

Report for Resolution

Report to Cabinet
13 July 2011
Report of Head of Procurement and Service Improvement
Subject Contracts for works and services for housing properties

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Purpose

To seek approval from cabinet for the strategy for the procurement of services for housing, extension of the current contracts to allow continued service provision until new contracts are in place and to use consortium contracts.

Recommendations

Cabinet approves

1. the strategy for the contract packaging for the procurement of a range of works and services for housing properties
2. the extension of the existing contracts until new contracts can commence
3. joining the Eastern Procurement Consortium

Financial Consequences

There are no direct financial consequences from this report. The extension of the existing contracts will result in expenditure which is within the existing budget provision. The financial consequences of the new contracts will not be known until bids are received and evaluated but will be subject to a further report at a later date.

Risk Assessment

Contract packaging – the main risk is that the wrong packaging leads to increased costs through inefficiency. This risk has been mitigated by packaging the contracts in a manner that is attractive to the market but also allows the council to make use of specialist contractors as applicable.

Extending existing contracts – there is a risk that other suppliers could challenge this decision. This risk is mitigated by implementing the strategy to put new contracts in place at the earliest opportunity.

Joining the Eastern Procurement Consortium means that the council would share the risk of the procurement process and errors by other members. This risk is mitigated through representation on the management board of the consortium. There is a further risk that specifications and customer requirements are compromised but this is mitigated through having the choice not to join in if the proposed solution does not meet our requirements.

Strategic Priority and Outcome/Service Priorities

The report helps to meet the strategic priority “Safe and healthy neighbourhoods – working in partnership with residents to create neighbourhoods where people feel secure, where the streets are clean and well maintained, where there is good quality housing and local amenities and where there are active local communities” and the service plan priorities SHN 7 – increase our investment in new windows, kitchens, doors and boilers in council homes, SPC 3(b) - complete the eco-retrofit of over 800 council homes, including loft insulation, replacement windows and doors and OC 3 – achieve a two star and improving audit score for our housing landlord services by April 2011.

Cabinet Member: Councillor MacDonald - Housing

Ward: All wards

Contact Officers

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Background Documents

Award of interim contracts for housing works, 10 November 2010

Future provision for housing works, Cabinet, 16 February 2011

Background document (Click here and type document) is not for publication because (Right Click for Not for Publication)

Report

Strategy for the procurement of housing works and services

1. On 16 February 2011 Cabinet approved the strategy to seek provision from the private sector for a variety of housing works and services.
2. The next stage is to decide how to package the individual works and services elements in to contracts. The options range from offering a single contract for all of the works and services to one contractor through to breaking the works and service areas down into multiple individual areas and offering separate contracts for each area. The multiple contracts option could result in a range of outcomes varying from one contractor winning all contracts to separate contractors being appointed for each contract.
3. Officers have consulted with tenants and leaseholders as well as seeking the views of potential suppliers on the packaging of the contracts. The Contracts Working Party considered a report on the packaging of the works and services

on 20 April 2011.

4. Appendix A shows the comparison of a single package containing all works and services compared to multiple packages. The analysis concluded that breaking the work in to packages would be better than a single package.
5. Appendix B shows the suggested packages of works and services. This seeks to maximise the benefits of two larger contracts for Lot 1 repairs and maintenance and Lot 2 planned upgrades for kitchens, bathrooms etc with a series of smaller contracts for areas such as Lot 3 mechanical repairs and maintenance and Lot 5 exterior painting.
6. To maintain the timetable a contract notice has already been placed for the repairs and maintenance and the planned works. However if this strategy is not approved the notices will be withdrawn.

Extension of existing contracts

7. On 10 November 2010 Cabinet approved the award of a series of interim contracts including repairs and maintenance and voids refurbishment after a competitive tendering process. These contracts were entered in to with a view to completion by October 2011. However, the timescales prescribed by the Public Contracts Regulations 2006 are such that new contracts cannot be entered in to in time to take over from the existing interim contracts. Therefore, it is proposed that subject to formal agreement with the existing suppliers, that the contracts are extended until the new contracts can be awarded and appointed suppliers can commence service delivery. It is anticipated that this will be by 01 April 2012 at the latest.
8. The main alternatives to extending the contracts are stopping services which would leave us in a position where we could not fulfil our duties as a landlord. Alternatively we could conduct a competitive tender to appoint suppliers for the period October 2011 to March 2012. This second option could lead to significant disruption and two changes of service provider in 6 months as well as staff being TUPE transferred from one contractor to another and then another. Further, the second option would also require staff working on the procurement of the new works and services to divert from that work to procure the new interim contracts leading to delays in progress on the longer term requirements.

