

**REPORT TO:** CABINET

**DATE:** 20 FEBRUARY 2014

**TITLE:** ASSET MANAGEMENT SERVICES  
FRAMEWORK AGREEMENT

**PORTFOLIO HOLDER:** COUNCILLOR ROD TRUAN

**LEAD OFFICER:** ANDREW MURRAY, HEAD OF HOUSING  
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**CONTRIBUTING OFFICER:** TINA MCDERMOTT, CONTRACTS MANAGER  
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**This is a Key Decision**

**It is on the Forward Plan as Decision Number I001536**

**Call-in Procedures may apply**

**This decision will affect no Ward specifically**

**RECOMMENDED that:**

- A** Approval is granted for the establishment of a new Asset Management Services Framework Agreement to be awarded to Contractor A.
- B** A three year contract is called-off under the terms of the Framework Agreement, subject to formal contract.

**REASON FOR DECISION**

- A** To enable the Council to implement its Housing Asset Management Strategy (HAMS) and to provide support for the management of the Housing Investment Programme (HIP), in order to meet the Decent Homes Standard by 2015.

**BACKGROUND**

1. The Council has appointed external consultants to deliver programme and project management services for the period up to 31 March 2014. This was to secure the necessary specialist services required to plan, prepare and procure the delivery partners to implement the Council's published five year HIP. This was also to ensure that the complex "mix" of contractor delivery, client, and customer processes were established.
2. As this contract will expire in March 2014, it is important that longer term arrangements are put in place to maintain the momentum and deliver the

published programmes of works on time, within budget and to a high satisfaction level, in order to deliver the Council's Corporate Plan priorities of "More and Better Housing" and meeting the Decent Homes targets by April 2015.

3. In addition, the value, scale, and requirements of the Housing Works programmes have grown significantly since the introduction of the HRA Self Financing process. The levels of capital and revenue investment are forecasted to be £103 million from 2014/15 to 2018/19, and historically support for the delivery of HAMS would have been procured individually. The establishment of a wider Asset Management Services Framework will enable the Council to have access to a cohesive and comprehensive range of services as and when required to deliver the HAMS. The HAMS is available as a background paper.
4. The Framework would include essential services relating to:
  - Investment Planning.
  - Specialist Surveying.
  - Investment Appraisal.
  - Procurement and Contract Management
  - Programme and Project Management Delivery

These are the "core services" from the Framework which the Council can have access too, when required. These have an estimated value of £1,365,000 per annum, and are defined in Appendix 1.

5. In addition to the core services, the Council will have the opportunity to call-off additional asset management services which may be required for the Council's Housing and Non-Housing Capital Portfolio such as stock condition surveys, investment appraisal, fire safety survey, and valuation services.
6. Historically, the Council has tried to recruit specialist staff to manage parts of its Asset Management Services on a number of occasions but has failed to attract the level and quality of skills it requires, despite national advertising.

## **THE PROCUREMENT APPROACH**

7. Officers have evaluated the different procurement options available and have identified that the most economic, efficient and effective approach for the delivery of these essential services would be to establish its own Framework Agreement for the reasons stated below.
8. A Framework Agreement is an umbrella agreement that sets out the terms

(particularly relating to price, quality and quantity) under which individual contracts (call-offs) can be made throughout the proposed contract period. The main advantage of using a Framework Agreement is that it will not be necessary to market-test every time a requirement arises. Having to go through the tender procedure once rather than several times, will reduce tendering costs and improve efficiencies. It also means there is less downtime between identifying and fulfilling the need which is a considerable benefit. There are also likely to be opportunities for potential savings because of economies of scale which should result in more competitive prices when additional services are called-off.

9. This method of procurement provides a vehicle for service delivery that will be flexible enough to meet the ever changing demands of the services such as budgetary changes and work priorities of the Council. It will ensure longer term planning and stability of its housing and non-housing portfolios and enable the Council to deliver on its Corporate Plan Priorities and provide certainty over the next four to five years.

## **THE PROCUREMENT PROCESS**

10. The Public Contracts Regulations 2006 govern the tendering and selection process for the award of contracts above a specified value. In accordance with these Regulations, an advertisement was published in the Official Journal of the European Union (OJEU) in July 2013 inviting expressions of interest from suitably qualified contractors.
11. Five contractors submitted a pre-qualification questionnaire by the deadline specified. This is the first stage of the process which identifies the most capable contractors in terms of qualifications, track record, relevant experience, financial and economic standing etc. All of the applications met the Council's minimum requirements and were invited to tender. Contractor A scored 83.67%, which was 25% higher than the other submissions.
12. Only one tender was submitted by the deadline for the return of tenders and this was evaluated against the criteria set out in the tender documentation. The contractors that chose not to submit a tender provided a number of different reasons for their decision. These are summarised as follows:
  - i. Low probability of winning due to the strong housing focus.
  - ii. Resourcing issues and timing.
  - iii. Inability to make available the level and type of support required.
13. The Tender Evaluation Panel comprised of the Housing Property Services Manager, Contracts Manager (Procurement) and a housing procurement consultant (NCB Plus Ltd) who provided specialist support throughout the procurement process. In addition, tenant and leaseholder representatives

were offered the opportunity to evaluate a section of the qualitative submission.

