

<b>30 January 2014</b>		<b>ITEM: 8</b>
<b>Housing Overview and Scrutiny Committee</b>		
<b>Housing Capital and Revenue Programme Procurement update</b>		
<b>Report of:</b> Councillor Val Morris-Cook, Portfolio Holder for Housing		
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Non-Key	
<b>Accountable Head of Service:</b> Head of Housing Investment and Development Kathryn Adedeji		
<b>Accountable Director:</b> Director of Housing Barbara Brownlee		
<b>This report is</b> Public		
<b>Purpose of Report:</b> To provide an update on the various housing procurement activities.		

## **EXECUTIVE SUMMARY**

The purpose of this report is to summarise the progress of and key outcomes from the procurement activities to deliver the various programmes of housing investment. In particular, it provides an update on the:

- Housing Repairs and Maintenance (including voids) procurement;
- Planned and cyclical maintenance programme;
- Consultant Framework; and
- Contractor Framework.

Cabinet has previously approved the budgets for these programmes and delegated authority to the Director of Housing for the procurement and award of contracts following appropriate and compliant procurement processes and in consultation with the Portfolio Holder for Housing.

### **1. RECOMMENDATIONS:**

#### **1.1 That the contents of the report be noted.**

## 2. Housing Repairs & Maintenance

- 2.1 Overview and Scrutiny approved the Council's objectives, scope, contract term and commencement of the procurement of the repairs and maintenance contract in July 2013. This section of the report summarises the progress made with the procurement and the key outcomes of the consultation activity that has been undertaken.
- 2.2 An interim responsive repairs contract was negotiated with Mears in November 2012 following their acquisition of Morrison Facilities Services, the Council's previous responsive repairs contractor. Cabinet granted approval in December 2012 to proceed to tender and delegated authority to the Director of Housing and Portfolio holder for Housing to award a new contract.
- 2.3 A summary of the key timescales and milestones of the Housing Responsive Repairs and Maintenance procurement are illustrated in Table 1 below. Given the size and concession length of the new contract, the Council will need to comply with the Public Contracts Regulations 2006 and, as such, the procurement of the contract(s) will need to follow the requirements, procedures and timescales associated with the 'OJEU Requirements'.
- 2.4 In addition, Section 20 of the Landlord and Tenant Act 1985 and Schedule 2 of the Service Charges (Consultation Requirements) England Regulations 2003 will apply. The contract(s) are defined as Long-term Qualifying Agreements under these regulations and the Council is obliged to undertake appropriate consultation. These requirements are reflected in the timetable summarised in Table 1 below.

**Table 1: Key Timescales and Milestones**

STAGE	KEY ACTIVITIES	MILESTONE
Planning & scoping	Establish team, roles & governance Stakeholder consultation & soft market testing Contract scope, terms, geography Consents & approvals	June – August 2013
OJEU & Pre-qualification	OJEU Pre-qualification	September – November 2013
Repairs Policy Consultation & resident recruitment	Repairs Policy Consultation – resident meetings and online feedback Recruitment of residents and training for Bidders Challenge Session (see below)	December – February 2014
Tender process	Invitations to tender Clarifications & bidder presentations Evaluation, recommendations & approvals	February – May 2014
Contract finalisation	Notice of appointment & Alcatel Period S20 Consultation Final contract negotiations & contract signing	May – June 2014
Mobilisation & commencement	Mobilisation & establishment of client team Commencement: <u>1 July 2014</u> Bedding-in period Client monitoring & contract governance	June – August 2014

