

Meeting: EXECUTIVE
Portfolio Area: Housing and Investment
Date: 12 June 2019

DECENT HOMES REFURBISHMENT CONTRACT PROCUREMENT OPTIONS APPRAISAL (INVESTMENT)

KEY DECISION

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1. PURPOSE

1.1 To seek approval to commence procurement of a Decent Homes Internal Works Contract. The current contract is due to end in December 2019. This contract is key to maintaining decency of the Council's stock in line with the Decent Homes standard.

2. RECOMMENDATIONS

- 2.1 That approval be given for officers to procure a contract to conduct essential refurbishment work to various HRA properties as identified in the Asset Management Strategy.
- 2.2 That a single Contractor is appointed to undertake the works for reasons as set out in section 4.1 of this report.
- 2.3 That the contract be offered to market at an estimated contract value of £1.7m per annum for a term of three years, with the option to extend the term by an additional three years.
- 2.4 That the price and quality aspects of the tender are evaluated based on a ratio of 40/60 (price/quality).
- 2.5 That the procurement route is through a restricted process for reasons set out in section 4.4 of this report
- 2.6 That the Strategic Director be given delegated authority to award and finalise the terms of the contract with the winning bidder after officer evaluation of tenders received and having consulted the Portfolio Holder – Housing, Health and Older People.

3. BACKGROUND

- 3.1 This Procurement report has been prepared following the early termination of the Contract for Decent Homes, comprising kitchen, bathroom, heating, rewires and disabled adaptation works that commenced on 4 October 2016.
- 3.1 Following the end of the contract with Axis in December 2017, Stevenage Borough Council entered into a short term contract with United Living under an existing Framework agreement. While this approach has ensured continuity of service and value for money it was not intended to provide a long term solution to the requirements and will end, subject to two 6-month extensions, in December 2019.
- 3.2 The Asset Management plan has identified the need for a programme of refurbishment works to approximately 300-450 homes within the Borough. The total value of the contract is estimated to be approximately £1.7m per annum and it is proposed that the contract commences in February 2020 and is offered to market as a three year contract with an option to extend for a further three years. The option to extend would be subject to funding and both parties agreement. The budget provision for these works is included in the approved capital programme.
- 3.3 The work is necessary to ensure that the stock remains well maintained, compliant with regards to statutory obligations towards electrical installations as well to ensure compliance with the Housing Health and Safety Rating System.
- 3.4 The work is also critical in order for SBC to maintain the “Decent Homes” standard. The Decent Homes standard is being reviewed as part of the Social Housing Green Paper. It is not anticipated that, as part of this review, any changes in the standards will have an impact on this proposed procurement and programme of works. The Decent Homes target is for 90% of the stock to be classified as decent at the end of each year.
- 3.5 The scope of works for the contract includes;
- Electrical rewires;
 - Boiler and central heating installations;
 - Replacement bathrooms and associated decorations;
 - Replacement kitchens and associated decorations;
 - Level access showers;
- 3.6 As part of the review of the scope of works the In-house Repairs & Voids team will continue to carry out low-level aids and adaptations works. At this stage more complex works are assessed and carried out on an individual basis through the Councils quotation or tender process.

3.7 Procurement Project Team

A project team comprising officers from Housing and Investment and Corporate Procurement has been formed to steer the procurement.

3.8 Resourcing Arrangements

It is considered that existing resources are sufficient to effectively manage the contract. The ongoing management of this contract will also be factored into the forthcoming Housing and Investment Business Unit reviews.

3.9 The ability of the winning supplier to provide a sufficient, capable and professional management team will form a key part of the tender process.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 Number of contracts/Contractors

4.1.1 In preparing this Procurement Strategy consideration has been given to alternative approaches to packaging the works into different trade based or area based contracts and whether more than one Contractor should be engaged.

4.1.2 The scope of works required as set out in section 3.6 would be within the capability of a wide range of Contractors and therefore packaging the works into different trade based contracts does not appear to offer any benefits. In addition a combination of multiple works elements are required for a significant number of properties and delivery of these works through various Contractors would be likely to add delays, cause communication and coordination difficulties and ultimately result in a negative customer experience.

4.1.3 Appointing two or more Contractors would provide some mitigation for failure (i.e. if a contract fails the other Contractor can continue to deliver their work stream). However it should be noted that, under procurement regulations, works cannot be allocated on an ad-hoc basis and, in the event of failure of a Contractor to deliver, re-procurement would be required. The use of more than one Contractor may encourage a positive competitive approach.

