

Procurement For General Building Dedicated For ASMS; and Contract Variation Request on the Existing Contract Sum For P2014 General Building Works Contract 2	
Key Decision No NH S054 APPROVAL	
CABINET PROCUREMENT AND INSOURCING COMMITTEE MEETING DATE (2022/23) 11 April 2022	CLASSIFICATION: Open
WARD(S) AFFECTED All Wards	
CABINET MEMBER Cllr McKenzie, Cabinet Member for Housing Services	
KEY DECISION Yes	
REASON Affects two or more wards	
GROUP DIRECTOR Ajman Ali, Group Director of Neighbourhoods and Housing	

1. CABINET MEMBER'S INTRODUCTION

1.1 This report outlines the procurement approach to support the delivery of our Housing repairs service and the inhouse DLO within Building Maintenance. The approach aligns with our ambition to invest in and grow our inhouse DLO team, whilst building in more capacity and competition within the supply chain required to support the service.

1.2 The Council's Building Maintenance service has faced many challenges, remobilising from the Covid-19 pandemic, and we have acknowledged that in some cases repairs have taken longer than expected to be completed. Responding to the challenge, the Council has invested an additional £1M in the repairs service and are in the process of expanding the inhouse DLO team by 26 posts.

1.3 There are other work streams outside of this procurement that have been identified as areas for DLO growth, such as voids and disrepair. These are work streams currently undertaken in part by the DLO, supported by short-term arrangements with contractors. In addition, within this procurement, the intention will be to gradually increase the volume of work undertaken by the DLO, and

reduce the allocation of work to external contractors, subject to performance and demonstrating value for money.

1.4 There will always be a need for supply chain partners to support the delivery of our services. The division of these contracts into lots with two contractors, will give opportunities for smaller local businesses to compete, and encourage local employment opportunities in the borough.

2. GROUP DIRECTOR'S INTRODUCTION

2.1 This report identifies the procurement requirements to maintain and improve the existing service delivery within Building Maintenance and across our Housing repairs service. There have been significant challenges across the sector and industry throughout the Covid-19 pandemic, which has impacted our supply chain and service delivery. This report sets out the approach to strengthen our supply chain capacity, building in contingency by having two contractors in each lot and allocation of work.

2.2 There is a requirement to extend the existing contractor for General Building Works until 31/3/2023, by which time the procurement of the proposed contracts is timetabled to complete. The extension of the existing arrangement is within the parameters of the contract, in terms of both time and value. A variation of 15% additional contract spend is allowable and necessary in this case, as the original contract value would otherwise be exceeded.

2.3 During the challenging times we have had with the pandemic, the delivery of service has been impacted, with the over reliance on one provider being a barrier to performance and supply chain capacity. Moving forward the procurement of four contractors across two lots, will give greater flexibility, capacity and competition within our supply chain. It also provides for contingency, should there be any issues that lead to a termination of any contractors.

2.4 Lot 1 is the contract for works allocated by the Area Surveying Managers (ASMs), covering all internal and external general building works. This is typically minor works that are more extensive than straightforward responsive repairs undertaken by our inhouse DLO. The annual value of the contract is £6M, which would be split between contractors on a 60:40 ratio depending on their tender ranking. The contract duration is four years, with the option to extend twice by two years, totalling eight years.

2.5 Lot 2 is a smaller allocation of work to support the inhouse DLO within Building Maintenance. It covers all types of responsive repairs and will provide additional capacity to the DLO to manage peak demands in service. Again two contractors will be appointed with a 60:40 share of an annual allocation of £665k. It is anticipated that the smaller lot and allocation of work will appeal to small local businesses, supporting the local economy. The duration of the contract is two years, with an option to extend by a further year.

2.6 These contracts will support the DLO and delivery of service across Building Maintenance. As we continue to invest in and grow our inhouse DLO, we also need to maintain a healthy supply chain to support the delivery of services to our residents.

