

REPORT TO: HOUSING COMMITTEE – 9 SEPTEMBER 2013

**REPORT ON: CONSTRUCTION PROCUREMENT PERFORMANCE
(HRA CAPITAL PROGRAMMES)**

REPORT BY: CITY ARCHITECT / DIRECTOR OF HOUSING

REPORT NO: 307-2013

ITEM No ...4.....

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 2012/13.

2. RECOMMENDATIONS

- 2.1. It is recommended that the Committee note performance on delivery under the procurement policy for the year 2012/13.

3. FINANCIAL IMPLICATIONS

- 3.1. There are no financial implications beyond those already reported in the approved Five Year Capital Budget 2013/14 – 2017/18.

4. PERFORMANCE REPORT

- 4.1. 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.

Procurement and Value for Money

- 4.2. The works included in this report are associated with the delivery of the Scottish Housing Quality Standard. To ensure value for money is achieved the Council undertook a procurement review of the Heating Kitchen and Bathroom Partnering Framework in 2011/12. This involved a 2 stage re-tendering process following advertisement in the Official Journal of the European Union and completion of cost and quality assessments by the Council. This procurement mechanism ensures that the best cost and quality outcomes and hence value for money is delivered. The outcomes were reported to and approved by Housing Committee on 9th January 2012, the successful tenders were Environment Department Construction Services and McGill.
- 4.3. A similar procurement process was carried out for the installation of controlled entries. McGill was the successful tenderer. This was reported to and approved by Housing Committee on 26th June 2012. A further similar process is now underway for the Periodic Testing of electrical installations in Council houses.
- 4.4. The Partnering Frameworks ensure that the Most Economically Advantageous Tenders (MEAT) continue to provide best value as the costs of the works are paid on the basis of the

tendered rates. These works are continually evaluated and monitored by City Architects on behalf of the client, to ensure continued best value for the Council. The Framework also provides benefits to the Council and tenants in delivering a high quality of service, ensures timeous delivery of the programme over the year and provides continuity of work for the partners, ensuring efficiencies of scale and operations.

- 4.5. The Council will continue to test the market for other types of repair work, such as roofing and disabled adaptations, via competitive tender. On going market testing is another way of ensuring that best value in programme delivery is achieved. 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.
- 4.6. Within the Heating, Kitchen and Bathroom 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 the Procurement, Client/Monitoring and Quality Clusters.

The table below shows performance on key strategic indicators:

	2011/12		2012/13	
	Target	Actual	Target	Actual
Customer satisfaction	98%		96%	
Satisfaction with attending to defects	97%		89%	
Number of installations by target	Target	Actual	Target	Actual
Kitchens	1,525	1,596	1,525	1,592
Bathrooms	1,525	1,384	1,525	1,509
Heating systems	855	1,029	855	1,437

The reduction in bathroom completions in 2011/12 is as a result of dwellings not requiring new sanitary ware to comply with the standard. The increase in installations of kitchens and heating systems is as a result of the CESP programme at Dallfield and Lochee multi-storeys which has accelerated the rate of compliance with the Scottish Housing Quality Standard.

Operational Performance

- 4.7. During 2012/13 quality measures demonstrate that at project level all Partners either met or exceeded project performance specification on all programmes. Customer Satisfaction ratings were 96% for 2012/13 on the heating/kitchen and bathroom programme. Feedback from surveys is used to continually drive improvements in customer service such as improving monitoring of defects on site; and involving contractors in discussions on communication with tenants while work is being carried out. As a result of the new Partnering framework tenants will be visited much earlier in the project development process to allow for their maximum input and to maximise notice of the impending work. This will enable potential issues to be identified earlier in the process which might involve input from occupational therapists where there are mobility or disability issues. As a result of the decrease in satisfaction on defects a separate monitor will be set up on this aspect to track performance by contract, however the first quarterly results of customer satisfaction from the 2013/14 programme indicate a much improved satisfaction rate with this aspect of the service of 96% which is more in line with the rates reported from 2011/12.
- 4.8. 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 1. This shows the trend in costs up to 2013 with costs around £4,000 per unit.

Attainment of Partnership Objectives

- 4.9. On the basis of performance over 2012/13 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 for planning volumes of work and also continuity of work, this enables them to retain an experienced workforce which understands the working practices and the need to meet the high standards of customer care required by the Council and our tenants. All of the successful contractors have been local based which helps support Dundee's economy.
- 4.10. 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 in the ways outlined within this report to ensure that the programme is delivered in the most cost effective way. The Housing Department continues to work closely with colleagues in City Architects and Corporate Procurement to understand developments in the complex area of procurement.

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, Director of Corporate Services and Head of Democratic and Legal Services and all other Chief Officers have been consulted on the preparation of this report. No concerns were expressed.

7. BACKGROUND PAPERS

- 7.1. None.

Rob Pedersen
CITY ARCHITECT

Elaine Zwirlein
DIRECTOR OF HOUSING

SEPTEMBER 2013