- 2.5 The planning, scoping and initial consultation activities have been completed and the OJEU was published at the beginning of September. Pre-qualification questionnaires (PQQs) were submitted in October and the evaluation was completed and the results notified to the bidders in November 2013. We have shortlisted 6 contractors to be invited to submit a tender. A more detailed briefing of the consultation activities that have been undertaken to date and the outcomes are provided in the summary paper attached at Appendix 1.
- 2.6 The number and quality of the responses to the OJEU notice was encouraging and indicates a high degree of interest from reputable contractors. The procurement team are currently preparing the tender documentation to ensure the agreed priorities and key features of the consultation activities to date are properly reflected and evaluated in the tender returns received.
- 2.7 The tender documents are currently being prepared and the intention is to publish them in February 2014. Prior to publication, the team is consulting residents on proposed changes to the Council's Repairs Policy that better reflects current market practice and reflects the priorities, differentiation and key features that have been discussed with members, resident groups and operational teams during the initial consultation in May to July 2013.
- 2.8 Our intention is to complete all resident consultation by the end of February 2014 prior to submitting a revised Repairs Policy for Member approval at April Cabinet. A draft revised housing Repairs Policy will be incorporated into the Repairs and Maintenance ITT to inform bidders' responses. A final Repairs Policy will be available prior to contract finalisation and mobilisation.
- 2.9 The Council will appoint a single borough-wide contract for day to day reactive and emergency repairs, voids and, at the discretion of Thurrock Council, some elements of programmed cyclical works, specialist and other maintenance contracts.
- 2.10 The estimated annual value of the contract will be between £5m-7m however no contractual commitment is made in respect to volume of business to be awarded to any supplier. The contract will be awarded for a 5 year period with the potential to increase the contract term, subject to satisfactory performance, by a period of up to a further 5 years in annual increments.
- 2.11 Evaluation of the tenders will be undertaken on the basis of a price, quality criteria with a 60% weighting for quality and 40% on price.
- 2.12 All contractors will be required to submit a price model and qualitative method statements that will be assessed and scored by the evaluation team. The Bidders Challenge Session will comprise a key component of the quality evaluation and involve residents questioning and scoring bidders at a presentation event on those key aspects that are important to them. We have recently published an advert inviting residents to volunteer for and participate

in the Bidders Challenge Session. All residents selected will undertake training prior to the Bidders Challenge Session with bidders.

2.13 The final qualitative questions are being finalised but will concentrate on those key aspects that have been identified during the consultation including, but not limited to, employment and skills plan (ESP) including maximising local economic benefits, effective communications, capacity to introduce 'Repairs Online', risk sharing based on performance and 'Bidders Challenge Session' involving resident representatives.

2.14 The benefits to the local economy are a key aspect to the tender and performance monitoring arrangements for the contract. The local economy performance indicators that will be collated and assessed on an on-going operational basis will be as follows:

- Number of successfully completed apprenticeships per annum (**Service Critical Indicator**) – 1 for every £1m of spend;
- Number of apprenticeships offered to Thurrock residents per annum – with a target of 10 apprenticeships per annum;
- % of Thurrock R&M workforce resident within Thurrock – with a target of 20%;
- % of suppliers based within Thurrock – with a target of 20%; and
- The total spend through Thurrock suppliers as a % of total spend with all suppliers in the supply chain on materials, sub contractors and equipment use in the delivery of the contract – with a target of £500k per annum.

2.15 We shall introduce the concept of a temporary and permanent rectification and measure performance of the contractor on the basis of permanent repairs (i.e. having completed all follow-on activity). Five service critical indicators for the service are proposed with set service standards and termination thresholds. These are illustrated in Table 2 and explained further below.

**Table 2: Service Critical Indicators**

No.	SERVICE CRITICAL INDICATOR	STANDARD	TERMINATION THRESHOLD
1.	% Residents satisfied with repairs & maintenance service	80%	65%
2.	Maximum duration (in working days) to complete permanent repair	20	35
3.	% of jobs out of target by category	<2%	<5%
4.	Appointments kept as a % of applicable orders	90%	80%
5.	Number of working days to hand back a void property at agreed standard and snag free	10	20

