

CABINET

23 May 2017

Title: Housing Asset Management - Procurement Strategy 2017/18	
Report of the Cabinet Member for Finance, Growth and Investment	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
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Accountable Director: Hakeem Osinaike, Operational Director - Housing Management	
Accountable Strategic Director: John East, Strategic Director of Growth and Homes	
Summary: <p>This report seeks approval to proceed with the procurement of a mix of 32 capital and revenue contracts with contract durations ranging from a minimum period of 6 months to a maximum 5-year term commencing between October 2017 and April 2018. The contracts are a mix of construction and servicing and maintenance arrangements which are designed to improve the living standards of residents and quality of housing stock and ensure conformity with landlord statutory obligations.</p> <p>The budget provision for the proposed contracts are to be contained within the following budgets:</p> <ul style="list-style-type: none">• Housing Revenue Account- Asset Management• Housing Revenue Account- Repairs and Maintenance• Housing Revenue Account- Housing Management• HRA Capital Investment in Stock• General Fund Revenue• General Fund Capital <p>This paper brings together a significant number of contracts that are required either because new works are necessary under the capital programme, some existing servicing and maintenance contracts expire in April 2018 or there are existing works being carried out under insecure contract arrangements that require formal arrangements to be in compliance with council procedures. There are also contracts proposed for works that are not currently being carried out and should be such as roof safety, renewable energy system maintenance and external painting and decoration.</p> <p>The opportunity to undertake joint procurement that will support delivery of housing and corporate: fire, lift, electrical and communal heating servicing and maintenance responsibilities has also been included in the procurement proposal</p>	

Recommendation(s):

The Cabinet is recommended to:

- (i) Agree that the Council proceeds with the procurement of the 32 contracts as detailed in Appendix 1 to the report and in accordance with the proposed strategy; and
- (ii) Delegate authority to the Strategic Director of Growth and Homes, in consultation with the Cabinet Member for Finance, Growth and Investment and the Director of Law and Governance, to approve the final procurement strategy for the appointment of a main contractor and to conduct the procurement and award and enter into the contracts and all other necessary or ancillary agreements with the successful bidder(s) following its endorsement by the Procurement Board, in accordance with the Council's Contract Rules, the European Tendering Regime and Public Contract Regulations.

Reason(s)

The successful procurement of these contracts will advance the Council's housing capital and revenue programmes, which are committed to improving the living standards of residents, improving the quality of housing stock and ensuring conformity with landlord statutory obligations.

It will also support the Direct Labour Organisation (DLO) deliver repair and maintenance services and the Disabilities Team provide Aids and Adaptations to some of our most vulnerable residents. In addition, and through joint procurement, the procurement proposal will support delivery of: fire, lift, electrical and communal heating servicing and maintenance responsibilities in corporate buildings.

1. Introduction and background

- 1.1 The overall HRA programme was presented and approved by Cabinet on 13 February 2017 as part of the HRA business planning process.
- 1.2 This paper brings together a significant number of contracts that are necessary either because new works are required under the capital programme, some existing servicing and maintenance contracts expire in April 2018 or there are existing works being carried out using insecure provisions that require formal contractual arrangements to be put in place in compliance with council procedures. There are also contracts proposed for works that are not currently being undertaken and should be such as: roof safety, renewable energy system maintenance and external painting and decoration.
- 1.3 The proposed contracts are listed below and will form part of the Housing capital and revenue programme for 2017/18 and beyond. They have been planned according to priority and budget across the housing stock and estate.
 1. Estate Environment Improvements
 2. External Fabric - Blocks

3. Communal Roof Replacements
4. Conversions
5. Green Smart Street Project
6. Estate Road Re-surfacing
7. Electrical Lateral Replacements
8. Decent Homes (North and South)
9. Fire Safety Improvement Works
10. Lift Replacement Programme
11. Disabled Adaptations (Building Works)
12. Disabled Adaptations (Mechanical & Electrical)
13. Water Tank Replacements
14. Roof Safety & Access Systems -provision and renewal
15. Communal Heating Replacement (Hollidge Way)
16. Communal Heating Replacement (Turner Ct/Aidan Close)
17. Fencing & External Works
18. Asbestos Surveying Consultancy Services
19. Water Hygiene Risk Assessment & Testing Services
20. Fixed Wire Testing (Domestic & Communal)
21. Lift Servicing and Maintenance
22. Lifting Equipment, Stair lifts & Hoist Maintenance
23. Fire Safety Equipment Maintenance
24. Roof Safety & Access Systems – Servicing and Maintenance
25. Renewable Energy systems Maintenance
26. External & Communal Painting and Decorating Programme
27. Fire Risk Assessments
28. Stock Condition Survey (Internal, External + M&E Surveys)
29. Electric Gates Servicing & Maintenance
30. DLO Material Supply Contract
31. DLO Vehicle Lease Management
32. Communal Heating servicing & maintenance

