

Purchasing Strategy for the Council's Responsive Repairs and Maintenance, Cyclical Maintenance Programme and the Housing Capital Programme: 2012 onwards

Appendix 1

1. Introduction

This Paper is the procurement strategy, for Responsive Repairs and Maintenance Services. The proposals in this paper set out the procurement strategy to replace the current repairs and maintenance contract with Kier which was let 4 years ago, which is due to terminate on 30th June 2012. The procurement strategy outlines how the Council will integrate its commercial and strategic objectives to ensure that these are achieved under the supervision of an effective and strong delivery team.

The procurement approach in this document is written to include the Council's Responsive Repairs and Maintenance, Cyclical Maintenance programme and the Housing capital Programme. Corporate Property officers intend to review the option to include corporate Facilities Management and repairs and maintenance in a Total Facilities Management package including looking at the potential for collaborative working with other Local Authorities. Corporate Property officers expect to conclude this review by mid-October. The Corporate Property element is therefore included in this strategy until that review has been completed and reported.

This Procurement Strategy is expected to make a significant contribution to the Council's strategic objectives, through the delivery of the technical and business requirement for the Council's Responsive Repairs and Maintenance, Cyclical Maintenance programme and the Housing Capital Programme. The Council will select the contractors who meet the Council's needs and then manage the new contracts and relationships in order to deliver Council objectives. It will do this whilst ensuring that the project remains affordable and delivers value for money, expressed in both whole-life costs, quality and sustainability terms.

This paper begins by explaining the existing situation and lessons learned from it. It then describes the scope of the new procurement, the Council's business requirement and summarises the Council's ongoing review of the Repairs and Maintenance marketplace.

In developing the procurement strategy the following actions have been taken;

- Consultation with tenants, leaseholders and other stakeholders including internal stakeholders
- Value chain and market analysis
- Supplier engagement
- Regular updates to Members

The procurement strategy considers options, recommends a procurement route (*OJEU*) and the procurement program. Other more project-based issues are covered here, and reference is made to where they are likely to impact on the procurement e.g. risks, budget, dependencies etc. The strategy also considers some of the key issues in the development of the client capability which are required in order to deliver an effective service.

The procurement options are considered in detail in section 7 of this paper and the recommendation is that the service is re-tendered using smaller work packages with the aim of shortening the supply chain. Officers consider that the recommended option will deliver savings of at least 13% and up to 20% on current spend. The estimate has been made following a rigorous value chain analysis and is explained in more detail in paragraph 7.3.

It is recognised that the recommended strategy to encourage use of local providers is a departure from the current contract where a large contractor has a partnership arrangement with the Council. Council officers are confident that recent improvements to customer services and IT connectivity will make these changes easier to manage.

Included in the paper is the recommendation that district based and specialist services (including Aids and Adaptations) should be awarded for up to 5 years (with the option to extend) and that a series of framework agreements for capital works should be awarded for up to 4 years (EU Procurement Regulations prohibit frameworks agreements which are for more than 4 years)

The recommended option will require re-configuration of the structure and capacity of the client-side for managing these services. The re-configuration will follow the Council's agreed Protocol for Managing Organisational Change and will commence in autumn 2011 with the intention of having new structures in place by summer 2012.

As part of their tender submission, tenderers will be required to submit details of where they are planning to pay less than the London Living wage (LLW). The evaluation panel will then report on the financial implications for the Council if the LLW is paid.

2. Current Situation

2.1 Background

In 2007, the Council entered into a comprehensive partnership contract with Kier. This was for the delivery of the Council's requirement for Responsive Repairs and Cyclical Maintenance services.

The housing element of the contract is valued at c£4 m per annum and has a 5 years term, with an option to extend for up to a further 5 years. In addition the Housing Capital Programme is estimated at an average of £6m per annum. The strategy in this paper identifies where appropriate a tendering and procurement strategy to accommodate Housing's capital and responsive repairs requirements.

The current contract has delivered an improved tenant satisfaction level (73%) and a good level of gas servicing (99.5%) together with a relatively good void turnaround performance (within 10 days for all but the largest of voids). There remains a number of areas for improvement and these are detailed in paragraph 3.3.

In 2010/11, Corporate Property procured approximately £1.5m of responsive repairs and maintenance works via the Kier contract. This figure is likely to fall to c£1.2m in 2011/12 as the impact of Academy status amongst the schools' community takes effect. Corporate Property responsive repairs service is included in the strategy at this stage, subject to the outcome of the review referred to in paragraph 1 above.

The Corporate Property capital programme is currently procured through a partnership arrangement with Apollo. This began in 2010 and terminates in 2014. The Corporate Property capital programme is not included in this strategy.

2.2 Extension

In keeping with the Terms and Conditions of the contract, Kier were invited to submit proposals for a longer extension of the current contract. Officers have reviewed the proposals but do not consider that these are sufficient to warrant a long term extension. The advantages/ disadvantages of the extension option are considered in section 7.

2.3 Timescales

Officers have drawn up a timetable for the re- provisioning of the service. This is set out in detail in section 9. The timetable envisages that, given the number of potential contracts, new contracts are likely to start at different times up to September 2012. Consequently officers are negotiating with Kier to continue to deliver the current service until 30th September 2012.

