

## **CABINET**

**27 OCTOBER 2015**

### **GATEWAY 3 CONTRACT AWARD REPORT: HOUSING REVENUE ACCOUNT 3 YEAR CAPITAL PROGRAMME**

Portfolio Holder: Councillor Doe, Deputy Leader and Housing and Community Services

Report From: Richard Hicks, Director of Regeneration, Community and Culture

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#### **SUMMARY**

This report provides information on the recent decision made by the Monitoring Officer, in consultation with the Procurement Board, to award a series of contracts to the service providers to deliver the various elements of the HRA Housing Capital Programme.

On 17 June 2015, the Procurement Board (whilst considering the Gateway 1 report for this procurement process) requested that this report be submitted to Cabinet for noting after the Gateway 3 had been approved.

#### **1. Budget and Policy Framework**

- 1.1 Following the introduction of HRA self-financing the HRA Business Plan was refreshed by the Chartered Institute of Housing and was reviewed by the Business Support Overview and Scrutiny Committee on 3 February 2015 and adopted by Cabinet on 10 February 2015. As such this procurement is affordable from the Housing Revenue Account (HRA) budget based on the current HRA business plan.
- 1.2 The cost of the capital works is fully funded from the HRA budget which was approved at Full Council on 26 February 2015.
- 1.3 The Business Plan is currently being reviewed and will be revised as a direct result of changes announced in the Governments National Budget on 8 July 2015 specifically with regards to further Welfare Reform changes and a reduction of 1% in rent each year for the next 4 years. This will have an impact on the Income Streams to the HRA. An initial review anticipates that the previously agreed revenue and capital

budgets will be sustainable for the next 4 years. A report to members will be provided once the business plan has been revised as part of the annual HRA Revenue and Capital budget setting process to full Council on 25 February 2016.

## **2. Background**

2.1 The programme consists of the following projects:

1. Fire Risk Assessment (FRA) works – fire upgrade works to the existing housing stock to comply with FRAs as identified by Building Control (STG), and is split into 2 work packages.
2. Pitched roofing replacements - This package also includes works to soffits, fascias, gutters and downpipe replacement.
3. Windows replacement – Existing windows which have reached the end of their life will be replaced with “A” rated windows, which will improve the energy efficiency of the properties.
4. Suffolk Court Boiler/Heating – this work package is being retendered as the submissions received did not offer best value. The result of the retender will be presented in October 2015

2.2 The replacement of boilers, roofs and improved insulation is part of Medway Council's commitment to the Department for Communities and Local Government's (DCLG) 'Decent Home' standard, which whilst no longer measured remains the benchmark standard for Housing Providers. Medway has developed the 'Medway Plus Standard' which is over and above that of 'Decent Home'

2.3 The fire risk assessment works to be undertaken are as a result of fire risk assessments of common areas in 2013 and subsequent strategy and action plan to improve the standard of fire safety within the HRA stock. Medway Council has a duty to take general fire precautions and comply with the regulatory reform Fire Safety order 2005, and where applicable to fire safety in the Housing Act 2004.

## **3. Procurement Process**

### **3.1 Procurement Process Undertaken**

3.1.1 The formal tender of the Housing Capital Programme followed the EU Open procurement process and commenced with the issue of the OJEU notice on 19 June 2015. The deadline for receipt of completed tenders was 20 July 2015

3.1.2 The following table shows the number of contractors who initially expressed an interest and submitted tenders for each work package:

<b>Work Package</b>	<b>No. of Contractors Expressed an Interest</b>	<b>No. of Contractors Submitted a Tender</b>
FRA Doors Replacement	77	7
FRA Building Works	69	4
Window Replacement	51	6
Pitched Roofing Programme	51	12

3.1.3 The majority of service providers who subsequently did not submit a tender felt, that although they were very keen to work with Medway, their workloads were too high to be to commit to this programme, and many had chosen to bid for only some of the work packages, after considering all of the tender documentation.

### **3.2 Evaluation Criteria**

3.2.1 The evaluation criteria set was Most Economically Advantageous Tender (MEAT), based upon a mixture of quality and price. The ratio used was 20% quality and 80% price for the windows, boiler and roofing work packages, and 30% quality and 70% price for the FRA work packages.