14. The tender was evaluated on the basis of 80% quality and 20% price against pre-determined criteria included in the invitation to tender documents. A high quality weighting was used to ensure that the contractor submitting the highest quality tender would be appointed. The following factors were taken into account, in addition to price:
  - a) social and economic benefits;
  - b) efficiencies and savings;
  - c) sustainability and environmental factors;
  - d) risk management strategy/business continuity;
  - e) organisational structure and resources;
  - f) governance and accountability;
  - g) mobilisation;
  - h) customer and resident liaison;
15. Contractor A submitted a price that is on average 30/35% below current equivalent framework rates. In addition, Contractor A has confirmed that its price shall remain fixed for a period of two years and that it will supply additional added value services at no extra cost to the Council.
16. Additional construction-related services have been priced against a schedule of rates and day rates, which can be used to benchmark costs. For any other asset management services that fall outside of the core services, Contractor A will be required to submit a price for the Council to either accept or reject. The Council is not under any obligation to call-off additional services.
17. The tender was evaluated and judged to be of an exceptionally high quality and within the Council's financial envelope, achieving a total score of 88.87%.
18. An interview was held with Contractor A to clarify the detail of its bid. The Evaluation Panel's opinion was reaffirmed and it was agreed that Contractor A had submitted an excellent offer to the Council.
19. Contractor A submitted a very high quality bid that demonstrates that it fully understands the aims and aspirations of the Council. The Tender Evaluation Panel has every confidence that Contractor A will be able to fulfil its obligations to the reasonable satisfaction of the Council and that it has the qualifications and experience necessary to successfully deliver the services.

## **BENEFITS TO THE COUNCIL**

20. Contractor A is a leading provider of asset management services to public bodies in the United Kingdom and will support the Council to establish robust mechanisms to plan and manage its complex mix of assets in an ever changing financial and commercial environment.
21. Contractor A has submitted a fixed price for the services for two years based on the forecasted usage, thereby providing cost certainty for the Council with a potential for further efficiencies through management of the Framework.
22. The establishment of this Framework is expected to generate additional income to the Council by enabling third parties/public bodies to use the Framework. The Council and Contractor A will jointly promote and encourage other Councils and Registered Providers to call-off contracts from the Framework from which the Council will receive a fee of 5% of the value of the call-off. Whilst it is difficult to accurately forecast what these fees would be, it is not unreasonable, based on similar models used elsewhere e.g. City West Housing Association and Places for People, to assume a figure in excess of £100,000 per annum.
23. The awarding of a longer-term contract will enable Contractor A to plan and prepare the resources necessary to deliver the services. By accurately forecasting the five year programme, Contractor A can target its resources to effectively deal with the different workloads and priorities this programme will bring. This will benefit the Council as it will not be responsible for costs incurred with any peaks and troughs of delivery throughout the term of the Programme.
24. The Council will be able to extend the recovery of costs from leaseholders by accurately and transparently illustrating costs for the management of works to individual blocks of flats containing leaseholders. Therefore avoiding the risk of challenge.
25. Contractor A has included the following “added value” at no additional cost to the Council, as part of its tender:
  - a) industry specialists and national reputation;
  - b) ability to obtain Government grant funding and negotiating on the Council’s behalf;
  - c) training and staff development.
26. Contractor A will use its best endeavours to:
  - a) Increase the number of local people directly employed on this contract
  - b) Increase training opportunities for school leavers

- c) Upskill, mentor and train the Council's staff
- d) Hold 'Meet the Buyer' days
- e) Engage with older people and develop bespoke training in areas such as IT and computer skills
- f) Engagement with the community, such as estate clean up days
- g) Benchmark the costs of contractors and material suppliers against national rates to ensure best value
- h) Supply a dedicated resource on energy issues through the Harlow Energy Action Group
- i) Access funding to support energy efficiency works through the Energy Companies Obligations Grants
- j) Provide education and training for residents on energy management issues

27. The Framework will be formally reviewed every six months. Whilst it will be in place for a maximum period of four years, contracts called-off may, where appropriate, continue beyond the four year term of the Agreement. For this reason, a second contract may be called-off to deliver the core services, at the Council's discretion for up to a two year term, provided that it demonstrates value for money. This will enable the appointment to run in tandem with the Council's five-year Capital Investment Programme.