2.4 Business Drivers

The business driver(s) and opportunities offered by establishing new contractual arrangements include:

- Significant changes in the supply-side of the construction market place offering potential opportunities
- Reduce cost – Housing budget has consistently overspent during the contract.
- Improved responsiveness to schools and ensuring that the operation of the Service Level Agreement between the Council and schools is retained and delivered in all circumstances
- Improved customer satisfaction – the new specification will state the quality and sustainability criteria which all contractors will be expected to deliver.
- The opportunity to explore the feasibility of handyperson services and how these can be delivered alongside the repairs and maintenance service.
- Ensure that processes continue which build tenant involvement and leaseholders' trust.
- A core requirement for corporate buildings to remain open
- Other changes in business requirements include:
 - New operating procedures
 - Use improved technology to improve response times and customer services
 - Better quality of finished repairs
 - Improved accuracy of invoicing
- New legal or regulatory requirement emerging in the form of the Localism Bill and proposals to give tenants more control over repair budgets

The Housing Quality Network inspection of Housing 2009/10 was also critical of some of the features of the current contract and the clienting arrangements. These criticisms included, lack of discount for void works, poor out of hours management, poor gas servicing performance. Some of these features have since been remedied but it is considered that a reconfiguration of the service and its delivery is needed in order to more fully address these matters.

3. Lessons learned from existing contract

3.1 Introduction

The contract awarded in 2007 did not allow sufficient time for mobilization. This had an adverse effect on delivery to tenants, leaseholders and corporate users and hence to customer satisfaction levels. In addition skill gaps remained within the client-side with poor understanding of contractor and client roles, excessive reliance upon external consultants and an excessive reliance upon temporary staff supplementing a dwindling number of permanent staff.

A review of the current contract has been carried out and the following lessons have been noted

3.2 What works well?

- Gas servicing integration with Resident Services
- Void response timescales
- Integration of service with planned investment (better feedback on future needs)
- Monthly tenant satisfaction survey day to day repairs Resident Services re tenancy issues

3.3 What could be improved?

- Out of hours service
- Provision of live information on work progress particularly when job delayed due to access, staff or material resource gaps
- Appointment systems
- Gas service satisfaction survey
- Pricing mechanism cumbersome
- Invoicing and auditing process
- Access to live information on work progress.
- VFM
- Reduced use of sub contractors in supply chain
- More use of local labour
- More training and apprentice opportunities
- Mainstreaming of energy efficiency measures
- Use of low carbon technologies for heating, hot water and power
- Access to revenues from schemes such as FIT and RHI
- Integration of programmes with external funding opportunities - e.g CESP, Green Deal, RE:FIT, etc.
- A job costing basis for corporate repairs
- Communications between client and service provider/ sub-contractor including better information between operatives and the Council

4. Scope of Project

4.1 Overview

The Council's corporate vision includes:

- Keeping neighbourhoods clean, green and safe by ensuring that our housing estates are presented in the best condition, maintaining clean and graffiti free entrance areas to flat blocks and minimising unsightly void properties and building materials at kerbside
- Supporting and protecting people who are in most need by maintaining quality of life for tenants and leaseholders including regular contact with contractors who provide an important source of information which identifies vulnerable residents in need of support or those who are abusing the Council's assets.
- United and involved communities which means a Council that listens and leads by engaging a wider range of residents in the management decisions affecting their homes.

The Council's corporate vision is delivered by various policies and strategies

including “Enterprising Harrow”, Climate Change Strategy, Sustainable Communities Strategy and the planned Sustainable Procurement policy.

The value Chain analysis carried out for the project has shown that there are significant opportunities to contribute to the delivery of these strategies. In particular the analysis shows shortened supply chains and smaller contractors are likely to give better Value for Money and better customer services as well as greater opportunities for local employment.

Contractors performance will be monitored to ensure delivery against these policies and the new contractual relationships will embody these values by using appropriate contractors. At the same time the Council aims to use the procurement to encourage the local supply chain to foster more local training and apprenticeships for Harrow residents.

4.2 Scope

The scope of the Council’s requirements is set in the following context:

- The Council’s objective is to ensure that “tenants are so happy with service they don’t think of going anywhere else” At the same time the service also needs to be able to adapt to proposed new rights for tenants.
- Services are delivered in away that is transparent, where residents are engaged in decision-making and where Value for Money is delivered.
- The residents of the 5,000 Council tenancies include some of the more vulnerable members of society in terms of age, infirmity and low disposable income. Maintaining a good quality repairs service is therefore critical to maintaining their quality of life.
- Regular contact from contractors visiting tenants homes is an important source of information informing housing management of vulnerable residents in need of support or those who are abusing the Council's assets.
- The speedy turnaround of void properties not only minimises void loss but also allows those in housing need to be appropriately housed in the shortest possible time.
- Services are delivered so as to minimize Corporate Property’s backlog
- Corporate premises are maintained so as to remain fully and safely operational thus enabling the council to conduct its business and deliver statutory services.

4.2.2 As a minimum the following national and local policies or guidelines will need to be complied with:

1. Housing Act(s)
2. Equality Act 2010
3. The Council’s Housing Repairs Charter (see Appendix C)
4. Key Performance Indicators (KPI's) for Housing (see Appendix E) including response times for repairs

5. Delivery of the LB Harrow Housing Ambition Plan or its successor
6. Meeting the Council's policies in relation to Tenant and Leaseholder consultation

5. The business requirement (including outcomes)

The services that will be included in the re-provisioning are:

- General day to day repairs (Brickwork, Carpentry, Roofing, Plumbing, Electrics, Fencing, Wet trades, Groundworks, Glazing, Decorating, Metalwork, Flooring)
- Housing voids
- Kitchens and bathroom replacement
- Rewiring
- Windows and doors
- Night storage heating
- Gas – both Domestic and Large and servicing and installation
- Specialist work (Lifts, Emergency equipment, CCTV, Digital aerials, Legionella testing, Asbestos surveys, Door entry, Warden call, Door entry)

The above include items purchased as both capital and revenue and covers both Corporate Property and Housing needs. The hours of operation for non emergency work 08:00 – 17:00 Monday – Friday. The new contractor(s) will also be required to offer out-of-hours services where this is required.

