



Report of: Executive Member for Housing and Development

Meeting of:	Date	Ward(s)
Executive	21 May 2015	All

Delete as appropriate	Exempt	Non-exempt

SUBJECT: Procurement Strategy for Contract Housing Repairs Service Procurement Programme

1 Synopsis

- 1.1 This report seeks pre-tender approval for the procurement strategy in respect of Housing Repairs Service Procurement Programme in accordance with Rule 2.5 of the Council's Procurement Rules.
- 1.2 There are a number of contracts within the procurement programme including the provision of specialist and back-up support for the repairs service in peak times; supply of materials to the in-house team; and an ICT system that allocates works, tracks materials and provides performance data.

2 Recommendations

- 2.1 To approve the procurement strategy for Housing Repairs Service Procurement Programme as outlined in this report.
- 2.2 The Executive will be asked to delegate the key decision of the award of the contracts 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

3.1.1 Back up, specialist and voids contractors:

In order to run an effective responsive repairs service for the council's housing stock it is necessary to procure a number of back-up and voids contractors. These contractors will provide peak times and specialist support. As the new in-house repairs service embeds some contracts may reduce in size with the council potentially bringing more works in-house. There will always be a need for some additional support because the service is demand led. Opportunities for category management across the council will be considered as part of the re-procurement programme. Details of each contract are included in the appended table.

3.1.2 ICT Booking System:

An ICT system needs to be in place to facilitate an efficient and effective service, enabling real time works allocation, tracking of materials, the logging of operative's time and production of performance

data. There is an interim arrangement for the current system and a new system is being designed in consultation with colleagues from across the council to ensure that it has full functionality and integrates with existing council systems.

3.1.3 Materials Supply: Gas and Responsive:

The supply of materials is central to the delivery of the repairs and maintenance service. Repairs Services have one general materials supplier and one specialist supplier for gas materials. These contracts end at different times and will therefore be procured separately, opportunities for category management will be considered in the future.

3.2 **Estimated Value**

3.2.1 The appended table indicates value and duration of the contracts. All values are estimates based on historical repairs data, except the ICT system which is based on the current market costs for similar systems. There will be no guaranteed volumes of work. Values may decrease should more works be brought in-house over the life of the procurement programme.

3.2.2 Reductions in service delivery from budget pressures may mean the council cannot meet its statutory repairing obligations as a landlord. The current service has been in-house for less than a year and will take time to become fully established. The procurement exercise may achieve some savings, as the contracts are longer term and more likely to attract competitive pricing.

3.2.3 Failure to deliver this service carries a reputational risk for the council. There is a financial risk in relation to potential legal disrepair claims if the Council does not maintain its statutory obligation to keep its residential properties in good repair.

3.3 **Timetable**

3.3.1 Current contract expiry dates are outlined in the appended table.

3.3.2 Councils are legally required to consult with leaseholders before carrying out major works and qualifying long term agreements. This is often called "Section 20" consultation because it was introduced by Section 20 of the Landlord and Tenant Act 1985 (as amended by the Commonhold and Leasehold Reform Act 2002). Some contracts will be subject to Section 20 leaseholder consultation which will necessitate a longer procurement process. Contracts subject to Section 20 are identified in the appended table.

3.3.3 The service is seeking delegated authority for the Corporate Director of Housing and Adult Social Services to award the contracts in consultation with the Executive Member for Housing and Development. Delegated authority will ensure contracts can be mobilised as efficiently as possible once a contractor has been appointed. New contracts will commence as existing contracts finish ensuring seamless service delivery.

3.4 **Options appraisal**

3.4.1 Pre-existing frameworks have been explored, but none have been identified that offer both best value, as well as ensuring Islington specific requirements can be embedded within the contract.

3.4.2 In the case of gas materials, one framework agreement exists that is currently being re-procured to be in place by April 2015. Should this framework offer value for money and be flexible enough to meet service requirements the gas service will proceed through this framework agreement. If this is not the case then the gas materials contract will use a two stage tender process as described in 3.6.1.