## 4. Business Case

### 4.1 Delivery of Procurement Project Outputs / Outcomes

The following procurement outcomes/outputs identified as important at Gateway 1 to the delivery of this procurement requirement have been appraised in the table below to demonstrate how the recommended procurement contract award will deliver said outcomes/outputs.

Outputs / Outcomes	How will success be measured?	Who will measure success of outputs/ outcomes	When will success be measured?	How will recommended procurement contract award deliver outputs/outcomes?
<b>1. Legal compliance</b>	STG to re-assess once works have been completed (FRA project) and through on-going quality checks	STG, Clerk of Works	STG - Post completion of the works Clerk of Works – during the works	The works have been specified to meet the required standards and the contractors appointed have shown they have the experience to deliver to these standards.
<b>2. Maintaining Decent Homes Standards</b>	Building Control approval and on-going quality checks (roofing projects)	Clerk of Works, STG	STG - Post completion of the works Clerk of Works – during the works	The works will improve the standard of the homes in need of improvement and deliver energy efficiencies to residents
<b>3. Improving energy efficiency</b>	Quality checks throughout, pre and post energy bill spent comparisons (boilers, windows and roofs)	Clerk of Works, Suffolk Court stakeholders	Clerk of Works – during the works Stakeholders – post completion	The works will improve the standard of the homes in need of improvement and deliver energy efficiencies to residents

<b>4. Improving 'U' values</b>	Quality checks throughout, pre and post energy bill spent comparisons (roofing, windows and boilers)	Clerk of Works, housing tenants	Clerk of Works – during the works Housing tenants – post completion	The works will improve the standard of the homes in need of improvement and deliver energy efficiencies to residents
<b>5. Reducing plant breakdowns</b>	Comparing call – outs, comparing breakdown calls over the past five years	Service Contractor	Yearly intervals	The works will improve the efficiency of the heating system and reduce repairs costs. Servicing of the system will maintain efficiency levels

## 5. Risk Management

### 5.1 Risk Categorisation

<b>1. Risk Category: Service Delivery</b>	<b>Likelihood: Low</b>	<b>Impact: Marginal</b>
<b>Outline Description:</b> Resource restraints within the council		
<b>Plans to Mitigate:</b> Programme accordingly to ensure that deadlines are met and colleagues are engaged throughout		
<b>2. Risk Category: Financial</b>	<b>Likelihood: Low</b>	<b>Impact: Critical</b>
<b>Outline Description:</b> Unforeseen expenditure outside approvals		
<b>Plans to Mitigate:</b> Incorporate value engineering techniques to plan for the unexpected		

<b>3. Risk Category: Contractual Delivery</b>	<b>Likelihood: Significant</b>	<b>Impact: Critical</b>
<b>Outline Description:</b> Contractors not being able to meet tight deadlines.		
<b>Plans to Mitigate:</b> Contractual financial consequences for delays (liquidated damages, etc)		

## **6. Service Comments**

### **6.1 Financial Comments**

- 6.1.1 The procurement requirement and its associated delivery will be funded from the HRA capital budget. Leaseholders will be charged, as appropriate as a proportion of the costs of the works.
- 6.1.2 Further detail is contained within Section 1.1 Financial Analysis of the **Exempt Appendix** that accompanies this report.

### **6.2 Legal Comments**

- 6.2.1 Medway Council has the power under the Local Government (Contracts) Act 1997 and the Localism Act 2011 to enter into contracts in connection with the performance of its functions.
- 6.2.2 The process adopted complied with the EU procurement regulations and the Council's Contract Procedure Rules.
- 6.2.3 This is a Category B, Level 3 medium risk procurement, the Monitoring Officer, in consultation with the Procurement Board will therefore set the risk and reporting stages for the remainder of the procurement process for Gateway 4 and 5 (if required).

