

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Lead Member for Universal Services
Date:	3 March 2025
Title:	Spend Approval - Property Term Maintenance Contract
Report From:	Director of Universal Services

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Purpose of this Report

1. The purpose of this report is to seek spend approval to procure a new contract for the delivery of engineering and building fabric reactive work and engineering planned preventative maintenance across the Hampshire County Council and Service Level Agreement (SLA) schools' estate.

Recommendations

2. That the Executive Lead Member for Universal Services gives approval to spend and enter into contractual arrangements, in consultation with the Head of Legal Services, for a five year single supplier contract commencing on 1 August 2026 for the delivery of engineering and building fabric reactive maintenance, and engineering planned preventative maintenance, for Hampshire County Council's built estate (including SLA schools), at a value of up to £130million to be drawn from existing repairs and maintenance funding.
3. That the Executive Lead Member for Universal Services approves the option to incrementally extend the contract for a period or periods of up to 5 years, from 1 August 2031 running through to 31 July 2036 and to spend at an additional value of up to £120 million to be drawn from existing repairs and maintenance funding.

Executive Summary

4. This paper sets out the context and background for the proposed reprocurement of the contractual arrangement to deliver maintenance services on Hampshire County Council's built estate, including its schools, to seek approval for the associated potential spend as well as agreement to enter into the associated contractual arrangements as noted in the recommendation.
5. This report notes the spend on building maintenance within the current contract as of December 2024, and provides an estimated anticipated spend for the proposed new arrangement between August 2026 and July 2036.

6. It seeks the associated spend approval of up to £250 million for the maximum 10-year term, noting that actual spend is approved annually as part of the County Council's Revenue Budget, then drawn from existing repairs and maintenance budgets within Chief Officer Delegations.

Contextual information

Current arrangement

7. The Hampshire County Council annual maintenance budgets are set as part of the Revenue Budget Reports to Executive Lead Member for Universal Services in January, and within annual budget setting at Full Council in February each year and spend is drawn down from existing repairs and maintenance budgets within Chief Officer Delegations.
8. The County Council's delivery of its essential planned preventative maintenance, statutory servicing and inspection tasks, reactive repairs, as well as a critical out of hours emergency response is carried out through a Term Maintenance Contract (TMC), and the current arrangement, which was implemented in 2017, will conclude on 31 July 2026 at the end of year 9 of a potential maximum 10-year term.
9. Though extending for a further year is not the preferred action, there is now insufficient value remaining (versus that published during the original tender) to extend again, therefore it is critical to implement a new contractual arrangement by 31 July 2026.
10. The TMC currently carries out around 45,000 tasks annually for specified work on around 500 sites across Hampshire County Council corporate estate of adults and children's residential homes, libraries, offices, highway depots and other buildings plus the circa 482 schools, nurseries and education centres that purchase Hampshire County Council's property maintenance Service Level Agreement (SLA).
11. These sites deliver services of vital importance and are critical to enabling the County Council to deliver its statutory requirements and necessary operational delivery.
12. The current contract was originally delivered by four (now three) contractors, delivering two separate contracts (Building Fabric and Engineering) across two geographical areas. Operational delivery has been good, however as noted to the Executive Member in [May 2024](#), there are opportunities to streamline arrangements and drive greater operational and financial efficiencies.
13. Within the organisational structure at the time, engineering and building fabric maintenance were managed separately and consequently separate contractual arrangements were put in place by the respective teams. Through the duration of this contract Hampshire County Council has integrated the way it manages maintenance services which has created efficiencies.
14. Work to streamline the associated contractual arrangements commenced accordingly and (with mutual agreement by all parties) it was possible to consolidate the building fabric maintenance with a single supplier in 2021. However, with duplication of activities across the remaining three and within the

County Council contract management, there is further opportunity to be more efficient and effective.

