

<b>Item No.</b>	<b>Classification:</b> Open	<b>Date:</b> 9 July 2012	<b>Decision Taker:</b> Deputy Leader and Cabinet Member for Housing Management
<b>Report title:</b>		Gateway 2 Interim Repairs and Maintenance Contract	
<b>Ward(s) or groups affected:</b>		Various Wards	
<b>From:</b>		Strategic Director of Housing and Community Services	

## RECOMMENDATION

The Deputy Leader and Cabinet Member for Housing is asked to:

1. Approve the award of the interim repairs and maintenance contract under the Watford Community Housing Trust (WCHT) Framework for Camberwell, Peckham, Nunhead, Peckham Rye and Dulwich to Mears Limited commencing on 3 October 2012 for twelve months with a cost of up to £12,200,000.

## BACKGROUND INFORMATION

2. The council joined the Watford Community Housing Trust (WCHT) repairs and maintenance framework in autumn 2011. At the time, the main driver was to provide back-up arrangements to the repairs contractors in the event of failure. At the point of joining, the WCHT framework was the only operational repairs and maintenance framework in the country.
3. WCHT procured frameworks for capital works, new build and repairs and maintenance (including voids) in October 2007. The agreements were signed in July 2009 and run for five years until July 2014. Five constructors have been appointed under Term Partnering Contract (TPC) 2005. Namely, Apollo Property Services, Wates Construction, Mears Limited, Mulalley and United House. Connaught was originally appointed but the contract has since terminated.
4. There are joining agreements in place that allow other social landlords to join the framework and call-off services.
5. After joining WCHT, the council subsequently served six months notice on the incumbent repairs contractor, Morrison Facilities Services Limited (MFSL), to terminate the contract from 2 October 2012. As members of the WCHT framework the council was able to call-off an OJEU compliant framework to deliver the repairs and maintenance service on expiry of the MFSL contract from 3 October 2012.
6. Putting in place this 12 month interim contract provides the council with the space and time it requires to work through the options available for the long-term delivery of the repairs service. This is considered to be acting reasonably as it balances the combined needs of continuing to provide a repairs service with delivering a high quality and value for money service, while also allowing the opportunity to shape and redefine future repairs service delivery. The procurement strategy for the long-term repairs and maintenance contract will be presented to Cabinet in July 2012 and is on track to be in place by October 2013.

7. The planned procurement strategy was the subject of a gateway 1 report which was approved on 9 April 2012. Tenders were issued on 27 April 2012.
8. **Procurement project plan**

<b>Activity</b>	<b>Completed by/Complete by:</b>
Approval of Gateway 1: Procurement Strategy Report	09/04/2012
Issue Notice of Intention	N/A
Briefing to the WCHT Framework Contractors	02/04/2012
Completion of tender documentation	20/04/2012
Closing date for expressions of interest	N/A
Completion of short-listing of applicants	N/A
Invitation to tender	27/04/2012
Closing date for return of tenders	06/06/2012
Completion of evaluation of tenders	11/06/2012
Issue Notice of Proposal	N/A
Report on Forward Plan	17/06/2012
DCRB CCRB Review Gateway 2: Contract award report	02/07/12 05/07/12
Notification of forthcoming decision	09/07/2012
Approval of Gateway 2: Contract Award Report	17/07/2012
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	18/07/2012 – 25/07/2012
Alcatel Standstill Period (if applicable)	N/A
Contract award	26/07/2012
Add to Contract Register	26/07/2012
TUPE Consultation and mobilisation period	26 July 2012 – 02/10/2012
Place award notice in Official Journal of European (OJEU)	N/A
Contract start	03/10/2012
Contract completion date	02/10/2013
Contract completion date – if extension(s) exercised	N/A

## **KEY ISSUES FOR CONSIDERATION**

### **Description of procurement outcomes**

9. The works will affect the properties in the south of the borough, namely those in Camberwell, Peckham, Nunhead, Peckham Rye and Dulwich.

