

WAVERLEY BOROUGH COUNCIL

EXECUTIVE – 4 OCTOBER 2011

Title:

**HOUSING MAINTENANCE CONTRACT PROCUREMENT – CONTRACT/S
AWARD**

[Portfolio Holder: Cllr Keith Webster]

[Wards Affected: All]

Note pursuant to Section 100B (5) of the Local Government Act 1972

Annexes to this report contain exempt information by virtue of which the public is likely to be excluded during the item to which the report relates, as specified in Paragraph 3 of the revised Part 1 of Schedule 12A to the Local Government Act 1972, namely;-

Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Summary and purpose:

Following a report to the Executive on 10 November 2010, a major contract procurement exercise has been undertaken for housing maintenance contracts and this report summarises the process and the outcomes. Members are asked to approve the successful Tenderers list, as set out in (Exempt) Annexe 1 and to delegate authority to the Deputy Chief Executive in consultation with the Strategic Director and Portfolio Holder for Housing to conclude the procurement process with the successful Tenderers and proceed with the award of contracts.

How this report relates to the Council's Corporate Priorities:

This report relates to three of the Council's Corporate Priorities namely: **Improving Lives** – Improving the quality of life for all, particularly the more vulnerable within our society; **Subsidised affordable housing** – Working for more affordable housing to be built and managing council housing well; and **Value for Money**– ensure our activities are customer-focused and provide good value for money.

Equality and Diversity Implications:

The new contracts will include performance indicators to measure the number and percentage of direct employees employed by the contractor/s, including supply chain partners, from the Black and Minority Ethnic Community, as well as from other diversity strands. Additionally the percentage of employees (including supply chain partners) the contractor/s engage from within the local Waverley Borough Council area and the percentage of local employees who are tenants or members of a tenants household of Waverley Borough Council will be measured. Contractors will also be required to operate in accordance with the Council's Corporate Equality Scheme.

Climate Change Implications:

There are no direct Climate Change Implications arising from this report.

Resource/Value for Money implications:

The Council has aimed to achieve better value for money but with an emphasis on quality for its housing maintenance service through the procurement process. Current market conditions indicated that the Council may secure an improved rate for works and the structure of the contract and performance management will deliver quality and efficiency.

Legal Implications:

The Council is required to follow the requirements and detailed contract award procedures of the Public Contracts Regulations 2006.

Background

1. As a landlord, the Council has a responsibility to undertake repairs and maintenance of its housing stock, both in terms of its legal and landlord responsibilities to residents and as asset manager. This is a large area of investment in both revenue and capital terms amounting to some eight million pounds per annum of expenditure.
2. Around 12,000 day-to-day repairs are carried out each year; 4,000 gas boilers are serviced; 300 void properties made ready for re-letting. In addition, programmes of planned works are undertaken including: component renewals; Aids and Adaptations work; Decent Homes work; Gas boiler installations as well as cyclical maintenance of stock.
3. On the 30 November 2010 the Executive received a report outlining the need to be procuring new maintenance contracts for the Council's housing stock and proposals for progressing the procurement. Authority was given to proceed and this report outlines the process undertaken and the outcomes, subject to the completion of the tender evaluation process.

Packaging the Work into Lots

4. The work has been packaged into 10 different Lots with Tenderers being invited to bid for a range of Lots depending upon their capacity and specialisms. This approach followed recent market trends and is acknowledged as maximising the Council's potential for achieving savings whilst giving local and specialist contractors the opportunity to tender for individual Lots.
5. The Lots are as follows:
 - Lot 1 - Repairs and Voids
 - Lot 2 – Home Safety Check and Gas Servicing, Installations
 - Lot 3 – Aids and Adaptations
 - Lot 4 – External Redecoration

- Lot 5 – Kitchen and Bathroom Replacements
- Lot 6 – Window Replacements
- Lot 7 – Door Replacements
- Lot 8 – Electrical Servicing and Rewiring
- Lot 9 – Reroofing
- Lot 10 – Structural Works

6. The inclusion of capital works in the procurement contributed to the Council's successful bid to the Homes and Communities Agency for additional resources to assist with meeting the Decent Homes backlog. The Council will have contractors in place to carry out this work from 2012 to 2015 at competitive prices. This means the Council is likely to achieve a greater number of works for the same price as it would have done previously.

Form and Term of Contract

7. The form of contract being used is a "Term Partnering Contract" (TPC). This type of contract promotes a partnering relationship, rather than an adversarial relationship, between the Council and the Contractor. It is designed to achieve a mutually beneficial relationship which will deliver excellent customer satisfaction whilst maximising efficiencies and value for money. It will also develop a new style of performance management culture. Each Lot will have its own contract even if one Tenderer is successful across more than one Lot.
8. The term is seven years with the option to extend for a further seven years subject to the contractors performance. This approach together with the type of contract described above was expected to attract high quality Tenderers who would be willing to invest and commit to the Council through the opportunities provided by having a long term relationship. It has the benefit to both parties of encouraging continuous improvement and innovation as well as maximising the opportunities for value for money and added value. Within the contracts there are performance controls, including frequent meetings with the contractors, and the ability to terminate at any time for non-performance so that the Council's position is protected.

