Procurement of maintenance services

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Executive summary

The Estonian government agencies employ about 19,000 officials.[1] The majority of facilities where they work are owned by the Government or the state-owned company Riigi Kinnisvara AS (Public Limited Company Government Real Estate, hereinafter GRE); the Government itself currently owns over 600 office buildings and spaces.[2] The State Audit Office (SAO) has audited the maintenance management in these facilities.

The SAO wished to ascertain what are the criteria under which the government agencies decide whether to maintain facilities with their own staff or to buy the service, and if the service is contracted, how the procurement terms and conditions were worded in the competitive bidding announcement and in the proposed contracts and how the problems encountered in the execution of contracts were solved. The objective was to develop an opinion of whether the decisions made by the agencies were rational, based on specific economic calculations and whether this particular field required additional regulation by the government. Issues relating to clean-up were dealt in more detail.

Such problems as cited in the audit report concerning the maintenance of state-owned real property (non-foreseeable nature of maintenance costs and lack of results analysis, failure to carry out preventive maintenance, etc) may occur in the private sector, as well. Since the classification and optimisation of the procedures for the maintenance of real estate are in the initial stage of development in Estonia from the point of view of both owners/subscribers and providers, the shortcomings highlighted in the report have objective reasons, partially, i.e. these shortcomings have been difficult to avoid. But the government as the biggest real estate owner must pay attention to the said problems and take action to improve the situation in the subsequent years. The identification by the subscriber of more specific quality requirements for property maintenance services should ensure the optimized use of funds, preservation and appreciation of the value of state-owned property, also the rise in the quality of outsourced services.

Relevant observations

No Ministry is of the opinion that the general issues pertaining to the operation and maintenance of state-owned facilities on the national scale (eg general requirements, application of standards, training for the civil servants engaged in the respective field, etc) fall within its area of responsibility. Not even the Ministry of Finance who reviews the practicability of funding requests made for the maintenance of state-owned facilities in the draft budgets for the administration area of the ministries.

As a rule, governmental agencies do not outsource facilities' management services – management is carried out with own resources. Many essential management procedures are simply not carried out. There are neither maintenance records nor site management plans available for the buildings.

The principles set out in the Estonian standard "Activities to guarantee the maintenance of facilities" are either unknown in government agencies or if known, an attitude is prevailing that the requirements of the said standard are not suitable for implementation in government agencies. Only few employees involved in the respective field in government agencies have professional qualifications of a property manager or a maintenance manager.

The requisite maintenance of facilities is not always ensured. The maintenance of the main structure of the building is not carried out to the required extent, in case of technical systems mainly corrective maintenance is performed. Long-term preventive maintenance contracts have been concluded only if required by law (operation of electrical installations, lift maintenance, etc).

As regards procurement of cleaning services, there are no uniform requirements as to the quality of the service, and the government as an owner has not specified the minimum acceptable standards for the maintenance of office spaces. Each government agency relies on its own experience and management practices (which differ greatly across agencies) in establishing the terms and conditions and quality requirements for the procurement of cleaning services. This also pertains to the areas where daily servicing of the public takes place.

There is often no objective overview of the costs relating to the upkeep of facilities, and if there is, then

in such a form that it is often very difficult if not impossible to analyse the incurred expenditures by type and by place of cost; moreover, accounting for and reporting of costs does not allow comparison with the expenditures made by other agencies or the private sector to the same purpose, or it can be done only with certain reservations. Thus, the decisions of the agencies to perform maintenance activities with own staff are usually not prompted by economic considerations, but by subjective factors (eg a wish not to make changes in current work practices or to retain work for particular persons).

Proposals of the SAO to the Minister of Finance

- Give instructions to develop quality requirements for the general maintenance of offices, servicing areas and buildings of government agencies and take action to make the government agencies respect these requirements in their daily operation as well as in costing for the related procedures.
- Give instructions to develop recommendations by Ministry of Finance for the implementation of the Estonian standard "Activities to guarantee the maintenance of facilities" in government agencies.
- Give instructions to develop guidelines for the introduction in government agencies of building maintenance records and other documentation describing the technical condition of facilities.
- Consider the opportunity of issuing a recommendation to government agencies for making employees with the certificates confirming their professional qualification of property manager, responsible for the management of property in government agencies.
- Provide guidelines to government agencies on the calculation of costs related to the maintenance of real property and for the introduction of a corresponding reporting system, so that these costs could be compared in terms of agencies and of similar costs incurred in the public sector (determine whether the classification of costs should be specified so as to correspond to the classification of activities laid down in the standard on activities to guarantee the maintenance of real estate).

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In his reply, **the Minister of Finance** states that the Estonian standard EVS 807:2004 "Activities to guarantee the maintenance of facilities" includes different levels of maintenance that can be implemented also in offices. Before compulsory introduction of the said standard, actual possibilities should be assessed because liability must go along with obligation and a need may arise for additional resources, which are not available. The Ministry will consider the implementation of the made proposal.

The standard "Activities to guarantee the maintenance of facilities" also sets down different types of documentation describing the technical condition of facilities, which in the opinion of the Ministry of Finance can be adopted. However, the Minister did not indicate in his reply whether the Ministry would develop guidelines for government agencies on the adoption of the relevant documentation. Professional qualification system is in place for the management of real estate, but currently the implementation of the proposal is hindered by the small number of people with confirmed professional qualifications in the corresponding field. When the number of people proving their qualification rises, then enforcement of such requirements (recommendations) is justified.

The general accounting rules of the government introduced expense accounts for the accounting for costs related to facilities maintenance. Introduction of yet more detailed expense accounts is not justified in the estimation of the Minister. Additional information can always be sought, if necessary.

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