Using consortium contracts

9. The council uses a variety of methods to procure goods, works and services. One of these methods is to combine with other contracting bodies to procure. This method is useful where there are common objectives, specifications and markets for the required goods, services or works. There are various contracts that the council can access from consortiums and the council makes use of these where applicable such as the procurement of electricity and gas.
10. Procurement consortiums operate in different ways with different funding models. Some operate by recovering a percentage of the contract throughput from suppliers in the form of a rebate. Others operate with a joining fee or members sharing the running costs.

11. The council now has the opportunity to join the Eastern Procurement Consortium (EPC) to combine with various social housing providers. The EPC is hosted by Saffron Housing and is managed by a board with representatives of each of the social housing providers. The council would be represented by the Head of property services.
12. Joining the consortium does not impose an absolute requirement for the council to work in collaboration and we would still be free to procure separately where this was the strategy that would deliver best value. However, there are significant benefits in joining and being able to exercise the option to procure in a collaborative manner.
13. The main benefits of joining and procuring collaboratively are:
 - a) reducing price through greater volume
 - b) sharing expertise, ideas and information
 - c) sharing risk
 - d) reducing procurement costs
 - e) opportunities to benchmark the service with other local providers
14. The risks of joining and procuring collaboratively are:
 - a) The risk that an error by another consortium member could have a financial or other impact on the council
 - b) Compromises on specifications or other requirements lead to the council not getting what is required for the customer
15. To join the Eastern Procurement Consortium the council will be required to contribute £10,000 per annum towards the running costs and a further 1% of the value of work procured through the consortium. However, it is anticipated that this amount will be more than recovered through reduced contract prices as well as allowing the council to concentrate procurement resources on areas where collaborative contracts do not exist or do not meet our needs.

Scoring Matrix

Housing repairs maintenance and upgrades tender options	Service delivery option Packaging →	%age weighting	all services grouped together delivered by one supplier	separate packages or in groups of packages	
Assessment Criteria ↓	Weighting (can be varied) ↓				
	weighted score		0.42	0.49	
How does the option compare to the current cost of the service?		50%	4.15	4.85	marks b/f from individual assessment sheets
	weighted score		0.10	0.07	
How does the option align to the blueprint for a lean council options?		10%	20.00	14.00	marks b/f from individual assessment sheets
What are the general advantages of this option?	not scored as covered in details				
	weighted score		0.09	0.09	
How likely is the option to deliver continuous improvement?		10%	26.00	27.00	marks b/f from individual assessment sheets
	weighted score		0.12	0.13	
How likely is the option to deliver the requirements of the customer?		15%	28.00	30.00	marks b/f from individual assessment sheets
	weighted score		0.04	0.04	
Deliverability - can the option be delivered within the proposed timescale?		5%	4.00	4.00	marks b/f from individual assessment sheets
	weighted score		0.07	0.06	
How much risk does the option expose the council to and can these be managed?		10%	26.00	22.00	marks b/f from individual assessment sheets
	total weighted scores	100%	0.83	0.87	