28. As Contractor A is currently carrying out the services it will not be necessary to mobilise the contract, which means that there will be a seamless transition from the current contract to the new Framework Agreement which shall commence on 1 April 2014.

## **IMPLICATIONS**

### **Regeneration (includes Sustainability)**

None other than those contained within the report.

Author: **Graeme Bloomer, Head of Regeneration**

### **Finance (Includes ICT)**

The costs of the services to be secured through the framework arrangement can be met from within the Council's existing resources

Author: **Simon Freeman, Head of Finance**

### **Housing**

The Council has statutory landlord responsibilities to maintain its housing stock in good order. A robust investment plan has been established to meet this requirement and the development of a new Asset Management Services Framework will enable the Council to access a cohesive and comprehensive range of services as and when required.

Author: **Andrew Murray, Head of Housing**

### **Community Wellbeing (includes Equalities and Social Inclusion)**

None other than those contained within the report.

Author: **Lynn Seward, Head of Community Wellbeing**

### **Governance (includes HR)**

Following a proper procurement process has minimised any risk to the Council of challenge.

Author: **Brian Keane, Interim Head of Governance**

### **Background Papers**

OJEU Notice (Reference No. 2013/S140-244153)

Housing Asset Management Strategy (HAMS)

### **Glossary of terms/abbreviations used**

OJEU: Official Journal of the European Union

**THE COUNCIL'S SPECIFICATION  
FOR  
ASSET MANAGEMENT SERVICES**

## **DESCRIPTION OF THE TASKS TO BE UNDERTAKEN IN THE CORE SERVICES**

### **Introduction**

The “Core Services” are defined Services which Harlow Council (“the Council”) require to be delivered as part of its Housing asset Management Strategy (HAMS). The Service Provider will primarily provide services which complement the Council’s existing housing management arrangements.

### **Specification of Services**

The Service Provider is expected to oversee the delivery of the Housing Works Programmes both capital and revenue circa £26 million per annum. There will be a requirement to undertake Investment Planning, Investment Appraisal, HRA Business Plan modelling, as well as support for commercial evaluation and decision making best use of the Council’s resources. In addition to evaluate, plan, and identify work programmes, publish information to tenants/leaseholder, advise on the appropriate procurement route, manage and report on the performance of Contractors. It is also expected the Service Provider shall be expected to provide a range of property and construction-related services which support the delivery of these programmes.

The Service Provider will be expected to review and consider information from a range of sources, utilising this information to prepare work programmes.

A detailed specification for these Services is supplied below; together with all supplementary information which the Council is able to provide regarding the delivery of the Services. After considering this information bidders will be required to provide the Council with a fixed price for the annual delivery of the Core Services (inclusive of all expenses and disbursements).

The Service Provider will be expected to review and consider information from a range of sources, utilising this information to prepare work programmes.

The Service Provider shall be required to deliver and manage the following services (“the Core Services”) which will include but not be restricted to:

### ***Strategic Planning***

The Service Provider shall be required to:

- a. Development of Consultation Plans and associated mechanisms to monitor and deliver effective communications that will be maintained throughout the lifetime of the projects.
- b. Providing information to enable the Council to decide it’s future direction in regard to land and property acquisitions and disposals.

- c. Option appraisals regarding the potential for the development of sites owned by the Council.
- d. Identification and Appraisal of sites or areas for inclusion in the Capital Investment Plan.
- e. Assisting the Council in setting priorities for the 5 year Capital Investment Plan including revising and updating the plan as necessary; including reinvestment and new build.
- f. Providing the Council with commercial and technical advice on the extent, content, grouping or packaging of any proposed building works or reinvestment projects to be included in the Annual Capital Investment Programme.
- g. Identification and Appraisal of Schemes or Properties for inclusion in the Council's Annual Capital Investment Programme.
- h. Co-ordination of the Annual Capital Investment Programme and interface between different contractors and work allocation.
- i. Prepare a detailed specification for the works required on a project by project, and individual property basis. Including pre and post work SAP assessments.
- j. Monitoring of the work programmes progress and performance as defined within the Key Performance Indicators.
- k. The production of a monthly financial report and risk report on the status of the works programmes to the Head of Housing, in an agreed format.
- l. Production of individual Work Programmes. (Contract specific).
- m. To ensure data captured from the works contracts is applied to the Council's Keystone stock condition data base in a timely manner.
- n. To undertake periodic reviews of the Investment Plan to reflect completions, refusals and other changes as they occur and ensure that a streamlined programme is maintained. This shall include advice on bringing forward works in order to maintain continuity etc.
- o. Refresh/update of survey data where cloned information has been used (minimum percentage based on current Stock Condition Survey data).
- p. Produce a list of addresses and details of individual work programmes, in a timely manner to enable procurement of works contracts and allocation of work to the Framework Contractors.

