

CABINET - 16 SEPTEMBER 2009

PRINCIPAL SCRUTINY COMMITTEE – 21 SEPTEMBER 2009

HOUSING TERM MAINTENANCE CONTRACTS

REPORT OF HEAD OF LANDLORD SERVICES

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RECENT REFERENCES:

CAB1820 - Housing Revenue Account Business Plan 2009/10 Update

CAB 1723 – The Depot Services Contract – The Future Scope – 15 October 2009)

EXECUTIVE SUMMARY:

- 1 The report updates Members on proposals and works in progress in carrying out a market testing and tendering process of two housing term maintenance contracts: -
  - (i) Contract for the day-to-day responsive maintenance and repair of the Council's housing stock within the Council's administrative area.
  - (ii) Contract for the repair and reinstatement of properties becoming vacant and prior to re-letting within the Council's administrative area.
- 2 The report further seeks approval to authorise the Head of Landlord Services to prepare a shortlist of tenderers from Contractors expressing an interest for either or both term contracts and issue invitations to tender for both contracts to those firms selected. The shortlist will be chosen on the basis of responses to a Pre Qualification Questionnaire (PQQ) compiled by the Head of Landlord Services (in consultation with the Head of Legal Services and Head of Finance).

#### RECOMMENDATIONS to Cabinet:

- 1 That the basis for the letting of the contracts as outlined in Appendix A and the “key dates” in the tender process shown in Appendix B be approved.
- 2 That a Direction be made under Contracts Procedure Rule 2.1 to approve the evaluation of tenders on the basis of 40% price: 60% quality and that the contract should be for a five year term.
- 3 That the Head of Landlord Services (in consultation with the Head of Legal Services and the Head of Finance) be authorised to compile a shortlist of tenderers (based on responses to the PQQ) for the two term maintenance contracts, issue invitations to tender to those companies selected, and prepare an evaluation matrix to be used to assess the two tenders.
- 4 That a further report on the evaluation of both tenders received be submitted to Cabinet in due course, and at the latest by December 2010.

#### RECOMMENDATIONS to Principal Scrutiny Committee

- 1 That the Committee considers whether it wishes to make any comments to the Portfolio Holder, or if of significance, to Cabinet on the proposals.

CABINET - 16 SEPTEMBER 2009PRINCIPAL SCRUTINY COMMITTEE – 21 SEPTEMBER 2009HOUSING TERM MAINTENANCE CONTRACTSREPORT OF HEAD OF LANDLORD SERVICESDETAIL:1 Introduction

1.1 Currently the Council has two separate service contracts for the following housing specific activities: -

- (i) Day-to-day Responsive maintenance to approximately 5,000 properties throughout the district. Repairs in the majority of cases since 2001 have been carried out by Serco Ltd. The contract is due for renewal from April 2011.
- (i) Repairs and Reinstatement of properties becoming vacant (voids). For the first 5 years of the contract, works were carried out by Serco. Since 2006 these works have been shared between two contractors, JAD and Munro. The contract is due for renewal from April 2011.

1.2 At present the two separate property maintenance contracts are part of Depot Services Contract, Service Contract 7. It has previously been agreed in principle (CAB 1723 – The Depot Services Contract – The Future Scope – 15 October 2009 refers) that the proposed Contract from April 2011 should be divided into two primary contracts, one dealing with Environmental services including refuse collection, recycling, pest control etc and the other housing specific activities including responsive repairs and void property reinstatement works. This proposed change reflects recent trends in the packaging of works that should ensure best value for the Council and its customers throughout the district.

At its meeting on 20 October 2008 Principal Scrutiny Committee asked that :

“the procurement processes, future resource implications and relevant timeframes, be reported to the Committee as appropriate.”

It also asked that Cabinet consider the potential of the Bar End Depot facility as an asset and other options for the provision of depot facilities within the contract and the possible changes to the use of the Bar End Depot,

1.3

- 1.3 From a housing perspective tenants will still receive “environmental” services the same as any Council Tax payer within the district. It is proposed that the two housing specific services be tendered separately to ensure the most appropriate market is accessed for competitive and service purposes.
- 1.4 Both housing contracts are “Works Contracts” and above the threshold for the application of European Union (EU) tendering procedures. Therefore the Council is bound by law to follow EU Procurement Procedures in both the procurement, evaluation and awarding of both contracts.

The current annual values of the Responsive Repairs and Vacant Property Reinstatement contracts are approximately £1.0m pa each.

