

Cabinet

15 OCTOBER 2012

**CABINET MEMBER
FOR HOUSING**

*Councillor Andrew
Johnson*

**MEASURED TERM CONTRACT FOR BOROUGH-WIDE
CYCLICAL PLANNED MAINTENANCE TO COUNCIL-
OWNED HOUSING PROPERTIES 2012-2015**

**Wards
All**

This report provides the context for the letting of a three year Contract For Borough-Wide Cyclical Planned Maintenance To Council-Owned Housing Properties 2012-2015, subject to satisfactory conclusion of Stage 2 statutory leaseholder consultation, and seeks approval to place orders for the first year's programme of work to be undertaken under the contract.

A separate report on the exempt Cabinet agenda provides exempt information about the tendering process and financial aspects, and requests approval to appoint the most economically advantageous tender.

CONTRIBUTORS

HRD
EDFCG
FCSLs
DoL
EDFCG

Recommendations:

1. To note that the new contract is expected to start on 29 October 2012 for a period of three years, with no option to extend.
2. To note that the actual value of the contract will vary depending on available budgets and contractor's performance.
3. That approval be given to issue orders for the 2012/13 programme of work to be carried out under the contract, up to the maximum value of £4.690m, as detailed in this report, and to agree programmes for each package of works with the contractor, with regular progress updates presented to the Cabinet Member for Housing, with whom any amendments to the programme shall be agreed.
4. To note that further reports will be submitted to Cabinet requesting approval to proceed with the future years' programmed schemes to be instructed under the contract.

**HAS AN EIA BEEN
COMPLETED?
YES**

**HAS THE REPORT
CONTENT BEEN
RISK ASSESSED?
YES**

1. BACKGROUND

- 1.1 With the substantial conclusion of the Decent Homes Programme at the end of 2010, the Council has re-commenced its ongoing planned maintenance and cyclical redecorations programme to ensure that the external envelopes of those properties which were already decent prior to the Decent Homes Programme, or those which were made decent during the Programme, remain in a good condition going forward into the future.
- 1.2 For non-engineering services-related planned maintenance and cyclical redecorations in 2012/13 and beyond it is proposed to let a long-term Framework arrangement by way of a Measured Term Contract. Similar contracts (four area-based contracts) were in place prior to and during the initial stages of the Decent Homes Programme and they resulted in the successful delivery of cyclical planned maintenance works between 2003 and 2007.
- 1.3 Under the Measured Term Contract Tenderers are required to tender against the National Schedule of Rates, which is effectively a “shopping list” of typical building related maintenance items which are pre-priced and the Contractor provides a percentage uplift or reduction to the prices. This provides a framework contract under which individual orders are placed for each scheme. The National Schedule, which is an industry standard document for valuing building works, is updated each year to reflect inflation.
- 1.4 This arrangement allows projects to be processed quickly without recourse to a separate tender but at the same time maintaining value for money as the completed works are paid for at competitively tendered rates.
- 1.5 The value of this contract exceeds the European threshold for services contracts. The contracts were tendered in accordance with the Restricted Procedure under the Public Contracts Regulations 2006 (as amended).
- 1.6 A Tender Appraisal Panel (TAP) was set up to oversee the tendering process for the contract. This panel consists of officers from Housing & Regeneration, Procurement and IT Strategy, Legal Services and Finance.
- 1.7 A Contract Notice was placed in the OJEU on 18th August 2011 requesting Economic Operators apply for inclusion on the select lists to tender for the contracts, by the deadline of 26th September 2011. Contractors were required to complete the PQQ and provide information in respect of their technical and financial credentials for carrying out the scope of works proposed. Selection of six Economic Operators to be included on the tender list was on the basis of the highest scores awarded by the Council’s Tender Appraisal Panel, based on a pre-defined quality weighted appraisal of the PQQs, provided the Economic Operators met the necessary financial criteria and that satisfactory references were received; the criteria for satisfactory references was clearly prescribed in the PQQ.
- 1.8 Nineteen submissions were received by the deadline. Of these nineteen, one did not submit the necessary information for references to be taken up, and two did not meet the necessary financial criteria. The submissions of the remaining sixteen were evaluated. The Cabinet Member for Housing approved the pre-tender short-listing of the six highest scoring contractors together with the strategy to let the Measured Term Contract on 16 January 2012.

1.9 The new contract is for a period of three years, with no option to extend. The total value of works to be placed through this contract will vary from year to year depending on resources and demand but is expected to be approximately £10m per annum.

2. BRIEF DETAILS OF THE WORKS

2.1 The works to be undertaken under this Measured Term Contract include cyclical, external, communal redecorations, repairs and renewals to the Council's housing stock. Where necessary, determined by pre-survey, examples of such work include external decoration of previously painted surfaces, window renewal/repair, roof renewal/repair, rainwater and gutter repair/renewal communal area electrical works and communal area/stairwell repair and redecoration.

