

## **South Derbyshire District Council**

### **Procurement & Management Strategy for Contracts undertaken by Housing Services**

#### **Action plan for future procurement of contracts – May 2008**

##### **Background**

The Improvements Section within Housing Services have reviewed the procurement of contracts to comply with the Corporate Procurement Manager's recommendations, which emanate from the Procurement Guidance And Procedures Manual and EU legislation.

The current major contracts are:

1. Electrical Servicing and Maintenance
2. External Planned Maintenance
3. Kitchen Replacement
4. Heating Replacement
5. Bathroom Replacement
6. Gas Servicing and Maintenance

A proposed new contract is:

7. Electrical rewiring.

##### **Purpose of the report.**

This report details both the procurement history of the contracts and proposals for re-tendering.

The proposals include tendering the contracts to take account of:

- future work requirements,
- the staggering of future renewal dates,

The proposals for the individual contracts are influenced by the need to follow the European Union (EU) Procurement Directives. The Regulations that implement them in the UK, set out the law on public procurement to provide rules that apply to purchases by public bodies and certain utilities which are above set monetary thresholds.

The requirements to follow the EU format are governed by contract type and value, as explained in section 4.4 EU Procurement Rules, of the Council's Procurement Guidance and Procedures Manual.

## **1.0 Electrical Servicing and Maintenance**

The Electrical Servicing and Maintenance contract was tendered in the financial year 2007/2008 with a start date of April 2008. This was successfully achieved, with Powerminster Gleeson Services Limited now in place for a three-year contract and the option to extend the contract for a further two years, subject to satisfactory performance.

This contract was tendered in accordance with the European Union (EU) procurement directives.

## **2.0 External Planned Maintenance**

The contract was last tendered in April 2001 for the 2001/02 financial year. As a direct result of satisfactory performance, extensions to the original contract were negotiated for the following two financial years, based upon cost of living increases.

After further negotiations, the current five-year partnering agreement commenced in 2004 and runs until the end of March 2009.

The partnered contract has been reviewed on an annual basis and the contract prices have subsequently been increased in line with cost of living increases.

The current value of the programme is approximately £1.1M per annum, with the finance split between the Housing Revenue Account (HRA) and the Major Repairs Allowance (MRA).

### **Extent of work**

For the purposes of this contract, the District is split into five areas, with each area being assessed for the works required on a five-year rotation.

The current programme is:

<i>Financial Year</i>	<i>Area</i>	<i>Total</i>
2008-09	Church Gresley, Castle Gresley, Melbourne & Eastern Parishes	580
2009-10	Swadlincote & Upper Midway	638
2010-11	North Eastern Parishes & Newhall	736
2011-12	Southern Parishes & North Western Parishes	638
2012-13	Hartshorne, Woodville & Lower Midway	507
Total		3099

The exact work required is subject to annual property surveys, with the work involved varying on a property-by-property basis. The scope of works to be identified will remain as the following core elements:

- Replacement of doors.
- Brickwork repairs & Improvements.
- Minor roof repairs.
- Fascia and soffits repairs or renewal & renewal of rainwater goods.

- External store Improvements including renewal of doors & roofs.
- Painting.
- Paving, steps and drainage improvements.
- Front boundary fence repairs.

### Proposal

It is anticipated that the requirement for replacement doors and painting will reduce over the next three years and after that there will be a greater concentration on roof repairs, paving and fencing.

It has been estimated therefore, that the value of the Planned Maintenance Contract will reduce and that funds will be used in a more specific roofing contract, resulting in estimated costs for a three-year contract period of approximately £3M at current prices.

It is proposed to tender for a three-year period, which will not be required to be advertised in the Official Journal of the European Journal (OJEU), as it is under the threshold for works as defined under the Public Contracts Regulations 2006: reviewed 1<sup>st</sup> January 2008.

## **3.0 Kitchen replacement**

As with the Planned Maintenance Contract, the Kitchen Replacement Contract was last tendered in April 2001 for the 2001/02 financial year, negotiated for two further years and then negotiated for the current five-year partnering agreement that commenced in 2004 and runs until the end of March 2009.

The current value of the programme is approximately £350k per annum.

