

REPORT FOR: CABINET

Date of Meeting:	8 March 2012
Subject:	Appointment of Contractor(s) to deliver Responsive Repairs services
Key Decision:	Yes Contract value in excess of £10 million affecting most wards.
Responsible Officer:	Paul Najsarek, Corporate Director Community Health and Wellbeing Brendon Hills, Corporate Director Community and Environment
Portfolio Holder:	Councillor Bob Currie, Portfolio Holder for Housing Councillor Thaya Idaikkadar, Portfolio Holder for Property and Major Contracts Councillor Graham Henson, Portfolio Holder for Performance, Customer Services and Corporate Services
Exempt:	No, except for Appendix II which is exempt under paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972 (as amended) in that it contains financial and business information relating to the proposals received from bidders and the Council.
Decision subject to	Yes

Call-in:

Enclosures:

Appendix I - Key Performance Indicators
Appendix II - Exempt Part Two Analysis of tenders received

Section 1 – Summary and Recommendations

This report sets out the results of the tender process for the provision of general repair services to corporate buildings and housing stock.

Recommendations:

Cabinet is requested to:

1 Approve the appointment of the following contractors to the framework for the provision of responsive repairs services for Housing:

Linbrook Services Ltd
Slade (London) Ltd

2 Approve the retender of the Corporate Works for responsive repairs for up to two years pending a full OJEU procurement exercise

Reason: The evaluation of the tenders received has been conducted to arrive at the most economically advantageous bids. The Framework structure is designed to maintain a degree of competitiveness and resilience throughout the 4-year framework period. However, the lack of competitive responses for the Corporate Works means that no clear value for money result can be demonstrated

Section 2 – Report

Introduction

The cabinet in September 2011 agreed to retender the repairs and maintenance service currently provided by Kier as an alternative to extending the current contract. This report relates to the major element of responsive repairs dealing with a range of trades. A future cabinet report will address the results of the gas servicing and repairs tender, while other specialist contracts of lower values, will be let using delegated authorities.

A Project Board, made up of cross party Members, senior officers, and specialists from relevant departments has overseen the procurement project. This board met monthly giving overall direction, monitoring progress and agreeing changes.

The project team to deliver the project was made up of officers from both Housing and Property Services and supplemented by external specialists (Legal services, Finance, Procurement and Risk Management).

The Project Board has approved the Project Team's recommendations.

The legal officer has confirmed that the procurement has been conducted in compliance with public procurement law.

Options considered

Following analysis of interest received at the PQQ stage 12 bidders were invited to tender for the works on the basis that 4 Lots were available (3 housing and 1 corporate).

8 bids were received with 4 firms declining to bid. Of those who declined to bid the reasons included; contract size did not fit in with companies' strategic plans and documentation was too large to respond too within the time allowed. A fuller analysis of the reasons for failure to return a bid will be made, following a survey of bidders.

Various combinations of bids were considered with the proviso stipulated within the tender process that no bidder would be immediately awarded work in more than 2 Lots, although each successful bidder would be allocated to all the Lots as a reserve contractor.

The tender evaluation was based on all contractors being required to meet a minimum quality threshold (critically 60% in Customer Care Section and 60% overall) before being considered on a price basis. Of the 8 bid only 4 passed the quality threshold and went on to be considered on the basis of price alone.

Background

Current situation

The current contract with Kier will expire on the 30th June 2012 having been in place for 5 years. This contract was based on a Partnering concept that never really matured between the council and Kier. While a number of improvements to service have been delivered particularly over the later years of the contract it was felt that a fresh approach focusing on customer care and where possible encouraging local supply chain involvement would produce financial benefits in the current economic climate.