- 1.4 The opportunity to undertake joint procurement that will support delivery of housing and corporate: fire, lift, electrical and communal heating servicing and maintenance responsibilities has also been included in the procurement proposal.
- 1.5 The Direct Labour Organisation (DLO) will directly manage three of the contracts procured under this proposal. The contracts are: Material Supplies, Vehicle Fleet Leasing and Fencing & External works. To accommodate flexibility after the incorporation of Homes Services, these contracts will contain early break clauses. Similarly, those contracts where Home Services may, in future, seek to undertake the works directly will also contain early break clauses or are call-off arrangements that may be determined at 13 weeks' notice.
- 1.6 Disabled Adaptations contracts will be assigned to the Disabilities Team from May 2017 for responsibility of the delivery of the procurement process outlined in the report and management of service delivery.
- 1.7 The remaining contracts will be commissioned and/or managed by Housing Asset Management until the creation of My Place in October 2017. This will herald a new procurement approach across all borough assets. However, the new approach will not be up and running for two years. Accordingly, the proposed contracts will also contain early break clauses as appropriate or are call-off arrangements or contracts

that may be determined at 13 weeks' notice, to facilitate future flexibility.

2. Proposed Procurement Strategy

2.1 Outline specification of the works, goods or services being procured

2.1.1 Each contracted service or construction will have an individual specification of requirements drafted and agreed prior to commencement of the procurement phase. Further details are set out in Appendix 1.

2.2 Estimated Contract Value, including the value of any uplift or extension period

2.2.1 It is estimated that HRA capital and revenue spending of £66.04M and £32.95M resp. and General Fund spending of £1.58M will be required to provide the services that are outlined in appendix 1.

2.2.2 This is set in the context of 5-year HRA budgets for capital and revenue related to maintaining and improving the existing housing asset, the details of which are included in appendices 2 and 3.

2.3 Duration of the contract, including any options for extension

2.3.1 Please refer to appendix 1 for an outline of the contract durations expected to be applied.

2.4 Is the contract subject to (a) the (EU) Public Contracts Regulations 2015 or (b) Concession Contracts Regulations 2016? If Yes to (a) and contract is for services, are the services for social, health, education or other services subject to the Light Touch Regime?

2.4.1 Appendix 1 contains the scope and contract values estimated for each project or service.

2.4.2 Where any of the contract values are estimated to exceed EU regulatory financial thresholds for services or works, EU regulations will be applied as appropriate on each occasion. Where an open framework has been recommended as the vehicle best placed to deliver value and service, it is assumed EU principles and procedures have been incorporated in a compliant manner to prepare the framework.

2.5 Recommended procurement procedure and reasons for the recommendation

2.5.1 Appendix 1 outlines the proposed route to market for each contract.

2.6 The contract delivery methodology and documentation to be adopted

2.6.1 It is expected that where appropriate, the Council's standard terms and conditions will be used with any variable special terms being applied for any industry specific scenarios.

2.6.2 However, it is also intended, where appropriate professional contract toolkits exist that would protect the Council's interests, for example JCT contract documentation, then they may be considered and used.

2.6.3 It is intended to return to the Procurement Board for final sign-off of each individual methodology in agreement with the Responsible Officers and the Portfolio Holder. This will assist in reducing the volume of reports that the Cabinet will be asked to consider and grant approval. As the Transformation Programme gathers pace in delivering the Council's required objectives it is expected that a large number of reports will be submitted.

2.7 Outcomes, savings and efficiencies expected as a consequence of awarding the proposed contract

2.7.1 The successful procurement of the proposed contracts will facilitate delivery of Housing's capital and revenue programmes that are aimed at improved living conditions and quality of housing stock. This includes improved energy efficiency, safety and maintaining and improving the social and economic value of the housing asset.

2.7.2 At the time of preparation of this report, the levels of savings cannot be outlined but will be reported to the Procurement Board through Divisional updates.

