

LONDON BOROUGH OF HARROW

Meeting	Cabinet
Date	July 29th 2004
Subject:	Procurement of the Housing capital programme for 2005/6, 2006/7 and 2007/8.
Key Decision:	Yes
Responsible Chief Officer	Executive Director-Urban Living
Relevant Portfolio Holder	Portfolio Holder for Planning, Development, Housing and Best value
Status:	Part 1
Ward:	All
Enclosures:	None

1. Summary

- 1.1 Steps need to be taken to put in place a partnering contract that will deliver the housing capital programme for the three years from 2005/6 to 2007/8 in accordance with good practice.

2. Recommendations

- 2.1 That Cabinet approve the action that is being taken by the Housing Department to put in place a partnering contract and appoint contract administrators for the delivery of the stock investment capital programme for 2005/6, 2006/7 and 2007/8.**

Reason

The delivery of the housing capital programme through a partnering contract will provide benefits to tenants and will enable costs to be controlled in delivery of the housing capital programme for the three years from 2005/6 to 2007/8.

For approval

3. Consultation with Ward Councillors

- 3.1 None necessary

4. Policy Context (including relevant previous decisions)

- 4.1 On 13th January 2004 Cabinet approved a partnering contract for the delivery of the responsive repairs service including servicing and maintenance of gas appliances. The partnering approach was adopted as an outcome of the best value review of the service and was endorsed by the Best Value Panel. This report recommends the partnering approach to the delivery of the capital programme.

5. Relevance to Corporate Priorities

- 5.1 We will improve the quality of health and social care in Harrow by.....enabling choice and access to good quality housing.

6. Background Information and Options considered

- 6.1 The Housing Capital Programme for the three years 2004/5, 2005/6 and 2006/7 was reported to Cabinet and approved on 16th March 2004. Subject to the ALMO receiving a favourable report following inspection in March 2005, the funding levels are significantly higher for 2005/6 and the successive two years than has been the case to date. The forecast funding levels are set out below. The levels indicated, with the exception of the brought forward programme which is based on actual programme quantified at the end of the 2003/4 financial year, assume that section 27 consent is obtained from ODPM and that a two star rating will be achieved following inspection in first quarter of 2005.

2004/5	Programme brought forward from earlier years	£3,174,700
2004/5		£4,533,000
2005/6		£13,012,000
2006/7		£10,304,000
2007/8		£6,849,000

- 6.2 The budget levels set out above assume all fees payable to Design and Build Services for staff costs and fees payable to external consultants will be met from the budget available. These are estimated for financial planning purposes at 10% of proposed works costs.
- 6.3 In accordance with good practice steps need to be taken during 2004/5 to put in place a partnering contract that will deliver the housing capital programme for 2005/6, 2006/7 and 2007/8. To achieve a partnering approach an internal project team has been formed including representation from the housing department within Urban Living, Central Procurement and Design and Build Services. The project team has now met on several occasions.
- 6.4 It is intended that programme delivery will be approached on an 'enveloping' basis rather than the approach taken in planning earlier years where the age of the properties assisted by stock condition data from 1996 has largely driven stock re-investment. The programmes up to and including 2004/5 have been delivered on an elemental basis. The enveloping approach will mean that any works required to bring a property up to the Decent Homes Standard will be undertaken at one time. This will result in less disruption to residents.
- 6.5 It is intended that PPC 2000 form of contract will be entered into with constructors selected through the OJEU process.

