

REPORT TO: HOUSING, DUNDEE CONTRACT SERVICES AND ENVIRONMENT SERVICES COMMITTEE - 13 JUNE 2011

REPORT ON: CONSTRUCTION PROCUREMENT PERFORMANCE (HRA CAPITAL PROGRAMMES)

REPORT BY: CITY ARCHITECTURAL SERVICES OFFICER / DIRECTOR OF HOUSING

REPORT NO: 299-2011

1. PURPOSE OF REPORT

- 1.1. The Construction Procurement Policy (Report 356-2009) approved by the Policy and Resources Committee in July 2009 requires that an annual report is made on procurement performance for the delivery of the HRA capital programme. This report and appendices provide analysis of performance for year 2010/11.

2. RECOMMENDATIONS

It is recommended that the Committee:-

- 2.1. note performance on delivery under the procurement policy for year 2010/11;
- 2.2. note that a review of the partnering framework for implementation in 2012/13 is currently underway.

3. FINANCIAL IMPLICATIONS

- 3.1. There are no financial implications beyond those already reported in the Council's Capital Estimates 2011/12 - 2015/16 (Report No. 19-2011).

4. PERFORMANCE REPORT

- 4.1. The works included in this report are associated with the delivery of the Scottish Housing Quality Standard and include works such as heating, kitchen and bathroom replacement, shower installation, roof and roughcast renewals. The Council has a number of major and minor partnering contractors who are used to carry out the work. Annual market testing is also undertaken by issuing work via competitive tender so that the market is continually tested and the Council can ensure that it is delivering best value in programme delivery. In order to obtain best value the Council seeks to ensure that the appropriate balance of cost and quality is achieved in line with agreed service delivery standards.
- 4.2. The current partnering procurement framework has been in place since 2003. In order to ensure transparency and value for money in procurement a review of the partnership is currently underway for implementation in 2012/13.

- 4.3. Within the Partnership Cost and Quality Internal clusters comprising the major partners, Housing and Architectural Services meet regularly to review cost and quality measures. Quality measures are measured through Key performance indicators at project level and these are discussed and reviewed at the fortnightly Project clusters. At a more strategic level Quality measures are discussed at the Partnering framework Project board and its associated Clusters, in particular the Procurement, Monitoring and Evaluation, Client, and Quality Clusters.

The main strategic measures of Quality are:

- Customer Satisfaction Surveys
- Customer Focus Groups
- Measurement of levels of defects over Contracts
- Levels of default application
- Number of installations by target
- Actual end to end timetables against planned programme

At Project level KPIs measures include:

- Quality of workmanship
- Level of defects
- Teamworking
- Predictability of time and costs
- Safety
- Welfare
- Overall performance of all Project partners
- Communication

Operational Performance

- 4.4. During 2010/11 quality measures demonstrate that at project level all Partners either meet or exceed Project performance specification on all programmes. Customer Satisfaction ratings were 95% over 2010/11. Feedback from surveys has been used to drive forward improvements in Customer service such as improving monitoring of defects on site; compiling a separate customer survey to gauge performance on attending to defects and involving contractors in discussions on communication with tenants while work is being carried out. More detailed information is now provided on how work will be carried out in tenants homes, on the anticipated level of disruption and crucially the customer care standards expected of contractors as well as the arrangements the Council requires tenants to make during the process. In addition HIU Assistant Project Officers visit tenants after the improvement work is completed where tenants have communicated unresolved issues as part of the customer survey process.

