

Report to the Cabinet

Report reference: C-072-2010/11

Date of meeting: 18 April 2011



**Epping Forest
District Council**

Portfolio: Housing

Subject: Acceptance of Tender - Appointment of the Repairs Management Contractor

Responsible Officer: Paul Pledger (01992 564248).

Democratic Services Officer: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

- (1) That Mears Plc be appointed as the Repairs Management Contractor for an initial period of 3-years, renewable every 3-years up to 9-year contract period in total, for the supervision and management of the Council's Housing Repairs Service as an "In-Sourcing" contract, in the amended tender sum of £344,298 over the initial 3-years of the contract, as being the most economically advantageous tender received;**
- (2) That the Repairs Advisory Group continue to meet on a quarterly basis to monitor the progress and performance of the Repairs Management Contractor, and report progress to the Cabinet on an annual basis; and**
- (3) That at the end of the first three years of the contract, in consultation with the Repairs Advisory Group, the Cabinet agrees the "Key Deliverables" for each of the following two 3-year terms and to agree the contract extensions.**

Executive Summary:

At its meeting in March 2008, the Cabinet agreed to put in place an interim management arrangement for the supervision of the combined Building Maintenance and Repairs Service, subject to an EU procurement tender. In view of the innovative approach, this report records the key milestones as well as the outcome of the tender exercise, which was based on both price and quality.

Reasons for Proposed Decision:

This report is presented to the Cabinet at the request of the Repairs Advisory Group and the Housing Portfolio Holder. The principle to appoint a Repairs Management Contractor has already been agreed by the Cabinet. Therefore, in order to satisfy the requirements of Contract Standing Orders, the Cabinet is asked to consider the outcome of the tender exercise.

Other Options for Action:

- Not to appoint the Repairs Management Contractor, and to continue with the current repairs structure based on a status quo in terms of performance. However, this is unlikely to lead to a stepped change in improved performance or productivity, which this appointment is expected to deliver.

- To directly recruit a Manager to oversee the Repairs Service. However, whilst this job will need to be job evaluated, it is unlikely that the salary that will be available for this position will attract someone with the kind of experience and calibre that will be needed to see through change on this scale.

Report:

Background

1. In March 2008, the Cabinet considered a report on the future of the Building Maintenance Works Unit and the Housing Repairs team. At that meeting, the Cabinet agreed to the interim appointment of an External Management Contractor (now known as the Repairs Management Contractor) to provide a supervisory role for the Housing Repairs Service.

2. Following that decision, and in view of the fact that this approach was innovative and there were no other known examples of this kind of approach, the Cabinet agreed to the formation of a Repairs Advisory Group, consisting of Members, Tenant representatives and Officers, to develop the concept and to provide advice on the terms of any future contract. The Council also engaged the services of a specialist Procurement Consultant to provide expert guidance on the procurement aspects of the contract. The Consultant appointed was Cameron Consulting.

3. In January 2010, an advert was placed in the Official Journal of the European Union (OJEU). That notice invited Contractors to express an interest in providing a tender, from which a Pre-Qualification Questionnaire (PQQ) was issued. Prospective Contractors were required to submit their responses to the PQQ by 17 February 2010 from which applications were assessed and a shortlist of 5 tenderers was compiled. The outcome of the short listing was reported to the Repairs Advisory Group at its meeting in November 2010.

4. Tenders were subsequently issued in accordance with Contract Standing Orders on 17 November 2010, based not only on price but on economic, financial and technical capacity. This process was conveyed to all prospective bidders at the time the original advertisement was placed in the OJEU.

5. The five contractors invited to tender were: Apollo Group, Mears Ltd, Kier Group, Axis Europe PLC and C G Group.

6. The closing date for the tenders was 17 January 2011. Out of the five Contractors invited to tender, Kier Group and C G Group both declined to tender, which meant that the Council only received and opened three tenders. These were from Apollo Group, Mears Ltd and Axis Europe PLC.

7. The Housing Portfolio Holder opened the tenders on 18 January 2011, and the priced element (Form of Tender) was recorded in the tender register. The pricing element of the tenders were broken down into three parts, as follows:

- Part A – Service Requirements. (The cost of providing the services of a Housing Repairs Manager at the Depot to oversee the contract and to implement change).
- Part B – Key Deliverables. (The cost of implementing 5 specific projects, including Supply Chain Development, Implementation of an Efficient IT System, Implementation of a Mobile Working Solution For Operatives, Development of an Appointment Based System and Development of a New Pricing Model).

