

2 February 2017		ITEM: 5
Housing Overview and Scrutiny Committee		
Procurement of Housing Capital Programme Delivery		
Wards and communities affected: All	Key Decision: Key Decision – spending above £500K	
Report of: Susan Cardozo, Housing Asset Investment and Delivery Manager and Stefanie Seff, Corporate Procurement Strategy & Delivery Manager		
Accountable Head of Service: John Knight, Head of Housing Services		
Accountable Director: Roger Harris, Corporate Director Adults, Housing and Health		
This report is Public		

Executive Summary

This report sets out the proposals for the re-procurement and contract package of the Housing Capital Programme for years six to eight of the current Transforming Homes programme (2018 to 2021).

The programme brings significant improvements to the long term viability of Council housing and to the living conditions for our residents and ensures the Council fulfills its duty to provide warm homes with modern facilities. Continuation of the programme will enable Thurrock Council to complete internal refurbishment and commence additional required external works, thereby raising all residential Council assets to the new Thurrock standard.

Details of options around contract package and procurement are contained within the report, with a general recommendation for two packages of refurbishment and one for specialist contract and cost management support, both to be procured using pre-approved Public Sector frameworks in order to generate cost efficiency and resource time savings.

1. Recommendation(s)

- 1.1 Housing Overview and Scrutiny Committee is recommended to Comment on the proposed process and contract package as set out in the report for re-procurement of the refurbishment and strategic cost management elements of the Housing Capital Programme.**

2. Introduction and Background

2.1 Currently, both refurbishment and cost management services for the Housing Capital Programme were awarded as work packages on the basis of 2 years plus 1, by way of a mini-competition for commencement in July 2015 (construction) and August 2015 (cost-management) using the Council's framework contracts:

- PS/2013/575 – Housing Capital Programme Building Contractors
- PS/2013/678 – Design and Consultancy Framework

2.2 The current contracts are delivering well and meeting KPI targets. However these work packages expire in May and June 2018 and therefore to ensure continuity, a re-procurement exercise needs to take place for the programme to continue delivery through to 2021 (Year 8).

2.3 The Housing Capital Programme provides a comprehensive internal and external refurbishment programme through Transforming Homes which commenced in 2013 and is currently part-way through its fourth year. The original programme timeframe aimed to upgrade all major internal facilities and carry out any required external works in 5 years to 2018/19, thereby raising all domestic Council assets to the new Thurrock standard. The programme brings significant improvements to the long term viability of the council housing assets and to the living conditions for our residents. It also ensures the Council fulfils its duty to provide warm homes with modern facilities.

2.4 Significant success has been achieved in the delivery of Transforming Homes in years 1 to 4, both in the improvements made to living conditions for Council tenants and through the added value these contracts have brought to the local economy.

Headline achievements to date include:

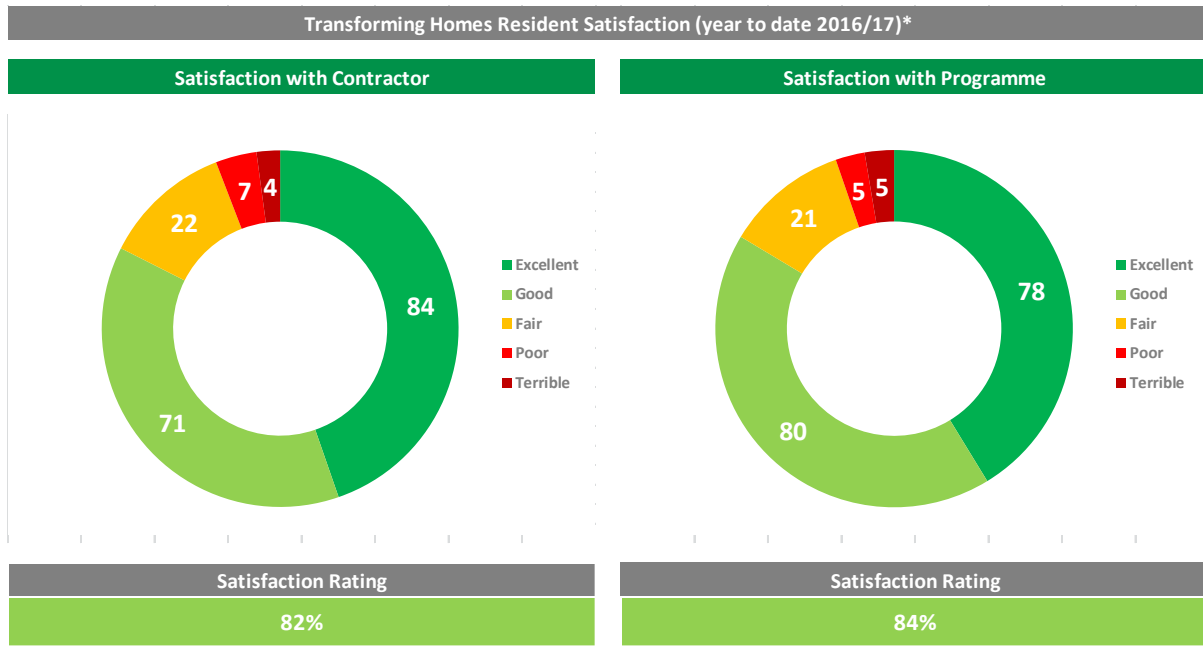
- 6803 properties benefitting so far from the programme
- 60% of the construction value is spent in the local economy
- 45% of the local delivery team are Thurrock residents
- 50% of the supply chain is registered in Thurrock

2.5 The programme also supports independent living ensuring our housing stock meets the specific housing needs of elderly, vulnerable or disabled households by carrying out adaptations relevant to the household as part of the works programme.

- 1146 properties adapted for specific needs of residents

2.6 Customer satisfaction with the current programme delivery arrangements have been consistently above target:

- 82% of residents rating the contractor as good or excellent
- 84% of residents rating the overall delivery of the programme as good or excellent



*All figures represent position as at end of December 2016

Some examples of recent feedback received from residents surveyed after works:

"The tradesmen arrived when they were meant to and came when they were supposed to. Therefore Thurrock program was excellent"

"I rated the Transforming Homes Programme as excellent because the workers were here on time, and made no mess of it, it was all really good"

"Thurrock has kept to their word. The timing has been good and they have fulfilled their promises. Therefore Thurrock's service was good."

- 2.7 In December 2015, Cabinet reviewed the financial implications of the budget announcements and key policy changes through the government's introduction of the Housing and Planning Bill and Welfare Reform Bill 2015. Cabinet subsequently approved an extension of the Transforming Homes programme by up to 1 year for internal improvements and up to 3 years for external improvements, where the asset can withstand delayed completion. This extends the timeframe for completion of the current programme to 2021.
- 2.8 Two key principles have been central to delivery of this programme of work: The first: to ensure investment is targeted at maximising improvements to the Councils assets; and the second: to provide a mechanism for stringent contract administration and cost management, challenging our contractors to deliver the best value and service for our residents. The latter is achieved with the specialist support for contract administration, cost management and quantity

surveying services.

3. Issues, Options and Analysis of Options

- 3.1 Due to the size and scale of service provision, the Council is required to procure this contract through the Public Contracts Regulations (2006 and 2015) and comply with procedures associated with, and advertise the contract in, the Official Journal of European Union (OJEU).
- 3.2 The current delivery arrangements for the Housing Capital Programme were procured via a mini competition through the Thurrock frameworks set out in 3.1 of this report, procured in accordance with the above EU requirements. The works delivery is via 3 packages (lots) across 2 main contractors as follows:

Package	Building Contractor	Specialist Strategic Support provided by
Transforming Homes Lots 1a (estimated value £1m/pa) and 1b (estimated £5m/pa)	Wates	Potter Raper Partnership (PRP)
Transforming Homes Lot 1b (estimated value £5m/pa)	Keepmoat	Pellings LLP