- 4.5. In order to drive further improvements in cost and quality a supply chain exercise previously undertaken appointed Worcester Bosch and Valliant as the preferred suppliers for gas central heating boilers. The gas central heating supply chain will require to be reviewed in 2011 and it is likely that if similar prices and service standards can be negotiated that the agreement would continue for a further period and this will be incorporated in the overall review of the Partnership currently underway. A key performance indicator of the success in this partnership is the significant drop in the level of defects relating to boilers since the existing supply chain commenced. This ensures significant savings for all involved in the process, reduces the resource requirement from reactive maintenance and drives up tenant satisfaction levels. In 2009/10 an exercise was undertaken to appoint preferred kitchen suppliers and as a result of this process Moores and JTC were appointed.
- 4.6. In the period from April 2010 until 31 March 2011 the value of work within the HRA capital programme allocated was £19.932 M. All individual contract costs are reported to the Housing, Dundee Contract Services and Environment Services Committee for approval prior to the work being committed and these are listed on Appendix B of this report.
- 11 (25%) contracts were let to DCS within the Partnership.
- 11 (25%) contracts were let to McGill Electrical Ltd. within the Partnership.
- 12 (27%) contracts were let under competitive tender.
- 3 (7%) contracts were let using design and build procurement.
- 7 (16%) contracts were negotiated with contractors based on previous projects.
- 4.7. Trends in contract costs for kitchen and bathroom replacements completed within the partnership agreement, the major element of the programme, are contained in the graph attached within Appendix A. This shows the trend in costs up to 2011 with costs averaging £4,000 per unit. Unit costs in some of the recent 2011 contracts e.g. Arklay Street 1st and Clepington Road are higher as they include removal of electric heating and replacement with gas heating installations. Partnering ensures that all parties strive to produce best value through competitive costs whilst delivering the required service standards thereby improving the ultimate aim of successful project delivery for tenants. Partnering provides better cost predictability with projects delivered on budget. This monitoring is ongoing on a continual basis and will continue to be developed throughout the programme delivery.
- 4.8. Market testing within the programme is an essential element in determining competitive rates and ensuring that rates negotiated within the Partnership do provide value for money. Due to current market conditions contract bids submitted under competitive tender can appear low, however there is a tendency for projects won via competitive tender to have more of an adversarial nature on site with claims being made by contractors for additional payments which can impact adversely on out turn costs. Performance under a number of contracts is currently being assessed by Architectural Services Division to assess possible unit rates going forward.

Attainment of Partnership objectives

- 4.9. On the basis of performance over 2010/11 the contractors within the Partnership have demonstrated their ability to deliver the required levels of service within cost parameters. This is greatly assisted by the Partnering framework which gives Contractors certainty of future volumes of work and also continuity of work, this enables them to break out of the cycle of hiring and firing labour and ensures that the workforce retained is experienced in the type of work being carried out and understands the working practices and high expectations of customer care required by the Council and our tenants.

Market Testing for 2011/12

- 4.10. The following projects have been issued to competitive tender for market testing:

St Mary's 10th Flats - Heating, Kitchens and Bathrooms

Lorne Street Development - Kitchens and Bathrooms

Arklay Street Roof Replacement (2 phases)

Hilltown West Roof Replacement

Corso Street Roof Replacement 2nd development phase 2

The Housing Department seeks to achieve value for money in all of its activities and understands the importance of obtaining value for money within delivery of the HRA Capital Programme to achieve the Scottish Housing Quality Standard by 2015. The Department is working with colleagues in Architectural Services and Corporate Procurement to understand developments following on from the McClelland Report and the recent report 'Procurement in the Affordable Housing Sector' the recent Report from Turner and Townsend to the Scottish Government so that where possible benefits from innovation in construction procurement can be harnessed going forward.

5. POLICY IMPLICATIONS

- 5.1. This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

6. CONSULTATIONS

- 6.1. The Chief Executive, Depute Chief Executive (Support Services), Director of Finance and all other Chief Officers have been consulted on this report. No concerns have been expressed.