10. The works comprise of all day to day repairs and maintenance to both residential and non-residential housing stock. In summary the work includes:
- Demolitions and alterations
  - Excavation and earthwork
  - Concrete and brickwork repairs
  - Asphalt work
  - Roofing
  - Woodwork and timber treatment
  - Damp proofing
  - Metalwork
  - Plumbing
  - Mechanical installations
  - Floor, wall and ceiling finishes
  - Glazing
  - Painting and decorating
  - Drainage
  - Fencing
  - Paving
  - Window repair/replacement
  - Asbestos removal
  - Ventilation works
  - Electrical works
  - Planned maintenance
  - Project management and supervision.
11. The proposed works are based on the term brief specification, preliminaries and key performance indicators previously procured under the WCHT framework agreement.
12. Additional objectives to be delivered from this contract comprise of:
- Achieving high levels of resident satisfaction
  - Delivering repairs right first time every time
  - Limited recalls and call backs and duplication
  - Residents treated with respect as though they were members of one's own family.
  - A constant and relentless drive for value for money.
  - Accessible and visible customer services catering for all residents' needs.
  - Keeping residents constantly informed of service progress and being fully involved in service improvement.
  - Responding quickly to service failure and learning from complaints.
  - Motivated and highly focussed workforce committed to delivering the excellent service residents deserve.

### **Key/Non Key decisions**

13. This is a key decision:
- The tendered cost of the contract is £12,200,000
  - There is no extension built into the contract.
  - The contract price is not index linked.

## Policy implications

14. An excellent responsive repairs service puts residents at the heart of service delivery. This contract is being procured in this context and one that challenges service improvement and aspires to deliver a greatly improved repairs service for residents.
15. The quality of the repairs and maintenance service is crucial to improving overall customer satisfaction with the council. This procurement is looking for a new style service, which truly puts the customer first. Our residents tell us that the repairs service has a long way to go to truly meet their expectations so the council is looking for a freshness of approach.
16. The council has already reorganised the way in which it works to ensure that repairs is given a sufficiently high profile to drive the necessary continuous improvement. Firstly, a new Housing Services department was created in January 2011 to ensure a dedicated focus on the services received by residents of the council's housing. Secondly, a new division concentrating on day to day repairs and compliance went live in September 2011. All of this activity has already brought about significant improvements, particularly around repairs right first time and customer satisfaction.
17. However, despite these changes, the repair service is still a bottom quartile performer. The council is looking to move the repairs service into upper quartile performance and challenging targets have been set in order to achieve this. It is the council's expectation that the new long-term partner will hit the ground running and deliver a quality service from day one of the new contract.
18. One of the areas where the council needs to improve is to recognise that leaseholders are our customers too. This is particularly important in a Borough like Southwark where leaseholders make up a quarter of our residents, and pay significant service charges for communal repairs. Our new contractor must be prepared to deliver an equally excellent service for both leaseholders and tenants.
19. Our residents have told us that a 'right first visit' approach is what really matters to them. The council is seeking to procure a contractor who will go the extra mile to deliver fantastic customer service and who always do what they say they will do. A robust procurement and evaluation process will ensure that only the very best contractor is selected that is able to match the council's ambitions.
20. In summary, the procurement of this contract must enable the council to build upon its successes to date and take the repairs service to the next level, including:
  - Achieving high levels of resident satisfaction
  - Delivering repairs right first time every time
  - Limited recalls and call-backs and duplication
  - Residents treated with respect as though they were members of one's own family.
  - A constant and relentless drive for value for money
  - Accessible and visible customer services catering for all residents' needs.
  - Keeping residents constantly informed of service progress and being fully involved in service improvement.

- Responding quickly to service failure and learning from complaints
- Working to deliver the key outputs of the customer access strategy.