2.8 Criteria against which the tenderers are to be selected and contract is to be awarded

2.8.1 Appendix 1 outlines the proposed quality/price mix to establish a preferential bidder.

2.9 How the procurement will address and implement the Council's Social Value policies

2.9.1 The works and services delivered by the successful contractors will contribute to the improvement of housing stock and wellbeing of residents. An aim will be to reduce the demand for other council services, such as housing repairs.

2.9.2 Where practicable and without placing a financial risk upon the Council, contract documentation will require successful tenderers to include the use of local labour and suppliers to support contracted service delivery. This will include the engagement and training of apprentices during the currency of longer term contracts.

2.9.3 This will aim to reduce youth unemployment and improve the skills and qualifications of residents within the borough. Youth employment has a knock-on effect at reducing other social issues such as offending, social exclusion and mental health services.

2.9.4 The contracts will also look to obtain the commitment of successful contractors in supporting local community events and initiatives that are led by the Council. Every contract will look to reduce the environmental impact within the borough and reduce carbon emissions. Initiatives such as reducing the number of heavily polluting vehicles or the numbers of miles driven by contractors will contribute to this. Reducing the environmental impact that contractors will

have will result in a positive effect in areas such as air quality which will have a positive effect on residents' health and reduce healthcare costs.

- 2.9.5 Where possible, the use of social enterprises will be utilised. This will help develop local social enterprise and voluntary organisations that inherently contribute to the local area.

3. Options Appraisal

- 3.1 For all projects, the option to do-nothing has been appraised and rejected as this will not support the Council to achieve its strategic aims.
- 3.2 The other options considered are the utilization of an open framework or to procure contracts through the open market. Both of these options have been considered (and accepted or rejected) on the basis of the requirements of each project. The proposed routes to market are outlined in Appendix 1 for ease of reference.

4. Waiver

- 4.1 Not applicable

5 Equalities and other Customer Impact

- 5.1 All contracts concerning improving and maintaining the council's housing stock require contractors, suppliers and project team members to be cognisant of and responsive to the needs of all residents regardless of background and circumstances. For example, this would include a wide range of considerations such as the timing of works to prevent disruption to residents' daily schedules through to the provision of translation services where appropriate. Contract documentation will also require the contractors to demonstrate a commitment to supporting the Council implement high quality customer care always.

6. Other Considerations and Implications

- 6.1 **Risk and Risk Management** - Definitive future years' capital programmes will rely on the development of a new asset management strategy following the provision of a stock condition survey, including an engineering services condition survey, in 2017/18. These surveys, which will report in January 2018, are likely to alter existing asset management strategies in terms of where investment (and at what level) is prioritised. Therefore, some of the budget figures outlined in appendix 2 represent holding figures. In the meantime, the direction and shape of future programmes has been agreed by the Housing Investment Group and at Cabinet in February 2017.
- 6.2 **TUPE, other staffing and trade union implications** - At the time of preparation of this report TUPE is not expected to apply. This will be reviewed as part of each individual procurement process and any implications that may arise will be detailed within individual Delegated Authority reports.
- 6.3 **Safeguarding Children** - The implication of the delivery of the contracts discussed in this report with respect to improving the wellbeing of children in the borough, will be reviewed as part of each individual procurement process

and will be detailed within individual Delegated Authority reports where applicable.

6.4 **Health Issues** - The implication of the delivery of the contracts discussed in this report with respect to health issues and whether the proposals are likely to have a positive or negative affect on the local community, will be reviewed as part of each individual procurement process and will be detailed within individual Delegated Authority reports where applicable.

6.5 **Crime and Disorder Issues** - The implication of the delivery of the contracts discussed in this report with respect to crime and disorder reduction, will be reviewed as part of each individual procurement process and will be detailed within individual Delegated Authority reports where applicable

6.6 **Property / Asset Issues** - The delivery of the contracts discussed in this report will maintain and improve the social and economic value of the housing stock and estate.

7. Consultation

7.1 Cabinet have provided approvals in principle at its meeting in February 2017 for the funding and general scope of works for the contracts described in this report following consultation at Housing Investment Group and the HRA Business Planning team.

7.2 The proposals in this report were endorsed by the Procurement Board on 13 March 2017.

8. Corporate Procurement

Implications completed by: Euan Beales, Head of Procurement

8.1 The Council's contract rules require all spend over £50,000 to be tendered. The use of accessible frameworks make the route to market partially exempt from the Councils contract rules.

8.2 The routes to market outlined within the report and the Appendices will, on face value, look to drive efficiency and financial benefit to the Council.