- 1.5 To enable the respective tendering processes to take place, all tender documentation including service specifications and schedules are to be reviewed. These will reflect current service standards as required by statute and approved by the Housing Best Value Review in 2003. The review will also take account of the feedback from interested parties including ward Members, tenants, leaseholders, officers and the contractors carrying out the works since 2001 and 2006 respectively, as part of the contract partnering development and monitoring regime. It is also proposed to consult with Housing Quality Network (as Consultant Housing Management experts) on the most appropriate form of contract, Schedule of Rates, packaging of works and contract term.
- 1.6 In brief the existing scope of operational standards for each contact is shown in Appendix A, and an indicative procurement timetable is shown in Appendix B.
- 1.7 It is considered that the Transfer of Undertakings (Protection of Employment) Regulations 2006 and the Directive 2001/23/EC together with such other legal obligations as relating to the transfer of employees on the transfer of an undertaking, will apply to both contracts.
- 1.8 Under the terms of the existing Day to Day Term Maintenance Contract, Serco have the use of the Council’s Bar End Depot from which to operate. The two contractors carrying out Void Reinstatement Works do not have use of Bar End Depot. It is proposed that for both the contracts post April 2011, contractors will be expected to provide their own base from which to operate both contracts. This will allow the Council to review the future of the Bar End Depot site. This is currently being assessed by the officer group as policy on the future of the contracts currently based there is being developed.
- 1.9 Further, as the contact for day to day repairs deals with low value works and mainly on a “person with a van” basis, it is considered that not providing a depot facility will not deter competition.
- 1.10 In respect of the separate contracts for Day to Day maintenance and repairs and re-instatement to vacant properties it is proposed that the contract term should be for 5 years from 1<sup>st</sup> April, 2011. This contract period is considered the “industry norm” having regard to best value for the Council, its tenants and contractors wanting to establish a business based partnering approach over a

reasonable contract term .As previously stated in paragraph 1.5 of this report it is however proposed to consult and confirm with Housing Quality Network the most appropriate contract term for both contracts. Within the conditions of contract consideration will need to be given to the implications of issues such as stock transfer if it were to occur within the proposed 5 year contract period.

## 2 TACT INVOLVEMENT

### **Reviewing and Procuring New Contracts**

- 2.1 TACT (via the Property & Contracts Forum on 28 May 2009) have been informed of the outline timetable for the proposed procurement process, and their potential involvement in bringing forward suggestions for any appropriate service improvements within both contracts post 2011.
- 2.2 Currently two tenant representatives attend both the Serco Project Team (dealing with responsive repairs) and the Void Contractors bi-monthly progress and performance meetings. The minuted outcomes of these meetings are then reported to the TACT meetings held monthly and reviewed at the Property & Contracts Forum with tenants at the three-monthly meetings.
- 2.3 It is proposed that TACT will be consulted throughout the period when contract and associated documentation is being compiled (October 2009 – March 2010) to enable any changes to the existing service standards and contract conditions to be proposed, debated and agreed.
- 2.4 The Portfolio Holder for Housing together with the Head of Landlord Services will also be involved in the agreement of any significant changes in service standards, and it is proposed that they determine the necessity and timing of further reports to Cabinet or through the portfolio holder decision-making system on any material changes which would have budget or significant service level implications.

## 3 TACT COMMENT

- 3.1 TACT are concerned that both housing contracts not only provide best value for money, but they cover and include the necessary get out clause if the service is not up to standard or penalty clauses. Winchester City Council should not have to suffer any financial loss if the services supplied fail to deliver. Cllr Tony Coates Portfolio Holder for Housing, disputed any financial loss at the recent TACT meeting, however when challenged by TACT Chair Alan Rickman, agreed that in the past losses to the HRA had occurred due to delays in completing voids. Hence the reason the contract was taken away from Serco and given to other contractors. It is fair to say that at the TACT meeting some members commented that Serco's standards of service delivery had improved considerably and consistently.

At a recent TACT Independent Day some members informed us how they went line by line through previous contracts, their time and effort was much

appreciated. However this did not prevent costly mistakes when tenants did not get the service expected. The results being best value was not obtained for the council tenants. TACT hopes to see that recent improvements are maintained, with the successful new contractors.