Appendix 2

- 6.6 Given the scale of the proposed programmes, it is recommended that works should be let to one; possibly two major constructors who will be required to complete whatever works are required to a specific property to ensure that it meets the Decent Homes Standard. The possibility of letting the contract for works related to miscellaneous properties (that is non estate based properties) to one of the partner response maintenance contractors will be considered as the procurement approach is progressed. The miscellaneous properties are disparate, do not usually involve leasehold interests and they number about 230 dwellings from the total stock of 5258.
- 6.7 External contract administrators will be required to provide resources to assist in achieving the partnering timetable and provide contract administration services when the contract has been let. These advisers will need to be appointed in accordance with the EU procurement protocols at the earliest opportunity. Their appointment will need to be progressed in order that they are appointed and can assist in the constructor selection and appointment.
- 6.8 The timescale for achieving an April 2005 start date for a partnered contract is tight given the requirement to meet the demands of EU procurement protocols. This does mean that all preparatory work needs to be undertaken in the current financial year including the planning, preparation, risk appraisal and minimisation prior to letting a contract.
- 6.9 Neither Design and Build Services nor the Housing Asset Management Section has the capacity to deliver the 2004/5 programmes, including the programme brought forward from earlier years, as well as drive forward the partnering procurement process within the current financial year. This, together with a lack of experience in partnering management and application of the PPC 2000 contract means that external resources in the form of Contract Administrators will be needed. Both Design and Build Services and Housing will be part of the internal team working with the appointed consultant from Ark Consultancy to agree the partnering approach.
- 6.10 London Borough of Harrow (LBH) must be satisfied that the use of PPC 2000 contract form meets the obligations to leaseholders in relation to section 20 consultation.
- 6.11 The funding levels indicated above assume that funding from ODPM will be forthcoming on the assumption that ALMO achieves section 27 consent to the transfer and two stars at inspection in the first quarter of 2005. The adverts and negotiations with constructor and contract administrator partners will assume that two stars will be achieved. Advertising and negotiation with respective parties ahead of confirmation of funding could result in abortive fees and costs.
- 6.12 LBH is represented in discussion with the London ALMO Group who are aiming to agree a joint approach to procurement by ALMO's given the extent of the investment predicted in West London particularly and London in general as an outcome of the formation of ALMO's. The Collaborative Working Centre has been appointed to lead in developing the ALMO procurement network and to give specific attention to supply chain issues. It is expected that grants for the initial set up costs will be forthcoming from ODPM but if that is not the case the participating ALMO's will be expected to share costs if they are to benefit from group working. LBH expects to benefit from involvement in the London ALMO Group and will ensure that the project team is fully briefed on developments.
- 6.13 Consultants were appointed by London Borough of Harrow to advise on putting in place partnered contracts for the delivery of the response maintenance service with effect from 1st April 2004.
- 6.14 A multi-stakeholder panel, including Council Members, Officers and Residents, oversaw the procurement process. Contractor selection involved a thorough process following responses to the OJEU notice placed last autumn; this involved initial shortlisting and then a formal tender process which included a priced tender, a contractor conference, site visits, visits to contractor's offices and a presentation and interview.

- 6.15 Once the selection process had determined the three contractors of choice, all these worked together with the multi-stakeholder selection panel and other Harrow representatives through a series of facilitated workshops to agree the details as to how the contracts should operate at a practical level. The form of contract is the TPC 2001 (the term contract equivalent of the PPC 2000), with legal advice having been provided by Messrs Trowers and Hamlins, the authors of both contracts.
- 6.16 The partnering approach to the contract encourages participation working and is being driven by a range of agreed key performance indicators and targets. Contractors are incentivised to promote quality and continual improvement and budget management is a shared responsibility.
- 6.17 Spend is being contained within budget, quality is improving from a poor start in April and Contractor's performance is being closely monitored. Closer integration with the in-house staff will eventually reduce administration.
- 6.18 Benefits come by involving all stakeholders in the procurement and contract management process. Despite this being time consuming the experience is that the value in contract delivery is greatly outweighed by up front investment in thinking and planning the right approach.
- 6.19 The most important lesson is the need for the client function to be properly resourced focussed and mature. Unless the client is clear about its role, responsibilities and objectives it cannot expect its contractor partner to engage effectively. The approach being promoted for future year's progress recognises the importance of this.

7. Consultation

- 7.1 The project team set up to take forward the procurement process will ensure that the project team includes representation from tenants and leaseholders.

8. Finance Observations

- 8.1 The costs that will be incurred in taking forward the procurement process will be contained within the annual housing capital budget and provision has been earmarked for feasibility in planning the delivery of the housing capital programme for 2004/5. The risk outlined in this paper in relation to abortive costs should the Council decide not to pursue the partnering approach has been budgeted for in the capital programme and can be contained within the feasibility budget.

9. Legal Observations

- 9.1 The Legal Department is consulted by the project team as part of the procurement process. The form of contract proposed is PPC 2000 and legal advice on section 20 issues is being provided.

9.2. Procurement Observations

- 9.3 Both the Contract Administrator and the Contractor/s will be appointed via posting an OJEU notice and the placing of a local advertisement to ensure the widest audience within the supply market. It is recommended that the procurement strategy details clear roles and responsibilities for Officers and sets clear criteria for the award of the contracts to make the process transparent when supplying feedback to unsuccessful suppliers.

10. Conclusion

- 10.1 This report sets out the case for delivering of the housing capital programme through a partnered contract and recommends the appointment of contract administrators to assist in the selection and appointment of constructor partners and the provision of contract administration services thereafter.

11. Background Papers

- 11.1 None

12 Author

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