

# MUNICIPAL YEAR 2014/2015 REPORT NO. 131

**MEETING TITLE AND DATE:**  
Cabinet

10 December 2014

**REPORT OF:**  
Ray James, Director of  
Health, Housing and  
Adult Social Care

**Agenda – Part: 1**

**Item: 12**

**Subject: Housing Responsive Repairs and  
Maintenance Contracts**

**Wards: All  
Key Decision No: 3976**

**Cabinet Member consulted:** Councillor  
Oykenor, Cabinet Member for Housing and  
Estate Regeneration

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## 1. EXECUTIVE SUMMARY

1.1 This report is to request Cabinet authority to provisionally award the new Housing Responsive Repairs and Maintenance Contracts. These contracts have an important impact on the council's delivery of responsive repairs and maintenance services to residents.

1.2 There are strategic, budget and performance implications for these contracts.

1.3 This report also provides an update on the procurement process and the provisional outcome of the tender evaluations.

1.4 Cabinet is invited to note that the recommended contract awards will remain provisional until Leaseholder Consultation has taken place. This will take place after the Cabinet meeting. Therefore this Cabinet award is "subject to leaseholder consultation". It is requested that any changes brought about by the leaseholder consultation be delegated to the Cabinet Member for Housing and Estate Regeneration.

## **2. RECOMMENDATIONS**

2.1 That Cabinet note the impact of the award and delivery of these contracts.

2.2 That Cabinet authorise award of these contracts subject to leaseholder consultation, as detailed in the part two report.

2.3 That Cabinet delegate any changes brought about by the leaseholder consultation to the Cabinet Member for Housing and Estate Regeneration in consultation with the Director of Health, Housing and Adult Social Care.

## **3. BACKGROUND**

3.1. The London Borough of Enfield currently operates a number of responsive repairs and maintenance contracts for the upkeep of Council housing stock. These comprise two general repairs contracts and two mechanical and electrical contracts.

3.2. At the Cabinet meeting of 12<sup>th</sup> October 2011 a joint report from the Director of Health, Housing and Adult Social Care, the Chief Executive of Enfield Homes, and the Director of Finance, Resources and Customer Services was considered and it was agreed that the existing four contracts for Repairs and Maintenance would be extended until 30<sup>th</sup> September 2014.

3.3. Furthermore it was considered that the re-procurement process should begin with a view to commencing new contracts with effect from 1<sup>st</sup> October 2014.

3.4. At a Cabinet meeting of 12<sup>th</sup> September 2013 a report from the Joint Chief Operating Officer was considered and Enfield Homes was given approval to procure the new contracts option on behalf of the Council.

3.5. An industry consultation event took place on 4<sup>th</sup> December 2013. This was well attended and was informative for the purposes of shaping the contract specification.

3.6. A report was taken to Strategic Procurement Board on 11<sup>th</sup> December 2013 where the report was approved.

3.7. The Contract Notice and Pre-Qualification Questionnaire (PQQ) was despatched on 20<sup>th</sup> December 2013. The completed Pre-Qualification Questionnaires were returned on 20<sup>th</sup> January 2014.

- 3.8. A Section 20 Notice of Intent was issued on 16<sup>th</sup> December 2013. There were 13 observations and these were responded to in full.
- 3.9. Following the issue of the Contract Notice and PQQ, 15 contractors submitted a PQQ return for General Repairs and Maintenance, and nine contractors submitted a PQQ return for mechanical and Electrical Engineering. All contractors submitted a return for both lots in their respective category. Only one contractor submitted a return for both categories.
- 3.10. The PQQs were evaluated and a short list was prepared. The Pre-Qualification Questionnaire feedback has been provided to the candidates. The Invitation to Tender (ITT) short list comprised seven General Repairs and Maintenance tenderers, and five Mechanical and Electrical tenderers. Eight General Repairs and Maintenance tenderers and four Mechanical and Electrical tenderers were unsuccessful.
- 3.11. The residents' repairs procurement working group has met regularly during the procurement process. They have been involved in the process and have contributed to the development of the specification and other documents.

