



To: Executive Councillor for Housing (and Deputy Leader): Councillor Catherine Smart  
Report by: David Horspool, Director of Resources  
Relevant scrutiny committee: Community Services Scrutiny Committee  
HMB 11<sup>th</sup> October 2012  
18<sup>th</sup> September 2012  
Wards affected: All Wards

## **BUILT ASSET MAINTENANCE PROCUREMENT STRATEGY 2012 - 2017 Key Decision**

### **1. Executive summary**

- 1.1 This paper outlines a procurement strategy for the maintenance and improvement of the Council's housing stock and other Council-owned built assets, for the next five years. Suggested areas of work to be considered during the life of the strategy are outlined. Recommendations are made for a future procurement approach to be adopted for each area highlighted.
- 1.2 A number of procurement options are available for the Council in order to be able to demonstrate value for money and rigour in its selection of preferred service providers and also when assessing the value for money of current in-house service provision. Procurement options range from soft market testing and benchmarking to outsourcing.
- 1.3 The strategy is intended to complement the corporate procurement strategy, the Council's Medium Term Objectives, the Council's sustainability aspirations, the Housing Business Plan and Asset Management Strategy.
- 1.4 The strategy sets out how the Department will drive the procurement agenda forward and develop further long term partnering arrangements to achieve value for money in the delivery of property maintenance and investment programmes.

## 2. Recommendations

The Executive Councillor is recommended:

- 2.1 To approve the appointment of Eastern Shires Purchasing Organization (ESPO) to carry out a procurement exercise with officers of the City Council to select two main contractors to carry out planned maintenance works for the City Council with effect from April 2014 to March 2019, with an option to extend for a period of up to three years.
- 2.2 To authorise the Director of Customer and Community Services to invite and evaluate tenders and, following consultation with Executive Councillor, the Director of Resources, Chair and Spokes of the Committee to award two contracts for the appointment of main contractors to carry out planned maintenance works in accordance with the requirements of the Constitution with effect from April 2014 to March 2019, with an option to extend for one or more periods up to a maximum extension of three years.
- 2.3 To approve the use of the Scape National Minor Works framework contract to call off contracts with Kier Services for a period of up to three years from October 2012 for the purpose of carrying out parts of the Council's planned maintenance works programme.
- 2.4 To approve a procurement budget of £60,000 for legal and other costs associated with the procurement and implementation the new planned works contracts and other contracts referred to in this report.
- 2.5 To authorise the Director of Customer and Community Services to invite and evaluate tenders (or call off services from an existing framework agreement if appropriate) and, following consultation with the Executive Councillor, Director of Resources, Chair and Spokes of the Committee to award contracts for the appointment of contractors to carry out certain types of responsive maintenance work listed in this report for a period of up to three years to supplement the Council's direct provision of repairs and voids, in accordance with the requirements of the Constitution.
- 2.6 To approve the use of the ESPO framework contract "2930 - Installation of Gas Fired Domestic Central Heating Systems" to call off a contract for a period of up to three years to carry out heating installations and in void properties and carry out emergency boiler replacements.
- 2.7 To authorise the Director of Customer and Community Services to invite and evaluate tenders (or call off services from an existing

framework agreement if appropriate) and, following consultation with the Director of Resources to award a contract for the appointment of a supplier to provide a web-based NEC3 contract management application.

- 2.8 To approve the recruitment of 3.5 full time equivalent additional contract management surveyors and 2 full time equivalent asset officers within the Estates and Facilities Asset Management team in order to manage the delivery of additional capital investment.

### **3. Background**

- 3.1 The current housing procurement strategy was adopted in 2009 and runs until 2012. Primary actions outlined in the strategy included hard and soft market testing of various service elements which has since been completed.
- 3.2 Soft market testing of the reactive and voids maintenance service resulted in a robust improvement plan being adopted for internal service provision. At the end of the improvement plan in September 2013 Members will consider progress made and the nature of future service provision.
- 3.3 Hard market testing of planned maintenance activities including cyclical maintenance and major aids and adaptations took place in 2010 and resulted in Apollo Property Services Group and Kier Services (as reserve) being appointed to undertake these works from July 2011 for a period of five years.
- 3.4 Housing self-financing and the move to an investment approach to asset management have lead to additional resources becoming available and a large increase in the capital programme from 2012-2017 to around £12m per year.
- 3.5 A 30-Year Housing Revenue Account Business Plan and Asset Management Plan have been produced to provide a clear direction for operation of the housing business at a local level.
- 3.6 The corporate restructuring process and the “one Council” approach has given the new Resources department a remit to manage a wider range of Council assets and establish planned maintenance programmes for these assets.

