



AGENDA ITEM: 9
SUMMARY

Report for:	Cabinet
Date of meeting:	23rd October 2012
PART:	1
If Part II, reason:	

Title of report:	Procurement Strategy and Preferred Model for the Delivery of the Housing Repairs, Maintenance and Improvements.
Contact	Councillor Margaret Griffiths, Portfolio Holder for Housing Responsible Officer: Mark Gaynor, Corporate Director (Housing and Regeneration) Authors: Fiona Williamson, Group Manager (Property and Place); Elliott Brooks, Assistant Director (Housing Landlord).
Purpose of report	To provide a report outlining the procurement strategy and preferred model for the delivery of the new repairs, maintenance, minor new build and improvement contracts and the supporting options appraisal.
Recommendations	<ol style="list-style-type: none"> 1. That the approach to procurement, as set out in the report and accompanying appendices be agreed 2. That the timetable for procurement be agreed 3. That the preferred option for delivery – Option 1A – be agreed 4. That the internal and external resourcing provisions for the project be agreed <ul style="list-style-type: none"> • Interim manager to backfill Group Manager Property & Place • Additional procurement resource • External consultants 5. That authority be delegated to the Corporate Director Housing and Regeneration and Assistant Director Landlord Services in consultation with the Portfolio Holder for Housing and the Portfolio Holder Finance and Resources to agree final documentation for the procurement process and any minor variations to the process that may be required

<p>Corporate objectives</p>	<p>The Options Appraisal has been undertaken to assess the most beneficial model for the delivery of the repairs, maintenance, improvement and new build programme for the housing portfolio to support the Council's Corporate objectives and contributes to:</p> <p>Affordable Housing To provide a repairs and maintenance service in line with current best practice and one that provides value for money and most economical use of resources. To promote tenant involvement in deciding type of service preferred. To provide a repair service that is of a consistent standard regardless of the type of work. To enable the delivery of new affordable homes.</p>
<p>Financial Implications</p>	<p>The impact and financial implications of each model have been considered, with assessments regarding any economies of scale that could be derived from each model and the financial costs associated with the procurement activity. The main consideration during the options appraisal has been to consider the financial risks associated with each of the various models of delivery and obtain information from contractors and peer groups as to the preferred and most effective method of financial reimbursement and cost control mechanisms.</p> <p>The consultancy costs have been allowed for within the 2012-13 Housing Revenue Account (HRA) budget and are included in the forward business plan. The additional internal support costs will be covered by an under spend on salary for Property and Place.</p>
<p>'Value For Money Implications'</p>	<p>The Options Appraisal has considered the value for money implications of the various models of delivery.</p>
<p>Risk Implications</p>	<p>The Options Appraisal has included a risk matrix to identify the key areas of risk, which have been weighted to provide an overall assessment of the risks and benefits associated with each model of delivery.</p>
<p>Equalities Implications</p>	<p>The Options Appraisal has outlined the requirement to consider any equalities implications during the pre-tender stage of the procurement process to ensure that the tender addresses any equalities issues that are identified. An Equalities Impact Assessment for the project has been drafted Appendix B</p>
<p>Health And Safety Implications</p>	<p>The Options Appraisal considered the management arrangements of each model and the potential Health and Safety implications. All of the differing contractual arrangements arising from the considered models do not reduce the liability of the Council with regard to its Health and Safety obligations. Therefore the ability to manage and monitor high areas of risk has been considered in the Options Appraisal in order to minimise the chance of any Health and</p>

	Safety issues arising.
Monitoring Officer/S.151 Officer Comments	<p>Deputy Monitoring Officer:</p> <p>The report sets out a clear strategy for the future procurement of the housing repairs, maintenance and improvement service. The options appraisal and procurement strategy have been considered and approved by the project team and clearly identify the operational and legal/procurement risks with each option. The preferred option (Option 1A) from a legal and procurement perspective is the most straightforward and presents the lowest risk to the Council. The project team and external consultants will continue to work together to ensure that that procurement process is robust and compliant and that the associated contractual documentation minimises the risk to the Council.</p> <p>Deputy S.151 Officer</p> <p>Detailed financial work will be carried out in the next stage of the project process, as the ITT is prepared. Project working groups have been structured to ensure that all of the Council's relevant expertise is involved in the process of designing robust pricing models. The knowledge derived from the design of these models, and their inclusion within the ITT, will ensure that the Council has a solid benchmark for the financial evaluation of bids.</p>
Consultees	<p>Councillors: Margaret Griffiths, Portfolio Holder for Housing , Nicholas Tilley, Portfolio Holder for Finance and Resources. Tenant Representatives; Tenants and Leaseholder Committee Procurement Project Board Corporate Management Team Bevan Brittan, Legal firm specialising in the Public Sector Stradia, CIPFA approved Financial and Cost Consultants</p>
Background papers	<p>Cabinet report 18th October 2011, Future Procurement Options for Housing Repairs. Repairs and Maintenance Procurement Strategy Project Initiation Document 1st May 2012 Cabinet report, 29th May 2012, Dacorum Borough Council Housing Revenue Account Business Plan Cabinet report, 24 July 2012, Procurement Options Appraisal of the models of delivery available for housing repairs, maintenance new build and improvements. Cameron Consulting Report Options Appraisal for the future procurement strategy to deliver the repairs, maintenance and improvements to the Council's Housing and related assets, July 2012. Cameron Consulting Procurement Strategy Report, the future procurement of repairs, maintenance and improvements to the Council's housing & related assets, August 2012. (Appendix A), available to view on the Dacorum Borough Council website via the following link:</p> <p>http://www.dacorum.gov.uk/default.aspx?page=1623#October</p> <p>Bevan Brittan Papers on Pension issues, TUPE Regulations 2006 and Due Diligence Information included as Appendices</p>