- q. Publish information to Tenants and Leaseholders.

***Procurement of Contracts:***

The Service Provider shall be required to

- a. Assist Harlow Council's procurement team in the procurement of contracts including identification and agreeing scope of work;
- b. Management of the contract on site in accordance with the scope of services outlined above;
- c. Development of the annual programme and contract packages.

***Programme and Project Management***

The Service Provider will be responsible for the effective delivery of the 2014/17 programme and will undertake the strategic management function liaising closely with Housing and Finance, as well as the management of individual contracts. These Services shall include:

- a. Direct line management and supervision of all staff and project management of the Council's staff involved on the contract from the new co-located offices.
- b. To prepare and issue Programmes and work orders to contractors.
- c. Advising the Council on the appropriate form of contract documentation to be used.
- d. To advise and assist the Council in the identification of the most suitable contractors required to undertake any building works in accordance with the Council's Standing Orders Relating to Contracts.
- e. To advise and assist the Council in the identification of any specialist Consultant required to provide professional services.
- f. To work up basic cost planning details in order to forecast budgets in respect of any proposed works, utilising all available information available from previous contracts for similar works carried out, or by comparison to all other relevant benchmark data available.
- g. Attending meetings with tenants, Council staff, or the relevant Portfolio Holder and assisting in the preparation of reports for Cabinet and sub-committees.
- h. Identifying leaseholder works and to contract manage works to leasehold properties to ensure that the works are delivered in accordance with statutory leaseholder

consultation, including attendance at meetings with individual leaseholders and leaseholder groups, as and when required.

- i. To anticipate and identify risks and hazards and recommend appropriate action in the event of technical problems, delays, unforeseen difficulties, communication breakdowns and any other event that threatens the Council's objectives.
- j. To obtain on behalf of the Council up-to-date operating and maintenance manuals and check that they are fit for purpose.
- k. To obtain relevant warranties and guarantees from the Contractor's and any sub-Contractor's in favour of the Council. Advise the Council on its rights under the warranties and limitation periods.
- l. To agree the Final Account and supply the Council with copies of all relevant paperwork to keep the Council informed of progress, delays and spend.
- m. To manage the procedures for the notification and rectification of defects during the defects liability period and for the final inspection of the works at the end of that period.
- n. To manage and progress the completion of any outstanding works throughout the defects liability period and issue the Certificate of 'making good' defects.
- o. To be available to attend site in the event of any major incident outside of normal working hours.

### ***Cost Control & Contract Management***

The Service Provider will be responsible for the overall delivery of the contracts within budget, including cost management. This shall include:

- a. Preparing initial cash flow forecasts for all contracts.
- b. Preparing periodic cash flow updates and a quarterly cost report for the Council.
- c. Undertaking monthly valuations on all contracts and issuing certificates for payment, release of retention etc.
- d. Controlling and agreeing the valuation of variations,
- e. Liaising with the Council's Finance Department in respect of payment provisions on a monthly basis to assist in period reporting.
- f. Ensuring costs are established to meet the future requirements of component accounting.

- g. Agreeing Final Accounts within three months of completion on site.
- h. Undertaking cost reconciliation to the Council's Business Plan on a six monthly basis, including an affordability review.
- i. Advise on any corrective action if necessary in respect of cost matters.
- j. To provide all costs at tender stage and Final Account breakdown in line with individual lease requirements for each property within the residential flat blocks and the Council's leaseholder procedures.

***Monitoring Payments and Budgets:***

The Service Provider will monitor payments made against the Council's forecasted budgets in relation to each building works project in the Annual Capital Programme.

To this end the Service Provider will monitor:

- a. Interim Payments made to the contractor at periodic intervals in the progress of the building works project as compared to the forecast budget.
- b. The estimated final account for the building works project compared to its forecast budget highlighting any forecast overspend against the forecast budget immediately that the potential overspend is identified.
- c. The payments made to the consultant associated with providing professional services in respect of the building works project as compared to the forecast budget.
- d. The Service Provider will prepare reports in respect of:
  - i. The progress of building projects in terms of actual time as opposed to planned time, indicating any forecast over-run;
  - ii. The progress of each building works project in terms of actual capital expenditure as opposed to forecast budget;
  - iii. The reasons for variations in relation to (a) and (b) above; with recommendations for mitigation where prolongation of a project or forecast budget overspend is predicted;
  - iv. The impact, if any, on the Annual Capital Programme delivery time-scale and forecast budget with recommendation for mitigation in terms of both prolongation and overspend recovery.