The pricing structure is based on rates for standard property types with variations when non-standard property types dictate the need for different layouts or base unit sizes.

### Proposal

It is proposed to tender for a three-year period, with the option to extend the contract for a further two years, subject to satisfactory performance.

The total value of the five-year contract would be in the region of £1.75M at current prices, and would not need to be advertised in the Official Journal of the European Journal (OJEU), as it is under the threshold for works as defined under the Public Contracts Regulations 2006: reviewed 1<sup>st</sup> January 2008.

The preferred option is to combine with the bathroom programme as detailed in the next item.

## **4.0 Bathroom replacement**

The Bathroom Replacement Contract was instigated in early 2003 and subsequently tendered in April 2003. On the basis of the tenders received the works were negotiated and split between the Direct Labour Organisation and two external contractors.

From 2003/2004, the programme was split between the same two external contractors based upon performance and cost of living increases were applied to the contract, until April 2007.

In April 2007, the volume of work was of such an insignificant quantity, it was not viable to continue using two contractors and it was negotiated to undertake the bathroom replacement work on an ad-hoc basis, with just the one contractor.

Current contract value at 2007/08: £90k per annum.

### Proposal

To make the contract financially viable and achieve improved value for money, it is proposed to combine the bathroom programme with the Kitchen Replacement Contract.

This will reduce the preliminaries for undertaking the two programmes of work and will provide a more financially and resource efficient contract, that is attractive to contractors.

The combined value of a Kitchen and Bathroom Replacement contract for a three-year period, with the option to extend the contract for a further two year's subject to satisfactory performance would be in the region of £2.2M for the full five-year period, and would not need to be advertised in the Official Journal of the European Journal (OJEU), as it is under the threshold for works as defined under the Public Contracts Regulations 2006: reviewed 1<sup>st</sup> January 2008.

## **5.0 Heating replacement**

As with the Planned Maintenance Contract and the Kitchen Replacement Contract, The Heating Replacement Contract was last tendered in April 2001 for the 2001/02 financial year, negotiated for two further years and then negotiated for the current five-year partnering agreement that commenced in 2004 and runs until the end of March 2009.

The current value of the programme is approximately £350k per annum.

The pricing structure is based on rates for standard property types with variations when non-standard property types dictate the need for additional radiators, etc.

### Proposal

It is proposed to tender for a three-year period, with the option to extend the contract for a further two years, subject to satisfactory performance.

The total contract value would therefore be in the region of £1.75M, at current prices.

As the works are mainly materials, it will be necessary to advertise in the Official Journal of the European Union (OJEU), as the value of works exceeds the threshold for supplies as defined under the public contracts regulations 2006: reviewed 1<sup>st</sup> January 2008.

## **6.0 Gas Servicing and Maintenance**

The current Gas Servicing and Maintenance Contract was tendered in accordance with the European Union (EU) procurement directives in 2004, as a three year contract with an option to extend for a further two years.

The option to extend the contract until the end of March 2009 was approved by the Housing and Community Services Committee on the 23 November 2006.

### **Extent of work**

The contract includes:

- Annual gas safety check and service in domestic properties.
- Annual gas safety check and service of commercial boilers.
- All-inclusive repairs and maintenance of gas fired heating systems.
- Annual servicing of solid fuel heating systems, including sweeping.

Current contract value at 2007/08: £ 400k per annum.

### **Proposal**

It is proposed to tender for a three-year period, with the option to extend the contract for a further two years, subject to satisfactory performance.

The total contract value for the five-year period would therefore be in the region of £2M, at current prices, and would not need to be advertised in the Official Journal of the European Union (OJEU), as it is under the threshold for works as defined under the Public Contracts Regulations 2006: reviewed 1<sup>st</sup> January 2008.

## **7.0 Electrical Rewires**

In recent years it has been identified that there is an increased requirement for the renewal of electrical installations to the Council's properties. This requirement was met in 2007 with ad-hoc electrical installation renewals, which were carried out under the Electrical Repairs and Maintenance contract, but was disruptive to the emergency repairs and voids work.

The current prices are negotiated for each individual property following detailed property inspections, and individual orders are raised for the works. The prices have been market tested and are competitive, but they can be improved by tendering a programme that provides economies of scale and continuity of work.