Cost analysis

Housing repairs maintenance and upgrades tender options		Service delivery option Packaging →	
How much does the option cost?	all services grouped together delivered by one supplier	separate packages or in groups of packages	%age of total costs
heads of cost			
contractors works cost, labour materials subcontract packages	4 assume some direct employed staff, especially for responsive type works and some subcontracts, large volume will lead to cheaper materials	5 with more packages, there will be a reduction in economies of scale. However, may get better materials deals if using specialist contractors who operate countrywide	75%
contractors management costs, cost of directly managing and supervising operatives	4 one supplier should have slightly less supervision costs as may be able to work across work streams	5 some duplication of supervisors dependant upon volume of work but less supervision required on planned works due to combined workstreams	5%
contractors overhead costs general management, premises etc	4 will require extra resources for some roles, eg Tenant Liaison Officer, Quantity Surveyors, contract management, which is less flexible but will benefit from economies of scale. Will almost definitely need a central office and stores/warehouse eg mile cross depot	5 may only need part of resource, but depends upon workloads of other work, which cannot be guaranteed. Probably operate from existing smaller and cheaper depots for some packages	5%
contractors and clients set up costs, one off costs such as vehicles, IT, mobilisation	5 will require new vehicles specifically for this contracts, possibly new IT to meet NCC requirements, but no replication costs. Will be more costly to mobilise for contractor as workload will require specific resource, due to co-ordination of multiple work streams	4 new vehicles in some cases, but workloads may allow use of existing, new IT will need to be replicated where required increasing costs, several replications of mobilisation, but less effort required to co-ordinate from contractors side, but not from clients side	10%
NCC client management costs, HPS and other departments costs	5 One point of contact for overall management and mobilisation will reduce requirement for NCC resources	4 More meetings to monitor and manage contractors, more time consuming to mobilise	5%
weighted cost ranking	4.15	4.85	100%
Notes			
Whole life cost - costs should be for the service provision from cradle to grave including set up costs, running costs and disposal or termination costs			

NB costs scored out of 5, 5 being lowest cost

Blueprint align analysis

Housing repairs maintenance and upgrades tender options	Service delivery option Packaging →	
How does the option align?	all services grouped together delivered by one supplier	separate packages or in groups of packages
Design principles - customers	5	3
		processes more complicated with more than one contractor
	Interaction with one contractor	More interactions with multiple contractors
		less likely to be able to achieve multiple channels because more contractors involved
Design principles - people	5	5
Design principles - organisational design	5	3
	more likely to be a partnership arrangement	less opportunity of partnering with multiple contracts, although larger contracts could still be partnered
		will require more back office support for multiple contractors
Design principles - locations	5	3
	Colocation possible	Less likely to be able to colocate if multiple contractors
Supporting notes to justify the assessment		
totals	20	14
Notes		
Each option should be scored against each of the design principles using the following methodology		
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	

General advantages

Housing repairs maintenance and upgrades tender options

Service delivery option **Packaging**→

What are the general advantages of this option of delivery to NCC and residents?	all services grouped together delivered by one supplier	separate packages or in groups of packages
point of contacts for customer and client	provides single point of contact and responsibility for both customer and client	more than one point of contact for client and therefore will be more difficult to co-ordinate
<i>co-ordination within contractors organisation</i>	provides better co-ordination between trades and work streams	co-ordination between work streams will be more difficult and less effective
economies of scale dependant upon contract period	provides economies of scale on contractor provided services e.g. IT, management and overheads, suppliers and subcontractors	provides potential for economies of scale in specialist areas if national specialist contractors, but more expense in providing management and overheads
<i>competition</i>	no competition apart from at point of tender	no competition apart from at point of tender
<i>colocation</i>	co-location between client and contractor is possible	colocation unlikely
continuous improvement opportunities	Client can influence behaviour of contractor through performance management to encourage continuous improvement, but only one chance and organisation is larger. If subcontractors are used less likely to be able to influence	influence will be patchier as dealing with different contractors, but smaller organisations may be more flexible and more focussed as contract may be more important to them
procurement documentation	familiar with procurement process and documents	familiar with procurement process and documents, but more effort needed to prepare and evaluate
<i>speed of procurement</i>	lengthy	lengthy, more likely to suffer delays, due to volume of work required to prepare documents, potential for queries and contract negotiations
<i>clients culture</i>	fits with current culture	currently operating this model for temp contracts, but has required a change that has not been addressed by structure changes
<i>performance management</i>	greater opportunity to influence, could breakdown if subcontractors involved	influence will be patchy but specialists may be more focussed
<i>NCC management resources and control</i>	more efficient as less meetings, but may be less likely to influence	less efficient as more meetings, but may be more able to influence
<i>quality</i>	greater opportunity to influence, but a larger organisation may become compartmentalised and less responsive	greater opportunity to influence as specialist and more focussed
<i>employment of local labour</i>	more likely to employ local labour directly, and potentially local subcontractors	smaller contractors possible and therefore may be more local, but not necessarily
<i>flexibility around changes in volume</i>	adjustment of workforce inflexible, as tendency is to compartmentalise, so transfer less likely, and less flexible to changes in programme/workloads	more flexibility if contracts programme related
<i>financial control</i>	greater opportunity to influence	more effort required and less consistency, but more focussed as contract more important
<i>equality and diversity impact</i>		
<i>environmental impact</i>		
TOTAL		