### **6.3 Procurement Comments**

- 6.3.1 As per the Contract Procedure Rules under section 3.3.1: 'All requirements above £100K must be advertised on the Council's Website, the Kent Business Portal and in the OJEU (where above the EU tender thresholds for goods, services or works).' These opportunities were also advertised on Contracts Finder as a mandatory requirement under the Public Contract Regulations 2015, and under section 3.3.3 of the Contract Procedure Rules.
- 6.3.2 All procurements were carried out via OJEU open procedures through the Kent Business Portal to comply with these rules, to adhere to the updated Public Procurement Regulations 2015, and to support the Council's procurement strategy to provide best value. Tenderers were able to bid for as many or as few lots as they wished, and the contracts awarded offered the best possible value to Medway.
- 6.3.3 Breaking the works into lots offered opportunities to SMEs; the percentage of contracts awarded to SMEs for this programme is 62% based on contract values.
- 6.3.4 The FRA work packages were also subject to leaseholder consultation, and the works programmes reflected this.
- 6.3.5 The procurement process will work towards improving the energy efficiency of homes whilst working towards the Medway Homes Standard.

6.3.6 There are performance KPIs in place which should be monitored closely during the delivery phases, to ensure they are achieved, before allowing those contactors who have won Lots for more than one year, to continue to subsequent years of the programme. The contract terms will also allow for termination of the contract should the performance and qualities not meet the required standards.

## 7. Procurement Board

7.1 The Monitoring Officer, in consultation with the Procurement Board, has awarded the series of contracts in accordance with section 2 of the exempt appendix, to achieve the outputs and opportunities described in Section 4 above.

Work Package	Contractors
FRA Internal Works and Doors Replacement	Lots 1 – 6 Ventro Limited
FRA Building Works	Lots 1 – 5 AD Construction Group
Window Replacement	Lots 1 and 2 DCB Kent Limited
Pitched Roofing Programme	LOT1 NP Trutwein LOT2 Lakehouse LOT3 Lakehouse LOT4 Cablesheer LOT5 Lakehouse LOT6 Lakehouse LOT7 NP Trutwein

## 8. Other Information

### 8.1 Leaseholder Consultation

8.1.1 Under the provisions in the Commonhold and Leasehold Reform Act 2002 (Section 151), Medway Council as the landlord is obliged to consult with the tenants of any properties, which are subject to long leases, before entering into a long-term agreement for the provision of services. The new procedures provide for two separate 30-day periods for leaseholders to make observations.

8.1.2 This consultation was appropriate for both the FRA work packages. All leaseholders were notified on 21 May 2015 of Medway's intention to start the procurement process prior to the OJEU notice being published. Further notices allowing for comment were issued in June 2015, following receipt of the final tenders, and leaseholders were also advised in October 2015 of which suppliers have been awarded the



contract. Officers are currently liaising with leaseholders in terms of any feedback.

- 8.1.3 Tenants and leaseholders were consulted regarding the proposed programme both at the Tenant and Leaseholder Annual Budget consultation meeting in January 2015 and via the Asset Management Group, on which three resident representatives sit.

## 9. Recommendation

- 9.1 That the Cabinet notes the contents of the report.

## 10. Suggested Reasons for Decisions

- 10.1 To ensure that Cabinet is informed of the outcome of the tender process for these works.

### Lead Officer Contacts

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**Appendices:** Exempt Appendix

### BACKGROUND PAPERS

The following documents have been relied upon in the preparation of this report:

Description of Document	Location	Date
Housing Revenue Account Capital and Revenue Budgets 2015/16	<a href="http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&amp;MId=2962&amp;Ver=4">http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&amp;MId=2962&amp;Ver=4</a>	Feb 15
Housing Capital Works – 3 Year Programme GW1 Report	Available on request	June 15
HRA Asset Management Plan 2015-20	<a href="http://www.medway.gov.uk/pdf/Asset%20Management%20Strategy.pdf">http://www.medway.gov.uk/pdf/Asset%20Management%20Strategy.pdf</a>	May 15
Housing Revenue Account Capital and Revenue Budgets 2015/16	<a href="http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=122&amp;MId=2974&amp;Ver=4">http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=122&amp;MId=2974&amp;Ver=4</a>	Feb 15