6. Review of Marketplace

In order to come to the recommendation in section 7 below, the following activities have been undertaken:

- Value chain analysis (the hypotheses used in the value chain analysis are set out in Appendix B. these hypotheses formed the basis of officers' analysis and recommendations)
- Supplier day
- Follow up meetings with individual suppliers
- Identification of what other Councils / Housing Associations have done

The findings of these activities are:

- Overheads and profit typically account for 30% of costs with large suppliers, 20% of costs for medium size suppliers (£50m turnover) and <10% of costs for smaller size suppliers (£1m-20m turnover)
- Shortening the length of the value chain will (as a rule) drive out cost by reducing overhead and profit attributable to 'middle men'.
- Recently let contracts have moved away from having a single large supplier provide all services.
- Small and medium size suppliers (appear to) have a greater focus on customer service

- Major suppliers have recently experienced financial difficulties
- As work for the Olympics completes suppliers are likely to be keen to get new contracts. Consequently there are commercial opportunities in the market place
- Suppliers believe that there are good people available in Harrow with the necessary skills to meet the Council requirements
- There are local suppliers with the capability to deliver the required services
- Discounts offered by local merchants to local tradesmen are the same as they offer to larger suppliers
- It is important to retain commercial leverage after contracts have been let (for example by having competition between a small number of suppliers)

As part of the continuous development of the Council's procurement strategy, Housing in collaboration with the procurement service and others will closely monitor the market place so as to strengthen its understanding and build a robust negotiating position with potential contractors.

7. Procurement Options Appraisal

7.1 Options considered

Four options for the re-procurement were considered:

1. Extend the current contract
2. Re-tender the contract on the same basis as present contract
3. As 2 above but pass more management and control responsibilities to contractor
4. Re-tender using smaller work packages with the aim of shortening the supply chain

A value chain analysis was carried out to compare the four options. In parallel work was carried out to identify the main requirements of the contract, and a supplier workshop was held to gather initial information about the capabilities of the market to deliver the different options. Written proposals on an extension were received from Kier and research and analysis of what was happening in other Housing Departments and Housing Associations was also reviewed.

As a result of this, option 4 – to re-tender using smaller work packages with the aim of shortening the supply chain – is recommended as the preferred option for re-provisioning the service.

There are a number of variations on the way in which option 4 could be taken forward. Further value chain modelling work has been carried out, and discussions have been held with potential suppliers. This has led to the definition of the work packages as shown in the diagram in Appendix A. The

rational behind this process is set out in Appendix B.

7.2 Options appraisal

The options considered and their advantage/ disadvantages are summarised below:

Option	Advantages	Disadvantages	Conclusion
<p>Option 1</p> <p>Extend the current contract for a period of up to 5 years</p>	<ul style="list-style-type: none"> • Kier have offered discount on current costs. Kier estimate these savings to be worth c9% • Savings to the Council in cost of the re-tendering exercise • No hand-over to new contractors. Consequently no handover disruption to tenants/ leaseholders • Kier continue to manage the supply chain • No immediate TUPE implications 	<ul style="list-style-type: none"> • The Council will not benefit from current market conditions which potentially offer opportunities for significant savings • Some larger suppliers are volatile in current conditions • The current contractor low satisfaction levels with key stakeholders 	<p>Council officers have reviewed the Kier extension proposals and do not consider that there are savings to the level that Kier estimate. Additionally there are opportunities in the current market and an extension does will not allow the Council to benefit</p>
<p>Option 2</p> <p>Re-tender the contract on the same basis as present contract</p>	<ul style="list-style-type: none"> • Current market conditions may offer opportunities for significant savings from another provider • Large suppliers would continue to manage the Council's supply chain 	<ul style="list-style-type: none"> • Cost of tendering • No guarantee of reduced price • Potential to receive unsustainable bids in a volatile market • Council would continue to pay 	<p>The option is not recommended since the current model based around a single large supplier is unlikely to deliver significant savings</p>

		<p>overheads and profit potentially of 10%-30%</p> <ul style="list-style-type: none"> • TUPE implications of 3rd party transfer 	
<p>Option 3</p> <p>As 2 above but pass more management and control responsibilities to contractor</p>	<ul style="list-style-type: none"> • Current market conditions offer opportunities for significant savings • Supplier takes responsibility for delivery contract outcomes with potential further reduction of client-side costs and resident involvement 	<ul style="list-style-type: none"> • The Council has less control to prioritise day to day activities • Some larger suppliers are volatile in current conditions • The business model requires a more “intelligent” client side 	<p>The option is not recommended since the use of a single large supplier is unlikely to deliver significant savings. At the same time the Council is likely to lose control when there are likely to be significant policy changes in the form of the Localism Bill.</p> <p>See also 2 above</p>
<p>Option 4</p> <p>Re-tender using smaller work packages with the aim of shortening the supply chain</p>	<ul style="list-style-type: none"> • Potential for shortened supply chain with reduced overhead and profit • Potentially greater focus on customer service offered by local contractors • Discounts are offered by local merchants to local tradesmen are the same as they offer to larger suppliers • Council retains commercial leverage after contracts have been let by having competition 	<ul style="list-style-type: none"> • Potential resource implications to configure client-side capacity • TUPE implications to Council • Timescales issues to set up re-configured client-side 	<p>See below</p>

	<p>between a small number of suppliers</p> <ul style="list-style-type: none"> • Improved customer services by direct use of specialist providers (rather than going through a large contractor) 		
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7.3 Client-side

Improved clienting by aligning client structure to contract requirements is key to the success of services to tenants and leaseholders. Reference is made in section 15 below to the need to review the structure of client—side, its size, capability etc. These issues will be addressed in the project’s workplan. Option 4 means that the Council will have to deal with more, medium sized providers. However the majority of day to day work will be delivered through three or four contractors and officers consider that this is manageable. A number of local authorities are currently addressing the management of a larger supply base, particularly in the social care market. Officers will look at options of how a larger number of providers can best be managed, including the potential development of social enterprises. The outcome of the clientside requirements will be reported in full to Members and will be subject to the Council’s Protocol for Managing Organisational Change will

7.4 Calculations of Savings

There is potential savings by contracting directly with more trades and thereby reducing or removing the overhead and profit charged by larger contractors. In 2010/11 the Council paid prime costs of c£3.170m and overhead and profit of £1.34m. the overhead and profit costs and prime costs cover 4d responsive repairs, cyclical maintenance, voids and gas services. In addition there were internal costs of c£715k. (the internal costs include client-side, IT connectivity, quality assurance etc but exclude Access Harrow).