3. RECOMMENDATION(S)

The Cabinet Procurement and Insourcing Committee approves:

3.1 To vary the General Building Works for Area Surveying Managers (ASMs) Contract dated 01/10/2015 in favour of the existing Contractor until 31/03/2023 for an increased value of £7,098,000.00 excluding vat (£8,517,600 including VAT) to allow for the reprocurement of the service. This variation represents 15% of variation of the current contract value of £47M (excluding VAT) to support unplanned and unexpected works including both COVID and emergency works.

3.2 To procure four contractors to support the Building Maintenance service:

3.2.1 Lot 1, General Building Works for Area Surveying Managers (ASMs) for a period of 4 years with an option to extend up to a further 4 years for estimated contract value of £48M (excluding Vat):

i) Contract 1: The first ranked contractor will be allocated 60% of the work on a value basis.

ii) Contract 2: The second ranked contractor will be allocated 40% of the work on a value basis.

3.2.2 Lot 2: DLO Support Contractors for a period of 2 years with an option to extend up to a further 1 year for estimated contract value of £2m excluding vat :

i) Contract 1: The first ranked contractor will be allocated 60% of the work on a value basis.

ii) Contract 2: The second ranked contractor will be allocated 40% of the work on a value basis

4. RELATED DECISIONS

N/A

5. OPTIONS APPRAISAL AND BUSINESS CASE (REASONS FOR DECISION)

5.1 Reasons For Variation

5.1.1 The existing contract for ASM was not expected to reach the levels of expenditure before the end of the contract term and this was unforeseen due to the increase in demand. It has therefore been decided to bring the procurement of the new service forward to limit the size of contract variation and to allow competition.

5.1.2 Some of the reasons for the increased expenditure was for fire safety works which have become more pressing since the introduction of recommendations after Grenfell as well as supporting repairs to housing services during COVID.

5.1.3 According to our finance team report (Payment Cert Logs-2021-2022), the existing contractor has spent £40,265,513 by 7th December 2021, and Hackney's remaining value would be £7,054,487. Considering work in progress, £1,738,143.16 Hackney's remaining value is £5,316,344.04.

5.1.4 Therefore, due to market fluctuations, the massive demand in Hackney and the lack of supply in the other areas of the Council such as PAM, FRA, Regeneration, VOIDS, and electrical a 15% increase in the total contract value, would meet the Council's needs and therefore a variation of £7,098,000.00 is required.

5.1.5 The historic performance of the existing contractor prior to the cyberattack has been satisfactory in terms of quality of work and service delivery. The Building Maintenance team has been working with the ICT services to develop a robust process to quantify and evaluate the contractor performance information by using our in-house Business Intelligence capabilities and to publish performance dashboards.

5.2 Reasons For Lot 1 And Lot 2

5.2.1 The reasons for splitting the new contracts into two lots with 2 contracts each are:

5.2.1.1 For Lot 1: The existing expenditure against the contract is close to the awarded value of the contract

5.2.1.2 The DLO is planning to expand over over the years and these contracts will support the insourcing of services

5.2.1.3 The pre-tender estimate of these packages is above the UK threshold for works and a Find a Tender procurement is considered likely to result in a competitive market price.

5.2.1.4 This option delivers measurable benefits in that access to an external repairs resource directly contracted to the ASM and the DLO will enable:

i) DLO to have a friendly and positive competition against the General Building Works Contractors - Lot 1

ii) Undertake larger works, including those where minor elements were outside of its skills base.

iii) Manage fluctuations in workload while keeping the in house workforce fully employed at all times, including better managing the adoption of new work streams and the expansion of the in house team.

iv) Have direct access to external repair resources and better contribute to the housing emergency plan in accessing an additional repairs capacity in the event of a critical failure of current arrangements.

v) Deliver equal or better value for money than issuing these works to the P2014 contractors.

5.2.2 Bidders returns from both lots will be benchmarked against existing other contracts and the inhouse service to ensure value for money.