### **Tender process**

21. As mentioned above, the council utilised an OJEU compliant repairs and maintenance framework procured in 2007. Appointment to the Framework was on the basis of the most economically advantageous tender which was evaluated on the basis of a 70% quality and 30% price ratio. This ratio cannot be altered and differs from the council's 70% price and 30% quality. While the council has had to adhere to the framework of the original procurement it was able to develop bespoke quality evaluation criteria to reflect particular requirements that are important to the council, such as delivering repairs right first time and development of an effective mobilisation plan.
22. Tenders were issued to only Mears Limited and Apollo Property Services on 27 April 2012. Wates Construction, Mulalley and United Housing having confirmed before tender issue their decision to withdraw from the process because of timing and capacity issues. An addendum to the original tender, in respect of the employers pensions contribution, was sent out to both parties prior to tender return.
23. A series of tender clarification questions were received. The issues ranged from information technological interface issues through to detailed TUPE questions. Questions were responded to within 48 hours and circulated to both contractors.
24. Both invited contractors returned tenders on the closing date of 6 June 2012.

### **Tender evaluation**

25. In accordance with the procurement best practice, two evaluation panels were established; one to deal exclusively with quality and the other with price. The quality panel consisted of a range of officers with appropriate disciplines. The separate evaluation panel for price consisted of quantity surveyors from Potter Raper Partnerships. For probity, panels were kept separate so that quality and price could be independently reviewed. When both scores were brought together the quality evaluation was challenged and facilitated by staff in corporate procurement.

### **Quality**

26. The quality assessment was based on 12 tender questions which covered all aspects of the repairs service from partnering contract mobilisation through to delivery on site. The maximum score available was 70 (70%). Weightings were applied to areas of particular importance as mentioned above but also included information technology, innovation, quality control, resident liaison and management of risks. Questions were scored out of a maximum of 5.

### **Price**

27. Price was evaluated for the remaining maximum score of 30 (30%). It was evaluated based on the rates and percentages indicated below:
  - Percentage on priced Standard Order Descriptions

- Percentage on priced NHF Schedule of Rates
- Indicative quantities for scaffolding multiplied by scaffolding rates
- Indicative value for void works adjusted by NHF schedule of rates
- Indicative quantities for dayworks multiplied by tendered rates
- Indicative quantities for a mobile operative multiplied by tendered rates
- TUPE costs

28. The above values were added together to arrive at a lump sum. The contractor with the lowest lump sum receiving the maximum score of 30. A summary of the key price features for each contractor is set out below.

### **Combined Price and Quality**

29. Once the evaluation of both price and quality was completed the scores were added together. Taken together, Mears Limited scored the highest on both price and quality. Their tender is considered the most economically advantageous tender and on this basis it is recommended that Mears Limited be awarded the interim repairs and maintenance contract for the south of the borough.

### **Plans for the transition from the old to the new contract**

30. A mobilisation project team has been established with a dedicated project manager to ensure that a smooth transition takes place.

31. In addition, Mears Limited will have a two month mobilisation period. As part of the tender process they submitted a detailed mobilisation plan that sets out the tasks required to ensure they are ready to hit the ground running so that residents experience a seamless transition to the new provider in October 2012.

32. The plan covers all activities required to ensure completion of the following tasks:

- Partnership Governance and Mobilisation Governance.
- The operational delivery structure.
- Site set up.
- Delivery of all IT requirements.
- The TUPE process including consultation and staff one to ones.
- Procurement.
- Staff Training.
- Should it exist, clearing the backlog of any outstanding jobs.

33. This process will involve combined working with MFSL and Mears Limited and the council's repairs and maintenance and commercial teams. This multi-disciplined team will meet weekly from contract award through to go live in October.

### **Plans for monitoring and management of the contract**

34. The contracts will be managed by the council's repairs and maintenance and commercial teams. Monthly contract meeting will be in place and performance measurement will be through a key suite of performance indicators. Given that staff will TUPE transfer to Mears Limited on commencement of the contract officers will work closely with Mears to ensure issues of performance are maintained with a particular drive on improving communication, service culture and value for money.

### **Performance Bond/Parent Company Guarantee**

35. A parent company guarantee is not required as Mears Limited do not have a parent company. Under the terms of the framework agreement a performance bond is not required.

### **Other Considerations**

#### **Community impact statement**

36. Repairs and maintenance is a universal service that is offered to all tenants and residents of the Borough. The proposal to appoint Mears Limited at this time will ensure they have sufficient time to mobilise and plan a smooth transition from MFSL at the end of their contract in October 2012.

