

Report to Cabinet
26 March 2014
Report of Andy Watt, head of city development services
Subject Award of two contracts for advice on structural repairs and improvements to Council housing properties

Item

16

KEY DECISION

Purpose

To consider the award of a new contract for housing responsive structural advice and the extension of the current contract for housing planned structural advice

Recommendation

1. To award a contract for housing responsive structural advice to NPS Norwich Ltd for the remainder of the joint venture (until February 2022).
2. To extend for two years for the current contract for housing planned structural advice to Alan Conisbee and Associates Ltd.

Corporate and service priorities

The report helps to meet the corporate priority 'Decent housing for all' and the service plan priority to deliver the work programmes.

Financial implications

The financial consequences of this report are the award of two contracts for structural advice with values estimated to be:

1. Responsive structural advice – NPS Norwich Ltd - £160,000 per year for the remaining life of the joint venture.
2. Planned structural advice – Alan Conisbee & Associates Ltd - £400,000 over the two year contract period (£200,000 per year).

A further £40,000 will be required for ground investigations in relation to the responsive structural advice contract as at present, which will be managed by NPS Norwich but it is proposed the budget will remain with the Council.

This will be financed from existing budgets within the Housing Revenue Account and capital programme.

Ward/s: All

Cabinet member: Councillor Bremner - housing

Contact officers

Chris Rayner, head of property services, NPS Norwich Ltd 01603 227902

Background documents

None

Report

Background

1. In January 2012 cabinet approved the award of two contracts for structural advice; the responsive contract to J.P. Chick and Partners and the planned contract to Alan Conisbee & Associates Ltd. Both contracts were awarded for a two year period with an option to extend for a further two years. The current contracts come to an end on 31 March 2014 but have been extended until 22 May 2014.
2. This work area is included within the scope of the current agreement with NPS Norwich Ltd, however it was originally tendered due to resource issues within the old property section. With the wider support now available from NPS Group it is now possible to bring this work back within the NPS Norwich Ltd joint venture (JV).

Future delivery options

3. The establishment of the JV gives the potential to deliver certain services through the JV as opposed to delivery by external sources and the end of the current arrangement to deliver the responsive structural advice contract provides an opportunity to bring this work into the JV.
4. By its responsive nature, it is felt that this contract could be more efficiently managed and delivered more effectively if it was included within the range of professional services delivered by the JV.
5. By including this work within the JV, the council would then have greater control over how the work is delivered and the staff who deliver it, rather than the management of a contract to deliver the work.
6. The current method of delivery does require a resource in NPS Norwich Limited to manage the contract and provide and receive information etc. It is felt that if the work is delivered within the JV this resource would not be required as any management would be included within the team leaders current duties and therefore the total resource to deliver the work would likely result in a saving of around one half FTE (full time equivalent). The council would then continue to manage the contract with NPS Norwich Limited for the delivery of all of the services provided to the council by NPS Norwich Limited.
7. In addition any efficiencies, and half of any surpluses, generated in delivery would be passed back to the council whereas at present they are simply 'lost' to the current supplier.
8. It is proposed that the budget of £160,000 (the current cost of the contract) is passed to the JV to deliver the required work and regular reports on costs against budget are then passed to the council's client officer for review and challenge. Any budget not spent at the end of a financial year will be passed back to the council along with 50 percent of any surplus generated in delivering the work through a more efficient process.
9. The intention is to deliver the same volume of work for less cost or an increased volume for the same cost and it is envisaged that this could be achieved by managing the work through the existing team leader (the team already manages

both of these consultants) and in doing so this will release one half FTE of the team from managing the responsive consultant and allow them to directly deliver projects.

10. The delivery of the planned structural advice contract is slightly easier to manage by the fact it is planned in nature and therefore it is proposed to extend the contract with the current supplier for a further two years and then review the options in two years time to assess if there is merit in bringing this work into the JV. In doing this it will ensure the JV is able to ensure the responsive work is fully embedded and working well and efficiently and any 'lessons learnt' in this process can then be applied to the planned work in two years time.
11. A contract options appraisal has been completed and is attached as appendix 1. The recommended option is to include within the scope of the JV, however as outlined above, it is proposed to approach this in two stages.
12. The in-house option scored relatively low in the options appraisal due to the fact that all professional property services now sit with the JV and so there is not the support within the council to manage this work and with the JV there is very little (or no) risk to the council.

