

Report to the Cabinet



Report reference: C-033-2012/13
Date of meeting: 22 October 2012

**Epping Forest
District Council**

Portfolio: Housing

Subject: Annual Report on the Waiver of Contract Standing Orders – Housing Contracts

Responsible Officer: Paul Pledger (01992 564248)

Democratic Services: Gary Woodhall (01992 564470)

Recommendations/Decisions Required:

(1) That the requirements of Contract Standing Orders C6 – C12 continue to be waived to allow the Housing Directorate to:

(a) continue to use specialist contractors to undertake a variety of specialist repairs work to Council properties, or other related services on behalf of the Housing Directorate without undertaking the full tendering processes required by Contract Standing Orders, subject to - in respect of all individual jobs exceeding £1,000 in value - either:

(i) quotes being obtained; or

(ii) works benchmarked and let based on a reduction against the current schedule of rates used by the Housing Repairs Service; and

(b) continue to use the specialist service providers listed in the report for services in excess of £25,000 without competition, for the reasons given in the report; and

(2) In accordance with good practice, to note the use of specialist contractors and suppliers by the Housing Directorate in 2011/12 where Contract Standing Orders C6 – C12 were not followed (as previously agreed by the Cabinet), for the reasons given in the report.

Executive Summary:

The report explains the need to continue to have waivers of Contract Standing Orders for specialist repairs work and suppliers of goods, works or services in excess of £25,000 for a further year – for which alternative competition arrangements have been used, and asks the Cabinet to note the use of such specialist contractors and suppliers in 2011/12.

Reasons for Proposed Decision:

With the increased use and over 20 Framework Agreements in place now, it can be seen that expenditure with contractors not in formal contracts with the Council has reduced by around 70% from around £850,000 in 2008/9 to around £250,000 in 2011/12 and will continue to reduce. Until such time as all repairs work that are not undertaken by the Housing Repairs Service are let through formal contracts, Contract Standing Order C6 (Contracts Exceeding

£50,000) needs to continue to be waived and the Cabinet receive regular progress reports on expenditure with contractors.

It is necessary and appropriate for the Council to use other specialist service providers, for goods, works or services in excess of £25,000, without undertaking competitive tendering.

Other Options for Action:

To undertake formal competitive tendering for works in excess of £25,000 and £50,000 as appropriate, which is time consuming and resource intensive, and would lead to other targets and works not being met.

Report:

1. The Cabinet, at its meeting in September 2008, considered a report on the future of the former Building Maintenance Works Unit (now included within the restructured Housing Repairs Service (HRS)). As part of that report, the Cabinet agreed to retain but downsize the HRS in a structured way and to increase the use of contractors to undertake responsive repairs, as and when the need arises - either through existing or new framework agreements, in accordance with Contract Standing Orders, Leasehold Legislation and EU legislation.

2. At that meeting, and on an annual basis since, the Cabinet has agreed that Contract Standing Order C6 (Contracts exceeding £50,000) be waived for a range of responsive repairs work undertaken by private contractors and not by the HRS, to the aggregated value of around £750,000 per annum. This is until such time as new framework agreements can be tendered in accordance with EU legislation, leasehold legislation and Contract Standing Orders.

3. To date, a total of 21 Framework Agreements have been let, of which six are to be re-tendered during 2012/13 as they are due to expire, and a new materials supply contract is in the process of being let via an OJEU tender. The benefit of using framework agreements is that there is flexibility in the flow and quantity of work, which allows Officers to prioritize works to those properties most in need as and when it is identified and they also allow a rapid response when particular problems arise. It also allows greater control over budgets, since the contract can be capped to suit the budget.

4. The Council's Chief Internal Auditor has previously advised that any individual or serial contracts let to specialist providers for more than £50,000 per annum, without competition, should be reported to the Cabinet annually, hence the reason for this report.

