AGENDA ITEM NO 4
REPORT NO 446/11

ANGUS COUNCIL

NEIGHBOURHOOD SERVICES EXECUTIVE SUB-COMMITTEE – 14 JUNE 2011

HRA HOUSING REPAINTS 2012 TO 2017 - PROCUREMENT AUTHORITY APPROVAL REQUEST

REPORT BY DIRECTOR OF CORPORATE SERVICES

ABSTRACT: Report seeking authority for the proposed procurement where the maximum value of the contract is above the Chief Officer’s delegated authority limit.

1 RECOMMENDATIONS

It is recommended that the Executive Sub-Committee:

(i.) approve the estimated total cost of £3,900,000 for the housing external painting five year maintenance cycle from 2012 to 2017 (at outturn prices);

(ii.) approve the procurement authority, as contained in this report, in accordance with the process stated in section 16.8 of the Financial Regulations;

(iii.) note that an allowance of £800,000 has been made for expenditure relating to the current contracts in 2011/2012 from within the Planned Maintenance Programme of the HRA Revenue Repairs and Maintenance 2011/12 budget which was approved by the Neighbourhood Services Committee on the 8 February 2011 (report nr 113/11 refers). Provision will be required within future years’ Planned Maintenance Programme budgets to accommodate the annual expenditure on the new contracts;

(iv.) note the financial implications included in Section 5 of this report.

2 INTRODUCTION

The current Housing external painting contracts have been in place since October 2006 and expire on 31st March 2012. New contracts are needed to continue with the rolling programme of housing external painterwork.

The housing external painterwork programme is a continuing long term process based on a five year cycle of all housing properties.

Prior to 2006 procurement was carried out in small sized individual contracts and priced using bills of quantities based tender documents. This was labour intensive for the Contract Administrators involved and meant a high level of resources was required to handle a high volume of properties and contracts.

In 2006 the procurement method was changed to ‘without quantities’ tender documentation with basic information on each property. This ensured that high volumes of properties could be procured in a more cost effective manner including reducing the number of contracts involved.
which resulted in savings in staff time. This method was used for the contracts which have been in place for the last 5 years.

This report details the funding arrangements and procurement options for the Housing Repaints Programme 2012 to 2017 that fall within the procurement authority requirements contained in Financial Regulation (FR) 16.8. Approval of this report would mean that, subject to the overall project costs, following receipt of the tenders, being within the approved budget then the contracts can be accepted without approval by the relevant Committees. This procurement is not considered to be a “major procurement” in accordance with the new arrangements therefore tender evaluation and award information reports will be provided to the Head of Finance as required by FR 16.8.6.

3 DESCRIPTION OF WORKS

The works comprise the five year cycle of external painterwork, pre-painterwork, repair joinerwork and other minor repair work to the Council’s housing stock.

The works will be split into three contracts with the first contract covering the Arbroath, Carnoustie and Monifieth areas, the second contract covering the Forfar and Kirriemuir areas and the third contract covering the Brechin and Montrose areas.

4 PROCUREMENT AUTHORITY

Objectives

This programme continues the Council’s five year cycle of annual council house external painterwork programme which has been ongoing for the past five years and demonstrates the Council’s commitment to continuous maintenance and improvement of the authorities housing stock.

Programme

It is anticipated that the procurement process will begin in July 2011 with the placing of an advert for the proposed supply on the Public Contracts Scotland web portal. The subsequent tenderer selection process will be carried out in accordance with the Financial Regulations and will follow the Property division’s normal procedures for a contract of this size.

Following the finalisation of the list of tenderers, tender documents are to be issued in a rolling programme for the three contracts from September 2011 to November 2011. Once the tenders have been assessed, acceptances will be issued to the lowest acceptable tenderers by early February 2012. The contracts are anticipated to start on site 1 April 2012, with a contract period of 5 years this maintenance cycle will be complete by 31 March 2017.

Procurement Options

The preferred procurement process is based on tendering the works using outline information for each property enabling tenders to be submitted on a price per block/property basis using the information and the contract specification contained in the contract documents. This procurement process is a hybrid which has standard conditions of contract and specifications but does not have drawings or bills of quantities.

To manage the risk to Angus Council of a contractor defaulting on a contract, a tenderer submitting the lowest price on two of the three contracts will not be awarded the final contract. This ensures there are no breaks in the painterwork regime as an alternative contractor will be available to carry out the required works until permanent arrangement are put in place.
The procurement process to be used is built on the positive experience gained by the Housing and Property divisions from arranging the current contracts which have been in operation for the last 5 years.

