

CABINET

3 December 2003

TERM MAINTENANCE CONTRACTS

REPORT OF THE DIRECTOR OF HEALTH & HOUSING

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RECENT REFERENCES:

CAB 442 Housing Strategy And Housing Revenue Account Business Plan 2003 and Beyond  
– 24 July 2002

EXECUTIVE SUMMARY:

- 1 The report updates Members on progress in carrying out a market testing and tendering process of two term maintenance contracts: -
  - (i) Contract for the maintenance of gas, solid fuel and oil fired heating systems and associated equipment, within the Council's property portfolio.
  - (ii) Contract for cleaning services towards defined sheltered and general needs council owned housing stock.
- 2 The report further seeks approval to authorise the Director of Health and Housing to prepare a shortlist of tenderers for the two term contracts and issue invitations to tender for both contracts to those firms selected.

RECOMMENDATIONS:

- 1 That the basis for the letting of the contracts as outlined in Appendix A & B be approved and the "key dates" in the tender process be noted.
- 2 That the Director of Health & Housing (in consultation with the City Secretary and Solicitor & Director of Finance) be authorised to compile a tender shortlist of tenderers for the two term maintenance contracts and issue invitations to tender to those companies selected.
- 3 That further reports on the evaluation of both tenders received be submitted to Cabinet on 3<sup>rd</sup> March 2004.

## CABINET

3 December 2003

### TERM MAINTENANCE CONTRACTS

#### REPORT OF THE DIRECTOR OF HEALTH & HOUSING

##### DETAIL:

##### 1 Introduction

1.1 Currently the Council has 2 independent service contracts for: -

- (i) Responsive and Cyclical maintenance of heating systems and associated equipment within approximately 4,500 properties throughout the district. These systems have in the majority of cases since 1996 been maintained by Nationwide Ltd. The contract is due for renewal from April 2004.
- (iii) Cleaning of defined sheltered accommodation and communal areas of general needs housing stock. These properties have, in the majority of cases since 1997 been cleaned by Progress Cleaning Ltd. The contract is due for renewal from April 2004.

1.2 The contracts are both "Service Contracts" and above the threshold for the application of European Union (EU) tendering procedures. Therefore the Authority is bound by law to follow EU Procurement Procedures in both the procurement, assessment and awarding of both contracts.

The current annual sum of the Heating Systems Service Contract is approximately £600,000; for Cleaning Services, the annual sum is £75,000.

1.3 To enable the respective tendering processes to take place all tender documentation including service specification and schedules are currently being reviewed to reflect current service standards as required by statute and approved by Housing Best Value Review. In addition the terms and conditions of contract are being "modernised" to reflect the Government's recommended agenda towards Procurement. This will be achieved by utilising the Association of Consultant Architects (ACA) Standard Form of Project Partnering Contract as a base document. An introduction to the objectives of Project Partnering and explanatory notes is given in Appendix C of this report.

1.4 To facilitate the production of the above documentation and to assist in the EU tendering process, consultancy assistance from Trowers and Hamlins (Solicitors and Project Partnering Advisors) and Atkins (Design Environment Engineering) has been commissioned. The cost of consultancy assistance towards the cleaning contract is estimated at £5,600 and for the heating systems service contract at £10,300. These consultancy services have been procured in compliance with the Council's Contract Procedure Rules with expenditure being met from the Housing Revenue Account.

1.5 The respective service contract operational standards and procurement timetable for each contract is given for Heating Systems in Appendix A and Cleaning Services in Appendix B.