7. BACKGROUND PAPERS

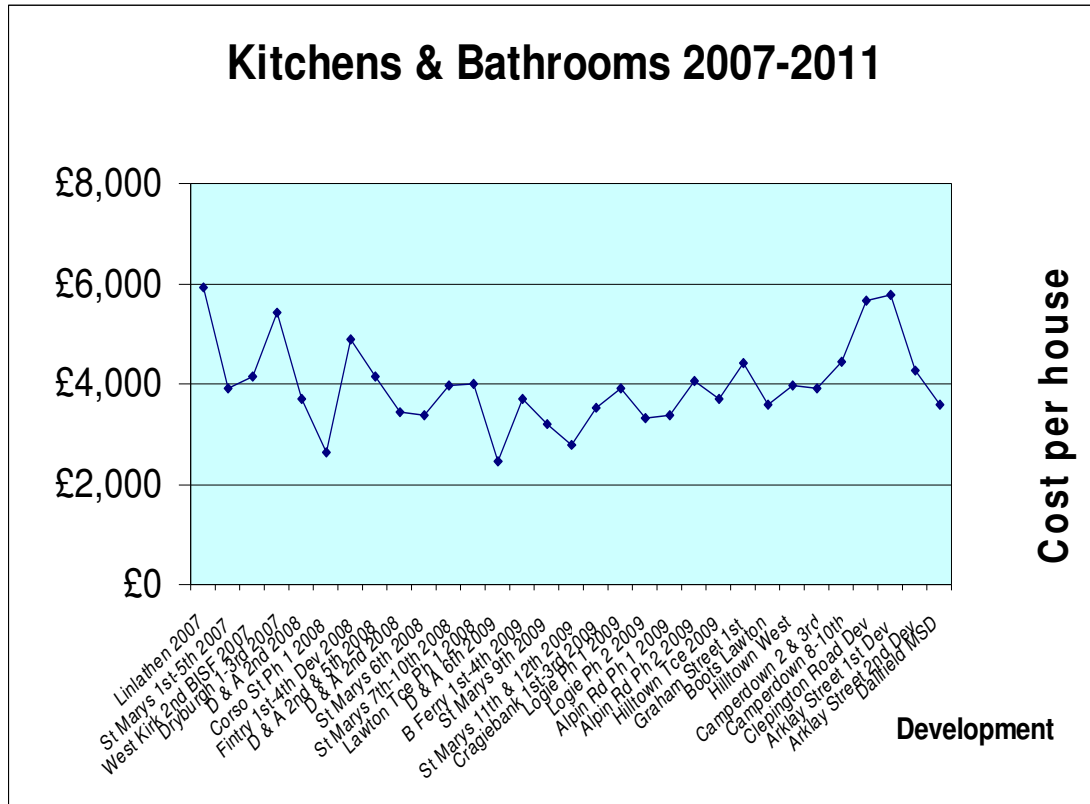
- 7.1. Reference is made to Article XVI of the Policy and Resources Committee held on 1 July 2009 when the Committee (i) endorsed the use of the principles of partnership working, where appropriate, and as established in the Council's published Partnering Guidelines for Construction Contracts (ii) agreed the principles established for the awarding of contracts for individual projects, major work programmes, responsive, cyclical and planned maintenance including minor works and (iii) agreed the procedures for monitoring and reporting on performance.
- 7.2. Report No : 356-2009 Construction Procurement Policy.
- 7.3. Report No : 19-2011 Five Year Housing Capital Budget from 2011/12 to 2015/16 - Policy & Resources Committee 24 January 2011.

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City Architectural Services Officer

Elaine Zwirlein
Director of Housing

May 2011

Appendix A



Construction Procurement Performance Report**Appendix B**

Committee Date	Project No	Project Title	Contractor	Contract Type
26 April 2010	09-525	Craigie Drive 4th Development - Roof Replacement	Dundee Contract Services	Negotiated
26 April 2010	10-1015	Menzieshill 6th Development - Heating, Kitchens, Bathrooms and Showers	Dundee Contract Services	Partnering
26 April 2010	10-519	Various Addresses - Controlled Entries 2010/2011	McGill Electrical Ltd	Partnering
26 April 2010	10-1003	St.Mary's 8th Development - Heating Replacement	McGill Electrical Ltd	Partnering
26 April 2010	10-1010	Craigie 2nd Development - Heating, Kitchens, Bathrooms and Showers	Dundee Contract Services	Partnering
24 May 2010	09-531	Strathmore 2nd Development - Roof Replacement - Phase 1	Dundee Contract Services	Tendered
24 May 2010	09-533	Tullideph Tenements - Roof Replacement	Dundee Contract Services	Tendered
24 May 2010	10-520	253 Blackness Road - Roof Replacement	Dundee Contract Services	Tendered
24 May 2010	09-522	Clement Park 2nd Development - Pitched Roof Replacement Phase 1	Dundee Contract Services	Negotiated
24 May 2010	09-529	Mains of Fintry 1st and 3rd Developments - Pitched Roof Replacement Phase 1	Dundee Contract Services	Negotiated
24 May 2010	09-532	Tullideph Flatted - Pitched Roof Replacement	Dundee Contract Services	Negotiated
24 May 2010	10-519B	Various Addresses - Controlled Entries 2010/2011	McGill Electrical Ltd	Partnering
24 May 2010	10-1005	City Road 1st, 3rd & 4th Development (Flats) - Heating, Kitchens, Bathrooms & Showers	McGill Electrical Ltd	Partnering
24 May 2010	09-008C	St.Leonard's Place - New Build Housing	Muirfield (Contracts) Ltd	Design & Build