8.3 Where possible the Services should be reviewed and where synergies with Corporate contracts can be agreed economies of scale or a reduction in procurement cost will add benefit to the process.

8.4 The main routes to market being recommended are "open market procurement" and "accessible framework", both are deemed to be the route that will enable the best outcome to the Council based on the assumptions detailed.

9. Financial Implications

Implications completed by: Katherine Heffernan, Group Manager – Services Finance

- 9.1 This report seeks approval to proceed with the procurement exercise for a mix of 32 capital and revenue contracts as per the strategy set out within this report across both housing and corporate functions. The contract duration will range from a minimum period of 6 months to a maximum 5-year term commencing between July 2017 and April 2018 with a break clause built in after two years where appropriate.
- 9.2 The budget provision for the proposed contracts within this report are to be contained within the following budgets:
- Housing Revenue Account- Asset Management
 - Housing Revenue Account- Repairs and Maintenance
 - Housing Revenue Account- Housing Management
 - HRA Investment in Stock Capital (5 year HRA Business Plan - Feb 2017 Cabinet)
 - General Fund Revenue
 - General Fund Capital
- 9.3 The cost of all the new contracts must be contained within the approved revenue and capital budgets. If the prices achieved in these procurement exercises are greater than the previous contract or the funding available, then compensating savings must be found by the commissioners and managers of the services in question.
- 9.4 Any resulting savings will be subject to Elevate gainshare. Any HRA savings can be used to contribute to the HRA business plan while for General Fund savings the presumption should be that any large net savings achieved should be offered as a contribution towards the closing the MTFs funding gap.
- 9.5 Potentially there are two of the proposed contracts partly delivered by the Council's own Repairs service. The associated income and expenditure is included in the budget for that service. If this procurement exercise results in changes to these arrangements the impact on the Repairs service will need to be assessed and mitigation action taken.
- 9.6 Delegated authorities and/or Waivers, with detailed financial, legal and HR implications, are required for all the individual contracts before they can proceed to the delivery stage.

10. Legal Implications

Implications completed by: Kayleigh Eaton, Contracts and Procurement Solicitor, Law & Governance

- 10.1 This report is requesting approval for the procurement of 32 contracts relating to various housing capital and revenue projects.
- 10.2 Where a proposed contract value exceeds £4,104,394 for works there is a legal requirement to competitively tender the Contract in accordance with the Public

Contracts Regulations 2015 (the Regulations).

- 10.3 Appendix 1 of the report sets out the proposed procurement routes for all the projects. It is noted that the responsible directorate intends for all the programmes to be procured by way of a mini competition via a framework or a tendering process. This report sets out the range of frameworks which may be used and it is noted that some of these are Council owned framework and some are third party frameworks. The Regulations allow local authorities to select providers from established Framework Agreements. Providing the third-party framework specifically permit this Council to use the framework and the contract award occurs within the framework agreement terms, the requirements for competitive tendering should be met.
- 10.4 Where any of the proposed projects fall below the thresholds for works, and therefore have no legal requirement to be competitively tendered, officers should be aware that in line with the Council's Contract Rule 28.5, contracts above £50,000 should be subject to a competitive tendering process. Further there is a requirement to comply with the EU Treaty principles of equal treatment of bidders, non-discrimination and transparency in conducting the procurement exercise. The process described by the report author above should comply with these requirements.
- 10.5 Column 2.6 of Appendix 1 sets out the types of contract or framework to be used and column 2.8 sets out the quality/price ratio to be used when selecting tenderers.
- 10.6 This report advises that proposed project budgets were approved by Cabinet in February 2017 however it is noted that the Cabinet report does not provide for delegated authority to award the individual contracts or approve the procurement strategies. Therefore, where any contract exceeds £500,000 approval will need to be sought from Cabinet for delegated authority to award the respective contract(s).
- 10.7 The report author and responsible directorate are advised to keep Legal Services fully informed at every stage of the proposed tender exercises. Legal Services are on hand and available to assist and answer any questions that may arise.

Public Background Papers Used in the Preparation of the Report: None

List of appendices:

- Appendix 1 - Proposed Procurement Strategy for 32 Contracts
- Appendix 2 - Asset management and compliance - Capital programme budgets
- Appendix 3 - Asset management and compliance - Revenue programme budgets
- Appendix 4 - Asset management and compliance contract procurement plan - Capital
- Appendix 5 - Asset management and compliance contract procurement plan - Revenue