## 2.0 TACT COMMENTS

- 2.1 Members of TACT at the joint meeting of Property & Contracts, and Rents and Business Planning Forums held on the 12 November 2003 were most appreciative for the questions, answers, explanations and register their thanks to the Head of Contracts and Property Services. Explanations of this report will be promulgated to both TACT groups at their TACT meeting on the 19 November 2003.
- 2.2 The current contract with Progress Cleaning Ltd due for renewal has an effect on the well being both of leaseholders and your tenants. TACT would concur with paragraph 7.2.1. Latterly the current contract has proved difficult. We record dissatisfaction with some areas of performance of the current contractor. We press the landlord to seek improvement in the existing service and urge the Council to be rigorous in their tender evaluation process prior to the award of new contracts commencing 1 April 2004.
- 2.3 TACT concur the detail of paragraph 6.2.1. Nationwide Ltd have so far proved to be a very good contractor, we record our appreciation. They have proved for tenants an excellent service with fine customer satisfaction. It is most regrettable there apparently proved to be no way to renegotiate an extension of the current contract, the benefits self-evident.
- 2.4 Consultancy Fees (para.1.4 refers) and bureaucracy always cost money but if unavoidable, TACT will always accept with reluctance.

## 3.0 OTHER CONSIDERATIONS:

### 4.0 CORPORATE STRATEGY (RELEVANCE TO)

- 4.1 Statutory requirements and deliverance of Best Value in services provided by Winchester City Council.

## 5.0 RESOURCE IMPLICATIONS

- 5.1 The cost of this service will be met from within next years HRA Repairs Budget.

## 6.0 APPENDICES:

Appendix A Heating Systems Service Contract Operation and Standards

Appendix B Cleaning Services Service Contract Operation and Standards

Appendix C Project Partnering – Introduction and Explanatory Notes

## **APPENDIX A**

### Contract for the maintenance of gas, solid fuel and oil fired heating systems and associated equipment, within the Council's property portfolio.

#### 6.0 Service Contract Operation and Standards

6.1.1 In brief The Council's Term Mechanical Service Contract specifically ensures the following: -

- (a) An annual inspection (as required by statute) and service of gas appliances/systems including heating appliances (boiler and heaters) radiators, cylinders, storage tanks and all associated pipework from cold water stop cock on rising main to hot water draw off points (not including direct or indirect cold water supplies).
- (b) In cases of breakdown or failure, a 24 hour per day, 365 days per year emergency cover service is provided, with the following response times: -
  - Gas Escapes – within 1 hour
  - Emergency Repairs – within 1 – 3 hours or report
  - Urgent Repairs – same day or within 24 hours of notification
  - Normal Maintenance – within 7 days of report
- (c) A priority override system will be specified where people at risk are without heating both in and out of working hours.
- (d) The same service standards also apply to solid fuel and oil fired systems.
- (e) Maintaining smoke and carbon monoxide detectors.

6.1.2 The Term Contract also includes for specific operational, quality and health and safety requirements including the Gas Safety (Installations and Use) Regulations 1998 and Heating Equipment Testing and Approval Scheme Ltd (HETAS) and Oil Fired Industry Standards. Further the contract requires the contractor to produce annual reports in relation to the condition and life expectancy of combustion appliances, other associated equipment, the availability of spare parts and potential ways of enhancing energy efficiency.

6.1.3 It is also proposed that a quantity of boiler and heating system upgrading (up to £300,000 p.a.) be included within the contract. This work will be procured and awarded on a schedule of rates basis, as and when arising throughout the term of the contract.

6.1.4 It is considered prudent that the proposed contract is for a 4 year term, with facility for an extension of up to 3 further years by negotiation. The contract term reflects the

size and complexity of contract balanced against a realistic timeframe within which partnership principles can be developed.

By structuring the contract in this way the Contractor is given the incentive of a 3 year extension whilst the Council can market test the initial contract if it so chooses.

## 6.2 Customer Opinions and Feedback

6.2.1 Since 1990 tenants have had the opportunity by means of pre-paid return cards to comment on the performance of the contractor as and when both the annual service and "attend to" calls are made. The process has demonstrated that over the term of the current contract service delivery standards are appropriate and the service delivery standards achieved are good, and have been well received by tenants. To date less than 1% of tenant feedback has been negative, with the majority of these relating to minor matters.

## 6.3 Independent Contract Audit of Works

6.3.1 Over the term of the existing contract, 2 independent technical "audits" have been carried out to ensure that the requirements of the specification were being delivered on site.