24 May 2010	10-1071	Individual Houses - Heating, Kitchens, Bathrooms and Showers	McGill Electrical Ltd	Partnering
28 June 2010	09-508B	Camperdown 4th, 5th and 14th Developments - Kitchens, Bathrooms and Showers	Dundee Contract Services	Partnering
28 June 2010	08-1044	Fleming Gardens - Warden Call System Replacement	McGill Electrical Ltd	Partnering
23 August 2010	10-1822	City Wide Roof Surveys 2010/2011 - Access and Attendance Works	Dundee Contract Services	Tendered
23 August 2010	10-1014	Douglas and Angus 12th Development Flats - Heating, Kitchens, Bathrooms and Showers	Dundee Contract Services	Partnering
23 August 2010	09-008F	Alloway Place - New Build Housing	Stewart Milne Construction	Design & Build
13 September 2010	09-008G	Auchrannie Terrace - New Build Housing	Stewart Milne Construction	Design & Build
13 September 2010	10-530	Various Properties - 3nr - Controlled Entries	McGill Electrical Ltd	Tendered
13 September 2010	09-508C	Camperdown 2nd, 3rd, 4th, 5th, 8th, 9th and 14th Developments - Heating, Kitchens, Bathrooms and Showers	Dundee Contract Services	Partnering
13 September 2010	10-1016	Dryburgh 2nd Development - Heating Only	McGill Electrical Ltd	Partnering
13 September 2010	10-1006	City Road 2nd Development - Heating, Kitchens, Bathrooms and Showers	McGill Electrical Ltd	Partnering
13 September 2010	10-1011	Craigie 3rd Developments - Heating, Kitchens, Bathrooms and Showers	Dundee Contract Services	Partnering
13 September 2010	10-516	Mid Craigie 4th & Manor Place, Broughty Ferry - Heating, Kitchens, Bathrooms and Showers	McGill Electrical Ltd	Tendered
13 September 2010	10-1128	Various Houses - Periodic Electric Testing	McGill Electrical Ltd	Partnering
13 September 2010	10-1128A	Various Houses - Periodic Electric Testing	Dundee Contract Services	Partnering
6 December 2010	10-538	Balmuir Woods Travellers Site - Facilities Improvements	Dundee Contract Services	Negotiated
10 January 2011	10-534	60-62 Craigowan Road - Alterations	Andrew Shepherd Construction Ltd	Tendered

10 January 2011	09-560	27 Dryburgh Place - External Insulation	Andrew Shepherd Construction Ltd	Tendered
10 January 2011	09-1092	Various Properties - Service and Maintenance of Warden Call Systems 2011-2014	McGill Electrical Ltd	Tendered
14 February 2011	10-035	Clyde Place and Lawton Road Sheltered Complexes - Kitchen Upgrades	Dundee Contract Services	Negotiated
14 March 2011	09-527	Hilltown West Development - Roof Renewal - Phase 1	Dundee Contract Services	Tendered
14 March 2011	10-503	Corso Steet 2nd Development - Roof Renewal - Phase 2	Forster Roofing Services	Tendered
14 March 2011	10-500	Arklay Street 1st Development - Roof Renewal - Phase 2	Forster Roofing Services	Tendered
14 March 2011	10-506	Linlathen 1st Development - Roof Renewal - Phase 5	Dundee Contract Services	Negotiated
14 March 2011	11-504	Cleington Road Development - Kitchens and Bathrooms	McGill Electrical Ltd	Partnering
14 March 2011	11-506	Arklay Street 1st Development - Kitchens and Bathrooms	McGill Electrical Ltd	Partnering
14 March 2011	11-1001	Menzieshill 4th Development - Heating, Kitchens and Bathrooms	Dundee Contract Services	Partnering
14 March 2011	11-1009	Camperdown 4th and 6th Developments - Flats - Heating, Kitchens and Bathrooms	Dundee Contract Services	Partnering
14 March 2011	11-1014	Craigie 4th Development - Sheltered Flats - Heating, Kitchens and Bathrooms	Dundee Contract Services	Partnering
14 March 2011	11-1017	Linlathen 2nd and 3rd Developments - Heating, Kitchens and Bathrooms	Dundee Contract Services	Partnering