continuous improvement

Housing repairs maintenance and upgrades tender options	Service delivery option Packaging →	
What performance measures have been identified and how well will the solution meet the targets?	all services grouped together delivered by one supplier	separate packages or in groups of packages
<i>Ability to manage continuous improvement</i>	5	5
<i>Client/residents can influence performance through management</i>	4	4
	more likely to influence but less flexible and focussed	may not be able to influence all contractors, but more focussed
<i>Flexible in terms of demands</i>	4	5
	less likely to be flexible	more likely to be flexible and more responsive
<i>influences that increase performance</i>	4	5
<i>Consistent service delivery across city</i>	5	4
		multiple contracts may lead to inconsistency
<i>Will deliver best practice</i>	4	4
TOTAL	26	27

etc

Notes		
<i>This section should clearly show the performance measures that are used and the targets that have been set.</i>		

<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

Customer needs

Housing repairs maintenance and upgrades tender options	Service delivery option Packaging →	
What customer needs have been identified and how well will the solution meet the needs of the customer?	all services grouped together delivered by one supplier	separate packages or in groups of packages
<i>Single point of contact</i>	5	4
<i>Increased performance due to competition</i>	1	3
<i>Consistency of service delivery</i>	5	4
<i>Response to changes in customer demand</i>	4	5
<i>Co-ordination between work streams, trades/sub-contractors etc</i>	5	4
<i>Flexible</i>	4	5
<i>Choices in terms of programme etc</i>	4	5
TOTAL	28	30
etc		

Notes		
<i>This section should clearly show how customer needs have been identified. How have customers been consulted and their needs identified</i>		

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

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

Deliverability analysis

Housing repairs maintenance and upgrades tender options		
Service delivery option Packaging →		
Deliverability - can the option be delivered within the proposed timescale?	all services grouped together delivered by one supplier	separate packages or in groups of packages
	This option could be delivered within the timescales	This option could be delivered within the timescales
TOTAL	4	4
		less likely to be delivered because more chance of delays in a package, but shorter mobilisation period contract for planned work

Notes		
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<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	

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

Risk analysis

Housing repairs maintenance and upgrades tender options	Service delivery option Packaging→		

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	all services grouped together delivered by one supplier	separate packages or in groups of packages	
bankruptcy	1	3	
takeover	3	1	
cash flow	3	3	
management quality	3	1	multiple management structures increases risk of poor management
cost certainty	5	3	
customer focus	5	5	
flexibility	1	3	
health and safety	5	3	multiple management structures increases risk of poor health and safety
Overall risk score	26	22	

Notes

<i>Risk assessments should be carried out using the corporate risk methodology. The following overall scores will then be applied</i>			
No significant overall risk		5	
Some overall risk		3	
Significant overall risk		1	
Unacceptable overall risk		0	

Financial Information for proposed contract

LOT 1 - Responsive Works

Date: 1st April 2011

Proposed contract elements	Background Information	Budget (1 year)	Indicative Budget (5 year)
AIMS (Environmental Improvements)	Minor upgrades to external areas, such as green spaces	£56,000	£280,000
Disabled Adaptations	Respond to individual requirements from the Occupational Therapist to support vulnerable tenants	£1,800,000	£9,000,000
Exceptional Home Maintenance Scheme	Minor improvements to properties which have been well maintained	£150,000	£750,000
Fire Precaution Work	Upgrades to improve fire precaution measures	£75,000	£375,000
Garage Repairs	Repairs to garages, all garages will have repairs on a rolling programme	£150,000	£750,000
Improvements for Elderly & Disabled	Responsive works to provide minor improvements and minor adaptations	£200,000	£1,000,000
Kitchen & Bathroom Equipt Mtce	Maintenance of kitchen and bathroom in sheltered housing	£5,000	£25,000
Maintenance of Cleared Sites	Security measures to empty sites	£2,000	£10,000
Repairs & Maintenance - Estates	Responsive repairs to estate areas such as green spaces and drying areas	£38,921	£194,605
Repairs & Maintenance Sheltered Housing	Day-to-day responsive repairs to sheltered housing	£50,000	£250,000
Re-Roofing emergency	Major repairs to roofs arising from emergencies	£4,218,910	£21,094,550
Routine Repairs & Maintenance	Day-to-day responsive repairs to housing		
Void Works	Repairs to properties once tenants move out	£2,014,190	£10,070,950
Watermains/Drainage	Major repairs to water mains and drains arising from emergencies	£200,000	£1,000,000
Whole House Improvements	Major repairs to void properties	£120,000	£600,000
Total		£9,080,021	£45,400,105