#### **4.0 Proposals for housing maintenance reactive investment 2012-2017**

In-house Estate and Facilities staff carry out the majority of response

repair and voids works to housing stock. However external contractors provide specialist services and help manage peaks in workload.

A number of contracts are running without recent market testing (see table below). These contracts pre-date the establishment of the Estate and Facilities team and many are not supported by current contracts. This situation needs to be corrected whilst recognizing the need to keep delivering the repairs service.

<b>Service Area</b>	<b>Contractor</b>	<b>Approximate annual value</b>
Gas and Plumbing	Chaps Ltd (now in administration)	£241,000
Plastering	Compton and Casburn	£56,000
Groundworks	D Carman Building Services	£25,000
Asbestos removal	Kershaw Contracting Services	£39,000
Roofing	K&C Roofing	£65,000
Roofing	Lodge Roofing Ltd	£40,000
General building	N&S Building Services	£124,000
Electrical works	Southern Electric Contracting	£238,000

**4.1** The Executive Councillor has approved a waiver from the procurement rules for a period of eight months to allow time for various contracts to be tendered. It is proposed that these will be short term or annual contracts for a term not exceeding three years pending a clear outcome on the repairs improvements plan.

#### **4.2 Procurement Proposals**

It is proposed to procure these activities as category-focused lots in a single procurement or explore the use of existing frameworks.

Package A - Gas and Plumbing -This would pick up the work previously undertaken by CHAPS

Package B - General Building - This would pick up work by Compton and Casburn, D Carman Building Services and N&S Builders

Package C – Roofing - This would pick up work undertaken by K C Roofing and Lodge Roofing

Package D - Electrical works -This would pick up work undertaken by Southern Electrical Contracting Ltd

4.3 The repairs improvement plan also contains proposals to implement mobile working and repairs identifier software. A separate report will contain proposals and procurement recommendations for these items.

## **5.0 Proposals for administration buildings and commercial property reactive maintenance 2012- 2017**

5.1 A large number of specialist contractors currently carry out repairs to and maintenance of administration buildings and commercial property. The estimated value of the work carried out is around £200,000 per year.

5.2 The repairs improvement plan will incorporate an objective to expand the range of services provided by the in-house Estates and Facilities team so that reactive repairs are carried out to commercial and administration buildings as well as to housing stock.

5.3 It may also be possible in future to provide repairs services to other Council services such as community centres, arts and recreation buildings, and car parks.

## **6.0 Proposals for planned maintenance capital investment 2012- 2017**

6.1 Planned maintenance contracts are currently in place with Apollo Property Services and Kier Services Ltd. These contracts commenced in July 2011 with a contract period of five years. Although these contracts allow for work to be carried out a range of Council assets, they are currently focussed on delivery of housing planned maintenance.

6.2 Due to changing investment requirements it is proposed that a new procurement exercise is carried out. The current planned maintenance contracts procured in 2010 were designed to deliver around £4m of maintenance services per annum. The contract notice (placed in January 2010) estimated a total framework contract value of £18m.

6.3 Since 2010 the housing capital programme has been updated a number of times. A large increase in investment as a result of housing self-financing means that the framework contract value would be exceeded, beyond an acceptable level, by March 2014 if all investment requirements were directed through it.