#### **Social considerations**

37. Mears Limited are on the council's approved lists and have carried out a substantial amount of major works for the council. Mears Limited are fully aware and compliant with council's own Equal Opportunity Policy. Mears Limited have confirmed that they will pay the London Living Wage. Compliance and added quality benefits will be monitored throughout the 12 months of the contract.

#### **Sustainability considerations**

38. The contract will adhere to the council's Sustainability Policy. Where possible, materials purchased will be from sustainable sources. However, the overriding decision on material selection will be the materials conformity to BS and IS standards to ensure maximum safety and suitability.
39. Sustainability goals will be set for the contract and where possible the contractor will be required to carry out (and evidence) the following:
- Re-use of materials that can be recycled or reclaimed on site
  - Avoidance of environmentally damaging materials
  - Avoidance of materials that are potentially harmful to humans

#### **Market considerations**

40. Officers believe the market has been adequately tested based on the tenders received from two of the five invited contractors that returned the tender documents.
41. Mears Limited will be encouraged to make use of local labour wherever possible as is common practice.
42. Mears Limited is a private organisation and employs more than 13,000 staff.

#### **TUPE**

43. The report author has sought the advice of the legal department which has advised that the TUPE 2006 regs will apply on the termination of the MFSL contract. Circa 80 directly employed staff and a small number of sub-contractor

staff may transfer to Mears Limited. Mears Limited will be required to carry out TUPE negotiations directly with MFSL and the relevant sub contractors and will, along with them, be required to comply with their obligations under TUPE to inform and consult with representatives of their respective employees affected by the transfer.

44. After receiving the detailed TUPE information as part of the tender process, Mears Limited tendered a NIL lump sum for TUPE costs (this being recovered in the inclusive Schedule of Rates prices).
45. Some MFSL staff are members of the Local Government Pension Scheme. Mears Limited have been advised by way of an addendum during the tender process that the council's actuaries confirmed an additional cost of 17.5% for employer contribution will apply. It has been confirmed that this will be in line with the PAP policy on admission agreements.

### **Financial implications**

46. The tender process has produced a contract value of up to £12.2m for the letting of the interim Repairs and Maintenance contract formerly carried out by Morrison Facilities Services Limited (MFSL). The contract period will run from 3 October 2012 to 2 October 2013, and will therefore encompass two financial years. This would mean the cost of the new contract would be split over both financial years. Indications are that the split of costs would fall equally between financial years. If the spend and order profile mirrors 2010-11 then costs could increase, but this will be mitigated by the arrangements for managing the contract set out in paragraph 34.

### **Second stage appraisal**

47. A second stage appraisal has been received from the contracts monitoring team on Mears Limited. The company is placed at a very low risk status. It has been confirmed that there have not been any recent poor performance reports for Mears Limited.

### **Legal implications**

48. These are contained in the supplementary advice from the director of legal services.

### **Consultation and communication**

49. Given the importance of the repairs service it will be vital that a clear communication and consultation strategy is place which sets out what, when and how the council will communicate to and involve staff, residents, resident groups, members and other stakeholders. Officers in maintenance and compliance are developing the strategy with the communications team.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Director of Legal Services**

50. This report seeks the approval of the Deputy Leader and Cabinet Member for Housing to the award of contract for interim repairs and maintenance to Mears Limited, as detailed in paragraph 1. As the value of the contract, which is for



works, is between £10-15 million the decision to award this contract is reserved to the relevant cabinet member.

51. Being in excess of the EU works threshold of £4.3m, the contract is also subject to the tendering requirements of the Public Contract Regulations 2006. However as noted in paragraph 5, the council has tendered this contract through a mini-competition using the WCHT framework which is an EU compliant framework.
52. The council followed the WCHT framework evaluation criteria of 70:30 (quality/price). As noted in paragraph 43 Mears scored highest on both price and quality, and are recommended for award on the basis of the being the most economically advantageous tender.
53. Contract Standing Order 2.3 requires that no steps may be taken to award a contract unless the expenditure involved has been included in approved estimates, or otherwise approved by the council. Paragraphs 64-65 confirm the resource implications for establishing this framework.