5.2.3 Both lots work shall be on a 60:40 value basis, split between the two appointed contractors for each Lot as determined by their tender ranking. That allocation shall continue unless either one of the two awarded contractors were terminated on performance grounds or in the event of one of the contractors giving Notice of Termination, thus enabling London Borough of Hackney to have a contingency plan in place.

5.3 Lot 1

5.3.1 The Hackney Commercial and Contracts Management Team evaluated the current contract situation and developed a strategy to optimise the management of the existing Contract.

5.3.2 Procuring this contract to hire two contractors rather than one will give Hackney a contingency plan in case one fails in the delivery, and also this will provide an opportunity for local and small-scale suppliers. This contract will be for 4 years with an option to extend for a further 4 years in periods of 2 years.

5.3.3 This will allow the DLO to take over works, if it proves value for money in a phased approach. Therefore, the contract will contain some amendments to the terms and conditions to allow for this to happen.

5.3.4 We have a General building contract in place, hired in Sep 2017, which was originally contracted to attend ASMs demands. This General building contract will finish in March 2023.. Because this exercise demonstrated great performance and value for money when compared to previous contractors we decided to procure the General building contract to attend ASMs demand.

5.3.5 Two contractors will provide contingency in the event that one contractor doesn't perform well. The allocation of general building work shall be on a 60:40 value basis, split between the two appointed contractors as determined by their tender ranking. That allocation shall continue unless either one of the two awarded contracts were terminated on performance grounds or in the event of one of the contractors giving Notice of Termination.

5.3.6 By taking on additional works in part resourced by external contractors the ASMs / DLO can better manage fluctuations in workload while keeping the Directly Employed Workforce fully employed at all times.

5.3.7 Additionally, this arrangement gives the ASMs / DLO direct access to external repair resources as part of a wider contingency to contribute to the housing emergency plan in accessing an additional repairs capacity in the event of a critical failure of current arrangements.

5.4 Lot 2

5.4.1 The Commercial and Contracts Management Team, within the in house service, evaluated resources and identified a need to procure two new contractors which can deliver the DLO's volume of specialist repair work it undertakes in those areas it can show equal or better value for money. Procuring this contract to hire two contractors rather than one will give Hackney a contingency plan in case one fails in the delivery, and also this will provide a substantial opportunity for local and small-scale suppliers.

5.4.2 This contract will have flexibility to allow the DLO to take over more services over time to ensure value for money VFM. Therefore, with some amendments to the terms and conditions this new enhanced contract will benefit both the service area and residents.

5.4.3 The existing DLO Support Contract has expired so there is an urgent need to get this in place.

5.4.4 The allocation of general building work shall be on a 60:40 value basis, split between the two appointed contractors as determined by their tender ranking. That allocation shall continue unless either one of the two awarded contracts were terminated on performance grounds or in the event of one of the contractors giving Notice of Termination.

5.4.5 By taking on additional works in part resourced by external support contractors the DLO can better manage fluctuations in workload while keeping the Directly Employed Workforce fully employed at all times.

5.4.6 Additionally, this arrangement gives the DLO direct access to external repair resources as part of a wider contingency to contribute to the housing emergency plan in accessing an additional repair capacity in the event of a critical failure of current arrangements.

5.4.7 LBH's focus and priority is on Security, Health and Safety, Organisational Competence & Capacity, the positive impacts around the society, Environment, employment & Training and completed projects and this will be tested as part of the procurement process.

5.5 Intended Procurement Arrangement

5.5.1 The pre-tender estimate of these packages is above the UK threshold for works and an open procurement is considered likely to result in a competitive market price. In the Longer term, the DLO intends to develop the capacity to undertake more of these works in house.

5.6 Division Of Work

5.6.1 For both Lot 1 and 2, the works will be divided on a 60:40 basis, between the two contractors based on their tender ranking. The contractors who succeeded in first place in Lot 1 and 2 will have 60% of the value of work. The second contractors in Lot 1 and 2 will have the remaining 40% stake of work.