#### **4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 There were no alternative options considered.

#### **5. REASONS FOR RECOMMENDATIONS**

- 5.1 The following requirements included within the specification. These require the new contractors to provide additional value services, change processes and procedures to create efficiency, and to create cost savings:
- The comprehensive performance framework has been revised in order that punitive measures (including financial deductions) against contractors are readily enforceable without risk of contractor challenge. Financial deductions and defect notices are applied for poor performance. Large numbers of defect notices will lead to a default notice being applied. This will then result in work being transferred to the better performing contractor. Consistent poor performance could lead for consideration for eventual termination. The numbers of contract lots support the effective use of the performance framework.
  - The Introduction of a composite schedule of rates for emergency, urgent, and minor routine works. This provides cost certainty for

high volume common minor repairs. This has been competitively priced as it is included within the pricing for responsive repairs.

- A reduction in the cyclical and planned maintenance work streams. These works are now generally included within the capital works programme.
- Pre-inspections to be carried out by the contractor rather than by the Council's surveyors. A scheme of delegation will be introduced to ensure that officers are able to monitor and control higher values works.
- The new contracts require the contractors to provide a minimum of one apprentice for each £1m annual turnover. This is included within their tender price. Contractors can provide additional apprentices as part of their tender and / or the Council can choose to fund additional apprentices.
- There have been several enhancements to the schedule of rates and pricing methodology, in addition to the composite schedule of rates mentioned above:
- Basic basket rates have been introduced for works to void properties. This minimises the requirement for variations and allows costs being controlled.
- Contractors are able to submit a separate price for each main and specialist work stream. This allows them to price more accurately and minimises concern around not being able to recover all of their costs.
- A fixed call-out rate for out-of-hours' work. There is an enhanced rate for drainage work. This covers most standard call-outs and again will mitigate against variations.
- Overheads and profit are now included within the schedule of rates and are no longer charged as an additional lump sum and percentage. This avoids the stacked cost effect and allows workload increases and decreases to be easily and fairly valued.
- There is a client break clause with 13 weeks notice if required. The contractor break clause is one year. This allows flexibility and provides the Council with adequate time to procure new contracts if required.
- The new contract arrangements are expected to produce opportunities for staff savings. For example as the contractors will be carrying out pre-inspections some of the Council surveyors can

focus on post-inspections and the remainder can be considered as surplus. Early indications are of a potential £200,000 repairs staff savings subject to effective systems being in place.

5.2 The residents' repairs procurement working group were involved in the contractor's presentations during mid-September 2014. This formed part of the tender evaluation.

5.3 The tender evaluation was weighted as follows:

- Quality 35%
- Resident questions and contractor presentations 5%
- Price 60%

5.4 Tenders in respect of each Lot have been assessed in accordance with the Evaluation Criteria and requirements of the ITT and ranked. The highest scoring tender within each Lot has been recognised as the most economically advantageous tender for that Lot and eligible to be awarded the relevant contract.

5.5 Where tenderers were successful in offering the most economically advantageous tender in for example both Lot 1 (North) and Lot 2 (South) then they could not be awarded both contracts within the Repairs and Maintenance Service Category. Where this situation occurred then the contract for which the relevant bidders were eligible to be awarded has been determined by the following methodology.

5.6 "The Council will add the final total scores of the *1<sup>st</sup> placed tender in Lot 1 combined with the 2<sup>nd</sup> placed tender in Lot 2* and compare it against the *1<sup>st</sup> place tender in Lot 2 combined with the 2<sup>nd</sup> placed tender in Lot 1* and the highest combination will be eligible for the awards."