**6.4** The table below shows how housing planned maintenance capital budgets have changed from 2009 – 2012:

	2011/12	2012/13	2013/14	2014/15	2015/16	TOTAL
	£000	£000	£000	£000	£000	£000
Estimated Framework Contract values* at Sept 2009 (excluding voids works)	4,336	3,974	3,921	3,797	2,663	18,691
Cumulative Contract Value	4,336	8,310	12,231	16,028	18,691	18,691
Approved values* at Feb 2010 including Cambridge Standard and Adaptations (excluding voids works)	5,468	4,674	4,773	4,877	3,743	23,535
Approved values* at Feb 2011 including Cambridge Standard, Adaptations and Commercial Properties (excluding voids works)	4,310	2,800	4,109	4,215	2,984	18,418
Slippage from 2010/11 into 2011/12 and other changes	2,304	0	0	0	0	2,304
Revised value of planned maintenance contract <u>CAPITAL</u> works at Sept 2011 (excluding voids)	6,614	2,800	4,109	4,215	2,984	20,722
PLUS: Additional resources arising from HRA self-financing* approved Jan 2012)	0	7,474	7,262	6,903	8,129	29,768
Revised value of Contract works at March 2012 (excluding voids)	6,614	10,274	11,371	11,118	11,113	50,490
In-house works, fees and works to other contractors	3,227	2,220	1,110	1,108	1,105	8,770
Revised value* at April 2012 (All works)	9,841	12,494	12,481	12,226	12,218	59,260

(NB the figures in the above table do not include planned maintenance works from revenue budgets)

\* = Figures from housing capital investment plan

## 7.0 Planned maintenance procurement options

Various procurement options to deliver the additional capital investment have been considered. Three options are presented below. Option 2 is the recommended option.

### Option 1

Continue to deliver around £4m of capital works per annum through the planned works contract with Apollo until March 2016. Carry out new procurement exercises to deliver the balance of capital investment amounting to £8m per annum.

For	Against
	The time taken to procure work would leave little time to deliver 2012/13 programme

### Option 2

Deliver the bulk of the capital programme for 2012/13 and 2013/14 through the contracts with Kier and Apollo. Use the framework contract established by SCAPE to procure the balance of capital investment for specialist areas of work (e.g. roofing and heating). Commence a new procurement exercise in 2012/13 to deliver capital investment with effect from April 2014.

For	Against
Ensures capital programme is delivered - framework contracts for roofing and heating already exist	
Allows time to review procurement options and the packaging of work in the light of a significantly larger programme of work and objective to make contracts available to other services areas.	
The SCAPE framework is a single supplier framework so interim arrangements can be put in place quickly	

### Option 3

As option two, but after April 2014, deliver the programme of works with a mix of direct provision and specialist contracts.

For	Against
	Having outsourced this work in 2010/11 the Council does not currently have capacity to manage a larger direct labour force.
	The direct provision of planned maintenance may not be flexible or large enough to provide planned maintenance services to a wider range of Council –owned assets.

## 8.0 Use of “Scape” National Minor Works framework contract

- 8.1 “Scape” is a local authority controlled company that has established a number of national and regional framework contracts. Scape frameworks are pre-procured through an EU compliant tender process. All public bodies can access Scape national frameworks.
- 8.2 The Scape National Minor Works Framework is available to all public sector programmes of work with individual project budgets between £25k and £2m. Kier has been appointed as the sole provider which means that no further mini competitions are required. Kier manage the work and local SME contractors carry out the work. The form of contract used is NEC3, which the council is experienced in using.
- 8.3 It is proposed that the Scape framework is used to carry out planned roofing and heating work to Council housing from October 2012 until the new planned work contract is ready to start in 2014. It is proposed that the Scape framework would also be available for planned works to other service areas to use.

## 9.0 Draft Procurement Timetable - option 2

<b>Deadline</b>	<b>Activity</b>
July 2012	Establish project team
18 <sup>th</sup> September 2012	Procurement report to HMB for information
11 <sup>th</sup> October 2012	Procurement report to Community Services Committee
November 2012	Issue OJEU Notice
November 2012	Commence 1 <sup>st</sup> stage leaseholder consultation
January 2013	Deadline for PQQ return
January 2013	Close of leaseholder consultation
February 2013	Evaluate PQQs and select bidders for tender stage
March 2013	Issue invitation to tender documents
May 2013	Deadline for tender return
2 months	Evaluation, site visits, interviews, confirmation of tenders
July 2013	Confirm results and notify tenderers of results
2 months	EU Standstill (10 days) and leaseholder consultation process
September 2013	Contract award confirmed
6 months	Implementation
1 April 2014	Contract works commence