5.6.2 This should

- Provide a wider contractors base to resource additional repairs capacity if needed to support the housing emergency plan
- Give a live backup should quality become an issue with either contractors
- Make the works more accessible to small, medium sized enterprise (SME) contractors.

5.6.3 The bidders will be able to bid for both lots but will only be awarded one contract to ensure that there is sufficient cover within the London Borough of Hackney.

5.7 Sustainability

5.7.1 The proposed arrangement should make these packages more accessible to smaller SME contractors. The contract conditions require all contractors to pay employees working on this contract the London Living Wage.

5.7.2 The appointed contractor will be expected to be accredited with ISO9001 and 14001 or an equivalent standard. The bidders will be required to demonstrate their commitment to carbon reduction.

5.7.3 The contractor must follow LBH's priority and consider the aspects related to Security, Health & Safety, Organisational Competence & Capacity, Impacts around the society, Environment, Employment & Training during and on the completion of the project / repair works.

5.8 Benefits Realisation / Lessons Learned

5.8.1 The former procurement exercises did not require contractors to have ISO certification (or an equivalent standard) as it only requested that they adhere to the regulations after the contract commences to avoid shortage competition however not all works were delivered to a consistent standard.

5.8.2 Within the new tender documents there will be enhanced environmental standards to require contractors to demonstrate carbon reduction wherever possible including vehicles, equipment, and supply chain. In addition, bidders will

be encouraged to state within their tenders their plans regarding the reduction of carbon emissions to support Hackney Council's commitment to Carbon reduction.

5.8.3 The pre-tender estimate for the lots is above the UK threshold for works and a Find a Tender procurement is considered likely to result in a competitive market price. It will also be advertised on Find a Tender Contract Finder and London Tenders Portal.

5.8.4 Strategic Context:

5.8.4.1 These contracts will support the inhouse service as it will enable the ASMs and DLO to provide a more effective repairs service. It will provide a larger repair resource to Neighbourhoods and Housing and expand the ASMs and DLO's versatility and the scope of repair activities undertaken including complex work items.

5.8.4.2 The supporting contractor arrangement will facilitate a managed growth plan progressively enabling the expansion of the in-house DLO team, providing additional employment opportunities for our locally recruited apprentices and meeting the council's strategic intention to in-source where practical.

5.8.4.3 The arrangements will deliver equal or better value for money than issuing these works to the other contractor. Benchmarking of the pilot arrangement indicates there should be an overall cost saving to the HRA compared to the existing P2014 supply chains.

5.8.5 Preferred Option:

- To procure via advertisement in Find a Tender 4 contractors across two Lots for General Building.

- Lot 1 General Building will be under the management control of the Area Surveying; and Lot 2 DLO support contractors will be under the management control of the DLO.

- Examples of the types of works include but are not limited to: roofing, frame, felt and tilling, carpentry, hot asphalt, damp work, replacement windows, glazing, general building, bathrooms and kitchens and other trade activities associated with repair installation and maintenance.

- This type of procurement is considered likely to result in a competitive market price.

- This option delivers measurable benefits in that access to an external repairs resource directly contracted to the ASMs and DLO will enable to

- i) Undertake larger works, including those where minor elements were outside of its skills base.

ii) Manage fluctuations in workload while keeping the in house workforce fully employed at all times, including better managing the adoption of new work streams and the expansion of the in house team.

iii) Have direct access to external repair resources and better contribute to the housing emergency plan in accessing an additional repairs capacity in the event of a critical failure of current arrangements.

iv) Deliver equal or better value for money than issuing these works to the P2014 contractor.

6. ALTERNATIVE OPTIONS (CONSIDERED AND REJECTED)

6.1 Option 2

6.1.1 Continue with the current arrangement of using a specialist contractor engaged through other contract mechanisms.

6.1.2 This would delay repairs due to the complexity of the arrangements and would result in the Council's client team having to coordinate the management of multiple contractors, increasing administration time and costs.