3.4.3 Collaboration with the London Borough of Camden has been explored. However, the model for delivery in Camden differs significantly from Islington because Camden uses a single contractor to deliver all back-up works and are therefore more likely to sub-contract work. The Islington delivery model favours a reduction in sub-contracting to give the council greater direct control. Furthermore, the Camden contracts are not coterminous with the Islington contracts.

3.4.4 Category management is being explored across the council, and where possible, contracts will be procured across departments.

3.5 Key Considerations

3.5.1 The service will work with the contractors to support them to deliver apprenticeships. Contract conditions will require a minimum of one apprenticeship for every £1m of spend and the service is exploring a variety of other ways contractors may be able to support workless residents into the labour market with the council's Business Employment Support Team (BEST).

3.5.2 As part of the repairs team training programme the service has secured fully funded multi-skills, apprenticeship training (NVQ level 2) and this is also being offered to the services contractors.

3.5.3 The service has worked with BEST and the legal team to ensure wording in adverts, tender processes and term briefs can hold contractors to account to meet their targets around supporting workless residents in Islington. By letting trade specific contracts, with multiple contractors, the council is more likely to attract SMEs. This may additionally support local firms and so help the local economy, as well as increase employment opportunities for local people.

3.5.4 A requirement for the payment of LLW will be included as a condition of these contracts where there is no cross border interest following OJEU notices.

3.5.5 All contracts will have an environmental impact assessment completed prior to advertising.

3.5.6 Transfer of Undertakings (Protection of Employment) Regulations 2006 or "TUPE" may apply to these contracts. TUPE is designed to protect the rights of employees when they are transferred from one employer to another. There are no additional funds for any costs associated with TUPE. TUPE costs must be managed within the existing budget.

3.6 Evaluation

3.6.1 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 Pre-Qualification Questionnaire (PQQ) which establishes whether an organisation meets the financial requirements, is competent and capable and has the necessary resources to carry out the contract. The PQQ is backwards looking and explores how the organisation has performed to date, its financial standing, information about their history and experience.

A limited or 'restricted' number of these organisations meeting the PQQ requirements as specified in the advertisement are then invited to tender (ITT). The ITT is 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.

3.6.2 The evaluation criteria will be broadly similar for all the contracts, although they will be tailored to specific trades or areas. As the procurement programme progresses, if there are any lessons to be learnt from the outcomes of the evaluation criteria these will be incorporated into future procurements.

3.6.3 The specific, tailored evaluation criteria will be published clearly for each individual contract in each advert. The broad areas of evaluation will be:

- Ability to meet volumes and timescales
- Quality assurance
- Customer Service
- Use of sub-contractors
- Ability to work within the councils systems
- Social Value

3.6.4 The Quality Section of 30% will be weighted equally, the number of criteria used will vary depending on the contract.

3.6.5 The costs section of 70% will be assessed will be developed with the council's finance department.

3.7 **Business Risks**

3.7.1 A number of risks have been identified and mitigation has been put in place to address these:

3.7.2 Back-up and Specialist Contractors

If the contractors are not in place within the necessary timeframe, there is a risk the council will fail to meet its landlord repairing obligation. Robust programme management is in place to ensure timely procurement and mobilisation and the contract award is delegated to the Corporate Director of Housing and Adult Social Services to avoid delays.

3.7.3 The service is working closely with the council's finance department to assess contract volumes, develop robust pricing frameworks and assess tenders to identify the most economically advantageous contractors for the council.

3.7.4 There may be a risk that contractors cannot meet the required volumes of work. This risk will be managed by ensuring a robust assessment at ITT, clear volumes set out, and the appointment of a number of contractors for each contract to act as back up to each other.

3.7.5 ICT Booking System

The ICT must integrate fully with the council's IT systems and the services materials suppliers IT systems. A robust procurement process is in place which includes references, site visits and demonstrations and several months have been allowed to set up, integrate and test the system.

