ABSTRACT: The Committee are asked to note the decision by the Director of Neighbourhood Services to terminate the employment of JKM Property Services Ltd, Aberdeen and note that the Head of Property, will procure replacement contractors for the two contracts where the employment of JKM Property Services Ltd was terminated.

1. RECOMMENDATION(S)

1.1 It is recommended that the Committee:

(i) notes the decision by the Director of Neighbourhood Services to terminate the employment of JKM Property Services Ltd., Aberdeen for the reasons stated in the report and;

(ii) notes that the Head of Property will procure replacement contractors for the two contracts where the employment of JKM Property Services Ltd was terminated;

(iii) agree that JKM Property Services Ltd, Aberdeen not be considered for any future works of a similar nature procured through a contract of a similar type for a period of three years and;

(iv) authorise the Head of Housing and the Head of Law and Administration to take appropriate action to seek to recover additional costs to the Council that may be incurred.

2. BACKGROUND

2.1 The provision of the responsive repairs service for the 7,800 (approx) Council houses has been provided since 1st April 2010 by 15 contracts covering all trades across all of the Community Housing Team (CHT) areas. Each CHT have five contracts in their area, Joiner, Builder, Electrical, Plumber and Multi-trade.

2.2 Responsive Repairs are an important aspect of the Housing Division’s function. It is important contractors perform to keep tenants satisfied and allow the Council to comply with its repairing obligations. The Council’s performance in responsive repairs is reported annually as Statutory Performance Indicator HS1 to Audit Scotland.

2.3 JKM Property Services Ltd, Aberdeen was awarded the Builder Contract and the Joiner Contract in the Brechin/Montrose CHT area after a competitive tendering exercise. The acceptance of the original tenders received was approved by the Neighbourhood Services Committee on the 14th January 2010, Committee Report No. 29/10 refers.

2.4 The performance of this firm on the Builder contract has been unsatisfactory for the following reasons:

- Failure to commence or to proceed regularly or diligently with carrying out of work orders -resulting in a default notice being issued on 15/11/2010;

- Failure to commence or to proceed regularly or diligently with carrying out of work orders -resulting in a default notice being issued on 17/03/2011;

- Failure to commence or to proceed regularly or diligently with carrying out of work orders -resulting in a default notice being issued on 26/04/2011.
2.5 The performance of this firm on the Joiner contract has been unsatisfactory for the following reasons:

- Failure to commence or to proceed regularly or diligently with carrying out of work orders -resulting in a default notice being issued on 15/11/2010;
- Failure to commence or to proceed regularly or diligently with carrying out of work orders -resulting in a default notice being issued on 17/03/2011;
- Failure to commence or to proceed regularly or diligently with carrying out of work orders -resulting in a default notice being issued on 26/04/2011.

2.6 The conditions of contract state that a minimum of two default notices issued to the contractor for each contract provides the Council with the option of terminating the contract. A number of meetings were held with the contractor to address the poor performance. This did not result in any noticeable difference to the contractor’s subsequent performance.

3. ACTION TAKEN

3.1 In accordance with Financial Regulation 16.19.2 the Director of Neighbourhood Services, after consultation with the Corporate Procurement Manager and the Convener of Neighbourhood Services, agreed to the termination of the Builder and Joiner contracts held by JKM Property Services Ltd, Aberdeen on 27/04/11. This was an emergency action, which was necessary to keep Council tenants satisfied and allow the Council to comply with its repairing obligations.

3.2 A contract condition allows the Council to issue work orders to contractors from a neighbouring CHT area. This option is being utilised to provide temporary cover for the Brechin/Montrose Builder and Joiner contracts, ensuring there is no disruption to the responsive repairs service until the procurement of replacement contractors is completed.

4. FUTURE TENDERING OPPORTUNITIES

4.1 Due to the determination of the contract with JKM Property Services Ltd, the Head of Housing recommends that these contractors not be considered for any future works of a similar nature procured through a contract of a similar type for a period of three years.

5. PROCUREMENT OF REPLACEMENT CONTRACTORS

5.1 In respect of the procurement of replacement contractors for the two lots where the employment of JKM Property Services Ltd was terminated, the Head of Property shall exercise the authority delegated to him under Financial Regulation 16.8.2 and Appendix 1 to advertise for and select tenderers and invite, open, check and accept tenders. The outcome of this tender process will be included in the report on tenders accepted by the Head of Property under delegated authority, submitted to the Corporate Services Committee on a six monthly cycle.

6. FINANCIAL IMPLICATIONS

6.1 Under the contract, the Council is entitled to employ and pay other persons for the purpose of carrying out and completing all existing and future works to the end of the contract and to recover from the contractor sums due in respect of any direct loss and/or damage caused to the Council by the contractor’s failure to perform.

6.2 Builder Contract – the interim neighbouring contractor for the Forfar/Kirriemuir General Builder lot, Milnbank Ltd, submitted a lower percentage uplift on the Schedule of Rates (SOR) items and a lower hourly rate for works executed as Daywork. This indicates that the interim arrangement should not result in any additional works costs in relation to orders issued to Milnbank Ltd, standing in for JKM.

6.3 Joiner Contract – the interim neighbouring contractor for the Arbroath/Carnoustie/Monifieth Joiner lot, RS Joinery, submitted an identical percentage uplift on the Schedule of Rates (SOR) items and a lower hourly rate for works executed as Daywork. This indicates that the
interim arrangement should not result in any additional works costs in relation to orders issued to RS Joinery, standing in for JKM.

6.4 Although there are no additional costs associated with the emergency measures which have been put in place, the Council may pursue a claim against JKM Property Services Ltd to recover any additional costs incurred relating to the procurement of replacement contractors and also withhold any sums currently due to the contractor for work done as set-off against any debt.

7. HUMAN RIGHTS IMPLICATIONS

7.1 There are no Human Rights implications arising from this report.

8. EQUALITIES IMPLICATIONS

8.1 The issues contained in the report fall within an approved category that has been confirmed as exempt from an equalities perspective.

9. ANGUS COMMUNITY PLAN AND SINGLE OUTCOME AGREEMENT

9.1 This report contributes to the following local outcome(s) contained within the Single Outcome Agreement for Angus.

- Sustainable business growth is achieved;
- Angus' built environment is protected and enhanced.

10. CONSULTATION

10.1 The Chief Executive, Director of Corporate Services, Head of Property, Head of Finance, Head of Law and Administration and Procurement Manager have been consulted in the preparation of this report.

RON ASHTON
DIRECTOR OF NEIGHBOURHOOD SERVICES

NOTE: The background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) which were relied on to any material extent in preparing the above report are:

- Report No. 29/10 Provision of a Responsive Repair Service to Council Housing Tenants 2010-2013