4.1.4 Previous soft-market testing indicates that separating the works into two or more contracts would result in less attractive contract(s) from the market perspective and would likely reduce interest and increase pricing. Appointing two Contractors would result in higher Contractor management (preliminaries) costs. Typical preliminary costs would be 7.5% of the contract sum. It would also result in greater demand on existing SBC management resource as each Contract will require separate contract management.

- 4.1.5 The scope and value of the annual programme is relatively small and could easily be delivered by a single Contractor. The single Contractor would likely be a main Contractor using subcontracted labour and could be encouraged to utilise the Stevenage Works programme to advertise employment opportunities. This approach would more likely result in an increased social value offer.
- 4.1.6 Additional mitigation would include robust contract management arrangements with a range of key performance indicators and close monitoring of works.
- 4.1.7 In consideration of the above factors it is recommended that a single Contractor is appointed.

4.2 In-house services

- 4.2.1 For all contracts procured through Housing & Investment consideration is given to whether the works could be carried out in-house by our Repairs & Voids service. The Repairs & Voids service have produced a roadmap which sets out the timescales and a plan for carrying out suitable works in-house. The roadmap has helped inform the suggested contract duration and an assessment will be made during the latter stages of the first 3 years about carrying out works in-house at the end of this contract.

4.3 Contract Duration

- 4.3.1 Contracts of this nature typically exceed 4 years in duration. This ensures sufficient market interest and enables Contractors to invest in the contract and provide added value through Social Value initiatives and the like.
- 4.3.2 A variety of arrangements could be proposed for Contract duration. The recent approach with Housing and Investment has been to let a four or five year contract with the option to extend for a further two years.
- 4.3.3 As indicated in 4.2.1 there is potential for these type of works to be considered for the Council's in-house services in 3 or 4 years time.
- 4.3.4 To check if a reduction in the contract term from four to three years would have any impact representations were made with the incumbent Contractor and two other Contractors that currently work with SBC and offer similar services. All three Contractors advised that, if the overall potential term including optional years remained at six years, there is likely to be little or no impact on costs.
- 4.3.5 In this case it is recommended to let a three year contract with a three year extension provision.

4.4 Procurement Route

- 4.4.1 There are 2 approaches to compliant procurement for works of this nature:

- Procurement of a bespoke contract as set out in 4.4.2.
- Adoption of a pre-existing Framework as set out in 4.4.5.

4.4.2 For the procurement of a bespoke contract there are two procedures that could realistically be adopted for these works. The key features are:

- Open Procedure – any interested organisation may bid; both selection and award criteria are included in the evaluation process and the successful Bidder is selected on the pre-determined criteria, typically price and quality.
- Restricted Procedure – a shortlist of potential Bidders are selected through a pre-qualification process. The shortlisted Bidders are then invited to tender and the successful Bidder is selected on the pre-determined criteria, typically price and quality.

4.4.3 The circumstances under which the open or restricted Procedures can be adopted are set out in the Public Contracts Regulations 2015. While both the Procedures could be adopted the costs to both the potential Bidders and the Council of adopting the Open Procedure may be prohibitive as there are potentially a large number of potential Bidders that may respond that would require full assessments.

4.4.4 If a bespoke approach was followed it is recommended that the Restricted Procedure is adopted as this will enable the Council to shortlist suitable organisations on the basis of a focused but limited set of requirements.

4.4.5 The second approach would be the adoption of a pre-existing Framework. Under this arrangement the early stage of pre-qualification has been carried out by the Framework provider and the Council is able to go straight to tender without the pre-qualification phase. This approach will result in time benefits which will typically be in the order of 2 – 3 months with consequent savings on Officer time and cost.

4.4.6 Officers have identified a number of Frameworks that include the appropriate scope of works which include shortlisted Contractors that would be suitable, although it should also be noted that this approach would exclude other Contractors from tendering.

4.4.7 Adoption of a Framework route does not involve any direct cost to SBC although there is a levy on the successful Contractor of between 2% and 4% (dependent upon the Framework Provider) which is recovered through the rates and prices.

4.4.8 Under a Framework arrangement SBC would typically undertake a 'mini-competition' with those pre-qualified Contractors from the Framework that want to bid. Dependent on the specific framework the competition can be price only (as the quality element has been determined through the Framework Provider's Pre-Qualification process) or a mixture of Price and Quality.

4.4.9 If a Framework route is adopted Officers recommend that both quality and price should be evaluated to ensure the Stevenage specific requirements are included.

4.4.10 The Council has developed bespoke contracts through the delivery of three previous contracts for works of this nature delivered between 2008 and 2019. In doing so Officers are confident that the Council's specifications and pricing models are robust, accurately reflect the Council's standards and requirements and do not lend themselves towards bidder gaming/abnormally low tenders.