6.3.2 The audits have substantially demonstrated that in relation to technical, administrative and health & safety requirements, the existing contractors have been fulfilling their contractual obligations.

6.3.3 Further, the audits have been valuable in ensuring that all administrative procedures are updated in line with new regulations and codes of practice, and identifying areas of site works where further attention to detail are appropriate.

6.3.4 Both the Council and the existing contractor have welcomed the constructive comments from the independent engineers and it is planned to continue to carry out such exercises over the next contract term.

## 6.4 Tender Procurement Process and Proposals

6.4.1 To enable a new contract to be let and become operational by April 2004 the following procurement timetable has commenced and is scheduled as follows: -

Early November 2003	Adverts placed in the Official Journal of the European Union, trade journal and local press inviting expressions of interest.
01/12/03	Closing date for expressions of interest, followed by shortlisting of 5 – 6 contractors to be invited to tender.
10/12/03	Dispatch of tender documents
20/01/04	Closing date for tenders
03/03/04	Report to Cabinet – Tender Acceptance Report
04/03/04	Award of Contract
01/04/04	Contract Commencement

- 6.4.2 The aforementioned tender process allows for a two stage process enabling relevant technical, financial, operational and quality issues to be assessed at both contractor selection and tender revaluation stages.

This will enable the Council to let the Term Contract on the “most economically advantageous” basis.

- 6.4.3 As this contract depends on skilled workmanship and a high quality of organisational skills to ensure works are carried out to defined quality and safety standards, the tender evaluation process must be appropriately structured to ensure the balance between price and quality is reflected in the tender outcome. It is therefore proposed that tender submissions be evaluated on a 40% cost and 60% quality basis.
- 6.4.4 Owing to the tender timetable (from receiving initial expressions of interest, shortlisting and the dispatch of tender documents), as described in paragraph 5.1, it will not be possible to gain Cabinet approval towards the proposed tender shortlist of contractors.
- 6.4.5 Authority is therefore requested for the Director of Health & Housing (in consultation with the City Secretary & Solicitor and Director of Finance) to be authorised to compile a shortlist of 5-6 contractors to be invited to tender for the Heating Systems Term Maintenance Contract.
- 6.4.6 A tender acceptance report is planned for consideration at the Cabinet meeting on 3<sup>rd</sup> March 2004.

**APPENDIX B**Contract for the cleaning of defined area of sheltered and general needs housing throughout the district.7.0 Service Contract Operation and Standards

7.1.1 In brief the Council's Term Maintenance Cleaning contract specifically ensures the following: -

- (a) In Sheltered Schemes – cleaning is carried out at defined intervals to communal corridors, external walkways, foyers, stairs, landings, communal lounges, kitchens, laundries, guest rooms, waste bin and storage areas.
- (b) In General Needs Schemes – cleaning is carried out to communal waste bins, corridors, external walkways, foyers, stairs and landings.

7.1.2 The Term Contract also includes for specific operational, quality and health & safety requirements. The contract term reflects the size and complexity of contract balanced against a realistic timeframe within which partnership principles can be developed.

7.1.3 It is considered prudent that the proposed contract is for a 3 year term, with facility for an extension of up to a further 2 years by negotiation. By structuring the contract in this way the Contractor is given the incentive of a 2 year extension whilst the Council can market text at the end of the initial contract if it so chooses.

7.2 Customer Opinion and Feedback

7.2.1 Since 1997, Sheltered Schemes Managers, Housing Officers and Tenants have had the opportunity to comment on the performance of the contractor over the contract term. This process has demonstrated that service standards are appropriate, or have been varied as necessary to reflect desired operational outcomes. The quality of delivery to certain parts of the contract over the latter part of the current term has given rise for concern with Officers and Tenants. There are ongoing communications with the current contractor to correct this situation.