5.7 The tenders include the following fixed price arrangements:

- A fixed rate per job for general repairs and maintenance emergency, urgent and minor routine jobs.
- A fixed rate per property per annum for gas servicing and gas breakdown repairs.
- A facility for further Fixed Price arrangements to be introduced following a suitable period of say 2 years. This would be subject to a suitable relationship existing between the parties; good performance; and the availability of suitable data with which to monitor property numbers, repair volumes, and the like. This is essential in order that the Fixed Price financial structure can be adjusted whilst demonstrating probity and transparency.

- 5.8 Please see confidential Part 2 for the Tender Evaluation details.
- 5.9 Cabinet should note that the recommended awards will remain provisional until Leaseholder Consultation has taken place. This will take place after the Cabinet meeting.
- 5.10 The remaining procurement timetable is as follows:

<b>Activity</b>	<b>Date / Time</b>
Cabinet pre-meeting	December 2014
TUPE notification	December 2014
Cabinet meeting	10 December 2014
Call-in period (minimum 5 days)	17 December 2014
Leaseholder S20 Notice of Proposal issued	18 December 2014
Cabinet Minutes published (tenderer details confidential)	By 22 December 2014
Leaseholder S20 Notice of Proposal (observations considered and assuming no impact)	22 January 2015
Cabinet Member sign-off of Leaseholder Consultation	23 January 2015
Call-in period 2 (minimum 5 days)	30 January 2015
Notification of outcome to Bidders	6 February 2015
10 day standstill period	17 February 2015
OJEU Notice of Award	19 February 2015
Conclude Contracts	27 February 2015
Commence mobilisation	2 March 2015
Contract commencement (Provisional)	1 April 2015

- 5.11 Due to the short timescale for mobilisation, pre-mobilisation at the contractor's risk will be considered.
- 5.12 Consideration will be given to a phased mobilisation of the responsive repairs contractors to mitigate against the risk of new two new contractors both commencing new contracts on the same day.

## **6. COMMENTS OF THE DIRECTOR OF FINANCE, RESOURCES AND CUSTOMER SERVICES AND OTHER DEPARTMENTS**

### **6.1 Financial Implications**

Please refer to the Part 2 report

## **6.2 Legal Implications**

- 6.2.1 The Council has the power to alter, repair or improve its housing stock in accordance with Section 9 of the Housing Act 1985. The Council further has power under Section 111 of the Local Government Act 1972 to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions. The recommendations in this report are in accordance with these powers.
- 6.2.2 The value of the contract is above the EU threshold for works contracts. Legal Services have been involved in the procurement of the contractors and working with the external solicitors, Bevan Brittan, engaged by the Council have provided advice and reviewed the tender documents to ensure that a robust and transparent process was followed in accordance with the Public Contracts Regulations 2006 and the Council's constitution and to ensure that a suitable contract will be awarded. The client has confirmed that the tenders have been evaluated in accordance with the criteria and sub-criteria in the tender documents. The contracts are in a form approved by the Assistant Director Legal and Governance Services.
- 6.2.3 When carrying out major works of this nature the Council is only allowed to recover the costs from the leaseholders if it carries out a consultation exercise, serving notice on leaseholders in accordance with section 20 of the Landlord and Tenant Act 1985 (as amended) and regulations issued pursuant to section 20. The client has confirmed that the initial Notice of Intention was served on the leaseholders as part of the statutory consultation process and 13 observations were received and responded to. The Council must ensure that the Notice of Proposal sets out the key terms of the contract in accordance with the Service Charges (Consultation Requirements) (England) Regulations 2003.
- 6.2.4 The notice of proposal must:
- (i) State the name and address of every party to the agreement apart from the Council;
  - (ii) provide details of the duration of the contract;
  - (iii) provide details of any connection between the Council and the proposed contractor;
  - (iv) provide the best information reasonably possible to the leaseholders about the financial implications of the contract on their lease.
  - (v) contain a summary of responses given to any observations received in response to the Notice of Intention.

6.2.5 The Council must have regard to any leaseholder observations received before the award of the contract and responses to the observations must be sent within 21 days of their receipt. There is therefore a risk that substantive leaseholder observations will be received that may lead to a delay in the procurement process.