## **10 Procurement of planned maintenance works for other Council-owned assets**

### **10.1 Commercial property and Council –owned administration buildings**

A long term planned maintenance programme of work needs to be established for these assets. Surveys are planned to take place between September 2012 to February 2013 and a programme of works can then be developed. It is proposed that any work identified will fall within the scope of the new planned maintenance contract that is due to start in April 2014. In the meantime any urgent work could be procured through the Scape Minor Works framework.

### **10.2 Other Council built assets**

These include Neighbourhood Community Centres, car parks, the Crematorium, arts and recreation buildings, streets and open spaces buildings and structures. The Estate and Facilities team do not manage these assets.

10.3 It is proposed that the scope of the new planned maintenance contract that is due to start in April 2014 will allow for planned works to other Council assets without the need for further procurement exercises.

## **11 Contract Management tool and form of contracts**

11.1 Generally the NEC3 suite of contracts will be utilized to manage planned maintenance works. NEC3 contracts are widely used and are designed to be a stimulus to good project management.

11.2 A number of web-based applications are available to help manage contractual relationships. These assist with communication and ensure compliance with contract terms. Estates and Facilities have been trialling a product called CEMAR for 12 months. There are a number of products on the market and it is proposed to carry out a procurement exercise to select a supplier to support the new planned maintenance contract from March 2014.

11.3 The annual cost of a subscription-based contract is around £10,000 per annum dependent on the number of contract and number of users.

## **12 Procurement Principles**

The following principles guide all procurement activity undertaken  
We will:

- Strive to achieve best value in all our procurement by making it more economic, efficient and effective
- Consider all practical delivery options
- Commit to a mixed economy of suppliers to meet the needs of service users and the local economy
- Be fair, transparent and consistent in the conduct of all of our procurement
- Be informed by the views of service users (and non users where appropriate) in designing our procurement
- Improve and be open to innovation when planning procurement
- Use our procurement activities to promote the social economic and environmental well-being of the City where this will achieve best value for the Council
- Identify and manage risk including those relating to the health and safety of the public and officers
- Be effective and committed members of any partnership relationships
- Manage contractual relationships effectively from the start to the end.
- Recognize the importance of well-motivated and well trained staff to the delivery of best value services
- Use our procurement activities to promote equality of opportunity.

### **13 Our approach to Contractor and Supplier Selection**

- 13.1 The output of this strategy will be a propensity towards the use of fewer contractors and suppliers appointed on a formal, longer-term basis to provide flexibility of service provision. Existing contractors will need to be informed of the Council's procurement strategy.
- 13.2 For most projects there will continue to be a two-stage approach to the selection process in accordance with legislative and Council requirements.
- 13.3 Quality criteria used for the selection of prospective contractors will involve an assessment of historical performance, suitability and those aspects of quality that will add value. The assessment criteria and weightings will vary between procurements but will be transparent and consistent throughout each procurement exercise

## **14 Adding Social Value through procurement**

The Council's policies and objectives that are relevant to the services to be provided by the contractor will be identified at the outset of each procurement with a view to maximising the best value return to the Council. In addition to the requirements specified by the Council for the service, bidders will be asked to identify their how their delivery of the contract services will give added value to the Council by contributing to our objectives for:

- a. celebrating diversity and uniting in prioritising disadvantaged people and securing community well being
- b. achieving a thriving local economy to benefit the whole community;
- c. low carbon living;
- d. minimising the impact from waste and pollution.

The proposals put forward by bidders will be evaluated in accordance with pre-determined and disclosed evaluation criteria to ensure that each bidder is treated fairly and equally."

## **15. Implications**

### **(a) Financial Implications**

Following the restructure of the Resources department in 2011, the Estate and Facilities team was structured to deliver around £5-6m of capital works per year. Additional staff resources will be required to manage the additional volume of housing capital investment. These resources will be required to identify, survey, specify and manage works on site.