In order to calculate savings officers have removed the overhead and profit element and increased the prime costs. For the purposes of the calculation, prime costs have been increased by 15% and the internal costs increased from £715k to £1.04m in Year 1 and from £715k to £890k in Years 2 – 5.

The calculation is shown on a before/ after basis below:

	Estimate of position in 2010/11 (£)	Estimate of Year 1 costs (£)	Estimate of Years 2 – 5 costs
Overhead and profit	1,348,000	n/a	n/a
Prime Costs	3,170,000	3,645,000	3,645,000
Internal Costs	715,000	1,004,000	890,000
TOTAL	5,233,000	4,649,000	4,535,000

The estimated savings are derived by comparing the 2010/11 costs (£5.233m) against an annualised average of costs over a 5 year period under the new contractual arrangements (£4.557m). This is estimated at 13% when calculated over 5 years of the contract.

In addition sub-contractors have advised that the current contractor is paying them less than the prime costs which the Council is charged. On this basis the 13% estimate of savings is considered as conservative and up to 20% is possible.

7.5 Additional Considerations

There are further considerations arising from using Option 4. These are detailed below:

- Reduced cost by taking advantage of current market conditions in the construction industry. The market for construction work has changed and the demand side has lessened considerably with the economic downturn and completion of work on the London Olympic sites. The timing is therefore opportune for re-tendering
- Risk from using a single supplier – In the last 18 months a number of contractors in the construction industry have failed leaving landlords needing to procure essential services at short notice, The benefit of not having all essential works with one contractor would give a degree of security and flexibility to the Council.
- Contribution to Harrow sustainability strategies
 - Sustainable Community Strategy – increased focus on local economy
 - Climate Change Strategy – provide facilities for improving energy efficiency and insulation and installing greener energy options

7.6 Operation of Option 4

There are 3 parts to Option 4 (i) Services based on districts and with a separate element responsible for corporate buildings. This procurement would be subject to EU Procurement Regulations (ii) specialist services including gas, aids and adaptations and covering both Housing and Corporate Property requirements. Most of these services may not be subject to EU Procurement Regulations (iii) capital frameworks for the housing capital programme – subject to EU Procurement Regulations

- (i) Three or four general contractors would deliver day-to-day responsive works. This approach is likely to open up the work to competition from a range of small to medium companies who may not have the capacity to bid for a single, large package. The general contractors would be subject to KPI review and if performance fell below required standards, the general contractor would be removed.
- (ii) To avoid some of the specialist works being sub contracted, it is proposed that a range of services e.g. electrical and mechanical works be tendered as discreet packages and for the Council to contract direct with these specialists. Specialists' services such as Lifts, fire alarms, door entry systems, warden call alarms, asbestos surveys and air conditioning would also fall into this category and would be allocated work on a borough-wide basis.

The repair and servicing of gas appliances could be let as a fixed price basis to give greater certainty of pricing. Further, the larger gas installations could be in a separate contract from the domestic heating systems. Given the volume of gas works required by the Council and the likelihood of gas installers and gas servicing providers bidding for the same works, it is possible that gas works are allocated on a district basis.

Aids and Adaptations – this service is managed by Corporate Property, funded by housing capital, general fund capital and external grants. The budget for the service rests with Adults and Housing.. Currently the service is procured using an approved list. It is considered that better value for money and a more streamlined service could be achieved by moving to a Schedule of Rates. It is recommended therefore that this Schedule of Rates procurement is included in this exercise. Members should note that procuring the Aids and Adaptation s service does not affect management of the staff group.

- (iii) The housing capital works that can be predicted e.g. kitchen and bathroom renewals, roof renewals etc. could be set up as framework agreements and either drawn down directly or subject to a mini competition when capital works needed to be delivered. This would shorten future procurement timetables. Additionally, there will continue to be one-off tendering exercises where discreet works are identified

and where it is in the Council's commercial interests to tender separately.

The approach described above for Option 4 is summarised in diagrammatic form in Appendix A.

7.7 Length of contract(s)

It is proposed that lots/ contracts be awarded for up to 5 years For the district based and specialist services and for up to 4 years for the housing capital works. There will be the potential for any 5 year deal, subject to Member and stakeholder consultation and agreement. Optimum contract length will be kept under review during the tender preparation and all proposals in relation to technical specification and contract(s) lengths will be signed off by the Programme Board before tenders are invited.