	E,F and G in Cameron Consulting Report Procurement Strategy, the future procurement of repairs, maintenance and improvements to the Council's housing & related assets, August 2012.
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BACKGROUND

1 Purpose of the report

- 1.1 Cabinet received a report on 24 July 2012 providing progress on the procurement process and setting out options for moving to the final stages of the process. This report provides detail of the option appraisal of the potential models of delivery for responsive repairs, planned programmes and other works for the Council's housing stock, with a recommendation for the way forward. It also sets out the procurement strategy and action plan and seeks approval for its implementation.

2 Option appraisal of delivery models

- 2.1 The Council conducted a comprehensive options appraisal of the various models of delivery for the responsive repairs, planned programmes of work and new build programme that was presented to Cabinet on 24th July 2012. Since that appraisal was undertaken the delivery mechanism for the New Build programme has been finalised and is not within the scope of this procurement project. Any reference to new build within this report refers to single units developed on housing land adjoining an existing property, or extensions to accommodate disabled adaptations. The appraisal identified the three preferred models, which Cabinet approved, option 1, option 2 and option 5.

It was agreed the three models would be subject to further review and appraisal, to determine which is considered the most appropriate to deliver the business plan and enable a more strategic approach towards investment. This report summarises that review and makes a number of recommendations on the proposed way forward.

- 2.2 The three models that have been further considered are outlined below:

Option	Model	Description of the Model
Option 1	Outsourced Multiple Contracts (A) or (B) (planned and responsive maintenance together) Total Asset management	1 (A) Single contract awarded to one contractor to deliver all areas of the service. 1 (B) The Borough could be subdivided into two geographical areas and two contracts awarded. In both options: Gas servicing and other specialist compliance issues will have separate contracts. A separate framework agreement would be established for the appointment of consultants to provide any professional services to support the management of the contract.
Option 2	Outsourced Multiple Contracts (different contractors for responsive and planned maintenance)	A number of contracts would be awarded to deliver the various types of work. Planned capital work, responsive repairs and gas servicing would be separate contracts. Contractors would

		be restricted to bid for one work stream and there would be no ability for them to deliver more than one type of work. A separate framework agreement would be established for the appointment of consultants to provide any professional services to support the management of the contract.
Option 5	Joint venture organisation	A joint venture would be established to include Dacorum Borough Council and one or more contractors to deliver all of the works and services, with the possible exception of gas servicing and compliance issues (as in Option 1).

3 Options Appraisal of Delivery Model - Executive summary

3.1 It is recommended that the Council proceed with Option 1A and that a single supplier is appointed to deliver the repairs and maintenance and planned programmes of work including the delivery of the small scale new build works and extensions (Total Asset Management).

3.2 The main benefits identified will be:

- A single point of contact for tenants, through a call centre managed by the contractor, in which the staff can be specifically trained in the correct diagnosis of repairs calls.
- The contractor, through the pricing mechanism, will be responsible for the asset management for the duration of the contract to include repairs and programmed replacements.
- Less duplication of roles between the contractor and client than alternative options.
- As the contractor will be required to share repairs information with the Council in a format that can be used to identify patterns of repairs to assist in the identification of components within certain areas that are close to the end of their useful life, this will be easier with a single contractor due to IT integration.
- The contractor will be tasked with reducing the number of responsive repairs in favour of programmed replacements and will be provided with the necessary asset and stock condition information upon which to tender.
- The Council will be able to concentrate on delivering the asset management strategy and wider estate based improvements.
- Community initiatives can be coordinated and delivered by a single contractor which could include the provision for apprentices as there would be a guaranteed duration and scope of work upon which to train.