- 2.16 Failure by the contractor to achieve the set service standard for the Service Critical Indicators will result in the need to address any shortcomings with an Emergency Action Plan. Failure to deliver the Emergency Action Plan or where performance falls below the set Termination Threshold will result in termination of the contract.
- 2.17 The contract will also measure a full list of performance indicators where failure to achieve performance will need to be rectified through an agreed action plan but it will not trigger a termination event. Performance will be monitored in relation to customer satisfaction, repairs performance, appointments performance, complaints, voids, local economy, recharging arrangements and sub contractor payments.
- 2.18 The contract will provide for there to be an incentive arrangement for where performance exceeds the stated target i.e. contract extension, additional service areas such as planned maintenance to be incorporated etc. There will also be financial implications to the contractor for failing to achieve the set service standards assuming they are below target but above the termination thresholds that are set.
- 2.19 The tender documents and contract will include a Partnering Timetable that will identify key activities to be undertaken post contract award and mobilisation such as the potential for the contractor to deliver the call diagnostic function, the annual review of financial and operational performance and the achievement of continued improvements.
- 2.20 Overall, the procurement of the responsive repairs and maintenance contract is progressing well and the involvement of the key stakeholder groups has been helpful in determining our approach to the market. The Council will be in a position to recommend a revised Repairs Policy for approval early in the New Year and is anticipating to have completed the evaluation of tenders and recommending award in May 2014.

### **3. PLANNED & CYCLICAL MAINTENANCE PROGRAMME**

- 3.1. The HRA base estimates report agreed by Cabinet in February 2013 provided approval for necessary funding to support delivery of the 13/14 revenue programme. Where approved council contracts are in place, services and planned maintenance is currently under way.
- 3.2. For schemes where approved contracts were not in place, we are preparing to procure contracts and utilise existing framework contracts on an interim basis to ensure a continuity of provision where necessary.
- 3.3. The intention is that we will condense the number of contracts currently in place and better package on-going testing, servicing and maintenance agreements to deliver better value for money and strengthen our management and governance of such arrangements.

- 3.4. Europa previously delivered and managed the housing revenue programme through the Council's strategic service partnership with Serco. Under this management appropriate procurement and delivery was intermittent at best. The Council transferred these services back in house in August 2013 and as a result is currently undertaking a restructure to enable the effective delivery of this programme in the future.
- 3.5. Members will be aware through their surgeries and postbags of the lack key planned and cyclical maintenance contracts within the housing department. The lack of a good door entry contracts in particular has resulted in poor service being delivered in this area.
- 3.6. Housing will need to bring in additional resources on an interim basis to progress the establishment of a medium to long term planned and cyclical maintenance programme, to progress the necessary procurement activity to implement this programme and to equip staff and the new structure to effectively deliver and manage the programme in the future.
- 3.7. The key elements and packages for the planned and cyclical maintenance programme are identified in Table 3 below. Any areas requiring significant replacement and disruption, such as the replacement of water mains, will be considered for inclusion in the capital programme in due course.

**Table 3: Planned & Cyclical Maintenance Packages**

<b>Lot</b>	<b>Planned &amp; Cyclical Maintenance Package</b>	<b>Summary of Scope</b>
1.	Door Entry Systems	Replacement, testing and servicing of door entry systems
2.	Fire Prevention & Alarms	Servicing and maintenance of fire prevention equipment and fire alarms including emergency lighting, sprinklers, fire damper and fire extinguishers.
3.	Asbestos	Sampling, testing and analysis and removal.
4.	Lifts	Refurbishment, servicing and maintenance of lifts.
5.	Dispersed alarms	Provision, servicing and maintenance of dispersed and intruder alarms.
6.	Gas	Borough wide gas servicing domestic and commercial), maintenance and smoke alarm testing & maintenance.
7.	Heat, Ventilation and Air Conditioning	Servicing and maintenance of heat recovery ventilation (including pumps) and air conditioning systems.
8.	Painting	Internal and external cyclical painting including any necessary repairs.

- 3.8. The intention is to procure the above 'lots' under a single OJEU. Contractors will be able to apply for particular lots or combination of lots in their response. By procuring these packages under a single OJEU, it will simplify and expedite the procurement process for the market and will better guarantee a

strong and quality response by reputable contractors. It will also ensure that local, reputable contractors that have a good delivery record and reputation locally will be able to bid and complete for packages or specialist lots. Local economy performance measures will be incorporated into the contracts, as is the case across all the current procurement exercises being undertaken by housing.

