

CABINET MEETING: 21 NOVEMBER 2016

**COMMISSIONING OF THE REPLACEMENT BUILDING
MAINTENANCE SERVICES FRAMEWORK**

**REPORT OF CORPORATE DIRECTOR COMMUNITIES,
HOUSING AND CUSTOMER SERVICE**

AGENDA ITEM: 6

**PORTFOLIO: HEALTH, HOUSING AND WELLBEING (COUNCILLOR
SUSAN ELSMORE)**

**Appendices 5-6 of this report are exempt from publication because they
contain information of the kind described in paragraph 16 of Part 4 of
Schedule 12A to the Local Government Act 1972**

Reasons for this Report

1. To agree the approach to recommissioning building maintenance services to replace the current corporate Building Maintenance Services Framework.
2. To approve the commissioning strategy for Domestic Housing Repairs and Maintenance and Disabled Adaptations.

Background

1. The current Building Maintenance Framework has been in place since 2013 and is due to end in June 2017. The Framework consists of 4 lots, covering both domestic and non-domestic maintenance and an additional lot for works to deliver disabled adaptations. The annual value of the Framework is £25.7 million.
2. The works are awarded in two ways through the framework arrangements:
 - Cascade – where work is awarded to the Rank 1 provider in each lot first and then subsequently to lower ranked providers based on a schedule of rates. This approach is triggered when the capacity of the first ranked provider has been reached.
 - Mini Competition between providers of the appropriate lot. This approach is used for larger scale domestic and non domestic works over £30k in value, or £36k for Disabled Adaptations major works

3. In the framework procurement process no restrictions were placed on the number of lots that any one provider could be awarded. This has meant that the same provider was successful in becoming the number one provider on 3 of the lots within the framework.

Issues

4. The main objective in the development of the current framework was to address a range of significant difficulties with the previous, very diverse, arrangements for the supply and management of building maintenance and improvement works. There were previously over 800 separate suppliers for these works with significant non-compliant spend with a lack of co-ordination of similar activity and missed opportunities to aggregate spend where appropriate. The new framework did address these issues with a significant reduction in the number of contractors, a reduction in non-compliant spend, and a greater co-ordination and aggregation of spend achieved.
5. However, significant issues have been experienced in the practical application of the Framework and in overall terms its operation has proved to be unsuitable to meet the wide range of business needs it was designed to meet.

Lessons Learnt

6. Given the strategic and operational importance of the Building Maintenance Framework, officers commissioned Construction Excellence Wales to undertake a review of the arrangements in the summer of 2014. This review included feedback from council officers, elected members and schools, along with feedback from the framework providers. The report found that the Framework was meeting many of its original aims (as stated above); however, it also set out a number of areas for improvement. An action plan was subsequently developed and implemented, and the issues identified in the report are being used to inform the new commissioning process.
7. In addition and in preparation for the recommissioning of services, workshops were held with Council managers and technical staff and with current contractors. The concerns identified, together with the findings of Construction Excellence Wales, were collated as "lessons learnt". The key issues are listed below, along with the suggested amendments identified to resolve the problems and prevent them recurring in any new contractual arrangements:
 - **Poor customer care, particularly in relation to elderly and vulnerable customers.**

It is proposed that the detailed specification will give significant emphasis to customer care, and that this will be supported by specific performance indicators to monitor the issues that are important to clients; for example, appointments made/kept, the number of

complaints and how quickly they are addressed. It is proposed to involve tenants and leaseholders in drawing up this aspect of the specification to ensure that their views and priorities are captured.

- **Capacity issues with some Ranked 1 providers**

It is clear that, in some cases, the Cascade approach has not dealt effectively with peaks and troughs of work volume. There has been too much reliance on one contractor, and rank 2 and 3 contractors are not in a position to quickly to take on unplanned work when the ranked 1 provider is at full capacity.

It is proposed to divide the provision into smaller value/volume lots, with multiple providers delivering similar works. There will also be a restriction on the number of lots that can be awarded to an individual bidder. This will ensure that there are always multiple providers ready to accept work at any given time. There will also be a mechanism for reallocation of work to an alternative provider who is able to deliver similar works where there are capacity or performance issues.

- **Inadequate performance/contract management tools to address poor performance.**

It is proposed to set realistic, achievable and measurable performance indicators and to have a robust mechanism for measuring performance and addressing poor performance. Complaints resolution will form part of the new contract, along with clear contract management arrangements.

- **Management of subcontractors**

There have been issues with the roles and responsibilities of main contractors and problems with the management of their sub-contractors, particularly in relation to Health & Safety. It is proposed to clearly define the expectations of the main contractor within the specification, and to introduce a performance measure against this requirement.

- **There have been issues with pricing and value for money**

There have been issues with agreeing rates for items which were not included in the Schedule of Rates. It is proposed that the current Schedule of Rates is reviewed and updated to include any omissions or issues that have been highlighted during the current framework. For those items that cannot be included in a schedule of rates, it is proposed to develop a clear Pricing Principles document setting out how such prices will be calculated and agreed. This will form part of the contract.