The TACT Chairs will be seeking the help of Clive Broomfield, to take them through the paper more in depth, regarding their concerns:

- 1.8 What are the intentions regarding the Bar End Depot, is it earmarked for redevelopment? TACT awaits the findings of the Housing Revenue Account Review, if this proves favourable to councils, and provides the means to retain more of our rent money. This could provide the means for WCC to build council homes again. TACT are concerned we do not dispose of Bar End Depot till we have all the facts, it may not happen overnight; there was also concern raised over an earlier report regarding the Bar End Depot, a Thompson Report, further information requested by TACT who will monitor the situation closely. Cllr Tony Coates felt that there would be little gained at this stage in pursuing the matter.

TACT members felt that as it involves contractors having to be based away from the site, then what would happen afterwards to the site? Have plans for its future as a possible building site been discussed, TACT trust that any such consideration will be open and honest and involve them.

TACT will remain fully active in their quest with the government, to see new council housing built in Winchester, so any such information is important to them.

- 1.5 This section seems to cover most of the points TACT will be seeking to cover, under the TSA (Tenant Service Authority) National Conversation proposals Tenant Empowerment and Involvement, it is now even more important that council tenants are fully involved. This will then comply with the governments proposals.

TACT look forward to being fully involved in all stages of the development of the contracts, for it is the council tenants that will reap the benefit, along with the other parties involved, if they prove to work. Due to past experiences TACT know it can be costly when things go wrong. TACT will keep its members updated as and when there are developments. It is in all our interest that there are no loopholes, for contractors to slip through.

#### 4 PROCUREMENT OFFICER'S COMMENTS

These will be given at the meeting.

5 SUSTAINABLE COMMUNITY STRATEGY (RELEVANCE TO)

5.1 [The](#) proposals set within the report meet the objectives of the strategy.

6 RESOURCE IMPLICATIONS

6.1 The cost of these service contracts will be met from within 2011/12 HRA & MRA Repairs Budget (Housing).

6.2 The work on this contract will be undertaken by officers within Landlord Services and the support Divisions within existing resources. However, the impact of the other major contracts being let in a similar timeframe (eg Waste, RPLC) may require additional resources because the current in-house capacity may not be able to deal with all of these contracts in a similar timeframe. This will have to be assessed as the policy direction on the other contracts becomes clearer,

7 RISK MANAGEMENT ISSUES

7.1 If the Council were not to have successfully completed the proposed tendering process and have contractors in place to carry out both works contracts, the Council may not be in a position to fulfil its statutory repairing obligations and/or meet the objectives of the Governments Decent Homes policy.

8 Background Documents

8.1 There are no background documents.

9 APPENDICES

Appendix A Day to Day Responsive Repairs & Vacant Property  
Reinstatement Works Operation and Service Standards

Appendix B Procurement Timetable

**APPENDIX A****Contract for Day to Day Responsive Maintenance & Repairs and Vacant Property Reinstatement Works to the Council's Housing Property Portfolio.****1.0 Service Contract Operation and Standards**

1.1 In brief the Council's Day to Day Responsive Repairs Maintenance Contract specifically ensures the following: -

- (a) The maintenance and repair of the Council's occupied housing stock throughout the district to occupied properties to provide a comprehensive service 24 hours, 7 days a week for the duration of the contract. The works require a selection of building trades. The average number of jobs is approximately 18,000 per annum at an average job value of approximately £60 per job.
- (b) In cases of breakdown or failure, a 24 hour per day, 365 days per year priority service is provided, with the following repairing response times:-

Priority 1	Emergency	To be commenced and/or completed within 2 hours of verbal or written communication
Priority 2	Urgent	To be commenced and completed within 5 days from issue of order
Priority 3	Priority	To be commenced and completed within 12 days from issue of order
Priority 4	Routine	To be commenced and completed within 30 days from issue of order

- (c) A priority override system is specified where people at risk are requiring repairs both in and out of working hours.

1.2 In brief the Council's Vacant Property (Voids) reinstatement works contract specifically ensures the following: -

- (a) The repair, reinstatement and/or renewal of defined parts of the property on demand including cleaning and clearing out as a result of a change of tenancy. The works require a selection of building and associated trades. The approximate number of properties becoming vacant is 300 pa at an average value of approximately £3,300.
- (b) The reinstatement response times are defined for each property following a schedule of repair as produced by the Voids Surveyor within an estimated incremental cost and time banding ranging from works up to £500 with a target time of 3 days, with works up to £10,000 having a target time of 20 days.

