



## PORTFOLIO HOLDER: HOUSING

CABINET – 3 OCTOBER 2001

### NEGOTIATED CONTRACTS FOR HOUSING PLANNED MAINTENANCE WORKS

#### 1 SUMMARY

- 1.1 The purpose of this report is to seek approval for negotiating two planned maintenance contracts for the 2001/2002 programme of work rather than commissioning this work through the usual process of tendering for these two contracts.

#### BACKGROUND

- 2.1 In July 1998 the report of the Government's Construction Task Force chaired by Sir John Egan was published. This report, "Rethinking Construction" recommended new approaches to the commissioning of construction projects and emphasised the benefits of "partnering". This new approach would aim to avoid the adversarial approach to dealing with contracts for construction works and would aim to achieve substantial savings in both cost and time.
- 2.2 In addition to the above the advent of Best Value means that all authorities must look at traditional methods of procurement together with other methods of commissioning works to ensure that the best option in terms of value for money is achieved.
- 2.3 The DTLR in guidance to Housing Authorities has stressed the need for a partnering approach in commissioning repair and maintenance works and as part of its assessment of authorities will take account of the progress that is being made in this area.
- 2.4 As a result of the above a number of approaches are currently being taken to encompass the principles of partnering with both planned maintenance and reactive maintenance works. These include a number of pilot schemes being tested with New Forest Commercial Services and external contractors to test the adequacy of arrangements and to ensure that the approach does in fact provide best value. The results of these pilots will be reported to CMT on completion of the contracts at the end of the financial year.
- 2.5 As part of the process of challenge and ensuring continuous improvement the whole process of tendering for projects has been examined. In the case of planned maintenance works on housing properties where similar works are being carried out on a year on year basis it is questioned whether the annual tendering process actually provides the Council with value for money. This is particularly true where an

existing contractor is performing well and providing a quality product with high levels of tenant satisfaction.

- 2.6 Issues arising from traditional year on year tendering of work:
- a) Each year the winning contractor has to go through a learning process to understand the council's values and methods of working. Both the contractor and in house resources may then lose the advantage of this learning process if a different contractor wins the following year's contract.
  - b) Good contractors who are spending time in producing accurate tenders are not winning work as the cost of the resources invested in this tendering work is losing them the contract.
  - c) The tendering process is very time consuming both for contractors and the in-house professional resources causing delays to starting on site
  - d) The use of sub-contractors is normally greater for shorter contracts such as these leading to less ownership of the work and the possibility of poorer quality work.
- 2.7 New Forest District Council's Standing Orders As To Contracts 4.1.1 (iv) states that an existing contractor may be awarded further work where "exceptional performance and value for money has been demonstrated on an existing contract".
- 2.8 These Standing Orders state that an extension can only be used if the existing contract has a clause outlining such an option. Unfortunately these new Standing Orders were only introduced in April 2001 and because of this our existing contracts do not have such a clause included. The proposals contained in this report would require a waiver of the new Standing Orders.
- 2.9 All new contracts that are being tendered will have such a clause added.

### **3 PROPOSALS**

- 3.1 The advantages of negotiating a contract are three fold:
- a) The Council are already fully aware of the quality of the work that the contractor will produce and have already a good working relationship with that contractor.
  - b) The Contractor is fully aware of the standards expected by the Council and therefore does not have to go through a learning curve to develop these.
  - c) Value for money can be achieved by avoiding the costs and delays attributable to the retendering process. This will impact upon the costs of the contract itself and should ensure that year on year increases in work costs are minimised.
- 3.2 Contracts for the replacement of pitched roofs to Council owned properties were let in 2000/2001 in accordance with the Standing Orders that were effective at that time.

- 3.3 Premier Roofing tendered for one of two major roofing contracts in 2000/2001. The results of this tender are listed in the table below.

