

REPORT TO: CABINET

DATE: 8 DECEMBER 2016

TITLE: AWARD OF ASSET MANAGEMENT SERVICES FRAMEWORK AGREEMENT

PORTFOLIO HOLDER: COUNCILLOR MARK WILKINSON,
PORTFOLIO HOLDER FOR HOUSING

LEAD OFFICER: ANDREW MURRAY, HEAD OF HOUSING
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This is a Key Decision
It is on the Forward Plan as Decision Number I006006
Call-in Procedures may apply
This decision will affect no Ward specifically

RECOMMENDED that:

- A** The Council enters into a further call-off contract with Savills (UK) Limited for a period of three years to March 2020, subject to formal contract, for works not exceeding the values set out below on the basis outlined in the report.

REASON FOR DECISION

- A** To enable the Council to continue the implementation of the Housing Revenue Account (HRA) Business Plan asset management programmes of work and priorities.

BACKGROUND

1. The Council appointed Savills UK Ltd to an Asset Management Services Framework Agreement following a tender process in February 2014.
2. A Framework Agreement is an umbrella agreement that sets out the terms under which individual contracts (call-offs) can be made throughout the approved contract period. The main advantage of using a Framework Agreement is that it is not necessary to undergo a separate procurement process every time a requirement arises. It is EU compliant, complies with the Council's Contracts Standing Orders and makes provision for a direct award without further competition.
3. The Council's Asset Management Services Framework was established to provide specialist services which were required under the Housing Revenue

Account (HRA) business planning (self-financing) regime. This was in order to develop a long term sustainable HRA business plan and commence the preparations to plan, procure, manage and deliver the published Housing Investment Programme (HIP) 2014-19.

4. The services provided would normally be procured separately and involve investment appraisal/planning, stock condition surveying, programme and project management, fire safety planning, energy efficiency activities, as well as support for other construction related activities. Other public bodies were able to use the Framework, and to date the Council has achieved additional income of £50,000 as a result of Northampton Partnership Homes using the services it offers.
5. Service quality standards are high and the current service provider is judged to be responsive and maintain an excellent relationship with the Council. Savills UK Ltd administers the Council's Housing Investment Programme (HIP) which has established an ambitious five year £100m Modern Homes Programme, developing a set of internal/external works packages. These work packages target resources to the housing stock to ensure homes meet the Government's Decent Homes Standard, and that local priorities are tackled. High standards of workmanship in all the programmes are expected to ensure that they are delivered on time, within the budget envelope allocated, and to a constant high customer experience. The Modern Homes Programme has reached over 8,000 homes with, 42,000 improvements illustrating the ambition and scale of delivery, transforming Council housing in Harlow.
6. HRA self-financing has been in place since 2012 and has placed more responsibility on the Council to develop a robust business plan, manage its income and expenditure, as well as an inherited one-off debt of £209,000,000. Since that time the Government has changed the rules regarding the centralisation of rent setting, along with other changes which it is anticipated will have significant financial implications.
7. Access to specialist services and expert advice, for both business planning and asset management purposes, remains a key requirement to be able to plan for further anticipated legislative changes and their financial implications (e.g. the Housing and Planning Bill 2016). This is to ensure the ongoing sustainability of the HRA is maintained making best use of its assets, and maintaining momentum in the delivery of the HIP work programmes whilst achieving statutory targets (e.g. the Decent Homes Standard).

PROCUREMENT

8. The original three year call-off contract ends on 31 March 2017. The Council is able to directly award a new call-off contract to Savills UK Ltd

under the current Framework Agreement. The Council can lawfully enter into a call-off contract until the Agreement expires on 1 April 2018. If agreed, a new call-off contract will provide a platform for service delivery to enable the Council to respond to changing demands and priorities. It is proposed that the call-off period shall be three years to March 2020.

9. The services to be called-off are outlined in Appendix A. Savills UK Ltd have proposed a discount of 25% in the original tendered schedule of rates. The value of the services to be called is expected to be £1.2m in 2017/18, reducing to £600,000 in 2019/20.
10. It is anticipated that programme and project management services will gradually reduce over the term of the new call-off contract as a result of developing future works and services programmes, with the recently incorporated LATC (HTS Property and Environment Ltd), known as HTS. This will assist with the early development of HTS who, it is intended, will provide programme and project management services from 2018/19 as part of their overall organisational and business development plans.
11. It is requested that a new three year contract is called-off from the existing Framework Agreement in order to make provision for key services ensuring that risks are managed, services supplied without interruption, and that the Council's targets and standards are delivered.

NEXT STEPS

12. The HRA Business Plan 2016-46 will be considered by the Cabinet on 26 January 2017. Where work is identified and has an approved budget individually scoped, recorded, priced and monitored works orders will be raised by the Council.
13. Any additional works identified that would result in the agreed budget being exceeded shall be the subject of a separate report to the appropriate Portfolio Holder or the Cabinet, to seek approval for the additional expenditure.

IMPLICATIONS

Regeneration (includes Sustainability)

None Specific

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

Finance (Includes ICT)

The financial costs of the proposals are set out within the body of the report. The HRA Business Plan and Housing Capital Programme are being developed and

will, subject to the decision taken, incorporate these costs in to the medium term financial plans.

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

Housing

As outlined in the body of the report.

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

Community Wellbeing (includes Equalities and Social Inclusion)

None specific.

Author: **Jane Greer, Head of Community Wellbeing**

Governance (includes HR)

External legal advice obtained has confirmed that EU procurement regulations will not be breached by the awarding a new 3 year call off contract from the Framework Agreement.

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

Background Papers

None

Appendices

Appendix A – The Council’s Specification for Asset Management Services

APPENDIX A

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 £17million p.a. 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 shall be required to deliver and manage the following services (“the Core Services” which will include but not be restricted to:

Strategic Planning

- 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

- 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 dispatch 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.