Quality/Cost Tender Evaluation Model

9. The Quality/Cost model chosen for the contracts determined the value for money being obtained through the contract together with the quality of service delivery. The approach agreed was to award 60% of the tender evaluation marks to quality and 40% to the price being offered. This approach demonstrated to Tenderers the high value the Council places on how effective and efficient the service delivery is, as well as the importance of achieving a competitive price for the work.

Tendering Process

10. Under the Public Contracts Regulations 2006 a "restricted" tendering process was adopted whereby Tenderers expressing an interest in tendering were asked to complete a Pre-Qualification Questionnaire. An assessment of the returned questionnaire was made to determine the contractors' financial stability and technical and professional ability and previous experience for the

contract/s they wished to bid for. This process produced a shortlist of Tenderers who were then invited to tender.

OJEU Notice

11. The value of the contracts placed it within the legal requirements of the European Union Procurement Directives. Therefore the first formal and legally required stage in the process was to advertise the contracts in the Official Journal of the European Union. This was placed on the 21 January and invited interested Tenderers to request Pre-Qualification Questionnaire packs.

Workshops

12. During January/February workshops were held with staff; tenants and residents; and contractors to identify what aspects of the current service work well, what could be improved upon and what improvements stakeholders would like to see delivered through the new contract/s. The outcomes of these workshops were fed into the tender documentation production.

Pre-Qualification Questionnaires (PQs)

13. Pre-Qualification Questionnaires were issued with a return date of the 23 February. Of the 237 contractors who requested the documentation, 73 were actually returned. This return rate reflected fairly normal industry experience. These were evaluated over two days on the 28 February and 1 March by around 30 people including staff from the housing service, other services and tenants.
14. Following the evaluations and an appraisal of each Tenderer's financial standing, a shortlist of Tenderers who met the qualification criteria was drawn up and these Tenderers were invited to tender.

Contract Documentation and Invitation to Tender

15. The Tender Documentation was written during March and April including Specifications, Method Statements, Key Performance Indicator Handbooks and Pricing documents and schedules for each Lot together with Instructions to Tender.
16. The standard TPC was tailored to meet Waverley's requirements.
17. On 5 May, the invitation to tender documentation was issued to the shortlisted contractors with a return date of 23 June.

Tender Evaluation

18. Tenders were received from 24 Tenderers and they elected to bid for varying numbers of Lots from one to all ten totalling 62 different bids in all. This meant that the resulting number of contractors could range from one contractor winning all the Lots to ten different contractors, a different one winning each Lot.

19. From the 27 to the 29 June a team of around 60 staff and tenants assessed the 62 different Lot specific and 62 generic method statements. This formed a significant part of the quality element of the evaluation.
20. The 60% of marks awarded for quality for Lots 1, 2 and 5 breaks down as follows:
 - 40% Method Statements (Generic and Lot Specific)
 - 10% Site Visit
 - 10% Interview

The other Lots (3,4,6,7,8,9 and 10) where site visits were not part of the evaluation have a quality break down as follows:

- 50% Method Statements (Generic and Lot Specific)
 - 10% Interview
21. 23 site visits were undertaken over Lots 1, 2 and 5 and 62 interviews with Tenderers held across all the Lots. Both site visits and interviews were carried out by officers with responsibility for the individual work streams together with tenants who volunteered to assist with the procurement process. These commenced on the 9 August and were completed on the 5 September, a strenuous schedule to meet, particularly during the holiday period.
 22. Site visits were designed to give Tenderers the opportunity to provide an overview of the company and their IT systems and a meeting with the client and tenant representatives they were doing that work stream for. Examples of work in progress and completed works were inspected. The visiting teams were able to listen to the tenants' views of the Tenderer and the work undertaken, gaining a valuable insight into the culture and ethos of the company and comparing the commitments Tenderers made in their tender submissions with the reality on site.
 23. The interviews gave the Tenderers a more formal opportunity to present their company's culture and discuss their proposals for undertaking the particular Lot in more detail. Interviews were recorded and will form part of the contract between the Council and the contractor so that commitments made during the interview are enforceable.
 24. At the same time work began on checking and evaluating the 62 financial submissions. This was complex and critical work and was undertaken by the Maintenance Manager and the Council's financial officers to ensure there was a full understanding of Tenderers' submissions and to clarify any issues arising from the checks.
 25. The tender process described above was considered by the Community Overview and Scrutiny Committee on 27 September 2011. Any observations made by this Committee will be reported to this meeting of the Executive separately.