Integrated impact assessment



NORWICH
City Council

The IIA should assess **the impact of the recommendation** being made by the report
Detailed guidance to help with completing the assessment can be found [here](#). Delete this row after completion

Report author to complete

Committee:	Cabinet
Committee date:	26 March 2014
Head of service:	Andy Watt, Head of city development services
Report subject:	Award of two contracts for advice on structural repairs and improvements to Council housing properties
Date assessed:	28 February 2014
Description:	

	Impact			
Economic (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Finance (value for money)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Unknown, however there is a risk of an increase in costs if a tender exercise is undertaken and there is the potential for the Council to benefit from any efficiencies or surpluses generated by the JV
Other departments and services e.g. office facilities, customer contact	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
ICT services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Economic development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Financial inclusion	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Social (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Safeguarding children and adults	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<u>S17 crime and disorder act 1998</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Human Rights Act 1998	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Health and well being	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

	Impact			
Equality and diversity (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Relations between groups (cohesion)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Eliminating discrimination & harassment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Advancing equality of opportunity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Environmental (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Natural and built environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Waste minimisation & resource use	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Pollution	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Sustainable procurement	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Energy and climate change	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(Please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments

	Impact			
Risk management	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The potential for a supplier to fall into administration is significantly reduced if carried out by the JV

Recommendations from impact assessment	
Positive	
	The Council will benefit directly from any efficiencies made and the risk of supplier failure is significantly reduced.
Negative	
Neutral	
Issues	

Scoring Matrix

Appendix 1

	Service delivery option →				
Assessment Criteria ↓	Weighting (can be varied) ↓	In-house provision	Public Sector Joint Venture	Extend current contract	Private sector provision or outsourcing
How does the option compare to the current cost of the service?	50%	43.75	50	50	50
	50% to be distributed between remaining factors				
How does the option align to the Corporate Plan and council's operating model?	12.5%	12.5	12.5	6.25	6.25
How likely is the option to deliver continuous improvement and meet the needs of the customer?	12.5%	10	12.5	10	10
Deliverability - can the option be delivered within the proposed timescale?	12.5%	2.5	10	12.5	10
How much risk does the option expose the council to and can these be managed?	12.5%	2.5	7.5	7.5	7.5
	Total	71.25	92.5	86.25	83.75

Notes					

Financial analysis

How much does the option cost?	In-house provision	Public Sector Joint Venture	Extend current contract	Private sector provision or outsourcing
Set up costs	20,000			
Cost per annum	170,000	160,000	160,000	160,000
Cost over 2 years	360,000	320,000	320,000	320,000
Difference to cheapest option	40,000	0	0	0
% difference from cheapest option	12.5%	0%	0%	0%
% of mark awarded	87.5%	100.0%	100.0%	100.0%
Marks awarded out of 50	43.75	50	50	50

Notes

A manager would be required for the in-house option and there would be a split responsibility for structural engineering between the council and NPS Norwich which would not be efficient. Set up costs would be required for software and equipment.	A small surplus might be made at the end of each year. Fifty percent would be returned to the council.	Costs based on the current contract pricing model	A saving is not anticipated by revisiting the market - the current contract was priced quite competitively.
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Operating model principles

How does the option align?	In-house provision	Public Sector Joint Venture	Extend current contract	Private sector provision or outsourcing
Design principles - customers	5	5	3	3
Design principles - people	5	5	3	3
Design principles - organisational design	5	5	3	3
Design principles - locations	5	5	1	1
Total score (out of 20)	20	20	10	10
Marks awarded (out of 12.5)	12.5	12.5	6.25	6.25