<b>Contract PM9/00</b>	<b>£</b>
Tender A	487,724.24
Tender B	No tender
Premier Roofing	224,446.00
Tender D	394,450.00
Tender E	278,869.35
Tender F	690,649.78

- 3.4 Premier Roofing won the project with a contract sum of £224,446 and consistent with the similar work that they have carried out during 1999/2000 they have completed the work to a high standard, with good customer care and an excellent health and safety record.
- 3.5 The winning contractor for the other roofing contract let during 2000/2001, although performing reasonably, did not reach the high standards achieved by Premier Roofing so we do not consider them suitable for a negotiated contract.
- 3.6 Contracts for the replacement of external doors to Council owned properties were let in 2000/2001 in accordance with the Standing Orders that were effective at that time.
- 3.7 Two contracts were tendered the details of which are listed below:

<b>Contract A</b>	<b>£</b>	<b>Contract B</b>	<b>£</b>
Tender A	136,685.00	Tender A	160,646.32
Tender B	139,138.50	Tender B	148,720.00
Tender C	No tender	Tender C	No tender
Tender D	160,688.00	Paramount Windows	148,858.00
Paramount Windows	135,323.00	Tender E	No tender
Tender F	151,186.00	Tender F	160,986.00

- 3.8 Paramount Windows won Contract A with a contract sum of £135,323.00 and came second on Contract B with a contract sum of £148,858.00. They have completed the work on Contract A, consistent with work in previous years, to a high standard, with good customer care and a good health and safety record.
- 3.9 The winning contractor for contract B was New Forest Commercial Services. Their performance on this contract was excellent and as agreed by CMT on 6 March 2001 and in accordance with the Council's new Standing Orders a further contract for replacement doors is the subject of a partnering pilot with NFCS.
- 3.10 With all negotiated contracts it would be the intention to retender the work at periods not exceeding 3 years to ensure that value for money was being achieved. Contracts, between the periods of retendering would be negotiated annually. This would also be subject to the continued good performance of the selected contractor and the achievement of high quality and good customer feedback. The basis for any agreement would be on the previous year's prices with an addition for inflation.

- 3.11 Each negotiated contract will include a number of key performance indicators against which the performance of each contractor will be monitored and the overall performance of the contract measured. These indicators will include measures of quality, cost and performance against programme. The number of tenant complaints will also be monitored. The Council's Internal Audit Section will carry out an independent review on completion of the work.
- 3.12 The Council's Internal Audit Section have been involved in discussion surrounding these proposals and they approve the way forward described in this report.

#### **4 FINANCIAL IMPLICATIONS**

- 4.1 All planned maintenance and improvement works are undertaken from approved budgets and in accordance with the Council's Financial Regulations and Standing Orders. The proposals contained within this report would not have any significant financial implications.
- 4.2 Cost savings may be achieved both in terms of works costs and in house resource costs and, if achieved, these would be used to fund additional planned maintenance projects.
- 4.3 The anticipated costs of works that are the subject of these proposals are:-

Roofing works	£250,000
Door replacements	£220,000

#### **5 ENVIRONMENTAL IMPLICATIONS**

- 5.1 There are no significant environmental implications arising from this report.

#### **6 CRIME AND DISORDER IMPLICATIONS**

- 6.1 There are no significant crime and disorder implications arising from this report.

#### **7 RECOMMENDATIONS**

- 7.1 That negotiations take place with Premier Roofing with the intention of agreeing a contract price for roofing works contained in the approved 2001/2002 planned maintenance programme.
- 7.2 That negotiations take place with Paramount Windows with the intention of agreeing a contract price for replacement external door works contained in the approved 2001/2002 planned maintenance programme.
- 7.3 That the outcome of all negotiations be approved by the Council's Internal Audit Section prior to the entering of any formal contracts on behalf of the Council.
- 7.4 That the performance of the contractors be closely monitored to ensure continued quality and value from the work.
- 7.5 That an exception to Standing Orders (3.1.2) be made to allow the contracts to be negotiated.

**For further information**

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**Background Papers**

Approved Planned Maintenance  
Programme 2001/2002  
Report to CMT - 6 March 2001 –  
Proposed Internal Partnering Approach  
for Housing Maintenance.