6.1.3 In addition there have been service issues with these type of arrangements and It will not resolve the quality of the repair service currently being experienced by this arrangement.

6.2 Option 3

6.2.1 Decline those works requiring contractors support. This does not support the long term strategy of bringing more work in house. This would limit the scope of work packages the DLO might otherwise undertake for the council and reduce the utility of the DLO as a resource. It would reduce the DLO's influence as a price moderator to external contractors. It would reduce the DLO's ability to maintain full employment of its operatives while resourcing an expanding / fluctuating workload, it would make balancing a changing workload to the recruitment process much more complex.

6.3 Insourcing:

6.3.1 These contracts will be supporting the in-house service to deliver effective housing repairs. This is in line with the insourcing strategy. The contractors will be used as competitors in Lot 1 and a backup plan for DLO, Lot 2 to supply any fluctuations in workload, especially while absorbing new work areas during the lifetime of the contract and in line with the growth plan. It is expected that some services will move in-house at the end of the contract.

6.3.2 This procurement will enable us to appoint 4 contractors against the two Lots to ensure that there is sufficient capacity and capability whilst the in house service

continues to grow. Failure to have the contracts in place would result in poor services for residents.

6.4 Success Criteria/Key Drivers/Indicators:

6.4.1 The following are the key success criteria:

- Works will be measured against other contracts to test performance to ensure that our residents obtain a good quality of service.
- A quick turnaround on reactive repair response times measured by current work order priorities.
- The ability of the DLO to undertake larger works including those where minor elements were outside of its skills base
- Reduced overall client administration where the DLO will now be enabled to take on the access and repair of all aspects for a particular job
- A flexible resource available to the DLO to facilitate fluctuations in workload, especially while absorbing new work areas
- Expansion of the capacity of the DLO to resource additional repairs capacity if needed to support the housing emergency plan
- The below table shows the evaluation criteria and weightings for both Lots and all contracts:

Question/Criteria	Weight
Price	60%
Security, Health & Safety:	16%
Organisational Competence & Capacity:	13%
Social Value and other positive impacts around the society: Environment, employment and Training	7%
Completed Projects	4%
TOTAL	100%

- There will be some pass/fail questions as well as minimum pass mark to ensure that the contractors meet the minimum standards of the Council and what is required by our residents.

6.5 Whole Life Costing/Budgets:

6.5.1 The whole life cost evaluation will be conducted by a separate evaluation team from the Quality evaluation team, based on the % bid offered in each supplier's tender and the Tenderer who offers the lowest cost to an acceptable tender will receive the full weighting (60%).

6.5.2 Works will be funded from existing client housing repair budgets.

6.5.3 The contractor returns will be benchmarked against existing DLO and existing contractor rates to ensure value for money.

6.5.4 The approximate anticipated value of work to be carried out under each individual contract is as follows excluding vat:

Lot 1	Per year	Whole contract life/ranked (excl VAT)	Whole contract life/ranked (incl VAT)
Contract 1: 1st ranked	£3,600,000.00	£28,800,000.00	£34,560,000.00
Contract 2: 2nd ranked	£2,400,000.00	£19,200,000.00	£23,040,000.00
	Total	£48,000,000.00	£57,600,000.00
Lot 2	Per year	Whole contract life/ranked (excl VAT)	Whole contract life/ranked (incl VAT)
Contract 1: 1st ranked	£399,000.00	£1,197,000.00	£1,436,400.00
Contract 2: 2nd ranked	£266,000.00	£798,000.00	£957,600.00
	Total	£1,995,000.00	£2,394,000.00

6.5.5 The reason for the above contract strategy is to avoid any disruption to the service in case one of the contractors terminates the contract. This will also be a great opportunity for local specialist contractors to tender and to minimise the risk, by having a contingency plan in place.