Evaluation of future requirements

15. Given the volume of work delivered through this contract, its value and its criticality in fulfilling the county council's statutory obligations for health and safety across its estate, a potential change in delivery model has required careful analysis and options appraisal.
16. As noted within the report of May 2024, considerations for reprocurement began in 2020 ahead of the existing contract's 5-year break point. However, with initial uncertainty on future requirements caused by Covid-19, followed by global economic crisis and impacts of EU exit and the pandemic on construction industry inflation, the decision was taken to retain the existing arrangement and extend incrementally until better certainty in both organisational requirement and pricing could be established and to carry out an options appraisal to inform the next steps.
17. The maintenance service now operates in a very different environment (globally and organisationally), to the one in which the current contracts were entered into.
18. Between July 2017 and August 2024, the outgoing arrangement delivered maintenance services on behalf of the Office of the Police and Crime Commissioner (OPCC) and Hampshire and Isle of Wight Fire and Rescue Services (HIWFRS), but following their decision to implement their own arrangements, it is no longer necessary to incorporate their requirements in the next generation of the contract.
19. Similarly, a small SLA was in place with the Hampshire Academy schools until 2020 when it ceased because it was uneconomically viable, and a number of other small external users also won't require re-provision in the next generation.
20. Other external factors have included changes in statutory maintenance standards, ways of working, as well as the impacts of the EU exit, Covid-19 and the global economic crisis on pricing of materials and labour in construction industry and maintenance work.
21. Internally Hampshire County Council refreshed its Strategic Asset Management Plan (SAMP) in 2022 and began to accelerate a programme of estate rationalisation, and as a response to the deepening financial crisis faced by the County Council, recently completed an exercise (supported by an Independent Panel of local government experts) to evaluate its core purpose.
22. Additionally, the December 2024 Government White Paper on Devolution and Local Government Reorganisation now means that alternative authority arrangements may be in place in the future. On this basis, whatever arrangement is implemented, it will need to be agile and flexible to meet the future needs of the property estate.
23. The Independent Panel provided feedback that further consolidation of procurement contracts would be expected to deliver financial efficiencies. Hampshire County Council's own market research and options appraisal have concluded that there are opportunities for operational and financial efficiencies through combining the current multiple arrangements into one single contract.

Proposal

24. It is necessary to reprocure contractual arrangements for delivery of building fabric and engineering services from 1 August 2026 for the reasons noted. It is therefore proposed that a streamlined delivery model is created and that a procurement exercise is undertaken to implement a single supplier arrangement from August 2026 to July 2031 with an option to extend by up to a further five years to July 2036.
25. With allowances for contingency, the total anticipated cost (as detailed within the finance section) over the potential ten-year term is approximately £250million.
26. To support realisation of organisational objectives including the SAMP, savings programmes, and the requirement to scale back services to core activities only, a key deliverable for the next generation of the contract is for it to take a proactive approach to managing maintenance issues across the estate. This activity and business intelligence will inform asset lifecycle maintenance plans that alongside innovation would be expected to reduce liabilities and unplanned spend on breakdowns or damage.
27. Creating a flexible and streamlined delivery model through a single supplier arrangement offers greater efficiency with consistent contractual documentation, specification and performance metrics.
28. To align with the strategic focus on core work, it is not proposed to extend use of the future of Term Maintenance Contract to other users where Hampshire County Council does not have a responsibility for either the maintenance, or educational standards. Therefore, the next generation contract will deliver engineering and building fabric reactive maintenance, and engineering planned preventative maintenance for the County Council's built estate including SLA schools only.
29. Noting the potential changes that may be required linked to Devolution and implementation of Local Government Reorganisation, it is however proposed that flexibility is retained within the contractual arrangement to reduce/grow the size of estate and to add (by variation) other building types as necessary.
30. With reduced administrative and management staffing for contractors, a singular way of working, and more efficient supply chain, the proposed single supplier solution will deliver reduced overheads and efficiency savings including through reduced County Council contract management time.
31. Work currently being undertaken to verify mechanical and electrical property assets such as boilers, lifts and fire alarm systems, will ensure that accurate and reliable information will be provided to the market for them to structure their pricing returns and support a competitive tender process.
32. Asset verification will also support efficiencies through the alignment of our assets with nationally recognised servicing and planned preventative maintenance regimes, enabling delivery of the required compliance and regulatory activity, but preventing over delivery through increased frequency of servicing or the use of more expensive technical specialists.

Finance

33. Spend through the Term Maintenance Contract is approved annually as part of the County Council's Revenue Budget, then drawn from existing repairs and maintenance budgets within Chief Officer Delegations.

Concluding current arrangement

34. The Term Maintenance Contract spend from 1 August 2017 up to and including 31 December 2024 is as follows:

TMC Spend 01.08.2017 to 31.12.2024 (7.5 years)	Spend
Hampshire Corporate Estate	£57.2m
Hampshire 'SLA' Schools	£58.7m
OPCC & HIWFRS Partners (until July 2024)	£17m
Aided Schools (via Hampshire Schools 'SLA')	£3m
Academies (until 2020)	£3m
Other contract users & HCC small works	£15.4m
Grand Total	£154.3m