Budget identified for 2008/09: £100,000.00

## Proposal

It is proposed to procure an Electrical Rewire Contract on a framework agreement for two years, allowing the flexibility within the agreement to carry out the required installations dependant upon the available budget and requirement for work.

The pricing structure will be based on rates for standard property types with variations when non-standard property types dictate the need for additional sockets, etc.

This form of agreement will provide the price certainty for the works without being committed to a long-term agreement when the requirement and necessary financial requirements are not fully realised.

### **8.0 Proposed Tendering procedures**

As the Council currently does not have an approved standard list of contractors to select appropriate tenderers, all of the tenderers will be selected following the placing of advertisements which will be determined by the procurement rules.

The contracts that exceed the EU procurement thresholds will be advertised in the Official Journal of European Union (OJEU) and will be subject to the strict time frame. It is proposed to use the Restricted EU Procurement Procedure, which uses a pre-qualification procedure to limit the number of contractors invited to tender.

Typical timings are as follows:

	The Restricted Procedure (Stage One)
Day 1	Place advert in Official Journal of European Union (OJEU)
Day 31	Closing date for companies to request Pre Qualification Questionnaire
Day 38	Closing date for Pre Qualification Questionnaire Receipt
Day 52	End of Pre Qualification Evaluation Period
Day 53	Produce Short List of Companies who will be asked to tender
Day 54	Notify Unsuccessful Companies, providing feedback if requested
	The Restricted Procedure (Stage Two)
Day 68	Issue Tender Documents to short listed companies.
Day 98	Closing date for clarification questions etc.
Day 108	Closing date for Tender Receipt.
Day 122	End of Tender Evaluation Period.
Day 123	Notify unsuccessful companies.
Day 133	10 day stand still period (Alcatel Ruling) to allow unsuccessful suppliers to challenge decision.
Day 134	Award Contract to successful company.
Day 135	Notify Award to OJEU

The contracts & framework agreements that are under the EU procurement thresholds will be advertised on the Source Derbyshire website and in local papers, requesting interested parties to request and submit a pre qualification questionnaire for each contract.

The advert will only contain the start date of April 2009 for the contracts as the specific timetable for evaluating the questionnaires and issuing tender documents will be determined by the number and quality of the responses received.

The remainder of the evaluation process will be the same whether it is advertised in the Official Journal of European Union (OJEU) or not, to ensure a consistent approach.

### Pre-Qualification

It is proposed that all contractors responding to any of the advertisements will be supplied with a Pre-Qualification Questionnaire for completion, and it is anticipated that no more than six contractors will be invited to submit tenders, following an evaluation process.

This process was instigated for the selection of the Electrical Repairs and Maintenance Contractor, and provided a successful method for filtering out inappropriate contractors prior to issuing tender documents.

The first section will be generic across all of the contracts being tendered, with the second section referring to the specific contract being tendered. This will enable contractors who are submitting applications for more than one contract to provide the same section one but the necessary information in section two relating to the relevant contracts. This method will also assist in the evaluation process by reducing the time spent on section one where contractors are making applications on more than one contract.

### Evaluation Processes

As with the recent Electrical Repairs and Maintenance Contract, the evaluation of the returned Pre Qualification Questionnaires and valid tender submissions will be carried out by a panel of Councillors, officers and tenant representatives, with the results collated in a pre-prepared format and an aggregate score produced.

The award of contracts will be based on a score that is split 60/40 between quality and price respectively. The tenderers will be informed of specific information that is required in their submission to indicate how they would undertake the contract and the weightings that will be applied to their responses.

## **9.0 Conclusion**

The following table summaries the periods that the listed contracts will be tendered for and the procurement rules to be used.

<i>Scheme</i>	<i>Proposed contract period + maximum extension</i>	<i>Procurement procedures</i>
External Planned Maintenance	3	SDDC
Kitchen and Bathroom Replacement	3 + 2	SDDC
Heating Replacement	3 + 2	EU
Gas Servicing and Maintenance	3 + 2	SDDC
Electrical rewiring.	2	SDDC

## **10     Background Papers**

South Derbyshire District Council Procurement Guidance And Procedures Manual

Housing and Community Services Committee Report – July 2007