

Wiltshire Council

Cabinet

6 November 2012

Subject: New (Housing) Repairs & Maintenance Contracts

Cabinet member: Councillor John Thomson – Adult Care, Communities and Housing

Key Decision: Yes

Executive Summary

This report is brought to cabinet for their approval to sign off up to five separate contracts for the delivery of repairs, maintenance and improvements to the council's housing stock.

The size and scale of the works has meant the council has had to comply with and advertise all contracts in the Official Journal of the European Union (OJEU). This process has been ongoing over the past few months, and the evaluation of the tenders is currently being carried out.

The value all five contracts combined is £ 61 million over five years, which includes additional funds which have been made available following self financing in March 2012. This level of funding is adequately contained within the Housing Revenue Account (HRA). The HRA budget approved in February 2012 contained the following extract.

'This allows for a capital expenditure well in excess of that currently planned under the subsidy regime, with on average £5-7 million more available a year in the first six years'... extract Housing Revenue Account Budget and Rent-Setting 2012/13

Four of the five contracts are for five years terms, with an option to extend by an additional two and then a further two years based on performance and cabinet approval (i.e. plus 2 years, plus 2 years).

The fifth contract is for the balance of the responsive repairs and void work the council's own direct labour team do not have the capacity to carry out. This contract is for a three year term, which will diminish in work volume over this period as the DLO is developed.

The process (time scales) as set down by OJEU requires the need to get approval to issue notifications to successful and un-successful bidders and send out correspondence to leaseholders by late November. Approval is therefore sought from cabinet to delegate the final awards for each contract to the Service

Director of Communities and the portfolio holder for Housing.

Proposal(s)

We are asking for approval to :-

- 1 Approve the expenditure of up to £ 61 million pounds over the next five years split across five contracts, which has already been assumed with the HRA self financing model
- 2 Approval to the signing of **five** contracts for the repairs, maintenance and improvements to the Councils housing stock, to be delegated to the Service Director of Communities and portfolio holder for housing

Reason for Proposal

The existing contract arrangements covering works detailed in this tender process ends March 2013, therefore the re-tendering was required.

Due to the OJEU process, and the timescales involved it is necessary to get approval at this cabinet meeting, as the evaluation process is not complete, we have asked for the final approval be delegated.

(Name of Director) Niki Lewis
(Designation) Service Director of Communities

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Key Decision: Yes

Purpose of Report

This report is to request approval of the signing of five separate (housing) Repairs, Maintenance and Improvement contracts.

Background

Salisbury District Council and latterly Wiltshire Council landlord services have run and procured there repairs contracts on an adhoc basis pending a full retendering process ranging from long term contracts for the replacement of kitchens and bathrooms, cyclical boiler servicing and cyclical painting to smaller one off works contracts, i.e disabled adaptation work, and have been delivered through numerous small to medium sized contractors.

Due to contractual and external statutory requirements these contracts can no longer be extended beyond March 2013.

Over the past 36 months officers have engaged with, tenants and members in the development of the procurement strategy.

During this process the type of contract arrangements were discussed which concluded that a 'partnering' approach would be the most suitable and appropriate for the council because it was felt the joined up working ethos and the greater efficiencies this type of arrangement can offer was the best in the market place. This is the view held by the majority the housing sector when executing repairs and maintenances contracts.

This process has helped shape the contracts (i.e. what works are included in each contract (Lot) (see appendix 1) and enabled the additional funds which have become available through self financing to be included.

The procurement process laid down through OJEU is very prescribed and we have ran the process within these specific time scales, which includes 'stand still' points in the process where we have to give specific time for bidders, leaseholders to challenge decisions.

Main Considerations for the Council

The approval to sign these contracts will address:-

- Compliance with statutory OJEU requirements and the internal procurement strategy
- Deliver greater financial efficiencies through larger contracts
- Create a more efficient way of working which will align with the new re-structure arrangements, which are part of landlord services transformation programme.

Compliance

The council have previously extended the contracts and works detailed above, however due to internal and external statutory requirements they cannot be extended again.

Failure to renew these contracts as detailed could lead to a direct legal challenge from OJEU which would result in fines to the council, OJEU scrutiny into procedures, and likely media coverage of the non-compliance
Also failure to comply with the councils own procurement strategy.

Greater Efficiencies

The existing delivery arrangements for the repairs and maintenance contracts is not efficient, by packaging up the works into larger and longer term contracts will in its self deliver greater efficiencies.

Through bench marking and value for money analysis we will be able to ensure we are delivering services at market rates comparing against the sector.

The decision to use partnering contracts will significantly enable the client (the council) and contractors to work together to deliver greater efficiencies throughout the term of the agreements.

Effective Working arrangements

The working arrangements for the delivering the councils existing contracts are exhaustive and time consuming, by entering into new arrangements and 'partnering' specifically lends it's self to more effective working, stream lining processes, and the elimination of duplicate roles and work.

This way of working and thinking has been encompassed into the development of the new structure within landlord services

Environmental and climate change considerations

With respect to environmental and climate considerations,, the individual contracts will develop specifications and procedures to meet local and statutory requirements.

One of the contracts includes for specific works around energy saving methods, i.e Photo Voltaic panels, ground source heat pumps etc.

Co-location of the partnering team is being considered and where appropriate will be established which could result in avoiding duplicating office establishments, thus saving energy.

Equalities Impact of the Proposal

The investment in the housing stock directly benefits some of the poorest communities in Wiltshire improving their housing conditions.

The investment includes specific works to reduce fuel poverty, disabled adaptations and improvements to older peoples accommodation.

We have built into the process, as part of the new contracts, and development of the DLO, we shall seek local labour to fill posts wherever possible and have also committed to creating several apprenticeship position.