- Part C – Incentivisation. (The payment the Repairs Management Contractor expects to receive if all of the RMC Key Performance Indicators are met).

8. In view of the innovative approach that this “In-sourcing” contract adopts whereby the Contractor nominates and places a Housing Repairs Manager into the Council’s Housing Repairs Service, the Contractors were told that the tender will be based not only on price but on quality as well. The quality aspects of the tender were broken down further into two parts, mainly to assess the quality of the Contractor itself along with its back office support, but more importantly the Housing Repairs Manager that they nominated in their tender submission. The first being a document review of the written submission and method statements supplied with the Form of Tender, and the second specifically looking to measure of the quality of the Housing Repairs Manager they put forward as their lead person to manage the day to day contract and implement the change process. This was measured at an Assessment Centre held on 17 February 2011 at Gilwell Park Conference Centre.

9. The “Price” aspect of the tender makes up 40% of the tender weighting and the “Quality” aspect makes up the remaining 60%.

Price

10. The table below sets out the summary of the “Price” aspect of the tender. At Appendix A you will find the detailed breakdown for each of the priced elements of the tender submissions in the Tender Evaluation Report prepared by the Consultants Cameron Consulting.

Ref	Description of Service	Apollo	Mears	Axis
1.0	Part A – Services (Years 1-3 only)	415,535	315,271	320,625
2.0	Part B – Key Deliverables	373,392	42,054	106,587
3.0	Part C - Incentivisation	200,000	24,000	287,500
	Total	988,927	381,325	714,712

11. The Part A costs and Part C costs are spread evenly out over 3-years contract period. However, the Part B costs associated with the Key Deliverables are planned to be introduced in year 1 of the contract.

12. Taking into consideration responses to post tender clarifications and other errors or omissions in the original submission, the tables below incorporate the adjusted pricing and scores.

Ref	Description of Service	Apollo	Mears	Axis
1.0	Part A – Services (Years 1-3 only)	415,535.00	315,271.00	320,625.00
2.0	Part B – Key Deliverables	186,696.00	21,027.00	53,293.50
3.0	Part C - Incentivisation	66,666.67	8,000.00	95,833.33
	Total	668,897.67	344,298.00	469,751.83

13. Expressed as a percentage, these tender represent an overall score as set out in the table below:

	Percentage Allocation of overall Cost Assessment (40%)	Apollo	Mears	Axis
	Lowest Bid	£344,298.00	£344,298.00	£344,298.00
	This Bid	£668,897.67	£344,298.00	£469,751.83
	Percentage Score (out of 40%)	20.59%	40%	29.32%

14. For comparison purposes, it should be recorded that the Consultants pre-tender estimate for the contract as set out in the table below. The lowest bid is £91,644 lower than the pre-tender estimate.

Ref	Description of Service	Bidder A
1.0	Part A – Services (Years 1-3 only)	346,775
2.0	Part B – Key Deliverables	72,500
3.0	Part C - Incentivisation	16,667
	Total	£435,942

15. Mears have indicated an “Opportunity Discount” within the detailed build-up for each of the Part B – Deliverables. This was probed further at the interview part of the Assessment Centre whereby Mears responded that the costs for most of the Key Deliverables were generally part of their central office overhead costs, and they considered that these should be discounted from their tender as an *opportunity* to enter into a new and innovative field of service delivery. As a consequence of this, the Council will be the beneficiaries of being an “early adopter” in the market, which is reflected, in the highly commercially competitive offer from Mears. In the opinion of our Consultants, Cameron Consulting, this represents very good value for money to the Council.

16. This “Opportunity Discount” in broad terms represents around 70% discount on actual cost. However, in summary the Mears original bid for delivering all of the “Key Deliverables” would have been £139,171.92. The “Opportunity Discount” amounts to some £97,117.13, making the cost of the “Key Deliverables” in the tender £42,054.79. As stated above, this represents a discount of almost 70%.

17. The incentivisation payment is only payable if all five Performance Indicator targets are met by the Repairs Management Contractor. For information, the PI’s that are linked to the Incentivisation payment are set out in the table below:

	Target 2009/10	Outturn 2009/10	Proposed Target for RMC
Average number of days to re-let Council dwellings.	30 Calendar days	28 Calendar days	10 working days
Emergency repairs undertaken within target time (24 hours)	99%	99%	99% within 4 hours
Urgent repairs undertaken within target time (within 5 working days)	95%	94%	98% within 3 working days
Routine repairs undertaken within target time (within 6 weeks)	95%	95%	98% within 2 weeks
Satisfaction with repairs.	98%	98%	98%