- 3.9. Prior to the procurement of the above lots, the Council needs to properly scope, specify and budget for the planned and cyclical maintenance programme over the next 5 years and gain Cabinet approval for projected expenditure in 14/15 and beyond. The HRA base estimates report agreed by Cabinet in February 2013 provided approval for necessary funding to support delivery of the 13/14 revenue programme and will be adhered to for the delivery of housing's planned and cyclical maintenance in this period.

#### **4. CONSULTANT FRAMEWORK**

- 4.1. Cabinet approved the five-year housing capital programme in February 2013. Approval was also granted to proceed to tender for specialist strategic consultants to support the housing refurbishment and new build programmes and approved delegated authority to award both services and works contracts associated with the programme to the Director of Housing in consultation with the Portfolio Holder for Housing.
- 4.2. The Consultant Framework will procure the specialist strategic consultants required to support the delivery of the new build housing development and the housing refurbishment investment that is planned through the five-year programme. In the interim period, Cabinet approved the procurement of services up to the OJEU limit until the Consultant Framework is in place.
- 4.3. The Council terminated the initial process due to an administrative error. The Council took Counsel's advice and is currently undertaking the necessary Section 20 consultation to recommence the procurement of this important framework. The Section 20 consultation is due to finish before Christmas and a revised OJEU was published in January 2014.
- 4.4. Feedback to participants was provided in November 2013 and following an initial flurry of correspondence requesting additional feedback, there has been no follow on correspondence of any note and our decision seems to have been accepted by the market.
- 4.5. An outline timetable for the procurement of the Consultant Framework is provided in Table 4 below.

**Table 4: Key Timescales and Milestones**

<b>KEY ACTIVITIES</b>	<b>TIMESCALE</b>
Section 20 Consultation	December 2013
OJEU	6 <sup>th</sup> January 2014
PQQ Responses	4 <sup>th</sup> February 2014
ITT Publication	14 <sup>th</sup> March 2014
ITT Return & Evaluation	April – May 2014
2 <sup>nd</sup> Stage Section 20 Consultation	June 2014
Appointment & commencement	July 2014

- 4.6. Despite the setback outlined above, the procurement is back on track and enhanced governance arrangements and protocols have been implemented to avoid any future issues. The revised procurement timetable for the Consultant Framework does not impact on the delivery of the capital programme.

## **5. CONTRACTOR FRAMEWORK**

- 5.1. Cabinet approved proceeding to tender for the works to deliver the housing capital programme in June 2013. As a result all required preliminary statutory consultation has been undertaken and the OJEU for the Contractor Framework was published in August 2013.
- 5.2. The Contractor Framework will appoint appropriately qualified and experienced contractors to undertake both refurbishment and new build housing works.
- 5.3. PQQ responses were received and evaluated in September. A large number of high quality PQQ responses were received, indicated a high degree of interest and from very reputable contractors within the market. The Council approved the recommended shortlist in October and the respondents were notified of the result in early November. Contractors were invited to tender in November with a return date of 13<sup>th</sup> January 2014. The summary timetable for the Contractor Framework is provided in Table 5 below.

**Table 5: Key Timescales and Milestones**

<b>KEY ACTIVITIES</b>	<b>TIMESCALE</b>
ITT Return & Evaluation	Jan-Feb 2014
Contract finalisation	Mar 2014
Mobilisation	Apr 2014

- 5.4. A minimum of 4 and a maximum of 8 of the top scoring tenderers will be appointed under each 'lot' on the Framework. Initial indications are that we will receive c18 tenderers on each refurbishment lot and c12 tenderers on the new build lots. There is a mix of regional and national reputable contractors that have accepted our invitation to submit a tender.