***Assisting the Council in the Closure of Capital Accounting Processes:***

The Service Provider will assist the Council with its activities for the closure of the financial year accounting process in respect of capital resources as required by the Council. This shall include:

- a. Identifying works within the scope of the Services carried out as part of the revenue funded Services and which the Council wants to treat as capital funding for accounting purpose.
- b. Producing estimates of works-in-progress for budget accounting purposes for the closure of the annual capital accounting procedures;
- c. Identifying the impact, if any, for forecast budget roll-over between Annual Capital Programme accounting periods;
- d. Producing realistic budget forecasts based on the estimated final accounts on building works projects for capital budget provisions at Annual Capital Programme accounting periods;
- e. Assisting the Council with any other account closure processes that may be required.

### ***Contract Management, Site Supervision and Monitoring***

The Service Provider shall supply be required:

- a. To act as the Council's contract administrator and use all reasonable endeavours to administer and supervise the contractors' performance of building works projects, or, where specialist consultants are required, the performance of that professional service.
- b. To undertake site supervision of all site based works for the 2014-17 Capital Programmes.
- c. To undertake inspections of work on site through a full-time Clerk of Works service.
- d. To ensure health and safety regulations are complied with and compliance with CDM is maintained and monitored and appropriate records are kept. Including the development of pre contract Health and Safety Plans and compliant Health and Safety Files.
- e. To manage and monitor contractors' on site against a set of agreed performance measures and ensure compliance with specifications, materials, standards of workmanship, site set-up etc.
- f. To issue written site instructions for variations as required including control of variations in relation to the composite specification items included in the tender.

- g. To Chair weekly site and monthly progress meetings, including taking and circulating Minutes.
- h. To liaise with all site based staff, as appropriate.
- i. To attend handovers to sign off completed works to each individual property.
- j. To manage any defects that may arise and ensure remedial works are completed.
- k. The issue of practical completion certificates or completion certificate and a making good defects certificate in relation to the contractor's building works project;

### ***Resident Liaison***

The Service Provider will be required to:

- a. Liaise between the Council and contractors on tenant related matters.
- b. Agree a tailored Consultation Plan for each work stream with respective Managers.
- c. Ensure all contractor correspondence is approved by the Council's editorial panel before despatch to residents.
- d. Liaise with all residents affected by the works programmes, including assistance in sending letters and other communications such as newsletters.
- e. Set up, manage and attend meetings with residents including day time, evening and possibly periodic weekend meetings, as may be required.
- f. Manage Tenant Satisfaction Surveys and ensure that tenants are encouraged to respond to the survey as this is a fundamental component of the Performance Management regime.
- g. Deal with complaints/issues between residents and contractors in accordance with the terms of the relevant contract and agreed protocol.
- h. Advise all parties in respect of any potential insurance claims as a result of damage caused by a contractor.
- i. Ensure that the relevant residents are forewarned of the contractor's intended work programmes on a daily basis and to engage with residents at the end of each working day to ensure that their dwellings have been left in a satisfactory condition.

### ***General***

The Service Provider will be expected to:

- a. Report regularly to the Head of Housing or his nominated representative on the status of the works programmes and submit notices of decisions needed and seek responses thereto, as appropriate.
- b. Propose improvements to the Head of Housing in the way the Annual Capital Programme is:
  - i. Prepared and structured, using the Capital Investment Plan and the Council's stock condition survey;
  - ii. Planned and executed, in order to optimise the delivery of the building works projects in terms of the delivery time-scale and the control of forecast budgets; and
  - iii. Co-ordinated and administered in order to optimize performance
- c. In the event that any aspect of the work programmes appears to be likely to fail to achieve the Council's objectives, recommend suitable corrective action and, if agreed, monitor and manage its implementation.
- d. Comply with the Council's Standing Orders and Financial Regulations regarding the delivery of contracts including the administration of Framework Agreements and any other housing-related procurement activity.
- e. Update the Council's stock condition survey as each Annual Capital Programme is delivered.
- f. Report opportunities for innovation and/or continuous improvement and how this could be implemented.
- g. Ensure that "value for money" and "efficiency" savings are embedded within the Council's partnering and other contractual relationships.
- h. Identifying and assisting the Council to access any grants which may be available to support the works.