A request for funding for 3.5 FTE contract management surveyors and 2 FTE asset management officers has been incorporated into the mid-year review of the HRA business plan that will be considered by HMB and Community Services Committee and presented to full Council for approval in October 2012.

The approximate cost will be £230,000 per annum. This is around 3.3% of the additional investment as a result of housing self-financing.

There will be set up and procurement costs for the new planned works contracts and these are estimated to be around £60,000. These include legal costs, support from a cost consultant, ESPO fees and other costs. These will need to be fully identified and incorporated into the budget process for 2013/14.

There may be other costs associated with other procurement exercises carried out in the life of this strategy but these are not yet identified in detail.

(b) **Staffing Implications**

Additional staff resources will be required to manage the additional volume of housing capital investment. These resources will be required to identify, survey, specify and manage works on site. The financial implications are set out above.

Staff from the Resources department and other teams will be required to be involved in the procurement activities outlined in the report.

There are not expected to be any TUPE implications for Council staff. There may be TUPE implications for current contractors' staff.

(c) **Equal Opportunities Implications**

None currently. An EQIA will be undertaken where required as part of the project planning / tender analysis for each procurement exercise carried out under this strategy.

(d) **Environmental Implications**

Measures to improve environmental sustainability will be assessed as part of procurement exercises and written into future contracts.

The areas to be covered will include: -

- Improved specifications and environmental sourcing of materials
- Measure to reduce water use
- Measures to reduce waste sent to landfill
- Measures to reduce CO2 from works related activities
- Measures to minimise energy consumption on site

**Climate change rating of recommendations**

The outcomes of this procurement strategy should help reduce carbon emissions so there is a positive climate change impact rating.

These proposals have a medium impact as they have potential to improve the environmental performance of Council owned built assets.

The new planned maintenance contract will be able to be used to deliver projects identified in the Council's Carbon Management Plan.

(e) **Procurement**

These are already identified in the report

(f) **Consultation and communication**

Council officers from a range of Council departments have been consulted including the procurement team, legal, finance, HR, internal audit, city homes, community development, streets and open spaces and property services.

The Residents and Officers Asset Management Group (ROAM) have been briefed on the proposals and have been asked to nominate tenant representatives who can assist with tender evaluation processes.

Leaseholders will be formally consulted about the procurement of the proposed new planned works contract

The Council's main contractors have been briefed about proposals.

(g) **Community Safety**

None, but many of the programmes of works arising from this strategy will have a positive impact on community safety.

## **16. Background papers**

These background papers were used in the preparation of this report:

Housing Procurement Strategy 2009-2012

Housing Revenue Account 30-year business plan – February 2012

Housing Revenue Account 30-year Asset Management Plan –Feb 2012

## **17. Appendices**

Appendix 1 - Built Asset Maintenance Procurement activity in the life of this strategy

Appendix 2 - Performance review against previous procurement strategy targets

## **18. Inspection of papers**

To inspect the background papers or if you have a query on the report please contact:

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## Appendix 1- Built Asset Maintenance Procurement activity in the life of this strategy

Service area and indicative annual value	Current arrangement	Procurement option(s)
<b>1. Housing - Reactive Maintenance</b>		
Reactive repairs service £1,797,000	Carried out by in-house team, supported by specialist contractors	Repairs Improvement Plan to be reviewed in September 2013.
Voids maintenance £1,655,000	As above	As above
Plastering £50,000	Compton and Casburn	New contract to be procured by April 2013
Roofing repairs £90,000	Lodge Roofing/ K+C roofing	As above
Electrical works £120,000	Southern Electrical	As above
Gas boilers / heating in void, emergency heating £240,000	Chaps	As above
General building services £100,000	N+S building	As above
Flooring £20,000	Glasswell Contract Division	As above
Fencing / brickwork repairs £20,000	Moon / N+S building	As above
<b>2. Admin buildings- Reactive maintenance</b> £100,000	Delivered by a range of general and specialist contractors	Standardize suppliers, bring general work in-house by April 13
<b>3. Commercial buildings - Reactive maintenance</b> £110,000	Delivered by a range of general and specialist contractors	As above