- 5.5. Evaluation of the tenders will be undertaken on the basis of a price, quality criteria with a 50% weighting for quality and 50% on price.
- 5.6. All contractors will be required to submit a price model and qualitative method statements that will be assessed and scored by the evaluation team. We have currently enabled a resident survey of the bidders' reference project as a potential component of the qualitative evaluation. Residents are being identified and the approach being further developed prior to training and implementation of this element of the evaluation.
- 5.7. The qualitative questions that all require method statements to be submitted for evaluation assess the bidders competency and experience in the key areas of programming and reporting, delivery team being proposed for Thurrock, risk management, commercial approach, quality control and managing defects, local economy proposals and their resident focus.
- 5.8. Maximising the benefits for the local economy has been a key focus from the very beginning and we organised the framework into smaller and larger lots of refurbishment and new build works to encourage local and regional contractors to respond to the opportunity. In addition, as part of the tender documents we have required bidders to 'bid back' their commitments to the local economy and environment and this will be a key element of the qualitative evaluation. Our expectation is that for the larger lots of work, those in excess of £5m, will secure greater benefits for the local economy than the smaller lots of work. The tender bid back items and performance standards that will be incorporated into the contract are as follows:
- % of construction spend in local economy;
  - Number of apprenticeships per annum;
  - % of supply chain registered in Thurrock;
  - Number and % of sub contractors registered in Thurrock;
  - Number and % of Thurrock residents in programme delivery team;  
and
  - % of construction waste recycled.
- 5.9. Performance indicators for both the refurbishment and new build development have been included within the tender documentation for incorporation into the final contract terms. Contractors have been asked to "bid back" their commitments in relation to the local economy indicators such as the % of local supply chain spend, apprenticeships for local people, % of workforce that lives locally and % of construction waste recycled. The key performance indicators, such as resident satisfaction, have been given a termination threshold, and if performance should fall below the stated threshold it will give the Council the opportunity to terminate the contractor. Special measures are defined within the contract for where performance falls below the required standard and where a jointly agreed action plan needs to be instigated. The

performance indicators for both the refurbishment and new build lots are attached at Appendix 2 and 3 respectively.

- 5.10. The Contractor Framework will incentivise contractors to perform well so they maximise their chances for selection on future refurbishment and new build lots that are tendered through the mini-competition stage. Failure to successfully deliver a project will not pose well when bidding to secure additional work packages.
- 5.11. Overall the Contractor Framework procurement is progressing well and will be in place in the Summer of 2014 following completion of the Year 1 Capital Programme, currently being delivered by Wates, Lakehouse and Keepmoat, and prior to the next phases of the new build housing development phases.

## 6. CONSULTATION (including Overview and Scrutiny, if applicable)

- 6.1 Appropriate consultation has occurred and continues to be undertaken across all the different housing investment programmes. As part of the development and planning process we have canvassed the opinions and views of members, residents, leaseholders and staff. This has been important in determining the priorities of the key stakeholders groups, to inform future policy and to avoid the pitfalls that have been experienced previously.
- 6.2 The initial consultation exercises concentrated on priorities and objectives for the different procurements. The next phase of the consultation to be undertaken will inform the evaluation of tenders and the on-going management and governance. Training and development will be offered to residents and staff to ensure a consistent and robust approach to evaluation.
- 6.3 The next phases of the consultation process are summarised in Table 6 below.

**Table 6: Next Stage Consultation Activities for each Procurement**

<b>Procurement</b>	<b>CONSULTATION ACTIVITIES</b>
Repairs & Maintenance	On-going consultation with staff Recruitment and training of residents for Bidders Challenge Session Bidders Challenge Session (qualitative evaluation) Repairs Policy consultation with residents and members
Planned & Cyclical Maintenance	On-going consultation with staff
Consultant Framework	Section 20 consultation
Contractor Framework	Recruitment and training of residents for qualitative surveys of bidders' reference sites