35. The average annual spend across the total contract to date is £20.9million with spend for financial year 2023/24 totalling £23million. The proportion related to Hampshire County Council and SLA schools was an average annual spend of £17.8million, with spend of £19.9million in 2023/24.
36. Across the lifetime of the concluding contract, costs increased by circa 10% annually, in part due to the exceptional levels of inflation across the construction industry. The BCIS (Building Cost Information Service) "Local Authority Maintenance Cost" indices noted inflation of 30.42%, between 2020 to 2024, delivering a compound effect of 48.44% overall increase since January 2017.
37. Alongside inflation, the estate has seen an increase in reactive call outs and the volume of jobs grow due to changes in the level of statutory and regulatory checks required and the increasing age of the estate, which have also contributed to the average annual increase in spend.
38. As a consequence of the above, it was necessary to make additional provision of up to £70million for the current 10 year contract and this was approved in [May 2024](#) by the Executive Lead Member for Universal Services.
39. The rate of growth in maintenance spend has stabilised a little over the last 12 months and is currently being balanced by the proactive approach being taken to deliver a more efficient maintenance service and reduce the cost of managing its built estate, including the accelerated pace of estate rationalisation on the County Council corporate estate.
40. As noted below, this lower pace of growth, alongside the proactive approach to rationalise the estate, as well as the more cost-effective delivery model, have

been included within the overall calculation of the projected spend on the next generation contract.

Future arrangement

41. The baseline spend in the first year of the proposed contract is anticipated to be circa £21million, equating to an average of around £21,000 per site.
42. The below calculation for potential spend for the initial 5 year period and ability to extend the contract for a period or periods of up to a further 5 years, maximum contract term of 10 years, makes allowances for the compound impact of annual rises in inflation as well as the anticipated future demand for maintenance services.
43. Adjustments have been made (increasing incrementally) across the 10-year period to reflect the forecasted rate of rationalisation on the Corporate estate in line with the SAMP, the proactive approach to delivering effective maintenance services as well as the expected financial efficiencies to be achieved through a single supplier model.
44. The forecast Term Maintenance Contract spend from 1 August 2026 to 31 July 2036 is as follows:

	Forecast Spend Years 1- 5	Forecast Spend Years 6 – 10	Forecast Full 10 Year Term
Hampshire Corporate Estate	£55.6m	£50.2m	£105.8m
Hampshire 'SLA' Schools	£58m	£54.6m	£112.6m
Aided Schools (via Hampshire 'SLA')	£4.7m	£4.3m	£9m
Total	£118.3m	£109m	£227.3m
Contingency	£11.7m	£11m	£22.7m
Grand Total	£130m	£120m	£250m

Sole Supplier Model Risks & Benefits

45. A move to a sole supplier model will result in a more streamlined delivery of service through removing the additional overheads, management and administrative resource that each supplier needs to deliver the contract. In addition, we would expect a single point of contact for planned preventative and reactive maintenance work, improving the customer experience and removing delays that occur from transferring work between suppliers.
46. A single agreed way of working developed between the County Council and the supplier would improve consistency of service and increase scope for continuous improvement as the relationship between the two parties continues to develop, removing the need for multiple supplier engagement on changes.
47. Alongside this, a sole supplier model removes complications experienced through supply chain duplication or competition, with a singular supply chain to work with.

48. Whilst there are some areas of increased risk impact with a sole supplier model (mainly the impact on service delivery if there is poor performance or insolvency), a robust procurement and due diligence exercise alongside effective performance measures would reduce this risk.

Other options considered and rejected

49. Re-procurement of the current model with three (or more) contractors to deliver services, was considered. Whilst an enhanced and modern contract would reduce some of the inefficiencies caused by having several contractors, there would still be issues around having multiple management, administration and helpdesk teams, continued difficulties in developing consistent ways of working, and overlap and duplication of supply chains. It does not offer the best opportunity for financial, operational or strategic benefits to be realised and is therefore rejected.
50. Maintaining a geographical split with a contractor delivering a combined engineering and building fabric service in the east and another in the west was also considered. Whilst this option provides a degree of resilience and the ability to compare performance between contractors. It does not offer the best opportunity for financial, operational or strategic benefits to be realised and is therefore rejected.
51. Other options also considered during the early stages of the options appraisal included Total Facilities Management (FM), a multiple specialist contractor framework, insourcing the service or setting up an enterprise arrangement, however these were quickly identified as delivering fewer benefits and, in some instances, increasing the complexity and likely cost of service delivery. None of these offer the best opportunity for financial, operational or strategic benefits to be realised and are therefore rejected.
52. Making use of the option to extend for a further year to the maximum 10-year term of the existing contract was considered as a potential further short term approach. It was not deemed necessary with the completion of options analysis and would delay realisation of potential efficiencies. Separately it is no longer an option contractually as there will be insufficient capacity within original published contract values (as tendered in 2016) to extend by a further year.