3.7.6 The specification must cover the broad range of functionality needed from the ICT systems to ensure the supplier can meet all the necessary requirements. The service is preparing a robust, detailed specification, including all stakeholders from across the council in its development.

3.7.7 Materials Supply: Gas and Responsive

Certain material prices are volatile, and there is a risk of rising costs for the council. The service is developing a robust pricing framework, with fixed prices for short periods of time built in, this is industry standard practice.

3.7.8 It is vital that the supplier provides good quality materials, as poor quality will result in poor repairs and higher long term costs. The contract terms allow for negotiation around changing products, and working with the supplier to obtain the best prices.

3.7.9 Integration into the council's IT system will be built into the supplier's specification.

3.7.10 A number of opportunities have also been identified and these are outlined here:

- Working with smaller, and where possible local firms, gives the council an opportunity to develop locally based corporate social responsibility programmes.
- By not guaranteeing volumes the council can consider bringing more in-house over time giving the council increased control over the service, and opportunities to develop corporate social responsibility programmes within the service.
- By breaking up the contracts into trades, the council reduces the amount of sub-contracting and increasing direct control of the service.
- Tenants and Leaseholders are more likely to receive a seamless service and best value with a procurement timetable planned in advance.

3.8 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 the Council's Procurement Board

3.9 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
Estimated value	The estimated value per year and length of all contracts are identified in the appended table
Timetable	The contracts identified are part of a 2 year procurement programme.
Options appraisal for tender procedure including consideration of collaboration opportunities	The tender process for all the contracts will be conducted in two stages, known as the Restricted Procedure. See paragraph [3.41 to 3.44 and 3.6.1 to 3.6.5]
Consideration of: Social benefit clauses; London Living Wage; Best value; TUPE, pensions and other staffing implications	Apprenticeships will be included in the contract where the value is over £1m. Possibility of NVQ level 2 for contractors (funding permitting). LLW will be a condition of the contract. Any costs associated with TUPE must be managed within the existing budget. See paragraph [3.5.1 to 3.5.5]
Evaluation criteria	Quality 30% Cost 70%. The award criteria price/quality breakdown is more particularly described within the report. See paragraph [3.6.2 to 3.6.5]
Any business risks associated with entering the contract	There are mitigating factors to all risks identified. See paragraph [3.7.1 to 3.7.10]

4 Implications

4.1 Financial implications

The overall costs identified in the contract summary totals £10.849m in a full year and £43.878m over the estimated life of the contracts. Not all contracts are funded by the HRA and overall the eleven contracts in the summary are to be funded as follows:

Item No	Charged to	Annual	Contract Life
4,5 & 8 – Aids & Adaptations	Adults Services	1.885	7.540
1-3,6,7 & 9-11 – Housing Repairs	HRA Repairs	8.964	36.338
		10.849	43.878

The Adults Services element of the costs is split funded between capital budgets (£1.77m pa; £7.080m life of contracts) and revenue budgets £0.115m pa; £0.460m life of contracts). Full budget provision exists to meet the costs of these contracts.

The HRA Repairs budget for 15/16 is £29.7m and specific budget provision has been made within the repair budgets to cover the costs of these retendered contracts.

4.2 Legal implications

The council is responsible for undertaking the repair, maintenance and improvement of its housing properties and installations therein (Part 2 of the Housing Act 1985). The council may provide aids and adaptation for disabled residents under section 29 of the National Assistance Act 1948 and section 2 of the Chronically Sick and Disabled Persons Act 1970. The Council has power to enter into such contracts under section 1 of the Local Government (Contracts) Act 1997 on the basis that such services are properly required for the discharge of the Council's functions. The Executive may provide

Corporate Directors with responsibility to award contracts with a value over £500,000 (Procurement Rule 14.2).

In compliance with the principles underpinning the Regulations and the council's Procurement Rules it is proposed that a competitive tendering procedure with advertisement will be used.