3.3 The remaining specialist and compliance works will be packaged in separate contracts, which will be awarded to one or more suppliers. It is proposed to move to a 5* gas servicing arrangement, whereby the contractor has the responsibility of the servicing and replacement of the boiler in each property, over the duration of the contract. The contract duration is envisaged to be between 7 and 10 years and will in part be determined by the average life expectancy of the condensing boilers that are fitted.

3.4 The second ranked option was Option 1B, whereby the repairs and maintenance and planned programmes of work are combined but the Borough is divided into two areas. This was perceived to have some advantage regarding an element of competition between the two contractors and could provide the option for the other contractor to take over both areas, should one contractor go into administration. The main issue with

this option, however, is that for it to be truly comparable and competitive the geographical spread, condition and type of property would need to be similar. The spread and type of property in the Dacorum portfolio does not lend itself to an equitable and efficient split as there are some estates in Hemel Hempstead that have a number of non traditional construction properties, which are more complex to repair and maintain. The management of any TUPE (Transfer of Undertakings Protection of Employment) transfer would also be further complicated if there was more than one provider to whom the employees would transfer. Additionally the call centre function would be split leading to the potential for confusion amongst tenants and leaseholders when reporting a repair. On balance the operational and management issues reduced the overall benefits of this option.

- 3.5 The third ranked option was Option 2, which in essence maintained similar contractual arrangements to those in existence. Whilst it is accepted that the current arrangements are, separately, working well to deliver high levels of customer satisfaction, there are concerns that the Council is not maximising the benefits from economies of scale and co-ordination of delivery that would be realised by having a single supplier for the two main contracts, and the flexibility the self-financing arrangements for the Housing Revenue Account allows. The current arrangements for the procurement of specialist consultants is ad-hoc and would benefit from a framework arrangement whereby the pre-qualification is undertaken initially rather than for each and every commission.
- 3.6 The Joint Venture option, Option 5, was considered to offer the least number of advantages to the Council. Some of the benefits of a JV, the potential for external contractors to forward fund any deficit in investment that may have arisen under self financing or the VAT benefits that are applicable to registered providers do not apply. Additionally the procurement process would be more complex because it will involve agreeing the governance and operational structure for the JV. The workforce is likely to be employed by the JV, but managed by the contractor, which can also lead to some operational issues.
- 3.7 The full option appraisal set out below is supported by the accompanying Procurement Strategy Report and appendices, available to view on the Dacorum Borough Council website accessed via the following link:

<http://www.dacorum.gov.uk/default.aspx?page=1623#October>

4 Full option appraisal and procurement strategy development

- 4.1 In order to determine the best option for delivery in Dacorum, based upon the strategic objectives, corporate priorities and the vision and aspirations of the tenants, it has been necessary to consider each of the remaining options in greater detail and within the context of the self financing Housing Revenue Account business plan.
- 4.2 The Project Initiation Document, which was developed in March, at the outset of the project, outlined the strategic and project objectives which are set out below:-

Strategic Objectives

- To enter into a contract or contracts with one or more contractors in order to provide a high quality repairs and maintenance service that aligns with DBC's Housing business plan, asset management strategy and the corporate and housing priorities set out below;
- To conclude robust, compliant and comprehensive selection and award evaluations on the contractors and their proposals to ensure financial stability, ongoing viability; combined with a sustainable business plan;

- To ensure that costs are continuously transparent, controllable and within a range of benchmarked costs;
- To be able to demonstrate that innovation and continuous improvement of the service is tangible and measured;
- Proactively involve tenants in the scrutiny and monitoring of the service;
- Quality of workmanship and customer care to be consistently demonstrated and measured;
- To promote opportunities for maximising energy efficiency and reducing carbon through smart asset management and service delivery;
- To build sustainable communities through procurement project, through training and employment of local people and the use of local suppliers.

Project Objectives

- To consider all the options available for the future delivery of housing repairs and maintenance, capital works and new build housing;
- To build on lessons learned, including recommendations from the David Bowles report, external audit, internal knowledge and experience and external best practice in developing the procurement strategy;
- To develop a clear and robust exit strategy for all current contracts;
- To develop clear roles and responsibilities in the Project Group;
- To ensure that all stakeholders (residents; Members; other Council departments; existing contractors; staff) are fully engaged in the process.

4.3 The current contracts were established based upon the investment requirements of a business plan that had significant levels of under investment arising from the historic subsidy arrangements. Therefore the ability to proactively plan the majority of work was in part undermined by the necessity to prolong the life of components by undertaking day to day repairs.

4.4 The new contractual arrangements will be delivered under the self financing business plan, which has been developed to ensure the additional capital available is invested using a more strategic rather than reactive approach. The planned programmes of work have been developed using the stock condition survey information gathered on 60% of the properties. In addition to this information there is an opportunity, for the contractors engaged in the new contracts, to assist in the identification of patterns of repairs, which would provide further data to indicate components are reaching the end of their useful life.