Outcomes from Tender Evaluation and Next Steps

26. The scores for both the quality and the financial assessments have been combined to form a final score which presents us with a successful Tenderer for each Lot.
27. The actual scores and outcomes from the evaluation are presented in (Exempt) Annexe 1 showing the ranking of each of the Tenderers for each Lot. The number 1 represents the highest scoring Tenderer and therefore the successful Tenderer for each Lot.
28. Your officers are now in a position to write to all Tenderers whose tenders were evaluated informing them of the outcome of the evaluations and whether they are the successful Tenderer or have been unsuccessful.
29. There are legal procedures to be met as follows. Under EU Regulations the Council is required to notify each Tenderer, whose tender was evaluated, of certain information including, their score, the name of the successful Tenderer and their score. There is also a requirement to provide a minimum 10 day “standstill” period during which Tenderers can seek to challenge the outcome of the evaluations. Under the Landlord and Tenant Acts 1985 and 1987 (As Amended) Section 20 Statutory Consultation with Leaseholders, the Council is also required to notify its Leaseholders of the successful Tenderer/s to be appointed and allow a 30 day period for observations to be made by Leaseholders. A more detailed description of the timetable for this process is provided in Annexe 2.
30. At this stage any outstanding tender clarifications can be discussed and agreement made on issues where options may be available, particularly where Tenderer/s are successful in multiple Lots. Such issues could include for example location of contractors’ office bases.
31. On the assumption that: the successful Tenderer/s wish to accept the contract/s; any tender clarifications are resolved to the Council’s satisfaction; and there are no challenges, the formal award will be made at the end of the 30 day Leaseholder consultation period. Should there be any reason why the Council cannot proceed with the successful Tenderer, discussions will commence with the second highest scoring Tenderer.
32. Once the formal award is made there will be a period of “mobilisation”. This is when your officers and the contractor/s will be working together to get everything in place to enable a successful start on site. It will include the signing of the contracts, programme management, IT integration, performance management procedures, ordering and invoicing procedures, site locations, setting up of storage facilities, branding of vehicles and so on.
33. The aim is to start the new contracts during January/February 2012 although the actual start date will vary from Lot to Lot depending upon the complexity of mobilisation and the budget availability in relation to capital works.

Financial Outcomes from Procurement Process

34. The procurement has tested the market, producing the most financially attractive prices the market is able to offer for these works. As the evaluation model demonstrates the Council is interested in both the quality of service provision and managing its assets well through maintaining its stock with high quality work, as well as getting value for money in terms of price.
35. As anticipated, the outcomes from the procurement exercise will deliver significant savings for the Council as well as providing added value to the contracts. These savings will be realised in the form of achieving more work for the same budgets as was possible with current and previous contracts. Once the final award is made, it will be possible to quantify the full scope of the savings achieved. Some indicative information on savings is provided at (Exempt) Annexes 3a and 3b. Annexe 3a shows the potential revenue and capital savings for the Housing Revenue Account and Annexe 3b shows the potential positive impact on the Decent Homes Programme.

Conclusion

36. This procurement is one of the most important the Council has undertaken in terms of value and customer involvement. The process has been carefully managed and undertaken to ensure the Council is robust against possible legal challenges from unsuccessful Tenderers. This included seeking specialist advice from consultants at appropriate times during this process. Including so much work in one procurement exercise was challenging and resource intensive but it will provide both financial and customer service benefits for a substantial period of time and so was a worthwhile investment.
37. The outcomes have produced a new set of contractors with a new form of contractual partnership arrangement which will deliver a fresh perspective on service delivery and value for money. This should increase customer satisfaction and enhance the reputation of the Council as well as ensuring that the Council maintains its assets with high quality work.
38. The procurement process is almost at an end and authority is required to proceed with appointing the successful Tenderers/s at the earliest opportunity to enable the Council to realise the benefits of new contracts at the earliest opportunity.
39. A meeting will be held with the Tenants Panel on 6 October to inform them of the outcomes of the evaluation process. There will be further communications with all tenants once the final award is made.

Recommendation

It is recommended that:

1. authority is delegated to the Deputy Chief Executive in consultation with the Strategic Director and the Portfolio Holder for Housing to resolve any issues arising from the outcome of the 10 day standstill period, the responses of the successful Tenderer/s and the 30 day leaseholder consultation period; and

2. authority is delegated to the Deputy Chief Executive in consultation with the Strategic Director and the Portfolio Holder for Housing to conclude the procurement process as outlined in paragraphs 27 to 33 and, subject to Recommendation 1 above, award the contracts in accordance with the procurement process and the evaluation outcomes set out in (Exempt) Annexe 1.

Background Papers

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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