### **Strategic Director of Finance and Corporate Services**

54. This gateway report recommends that the Deputy Leader and Cabinet Member for Housing approves the award of the interim repairs and maintenance contract under the Watford Community Housing Trust (WCHT) Framework for Camberwell, Peckham, Nunhead, Peckham Rye and Dulwich to Mears Limited, commencing on 3 October 2012 for twelve months.
55. The strategic director notes the financial implications contained within the report. Officer time to effect the recommendation will be contained within existing budgeted revenue resources.

### **Head of Procurement**

56. This report is seeking approval to award an interim Repairs and Maintenance contract for a period of 12 months whilst a new long term arrangement is being procured. This contract will cover the south of the borough delivering the services listed in paragraph 10. Paragraph 12 of the report identifies efficiency savings and service improvements to be delivered through the contract.
57. The report describes the procurement process that was followed and confirms that this was in line with the procurement strategy which was approved in April 2012. An EU compliant framework was used to source this contract. All providers appearing on the framework were invited to tender but only two proposals were submitted. This level of response was not surprising given the interim nature of the contract.
58. Paragraphs 25-29 describe how the submissions were evaluated and the results of that process. The recommended provider scored highest on both quality and price. Transferring this type of service from one provider to another requires robust planning and careful management. The report states that mobilisation was specifically assessed during the process and paragraphs 30-32 confirm that the recommended provider produced a detailed plan that should ensure residents experience a seamless service during transition.
59. Paragraph 34 outlines the monitoring and management arrangements that will be in place during the life of the contract.

## Head of Home Ownership and Tenant Management Initiatives

60. Section 20 of the Landlord and Tenant Act 1985 (as amended) requires the landlord to consult with leaseholders when it is proposing to enter into an agreement for more than 12 months where the cost to any leaseholder will be more than £100 per annum. As long as the agreement with Mears Limited is for a maximum of 12 months then it is not a qualifying long term agreement, and section 20 does not apply.
62. However, as the council will not have carried out section 20 on the long term agreement, if any individual repairs are required during the course of the contract that would cost any leaseholder more than £250 as a service charge (inclusive of management and administration fees) then the council will be required to carry out full statutory consultation under schedule 4 part 2 of the regulations, obtaining at least two quotes for the work and giving leaseholders the opportunity to nominate contractors. Mears Limited would be able to submit one of the quotes.
63. The council must ensure that the agreement entered into lasts a maximum of 12 months, or any service charge for minor repairs in the housing areas concerned would be limited to £100 per annum. The quantum loss to the council would be over £400,000 per annum. It is therefore imperative that if the council cannot procure a new qualifying long term agreement for repairs and maintenance, including carrying out the appropriate section 20 consultation, within the contract period with Mears Limited then a second selection process will be needed for a new agreement under the framework for up to a maximum of 12 months.
64. There is a low risk of challenge from the leaseholders on the reasonableness of the procurement process, as it could be seen as the Council trying to avoid the need to carry out section 20. This Council would need to show that it had acted reasonably in the circumstances, as set out in paragraph 6, and that the prices it received through the framework contract were reasonable. Section 20 does not cover service charges of more than £100 per annum from an agreement of less than 12 months, and this area of the law remains untested so a slight risk remains on the grounds of reasonableness.
65. The new agreement for repairs and maintenance must allow for repairs orders to be raised against units, blocks and estates, so that the costs can be easily identified for service charge purposes.

## BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Gateway 1 - Procurement Strategy Approval Interim Repairs and Maintenance Contract	160 Tooley Street, SE1 2TZ	David Lewis, Head of Maintenance and Compliance Tel: 020 7525 7836

## APPENDICES

No	Title
N/A	

## AUDIT TRAIL

<b>Lead Officer</b>	Gerri Scott, Strategic Director of Housing and Community Services	
<b>Report Author</b>	David Lewis, Head of Maintenance and Compliance	
<b>Version</b>	Final	
<b>Dated</b>	9 July 2012	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Director of Legal Services	Yes	Yes
Finance Director	Yes	Yes
Head of Procurement	Yes	Yes
Head of Home Ownership	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
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