4.5 Further Analysis

4.5.1 The project team, which comprises the Portfolio Holder for Housing and officers from the Corporate Management Team, finance, legal, procurement and housing along with tenant representatives, has undertaken further work to consider the remaining options and how these align with the strategic business plan. This has comprised the following:-

1. Further peer review – Informal discussions with peer organisations to examine in greater detail the contract packaging with either single or multiple providers;
2. Staff review – A workshop with staff members currently involved in the delivery of the repairs, maintenance and improvement works;
3. Review of the Soft Market Test – A further review of the results of the soft market test with a focus on the remaining options;

4. Risk Benefits Analysis – These have been further considered in a more detailed analysis of the commercial, operational, procurement and legal risks and benefits of each model.

- 4.5.2 The outputs of these are contained in full in the Procurement Strategy Report, by Cameron Consulting, appendix A (available to view on the DBC website via the following link)

<http://www.dacorum.gov.uk/default.aspx?page=1623#October>

and are summarised below:

4.6 Peer Review

- 4.6.1 Whilst the additional results from the peer reviews provided a further insight into the experiences of peer organisations, the responses were limited in number and did not provide any conclusive responses for or against any of the different packaging options.

4.7 Staff Workshop

- 4.7.1 The conclusions from the staff workshop indicated the following:-

- That greater efficiencies can be achieved compared with the current ways of working;
- That greater collaboration with contractors is required to achieve higher levels of performance;
- That it is important that DBC maintains a degree of control over the way in which services are delivered.

- 4.7.2 The staff team identified a number of small and medium sized contractors (SME's) that currently provide a very good quality and reliable service and expressed concerns that the move towards larger main contractors would result in these contractors potentially not being used, and that the procurement process ideally needed to protect against this.

- 4.7.3 This desire to support local Small and Medium sized Enterprises (SMEs) will be indicated within the invitation to tender and a requirement for any main contractors to be able to demonstrate how they would propose to resource the contract locally (i.e. supply chain and sub-contracting).

4.8 Soft Market Test

- 4.8.1 The key outputs from the review of the soft market testing questionnaire were further considered and summarised under the six headings:

- Type of work – Larger organisations would not be keen on forming a consortium bid for work although smaller organisations indicated a willingness to collaborate and bid for work.
- Contract matters – The SMEs had a preference for a number of smaller contracts. However, many of the responses were from specialist contracting organisations, such as gas servicing. Larger contractors indicated a preference for larger combined contracts. The majority of respondents preferred a contract duration of between 7-10 years, utilising one of the partnering forms of contract.

- Pricing and Incentivisation – Generally the larger contractors favoured newer more innovative pricing models such as price per property or hybrid variants. Open book was popular across the board with schedule of rates being the least preferred pricing model.
- Added Value – The larger contractors expressed a willingness to enter into a contract with a project bank account. The smaller contractors were not so keen.
- The overwhelming majority of the larger contractors were willing to manage the call centre, although around 75% of the small and medium sized contractors were also willing to manage the call centre.
- Design Function- Most respondents were able to offer a design function, although this reduced from larger to smaller contractors.

4.9 Risk/Benefits Analysis

4.9.1 The full risk/benefit analysis is contained in appendix B of the Cameron report and has considered performance importance to reflect the relative importance of each of the criteria being considered and a weighting factor. The weighting factor reflects the desirability of each criterion and its score depending upon if it is a “must have”, “should have, or “could have”. The results/scores of this risk/benefit analysis are shown in table one.

Table One: Risk/Benefits analysis score

Option	Overall Assessment	Rank
Option 1A - Multiple Outsourced Contracts	78.5	1
Option 1B - Multiple Outsourced Contracts	60.0	2
Option 2 - Multiple Outsourced Contracts	55.0	3
Option 5 – Joint Venture/Subsidiary	48.5	4

4.9.2 The proposed models for delivery have been considered in the context of maximising economies of scale, the potential to reduce duplication of tasks within the management and delivery of the work, and the overall ability to enable a more strategic approach towards the decisions regarding repair or replacement. The further appraisal has identified option 1A as providing the best risk/benefit analysis. The contracts would be packaged to provide a single contractor delivering the planned and responsive repairs, including voids and the remaining compliance and specialist contracts being awarded on separate contracts.

4.9.3 It is acknowledged there is a limited supplier base with a proven track record of delivering all of the services that could be contained within a single outsourced arrangement. The limited number was considered to be beneficial in terms of their understanding of the market and the ability for the Council to target the evaluation of tenders; however conversely it could result in higher costs arising from limited competition and the reduced opportunity to provide local SMEs with any guarantee of work. These issues could be addressed at tender stage to

make provision for inclusion of SMEs however this could attract a higher cost and would have to be considered at evaluation stage.