All the works and services that are the subject of this report are subject to the Public Contracts Regulations 2015 (the Regulations). Works contracts above the threshold of £4,322,012.00 and service contracts above the value of £172,514.00 require advertising in the official journal of the European Union (OJEU). Contracts that are to be let as framework contracts for purposes of the Regulations must not exceed a duration of 4 years. Accordingly the appendix attached to this report sets out correctly the specific requirements of the Regulations in relation to publication of contract notice and contract duration for each of the proposed contracts and the proposals outlined in this report are in compliance with the requirements of the Regulations.

On completion of the procurement process the contracts may be awarded to the relevant highest scoring tenderers. In deciding whether to appoint the selected contractors the Corporate Director of Housing and Adult Social Services should be satisfied as to the competence of the chosen tenderers and that the tender prices represent value for money for the Council.

The Council is required to consult with leaseholders before carrying out major works and qualifying long term agreements (section 20 of the Landlord and Tenant Act 1985, as amended by the Commonhold and Leasehold Reform Act 2002). Qualifying contracts are correctly identified in the attached appendix.

4.3 Environmental implications

The different contracts have differing environmental implications, as described in the table below:

Contract		Environmental implications
1	Repairs integration - job booking and coordination IT system	A major environmental implication of this contract is vehicular emissions and congestion. A well-integrated and co-ordinated system should reduce the number of journeys made by combining trips and optimising routes.
2	Supply of gas spares, plumbing and heating materials	Resource usage is a main implication of these contracts. Where possible, materials that are easily reusable or recyclable should be preferred. Embedded emissions in the supply chain should also be considered.
10	Supply of material - Repairs Team	
3	Drainage Repairs and Maintenance works including out of hours cover	
5	Adaptations for Disabled Residents: testing, servicing and repair of specialist equipment including lifts and hoists	Waste generation during the repair process will be a major implication of these contracts. Contractors have a duty of care to ensure that any waste disposal is done legally and in alignment with the waste hierarchy.
9	Electrical Repairs, Maintenance and generator supply works including out of hours cover	
4	Adaptations for Disabled Residents: Specialist Installations including lifts and hoists	Environmental implications from these contracts include resource usage and waste generation. Where possible, materials that are easily reusable or recyclable should be preferred, and embedded emissions in the supply chain should be considered. Ongoing maintenance should also be taken into account, with preference given to materials or installations that require less maintenance (e.g. painting). When carrying out installations, any waste generated should be disposed of legally and in alignment with the waste hierarchy.
7	General Building Repairs and Maintenance including Out of Hours Cover	
8	Adaptations and Installations Works for Disabled Residents	
11	Housing Void Property Repairs and Re-	

	servicing Works	
6	Working with Asbestos including out of hours response	Major environmental impacts of dealing with asbestos are exposure to fibres and disposal. Works should be carried out in alignment with the appropriate legislation to ensure that the risk to health of both contractors and residents is minimised. Any asbestos waste generated will be hazardous and should be disposed of as such.

4.4 Residential 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.

The RIA has been published and can be accessed on: <http://www.islington.gov.uk/about/equality-diversity/Pages/RIA's-2014.aspx?extra=10> members should access this for further details. A workstream operates within the service, reviewing progress on actions related to the RIA and considering various equalities issues related to the service.

5 Conclusion and reasons for recommendations

- 5.1 The approval of the procurement strategy for the housing repairs programme is key to the effective delivery of the newly in-sourced Housing Repairs Service.
- 5.2 The report outlines the proposed approach to ensure the most economically advantageous contractors are able to deliver the services in support of the council.
- 5.3 It is recommended that the Corporate Director of Housing and Adult Social Services be authorised to award the housing repairs contracts programme in consultation with the Executive Member for Housing and Development.

Appendices

- Appendix 1 – Overarching report table of contracts.

Final report clearance:



Signed by: Executive Member for Housing and Development

Date: 6 May 2015

Report Author: Jodi Pilling

Tel: 020 7527 7253

Email: jodi.pilling@islington.gov.uk