- 3.3 Moving forward, it has been decided that it is in the Council's best interest to continue with two main refurbishment packages; but that one specialist cost management company should provide the strategic and cost management support across both packages. This arrangement will provide value for money, consistency and resilience in terms of ongoing programme delivery.
- 3.4 These arrangements will enable the delivery of works packages to complete the Transforming Homes programme and respond to any urgent investment requirements that may arise from the stock condition survey which is being undertaken during 2017.
- 3.5 The Housing Revenue Account Business plan makes provision for capital investment through Transforming Homes with a budget of £27.8m for the years 2018/19 through to 2020/21 distributed as follows:

2018/19 - £10.04m
2019/20 - £8.2m
2020/21 - £9.2m

Procurement Route

- 3.6 Both framework contracts from which the contract packages were procured expire in 2018 and therefore Legal Services have advised that it is too late to run further mini-competitions from these frameworks and award contracts that extend to 2021. Officers have therefore considered the following options for reprocurement against both elements.

Procurement Route	Advantages	Disadvantages
Full EU Procurement (using a two stage "Restricted" process)	<ul style="list-style-type: none"> • Gives the Council the greatest level of control on the process • Open to every bidder to express an interest 	<ul style="list-style-type: none"> • Timescale is longer than some other options • The market for contracts of this size is limited and it is likely that a full process will still bring forward the same contractors • Requires a greater level of internal resource.
Direct purchase from a purchasing consortium framework available for Thurrock to use	<ul style="list-style-type: none"> • Quickest turnaround timeframe • Can award to the highest scoring bidder using the criteria applied by the purchasing consortium • Choice of frameworks allows the Council to select a contractor of our preference • Includes provision for local social value delivery targets Consortium buying power generates (known) economies of scale • A level of specialist procurement support is provided alongside use of the framework 	<ul style="list-style-type: none"> • No further opportunity for price or quality competition • With this option we would only be able to award one contract package.
Mini competition from a purchasing consortium framework available for Thurrock to use – eg. Fusion 21	<ul style="list-style-type: none"> • Shorter timescale than full OJEU • Contractors and consultants have been pre-approved for quality and price 	<ul style="list-style-type: none"> • Some restriction in bidder list may be unpopular if it excludes any of the current incumbents

Procurement Route	Advantages	Disadvantages
	<ul style="list-style-type: none"> • Mini competition enables further price and quality competition from within the suppliers already proven to be offering highest quality and most competitive pricing • Contractor lists contain the major construction companies and smaller specialist providers • Choice of frameworks that can be used to best fit Thurrock requirements • Includes provision for local social value delivery targets • Consortium buying power generates (known) economies of scale • A level of specialist procurement support is provided alongside use of the framework 	

3.7 Given the likely level of interest in the work packages and the limitations of the market along with the reduced timescale and potential savings through economies of scale, the recommended option for the procurement is a mini competition through a purchasing consortium framework. This will enable the service to select from a list of providers who have already demonstrated their suitability, and evaluate their tenders on the basis of key criteria including price and quality.

Choice of Purchasing Consortium Framework

3.8 With the preferred option to be use of an existing framework, officers are currently considering a number of options:

Purchasing Consortium	Advantages	Disadvantages / Restrictions
London Housing Consortium (LHC)	<ul style="list-style-type: none"> • Thurrock is a member of this framework • These frameworks are already used for a number of other contracts • Flexible and easy to use 	<ul style="list-style-type: none"> • Do not have a “Whole House” (building) framework currently that meets Thurrock’s requirements

Purchasing Consortium	Advantages	Disadvantages / Restrictions
	<ul style="list-style-type: none"> Includes a suitable framework for specialist support 	
Fusion 21	<ul style="list-style-type: none"> Thurrock is a member of this framework Nationwide contract list Framework list includes whole house Approved contractor list includes current providers Not for profit organisation 	<ul style="list-style-type: none"> No suitable specialist support services framework at the time of writing this report.
South East Consortium (SEC)	<ul style="list-style-type: none"> Whole house framework with good range of contractors Suitable specialist support framework Membership (if chosen) brings other benefits such as training opportunities. 	<ul style="list-style-type: none"> Thurrock is not yet a member of SEC and there is a cost to join.¹ Whole house framework does not include all current providers

3.9 There are advantages and disadvantages across the different choices of frameworks. Further evaluation of options is underway and the final choice from the list above will be included in the Cabinet Report to be presented in June 2017.