While the mini-competition element of the Framework has worked reasonably well, the Council is often required to deal directly with sub-contractors while paying significant uplifts/on-costs to the Framework

contractor. This has given rise to concerns that value for money is not being achieved. It is proposed that, in future, separate specialist/trade-specific contracts will be commissioned directly with the appropriate providers.

- **Internal stakeholders were not fully engaged with the development of the framework**

To address this issue, all internal stakeholders will be fully engaged in the current recommissioning process and take ownership of developing the specifications. There will be full engagement with tenants/leaseholders, and ward members will also be offered the opportunity to contribute to the proposals.

Phased Approach to Recommissioning

8. It is recommended that the re-commissioning of the Framework is delivered in two phases:
 - Phase 1 – Domestic Provision (Housing Repairs and Maintenance & Disabled Facilities)
 - Phase 2 – Non-Domestic Provision
9. Recommissioning Domestic and Non-Domestic provision separately will allow the contracts to be far more responsive to the business needs of the services. It will allow the specifications to be tailored to the significantly different services we are delivering for example, the skills required to deliver repairs to individual council houses, taking into account the needs of tenants and residents, are quite different from those required to deliver in a non-domestic environment.
10. The phasing of the change will give the team recommissioning the Non-Domestic framework more time to develop the correct strategy for the future. This work includes:
 - Undertaking detailed condition surveys of the stock, particularly around electrical and mechanical items;
 - Addressing the balance of work between external and in-house provision;
 - Adopting a Corporate Landlord approach and developing a long term strategic approach.

Phase 1 Sourcing Strategy (Domestic Provision)

11. The remainder of this report sets out the sourcing strategy for housing repairs and maintenance and disabled adaptations. A further cabinet report will be brought forward for phase 2 services.

Desired outcomes

12. To ensure that the key objectives of recommissioning are achieved, the following desired outcomes have been identified:
- To deliver a high quality service that focuses on the customer.
 - To deliver a Building Maintenance Service that works alongside the in-house workforce to improve and maintain flexibility of provision and provide 24/7/365 services.
 - To deliver value for money.
 - To reduce costs for the Council and suppliers alike, through electronic ordering, confirmation and payment processes.
 - To improve the quality of management and performance information in relation to the provision of Building Maintenance Services.
 - To improve our demand management for Building Maintenance Services.
 - To take a partnership working approach to delivering and improving services.
 - To support the Council's Open Doors Charter and Sustainable Policy (maximising access to opportunities to SMEs and local supply chain).
 - To support the Council's Sustainable Development Agenda by maximising tender opportunities to local providers, as well as opportunities to provide training and skill development to the local workforce.
 - To support the Council's commitment to reducing the Carbon Footprint.

Proposed Framework Arrangements

13. As stated above, Phase 1 provision is for domestic works only (Housing & Disabled Adaptations). These services have been divided into two as follows:
- Framework 1 – Housing Repairs and Maintenance, approx. annual value £8.2 million (separate arrangements for major planned works).
 - Framework 2 – Disabled Facilities, approx. annual value £5.9 million.

Framework 1 – Housing Repairs and Maintenance

14. A number of options were considered for the Housing service provision. These were appraised taking into consideration the advantages and disadvantages for each (Appendix 1 – Housing Options Appraisal).

Preferred Option

15. The appraisal identified that the preferred option for Housing would be to split the city into 3 geographical districts, with a different provider in each district delivering a similar mix of work, to include responsive repairs, minor planned works and vacant repairs. Each contract would have an estimated annual value of £2.7 million.
16. The advantages of this model are as follows:
 - The value of the contracts would be high enough to attract competition and drive value for money, but low enough to allow access by SMEs.
 - Having 3 contractors active at all times would mitigate the risk to continuity of supply, with each provider capable of delivering similar works.
 - The mix of work types would encourage better performance for responsive repairs, which can be an unattractive service to deliver separately
 - The number of providers would be balanced to provide robust and sustainable provision, while also ensuring that contract management/administration is manageable.
17. Major planned works would be procured outside of the framework and individual trade-specific arrangements would be put in place, each subject to a separate procurement process. This would include, for example:
 - External/Environmental Improvements
 - Roofing,
 - Painting
 - Boiler Installation
 - Lifts
 - Windows/Doors and Door Entry Systems.
18. The indicative annual value of such works is £8.3 million per annum.
19. This proposal is considered to provide the best balance between value for money and sustainability.