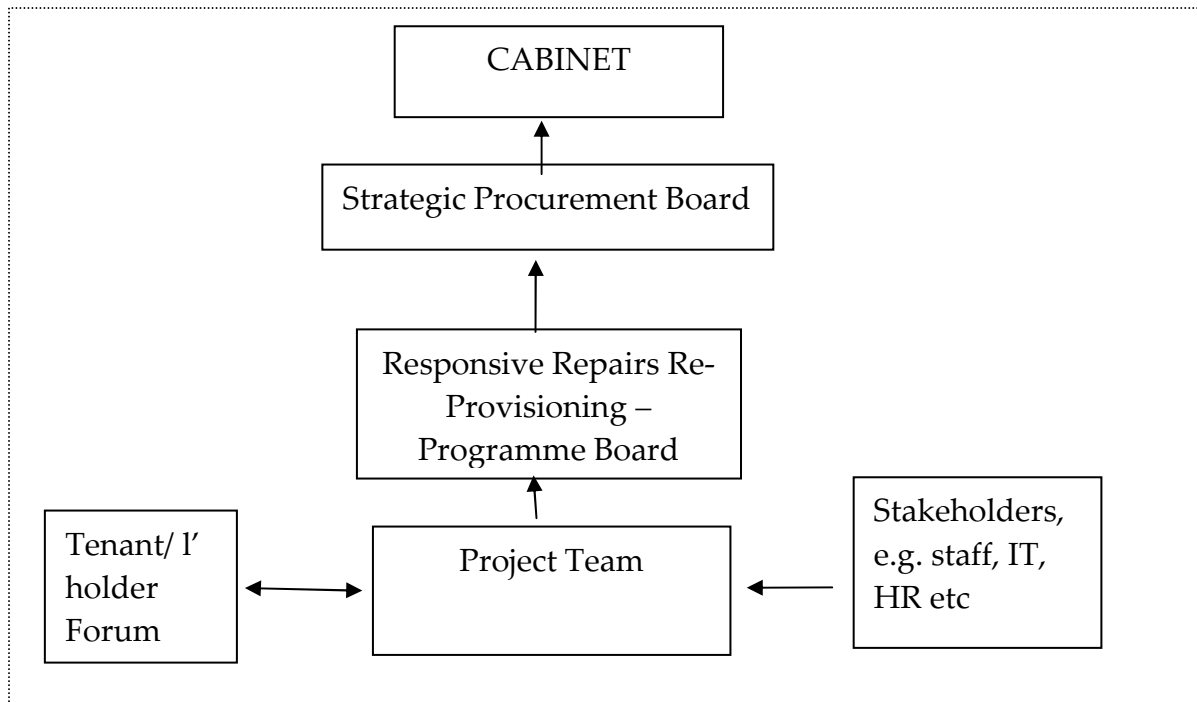
7.8 Inflation

There will be no automatic inflation increases in the contract. Contractors will be required to submit proposals for continuous improvement which will reduce costs. These will be reviewed against any inflation linked increases sought by contractors.

8. Project Structure and Tender evaluation for appointment of the new contract

8.1 Project Structure

The current structure of the project tasked with delivering the new contracts is shown below with a detailed description of membership and roles/ responsibilities in Appendix D.



The above project structure will continue to oversee the procurement process, with Strategic Procurement Board working closely with Programme Board and considering any contract(s) award reports and commercial recommendations prior to these going forward to Cabinet. The Project Team however will need to extend its Terms of Reference (with sub groups if appropriate) to consider organizational restructuring, IT requirements, customer services processes etc. (these are shown as other stakeholders in the above diagram) . Organizational restructuring, IT requirements, customer services processes etc will also be considered as part of any contract award report. A Project Initiation Document and other project governance arrangements covering these matters will be considered by the Programme Board and controlled by the project team.

8.2 Procurement route (including OJEU procedure)

This contract falls within the EU Procurement Regulations. It is likely that a number of Contracts will be let for different work packages as detailed in Appendix A. The Restricted Procedure will be used to select the supplier(s) who will be responsible for each of the work packages (or lots). The Restricted Procedure is a two-stage process where any prospective suppliers may express an interest, but only a specified number are selected to receive an Invitation to Tender (ITT). To receive the ITT the supplier must meet the Council's minimum requirements for economic, financial standing and technical capability as defined in the Pre qualification Questionnaire (PQQ) stage of the process. The Council will use a PQQ which enables/ supports small providers to bid.

Use of the restricted procedure is in line with normal practice for a contract of this type. Use of the Open Procedure has been ruled out as it is anticipated

that a large number of suppliers will respond; using the restricted procedure will be more efficient for both the Council and suppliers. Officers do not consider that the Competitive Dialogue approach or the Negotiated Procedure is appropriate to the current circumstances.

All PQQ's and ITT's will be issued and managed via the Council's E-Tendering system – Bravosolution. eTendering (Bravosolution) provides web-based technology that allows buyers and suppliers to securely manage their interactions during the tender process online. The tool is fully compliant with EU Procurement Directives and supports the full tender process including advertisement, expression of interest, pre-qualification questionnaire (PQQ), invitation to tender (ITT) and award notices. It can be used for procurements of any category, size, complexity and value both above and below OJEU.

Benefits include:

- Centrally governed procurement process
- Increased competition
- Automatic audit trail
- Semi - Automated bid evaluation
- Increased compliance with European Procurement Directives
- Improve Council's reputation with suppliers
- Improve Supplier relationships
- Provide greater opportunities to suppliers especially local SME's
- Improve use of resources
- Improved implementation of good procurement practice
- Increased transparency
- Fewer disputes and challenges

8.3 Tender Evaluation

Tender evaluation is likely to be complex with tenderers potentially bidding for up to 12 lots and district based services. Tenderers will be required to meet the Council's defined quality and sustainability criteria and no tenderer will be considered who does not meet that criteria.

Weightings and scores have not yet been allocated to the quality and sustainability criteria but the criteria are likely to cover at least:

- Management structure and ability to deliver
- Qualifications of the team and its operatives
- Customer Services
- Use of and approach to sub-contractors
- HR and TUPE capacity
- Documentation, performance reporting and administrative capabilities
- Invoicing, e-trading and IT connectivity
- Health and safety
- Apprenticeships, skills
- Use of locally based staff/ operatives

Additional criteria and sub-criteria are also likely to be applied. The award recommendation will be signed off by Cabinet. Tenants and leaseholder representatives as well as technical specialist will be involved in scoring quality, sustainability and finance elements.

The Tender Evaluation will record actual prices using tendered rates applied to a work or job model for reactive maintenance. The Council will not undertake to award the Contract to the lowest priced tenderer but will determine which tenderer will provide best value taking into account the tendered quality and sustainability levels.. Firms carrying out Mechanical Services work must be HVCA registered companies and must be Gas Safe registered or equivalent. Firms carrying out Electrical Services must be NICEIC approved or equivalent.