1.3.1 At this stage and subject to confirmation by Housing Quality Network, it is likely that that both proposed contracts will be for a 5 year term. This contract term reflects the size and complexity of contract balanced against a realistic timeframe within which partnership principles can be developed.



- 1.4 It is proposed that the cost price base will be linked to the DTI Measured Term Contract indices for Building Works for both contracts.
- 2.0 Performance Monitoring and Customer Feedback
- 2.1 Since commencement of the current contract in 2001, tenants have had the opportunity by means of a pre-paid return card to comment on the performance of the contractor as jobs are completed. This process has supplemented contract performance monitoring carried out by the Council's Officers and the contractor, Serco jointly.
- 2.2 Unfortunately over the term of the first five years of the ten-year contract Serco were unable to consistently deliver the performance required over both the day to day repairs and void property reinstatement works contracts, which at that time formed the basis of one contract, albeit separate works activities.
- 2.3 The Council subsequently determined the voids reinstatement part of the contract with Serco from the end of 2005/06 and entered into 5 year contracts with two contractors, JAD and Munro for the remaining 5 year term of the original 10 year contract, ending on 31/03/2011. This revised method of contract procurement at mid-term was brokered at no additional cost to the Council following a market testing exercise.
- 2.4 Broadly speaking and since the new contract arrangements commenced from April 2006 the performance of Serco carrying out day to day repairs and the two contractors JAD and Munro carrying out the void property reinstatement works has met with anticipated performance outcomes. Further the process has demonstrated that over the latter term of the current contract service delivery standards are appropriate and the service performance standards achieved have been good, and have been well received by tenants. To date less than 2% of tenant feedback has been negative, with the majority of these issues relating to relatively minor and routine operational matters.
- 3.0 Tenant Monitoring of Contract Works
- 3.1 Over the term of the contracts two tenant representatives have been present at the monthly meetings and more latterly bi-monthly project team meetings with all contractors concerned with Day to Day Repairs & Voids Reinstatement. This has enabled tenant representatives to be involved first hand in performance monitoring and operational issues, with the purpose of being able to feedback issues to TACT and other resident forums.
- 3.2 It further enables tenants to take a balanced view of what can realistically be expected from contractors carrying out the works whilst achieving value for money for all tenants in receipt of these particular services.
- 3 Tender Procurement Process and Proposals
- 4.1 To enable new contracts to be let and become operational by April 2011 the procurement timetable detailed in Appendix B has recently commenced. The procurement programme allows for a two stage tender 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 Contracts on the "most economically advantageous" basis.

- 4.2 As both contracts depend on skilled workmanship and a high quality of organisational skills to ensure works are carried out in a timely manner with 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.
- 4.3 Authority is requested for the Head of Landlord Services (in consultation with the Head of Legal Services and Head of Finance) to be authorised to compile a shortlist of 5-6 contractors to be invited to tender for the Day to Day Repairs and Maintenance and Vacant Properties Reinstatement Works Term Contracts.
- 4.4 A tender acceptance report is planned for consideration at the Council's Cabinet meeting in December 2010.

**PROCUREMENT PROGRAMME – TERM MAINTENANCE CONTRACT – RESPONSIVE REPAIRS/VOID PROPERTY REINSTATEMENT**

(DRAFT INDICATIVE PROGRAMME)

APPENDIX B

CAB1888

Task	2009										2010										2011			
	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mch	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mch
Forward Plan - Notify Committee Admin of Report				■																				
Prepare & Circulate Cabinet Report					■																			
Cabinet Project Report Commencement						■																		
TACT Consultation – Commencement/Interim		2 8/ 5								■	■	■												
Review/Preparation of Tender Documents							■	■	■	■	■	■												
Advert inviting Expressions of Interest												■												
Serve OJEU Notice												■												
Expressions of Interest Send out PQQ's on request (37 days)												■	■											
Deadline to Receive Completed PPQ's													→											
Evaluation of PQQ's														■										
Appraisal of Select List															■									
Tender Period (40 days)																■	■							
Deadline to receive Completed Tender Responses																	→							
Tender Evaluation Process																	■	■						
Notify Committee Admin of Report															■									
Prepare Cabinet Report																	■							
Dispatch Cabinet Report																		→						
TACT Consultation/Comment																	■							
Tender Acceptance Report to Cabinet																		■	■					
Offer & Acceptance of Tender																			■	■				
Publish OJEU Award Notice																				■				
Lead in Time																					■	■	■	■