2.2 The annual programme of this planned maintenance work will be packaged up into suitable contract packages which will form individual schemes. An order for each scheme will be issued to the Contractor giving authority to proceed.

2.3 Each works package will be traditionally managed, in as much as the schedule of works for each property will be specified by the Council, rather than the contractor, and furthermore, it is proposed that no works package will be released to the Contractor until after the surveys have been undertaken, and a contract sum is agreed with the Contractor. Therefore, the Council will retain control of the scoping of works, and can ensure that the Contractor is in receipt of sufficient information to enable works to proceed expeditiously. Each property will be inspected by the Council prior to the erection of any scaffolding, to ensure that there are no works which need to be programmed, which would otherwise cause the scaffolding to be erected longer than it need be. A more detailed inspection will be undertaken once the scaffolding is in place. A Clerk of Works will be used to carry out interim inspections while the works are ongoing. Interim valuation inspections will also be undertaken by an independent Quantity Surveyor, prior to approval of any payments. Inspections will also be carried out upon completion of the works by H & F Officers and each property will be individually handed over.

2.4 The Contract includes financially incentivised key performance indicators whereby, under the terms of the contract, 10% of the amount payable to the Contractor for each scheme is dependant upon the Contractor achieving the necessary performance as defined by the KPI. The areas of performance to be measured are:-

- Residents' Satisfaction (4%)
- Level of Defects (2%)
- Construction Time – Individual Properties (2%)
- Construction Time – Overall Scheme (1%)
- Time to Agree Final Account (1%)

Two additional key performance indicators, relating to Safety and Completion of Defects at the end of the Defects Period, shall also be measured by the Council, although these performance indicators will not be linked to any incentivised additional payments.

3. CONTRACT AWARD MODEL

- 3.1 The Cabinet Member for Housing agreed the proposal that the award of the contract should be made on a quality / price model with price at 80% and quality at 20%, provided that tenderers first met the Council's quality threshold.
- 3.2 Quality was judged by requiring the contractors to provide with their tender a statement on how they would operate the contract with particular reference to quality control; programming and resourcing; sub-contracting and customer care.
- 3.3 Price was ascertained by the contractors providing in their tender an overall percentage adjustment to the National Schedule of Rates, and a rate for the provision of a Residents' Liaison Officer (RLO).
- 3.4 A financial model was established to ascertain each bid against the notional annual value of each of the contracts in order to arrive at overall tender figures for comparison and scoring of the prices submitted.
- 3.5 In order to arrive at the economically most advantageous bids for the Council, the price scores were then assessed in conjunction with the quality scores. The tender results and assessment outcomes are in the separate report on the exempt Cabinet agenda.

4. FIRST YEAR'S PROGRAMME OF WORKS

- 4.1 Appendix 1 of this report includes a schedule of properties. The properties have been sectioned into the proposed contract packaging, although this is a draft proposal only at this stage, and is subject to change following initial discussions with the Contractor once they have been appointed. A number of these packages will be programmed as the approved 2012/13 Programme up to an estimated value of £4.690m. Remaining packages will go forward to the 2013/14 programme.
- 4.2 Under this Measured Term Contract, the works called-off will not form separate contracts – rather, each works package will be an Order, issued as an instruction under the over-arching Term Contract.
- 4.3 Each Order will be based on a schedule which will include a summary of the scope of works with estimated costs for each property based on initial site survey. The Order values will be prepared by the Council's quantity surveyors, in accordance with the Contractor's tendered rates.
- 4.4 It is proposed that officers will provide a monitoring report, on a monthly basis, to the Cabinet Member for Housing, detailing the progress of each contract package against the planned programme, and providing updated information in relation to the estimated and final outturn costs for each package. The report will also provide any other relevant exception or performance issues in relation to the works let under the Contract.
- 4.5 Officers therefore recommend that approval is given to issue orders to the recommended contractor to proceed with the 2012/13 programme of works to be undertaken under the contract, up to a maximum value of £4.690m, and that regular progress updates are provided to the Cabinet Member for Housing. Required amendments to the programme throughout the year, which might

become necessary as a result of resident consultation, budget profiling etc shall be agreed with the Cabinet Member for Housing on an ongoing basis.