7.3 Tender Procurement Process and Proposals

7.3.1 To enable a new contract to be let and become operational by April 2004 the following procurement timetable has commenced and is scheduled as follows: -

Early November 2003	Adverts placed in the Official Journal of the European Community, trade journal and local press inviting expressions of interest.
10/12/03	Closing date for expressions of interest, followed by shortlisting of 5 – 6 contractors to be invited to tender.
19/12/03	Dispatch of tender documents
28/01/04	Closing date for tenders
03/03/04	Report to Cabinet – Tender Acceptance Report

04/03/04	Award of Contract
01/04/04	Contract Commencement

- 7.3.2 The aforementioned tender process allows for a two stage process enabling relevant technical, financial, operational and quality issues to be assessed at both contractor selection and tender evaluation stages.

This will enable the Council to let the Term Contract on the “most economically advantageous” basis.

- 7.3.3 As this contract depends on skilled workmanship and a high quality of organisational skills to ensure works are carried out to defined quality and safety standards, the tender evaluation process must be appropriately structures to ensure the balance between price and quality is reflected in the tender outcome. It is therefore proposed that tender submissions be evaluated on a 40% cost and 60% quality basis.
- 7.3.4 Owing to the tender timetable (from receiving initial expressions of interest, shortlisting and the dispatch of tender documents), as described in paragraph 7.3.1, it will not be possible to gain Cabinet approval towards the proposed tender shortlist of contractors.
- 7.3.5 Authority is therefore requested for the Director of Health & Housing (in consultation with the City Secretary & Solicitor and Director of Finance) to be authorised to compile a shortlist of 5-6 contractors to be invited to tender for the Cleaning Service Term Maintenance Contract.
- 7.3.6 A tender acceptance report is planned for the Cabinet meeting on 3<sup>rd</sup> March 2004.



**APPENDIX C**

PPC 2000  
The ACA Standard Form of Contract for Project Partnering

INTRODUCTION AND EXPLANATORY NOTES

What is PPC2000

PPC 2000 is the first standard form Project Partnering Contract, and is a direct result of the Government's Construction Task Force Report "Rethinking Construction". It was launched by Sir John Egan, Chairman of the Construction Task Force, and provides the foundation for the project partnering process. PPC 2000 can be applied to any type of partnered project in any jurisdiction, with the support of legal or other professional advice on its implementation.

PPC 2000 embraces a number of radical ideas formulated by the Construction Industry Council Partnering Task Force and set out in their Guide to Project Partnering. This guide was launched in June 2000 by Nick Raynsford MP, Minister of State for Construction.

PPC 2000 was drafted by David Mosey of Trowers & Hamlins Solicitors, in collaboration with the Association of Consultant Architects (ACA). Prior to its launch it was piloted by the Partnering Teams engaged on a range of housing, office and school projects, both in relation to new build and refurbishment works. The purpose of PCC 2000 is to provide a practical and versatile foundation for project partnering.

The Fundamentals of PPC 2000 and Project Partnering

PPC 2000 addresses the key recommendations of Sir Michael Latham in his report "Constructing the Team", including: -

- A specific duty for all parties to deal fairly with each other, and with their sub-contractors, specialists and suppliers, in an atmosphere of mutual co-operation;
- Firm duties of teamwork, with shared financial motivation to pursue those objectives;
- A wholly interrelated package of documents which clearly defines the roles and duties of all involved, and which is suitable for all types of project and for any procurement route;
- Easily comprehensible language;
- Separation of key project roles, with clear identification of a client representative;
- A choice of allocation of risks appropriate to each project according to the party best able to manage each risk.
- Provision for changes to be priced in advance with reference to independent adjudication if agreement cannot be reached;
- Flexibility as to interim payments by milestones, activity schedules or otherwise;

- Clarification as to when payments will be made, with an entitlement to interest on late payment;
- Encouragement of incentives for exceptional performance;
- Provision for agreement of early payments to contractors and subcontractors, including for example as to design development work and off-site fabrications;
- Mechanisms for avoidance of conflict and speedy dispute resolution.