## **7. IMPACT ON CORPORATE POLICIES, PRIORITIES, PERFORMANCE AND COMMUNITY IMPACT**

- 7.1 The Council's Repairs Policy is currently being reviewed and redrafted to reflect the findings from the initial consultation exercise with members and residents in June and July 2013. The revised policy is being tested with residents in January 2014 so that a revised policy can be submitted for member approval prior to the contract award and finalisation of the Responsive Repairs and Maintenance (including voids) is awarded.
- 7.2 Across all the various procurements, the investment and benefits for the local economy have been prioritised. The qualitative evaluation includes for the evaluation of specific method statements and targets in relation to local investment, supply chain opportunities for local businesses and training and job opportunities for local people. Any commitments made within the bid responses will be made contractual deliverables within the final contract awarded.
- 7.3 The Council has been very careful to have a robust performance framework within each of the contracts that are currently being procured across the different housing investment programmes. Key or service critical indicators have been included, together with set standards and contractual implications if performance standards are not achieved, including the provision for termination for continued failure or unacceptably low levels of performance.
- 7.4 The on-going governance arrangements for each of the new frameworks and contractual arrangements has been a key priority area for the Council. We have been keen to instil a new approach and way of working with staff and have worked hard at involving staff at each key stage to enable their involvement, influence and a nurturing of their confidence and ability to take an active long term management and client function. On the whole, staff have responded well and are fully participating in the procurement and evaluation stages of the project and we have every confidence that they will be equipped to undertake an active management role once the contracts are awarded and active.
- 7.5 This programme of housing investment and procurement has robustly tested the in-house capability of the Council to procure complex contractual relationships and, similarly, tested the ability of our strategic partner, Serco, to support such strategic procurement activities. As a result, the Council have established some protocols and good practice that can be adopted elsewhere to ensure that appropriate processes and governance are operated throughout all procurement stages.

## 8. IMPLICATIONS

### 8.1 **Financial**

Implications verified by: **Mike Jones**  
Telephone and email: **01375 65 2772**  
**[mxjones@thurrock.gov.uk](mailto:mxjones@thurrock.gov.uk)**

The strategic procurement via framework agreements provides an opportunity for the Council to improve and maintain value for money in the commissioning of contractors and consultants to support the delivery of Housing programmes, over the next four year whilst not committing the Council to a minimum spend, which provides flexibility as appropriate. With regards to the responsive repair procurement exercise a single contract or two contracts (split into two distinct geographical regions) will be let with a total annual value of between £5-8m per annum for a maximum period of 10 years (5 years plus an option to extend in increments to a maximum of a further 5 years). Procurement of a longer term and broader scoped contract is intended to deliver cost efficiencies of between 20-30% and drive value through increased performance and customer satisfaction.

### 8.2 **Legal**

Implications verified by: **Daniel Toohey**  
Telephone and email: **01375 652049**  
**[daniel.toohey@BDTlegal.org.uk](mailto:daniel.toohey@BDTlegal.org.uk)**

The purpose of this report is to provide cabinet with an update on the procurement activities undertaken under the Housing Repair & Maintenance programme. Due to the complexities and the nature of the required contractual arrangements, internal and external legal advisors have been utilised throughout the procurement process to ensure that the procurement process complies with the Council's constitution and the EU procurement rules. As long as the procurement process complies with the above no further legal implications arise under this report.

### 8.3 **Diversity and Equality**

Implications verified by: **Samson DeAlyn**  
Telephone and email: **01375652472**  
**[Sdealyn@thurrock.gov.uk](mailto:Sdealyn@thurrock.gov.uk)**

No diversity implications arising from this report.

### 8.4 **Other implications (where significant) – i.e. Section 17, Risk Assessment, Health Impact Assessment, Sustainability, IT, Environmental**

As detailed above.

**BACKGROUND PAPERS USED IN PREPARING THIS REPORT (include their location and identify whether any are exempt or protected by copyright):**

- Housing Capital Programme – Five Year Programme of Capital Investment – February 2013
- HRA Base Estimates report – February 2013

**APPENDICES TO THIS REPORT:**

- Appendix 1 – Update on Procurement of New Contract and Revised Repairs Policy
- Appendix 2 – Performance Indicators – Refurbishment
- Appendix 3 – Performance Indicators – New build

**Report Author Contact Details:**

**Name:** Kathryn Adedeji

**Telephone:** 01375 652718

**E-mail:** [kadedeji@thurrock.gov.uk](mailto:kadedeji@thurrock.gov.uk)