5. PROCUREMENT PROGRAMME

5.1 The anticipated programme of work is as follows:

Cabinet Meeting	15 October	2012
Issue Leaseholder Notices of Proposal (Schedule 2)	17 September	2012
Leaseholder Notices of Proposal Expire	17 October	2012
Alcatel Period Expires	26 October	2012
Issue Letter of Acceptance for new contract	29 October	2012
Proposed Commencement of Framework	05 November	2012
Commencement of Schemes on site	01 February	2013
Anticipated Completion of Framework	05 November	2015

6. COMMENTS OF THE DIRECTOR OF ASSET MANAGEMENT & PROPERTY SERVICES (HOUSING & REGENERATION)

6.1 The Housing Capital Programme seeks to meet the corporate strategic objective of improving the quality of the borough's social housing stock. Specifically, this contract will reintroduce a cyclical programme of preventative maintenance, repairs, and renewals to remedy disrepair, prevent deterioration, and preserve the asset value of the stock.

7. DETAILS OF FUNDING PROVISION

7.1 The revised 2012/13 housing capital programme includes a total budget of £4.690m for various planned maintenance schemes which could potentially be fed through this contract and a further £10.935m is included in the draft programme for similar works in 2013/14. Given the current estimated start on site the budget will be re-profiled accordingly and movement will be reported as part of the Corporate Capital Monitor.

8. LEASEHOLDER CONSULTATION - SECTION 20 OF THE LANDLORD AND TENANT ACT 1985 (AS AMENDED BY SECTION 151 OF THE COMMONHOLD AND LEASEHOLD REFORM ACT 2002)

8.1 Initial Notices of Intent were issued to all leaseholders potentially affected by this Framework on 13 September 2011 and expired on 13 October 2011. A total of 34 observations were received all of which were responded to within the statutory timescale.

8.2 The statutory consultation process now requires the Council to issue a Notice of Proposal to all affected leaseholders, notifying them of the intention to appoint the successful contractor and inviting observations. Leaseholders will have 30 days to submit observations all of which will be responded to within the statutory timescales. Leaseholders who have bought their property subsequent to the issue of the initial Notice of Intent, either under the Right to Buy or voids disposal policy will have been notified of the intention to undertake planned maintenance works within their Section 125 notices.

- 8.3 Prior to the issue of any Order under this contract a Notice of Estimated costs (Schedule 3) will be issued to leaseholders in accordance with the Landlord and Tenant Act 1985. The estimated cost to leaseholders will be dependent on the details of each lease and the extent of work carried out to each property or block. Orders will not be issued until the expiry of the consultation period. Following the issue of the Schedule 3 Notices, leaseholders will have the opportunity to come in and see the tendering documents/discuss their issues on a one to one basis and there will also be a consultation meeting for them to discuss the works and ask any questions they may have. The 2012 – 15 Framework will be the first contract in which leaseholders will be recharged from the onset of works commencing on site, rather than three months following practical completion.
- 8.4 There are a range of payment options offered by the Council for leaseholders to assist with the payment of invoices. These include a discount of 2.5% for early settlement of bills; an interest free 36 month instalment scheme; a 5 year payment scheme offering the first 36 months interest free with the remaining months charged at the Bank of England variable rate. In addition, there is a loan plan on offer with different terms of three years, five years and ten years respectively. A “Paying for Major Work” leaflet is available for leaseholders from Housing and Regeneration Development and from Leaseholder Services.

9. RISK MANAGEMENT

- 9.1 Risks relating to the Framework’s pre-construction processes have been ascertained. A post-contract risk register for both the over-arching Framework and for each individual order will be developed jointly with the contractor once they have been appointed, in order that risks can be managed throughout the duration of the contract.

10. EQUALITY IMPLICATIONS

- 10.1 An Equalities Impact Assessment has been completed and is available electronically.

11. COMMENTS OF THE EXECUTIVE DIRECTOR OF FINANCE AND CORPORATE GOVERNANCE

- 11.1 These are in the exempt report.

12. COMMENTS OF THE DIRECTOR OF LAW

- 12.1 Legal Services have advised on the procurement process and have been represented on the TAP. The procurement has been carried out in accordance with the Council’s contract standing orders and EU procurement rules.

11. COMMENTS OF THE DIRECTOR FOR PROCUREMENT & IT STRATEGY.

- 11.1 These are in the exempt report.

**LOCAL GOVERNMENT ACT 2000
BACKGROUND PAPERS**

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	Project files, tender documents, individual project files.	Mark Udall Ext. 4842	Housing & Regeneration 6 th Floor, HTH Ext King Street Hammersmith W6 9JU
2.	Job files, European advertisement, contractor applications for shortlist Procurement Reports	Matthew Martin Ext. 4832	Housing & Regeneration 6 th Floor, HTH Ext King Street Hammersmith W6 9JU
3.	Project development	Roger Thompson Ext. 3920	Housing & Regeneration 3 rd Floor, HTH Ext King Street Hammersmith W6 9JU
4.	Housing Capital Programme approval papers	Vince Conway Ext.1915	Housing & Regeneration 3 rd Floor, HTH Ext King Street Hammersmith W6 9JU

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