6.6 Policy Context:

6.6.1 Hackney Council Corporate Plan includes the improvement in the management and maintenance of homes and estates (on behalf of the 23,000 tenants and 9,000 leaseholders). Efficiency and sustainability being the key elements flagged. The benefits noted for these procurements support that intention.

6.7 Consultation/Stakeholders:

6.7.1 Client officers endorse the DLO contracting supporting trades to provide additional work capacity, provided this is limited to projects substantially undertaken by the DLO. It is seen as a positive step in simplifying and improving the efficiency of the repairs service.

6.7.2 Section 20 applies since we intend to carry out work and provide a service that leaseholders properties and all of the consultation steps will be undertaken in accordance with legislation.

6.8 Risk Assessment/Management:

6.8.1 The following risks have been identified:

Risk	Likelihood	Impact	Overall	Action to avoid or mitigate risk
	L – Low; M – Medium; H - High			
Failure to properly manage Contractors works inspections	L	M	L	Managers have the required level of experience. Inspections will be audited by the Estimating section.
Failure to properly manage contractor payments	L	L	L	Payment systems are in place and have been piloted in phase 1. Payments to be processed through the Estimating section.
The tendered costing more than the current alliance contractor rates	L	L	L	Tendered ratings will be benchmarked against the alliance contractor rates. Award will not progress unless value for money can be demonstrated

6.9 Market Testing (Lessons Learnt/Bench Marking):

6.9.1 There is a very established market for General Building Work Contracts and DLO Support Contracts in greater London. An open advert advertised on Find a Tender and Contracts Finder is planned to ensure effective competition.

6.9.2 Previous contractors involved in the pilot contracts advised that this would be an attractive works package.

6.9.2 Bidders can bid for all lots; however contractors will only be awarded to one of the four contracts to ensure that there is a sufficient number of contractors to deliver the works for the London Borough of Hackney.

6.9.3 Bidders must declare whether they plan to subcontract any parts of the work to avoid potential conflicts of interest for example a surveyor employed by the contractor will not be authorising works on behalf of the Council.

6.9.4 Both the Contractor and the Council will track and monitor the budget, open tickets and other key information. The Contractor will be required to hold records for a period of time as well as regular reports. This will provide an added protection against unforeseen circumstances such as cyber-attack / system failure.

6.10 Savings:

6.10.1 We anticipate both Lot 1 and Lot 2 procurements will be delivered at reduced costs compared to current alliance contractor rates. Tender bids will be benchmarked against Council contracts (added uplift according to BCIS index) to ensure value for money.

7 SUSTAINABILITY ISSUES

7.1 Procuring Green

7.1.1 The works undertaken will maintain and enhance the quality of the council's housing stock and the estate environment.

7.1.2 The quality element will ensure that the contractor will have a valid waste carriers licence. Contract arrangements require all waste to be disposed of at a licensed tip. Contractors should also produce their effective waste management strategy.

7.1.3 This procurement will ensure the appointed contractors commit to the use of local suppliers where possible, as some materials are specialist in nature and will form part of risk assessment and method statement. This will contribute to local economic growth along with local employment opportunities and lower carbon footprint by reducing vehicle journeys whilst offering overall contract efficiencies by achieving quicker repair turnarounds. Other environmental factors like CO2 emission and air pollution in the borough will be considered during each stage of procurement including the use of sustainably sourced materials and energy saving parts.

7.1.4 Hackney Council has a duty to adhere to the Modern Slavery Act (MSA) 2015 and we will ensure a zero-tolerance approach to modern slavery within business operations, supply chain and throughout the lifecycle of this contract. With the impact of Covid-19 in the industry, we are conscious that the construction industry is suffering and the risks of modern slavery within any supply chain are increased. As a result, we will engage with all current and future suppliers to ensure their policy and a process to preventing modern slavery is in line with our expectations and those of the legislation in place. Successful bidders will be required to show their Whistleblowing Policy. Training and staff awareness will be mandated during inductions by providing e-learning training modules which addresses modern slavery, human trafficking and whistleblowing

7.1.5 The quality question elements will require the contractor to comment on how they intend to employ local residents and if they have any electric vehicles in their fleet, if not if they are open to considering such an option.

