



CAERPHILLY HOMES TASK GROUP - 22ND MAY 2014

SUBJECT: WHQS EXTERNAL WORKS CONTRACTS

REPORT BY: INTERIM CHIEF EXECUTIVE

1. PURPOSE OF REPORT

- 1.1 To advise on the position with the tender process for the external works contracts and to recommend a course of action.

2. SUMMARY

- 2.1 In accordance with the agreed contract structure for the WHQS Programme, approved by the CHTG / Cabinet Sub Committee in September 2012, the external works were the subject of a procurement process during 2013. The outcome of the tender process has raised a number of concerns including value for money and process irregularities. The report recommends the current tender process is terminated, the procurement strategy is reviewed and a new tender process is commenced.

3. LINKS TO STRATEGY

- 3.1 The Welsh Housing Quality Standard (WHQS) is intended to ensure that all local authority and housing association homes are improved and maintained to achieve specified standards.
- 3.2 The Single Integrated Plan 2013-2017 has a priority to "Improve standards of housing and communities, giving appropriate access to services across the County Borough."
- 3.3 The Council's Local Housing Strategy "People, Property, and Places" has the following aim:
"To provide good quality, well managed houses in communities where people want to live, and offer people housing choices which meet their needs and aspirations."

4. THE REPORT

- 4.1 The proposed contract structure for the WHQS Programme was agreed in September 2012. A different approach would be undertaken for the external works in each of the three housing areas.
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|----------------------|-----------------------|
| Lower Rhymney Valley | – In house work force |
| Eastern Valleys | – Small Lots |
| Upper Rhymney Valley | – 3 contracts |
- 4.2 The report is concerned with the procurement of the contracts for the Upper Rhymney Valley. The external works cover a wide range of repairs and improvements including roofing, rain water goods, fascias, soffits, external rendering, brickwork, windows, doors, paths, paved areas and fencing.

4.3 Procurement

- 4.3.1 The procurement for the Upper Rhymney Valley was to offer the works in one lot to three contractors. The estimated total value was up to £21m. Prior to the tender process commencing, a number of events were held to engage with the supply chain and to ensure the market was informed of the tender opportunity.
- 4.3.2 Due to the estimated spend of this arrangement, it was identified that the procurement process would need to be undertaken in line with the EU Procurement Directives and therefore it was decided to utilise the restricted tender procedure. This procedure would include two stages, the evaluation of selection criteria being the first stage (Pre Qualification Questionnaire), which would assess the bidders' ability to satisfy the Authority's requirements in regards to company finances, experience and technical capability and capacity to supply. Bidders who qualified at this stage would go through to the second stage and be issued with the Invitation to Tender (ITT) document.
- 4.3.3 The project team agreed that the award strategy for this arrangement should be based on the most economically advantageous tender response and therefore the award criteria consisted of the following elements:
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|-------------------|-----------|
| Tender Compliance | Pass/Fail |
| Quality | 60 |
| Commercial/Price | 40 |
- 4.3.4 The Quality sub criteria consisted of the following criterion and allocated scores:
- | | |
|-------------------------|----|
| Programme Delivery | 5 |
| Contractor Interaction | 10 |
| Works Mobilisation Plan | 15 |
| Community Benefits | 10 |
| Experience & Knowledge | 10 |
| People | 10 |
- 4.3.5 For information, the award criteria also set out the evaluation methodology and the strategy was to award the works to the three contractors evenly by value.
- 4.3.6 The procurement process was undertaken in line with Band E of Standing Orders for Contracts. The process was undertaken utilizing the Proactis Plaza Buyer Portal as an Electronic Tender. The OJEU notice was placed in the journal on the 30 January 2013 and thirty-two companies requested the Pre Qualification Questionnaire (PQQ). The evaluation of the selection criteria (Pre Qualification Questionnaire) was based on the top twelve scoring bidders (including tied twelfth bids) going through to the award stage of the process.
- 4.3.7 Following the evaluation the top scoring twelve contractors were issued with the ITT documents. Following the closing date for tender submissions, the tender responses were opened on the 08 October 2013 and eight responses were received.
- 4.3.8 The evaluation process was undertaken in three sections and included the assessment of Qualitative, Community Benefit and Commercial evaluations. The project team consisted of tenants and relevant officers and members of the team were allocated to work on one of the three sections.
- 4.3.9 The evaluation process resulted in a rank order for bidders in accordance with the overall scores with the top three being the preferred bidders.
- 4.3.10 In respect of the commercial information tenderers were asked to submit Adjustment Percentages for the work value bandings as provided within the ITT. The Adjustment Percentages are applied as a plus or minus against the National Schedule of Rates (NSR) and the CCBC Schedule of Rates (CCBC – SR). The Adjustment Percentages tendered against the work value bandings apply to both schedules of rates.