New contract structure

Prior to the recommendation to Cabinet in September 2011 an analysis was done of the value chain relating to the current contract. This revealed potential scope for lower overheads by using smaller contractors. A review undertaken subsequent to the cabinet decision resulted in a delegated decision being taken that corporate repair and maintenance should be procured alongside housing work. Efforts have been made to encourage smaller and particularly more local bidders to compete for this current tender and the resultant bidders do reflect this. Other objectives that were set out in the tender strategy included improved customer satisfaction, greater use of

local labour, improving the accuracy of invoicing and use of improved technology in service delivery. The proposed contractors together with an internal restructure and streamlining of procedures will meet the objectives set out.

The recommendation is based on letting the contract as a framework with three separate Lots (Housing East, West & Central). The intended fourth Lot is now recommended to be retendered. In order to avoid the risk of relying on one contractor alone and to introduce an element of competitiveness tenders were invited on the basis that a primary contractor would be awarded for each Lot but that no contractor would be a primary contractor for more than two Lots. All Primary contractors would automatically be included one each of the other Lots thus allowing work to be passed in part or in whole from to any contractor should the primary contractor fail to deliver appropriately or withdraw. It should be noted that while the current Kier contract is comprehensive including both specialist services such as lifts and fire alarm maintenance as well as day to day gas repairs, these work are subject of separate tendering exercises and the April meeting of cabinet will receive a report on the outcome of the tender exercise for gas maintenance.

Implications of the Recommendation

The staffing arrangements for both Housing Services and Property Services have been reviewed in preparation for the revised approach to contracting these services. In line with the Cabinet report of September 2011 the additional costs of this restructure are within the estimate agreed with the Project Board overseeing this project (c £250,000). It should be noted that only a limited amount (approximately £50K) additional staffing cost would relate to this contract. The other costs relate to cyclical and major works. Within the structure the new posts will be able to support the objective of encouraging SME and local contractors to compete and deliver services. By not appointing to the Corporate works contract within the Framework there will be a need to commence immediately with the re-procurement of a separate responsive repairs contract for corporate buildings this will need to be on a short term basis to commence on the 1st July allowing time for a long term OJEU compliant process to be undertaken during 2012.

Both the recommended contractors have made commitments relating to training based on turnover of the contract. At the level of £1.5m this equates to:

- 1 apprentice
- 1 Long term jobless start
- 1 placement position
- 5 Taster positions
- 1 Work experience position

Both contractors have undertaken to prioritise opportunities for Harrow residents, ex-offenders and those with learning difficulties, within any recruitment relating to these contracts. In addition both have given strong commitments to make staff and tradesmen available for visits to local educational establishments, to promote training and employment opportunities.

If Cabinet approve the recommendations a process for the mobilisation of the new contracts will commence identifying TUPE implications, setting up IT links and establishing payment mechanisms.

Financial Implications

The revenue budget for repairs in 2012/13 is shown below

Housing repairs	£2,436,612
Housing voids	£ 689,250
Corporate Repairs	£ 600,343

Corporate Repairs includes budgets held in individual directorates with works co-ordinated through Property Services within the Community and Environment Directorate. The 2012-13 MTFS already factored estimated savings of £85k in anticipation of the new framework. This and any resulting savings from the successful re-tender will be reallocated accordingly.

The tenders received for this contract are priced on a different basis to that of the existing contract. For example the Base Schedule of Rate is different and the overheads and profit are not the same as for the previous Partnering contract. However, analysis of individual unit costs suggest that the price per job is very similar to the current schedule of rate price but is inclusive of the overhead and profit paid separately to Kier under the present contract. This together with other adjustments in the pricing schedule (e.g. reducing the minimum order value, pricing additional items not contained within the published schedule, making use of composite rates) is expected to generate savings of up to 20% for the housing service, which can be invested in enhancements to the repair service. This compares favourably with the original estimate of achieving a 13% reduction in costs across all the repair and cyclical works.

Performance Issues

The procurement strategy adopted aimed to produce a result that would both deliver both a cost effective repairs service and support the local economy. The procurement fits within the continuing transformation programme. This project started with a thorough analysis of the procurement options and the inclusion of works, within this and other repair contracts that have been managed in a more disparate way is part of enhancing the procurement process.