7.2 Procuring for a Better Society

7.2.1 The contractors will be required to pay London Living wage and be asked to complete a template detailing how they will meet the employment requirements of Hackney.

7.3 Procuring Fair Delivery

7.3.1 By the nature of the service, the delivery will be equitable to residents. The inhouse service will ensure as part of their monitoring that all services are delivered to a good quality standard.

7.4 Equality Impact Assessment and Equality Issues

7.4.1 An alternative arrangement with contractors being engaged directly under the control of the ASM and DLO, rather than using the P2014 (another Council contract) external supply chain contractors would have no discernible impact.

8 PROPOSED PROCUREMENT ARRANGEMENTS

8.1 Procurement Route and UK Implications:

8.1.1 The proposed route is via Find a tender in line with the Public Contract Regulations 2015 as it is open and transparent and sufficient bids are anticipated.

8.2 Resources, Project Management and Key Milestones:

8.2.1 The following timescales are planned for the procurement however it should be noted that the Procurement can not commence until the initial notice period has expired:

Key Milestones	
Section 20 Complete	May 2022
Find a Tender Advert placed	June 2022
SQ Returns	July 2022
Issue Tender	July 2022
Tender returns	August/September 2022
Tender Evaluation ends	September/October 2022
Report considered at CPIC	October/November 2022
Standstill Period	November 2022
Mobilisation period	3 months
Start on site / Contract start	<i>Lot1: Total contract duration 4+2+2 (8 years)</i> <i>Lot2: Total contract duration 2+1 (3 years)</i>

8.2.2 Evaluations are expected to be completed by the following persons:

- Commercial and Contracts Manager

- Health and Safety
- Chief Estimator

8.3 Contract Documents: Anticipated contract type

8.3.1 It is anticipated that the contract will be awarded on a measured term contract JCT 2016 (with Public Sector Supplement) including the London Borough of Hackney Special Conditions.

8.3.2 The Supplemental Provisions address key outcomes such as sustainable development and environmental considerations, cost savings and value improvements as well as performance monitoring.

8.3.3 Liabilities of the contractor will be covered by the required insurances as below:

- Public/Products Liability £10m
- Employers Liability £10m
- Professional indemnity £5m

8.4 Sub-division of contracts into Lots

8.4.1 The proposed contract strategy has split the works into two lots with two sub-lots (contracts) to provide both a better service but to allow a mix of contractors to apply.

8.5 Contract Management:

8.5.1 The Contracts Managers will be:

- **Lot 1:** The two contracts will be managed by Paul Norey, Area Surveying and Communal Works Manager of General Building.

- **Lot2:** The two contracts will be managed by Lindsey Matthews, Repairs Customer Service Manager .

8.5.2 Day to day management of contractors will be managed by the ASM for Lot 1 and DLO building maintenance repair supervisors for Lot 2. These supervisors have extensive experience in managing repair works and contractors.

8.5.3 Contracts will be issued within a JCT measured term contract 2016 (including the Public Sector supplement).

8.5.4 Given orders will be issued across multiple work programs involving more than one manager, to maintain clear accountability the methodology for raising jobs to the contractors, calculating payment and management of the inspections will be generated through Repairs Hub (the DLO own repair services system) and e5 finance system.

8.5.5 In addition, the estimating / technical support section will carry out ad hoc spot checks as further control periodically. It is also expected that the client would carry out their own spot checks.

