

REPORT FOR: **CABINET**

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| Date of Meeting: | 19 July 2012 |
| Subject: | Appointment of Contractor(s) to deliver Housing Capital schemes |
| Key Decision: | Yes <i>[Framework contract values will be in excess of £16 million affecting most wards]</i> |
| Responsible Officer: | Paul Najsarek, Corporate Director Community Health and Wellbeing |
| Portfolio Holder: | Councillor Bob Currie, Portfolio Holder for Housing Councillor Thaya Idaikkadar, Deputy Leader and Portfolio Holder for Property & Major Contracts Councillor Graham Henson, Portfolio Holder for Performance, Customer Services and Corporate Services |
| Exempt: | No, except for Appendix I 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 Call-in: | Yes |
| Enclosures: | Appendix I - 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 capital works to housing stock.

Recommendations:

Cabinet is requested to:

- 1 Approve the appointment of the contractors identified in Table 1 of the report to the framework for the provision of capital works for Housing:
- 2 Approve the appointment of Durkan Ltd for the delivery of the 2012/13 Programme of Kitchen and Bathroom Renewals using the available budget in a revised capital programme.

Reason: (for recommendation)

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.

Section 2 – Report

Introduction

- 2.1 The cabinet in September 2011 agreed to retender the extensive range of services previously provided by Kier. The ending of the 4 year partnership arrangement for capital works in 2011 gave an opportunity to change how these services are delivered. The tender strategy was set out to maintain competitive pricing, increase customer satisfaction and where possible support the local economy and employment. In addition by following an EU compliant public procurement process now the framework will allow separate work packages to be called off from the framework more efficiently in future with shorter lead times to let each work package.
- 2.2 This report relates to the major element of repetitive capital investment. This completes a series of tendering exercises to replace the Kier partnership.
- 2.3A 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.

- 2.4 A Panel of residents contributed over the last year to reviewing the service and how it should be changed. At the point of tender evaluation a group of 6 residents were engaged for two days in reading and scoring the customer care submissions from each bidder.
- 2.5 The Asset Management team within Housing services have given a commitment to involving residents and getting closer to the customer. A review group is already being planned to monitor repair contractors performance and a process to engage residents in evaluating the success and performance of each contract under this framework will be established. Using this mechanism contractor's performance can be monitored from the outset to maintain and improve upon customer satisfaction.
- 2.6 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 legal officer has confirmed that the procurement has been conducted in compliance with public procurement law.

3 Options considered

- 3.1 Following analysis of interest received at the PQQ stage 22 bidders were invited to tender for the works on the basis that 4 Lots were available. These Lots are- Roofing, Kitchen & Bathroom renewals, Electrical wiring and Heating, Windows.
- 3.2 27 bids were received with 7 firms declining to bid. Note some bidders were eligible to bid for a place on more than one Lot
- 3.3 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 14 bidders only 9 passed the quality threshold and went on to be considered on the basis of price alone.

Background

4 Current situation

- 4.1 The current situation is that since July 2011, when the 4 year framework with Kier came to an end the Housing department has been tendering schemes as they arise. Due to the overall value of these works over a 4 year period there is a need to ensure that the council complies with procurement rules on the aggregate spend and for this reason an OJEU compliant public procurement process was undertaken.

New contract structure

- 4.2 Prior to the recommendation to Cabinet in September 2011 an analysis was done of the value chain relating to the current procurement. It was felt that by establishing a framework for the 4 Lots described that the bulk

of the repetitive works for future housing capital programmes would be covered and that the tender process would be a shorter one while being compliant within the framework. The contractors were asked to price a notional volume of works according to the Harrow specified requirements. The exception to this was the Bathroom and Kitchen Lot were the actual works required for 2012 / 13 formed the basis of tender allowing these prices to be used to both gain access to the Lot and also for one contractor to be awarded the first contract.

TABLE 1

| Capital Work area (Lot) | Contractors recommended for Framework |
|--------------------------------|---|
| Windows & Doors | United House Durkan Breyer Diamond Build Lengard |
| Roofing | Lakehouse Apollo United House Diamond Build Mullalley |
| Kitchens and Bathrooms | Durkan Lakehouse Apollo Mullalley Axis |
| Electrical wiring and heating | Durkan Apollo United House Breyer AJS Ltd |

Implications of the Recommendation

4.3 Once the Framework is established each year a mini competition can be run within each Lot according to the volume of works required. Thus the contractors recommended here for each Lot are only being given the opportunity to tender in future. This will maintain the competitive element of the service delivery and gives a degree of flexibility to the council each year.

For the 2012/13 bathroom and kitchen renewal programme the tendered rates submitted to gain access to the framework are being used to award the first contract.

4.4 All the recommended contractors have made commitments relating to training and supporting local recruitment. However, as there is no guarantee of the award of any particular value or continuity of work to a

single contractor the support of these initiatives will vary according to contracts awarded.