3.10 All frameworks support the Council's requirement for social value delivery providing training and employment opportunities and maximising spend in the local economy.

4. Reasons for Recommendation

4.1 This report is submitted to Health Overview and Scrutiny to comment on the proposals for the re-procurement arrangements for the Housing Capital Programme, prior to its submission to Cabinet.

¹ based on 25p per property (c. £2K at current figures)

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 This proposal has been discussed and agreed with internal and external stakeholders and will be subject to Section 20 Leaseholder Consultation at all stages.

6. Impact on corporate policies, priorities, performance and community impact

- 6.1 The improvement of the Council's housing assets is linked to key corporate priorities:

Priority	Delivered By
Creating a great place for learning and opportunity	By improving the council's housing assets
Encourage and promote job creation and economic prosperity	Through the provision of local employment and training opportunities
Building pride, responsibility and respect	Through improvements in the quality of the homes provided
Improve health and wellbeing	Through improvements in the quality of the homes provided

7. Implications

7.1 Financial

The re-procurement of delivery arrangements is required to ensure continuity of programme delivery in order to meet the budget investment profile for years 2018/19 through to 2020/21. The estimated spend is in line with the HRA Business Plan provision for the contract period.

Implications verified by: **Julie Curtis**
HRA Accountant

7.2 Legal

The current Thurrock housing framework contracts were put in place in May 2014 with their 4 year period expiring in May 2018. It is therefore not possible to use these frameworks to facilitate further contracts for which the term will extend beyond this period.

The recommended option for reprocurement will require full leasehold consultation from Stage 1 to Stage 3 under Section 20B of the Landlord and

Tenant Act 1985 (amended). Therefore adequate timescales need to be considered as part of the procurement process for this.

The value of the contracts for both construction and cost management support exceed the threshold within the Public Contracts Regulations 2015 which therefore requires either advertisement through the Official Journal for the European Union (OJEU) or use of a previously procured and accessible framework. The recommendation is for use of the second option using public sector accessible frameworks; the final choice of which will be advised prior to report submission to Cabinet.

The report author and responsible directorate are advised to keep Legal Services fully informed at every stage of the proposed tender exercise.

**Implications verified by: Kevin Molloy
Solicitor, Law and Governance**

7.3 **Diversity and Equality**

A full impact assessment has been undertaken of the implementation of the Housing delivery of the Transforming Homes investment programme.

The programme principles take into account the individual needs of tenants and makes adjustments for vulnerability. The diversity considerations include adherence to the Equality Codes of Practice in Procurement which require considered of the equality arrangements of all companies bidding for any capital contract; that they have relevant policies on equal opportunities and are able to demonstrate commitment to equality and diversity.

The significant investment which is currently taking place in the Council's housing stock represents a real opportunity to provide additional social value to the local communities in the borough. It is therefore important that the commissioning and contract management approach continues to support a framework for social value delivery to support training and employment opportunities for our communities and maximise spend in the local economy.

Implications verified by: **Natalie Warren
Community Development and Equalities
Manager**

7.4 **Other implications** (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

- None

- 8. Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright): -

Implications of the Housing and Planning Bill and Welfare Reform 2015 on the HRA Services and Affordable Housing Programme – Report to Cabinet
December 2015

<https://thurrockintranet.moderngov.co.uk/ieListDocuments.aspx?CId=129&MIId=2562&Ver=4>

- 10. Appendices to the report**

- None

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