Proposed Procurement Timetable (Council Housing)

- | | | |
|--------------------------------|---|-------------------------|
| • Cabinet/ODR Process | - | October – December 2016 |
| • Leaseholder Consultation(1) | - | January – February 2017 |
| • OJEU Contract Notice | - | February 2017 |
| • PQQ Stage | - | February – April 2017 |
| • ITT Stage | - | April – June 2017 |
| • ODR (Award) | - | June – July 2017 |
| • Leaseholder Consultation (2) | - | July – August 2017 |
| • Contract Award | - | August 2017 |

- Implementation/Mobilisation - August – October 2017
- Contract Start - November 2017

Framework 2 – Disabled Adaptations

20. The preferred model for disabled adaptations consists of 7 lots with a different provider in each. This includes:
- 3 lots dealing with general building works (for example, removing baths to fit a walk-in shower), each with an estimated annual value of £1 million.
 - 2 lots dealing with stair lifts/through-floor lifts, each with an estimated annual value of £1 million.
 - 1 lot dealing specifically with preventative services, with an estimated annual value of £700k.
 - 1 lot dealing with hoists, with an estimated annual value of £400k.
21. The number of contracts will ensure sustainability, while the the relatively small contract value will be ideal for attracting SMEs and still large enough to deliver value for money.
22. Given the vulnerable nature of the client group for disabled adaptations, it is envisaged that the specification and evaluation will place significant emphasis on the quality of service delivery.
23. The proposed timescales for recommissioning are set out below:

Proposed Procurement Timetable (Disabled Adaptations)

- Cabinet/ODR Process - October – December 2016
- OJEU Contract Notice - January 2017
- PQQ Stage - January - February 2017
- ITT Stage - March – June 2017
- ODR (Award) - June 2017
- Contract Award - July 2017
- Implementation / Mobilisation - July - September 2017
- Contract Start - October 2017

Interim Arrangements

24. It is vital that sufficient time is taken to properly develop the specification for services, and to set out the performance and contract management arrangements expected. Existing frameworks expire on 2nd June 2017 and it is estimated that the new arrangements will not be in place until 1st November 2017 for Housing, and 1st October 2017 for Disabled Adaptations.
25. Therefore interim arrangements are required for the period between frameworks. It is proposed that interim arrangements are made with current providers, lasting for 5 months in respect of Housing and 4 months for Disabled Adaptations.

Consultation and Equality Impact Assessment

26. A Supplier Forum was held Monday 10th October to provide the market with an understanding of the desired outcomes, potential solutions, tender process and timescales. It was also an opportunity for the market to provide feedback to the Council on the proposed sourcing strategy. The feedback from this session can be found at Appendix 2.
27. Communities and Adult Services Scrutiny Committee carried out pre-decision scrutiny of these proposals. A letter from the Committee can be found at Appendix 3.
28. It is proposed to consult further in the development of the detailed specification of services. Sessions will be held with tenants and residents and a workshop will be offered to ward members to allow them to contribute their views.
29. An Equality Impact Assessment of the proposals has been carried out and can be found at Appendix 4.

Reason for Recommendation

30. To ensure that the Council has an appropriate building maintenance framework that builds on the lessons learnt and deliver the key outcomes outline in paragraph 12 of this report.

Legal Implications

31. See Appendix 5 which contains the legal advice, which is exempt from publication.
32. Appendix 6 covers the response to the legal implications.

Financial Implications

33. The expenditure that would fall under the proposed frameworks is significant and the procurement should ensure that the outcomes required are met having regard to affordability in order to ensure value for money from limited resources available for works, and pressures on these budgets currently being experienced. Any works proposed as part of these procurements should be clearly linked to asset management plans and be based on systems in place which accurately record the condition of assets. Any works on Council properties should be in accordance with the responsibilities of Council as landlord and accurately recorded at inception between revenue and capital expenditure.
34. Any procurement should have regard to terms and conditions of any external grants that support expenditure; for example, e.g. the annual Major Repairs Allowance grant from WG.
35. Systems should be set in place by the Directorate to monitor both costs and volumes of work, with benchmarking undertaken and reporting on

performance undertaken periodically as part of service delivery and contract monitoring.

HR Implications

36. There are no HR implications for this report as it does not affect the employees which the Council directly employees to carry out repairs and maintenance to domestic properties.

RECOMMENDATIONS

It is recommended that Cabinet:

1. Approve the strategy approach for the commissioning for Housing Repairs and Maintenance and Disabled Adaptions as set out in this report.
2. Delegate authority to the Director of Communities, Housing and Customer Service, in consultation with the portfolio member for Health, Housing and Wellbeing and the section 151 Officer and County Solicitor, to deal with all aspects of the procurement relating to Housing Repairs and Maintenance and Disabled Adaptations, including setting the contract evaluation criteria and the award of contracts.
3. Delegate authority to the Director of Communities, Housing and Customer Service to make the interim contractual arrangements necessary for the continuation of service until the new contracts are in place
4. Note that recommissioning of Non-Domestic services will be taken forward as a second phase and will be the subject of a separate cabinet report.

SARAH MCGILL

Director

15 November 2016

The following appendices are attached:

Appendix 1 Recommissioning Options
Appendix 2 Feedback from Supplier Session
Appendix 3 Letter from CASSC
Appendix 4 Equality Impact Assessment

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Appendix 5 Legal Implications
Appendix 6 Response to Legal Implications