<b>Service area and indicative annual value</b>	<b>Current arrangement</b>	<b>Procurement option(s)</b>
<b>4. Planned maintenance</b> £12m per annum		
Kitchens, bathrooms, electrical works	Planned maintenance contract + works in voids carried out in-house	Planned maintenance contract with effect from 2014 + works in voids carried out in-house
Heating and boilers	Planned maintenance contract. Works in voids carried out by specialist contractor	SCAPE framework contract until 2014. New planned maintenance contract with effect from 2014. Works in voids to be carried out by specialist contractor
Roof covering and roof structural work	Planned maintenance contract	SCAPE framework contract until 2014 New planned maintenance contract with effect from 2014.
External and Communal areas - balconies, chimneys, walls, windows, doors, garages, health and safety	Planned maintenance contract	New Planned maintenance contract with effect from 2014
The provision of Aids and adaptation works within Council housing	Planned maintenance contract	As above
Planned cyclical redecoration works (revenue)	Planned maintenance contract	As above
Hard landscape, hard standings, footpaths, fencing, external works and estate improvements	Planned maintenance contract	As above
Insulation and energy efficiency	Planned maintenance contract	As above
Asbestos removal	Planned maintenance contract	As above
<b>5. Gas maintenance</b> £890,000	Gas maintenance contract (expires 2015)	New procurement to take place in 2013/14

<b>Service area and indicative annual value</b>	<b>Current arrangement</b>	<b>Procurement option(s)</b>
<b>6. Building Services Contract (let in lots)</b> £80,000 per year		Procurement in progress. New contracts to be in place by April 2013
Lifts	Kone	
Door access	Power Control Panels	
Fire alarm panel testing	-	
Mechanical and Electrical Planned Maintenance	Imtech Aqua	
Fire fighting equipment	Cromwell Fire	
Air Cooling	Constant Cooling	
Warden Call maintenance	Chubb	
Automatic doors	Dent	
<b>7. Stair lifts and overhead tracking</b> (servicing and maintenance) £13,000 per year	EMS Stairlifts – no formal contract in place	Contract to be reviewed in 2013. New procurement to be carried out
<b>8. Fire risk assessment</b>	Fire Safety Express (Contract let in 2011 for 3+2 years)	
<b>9. Water hygiene</b> £40,000 per year	Clearwater Contract let under ESPO framework expires in 2013.	New framework contract to be established by County Council
<b>10. Asbestos surveying and air monitoring</b>	Redhills (Contract let under NWCCA framework for 3 years in 2011)	Contract to be reviewed in 2013/14
<b>11. Ditchburn Place refurbishment</b> £3,000,000	Project is at scheme appraisal stage	Project to be tendered in 2013/14 following separate committee report



## Appendix 2 - Performance review against existing procurement strategy targets

<b>3 year targets</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>Comments</b>
Explore possibility of establishing regional/sub regional framework agreement with ESPO for Hard market testing of services	<b>X</b>			<b>Completed</b>
Ditto but for soft market testing	<b>X</b>			
Review selection criteria model for appointment of contractors in Cambridge				
Identify costs and bid for resources for procurement exercises where required	<b>X</b>			<b>Complete</b>
Identify and engage resident representatives as part of project groups				<b>Complete</b>
Identify appropriate consultancies working with soft market testing	<b>X</b>			<b>Complete</b>
Establish project groups for duration of procurement process including all key stakeholders	<b>X</b>			<b>Complete</b>
Refresh construction Client Charter Status if modified for Local Authorities			<b>X</b>	<b>No longer an objective</b>
Consult existing service providers regarding procurement strategy and processes	<b>X</b>			<b>Complete</b>
Complete soft market testing exercises		<b>X</b>		<b>Complete</b>
Complete hard market testing exercises		<b>X</b>		<b>Complete</b>
Review performance PIs for all areas of activity		<b>X</b>		<b>Complete</b>
Ensure linkages to housing service improvement plan, Repairs and maintenance strategy, Status survey are embedded in selection process and performance indicators	<b>X</b>	<b>X</b>		<b>Complete</b>