4.10 **Compliance Work**

4.10.1 The soft market responses and internal original risk/benefit assessment demonstrate a clear preference for the gas servicing and other high risk areas of works to be delivered by contractors who are focused upon these specialist areas, rather than include within a single supplier arrangement. Whilst two of the peer organisations had included these services within single supplier arrangement or a joint venture, because of the risks associated compliance, there is a desire for the Council to retain as much direct control and day to day operational involvement. Therefore gas servicing will form a standalone contract and the other statutory compliance specialist works will be divided into lots and procured as a separate contract.

4.11 **Contractors and long term viability**

4.11.1 The construction market has been subject to the wider economic downturn and it is essential that a robust assessment is undertaken of the chosen contractor and their long term viability, especially when awarding such a large proportion of the work packages to a single supplier. The social housing sector has become increasingly aware of the potential for large contracting organisations to go into administration, since the demise of Connaught and ROK. This has increased the level of market awareness and scrutiny of the sector and through the soft market test, peer review and engagement with a number of specialists in the sector it has been possible to develop an approach that will, as far as possible, mitigate against such risk. Details of tenders won, and contracts that are being determined by contractors, provides two indicators of how contractors are performing in the market and are being constantly reviewed. It is important that the criteria for tender evaluation must include sufficient provision for due diligence to be undertaken in order to understand the long term viability of the contractors.

4.12 **Legal Considerations**

4.12.1 Bevan Brittan, a legal firm specialising in public services, have reviewed the options appraisal and agreed the methodology and the areas covered have been considered in sufficient detail to determine the appropriate model for Dacorum. Additionally they have provided summary papers on TUPE Regulations, Pension Issues and Due Diligence, outlining the information that will be required at tender stage and in order to compile a schedule of information that will be requested from the incumbent contractors.

4.12.2 The procurement strategy has outlined the proposed form of contract and the route to market. Bevan Brittan have detailed the merits of the Council entering into a Competitive Dialogue Procedure for the main contract package, repairs and maintenance and planned works, (Total Asset Management) as the requirements of the Council are well developed, which should reduce the timescale involved. In order for this to be viable it would require a scheme of delegation to be in place so that decisions can be made in order to meet the timescales for delivery. One risk of this is that the number of contractors tendering could be reduced, however those who are prepared to enter into a dialogue process would demonstrate a commitment and enable the Council to learn more about the contractors approach and any areas of innovation before entering into contract.

- 4.12.3 The specialist and compliance contracts are all sufficiently straightforward that they should be procured using the EU Restricted Procedure on the basis that the Council will be able to evaluate tenders and award a contract without any need to enter into any form of discussion or negotiation with the bidders (as it will be able to fully determine the contract terms, specification and payment mechanism at the point of issuing tender documentation to bidders).
- 4.12.4 However, the Total Asset Management contract may be considered a "complex project" and therefore does lend itself to the use of the Competitive Dialogue Procedure on the basis that the Council is unlikely to be able to objectively determine what the market can offer to satisfy its needs and therefore is unlikely to be able to (i) define the technical means capable of satisfying its needs or objectives and/or (ii) specify the legal or financial make-up of the project. Accordingly, engaging with the market will enable the Council to obtain better value for money and drive a better deal for itself out of the market. It is proposed to incorporate this into the procurement process.

4.13 Financial Considerations

- 4.13.1 The importance of selecting the most appropriate form of cost reimbursement is acknowledged, both in terms of the tender stage and for the ongoing contract management of the delivery costs. The soft market test and peer group review highlighted the costs associated with operating contracts based upon scheduled of rates, with scrutiny of single items being both time consuming and labour intensive. The specific details regarding the most appropriate cost reimbursement model will be developed at the next stage of the process, by evaluating and benchmarking the existing cost base and assessing the mechanism that provides sufficient cost certainty to be able to deliver the single asset management contract and the other specialist contracts.
- 4.13.2 It is envisaged that the various contract packages will have differing cost reimbursement methods, but there is a clear preference for an Open Book approach and linking performance to contractor's profit. It is recognised that unless there is a dramatic improvement in the economic environment, contractors will be bidding at some of the lowest profit levels within the construction sector for some time. Whilst this could benefit the Council in terms of an opportunity for lower initial costs, it is essential that the financial reimbursement model provides sufficient transparency to enable it to assess any impact of future changes in the construction sector costs, and the implications for the business plan and future investment.
- 4.13.3 The other main financial consideration, outside of the contract arrangements, is the cost associated with the procurement activity and ensuring that this is targeted effectively. The preferred model incorporates competitive dialogue to derive the best contract arrangements and understanding of where risk is apportioned, between contractor and the Council. Concerns about the high cost of completing such a process had been raised, in particular by contractors that had invested in dialogue processes, in which they had been unsuccessful.
- 4.13.4 As the Council has a well developed strategy and clear objectives regarding the contractual arrangement, it is proposed to use the competitive dialogue only on specific areas where the Council could benefit from innovative commercial practices, which are deployed by the contractor elsewhere. This would reduce the costs for both the Council and the contractors who enter into the dialogue process.

