



Report of: Executive Member for Housing and Development

Meeting of:	Date	Ward(s)
Executive	28 September 2017	All

Delete as appropriate	Exempt	Non-exempt
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SUBJECT: Procurement Strategy – Housing Capital Programme Major Works

1. Synopsis

- 1.1 This report seeks pre-tender approval for the procurement strategy in respect of Housing Capital Programme Major Works Term Partnering Contract in accordance with Rule 2.5 of the Council's Procurement Rules.
- 1.2 This report seeks approval to procure contractors to carry out major works to the Council's housing stock such as window renewal schemes, roof renewals, external fabric repairs, external and internal decorations, water tank renewals, communal lighting, door entry phone systems etc.

2. Recommendations

- 2.1 To approve the procurement strategy for Housing Capital Programme Major Works as outlined in this report.
- 2.2 To delegate authority to award the contract to the Corporate Director of Housing and Adult Social Services, in consultation with the Executive Member for Housing and Development.

3. Background

- 3.1 Nature of the service
- 3.2 The Council's Housing service operates a 7 to 10 year rolling programme of planned maintenance for its directly managed housing stock. The work consists mainly of repair and replacement of worn out life expired building components. The current partnering constructors were procured in 2010, with contracts commencing in early 2011. These two contracts will expire on 31 March 2019. The aim of this procurement exercise is to generate competition and achieve value for money for the Council.

Representatives from approximately 50 construction companies attended a Meet the Buyer event hosted by the Housing Capital Programme Delivery team on 21st June 2017.

- 3.3 The format of the event was designed to achieve a two-way flow of information; constructors were encouraged to provide their views, advice ideas and experience on all aspects associated with the procurement and on-going partnering relationships. A great deal of valuable information has been gleaned from this event, and as a consequence, further preliminary market consultation will be undertaken.
- 3.4 Staff within the Capital Programme Delivery team are currently updating and amending the existing contract documentation. Consultation with colleagues in Housing Operations Division and Housing Needs are underway. Decisions concerning the number of contracts and the allocation of work are still to be taken.

4. Estimated Value

- 4.1 Capital/Cyclical Improvement and repair works to Islington's Housing stock are currently and will continue to be funded from the Housing Revenue Account. It is anticipated that the annual budget for this work will be circa £40 - £60million. This is based largely on recent spend (15/16 spend = £30m, 16/17 spend = £30m and anticipated 17/18 spend = £33m) but also anticipating increased spend on additional fire protection work.
- 4.2 Large procurement exercises are very labour intensive and costly for both client and constructors. In order to ensure resources are used efficiently it is intended that a ten-year contract containing two break clauses (4 years + 3 years + 3 years) will be the term of the agreement/s.
- 4.3 If the annual budget is reduced during the length of the contract, repair and maintenance work will need to be prioritised accordingly.
- 4.4 Our current schedule of rates has been benchmarked with a variety of different industry sources and appears to be under-priced, resulting in contractors struggling to resource projects adequately and much officer time being spent administering the contracts. The re-procurement exercise may result in higher prices but with this should come better supervised projects with less snagging and defects.
- 4.5 Fluctuating costs within the construction industry are well documented, it is however considered ill-advised to attempt to avoid this through fixed pricing. Use of an indexation model will, to a large extent, mirror the market and ensure current prices are paid.
- 4.6 Leaseholder recharges are an important consideration for this procurement: views of leaseholders will be sought and considered as part of the stakeholder consultation exercises.

5. Timetable

- 5.1 The current contracts will expire 31st March 2019, the current procurement programme predicts signing new contracts in January 2019, allowing a three-month mobilisation period.
- 5.2 Statutory deadlines for the procurement process and section 20 Leaseholder Consultation will need to be observed in accordance with the Public Contracts Regulations 2015 and the Service Charges (Consultation Requirements) Regulations 2003.
- 5.3 Consultation is currently taking place with colleagues in Housing Operations and Housing Needs divisions also with leaseholder and tenant forums.

6. Options appraisal

- 6.1 A two stage competitive tender is the preferred option.

6.2 Collaboration with other social landlords has been considered but from experience almost always requires quite a degree of compromise; the main advantage usually is a saving in time. On this occasion adequate time has been allowed for thorough and rigorous procurement to be conducted, there appears little tangible advantage to collaborative procurement.

7. Key Considerations – References to social value and impact on staff

7.1 It is intended that successful bidders will be required to undertake Corporate Social Responsibility work. A requirement for the payment of LLW should only be included as a condition of this contract if there is no cross border interest in the contract following OJEU notice or if cross border bidders do not expect to use employees for this contract who are established in another EU member state.

7.2 A system of rigorous project reviews will be mandatory for continual learning, development and improvement.

7.3 Requirements for working in partnership with IC to reduce worklessness within the borough through various initiatives will be included in the contract documents.

7.4 TUPE may apply to this contract.

8. Evaluation

8.1 This tender will be conducted in two stages, known as the Restricted Procedure as the tender is 'restricted' to a limited number of organisations. The first stage is Selection Criteria through a Selection Questionnaire (SQ) which establishes whether an organisation meets the financial requirements, is competent and capable and has the necessary resources to carry out the contract. The SQ is backwards looking and explores how the organisation has performed to date, its financial standing, information about their history and experience.

8.2 A limited or 'restricted' number of these organisations meeting the SQ requirements as specified in the advertisement are then invited to tender (ITT). The second stage is the ITT is now forwards-looking using Award Criteria. Tenders are evaluated on the basis of the tenderers' price and ability to deliver the contract works or services as set out in the evaluation criteria in order to determine the most economically advantageous offer.