Consultation and Equalities

53. An Equalities Impact Assessment (EIA) has found that the impacts of these proposals are neutral, as they will ensure the continuation of the existing maintenance service without any direct impacts on service users.
54. As part of preparation for procurement, significant consultation has been carried out with internal County Council stakeholders through their Directorate representatives for Facilities Management, as well as with the Hampshire schools through end user surveys and this feedback is helping to shape the outputs specified.
55. A market engagement event was held in the summer of 2023 with potential suppliers for the next generation of Term Maintenance Contract. This is

enabling Hampshire County Council to take on board supply chain suggestions and ideas, and to test its future contract strategy.

56. Service user engagement will remain ongoing throughout the remaining duration of the existing term maintenance contract.

Climate Change Impact Assessments

57. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council's climate change targets of being carbon neutral and resilient to the impacts of a 2°C temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.
58. Technological advances and standard innovation in terms of maintenance methodology and components are delivering increasingly lower carbon outcomes. Examples include a transition to LED lighting, an increase in insulation and cleaner more efficient heating technologies including (where appropriate) heat pump technology or the conversion of oil to gas fuels where the reactive response by the Term Maintenance Contractor necessitates full replacement.
59. Workshops with a wider supply chain on 'social value' identified opportunities for more common reporting of carbon emissions which could in future lead to more accurate assessment of the County Council's own carbon emissions.
60. There will be a requirement for the Term Maintenance Contractor to report on their carbon emissions to enable the County Council to better understand the indirect carbon emission of its suppliers and contractors.
61. The Term Maintenance Contractor will be required to consider repairs and replacement assets that deliver improved climate change resilience, where this is suitable and cost effective.

Conclusions

62. Delivery of reactive and planned preventative maintenance (PPM) is a core requirement of the County Council in ensuring its built estate (including the SLA schools) remains in safe, compliant and operational condition.
63. The current Term Maintenance Contracts provide good operational delivery of Building Fabric and Engineering services across the Hampshire County Council built estate (including in schools) but is due to conclude on 31st July 2026 and it is no longer possible or appropriate to extend the current arrangements.
64. It is not possible to delay reprocurement of the existing arrangement until the outcomes of the impacts of Devolution and future Local Government Reorganisation in Hampshire are known. Therefore, to ensure service continuity and to enable a step change in service delivery to meet the needs of the organisation most efficiently and effectively it is necessary to commence the tendering process in the summer of 2025.

65. In reprocurring, there is no singular option that maximises efficiency with zero risk. However, recognising the challenges and inefficiencies within the current arrangement, a simplified, more robust and strategic contract (that remains suitably flexible to reflect future changes and requirements) is needed to provide a delivery model that is fit for the future of Hampshire County Council.
66. Following an extensive options appraisal exercise and considering market research, feedback from the Independent Panel and external consultants, it is concluded that a single combined contract would provide the best opportunity to realise efficiencies and deliver value for money.
67. This step change in delivery model also provides the greatest opportunity to build a strong working relationship with a contractor that would provide strategic benefits and support the objectives of the County Council.
68. This paper has noted the anticipated value of Hampshire County Council maintenance services for the Corporate estate and SLA schools between August 2026 and July 2036 of approximately £250 million (including contingencies). This anticipated cost will continue to be funded via County Council revenue budget and income from the schools SLA, and be drawn down from existing repairs and maintenance budgets in line with Chief Officer delegations

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	yes
People in Hampshire live safe, healthy and independent lives:	yes
People in Hampshire enjoy a rich and diverse environment:	yes
People in Hampshire enjoy being part of strong, inclusive communities:	yes

Other Significant Links

Links to previous Member decisions:	
<u>Title</u> Spend Approval for Property Term Maintenance Contract Corporate Procurement Contracting Activity and Approvals for 2016/17	<u>Date</u> 20 May 2024 31 March 2016
Direct links to specific legislation or Government Directives	
<u>Title</u> N/A	<u>Date</u>

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None	

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

An Equalities Impact Assessment (EIA) has found that the impacts of these proposals are neutral for all protected characteristics, as the term maintenance contract will ensure the continuation of the existing maintenance service without any direct impacts on service users.

Procurement of next generation contract is already being planned and significant consultation has been carried out with internal County Council stakeholders through their directorate representatives for Facilities Management, as well as with the Hampshire schools through end user surveys and this feedback is helping to shape the outputs specified.