Collaborative procurement opportunities are being investigated on an ongoing basis with the Tayside Procurement Consortium. The recommended procurement process would be capable of accommodating the requirements of other public bodies provided they did not significantly affect the project programme.

It is the recommendation of the Head of Property that the most appropriate procurement option for delivering this project in the established timescales and to deliver the stated objectives is to utilise the approach detailed above.

This will ensure that Angus Council has complete control of the procurement process thereby obviating any delays; ensure that the project will fulfil client requirements and use the experienced resource already available within the Housing and Property divisions.

The Head of Finance is satisfied that the chosen procurement strategy will deliver these objectives and that this procurement is not considered to be a ‘major procurement’ within the meaning of FR 16.8.4.

**Whole Life Costing**

A five year cycle for painting houses is recognised by the Housing division as being an effective cycle to assist in the ongoing maintenance of housing properties. This ensures further maintenance of the fabric of the building and replacement cycles of windows and doors are reduced and capital costs in future years are minimised.

Due to the nature of the contract it is not possible to identify sufficient materials with a high recycled content. Therefore the target of 10% by value of recycled content in property related construction projects valued over £1 million cannot be achieved on a measurable basis. The Housing and Property divisions will ensure that, where possible, any material specified includes an element of recycled content.

The specification has also incorporated the Sustainable Timber Policy approved by the Corporate Services Committee on the 23 October 2008 (report 1040/08 refers) ensuring that all timber or timber materials required for this contract will be from sustainable sources.

**Contract Award basis**

The completed tenders returned to the Council will be evaluated and the contract will be awarded on the basis of the lowest acceptable price, in accordance with the conditions of contract, to the Council.

**Risk Management**

An assessment has been undertaken for this project and due to the nature of the works a detailed risk assessment is not considered to be required. Other than the normal risks inherent in carrying out a project of this size and complexity, no other significant risks have been identified. The Property division has extensive experience of delivering projects in a timely manner and every measure will be taken to ensure that through effective project management the project is delivered on time and on budget.

5 **ALLOWANCE IN ESTIMATES AND FINANCIAL IMPLICATIONS**

The estimated total cost for the external painting programme is:
External Painting Programme - Contracts 1, 2 and 3
2012 to 2017 £3,500,000

Fluctuations costs in the second and subsequent years of the contract £150,000

£3,650,000

Allowance for professional fees, supervisory, travel and administrative expenses £250,000

Estimated total cost (at out-turn prices) £3,900,000

An allowance of £800,000 has been made for expenditure relating to the current contracts in 2011/2012 from within the Planned Maintenance Programme of the HRA Revenue Repairs and Maintenance 2011/12 budget which was approved by the Neighbourhood Services Committee on the 8 February 2011 (report nr 113/11 refers).

Members are asked to note that the above estimated costs produce an estimated average annual cost of £780,000.

Whilst provision related to the outcome of the tender returns will be required within future years’ Planned Maintenance Programme budgets to accommodate the annual expenditure on the new contracts, members will note that a continuation of the current level of provision is expected to be sufficient to cover the anticipated average annual cost. This will accordingly be factored into the Housing Revenue Account during the upcoming 2012/13 rent setting budget process.

6 HUMAN RIGHTS ACT IMPLICATIONS
There are no Human Rights Act implications specific to this report.

7 EQUALITIES IMPLICATIONS
The issues dealt with in this report fall within an approved category that has been confirmed as exempt from an equalities perspective.

8 CONSULTATION
The Chief Executive, the Head of Law and Administration, the Head of Finance and the Director of Neighbourhood Services have been consulted in the preparation of this report.

9 CONCLUSION
The Executive Sub-Committee is recommended to:

(i.) approve the estimated total cost of £3,900,000 for the housing external painting five year maintenance cycle from 2012 to 2017 (at out-turn prices);

(ii.) approve the procurement authority, as contained in this report, in accordance with the process stated in section 16.8 of the Financial Regulations
REFERENCES

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<td>Neighbourhood</td>
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<td>2011/12 Housing Revenue Account Estimates Incorporating Rents, Charges and Tayock Site Rentals</td>
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Colin McMahon
DIRECTOR OF CORPORATE SERVICES

BACKGROUND PAPERS

NOTE: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information), were relied on to any material extent in preparing the above report.

Property/JWP/IGH – 6050/1128