4.14 Personnel and TUPE implications

4.14.1 The further analysis undertaken since the report to Cabinet on 24th July 2012 has included a workshop with the staff from Property and Place, who currently manage the planned and responsive works contracts. The current structure of the team is designed to support the existing contractual arrangements and is as follows:

<p>Programme and Procurement Team responsible for both the procurement and delivery of planned work.</p>	<p>Maintenance Team responsible for day to day inspections, voids and responsive repairs.</p>	<p>Asset Management Team responsible for asset management including the stock condition information and identification of the investment programmes.</p>
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4.14.2 At the workshop the staff concluded, that greater efficiencies can be achieved compared with the current ways of working. However there were concerns about whether the current structure would be suitable to manage the future contracts, whereby the Council would be working with a smaller number of larger contractors. There was an acknowledgement that there is some duplication of activities arising from the current methods of appointing and supervising the work undertaken by the contractors.

4.14.3 One solution that has worked well for other organisations and contractors is the co-location of the workforce or the potential transfer of some technical services functions to the contractor. The benefits of the contractors undertaking the telephone call handling to make an accurate diagnosis and management of the repair was widespread in the soft market test. This has been considered and appropriate provision made in the current market test of the Customer Service Unit. It is also anticipated that there will be a change in both the day to day operational activity and skills required within the client team, with more understanding of the management of hybrid/open book financial mechanisms, rather than detailed analysis of schedules of rates.

4.14.4 The opportunity for a single contractor to manage the repairs and planned programmes in a more strategic way should reduce the number of pre-inspections that are required in favour of post inspections, which would focus on achieving the desired quality standards and customer satisfaction. The potential for the TUPE transfer of the staff in the Maintenance Team and Procurement and Programme Team who currently carry out this function is being explored.

4.14.5 The current MITIE workforce predominantly consists of operatives that were transferred from the Council's direct labour organisation in 2008. If the new Total Asset Management contract is awarded to another contractor there would be a further transfer of some or all of those staff, subject to the qualifying provisions within TUPE.

4.15 Stakeholder engagement

4.15.1 It has been important to engage with the residents who will be receiving the new service and who have direct experience of the existing suppliers. Members of the

Tenant and Leaseholder Committee and the Maintenance Focus Group were invited to represent the views of the tenants on the Procurement Project Board. A number of them volunteered to attend meetings and have been involved in the peer group reviews; including site visits, contractors open day interviews and the assessment of relative risks and benefits of each of the options. Following the Cabinet decision on the 24th July the tenant representatives attended the project board meeting to discuss the approach towards the further evaluation of the remaining options and provided feedback regarding the options. Additionally a workshop was held at the Tenant Conference held on 29th September and the feedback received will be used to inform and develop the specification and performance measures for the new contractual arrangements.

- 4.15.2 It is proposed that tenants and leaseholders will be involved in the remaining two stages of the procurement exercise, to assist in drafting the tender documents and in the evaluation and selection of the new contractors.
- 4.15.3 The Leaseholders will also be involved in a series of statutory notifications as required under the current rules regarding consultation. This is often referred to as "Section 20" consultation. The phrase "Section 20 consultation" relates to the law in this area: Section 20 of the Landlord and Tenant Act 1985 which first introduced the requirement on landlords to consult their leaseholders about works. It has been amended since 1985, and the current rules regarding consultation are contained in Section 151 of the Commonhold and Leasehold Reform Act 2002.

4.16 **Resource and Capacity to deliver**

- 4.16.1 A resource matrix, contained in appendix H of the Procurement Strategy Report, has been developed to assess the capacity of the project board to deliver to the critical milestones within the project plan.
- 4.16.2 In addition to the current internal project board members from the Council's Corporate Management Team, Cabinet, finance, legal, procurement and housing, the next phase of the project will require wider support from communications, human resources and health and safety. There have been a number of tenant representatives engaged in the project to date and it is anticipated their involvement will continue with ongoing attendance and input at project board meetings.
- 4.16.3 The procurement project board has identified specific areas where the input of consultants will be used to supplement the internal skills, knowledge and capacity. It is important the Council do not cede control to external consultants as the contract terms and tender specification must reflect the outcomes that are important to the tenants and the Council. In order for this to work effectively there is a requirement for a lead project officer to take overall responsibility for the delivery of the project on a full time basis. It is proposed to second the Group Manager for Property and Place to undertake this role, which will require an interim manager to be appointed to backfill the majority of day to day operational duties. The internal procurement resource will need to be increased so there is a dedicated officer to administer the project due to the complexity and anticipated high level of interested contractors.
- 4.16.4 The options appraisal and development of the procurement strategy have been facilitated and supported by Neil Thody of Cameron Consulting, who were initially engaged during the third year of the MITIE contract, to provide advice as a Partnering Advisor. Cameron Consulting has developed a good understanding

of the existing contractual arrangements and the desired outcomes from the procurement project. In order to maintain the continuity on the project it is recommended that Cameron Consulting continues to provide procurement consultancy services.