5. The table below illustrates the total expenditure with sub-contractors not on framework agreements or where there is/was no formal contract in place in 2008/9 (The benchmark year when the former Building Maintenance Works Unit first joined the Housing Directorate) and 2011/12:

Sub-Contractor	Benchmark Year – 08/09	Amount (11/12)	Specialism
B Adams	£52,908	£40, 681	General repairs & voids
G A & D Perry	£62,709	£57,453	General repairs & voids
J Mclintock & Sons Ltd	£35,441	Below Thresholds CSO	General repairs & voids
Lisnick Property Services	£123,760	No longer used	General repairs & voids
Tarbrook Construction Ltd	£36,554	No longer used	General repairs & voids
Waltham Forest Fencing	£50,759	Below Thresholds CSO	Fencing
Cartel Security Systems Ltd	£64,759	Framework	Door Entry Maintenance
JAC Technical Consultants Ltd	£80,791	No longer used	Consultant Surveyors (Insurance Work)
Lamoura Associates Ltd.,	£258,316	No longer used	General Builders and Damp Specialists
Abbey Drains Ltd	£42,775	£34,760	Drainage repairs
Environmental Drainage Services	£27,945	Below Thresholds CSO	Drainage repairs
Fieldwhite Services Ltd		£59,293	Disabled Adaptations
WF Electrical (Chelmsford) Ltd		£27,299	Electrical Supplies
Frayers Plumbing & Building Supplies		£31,533	Plumbing Supplies
Total	£848,977	£251,019	

6. In 2008/9 the total expenditure with sub-contractors not engaged through a contract was £848,977. However, in 2011/12 the expenditure with sub-contractors and suppliers not engaged through a contract was £251,019. This equates to a reduction of around 70% since 2008/9

7. In order to test value for money, where individual jobs exceed £1,000 in value, alternative quotes are always obtained or works are benchmarked and let based on a reduction against the current schedule of rates.

8. In addition to the above table of contractors, the Housing Directorate has also placed orders, without competition, with the following specialist service providers or suppliers in 2011/12, who continue to be used in 2012/13, where the expenditure was - and will be - in excess of £25,000. This is for good business reasons, and the paragraphs following the table provide the detail:

Supplier	Exp (11/12)	Specialism
Tunstall Telecom Ltd	£125,726	Emergency monitoring equipment and services
Northgate IS Ltd	£19,930	Integrated Housing IT System

Tunstall Telecom Emergency Control

9. In June 1984, the Council decided to set up and run a 24-hour emergency alarm service for vulnerable people in the District. The Council approved Tunstall Telecom as the sole supplier of its emergency alarm equipment and associated IT systems (Piper Network Controller). Again, this equipment needs to be maintained and kept up to date; therefore the Council has a service agreement with Tunstall Telecom to cover the ongoing maintenance costs, installation costs and repairs. However, some of this cost is recovered from the users

through the fees and charges associated with the dispersed alarms.

10. The quality of the service provided by Tunstall Telecom is monitored on a quarterly basis against the Service Agreement, through management performance indicators. The response times for repairs and the quality of the service provided continues to be very good.

11. The review of the Careline Service was reported to the Cabinet in 2008, and it was agreed that the service be retained and extended.

Northgate IS Ltd

12. In around 1998/99, the Council undertook a selection process which resulted in a procurement exercise for an integrated Housing Management IT system to manage all aspects relating to tenancies and Council property asset management. The system the Council uses is referred to as OHMS. Since the initial purchase and installation, the Council has continued to use, upgrade and develop the same integrated IT system, although the company that provides the system has changed a number of times over the years due to company buy-outs. The current provider is Northgate IS Ltd, for which the Council is required to pay licensing, development and other associated costs. Since the IT system is licensed, only Northgate can provide support and other associated services and as such the Council cannot seek competitive tenders or quotes for these services.

Resource Implications:

Around £5.5m within the HRA and £11m within the Capital Programme for all planned maintenance and responsive repairs to HRA properties.

Legal and Governance Implications:

EU legislation, Leasehold legislation, Housing Act 1985, Financial Regulations and Contract Standing Orders

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

None.

Background Papers:

None.

Impact Assessments:

The need for Equalities Impact Assessments has been considered but deemed unnecessary.

The main risk to the Council are that:

(i) Orders are given to specialist contractors and suppliers, when similar works and supplies which meet the Council's requirements could be obtained from other contractors and suppliers at a lower cost. However, in respect of the use of specialist contractors, this does not arise since alternative arrangements are put in place for works in excess of £1,000.

(ii) In respect of specialist suppliers, there is the potential for fraudulent orders being provided. However, in view of other controls in place (including the need to report such use to the Cabinet on an annual basis) this risk is severely mitigated.