4.4.11 In consideration of the above it is recommended that the tender of a bespoke contract is advertised using the restricted procedure.

4.5 Evaluation Weighting & Criteria

4.5.1 Based on previous experience Officers would expect approx. 25 Standard Selection Questionnaire submissions. Procurement regulations require a minimum shortlist of 5 bidders be invited to tender and we propose an option to include up to two additional bidders if the scores are extremely close.

4.5.2 It is recommended that officers prepare an Invitation to Tender Document (ITT) that evaluates potential Bidders on a 60% Quality and 40% Price split, which is normal practice and is typical of the approach adopted by SBC for contracts of this nature.

4.5.3 The split of 60/40 reflects the importance of the Contractors approach and capability in working with the Council in building a long term relationship. The qualitative evaluation will focus upon those areas where the Contractor's approach can enhance service delivery and reflect the importance of working with residents.

4.5.4 The commercial evaluation will be based upon a bespoke schedule of 'Archetype' rates for complete elements e.g. Kitchen Replacements and will incorporate a robust schedule of additional items that can be used for significant changes together with the NHF Schedule of Rates for unforeseen items.

4.6 Commercial Model

4.6.1 As noted above the Commercial Model will be based upon rates and prices submitted for Bespoke 'Archetype' and rates for commonly occurring additional items. Rates and prices will only be amended upwards to reflect indexation provisions. In the event rates and prices are required that are not included within the original tender these will be agreed on a pro-rata or open book basis that is normal practice.

4.6.2 The indexation provisions are included to ensure that the risk profile for the programme does not result in inflated initial prices or a long term risk to the sustainability of the submitted tender.

4.7 Design responsibility

- 4.7.1 The basis of the procurement is that the Contractor will fulfil the role of Principal Designer under the CDM Regulations and retain full responsibility for all designs that it has prepared or have been prepared on its behalf.

4.8 Contract Terms & Conditions

- 4.8.1 It is recommended that the Contract will be procured using an amended version the Term Partnering Contract (TPC) 2005 (amended 2008). The contract will include bespoke amendments intended to reflect the Council's specific requirements and provide a more robust model for contract management.
- 4.8.2 SBC are familiar with the provisions and working practices included in the TPC form of Contract and are experienced in delivering contracts under the form, with all other long term and high value Capital Works programmes currently being delivered using this contract form.

4.9 Timetable

- 4.9.1 The current indicative timetable based upon adoption of a restricted process is set out below

Date	Event
12 June 2019	Approval to Proceed
24 June 2019	SSQ Issued
24 July 2019	SSQ Submission Date
31 October 2019	ITT Submission Date
2 December 2019	Intention to Award by Delegated Authority
5 – 19 December 2019	Standstill
December 2019 – January 2020	Mobilisation
17 February 2020	Commencement on Site

4.10 Social Value

- 4.10.1 As the contract is for 'Works' there is no formal requirement to include the provisions of the Social Value Act 2012. However, officers recognise the importance of social value and provisions will be included within the contract for the Contractor to support the Council's Social Value Objectives and in particular it's Stevenage Works Programme which focuses on provision of training, employment and community outreach opportunities.

4.11 Stakeholder Consultation

- 4.11.1 The whole approach to consultation will be created jointly with residents. A consultation strategy will be produced to provide a framework for consultation that will begin pre-procurement and will last for the life-span of the project.

4.11.2 The Strategy will identify the key-stakeholders in the scheme (certainly to include residents, members, staff and suppliers) to map-out common needs and to also provide for bespoke needs.

4.11.3 It is envisaged that, subject to consultation, “Steering Groups” will form the core of the engagement package. These groups will involve members from each of the key stakeholder groups. They will be bonded by Terms of Reference and will be offer over-sight across all of the key areas of the project.

5 IMPLICATIONS

5.1 Financial Implications

5.1.1 The contract is estimated to have an annual value of £1.7m for three years, with the possibility of a further three year extension, giving a contract value of between £5.1m and £10.2m. The provision for this project is within the approved capital programme and included in the current HRA Business Plan.

5.2 Legal Implications

5.2.1 As with the procurement of all large public contracts, there is a risk that procurement may be delayed due to ‘challenges’ made during the procurement process.

5.2.2 Shared Legal Services have been appointed to over-see the production of contract documentation and to support the procurement process.

6.3 Leaseholder Implications

6.3.1 As all of the works will be delivered within tenanted properties there are no Section 20 implications.

BACKGROUND DOCUMENTS

None

APPENDICES

None