4.16.5 External legal support will be required to address specific issues around TUPE, Leaseholder service charge recovery and the form and drafting of the contract. The remaining area of specialist advice required, is around the most appropriate form of pricing model to establish the cost base and enable effective ongoing management of costs for the duration of the contract. Key members of the project board have undergone some further training on Open Book accounting, which was delivered by Stradia who are CIPFA (Chartered Institute Public Finance Accountants) approved. The workshop provided tailored scenario planning to inform around the most appropriate form of financial reimbursement protocol for the delivery and management of each of the contracts.

5.0 Minimum Project Requirements

5.1.1 The minimum project requirements will be set out in the pre-qualification questionnaire, which will require any interested contractors to demonstrate that they are able to satisfy the Council’s corporate and the project specific minimum criteria. The contractors will be required to demonstrate their compliance with the required skills, knowledge and experience, in order to deliver the project. The standard corporate requirements regarding the contractors’ financial, economic and technical capacity will also be subject to assessment at the pre-qualification stage.

5.3 Contract Form

5.3.1 The proposed contract form will differ for each of the Packages described in Option 1A. In summary:

Contract Package 1:	An appropriate form of “Term Services” contract will be utilised. This will most likely comprise a published form of contract, with bespoke amendments.
Contract Package 2:	An appropriate form of “Term Services” contract will be utilised. This will most likely comprise a published form of contract, with bespoke amendments.
Contract Package 3:	An appropriate form of “Term Services” contract will be utilised. This will most likely comprise a published form of contract, with bespoke amendments.
Contract Package 4:	For the multi-disciplinary consultants an appropriate standard form of term consultancy agreement with bespoke amendments or a bespoke form.

The proposed contract forms may be subject to change as further discussion takes place between client, users and professional advisers, leading up to the dispatch of tender.

5.4 Contract duration and packaging

5.4.1 The proposed contract durations and packages (Lots) are set out in the table below:-

Contract	Lot	Description	Duration (Min)	Duration (Max)	Nr of Providers
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1	Contract Package 1 – Total Asset Management		5 Years	10 Years	1
2	Contract Package 2 – Engineering, Servicing & Maintenance				
	1	Fire Alarm Servicing & Maintenance	5 Years	10 Years	1
	2	Communal Boiler Maintenance	5 Years	10 Years	1
	3	Legionella Testing, Servicing & Maintenance	5 Years	10 Years	1
	4	Lift Maintenance	5 Years	10 Years	1
	5	Community Alarms Maintenance (Optional)	5 Years	10 Years	1
3	Contract Package 3 – Gas servicing		7 Years	10 Years*	1
4	Contract Package 4 – Consultancy Services (Housing)				
	1	Multi-Disciplinary Consultant Services – Housing (Construction Related)	5 Years	10 Years	1
	2	Multi-Disciplinary Consultant Services – Housing (Engineering Related)	5 Years	10 Years	1

Contract Package 1 – Total Asset Management

Lot	Lot Title	Description of Works/Services
1	Total Asset Management – Building Assets	<ul style="list-style-type: none"> – The provision of responsive repairs, void repairs, maintenance and improvement of housing assets including internal and external refurbishment; – The provision of construction services associated with minor new build, alterations and extensions.
	Total Asset Management – Building Assets cont.	<ul style="list-style-type: none"> – The provision of a CSU; – The provision of design services; – The provision of asbestos removal services; – The provision of window cleaning services.