Financial Information for proposed contract

LOT 2 - Planned Works

Date: 1st April 2011

Proposed contract elements	Background Information	Budget (1 year)	Indicative Budget (3 year)
Boilers (Domestic)	Heating upgrades, on a rolling programme	£3,010,000	£9,030,000
Electrical (Domestic)	Electrical upgrades (including rewiring and consumer units), on a rolling programme	£750,000	£2,250,000
Electrical (Domestic) Periodic Surveys	Surveys in advance of the electrical upgrade programme, on a rolling programme	£150,000	£450,000
Kitchens & Bathrooms	Replacement of kitchens and bathrooms to ensure all homes meet the Decent Homes standards	£2,500,000	£7,500,000
Sub - Total		£6,410,000	£19,230,000

Elements of Specialist works to be tendered separately but as nominated subcontractors of Lot 2

Boilers (Communal)	Replacement of boilers in communal areas	£280,000	£840,000
Lift Upgrades	Upgrades of the lifts, this is done as and when they need to be replaced or repaired	£270,000	£810,000
Re-Roofing planned	Re-roofing blocks of homes, this is done on a rolling programme	£500,000	£1,500,000
Sub - Total		£1,050,000	£3,150,000
Total		£7,460,000	£22,380,000

Financial Information for proposed contract

LOT 3 - Mechanical

Date: 1st April 2011

Proposed contract elements	Background Information	Budget (1 year)	Indicative Budget (5 year)
Community Alarm Call System Maintenance	Regular annual maintenance and inspections	£272,680	£1,363,400
Door Access Controls/CCTV	Upgrades and larger repairs to door access controls and CCTV systems	£150,000	£750,000
Emergency Lighting Maintenance	Regular annual maintenance and inspections	£79,640	£398,200
Extractor Fans	Regular annual maintenance and inspections	£5,360	£26,800
Fire Alarm Maintenance	Regular annual maintenance and inspections	£135,870	£679,350
Installation of CCTV	Installation of new CCTV systems	£5,000	£25,000
Landlord Lighting Maintenance	Regular annual maintenance and inspections	£310,216	£1,551,080
Landlord Lighting Upgrades	Improvements and upgrades	£300,000	£1,500,000
Lightening Conductor Test	Regular annual maintenance and inspections	£3,630	£18,150
Servicing of Automatic Vents	Regular annual maintenance and inspections	£6,620	£33,100
Servicing of CCTV and Responsive Repairs	Regular annual maintenance and inspections	£22,490	£112,450
Total		£1,291,506	£6,457,530

Financial Information for proposed contract

LOT 4, 5, 6, 7, 8, 9, 10 - Specialist Works

Date: 1st April 2011

All elements are considered to be either specialist and best tendered separately or have volumes that can vary year on year to a large degree and therefore are best tendered over a period to suit the volumes at that time and into the short term.

Proposed contract elements	Background Information	Budget (1 year)
Boilers (Communal)	Replacement of boilers in communal areas	Included in Lot 2
Exterior Painting	Painting the outside of homes and communal areas	£405,000
External Wall Insulation	Upgrading insulation to the external walls of homes	£340,000
Lift Maintenance	Servicing of the lifts to ensure they are safe, this is done on a rolling annual programme	£40,000
Lift Upgrades	Upgrades of the lifts, this is done as and when they need to be replaced or repaired	Included in Lot 2
Maintenance of Dry Risers	Servicing of the dry rise vents in flat blocks which are used by the Fire Service in the event of a fire.	£5,380
Re-Roofing planned	Re-roofing blocks of homes, this is done on a rolling programme	Included in Lot 2
Sprinkler System Maintenance	Servicing of the sprinkler systems, this is done on a rolling programme	£3,120
Structural	Major structural repairs to homes and communal staircases	£1,422,000
Water Pump Maintenance	Servicing of the water pumps, this is done on a rolling annual programme	£5,580
Total		£2,221,080