

**Subject:** Procurement Strategy for the HRA Stock  
**Date of Meeting:** 08<sup>th</sup> January 2009  
**Report of:** Director of Adult Social Care & Housing  
**Contact Officer:** Name: Nick Hibberd Tel: 29-3756  
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**Key Decision:** No  
**Wards Affected:** All

**1. SUMMARY AND POLICY CONTEXT**

- 1.1 The Procurement Strategy for Housing Revenue Account Stock was approved by Policy & Resources Committee on 03 April 2008. This report provides an update on the delivery of the procurement strategy and the commencement of the procurement of long term partnering agreements for the delivery of comprehensive repairs, maintenance and improvements to the housing stock.

**2. RECOMMENDATIONS:**

- 2.1 That Adult Social Care & Housing Scrutiny Committee note the progress made on preparing the Invitation to Tender (ITT) document for the procurement of the long term contracts.

**3. RELEVANT BACKGROUND INFORMATION**

- 3.1 Improving council homes is central to the draft **Housing Strategy 2008-2013** with improvement of housing quality a key strategic priority. Poor quality housing is known to have a detrimental effect on households' health, educational and emotional wellbeing. The draft Housing Strategy will work to make sure that more residents are able to live in decent high quality homes that are able to meet their changing needs.
- 3.2 Our strategic goals under this objective include development of the Brighton & Hove Standard for high quality and well maintained social housing and improvements to tenants' homes to ensure that they meet the standard. Strategic actions include:
- Develop a quality standard for the city's council housing in partnership with tenants
  - Enter into a long term partnership contract for maintenance and improvement of council housing stock
  - Explore use of a Local Delivery Vehicle to raise investment capital

### 3.3 The procurement strategy for HRA stock

3.3.1 Following the outcome of the tenants' stock transfer ballot, officers reviewed strategic housing options to reflect the decision that the stock will be retained by the council and identified a strategy to fund the investment gap to achieve Decent Homes Standard and meet tenant aspirations for improvements to the stock.

3.3.2 Two key approaches have been followed:

- A procurement strategy that would see the council enter into a long term partnering agreement for the maintenance and improvement of the council housing stock, reducing overheads and direct costs. The Procurement Strategy for the HRA stock was approved by Policy & Resources Committee on 3 April 2008.
- An asset management plan, which could see the creation of a Local Delivery Vehicle that would sit outside the council to utilise HRA assets requiring reinvestment and not occupied by Secure Tenants leveraging in additional investment to improve the council housing stock.

3.3.3 The objective of the procurement strategy for Housing Revenue Account (HRA) stock is to maximise efficiencies achievable under modern procurement methods to minimise the gap between the council's available resources and the investment needed to maintain the stock.

3.3.4 Current repairs and maintenance procurement arrangements include:

- annual tendering of capital contracts with specified supply chains;
- two responsive and empty properties revenue repairs partnering contracts of 5 years with an option to extend for a two further years;
- two gas install and maintenance contracts for 5 years with optional extension;
- with the exception of gas servicing and repair, repairs to services such as lightning conductors and water tanks are on an ad hoc basis.

Annual re-tendering of capital contracts is relatively costly and inefficient and gives constructors no incentive to invest in additional benefits. Supply chains specified by the council do not allow access to constructors' own supply chains, which can be of the same standard but more cost effective.

3.3.5 The revised Procurement Strategy for HRA stock is to fully develop partnering with constructor(s) to obtain maximum efficiency from long term partnering agreements. Both capital and revenue works will be tendered as 10 year long term comprehensive partnering agreements. These will encompass capital repairs and improvements, responsive repairs and planned maintenance and associated works.

The strategy aims to:

- put tenants and leaseholders at the heart of maintenance and improvement works to the stock; moving to a proactive, planned service based on good asset management data incorporating residents' aspirations;

- prioritise the capital works programme over 30 years to meet, as far as possible, Decent Homes, Housing Health and Safety Ratings System and sustainability targets and tenant priorities;
- reduce unit repair and planned maintenance costs and consultancy fees, saving up to £156 million over 30 years;
- improve the ratio between capital works and responsive repairs;
- deliver on the government's Gershon and Egan efficiency agendas and achieve value for money and additional benefits; and help to achieve a 3 star Audit Commission rating.
- achieve economies of scale through an integrated supply chain, maximising the contractors' own supply chains in conjunction with tenants' choice;
- zero defects/right first time, by extending the defects period on capital works into the responsive maintenance element of the agreements (for both of which the same constructor(s) will be responsible), reducing responsive costs over time.