- 4.3.11 The Council's cost consultants ChandlersKBS advised that the rates submitted by a number of the most competitive bids are set at realistic price levels but as the actual elemental works could not be advised ahead of the property surveys the implications of applying these rates could not be assessed in respect of overall competitiveness. The combination of the NSR with other rates based on Council market value research may lead to distortion of costs as no differential was drawn between the NRS and Council rates within the SoR spreadsheet that was issued with the ITT. It is concluded that the Commercial evaluation process was not sufficiently clear to the bidders leading to the possibility of challenge to the process.
- 4.3.12 The review of the tender process has also highlighted conflicting information regarding external work disciplines within the contract notice and tender documents that potentially could lead to challenge by bidders who feel disadvantaged by the scope of work not being clear and consistent throughout the tender process.
- 4.3.13 The overall conclusion drawn from the review is that there are too many risks and potential difficulties by proceeding with an award of the contracts.

4.4 Slippage

- 4.4.1 The original timeline envisaged that the contracts would have been awarded by December 2013. There would have been a 3 month mobilisation period and the contracts should have commenced April 2014. The due diligence review has caused a delay. In light of the outcome of the review and the recommendation to terminate the tender process there will be a further delay. The opportunity should be taken to reconsider the procurement strategy for the external works in the Upper Rhymney Valley prior to commencing a new tender process. A realistic assessment is that these contracts are now unlikely to start on site until April 2015.
- 4.4.2 It was always planned to complete the external works over a 5 year time period where as the internal works contracts which have a much higher value were planned over 6 years from 2014/15. Therefore notwithstanding the 12 month slippage on the external works in the Upper Rhymney Valley it should still be possible to complete these works by 2019/20 in accordance with the target date set for the whole of the WHQS Programme.

5. EQUALITIES IMPLICATIONS

- 5.1 An EqIA screening has been completed in accordance with the Council's Equalities Consultation and Monitoring Guidance and no potential for unlawful discrimination and for low level or minor negative impact have been identified, therefore a full EqIA has not been carried out.
- 5.2 The implementation of the WHQS Programme will ensure compliance where appropriate with current Building Regulations and DDA requirements. The Council's procurement processes include equalities requirements and compliance by third party contractors undertaking WHQS work. In addition Part 7 of the WHQS requires that aids and adaptations are provided to meet the specific needs of individual households.

6. FINANCIAL IMPLICATIONS

- 6.1 The estimated value of the internal works in the Upper Rhymney Valley due to be awarded to the contractors is £21m based on the Savills cost plan. Although market competitive rates have been received the application of these rates to the combined SoR could result in some elements of work being expensive and others not covering the actual costs. This could lead to real difficulties in terms of contract management.
- 6.2 With the need to go through a retender process there is the opportunity to introduce more certainty about the required works. This will also inform the preferred tender option.

7. PERSONNEL IMPLICATIONS

- 7.1 The delivery of the WHQS Programme to a tight timescale is a major challenge and the issues that have arisen with the external works contracts are a setback. The delay will provide the opportunity to progress the property surveys well in advance of work and provide firmer information for the tender process.

8. CONSULTATIONS

- 8.1 No comments have been received that need to be incorporated within the report.

9. RECOMMENDATIONS

- 9.1 In light of the issues raised by the due diligence review the tender process for the external works contracts in the Upper Rhymney Valley is terminated.
- 9.2 The external works contracts in the Upper Rhymney Valley are retendered and the WHQS Project Board be delegated to determine the most appropriate procurement strategy taking account of the availability of survey information that will inform the tender process and deliver value for money.

10. REASONS FOR THE RECOMMENDATIONS

- 10.1 To determine a course of action to progress the external works in the Upper Rhymney Valley.

11. STATUTORY POWER

- 11.1 Housing Acts 1985, 1996, 2004. This is a Cabinet function.

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