Supporting notes to justify the assessment	In-house provision would be tailored to meet the principles	NPS Norwich manage the housing repairs service which means they are closer to the customer, receiving constant feedback and able to manage expectations. The service is kept within the Norwich family. Staff are located near to City Hall.	The current provider does not have the housing repairs background so is less able to tune into the housing service culture. Some work is carried out from the Ipswich office.	A private sector consultant is unlikely to have the housing repairs background so is less able to tune into the housing service culture. There is no guarantee that the consultant's office will be in Norwich.
Customer Notes				
People notes				
Organisational notes				
Location notes				
<i>Each option should be scored against each of the design principles using the following</i>				

Fully meets the design principle	5			
Mainly meets the design principle	3			
Barely meets the design principle	1			
Does not meet the design principle	0			

Continuous improvement and customer analysis

What performance measures and customer needs have been identified and how well will the solution meet the targets?	In-house provision	Public Sector Joint Venture	Extend current contract	Private sector provision or outsourcing
Service standards for servicing and repairs	4	5	4	4
Total	12	15	12	12
Score awarded	10	12.5	10	10

Notes				
<i>This section should clearly show the performance measures and customer needs that are used and the targets that have been set.</i>	The above assessment assumes that in house provision would take some time to set up and "get right" and that there may be a drop in performance while the organisation gets used to running these services directly.	NPS Norwich will be able to give a more responsive service, tailored to other aspects of the housing repairs service such as voids and whole house improvements. This will help to reduce the void turnaround period and will reduce tenant complaints.	The current system lacks flexibility which means that it can add days to the void turnaround and tenants wait a long time for structural inspections. This generates complaints which generates further work.	Likely to reflect the current system which lacks flexibility and adds days to the void turnaround and tenants wait a long time for structural inspections. This generates complaints which generates further work.

<i>Each option should be scored against the target set</i>				
Will meet the target	5			
Highly likely to meet the target	4			
Likely to meet the target	3			
Unlikely to meet the target	1			
Will not meet the target	0			

Supporting notes should be used to record a description of the reason why the score has been given

Timescale deliverability analysis

Deliverability - can the option be delivered within the proposed timescale?	In-house provision	Public Sector Joint Venture	Extend current contract	Private sector provision or outsourcing
Can the option be delivered so that the services can be commenced when the existing contract expires on 22 May 2014?	1	4	5	4
Marks awarded (out of 12.5)	2.5	10	12.5	10
Notes	Setting this up as an in house service is not currently part of any service plan nor have any resources identified to support this.	NPS Norwich would need to employ three additional employees. It is likely that the current consultant would invoke the TUPE legislation allowing the transfer of some or all of the required structural engineers. If a recruitment process is required there is a possibility that the posts will not be filled by 22 May 14.	The contract allows for a two year extension.	If this option is chosen there is sufficient time to implement this option providing there is no challenge.
<i>Each option should be scored against the ability to comply within the timeframe available</i>				
Can be implemented within timeframe	5			
Highly likely to be implemented within timeframe	4			
Likely to be implemented within timeframe	3			

Unlikely to be implemented within timeframe	1			
Will not be implemented within timeframe	0			

Risk evaluation and mitigation

All services will face risks that may prevent them from achieving what they set out to deliver. By identifying these in advance, we can take steps to mitigate these, so that we are well prepared should they occur. Identify any **key** risks and locate the reference number on the risk register.

Service delivery option	In-house provision	Public sector shared services	Extend Existing Contract	Private sector outsourcing
Overall risk score	1	3	3	3
Marks awarded (out of 12.5)	2.5	7.5	7.5	7.5

Notes

Risk assessments should be carried out using the corporate risk methodology. The following overall scores will then be applied

No significant overall risk	5	12.5
Some overall risk	3	7.5
Significant overall risk	1	2.5
Unacceptable overall risk	0	0