#### **4 PREPARATORY WORK FOR THE LONG TERM AGREEMENTS**

4.1 The lead-in times for procuring the necessary agreements under the OJEU tendering process are extensive and considerable preparatory work has been overseen by the Programme Board. Prior to inviting tenders for the long term agreements, the following preliminary work has been undertaken:

- Housing asset management strategic review - feeding into future works programmes and the development of an HRA asset management strategy;
- Procurement of 'Partnering for Change' training – the essential training and support to ensure staff have the necessary commitment, knowledge and skills to operate long term partnering successfully;
- Development of contract specifications – specialist expertise has been procured to compile the necessary tender documentation for procurement of the agreements.

4.2 An OJEU advert and pre-qualification questionnaire (PQQ) was published on 03 September 2008. It is anticipated that the constructor(s) will be appointed at the end of June/July 2009, with the contract commencing 1 April 2010, subject to Cabinet and leaseholder approvals. This allows for a maximum mobilisation period so the appointed constructors would have sufficient time to set up local offices, staff, ICT systems etc. to be able to successfully deliver partnering agreements of this scale from 2010. This timetable would also give the council the time to complete the necessary training of staff, embed new processes, develop the new ICT systems, produce new tenants' guides etc.

#### **5. MEETING WIDER CORPORATE OBJECTIVES THROUGH THE HOUSING PROCUREMENT STRATEGY**

5.1 The level of investment by the council over the next ten years will be significant and presents opportunities for meeting our priorities around reducing inequality and growing the economy. As well as providing a value

for money, quality service to maintain the housing stock, we expect the constructors to contribute towards enhancing the well being and sustainability of the local community.

5.2 The City Council's commitment to creating sustainable communities through initiatives which promote sustainability and tackle worklessness is reflected in the scoring criteria for this tender and represents part of the core subject matter of the Contract. The constructor(s) will be expected to work with the Council to support the training and employment of residents. A skilled and employed workforce is vital for a healthy and sustainable economy and it is therefore considered essential to ensure that the long term partnering contracts bring tangible employment and training benefits to residents.

### 5.3 Ensuring a Mixed Economy In Subcontracting Arrangements

5.3.1 The council takes the view that the Housing Investment programme should benefit as much as possible the local business community, and in particular the wider range of established small and medium size contractors, who, because of their size, would not be able to undertake the role of a principal Partnering Contractor.

5.3.2 The Partner(s) will be asked to provide opportunities for additional small businesses based in Brighton & Hove. Partnering Contractors will be encouraged to consider how to engage with these small and medium sized contractors, and ensure that they are not discriminated against when contracts are awarded. Partnering Contractors are also encouraged to submit their ideas on how this group could be integrated into the wider supply chain.

### 5.4 Waste Reduction/Energy efficiency.

5.4.1 The successful constructor(s) will be required to comply with the council's 'Housing Repairs & Maintenance Sustainable Building Guidance' and local regulations in connection with the use of sustainable products and the recycling of waste on site. The constructors will also be required to produce waste minimisation plans to reduce use of landfill sites and materials waste. This will be continually reviewed over time to reduce site waste to an absolute minimum.

## **6 MANAGING PERFORMANCE, QUALITY AND CUSTOMER SATISFACTION**

- 6.1 As one of the largest areas of spend and tenant satisfaction and concern, the repairs and maintenance service is crucial to the drive to achieving excellence in housing management. It is a requirement that the partnership is continually monitored and evaluated to ensure that it delivers projects on time, on budget and of the necessary quality. The characteristics of a high-performing repairs and maintenance service centre around the following elements:
- Accessible and flexible for consumers
  - Fit-for-purpose fixes
  - Speed and accuracy of execution
  - Reliable end-to-end process
  - Relative best cost.
- 6.2 The evaluation of the bidding constructor(s) will include an assessment of their capacity to deliver each of the key aspects of a high-performing repairs and maintenance service. These components cover effectiveness and efficiency of service delivery.
- 6.3 Key performance indicators (KPI's) that the constructor(s) will be measured against have been prepared in consultation with the Asset Management Panel and will be included as part of the Invitation to tender documents. Where appropriate these key performance indicators will be included with the contracts to ensure the performance requirements are converted into contractually binding commitments. Constructor rewards will be linked to delivery of a suite of specific key performance indicators
- 6.4 The contracts provide for swift termination (within a month) of contractors for default/breach of the agreements, as well as for other 'standard' reasons (bankruptcy, collusion, etc.). In addition, the term partnering contract, under which the majority of work will be undertaken, is to be drafted to allow for a 'no fault' termination of six months' notice on either side. The strategic alliances agreement also enables the council to reallocate work, without penalty, in the event of a failure on the part of any constructor to perform against KPI's or other targets.