8.4 Evaluation of capital frameworks

Contractors will be invited to join a framework to deliver specific capital works and during the lifetime of the framework (up to 4 years) officers will be able to either drawdown against the framework rates or invite a mini competition. Depending on the size of the individual project or the state of the market, officers may also tender individual projects.

8.5 Timescales implications of evaluation timescales

Because of the complexity of the evaluation, it will be necessary to prioritise award of key contracts and frameworks at different times during the period June to August 2012. These timescales have been allowed for in section 9 below.

9. Key dates

The main procurement milestones have been extracted and are shown below including an extract of the project's program from issue of the OJEU Contract Notice, through to the appointment of the Contractor.

Activity	Date
Preparation and Development of client-side requirements	Sept 2011 – March 2012
Cabinet Meeting	8 th September 2011
Official Journal of European Union (OJEU notice) published by on e-tendering portal	9 th September 11
Pre Qualification Questionnaire (PQQ) ready for dispatch	12 th September 11
Completion of Corporate Property review	October – Dec 11
Deadline for PQQ return	17 th October 11
PQQ evaluation begins	18 th October 11
Report on Corporate Property review of Total FM signed off by Corporate Directors Adults and Housing and Community and Environment in consultation with	Early November 11

the Portfolio Holders Housing and Property and Major Contracts.	
Short-list agreed	22 nd November 11
Invitations to Tender issued	25 th November 11
Deadline for submission of tenderer clarification questions by tenderers	23 rd December 11
Tenders return	13 th January 2012
Evaluation period	18 th January / 13 th April 2012
Tenderers interviews	Week beg 26 th March 12
Recommendation to Strategic Procurement Board and Programme Board	3 rd week April 2012
Recommendation of Award to Cabinet	May/ August 2012
Start of TUPE transfers	
Mobilization period	May/ September 2012
Start delivery	September 2012
1 st contract Review date	December 2012

10. Service Budget

- 10.1 The anticipated spend in Housing is approximately £10m per year over 5 years made up of Cyclical Repairs + Maintenance spend of c£3.2m p.a, specialist services including Gas, door entry and lifts of c£550k p.a. and a capital programme estimated at c£6m p.a.
- 10.2 The anticipated spend in Corporate Property over the 5 years is £1.2m on Repairs and Maintenance in Year 1 and 2 rising to £1.27m in Years 3-5 to reflect the current position whereby the contract with Greenwich Leisure Ltd to manage the Council's leisure centres will terminate in 2014. The cyclical maintenance spend in Years 1 and 2 will be £142k rising to £183k in Years 3-5 – also to reflect the Greenwich Leisure Ltd contract end date.

11. Stakeholder Management

The key stakeholders for this project are:

- Council members
- Residents (tenants and leaseholders)
- Access Harrow who receive repair requests
- Trades Unions
- CAPITA – providing IT infrastructure
- Northgate providers of ANITE software
- Kier staff subject to TUPE

A range of stakeholders will need to be consulted, and at different stages

leading to contract award and implementation. The key communications involved are:

- engagement of Members - the responsibility of the Project Board)
- Communicating with tenants & leaseholders) - Head of Asset Management

12. Risks

A separate risks register is being maintained and an updated version will be presented to the Programme Board.

13. Dependencies

The project has the following critical dependencies

- Client structure
- Sustainability
- Complaints
- Customer access
- ICT
- HR policies
- Health and Safety
- Equalities
- Freedom of Information
- Quality

Each of these dependencies will be carefully and fully considered by the project team during the tender specification, evaluation and award stages. A number of the dependencies will also be included in questions in the PreQualification Questionnaire e.g. Sustainability, Health and Safety and Quality.

14. Due diligence information

The purpose of the due diligence section is to set out crucial information that may need to be made available upon request, to all participants in the pre qualification, selection and contracting stages. It should also be maintained by the Client team post contract.

The due diligence information required for the project is identified as:

- A library containing detailed Borough maps
- Disclosure of existing and anticipated volumes of work
- Installation dates of fixed assets
- Recent works carried out
- Any existing warranties etc.

15. Design of Client

The new client-side will require a structure that is appropriate to the size of the contract and ensure that there are appropriate commercial skills. The successful management of this change is germane to the success of the project. The Council's Protocol for Managing Organisational Change will be used throughout and the Trade Unions will be fully involved in the process.

The main drivers to be included in the client design are to improve

- Achieving savings and delivering Value for Money
- Ensuring delivery of an efficient service
- Improved customer service
- Ensuring that the Council has the appropriate skill base to ensure delivery of the contract

The re-design of the client function will be mindful of the wider Council strategy and ethos including the Council's Procurement Transformation Programme and other corporate transformations.

The following issues will be considered as part of the client re-designs:

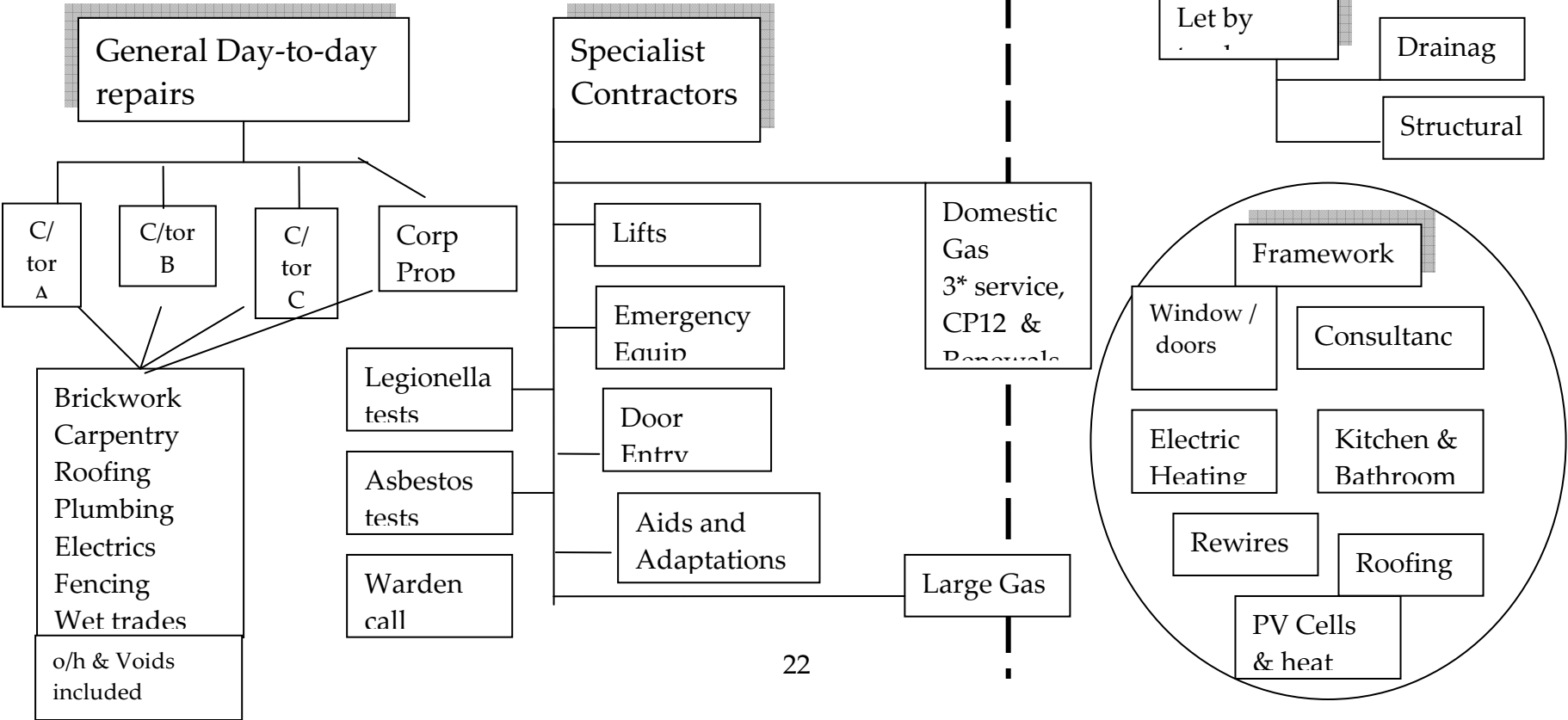
- The Council will wish to place the client for all elements of this work in one department within the Council. However, the location has yet to be determined.
- Currently there is a lack of Quantity Surveying skills, Electrical & Mechanical engineering and clerk of works support within the structures managing the current arrangements.
- Service levels to be achieved including management of peak demand may require outsourcing of specific projects from time to time
- Current processes do not fully exploit IT resources and will need to be refined to do so
- Interfaces to supplier processes
- TUPE implications
- Requirements of other key stakeholders

16. Approvals

Approval to proceed on the basis of the information contained in this procurement strategy has been obtained from:

Role	Who
Business manager (who owns the area that will be affected)	Paul Najsarek/ Brendon Hills
Technical lead	Derek Stewart
Business area director (budget holder)	Lynne Pennington/ David Lewis
Procurement Business Partners	Eugene McLaughlin
Finance	Donna Edwards
Legal Services	Stephen Dorrian

Appendix A – Work packages – diagram



Appendix B – Details of Procurement Options Appraisal

Rationale

The following hypotheses have been used in establishing the work packages:

A. Shortening the length of the value chain will (as a rule) drive out cost by reducing overhead and profit attributable to ‘middle men’.

- Implication: work packages should be created that allow the Council to contract directly with suppliers who will perform (the majority of) the work and not sub-contract it.
- Implication: the work package value should not prevent small (what size?) suppliers from bidding.

B. There is benefit in grouping ‘mainstream’ day to day repairs and voids into a single work package as the skills required are the same.

- Implication: the total value of this work will rule out small suppliers if the total package is let to a single supplier.

C. Letting the ‘mainstream’ day to day repairs and voids package to a number of suppliers will a) allow small and medium size suppliers to compete for the work; and b) allow the Council create a situation where the performance of the engaged suppliers can be directly compared and rewarded; c) engaging multiple suppliers will minimise risks due to capacity and of a supplier going bust.

- Implication: there will be multiple suppliers of the ‘mainstream’ day to day repairs and voids package.
- Question: what is the optimum number of suppliers? Assumption: 3-5.
- Question: do we need the capacity of each supplier to be comparable (i.e. would be happy to have suppliers who took on – at least initially – different %s of the work)?
- Question: how do we work the system to reward good performance? Assumption: based on monthly performance rewarded by allocation of voids work.

D. Specialist R&M activities should be contracted independently of ‘mainstream’ activities.

- Implication: there will be separate work packages for each of the specialist suppliers.
- Assumption: these work packages will be let with a single supplier

E. Framework agreements should be established for ‘standard’ capital activities that are likely to be required on an ongoing basis. Mini-competitions will be run for work as it arises.

- Assumption: the framework agreements will have >2 suppliers so that mini-competitions can be used to drive value on an on-going basis.
- Assumption: having the frameworks will allow us to let contracts quickly.
- Question: how often will we run the mini-competitions (for example will there be an annual kitchens and bathrooms contract)?
- Question: will we select a single supplier from each mini-competition, or will we have more than one? Assumption: engaging > 1 supplier will keep more suppliers interested.

F. One-off contracts will be used for 'non-standard' capital works.

- Implication: projects will need to allow sufficient time for the commercial process to take place.

G. Domestic gas work requires a different set of capabilities to 'large' gas works in communal areas

- Assumption: while there are some suppliers who are capable of doing both there are many who only provide one or the other.
- Implication: domestic and 'large' gas work should form different work packages.