### **6.3 Property Implications**

The Council has landlord obligations for responsive repairs under the terms of the leases, and an overriding health and safety obligation to maintain the homes in safe condition. It is essential that the Council has effective commercial arrangements in place with competent and reliable contractors for repairs to be carried out on its behalf in order to meet those obligations.

## **7. KEY RISKS**

- 7.1 The mobilisation period is shorter than is preferred.
- 7.2 Leaseholders raise an observation that impacts on the award of one or more of the contracts.

## **8. IMPACT ON COUNCIL PRIORITIES**

- 8.1 **Fairness for all:** The repairs contracts have been procured with due consideration of corporate objectives and relevant legislation. This ensures that an equitable service is delivered to all residents. EU procurement legislation has been complied with to ensure that the procurement process enables all participating contractors to engage equally.
- 8.2 **Growth and Sustainability:** The new contracts will improve the overall condition of the stock, and ensure that the various areas of compliance are managed. Specifications have been reviewed in order that durable and serviceable components are used. The total cost of manufacture and maintenance will be considered for key components. Opportunities to reduce maintenance requirements will be taken where financially viable. Contractors will be encouraged to complete works to a good standard to avoid repeat visits. Upgrades to other elements including roofs, walls, insulation, heating boilers and electrical installations will also improve the energy efficiency of the properties.
- 8.3 Products specified are sustainable / energy efficient and manufacturers are required to have a stringent Environmental Policy in place.

- 8.4 **Strong Communities:** The homes maintained and repaired as part of the repairs and maintenance contract assist in meeting the Councils objectives as they have involved the residents in the decision making process and help them to play an active role in their local neighbourhoods.
- 8.5 A residents working group was established to work with officers during the procurement process. This team continues to have a role in monitoring the contracts post tender.

## **9. EQUALITIES IMPACT IMPLICATIONS**

- 9.1 It is not relevant or proportionate to undertake an equality impact assessment / analysis of the approval of the various repairs contracts.
- 9.2 The funding provided for these Revenue Works will have a significant effect in improving the quality of life for a large number of residents within Enfield. The contracts will be delivered in such a way as to maximise the opportunities created by this investment, both in terms of training and employment placements, with particular emphasis on local labour initiatives.

## **10. PERFORMANCE MANAGEMENT IMPLICATIONS**

- 10.1 The new contracts include a comprehensive performance framework. This facilitates benchmarking between contractors and provides a positive incentive for contractors to deliver the contracts as per the tendered requirements. This includes the application of financial deductions and Defect Notices, and the option to transfer work to a better performing contractor from a poor performing contractor.

## **11. HEALTH AND SAFETY IMPLICATIONS**

- 11.1 Health and Safety implications and outputs will be monitored as part of each individual contract's reporting requirements.
- 11.2 Specifications and workmanship will consider at all times the fire safety of individual dwellings or blocks. Contractors are required to report deficient or failing areas in order that an informed decision can be made regarding suitable protection.

## **12. PUBLIC HEALTH IMPLICATIONS**

- 12.1 A responsive and well managed repairs and maintenance service is a key element in a number of public health issues associated with housing conditions.
- 12.2 Well insulated properties with maintained heating systems will mitigate fuel poverty and help to reduce various health conditions including respiratory ailments and asthma.
- 12.3 The mechanical and electrical maintenance contracts incorporate modern efficient specifications that reduce the incidence of breakdowns and increase the energy performance of the housing stock.
- 12.4 The contracts include works such as Water Management, Mechanical and Electrical statutory compliance and servicing contracts. Failure to have robust processes to manage these risks could lead to significant public health implications such as proliferation of Legionella Bacteria. Works are prioritised to reduce risk to public health including structural improvements and internal decorations to improve hygiene.
- 12.5 Contractors are encouraged to complete works with due cognisance of the impact on residents and overall property conditions in regards to safety and health.

### **Background Papers**

None