- The cost/quality award criteria will be split 50%/50%.
- Sub Quality criteria amounting to 50% are yet to be finalised but areas likely to be used are: customer care, complaints handling, ability to deliver projects on time, demonstrable stable supply chains.

9. Business Risks

9.1 A lack of tenders or a lack of suitably priced tenders is the main business risk associated with this process. Although considered unlikely (especially from feedback from Meet the Buyer event), re-tendering would be the best course of action.

There are numerous business opportunities, such as the creation of collaborative partnering with contractors, developing robust processes and efficient working, no further tendering required for up to 10 years, saving time and money, encouraging social corporate responsible activities.

9.3 The Employment Relations Act 1999 (Blacklist) Regulations 2010 explicitly prohibit the compilation, use, sale or supply of blacklists containing details of trade union members and their activities. Following a motion to full Council on 26 March 2013, all tenderers will be required to sign the Council's anti-blacklisting declaration. Where an organisation is unable to declare that they have never blacklisted, they will be required to evidence that they have 'self-cleansed'. The Council will not award a contract to organisations found guilty of blacklisting unless they have demonstrated 'self-cleansing' and taken adequate measures to remedy past actions and prevent re-occurrences. The adequacy of these measures will initially be assessed by officers and the outcome of that assessment will be reviewed by

- 9.4 The following relevant information is required to be specifically approved by the Executive in accordance with rule 2.6 of the Procurement Rules:

Relevant information	Information/section in report
1 Nature of the service	Undertaking major works and cyclical improvements to Islington's housing stock See paragraph 3.1
2 Estimated value	The estimated value per year is £40 - 60million. The agreement is proposed to run for a period of 4 years with two optional extensions each of 3 years. See paragraph 3.2
3 Timetable	The current contracts will expire 31 st March 2019. The current procurement programme predicts signing contracts in January 2019, allowing a three-month mobilisation period. See paragraph 3.3
4 Options appraisal for tender procedure including consideration of collaboration opportunities	Preferred option Restricted OJEU Procedure See paragraph 3.4
5 Consideration of: Social benefit clauses; London Living Wage; Best value; TUPE, pensions and other staffing implications	Consideration of social value included. See paragraph 3.5
6 Evaluation criteria	Award criteria and price/quality 50%-50% split included within the report. See paragraph 3.6
7 Any business risks associated with entering the contract	Business risk included in report. See paragraph 3.7

10. Implications

10.1 Financial implications:

There are adequate resources to cover the cost of the contract cost within the HRA medium term financial plan. If there is a requirement to provide for additional costs as a result of health and safety works the Council will review the HRA medium term financial strategy and prioritise funding for these works.

10.2 Legal Implications:

The council is responsible for undertaking the repair of its housing estates, properties and installations pursuant to the Housing Act 1985. Accordingly, the council may procure a contract for the housing capital programme major works (section 1 Local Authorities Contracts Act 1997).

The contract is a public works contract for the purposes of the Public Contracts Regulations 2015 (the Regulations). The threshold for application of the Regulations to works contracts is currently £4,104,394. The estimated value of the proposed contract is above this threshold and therefore the provisions of the Regulations will apply including advertisement in OJEU. It is proposed to carry out a competitive tendering process using the restricted procedure in accordance with the Regulations

An appropriate proportion of the costs of the contract will be recoverable from the leaseholders of the relevant properties pursuant to the service charges provision of their leases subject to the consultation requirements of section 20 of the Landlord and Tenant Act 1985 and the Service Charges (Consultation Requirements) (England) Regulations 2003 having been carried out.

10.3 Environmental Implications

The Environmental Implications of procuring new partnering contractors are predicted as neutral: the same requirements for recycling waste building materials that are required of our current contractors will continue to be a requirement in the new contracts, along with sourcing local labour and local suppliers.

10.4 Resident Impact Assessment:

The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

A Resident Impact Assessment (RIA) was completed on 16.8.17 and the summary is included below:

10.5 Equality Impacts:

No negative impacts predicted. Contract requires successful bidders to participate in corporate social responsibility activities and reducing worklessness both of which are likely to have a positive impact on local people. Undertaking maintenance of our housing stock provides a positive impact on our residents and all local people and businesses.

10.6 Safeguarding Risks that have been Identified:

Requirement for DBS checks to be included in contract.

10.7 Potential Human Rights Breaches:

None

11. Key Actions to be taken as a result of this RIA:

Action	Responsible person or team	Suggested date of Action
Requirement for contractor's staff to have current basic DBS checks to be written into contract documents	Christine Short	End of 2017

12. Reason for recommendations

12.1 The recommendation is to approve the procurement strategy. The reasons are contained within the body of the report, that is as the existing contracts expire on 31 .3.19, a vehicle for delivery of major works to the council's housing stock is needed from 1 April 2019.

Appendix: None

Background papers: None

Final report clearance:

Signed by:

A handwritten signature in black ink that reads "Diarmuid Ward." The signature is written in a cursive style and is centered within a light gray rectangular box.

Executive Member for Housing and Development Date: 8 September 2017

Report Author: Christine Short
Tel: Ext 4202
Email: Christine.short@islington.gov.uk

Financial Implications Author: Annette Trigg
Tel: 2365
Email: Annette.trigg@islington.gov.uk

Legal Implications Author: David Daniels
Tel: 3277
Email: David.daniels@islington.gov.uk