H. Capital and revenue gas works can be combined.

- Assumption: suppliers how have the capacity to supply the R&M work will have the capacity to supply capital works too.
- Assumption: combining R&M and capital work into a larger package will give best value.
- Question: should the domestic and 'large' gas works packages each be with a single supplier, or should they be part of a framework?

I. Small/medium suppliers are focussed on customer service.

- Assumption: the propose work packages will lets us engage SMEs with good customer focus.
- Question: how do we ensure that the selection process results in suppliers that are customer focussed?

J. Local suppliers exist who have the capability to deliver the required services.

- Implication: we need to test this further once we have the work packages better defined.

K. Harrow merchants have the capacity to supply the goods required to deliver the services at a competitive price.

- Assumption: using local suppliers is compatible with achieving best value / VfM.
- Implication: we need to test this further once we have the work packages better defined.
- Question: how will we ensure that local merchants are (appropriately) used to supply materials?

Appendix C – Repairs Charter

London Borough of Harrow Housing Services Repairs Charter

We strive with our contractors to get it right first time and seek to improve services adding value for money.

The Council will:

- Raise your repair orders in a timely manner which is inline with the Council's Repairs Policy
- Ensure that when you contact the Council by telephone or by correspondence that an appointment is arranged to suit you and provide you with a repairs order number
- Ensure that you are made aware why your repair cannot be carried out if it falls outside the Council's responsibility
- Refer improvements to future programmes only where a timely programme already exists
- Arrange for a surveyor to attend if the repair is not straightforward and who will provide a receipt to confirm what has been agreed at the time of the survey
- Ask you to carry out a customer satisfaction survey so that the surveying service can be improved
- Where appropriate give a priority repairs service if you are disable or vulnerable
- Ensure that repairs orders are raised within 48 hours following a survey and that you are contacted for an appointment
- Publish monthly repairs performance on the Housing Website
- Respond to special requests if English is not your first language

Our contractors will:

- Remind you 24 hours in advance of the day of your appointment by telephone or by text messaging .
- Arrive on time at the agreed appointment whether it is an a.m. or p.m. appointment
- Call you, in advance if they are delayed or if the appointment has to be re-arranged
- Be polite and courteous on arrival and show identification cards
- Explain to you the work that has to be carried out
- Where possible complete your repair first time, or if they are unable to, clearly advise you when they will be returning and leave a receipt
- Contact the Council if an authority is required to progress the repair and let you know why a repair cannot be carried out
- Show you the work that that has been carried out on completion of the repair so that you are satisfied
- Safe-guard your belongings by using protective coverings or providing assistance to move belongings if you are unable to do so
- Respond to special requests if English is not your first language

- Where necessary adjust repairs service if you are disable or vulnerable to meet your needs
- Remove all debris and tidy-up if necessary once the repair has been completed
- Ask you to carry out a customer satisfaction survey so that the service can be improved
- Respond to your enquiries at the point of contact and let you know what action will be taken

All renewals will be guaranteed for 12 months and if subsequently fail will be repaired without additional cost subject to fair wear and tear.. General repairs will be guaranteed for 6 months.

Tenant / Leaseholder Responsibilities:

In order to make the repairs service work as described and to keep it as efficient and cost effective as possible it is necessary that our customers co-operate in the delivery. This is most important in keeping appointments when these are made and by helping with the completion of surveys so that we can readily identify if the service level is starting to fall.

Appendix D – Governance arrangements

London Borough of Harrow Procurement of Responsive / Cyclical Maintenance and Housing Major Works 2011/12

Responsibilities/ membership of Project Team and Programme Board

Scope of Project

Re-procurement of contract for Council's responsive repairs and maintenance, cyclical maintenance and elements of the housing capital programme. The new contracts to be in place for summer 2012.

Programme Board

1. Membership:

- Portfolio Holder Housing
- Portfolio Holder Property and Major Contracts
- Portfolio Holder Performance, Customer Services and Corporate Services
- An opposition group councillor
- Tenant and Leaseholder representative
- Corporate Director Adults and Housing
- Corporate Director Community and Environment

2. Role:

- Sponsors of Project - setting strategic direction for project team
- Overview of timetable and delivery of project
- Agreement to resourcing of project
- Reviewing management of risks within the project
- Sign off of key documents: PQQ, ITT, Contract

Project Team

1. Membership:

- Project Manager,
- Head of Asset Management
- Interim Head of Property
- Finance Business Partner(s)
- Manager Responsive Repairs ,

- Service Manager Minor Works and Contracts,
- Senior Professional Legal Services
- Buyer Corporate Procurement
- Interim Risk Manager Audit & Risk
- Programme Manager Customer Service and Business Transformation
- Departmental Procurement Business Partner(s)

2. Role:

- Oversight of Project delivery including definition of Product / Service specification, identification of measures to quantify current and future service, definition of outcomes, consultation with service users, identification of any new processes required to deliver outcomes, review structures required to deliver outcomes with new contractors, undertake formal consultation required with leaseholders
- Appoint Project Manager
- Report to Strategic Procurement Board and to Cabinet
- Ensure resources in place to deliver project
- Maintain Risk Register
- Approve Key documents: PQQ, ITT, Contract

Appendix E – Current Suite of KPIs

Data provider	P I number	Ref no (if applicable)	Reporting frequency	
Kier	AM 1	local	M	Tenant satisfaction with repair and maintenance service (independent monthly telephone survey)
Kier	AM 4	ex BV185	M	% of appointments made
Kier	AM 5	local	M	% of appointments made that were kept
Kier	AM 7	local	M	% of properties with current gas servicing certificates (CP12)
Kier	AM 8	local	Q	No of properties with gas servicing outstanding for more than one month
Kier	AM 11	local	M	% of repairs completed at first visit