts, Fire and Safety and HVAC in place – (EOI/RFP tender process)
- Stage 2 – negotiate contract with City Care for the supply of gardens and buildings maintenance and overall contract and customer management (FMM related work)
- Stage 3 – pass the task management responsibility for Lifts, Fire and Safety and HVAC to City Care under the FMM contract – mid 2003
- Stage 4 – public re-tender/re-negotiation of the full FMM contract – mid 2007

Stage 1 was partially completed with the submission and approval of the lifts contract, generating savings of \$24,350 annually (15%). The fire, doors and HVAC services are still in the tender process, and anticipated savings have yet to be confirmed. The RFP for this closes 17 July.

Under current contractual arrangements, including the sale and purchase agreement reached when Building Services was sold to it, City Care currently performs FMM related work totalling \$1.7M per annum, many associated with the housing portfolio. A further \$1.25M of FMM related work is budgeted for the 'commercial/asset mgt' portfolio. In anticipation of FMM gains, both budgets (housing and the commercial/asset mgt budgets) have already been reduced by \$120,000 for the housing portfolio and \$80,000 for the commercial portfolio. City Care has confirmed a capped FMM program for \$2.75M for the first year portion of the work they are to carry out under the provisions of the FMM agreement, confirming the anticipated savings of \$200,000 for Stage 2.

Internal efficiencies will also result from the implementation of FMM. Those include staffing level reductions in the Property Asset Management Team (\$116,000), reduced invoice processing costs (FSU – Accounts Payable Team - \$25,000; Property Asset Mgt Team - \$8,300) and reduced work order processing costs (Housing Team - \$25,000).

Category	Before	After	Savings
	\$ pa	\$ pa	\$ pa
Lifts and Escalators	\$162,850	\$138,500	\$24,350
Fire, Safety & HVAC	\$402,500	na	na
FMM – City Care	\$2,944,540	\$2,744,540	\$200,000 ¹
Internal efficiencies	n/a	n/a	\$174,300 ²

¹ Savings already included in 02/03 budget

² First year savings may be partially absorbed by redundancy or redeployment costs.

CONCLUSION

The Christchurch City Council is moving towards a comprehensive Facilities Maintenance Management contract philosophy with City Care as its principal contractor. Introduction of Facilities Maintenance Management practice will result in direct contract cost savings as well as reduced overheads and staff costs.

The proposal being considered does not compromise current levels of service.

Staff

Recommendation: That the term of the City Care FMM contract, in accordance with the Council's March resolution, is for a period of five years, commencing 1 August 2002, subject to:

- (a) The first year's annual fee not exceeding \$2,744,540, in terms of the agreed pricing schedule.
- (b) Following a full condition assessment which will be completed in 02/03, a fee for years 2–5 be negotiated and brought back to the Council for ratification if the value exceeds \$2,744,540 pa, as stated above.

Deputy Chairman's

Recommendation: That the above recommendation be adopted.