Quality

Written Submission

18. The written submission presented by each of the tenderers with their Form Of Tender was evaluated by Cameron Consulting and then moderated by Council Officers as a desk-top exercise. Any queries that were noted with their written submission were then either raised post tender in writing or raised as items for clarification at the Assessment Centre. Topics covered in the written submission included the following:

- Management of the Team
- Delivery of a Quality Service
- Continuous Improvement
- Supply Chain Development
- Developing of Pricing Model
- Deliver an Efficient IT System

Assessment Centre

19. The final part of the quality aspect of the tender was then measured at an assessment Centre, which was co-ordinated as a post-tender exercise. All tenderers were notified in advance of the tender that it would be part of the evaluation process in accordance with EU Procurement Rules.

20. As stated above, the assessment centre that formed part of the evaluation process for this procurement was designed to assess the suitability of the Housing Repairs Manager nominated as the RMC. The performance of this person in the role is crucial to the success of the overall contract and therefore contributes 30% to the overall scoring of the tender. The assessment centre provided a standardised and rigorous approach to the evaluation of the proposed role to predict performance in a post better than an interview or CV alone.

21. The assessment centre was held at Gilwell Park Conference Centre on 17 February 2011. Each of the three tenderers were invited to prepare for and participate in three specific, but separate tests. The three tests were as follows:

- Competency Based Interview -With the person nominated as the Housing Repairs Manager only. This was a structured interview designed to elicit evidence of past performance in areas of behaviour and skills deemed important to effective performance in the role. This was informed by a Pre Assessment Centre Personality Assessment
- Presentation -The presentation was designed to give tenderers the chance to talk about how they would approach the first 90 days in the role.
- Role Play -With the person nominated as the Housing Repairs Manager only, they received a pack on the day outlining a scenario that they then had to manage in a 30 minute interview with the Council's "Manager" played by a member of the Assessment Team.

22. In attendance at the Assessment Centre were three Officers of the Council, including

the Director of Housing, Assistant Director of Housing (Property) and the Assistant Director of Corporate Support Services (HR) along with three Consultants from Cameron Consulting. Observers included Councillor Ricki Gadsby and Mike Tobin, the Vice Chair of the Tenants and Leaseholders Federation.

23. The final scoring matrix for the assessment of the quality aspects of the tender submission is set out in the table below:

Ref	Description of Service	Evaluation Weighting	Apollo	Mears	Axis
1.0	Desktop Evaluation	30%	17.80%	26.90%	22.45%
2.0	Assessment Centre	30%	16.12%	23.30%	20.46%
	Total	60%	33.92%	50.20%	42.91%

Summary & Recommendation

24. Taking into account the combined quality scores and cost submissions, the overall summary of results is set out below:

Ref	Description of Service	Evaluation Weighting	Apollo	Mears	Axis
1.0	Cost Summary	40%	20.59%	40.00%	29.32%
2.0	Desktop Evaluation	30%	17.80%	26.90%	22.45%
3.0	Assessment Centre	30%	16.12%	23.30%	20.46%
	Total	100%	54.51%	90.20%	72.23%

25. In summary, Mears Ltd obtained the highest overall score in terms of their combined quality and cost assessment, and is therefore the most economically advantageous tender. The Repairs Advisory Group therefore recommends to the Cabinet that the contract for the Repairs Management Contractor be awarded to Mears Ltd.

26. Since the Contract is for an initial contract period of 3-years, the contract is renewable for up to 9-years, based on 3 x 3-year terms. Future contract extensions will be subject to new key deliverables and a new Incentivisation scheme, which will be negotiated at the end of the initial 3-year term. Since there will be the need to negotiate the new terms, it is recommended that the Housing Portfolio Holder is delegated authority to agree the contract extensions at year 3 and year 6 in consultation with the Repairs Advisory Group as necessary.

The Continued Role of the Advisory Group

27. The Repairs Advisory Group was initially set up to provide advice on the proposed specification, interview short-listed companies and recommend to the Portfolio Holder an appointment. It is recommended that the Repairs Advisory Group continue to monitor on a quarterly basis the performance of the Repairs Management Contractor and the repairs service generally.

Information of Interest Arising From the Mears Bid

28. There are, however, a number of important statements that are worth referring to, which have emanated from the Mears tender submission, which highlight the commitment Mears are making towards working with the Council on this Contract. These are as follows:

- A letter from the Managing Director of Mears Direct which states:

Epping Forest District Council's innovative tender for the appointment of a repairs management contractor is the first of its kind in the country and everyone at Mears is excited at the prospect of being part of it. We consider that the award of this contract will provide 'prime mover' advantage to the successful bidder for what we believe will be a model that will be emulated by many social housing landlords throughout the country. I hope you find our pricing of this opportunity, and our commitment to making it a success, reflects our understanding of that advantage.

