

Appendix 3 – Service Delivery Pricing

Listed below are the service delivery elements of the contract, with an explanation of the contractual pricing mechanism that will be used to manage costs within budget.

1. Day-to-day repairs of tenanted properties

These are priced on a lump sum price per annum, based on archetypal pricing broken down into three different types, and six different sizes (based on bedrooms) per type.

The costs are contained within the lump sum, and a clear definition of what is included within this lump sum. Any variation on stock numbers, through sales, can be accommodated by deleting the cost of the appropriate dwelling type. The matrix of archetypes prevents a contractor from arguing that sales re deleting a specific type and thus altering the mix of properties and protects us from any suggestion of price review.

2. Day-to-day repairs of Communal Areas and Landlord's responsibilities to Leasehold properties

These are priced against a Schedule of Rates (M3 NHF Schedule). This is the most difficult area to manage, as it is almost entirely responsive, but must, in order to comply with leasehold legislation, operate on a Schedule of Rates basis. By restricting the amount of responsive repairs that rely on this method, we have significantly reduced the risk of overspend. The communal repairs element of this contract amounts to approximately £1m. p.a. In order to further prevent overspend, tenderers were requested to offer a mechanism to provide shared savings for any underspend of this element of the budget. This ties the contractor to the target budget and provides a measure of security against the contractor treating this as a 'blank cheque'.

3. Voids

Voids are priced in two ways; Standard Voids, Major Voids, Mutual Exchanges and Standard Voids plus Redecoration are all priced on a lump sum basis using the same archetype matrix as outlined for repairs. This again allows for certainty of costs, based accurately on the actual property involved.

Any void where the costs will exceed £15,000 is considered for sale under the expensive voids scheme. Where a business case requires that void to be retained and the works undertaken, they will be priced on a Schedule of Rates basis, with managerial sign-off before work proceeds.

4. Gas servicing and boiler replacement

Both elements are priced on a lump sum basis, again using the archetypal matrix to contain costs.

5. Mechanical Services

The servicing element of Communal Boilers, other mechanical equipment and Controlled Access equipment are both priced on a lump sum basis with an inclusive repair limit (IRL). This means that both the servicing and minor repairs are included within a stated annual lump sum, provided on a block by

block basis, which allows for any future changes through regeneration schemes. The level of the IRL is £450 for communal boilers and mechanical equipment and £150 for Controlled Access. These arrangements are identical to the current mechanisms and thus are already accepted by leaseholders.

Major repairs over and above the IRL are costed on a Schedule of Rates with orders approved by an officer with appropriate delegation, and with costs known at the time of commitment.

6. Fire Safety Works

These are costed on a schedule of rates basis. These works are ordered on a block by block basis in response to the observations in the Fire Risk Assessments, or as a result of enforcement notice. Cost control is achieved by the ordering officer, the extent of the works being limited by the ordered items, and the cost being known at the time of commitment.

7. Asbestos removal works

These are costed on a schedule of rates basis, as the extent of works required is now comparatively light. The bulk of removal works in communal areas will have been completed by the end of March 2013, any further removal will only apply to the occasional void. Justification for such works will be the basis of an Asbestos survey of the property, and individual costs will be known at the time of commitment.

8. Planned Works (Kitchens and Bathrooms)

These are priced on a basket of lump sum rates; schemes will be planned in advance, and costed using the lump sum prices. The size of each scheme will be designed to meet pre-determined budgets, and the cost will be known at the time of commitment

9. Annual indexation

The contract allows for annual indexation using the government's Consumer Prices Index produced by the National Statistics Office. This allows for full transparency with leaseholders, and also prevents any undue premium being applied by contractors when considering the risk of a longer term fixed price. By allowing for inflationary increases, we are confident in achieving the most economical base price at tender stage. Projections by Building Cost Information Service CIS of the RICS and QS consultants Sweett Group indicate that tender and construction price rises over the next four to five years will outstrip inflation. Limiting annual indexation to CPI will protect us from any over recovery by the contractor.