In-house provision

Ref	Description of Risk	Comments	Likelihood	Impact	Score
R1	Insufficient work to keep employees fully occupied	Would need to seek work externally or assist the NPSN with other work	2	3	6
R2	Too much work for team to deliver	Could pass work to NPSN if capacity allowed	4	3	12
R3	Unable to recruit suitably experienced staff	Would be mitigated by potential TUPE transfer but would need to recruit a knowledgeable manager	3	5	15
R4	Staff become isolated and less up to date	Would need to maintain links with NPS for training and development	4	3	12
R5	Increased pension strain costs	Small compared to total	4	3	12
R6	Community right to challenge leads to services being outsourced	Difficult to quantify and is unlikely to affect just this part of the service	2	3	6
R7	Poor service delivery damages reputation of the council	Close monitoring would give early warning of problems which could then be remedied	2	2	4

Likelihood / Probability	Impact / Consequences				
	Insignificant	Minor	Moderate	Major	Catastrophic
	1	2	3	5	7
5 Very High					
4 Likely			R2, R4, R5		
3 Possible				R3	
2 Unlikely		R7	R1, R6		
1 Rare					

Public Sector Shared Service/JV

Ref	Description of Risk	Comments	Likelihood	Impact	Score
R1	Insufficient work to keep employees fully occupied	Would need to seek work from NPS group or externally	2	2	4
R2	Too much work for team to deliver	Could pass work to NPS group	4	2	8
R3	Unable to recruit suitably experienced staff	Would be mitigated by potential TUPE transfer and already have a knowledgeable manager	3	3	9
R4	Staff become isolated and less up to date	Would join an existing team of structural engineers	1	3	3
R5	Increased pension strain costs	NPS terms and conditions less onerous than NCC	2	3	6
R6	Community right to challenge leads to services being outsourced	Difficult to quantify and is unlikely to affect just this part of the service	2	3	6
R7	Poor service delivery damages reputation of the council	Close monitoring would give early warning of problems	2	2	4

Likelihood / Probability	Impact / Consequences				
	Insignificant	Minor	Moderate	Major	Catastrophic
	1	2	3	5	7
5 Very High					
4 Likely		R2			
3 Possible			R3		
2 Unlikely		R1, R7	R5, R6		
1 Rare			R4		

Extend Current Contract

Ref	Description of Risk	Comments	Likelihood	Impact	Score
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Probability	Impact / Consequences
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R1	Insufficient work to keep employees fully occupied	Not a risk to the council	0	0	0
R2	Too much work for team to deliver	Would result in delays - has done in first two years of contract	4	3	12
R3	Unable to recruit suitably experienced staff	Already in place	0	0	0
R4	Staff become isolated and less up to date	Part of an existing team of structural engineers	1	3	3
R5	Increased pension strain costs	Not a risk to the council	0	0	0
R6	Community right to challenge leads to services being outsourced	Services are currently outsourced	5	2	10
R7	Poor service delivery damages	Close monitoring would give early warning of problems	2	2	4

Likelihood / Proba		Insignifi cant	Minor	Moderat e	Major	Catastro phic
		1	2	3	5	7
	5 Very High		R6			
	4 Likely			R2		
	3 Possible					
	2 Unlikely		R7			
	1 Rare			R4		

Private Sector Outsourcing

Ref	Description of Risk	Comments	Likelihood	Impact	Score
R1	Insufficient work to keep employees fully occupied	Not a risk to the council	0	0	0
R2	Too much work for team to deliver	Could result in delays - has done in first two years of contract	4	3	12
R3	Unable to recruit suitably experienced staff	Would be mitigated by potential TUPE transfer but would need to recruit a knowledgable manager	3	5	15
R4	Staff become isolated and less up to date	Part of an existing team of structural engineers	1	3	3
R5	Increased pension strain costs	Not a risk to the council	0	0	0
R6	Community right to challenge leads to services being outsourced	Services are currently outsourced	5	2	10
R7	Poor service delivery damages reputation of the council	Close monitoring would give early warning of problems which could then be remedied	2	2	4

Likelihood / Probability		Impact / Consequences				
		Insignifi cant	Minor	Moderat e	Major	Catastro phic
		1	2	3	5	7
	5 Very High		R6			
	4 Likely			R2		
	3 Possible				R3	
	2 Unlikely		R7			
1 Rare			R4			