8.6 Key Performance Indicators:

The following KPIs apply to this contract:

- 95% post inspection pass rate
- 95% on quality. Quality will be averaged from customer satisfaction card responses and the council sample post inspections
- Minimum of 90% repairs within response times as outlined by the applicable priority periods A35.5 of these preliminaries
- 100% accuracy of applications (see below)

8.7 Accuracy Of Applications / Audit

8.7.1 KPI target percentage of 100% accuracy will be monitored by the periodic audit by the Client. The contractor is required to comply with the audit of completed works on the following basis:

- a) 10% periodic audit by the Client. If that audit reveals more than 12% discrepancies in favour of the Contractor then a 50% audit may be undertaken by the Client, the reasonable costs of which will be recharged to the Contractor.
- b) If the 50% audit reveals more than a 15% discrepancy in favour of the Contractor then a full audit of all completed works may be audited by the Client, the reasonable costs of which will be recharged to the Contractor.
- c) If that audit reveals a discrepancy of more than 18% in favour of the Contractor then the contractual termination mechanisms may be triggered.

8.8 Failure To Meet Targets / Persistent Failure

8.8.1 Work volume may be reduced if targets are not achieved. Should performance not improve after 4 weeks, work may be awarded to an alternative contractor. KPIs and Performance Standards achieved against targets during the term of this contract will be used as a factor in determining whether the Client extends the contract at any contract term breaks.

9 COMMENTS OF THE GROUP DIRECTOR FINANCE AND CORPORATE RESOURCES

9.1 The contracts are part of the delivery of the repairs service for the housing stock and therefore required and budgeted for in the HRA business plan. The volume and

value of works completed under the contract will be based on the schedules of rates and the demand for the repairs, but it is essential to maintain the properties in a good condition with the capacity to deliver the repairs promptly

10 COMMENTS OF THE DIRECTOR, LEGAL, DEMOCRATIC & ELECTORAL SERVICES

10.1 Paragraph 2.7.6 of Contract Standing Orders states that all procurements with a risk assessment of “High Risk” will be overseen by Cabinet Procurement Committee (now Cabinet Procurement and Insourcing Committee) and therefore this Business Case Report is being presented to Cabinet Procurement and Insourcing Committee for approval.

10.2 The current contract for General Building Works for Area Surveying Managers is still operating within the period of its maximum term. However the current spend on the contract over its term to date has been in excess of what was originally predicted at contract award stage. The reasons for this are set out at paragraph 5 of this Report. Therefore In order to ensure continuity of the works, whilst the new works contracts are procured under this Business Case Report, it is proposed to extend the value of the current contract for General Building Works for Area Surveying Managers. It should be noted that there is, therefore, some risk to the Council that a challenge to the award of the contract variation could come from competitors the Council has not approached to undertake the works. If such a challenge were successful it is likely that the Council would be liable to pay the lost profits of a party who has successfully challenged as well as the costs of bringing such a challenge and potentially a fine from the government for a breach of the Regulations. This should be considered in the decision to approve the award in this Report.

11 COMMENTS OF THE PROCUREMENT CATEGORY LEAD

11.1 It is planned to advertise on Find a Tender in compliance with the Public Contract Regulations for all Lots.

11.2 Other procurement routes such as Frameworks were considered however as the works are subject to Section 20 this route was deemed to best as it allows leaseholders to notify contractors of the opportunity and is fully transparent.

11.3 There is a requirement to vary one of the existing contracts due to the value of expenditure and the time needed for mobilisation. This is critical for service delivery and will allow the consultation process to take place. There is also a potential health and safety risk as some of the works to be carried out by the existing contractor are statutory.

APPENDICES

None

EXEMPT

None

BACKGROUND PAPERS

None

Report Author	Vitor Perassolli Commercial and Contracts Manager Email: vitor.perassolli@hackney.gov.uk Tel : 0208 356 4205
Comments of the Group Director Finance and Corporate Resources	Simon Theobald Head of Finance Email: simon.theobald@hackney.gov.uk Tel : 0208 356 4304
Comments of Director of Legal, Democratic and Electoral Services	Patrick Rodger Senior Lawyer Email: patrick.rodger@hackney.gov.uk Tel: 8356 6187
Comments of the Procurement Category Lead	Candace Bloomfield Category Lead Email: candace.bloomfield@hackney.gov.uk