- The CV for Mike Gammack demonstrates that he has extensive experience in both the public and private building maintenance sectors. He has managed DLOs on permanent and interim arrangements, worked as a senior housing manager and at director level in the commercial sector. His many achievements delivered throughout his career indicates a manager who is well versed in the requirements of managing a DLO and delivering several key projects and change management initiatives to a strict timetable whilst maintaining a focus on customer services and robust financial management.
- A letter from the Chief Executive Officer of Mears, which states:

"I am delighted to endorse Mike Gammack as our nomination and I have personally taken steps to ensure that he can be released from his current high level and operational duties to work with Epping should we be successful in this tender.

Mike is a highly regarded individual and it took us some time to secure his services. It has proved well worth it. I hope you see it as a clear demonstration of our genuine commitment to your approach to in-sourcing and delivering the repairs service that I hereby commit to allocating such a high calibre colleague to the EFDC arrangement in full compliance with the requirement of the Services Agreement"

- A letter and personal statement from Mike Gammack, which states:

"I have played a key role in the preparation of Mears' tender submission to EFDC. I have been involved in every aspect from agreeing the price, devising the work programmes and signing off the method statements and resource and cost allocations.

I am excited and pleased to be able to confirm my intention to remain with EFDC in the long-term, leading on delivering all the promises which are made in the method statements. I am no stranger to DLO management and consider it an honour that Mears has selected me as their chosen candidate for the first in-sourcing opportunity to come to the market"

29. The above demonstrate the clear commitment from Mears to see this innovative approach to working in Partnership a success.

Resource Implications:

The tender is broken down into three parts. The services element is spread evenly over 3-years, the key deliverables are planned for in year 1 and the Incentivisation element is again spread evenly over the three years.

There is already £100,000 set aside in the existing budget for Professional Fees in 2011/12 and it is anticipated that a further £100,000 per year will be set aside in future years for 2012/13 and 2013/14. The balance will be funded from savings in staff costs within the Housing Repairs Service, which was agreed by the Cabinet at its meeting in November 2009 as part of the report on the restructure of the combined Repairs and Building Maintenance Works Unit.

Legal and Governance Implications:

Housing Act 1985.
European Procurement Legislation
Contract Standing Orders

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

The Repairs Advisory Group have been consulted throughout the process leading up to this recommendation. The Repairs Advisory Group consist of the Housing Portfolio Holder as Chairman, Finance Portfolio Holder, Chair and Vice-Chair of the Housing Scrutiny Panel and the Chair and Vice-Chair of the Tenants and Leaseholders Federation.

Background Papers:

Cabinet decisions in March 2008 (Building Maintenance Works Unit and Housing Repairs Review), September 2008 (Formation of a Repairs Management Contract Advisory Group), November 2009 (Restructure of Combined Repairs and Building Maintenance Works Unit), Housing Portfolio Holder decisions in July 2009 (Appointment of Specialist Procurement Consultant to oversee Repairs & Building Maintenance Interim Management Contract Tender), May 2010 (Approval of Tender List – Repairs Management Contractor). In addition to these formal decisions, other background papers include the OJEU Notice, Pre-Qualification Questionnaire submissions and resultant evaluation report, contract documentation, tender submissions, tender register, assessment centre evaluation documents and tender report produced by Cameron Consulting.

Impact Assessments:

Risk Management:

This innovative alternative to out-sourcing has a much lower risk for both the Council and the Contractor, since the Housing Repairs Service remains with the Council, and the staffing responsibilities and costs (including pension liabilities) are not transferred to the Contractor. This means that if the contract is not as successful as it is anticipated, or if the Contractor should fall into financial difficulties, then the Council will not be faced with having to negotiate with alternative providers or re-tender at short notice as the staff remain as Council employees.

Other factors that have been built into the contract are around ownership of core repairs data

held on the new IT systems, which are specified in the “Key Deliverables” part of the contract. This data is to remain in the ownership of the Council, and to be held securely on the Council’s servers. This minimises the risk of losing data should the contract fail to

Equality and Diversity:

Did the initial assessment of the proposals contained in this report for relevance to the Council’s general equality duties, reveal any potentially adverse equality implications? No

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? N/A

What equality implications were identified through the Equality Impact Assessment process?
N/A

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?
N/A