Contract Package 2 – Engineering Servicing & Maintenance

Lot	Lot Title	Description of Works/Services
1	Fire Alarm Servicing & Maintenance	<ul style="list-style-type: none"> – Fire Alarm Servicing & Maintenance
2	Communal Boiler Maintenance	<ul style="list-style-type: none"> – The provision of gas servicing and maintenance of communal boiler installations; – The provision of new communal boiler installations.
3	Legionella Testing, Servicing & Maintenance	<ul style="list-style-type: none"> – The provision of legionella testing, servicing and maintenance; – The undertaking of planned preventative maintenance of water services installations.
4	Lift Maintenance	<ul style="list-style-type: none"> – The provision of lift servicing and maintenance of hydraulic lifts, stairlifts, platforms and hoists to housing assets;

Lot	Lot Title	Description of Works/Services
		<ul style="list-style-type: none"> – The provision of lift servicing and maintenance of hydraulic lifts, stairlifts, platforms and hoists to corporate building assets.
5	Community Alarms Maintenance (Optional)	<ul style="list-style-type: none"> – The provision of community alarms maintenance

Contract Package 3 – Gas servicing

Lot	Lot Title	Description of Works/Services
1	Gas Servicing	<ul style="list-style-type: none"> – The provision of gas servicing and maintenance of domestic boiler installations; – The installation of new domestic gas boilers; – The provision of a 5* total asset management solution.

Contract Package 4 – Consultancy Services (Housing)

Lot	Lot Title	Description of Works/Services
1	Multi-Disciplinary Consultant Services – Construction Related	<ul style="list-style-type: none"> – The establishment of a term service contract with a professional service organisation to support Property and Place in the delivery of the housing revenue account and capital projects. Services to comprise Project Management (Employers Agent); Building Surveying; Cost Consultancy; CDM Co-ordinator (1 Provider).
2	Multi-Disciplinary Consultant Services – Engineering Related	<ul style="list-style-type: none"> – The establishment of a term service contract with a professional service organisation to support Property and Place in the delivery of the housing revenue account and capital projects. Services to comprise Project Management (Employers Agent); M&E Engineering & Structural Engineering (1 Provider).

5.5 Contractor selection and evaluation, including quality/cost split

5.5.1 The importance of a robust and transparent evaluation process is essential to ensure that appropriate criteria is used to assess the bids and to be able to defend any challenges that may arise following contract award. The size, value and duration of the main Total Asset Management contract has attracted a high level of interest from the market, as evidenced through the soft market test and it is anticipated that there will be a number of contractors bidding for the various contracts.

- 5.5.2 The evaluation criteria will be explicit and will be subject to input from the procurement advisors, both internal and external and the procurement board. It is proposed that the procurement board, tenants and members involved in the evaluation of the tenders and contractor selection process to ensure there is good stakeholder involvement.

5.6 Procurement timetable

Activity	Date
Publish OJEU Notice	18/12/12
Return of Pre-Qualification Questionnaire	06/02/13
Shortlist Bidders for Tender	21/03/13
Issue Invitation to Participate in Dialogue	27/03/13
Tender Return	08/05/13
Dialogue with Bidders (Inc Site Visits)	06/06/13 – 03/07/13
Final Tenders (Tender Period)	04/07/13 – 31/07/13
Evaluation of Final Tenders	01/08/13 – 14/08/13
Report and Recommendations to Project Board	15/08/13 – 28/08/13
Approval to Proceed (Cabinet Approvals)	11/09/13
Leaseholder Consultation (Notice of Landlords Proposals)	12/09/13 – 20/11/13
Statutory Standstill Period	21/11/13 – 04/12/13
Appoint Contractor	04/12/13
Contract Mobilisation	05/12/13 – 31/03/14
Commence Contract	01/04/14

Executive Summary

The combining of the planned and responsive works into a Total Asset Management model to be delivered by a single contractor, is considered to provide the best opportunity for the Council to be able to maximise both the economies of scale and operational efficiencies that can be derived from such contractual arrangements. However it is recognised that for these benefits to be realised, the form of contract, financial reimbursement model, explicit tender requirements, evaluation criteria and ongoing management will be crucial.

The next phase of the procurement project will involve intensive work to develop the specifications and contract documentation and will be progressed by specialist sub-groups of the procurement project board.

A risk matrix and cost models will be developed to ensure the financial reimbursement model will achieve the strategic objectives. The details regarding the scope and impact of TUPE implications for the call centre and some of the technical services team will be progressed in consultation with any members of staff that will be effected.

It is proposed to bring a further report to Cabinet in March 2013 to provide more comprehensive details regarding these elements of the project. At that stage the shortlists of pre-qualified contractors will be available and the details of the tender will be close to being finalised.

Recommendations

That the approach to procurement, as set out in the report and accompanying appendices, be agreed.

That the timetable for procurement be agreed

That the preferred option for delivery – Option 1A – be agreed

That the internal and external resourcing provisions for the project be agreed

That authority be delegated to the Corporate Director Housing and Regeneration and Assistant Director Landlord Services in consultation with the Portfolio Holder for Housing and the Portfolio Holder Finance and Resources to agree final documentation for the procurement process and any minor variations to the process that may be required

Glossary

SME's - Small and Medium Enterprises

TUPE - Transfer of Undertakings (Protection of Employment) Regulations (TUPE)

CIPFA – Chartered Institute of Public Finance Accountants