The form of contract to be used is written to be more inclusive than traditional contracts and hence we have been able to engage with tenants in more depth. Helping in the contractor selection process, specifications, and after contract let, tenants will be included in performance and quality management, being part of monthly review meetings.

Risk Assessment

The key risks associated with this project together with the actions that will be taken to address or mitigate these risks have been identified and under regular review.

The main risks are that of challenge from an un-successful supplier, these risk have been monitored and controlled throughout the process and close working arrangement with both the procurement and legal teams.

Financial Implications

The contracts will be funded through the HRA and account has been taken of previous approval levels of the HRA budget during the budget setting process.

Appendix 3 details the proposed spend per contract (Lot). The estimated mix of revenue and capital spend per year for the first 5 years of the contract for lots 1 – 4 is between £8.450m and £10.550m, which is in line with the estimated annual capital expenditure and the HRA revenue repairs budget reported in the Council's Financial Plan for 2012/13.

In addition, over the next three financial years (2013/14 to 2015/16), a total of circa £5.528m HRA's revenue budget will be managed through Lot/Contract 5 for Responsive Repairs and Voids work, this is again in line to the Financial Plan.

Estimated combined revenue and capital expenditure for the five contracts between 2013/14 and 2017/18 is £61m. This represents an additional £ 26 million on top of the pre Self financing HRA budgets. These amounts are consistent with the HRA revenue and capital budget plans as laid out in the HRA business plan developed during the move to Self financing, so they are affordable within the HRA.

In the event that the Council wishes to extend the contracts for an additional 4 years (2 + 2), a further paper will be prepared and presented to cabinet requesting members' approval.

Legal Implications

- Failure to procure new contracts at this point in time will leave the council open for a legal challenge from OJEU, possible fines and adverse media coverage.
- There are also Transfer of Undertakings (Protection of Employment) Regulations (TUPE) implications of existing contractors, these regulations protect operatives working solely for the existing client (in this case Wiltshire Council) may have a legal right to be transferred to the new contractor. This has been dealt with within the tender documents, legal service have dealt with the specific clause within the tender documents.

Options Considered

With regard to options there were no options available than to re-tender the works detailed in this report.

There was options around what type of Contract to use, and after careful consideration a partnering style contract was agreed on, on the basis of being more flexible in use, and to gain greater efficiencies throughout , as well fitting the ethos of the councils to work in partnership, the re-structuring of landlord services has been developed around this approach.

Conclusions

We ask Cabinet to approve the recommendations as detailed in the proposal

(Name of Director) Niki Lewis
(Designation) Service Director Communities

Appendices

List any appendices referred to in your report.)

- 1 Detail of works per Contract (Lot)
- 2 Indicative time table
- 3 Financial and works breakdown per LOT (Contract)

Appendices 1 Contract / lot details

- Lot 1 : Planned maintenance, modernisations, improvements, repairs and renewals, all to be performed in relation to residential dwellings, garages and grouped housing.
- Lot 2:
- Renewal and installation of heating and sustainable energy systems and storage tanks, and
 - Servicing, safety testing, inspection, breakdown repair and maintenance of heating appliances
- All to be performed in relation to residential dwellings and grouped housing.
- Lot 3:
- Full and partial rewiring
 - Routine and emergency repair of electrical systems
 - Minor electrical works
 - Electrical and portable appliance testing
 - Smoke detector servicing and renewal
 - Servicing and breakdown repair of generators, controlled access entry systems, lifts and stair lifts, and
 - Maintenance of fire alarms, fire fighting equipment, public lighting and controlled access entry systems
- All to be performed in relation to residential dwellings, garages and grouped housing.
- Environmental Improvement works to include
- Lot 4:
- Landscaping works
 - Repairs to and renewals of boundary walls and fences, and
 - Maintenance and upgrading of recreation areas
- Lot 5:
- Routine and emergency repair work and work to void properties
- All to be performed in relation to residential dwellings, garages and grouped housing.

Appendices 2

Indicative Time table

Ref	Task	Estimated Dates	
		Start Date	End Date
Tender			
1	Tender Period	9 Aug 12	19 Sept 12
	Deadline for tender queries	-	5 Sept 12
	Deadline for receipt of tender submission	-	12 noon on 19 Sept 12
2	Tender Evaluation	24 Sept 12	19 Oct 12
	Site Visits and Interviews (if required)	-	tbc
	Tender and Award Report and Recommendation	-	19 Oct 12
	Approvals	-	6 Nov 12
Pre-Award			
3	Issue S20 consultation notices to Leaseholders	7 Nov 12	7 Dec 12
	Stand-still period and feedback to unsuccessful contractors	10 Dec 12	20 Dec 12
Award of Term Partnering Agreement			
4	Execute Term Partnering Agreement	-	tbc
Pre-commencement and Contract Start			
5	Pre-commencement activities (activities may be phased between Lots)	7 Jan 13	Mid Feb 13
6	Service Commencement	To be agreed March / April 2013	

Appendices 3

LOT specific (contract) details

Lot Contract /	Description	Estimated Value Per Annum	
		Years 1 to 5	Years 6 to 9
1	Planned maintenance, modernisations and renewals	Between £5,400,000 & £6,750,000	£2,445,000
2	Energy efficiency works, heating installations servicing and remedial works	Between £1,450,000 & £2,100,000	£1,080,000
3	Electrical works	Between £600,000 & £700,000	£550,000
4	Environmental Improvement works (landscaping, fencing, ground works ... whole area projects)	£1,000,000	-
	Estimated Value of Contract Per Annum	Between £8,450,000 & £10,550,000	£4,075,000
5	A proportion of responsive repairs and voids service in years 1 – 3 on a reducing scale	Revenue spend : across 3 years £5,528,000	-