- 4.5 The Asset Management Team restructure is still being completed. However, the team managing capital contracts is largely in place already. As each years capital budget is confirmed the programme of properties to be completed will be drawn down to form a new work package and subjected to mini competition within the framework. This framework is expected to cover at least 60% of the annual programme each year.

5 Financial Implications

- 5.1 The only immediate financial implication of this report is the award of the 2012/13 Kitchen and bathroom renewal programme. The tender that is recommended from Durkan Ltd is for £942,826 and is fundable within the capital programme which is currently being revised. It is proposed that the council use this tender to enter a contract with Durkan Ltd fitting within available resources.

- 5.2 All future contract awards under the framework will be subject to mini competition.

- 5.3 Financial comparison of the tendered rates to gain access to the Framework is not always straightforward when comparing to previous priced contracts. However the following comparisons have been made:

| Work Lot | Comparison | Comments |
|--------------------|---|--|
| Kitchens | The recommended Kitchen rates are within 2% of last contract let and mostly cheaper | Specification increased |
| Bathrooms | The recommended bathroom rates offered are 6% cheaper than last contract let. | Specification increased |
| Windows & Doors | A comparison of typical house type shows the combined cost of windows and doors to be equal to the last contract let. However, while doors were cheaper the windows were slightly dearer. | |
| Electrical Heating | The rates received for the framework are equal to last contract let when specification changes are reflected | |
| Rewires | Across 8 different house types the new framework is cheaper on 6 by between 5% and 20%. Compared to last contract let. | |
| Roofs | No recent contracts can provided comparison | Last tendered contract was on basis of lump sum so can not provide like for like comparison of rates |

No attempt has been made to compare rates directly to Kier prices which are now at least 2 years old and were made up with significant overhead and profit additions. However the tenders let in the last 12 months have always compared favourably with the overall prices from Kier.

6 Performance Issues

6.1 The procurement strategy adopted aimed to produce a result that would deliver both a cost effective service and minimise lead time in establishing future contracts. The procurement fits within the continuing transformation programme to improve services and align the capital programme delivery to this end. This project started with a thorough analysis of the procurement options and is part of enhancing the procurement process.

6.2 Thus the following council priorities are supported through this procurement;

Keeping Neighbourhoods clean green and safe, by investing in the housing stock.

United and involved communities, by consulting with residents about what was required in their services and involving resident representatives in the tender evaluation process,

Supporting our Town Centre, our local shopping centres and businesses, all bidders were required to submit a response covering the sustainability of the tender relating to environmental impact and also employment and training contributions to the local economy.

Supporting and protecting people who are most in need – within the customer care evaluation all contractors were required to address how they would ensure equality in service delivery and tested on their responses to the identification of individuals at risk within premises where they work.

Within each of the Lots a range of performance measures relative to the work will be agreed with residents and contractors to ensure that performance and value for money are being maintained.

6.3 For each work Lot specific KPIs are to be used within the contract to ensure speed and quality are maintained.

7 Environmental Impact

7.1 The framework will impact upon the environmental issues concerning the housing stock. This contract is designed to effect improvements rather than to maintain existing. There are some opportunities to impact upon energy efficiency or carbon reduction for example in the installation of double glazing. Where new materials are identified that can be incorporated into replacements that will deliver these efficiencies at reasonable cost they will be adopted.

7.2 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.

8 Risk Management Implications

Risk included on Directorate risk register? Yes

Separate risk register in place? Yes

8.1 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

8.2 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

For each of these risks the project has identified mitigating actions, including, phasing of contract commencements, annual tendering via mini-competitions and training for staff.

9 Equalities implications

9.1 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 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.

10 Corporate Priorities

10.1 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

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|-----------------------|-------------------------------------|---|
| Name: Roger Hampson | <input checked="" type="checkbox"/> | on behalf of the Chief Financial Officer |
| Date: 9 July 2012 | | |
| Name: Stephen Dorrian | <input checked="" type="checkbox"/> | on behalf of the Monitoring Officer |
| Date: 9 July 2012 | | |

Section 4 – Performance Officer Clearance

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| Name: Martin Randall | <input checked="" type="checkbox"/> | on behalf of the Divisional Director Partnership, Development and Performance |
| Date: 26 June 2012 | | |

Section 5 – Environmental Impact Officer Clearance

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|--------------------|-------------------------------------|--|
| Name: John Edwards | <input checked="" type="checkbox"/> | Divisional Director (Environmental Services) |
| Date: 4 July 2012 | | |

Section 6 - Contact Details and Background Papers

Contact: Derek Stewart, Head of Asset Management Community Health and Wellbeing 020 8424 1075 Derek.Stewart@harrow.gov.uk

Background Papers: Cabinet Report – September 2011

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

NOT APPLICABLE

[Call-in applies]