Thus the following council priorities are supported through this procurement; *Keeping Neighbourhoods clean green and safe*, by operating an area based housing repairs service better integrating repairs and estate management, *United and involved communities*, by consulting with residents about what was required in their repairs service and involving resident representatives in the tender evaluation process, *Supporting our Town Centre, our local shopping centres and businesses*, local businesses were consulted about the tender strategy and encouraged to bid for a share of the works.

Within the tender document was a suite of performance indicators designed to allow focus on the key areas of service and for the council to agree with contractors a continuous improvement approach, with a focus on the most pressing performance areas and routine monitoring of other areas that are seen to be delivering to an acceptable standard. These indicators are set out in Appendix 1

The new contracts will aim to deliver better performance against the related indicators within the Corporate Scorecard and the measures in use for this purpose will be reviewed to coincide with the contract commencement.

Environmental Impact

The contract itself does not directly impact upon the environmental issues concerning the housing stock. This contract is not designed to effect improvements rather to maintain existing. There are therefore limited opportunities to impact upon energy efficiency or carbon reduction. Where new materials are identified that can be incorporated into repairs that will deliver these efficiencies at reasonable cost they will be adopted. Part of this procurement exercise required bidders to submit details of how their service provision would be made on a sustainable basis with specific reference to minimising their environmental impact. Within the suite of KPI's are specific measure for ongoing monitoring and means of demonstrating improvement. As this has not been done in such a detailed way previously we have no real baseline assessment of these factors.

Risk Management Implications

See separate guidance notes.

Risk included on Directorate risk register? Yes

Separate risk register in place? Yes

The procurement project identified a number of opportunities that could flow from the procurement strategy, these included;

- Supporting the local economy
- Providing competition between suppliers to maintain quality and minimise price
- Encouraging innovation in service delivery

The risks from the procurement exercise flow from the potential that appointing a new supplier can result in;

- Service disruption during a transition period
- New contractors bid at prices that are not sustainable
- Client side structure does not have sufficient skills to manage the contract(s) put in place
- The need to communicate effectively with multiple contractors places a strain on the IT resources

Equalities implications

At the start of this procurement project an Initial Equalities Impact assessment was conducted to inform the Cabinet report in September 2011. This concluded that there would be no change to service delivery impacts as this was a proposed change in service provider and not of the service provided. However, during the course of the procurement exercise bidders were asked to explain how they would meet the needs of all service users as well as provided information on the equality and sustainability of their bid. This review has been used to update the initial assessment and no adverse impact is seen from appointing the proposed contractors. Within the suite of KPI's attached are measures to monitor future employment practices and individual resident satisfaction with service provision will be analysed by a post within the new client structure.

Corporate Priorities

As described in the Performance section of this report the recommendations will support all the Corporate Priorities. However, by delivering enhanced services to council tenants and leaseholders we will impact on some of the most vulnerable in the community and the particular thrust of supporting local employment and business through our contractors contributes significantly to another key objective.

Section 3 - Statutory Officer Clearance

Name: Roger Hampson	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 23/02/2012		
Name: Matthew Adams	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 27/02/2012		

Section 4 – Performance Officer Clearance

Name: Martin Randall	<input checked="" type="checkbox"/>	on behalf of the Divisional Director Partnership, Development and Performance
Date: 23/02/2012		

Section 5 – Environmental Impact Officer Clearance

Name: Andrew Baker	<input checked="" type="checkbox"/>	on behalf of the Divisional Director (Environmental Services)
Date: 23/02/2012		

Section 6 - Contact Details and Background Papers

Contact: Paul Mullins, Interim senior Project Manager, 0208 416 8177

Background Papers: Cabinet Report – September 2011

**Call-In Waived by the
Chairman of Overview
and Scrutiny
Committee**

NOT APPLICABLE

[Call-in applies]