## **7 INVOLVING TENANTS IN THE PROCUREMENT PROCESS**

- 7.1 The Council aims to place our residents at the centre of determining both the services they want to receive and the quality of the end product. The successful constructor(s) must understand the benefit of engaging with residents and be able to positively respond to their views by adapting practices and systems.

- 7.2 Resident involvement in both procurement process and delivery of the partnership is a key priority for the council. The council has established an Asset Management Panel which has met over the last three months as part of the procurement programme. The role of the Asset Management Panel is:
- To provide feedback to officers on the work priorities, and options for alternative uses of stock and sites to create a balanced business plan,
  - To provide feedback to officers on the performance and development of the long term partnering agreements for repairs & planned work.
  - To give opinions on the future work priorities and common benchmarks across all the council housing stock.
  - To assist with the choice of constructor(s) through the tender evaluation process and represent Brighton & Hove City Council residents on the strategic and operations partnership groups.
  - To jointly develop and review the works programmes annually and to review the performance against benchmarks.
- 7.3 The work of the Asset Management Panel will feed into the wider the tenant participation structure through regular feedback to Area Panels and Housing Management Consultative Committee.

## 8. CONSULTATION

- 8.1 The Housing Procurement Strategy was considered by tenant area panels and Housing Management Sub-Committee prior to approval.
- 8.2 Tenants and leaseholders are involved in the procurement process through the Asset Management Panel (see 7).
- 8.3 Three briefing sessions have been held for Members.

## 9. FINANCIAL & OTHER IMPLICATIONS:

### 9.1 Financial Implications:

The HRA Business Plan identified estimated savings of up to £156m over 30 years from reductions in consultants fees and unit costs for responsive repairs, voids and capital works from implementing long term partnering contracts as outlined in this report. These savings help to reduce the funding gap between available financial resources and the investment needed to maintain the housing stock.

The estimated savings will be reviewed following the award of these contracts and the impact on the HRA Business Plan reassessed

*Finance Officer Consulted: Sue Chapman*                      *Date:*

### 9.2 Legal Implications:

The type of service outlined in this report falls under 'Part A' of the EU Procurement Directive and accompanying UK Regulations. As a result, the

contract is subject to the full application of both the Directive and Regulations. The report refers to the contract notice being advertised in the OJEU, which complies with the relevant legislation, as does the remainder of the procurement process outlined within the report. Contracts over £75,000 must be prepared in a form approved by the Head of Law. The Council must take the Human Rights Act into account in respect of its actions but it is not considered that any individual's Human Rights Act rights would be adversely affected by the recommendations in this report.

*Lawyer Consulted: Alison Leitch*

*Date:*

Equalities Implications:

- 9.3 An equalities impact assessment workshop has been carried out with staff as part of the preparatory work prior to the procurement process.

Sustainability Implications:

- 9.4 See section 4.10

Crime & Disorder Implications:

- 9.5 There are none.

Risk & Opportunity Management Implications:

- 9.6 A risk and issues log has been maintained overseen by the Programme Board.

Corporate / Citywide Implications:

- 9.7 These are covered in the main report.

**10. EVALUATION OF ANY ALTERNATIVE OPTION(S):**

- 10.1 Alternative procurement options were considered during the development of the procurement strategy. This included:
- Frameworks and consortia
  - Consortia
  - Supply chain clubs

**11. REASONS FOR REPORT RECOMMENDATIONS**

- 11.1 The report provides scrutiny committee with an update on the delivery of the procurement strategy for the housing stock.

**SUPPORTING DOCUMENTATION**

**Appendices:**

1. None

**Documents in Members' Rooms**

1. None

**Background Documents**