

## **Report to the Cabinet**

**Report reference:** C-053-2016/17  
**Date of meeting:** 3 February 2017



**Portfolio:** Housing  
**Subject:** Voids Tender – Award of Contract  
**Responsible Officer:** Paul Pledger (01992 564248)  
**Democratic Services:** Gary Woodhall (01992 564470)

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### **Recommendations:**

- (1) That Gracelands CMS Ltd and Mears PLC be awarded the contracts for the inspection, maintenance and improvements works to void properties based on a 1-year contract renewable annually for up to a maximum of 3-years; and**
- (2) That this contract be designated as a serial contract to facilitate the annual adjustment to the tendered rates in accordance with The Department of Business, Innovation & Skills Building Cost Indices.**

### **Executive Summary:**

Tenders were sought for the inspection, maintenance and improvements works to Council owned void properties. The tender exercise was undertaken in accordance with the Council's Procurement Rules, and was based on an assessment of both quality and price with a 30% weighting on quality and a 70% weighting on price (Most Economically Advantageous Tender or MEAT). The most economically advantageous tenders received was submitted by Gracelands CMS Ltd and Mears PLC with a score of 87.02% and 75.55% respectively.

### **Reasons for Proposed Decision:**

The existing contracts for the inspection, maintenance and improvements works to Council owned void properties expires in September 2017; therefore it was necessary to re-tender the contract to satisfy the Council's Procurement Rules.

### **Other Options for Action:**

The main alternative options appear to be:

- (i) To re-tender the contract on an annual basis. However, this would be time consuming and inefficient. Re-tendering would not guarantee more competitive tenders.
- (ii) To re-tender based on price alone. However, this would not necessarily return a more competitive tender and would not necessarily tease out a quality commitment from the lowest bidder.
- (iii) To seek quotations on an individual basis for each void property on an ad-hoc basis. However, this is very time consuming and is not cost effective, and given the volume of works

per annum, this would breach Contract Standing Order C5 (3) with the works exceeding £20,000 in value during one financial year.

(iv) Procuring the works with just one Contractor. However, from experience, the lack of competitive benchmarking only leads to more administration and resources, which in turn increases internal costs, and in any event would not assist in keeping void period to a minimum due to capacity issues.

## **Report**

1. The Council has in the past undertaken void capital works in-house, supplemented through the use of contractors to manage the peaks in workload. However, in 2013/14, partly due to a combination of the Welfare Reform Act and a higher level of affordable housing being built in the district at that time, the Council appointed two Contractors by way of a competitive tender using a Schedule of Rates (SOR's) contract.
2. With around 120 new Council homes in the pipeline over the next 18-months, there is likely to be a further rise in the number of voids over the coming few years.
3. Around that time in 2012, in a bid to turn around void properties quicker the Council worked with the Repairs & Maintenance Focus Group, a panel of Tenant Representatives, to create a Voids Standard, which is now the basis on which void properties are assessed. A process mapping exercise identified changes in working practices that reduced the voids turnaround times from an average of 29.43 days in 2011/12 to 20 days as at the end of Q1 of 2016/17. These indicators relate to the time the Repairs Service receives the keys from Housing Options and then returns them when the work is completed. These are recorded as Management PI's to track the performance of the Contractor and the Repairs Inspections and feature as only a small part of the wider Corporate KPI on void property re-let times.
4. Incorporating the lessons learnt during the last voids contract, the Council has undertaken a competitive tender exercise in accordance with the Council's Procurement Rules, to again appoint two Contractors to undertake void works, based on a 1-year contract renewable for up to a maximum of 3-years subject to performance and quality, incorporating performance indicators and penalties for not returning a void property within specified targets.
5. The tenderers were asked to price against the latest NHF Schedule of Rates that cover all works, including capital improvements such as kitchens and bathroom, new heating systems and re-wiring. The NHF Schedule of Rates is a pre-priced set of descriptions that each contractor then has to adjust, either up or down by a percentage adjustment.
6. The annual expenditure on voids is estimated to be around £1.2m (or £3.6m for the contract period as a whole), which is split between the two contracts. This is below the EU threshold of around £4.1m
7. Invitations to tender were issued on 10 October 2016 to 6 contractors registered on Constructionline, with the tender evaluation criteria based on a 70:30 split on both price and quality respectively.
8. The tenders were returned on 11 November 2016, and opened by the Housing Portfolio Holder on 15 November 2016 in accordance with the Procurement Rules. The results of the tender opening were as follows:

Contractor		Tender Sum £	Position
1.	Mears PLC	360,922.88	2 <sup>nd</sup>
2.	Gracelands CMS Ltd	389,227.24	3 <sup>rd</sup>
3.	Complete Building Services	470,495.03	4 <sup>th</sup>
4.	Mitre Construction Company	485,362.13	5 <sup>th</sup>
5.	V. S. N. Enterprises Ltd	515,731.00	6 <sup>th</sup>
6.	Breyer Group PLC	356,646.97	1 <sup>st</sup>

9. A full arithmetical check, a comparison of the schedule of rate items and the identification of any pricing inconsistencies was undertaken on all of the submitted tenders.

10. Since it is not possible to identify the exact type of work that is likely to feature during the contract period, when evaluating the priced elements, a pre-set weighting was applied to the items that are likely to occur most frequently based on experience during the last 3-years. This provides the Council with some assurance, that the lowest overall costs are being paid for the full range of works likely to occur during the contract period.

11. Each of the tenderers submitted contained errors or zero rated entries, which required clarification or correction, since some zero rated costs can skew a weighted score. Each Contractor was therefore required to insert a price or clarify their tender sums, as part of the evaluation exercise. The outcome of the evaluation exercise resulted in the following weighted scores:

<b>Corrected Cost Element Results</b>			
	Company	Max total score available	% of weighted score
Contractor 1	<b>Mears plc</b>	70%	53.76
Contractor 2	<b>Gracelands (CMS) Ltd</b>	70%	61.57
Contractor 3	<b>Complete Building Services (Herts) Ltd</b>	70%	35.87
Contractor 4	<b>Mitre Construction Ltd</b>	70%	35.93
Contractor 5	<b>VSN Enterprises Ltd</b>	70%	37.19
Contractor 6	<b>Breyer Group plc</b>	70%	45.75

12. The quality assessment was based on responses to four questions on management and resource; approach to the void process; management of the programme and targets; and customer satisfaction and security. The quality evaluation was scored up to a maximum of 30%. The outcome of the quality scores was as follows:

<b>Quality Assessment Method Statement Question Results</b>				
	<b>Company</b>	<b>Max total score available</b>	<b>Total weighted score</b>	<b>% of weighted score</b>
<b>Contractor 1</b>	<b>Mears plc</b>	900	654	21.78
<b>Contractor 2</b>	<b>Gracelands (CMS) Ltd</b>	900	764	25.45
<b>Contractor 3</b>	<b>Complete Building Services (Herts) Ltd</b>	900	227	7.55
<b>Contractor 4</b>	<b>Mitre Construction Ltd</b>	900	331	11.02
<b>Contractor 5</b>	<b>VSN Enterprises Ltd</b>	900	265	8.83
<b>Contractor 6</b>	<b>Breyer Group plc</b>	900	645	21.50

13. The summary table with the weighted percentage scores for both price and quality, which have been evaluated strictly in accordance with the MEAT criteria, are set out in the table below:

<b>Overall Tender Score</b>					
	<b>Company</b>	<b>Quality Assessment Total Weighted Score Percentage</b>	<b>Cost Element Total Weighted Score Percentage</b>	<b>ITT Evaluation Result</b>	<b>Contractors Overall Position</b>
<b>Contractor 1</b>	<b>Mears PLC</b>	21.78	53.76	75.55	2nd
<b>Contractor 2</b>	<b>Gracelands CMS Ltd</b>	25.45	61.57	87.02	1st
<b>Contractor 3</b>	<b>Complete Building Servcies</b>	7.55	35.87	43.42	6th
<b>Contractor 4</b>	<b>Mitre Construction Company</b>	11.02	35.93	46.95	4th
<b>Contractor 5</b>	<b>V. S. N. Enterprises Ltd</b>	8.83	37.19	46.02	5th
<b>Contractor 6</b>	<b>Breyer Group PLC</b>	21.50	45.75	67.25	3rd

14. Based on the table above, the most economically advantageous tenders received was from Gracelands CMS Ltd and Mears PLC, who are the two current contractors undertaking voids works. It is therefore recommended that Gracelands CMS Ltd and Mears PLC be awarded the contracts with a combined quality and price score of 87.02% and 75.55% respectively.

15. A full supplier report has been undertaken on each of the two lowest tenders on Constructionline, which includes a financial credit check. The outcome of that revealed that Gracelands CMS Ltd have a turnover of £8.3m during 2015 and an overall feedback score of 9.03 compared to the national benchmark score of 8.0. Mears PLC had a turnover of £504m and an overall feedback score of 8.91.

16. Gracelands CMS Ltd and Mears PLC were the successful contractors during the last tender exercise and have demonstrated their experience in this competitive tender exercise through their price and quality submission. Both Contractors have a good track record working

with the Council and have provided both a quality service and value for money on a consistent basis.

17. It should be noted that when the contracts are subject to an annual increase in line with the appropriate DTI Building Cost Indices.

### **Resource Implications**

Around £1.2M per annum from the existing capital programme for voids works. All prices are subject to an annual adjustment in line with The Department of Business, Innovation & Skills Building Cost Indices.

There has been a saving of around £20,000 attributed to the in-house procurement exercise as opposed to using external procurement consultants.

### **Legal and Governance Implications**

The financial expenditure over a 3-year period is below that requiring an OJEU tender; therefore, this tender complies with the requirements as set out in the Council's Procurement Rules.

The Housing Act 1985

### **Safer, Cleaner and Greener Implications**

None

### **Consultation Undertaken**

None

### **Background Papers**

Confidential Tender Evaluation Report.

## **Risk Management**

The contract is being let based on a 1-year term, and renewable for up to a maximum of 3-years. Contract extensions are subject to a performance and quality review.

A supplier report and credit check has been carried out using Constructionline and each of the Contractors has returned a higher than average supplier feedback score and very low risk credit scores.

The contract includes a financial penalty for each day beyond the target turn-around time each void is completed, equivalent to 1/7<sup>th</sup> of the average weekly rent.

In view of Mears PLC involvement in the Repairs Management Contract, controls around the allocation of work, supervision of the Contractors and the payment of invoices is to rest with the Repairs Operation Manager under direct supervision of the Assistant Director (Housing Property & Development) to ensure a separation of responsibilities. This approach has been agreed by the Internal Auditors.

# Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

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A Housing Repairs Service and Asset Management Customer Impact Assessment has been carried out for all responsive repairs and planned maintenance works, which includes works to void properties. This includes identifying housing need, identifying equality related evidence and monitoring customer satisfaction. Priority for works is based on the condition of the home rather than the individual characteristics of the occupants. However, the needs of an aging population are taken into account when planning replacement bathrooms, where level access showers are incorporated in homes that become void that are suitable for older or disabled tenants.

All contractors are required to produce an Equality and Diversity Policy, which is assessed independently as part of the vetting process as part of the tender evaluation. The Equality Impact Assessment produced by Gracelands Complete Maintenance Service Ltd and Mears PLC has been reviewed by the Council as part of this tender exercise and has been found to be acceptable.

The Equality Impact Assessment is available as a background document