

REPORT TO: HOUSING COMMITTEE - 11TH JUNE 2012

REPORT ON: CONSTRUCTION PROCUREMENT PERFORMANCE (HRA CAPITAL PROGRAMMES)

REPORT BY: CITY ARCHITECT / DIRECTOR OF HOUSING

REPORT NO: 217-2012

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 2011/12.

2. RECOMMENDATIONS

It is recommended that the Committee note performance on delivery under the procurement policy for year 2011/12.

3. FINANCIAL IMPLICATIONS

- 3.1. There are no financial implications beyond those already reported in the approved Five Year Capital Budget 2011/2012 - 2015/16.

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.
- 4.2. 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 and roof and roughcast renewals. The Council has undertaken a review of the Heating Kitchen and Bathroom Partnering Framework in 2011/12. This involved a two 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 the 9th January 2012, the successful tenderers were Environment Department Construction Services and McGill Electrical Ltd Dundee. A similar exercise is underway in 2012/13 to review the partnering framework for installation of controlled entry systems. The Council continues to test the market for other types of repair work, such as roofing and disabled adaptations, 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.

- 4.3. 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 table below shows performance on key strategic indicators.

	2010/11		2011/12	
Customer Satisfaction	95%		98%	
Customer focus groups	2		0	
Satisfaction with attending to defects	94%		97%	
Number of installations by target	Target	Actual	Target	Actual
Kitchens	1,525	1,517	1,525	1,596
Bathrooms	1,525	1,533	1,525	1,384
Heating systems	855	966	855	1,029

The reduction in bathroom completions in 2011/12 is a result of dwellings not requiring new sanitary ware to comply with the standard.

Operational Performance

- 4.4. During 2011/12 quality measures demonstrate that at project level all Partners either met or exceeded project performance specification on all programmes. Customer Satisfaction ratings were 98% for 2011/12 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; 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. 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 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.

Contractor involvement in customer satisfaction surveys has greatly increased response rates and thus gives a better indication of tenants' views.

Improved methods of working by contractors have condensed the disruptive elements of work carried out into shorter timescales e.g. gas central heating boiler replacement in one day, minimising disruption to tenants.

The Council has appointed Worcester Bosch and Vaillant as the preferred suppliers for gas central heating boilers which has driven improvements in cost and quality. This has led to a significant drop in the level of defects relating to boilers as well as reducing the resource requirement from reactive maintenance and driving up tenant satisfaction. The preferred supplier arrangement will be re-tendered in 2012/13. In a similar way the Council has appointed preferred kitchen suppliers, JTC and Moores.

4.5. In the period from April 2011 to March 2012 the value of work within the HRA capital programme allocated was over £15.000m. All individual contract costs are reported to the Housing Committee for approval prior to the work being committed and these are listed on Appendix B of this report.

9 (23%) contracts were let to Environment Department Construction Services within the Partnership.

13 (32%) contracts were let to McGill Electrical Ltd. within the Partnership.

4 (10%) contracts were let under competitive tender.

15 (35%) contracts were negotiated with contractors based on previous projects.

4.6. 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 2012 with costs averaging £3,900 per unit. Partnering ensures that all parties strive to produce best value through competitive costs whilst delivering the required service standards thereby providing successful project delivery for tenants. Partnering provides better cost predictability with projects delivered on or below budget.

4.7. **Attainment of Partnership objectives**

On the basis of performance over 2011/12 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 retain an experienced workforce which understands the working practices and high expectations of customer care required by the Council and our tenants.

4.8. 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. Housing continues to work closely with colleagues in Architectural Services and Corporate Procurement to understand developments in the complex area of procurement.

5. **POLICY IMPLICATIONS**

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.

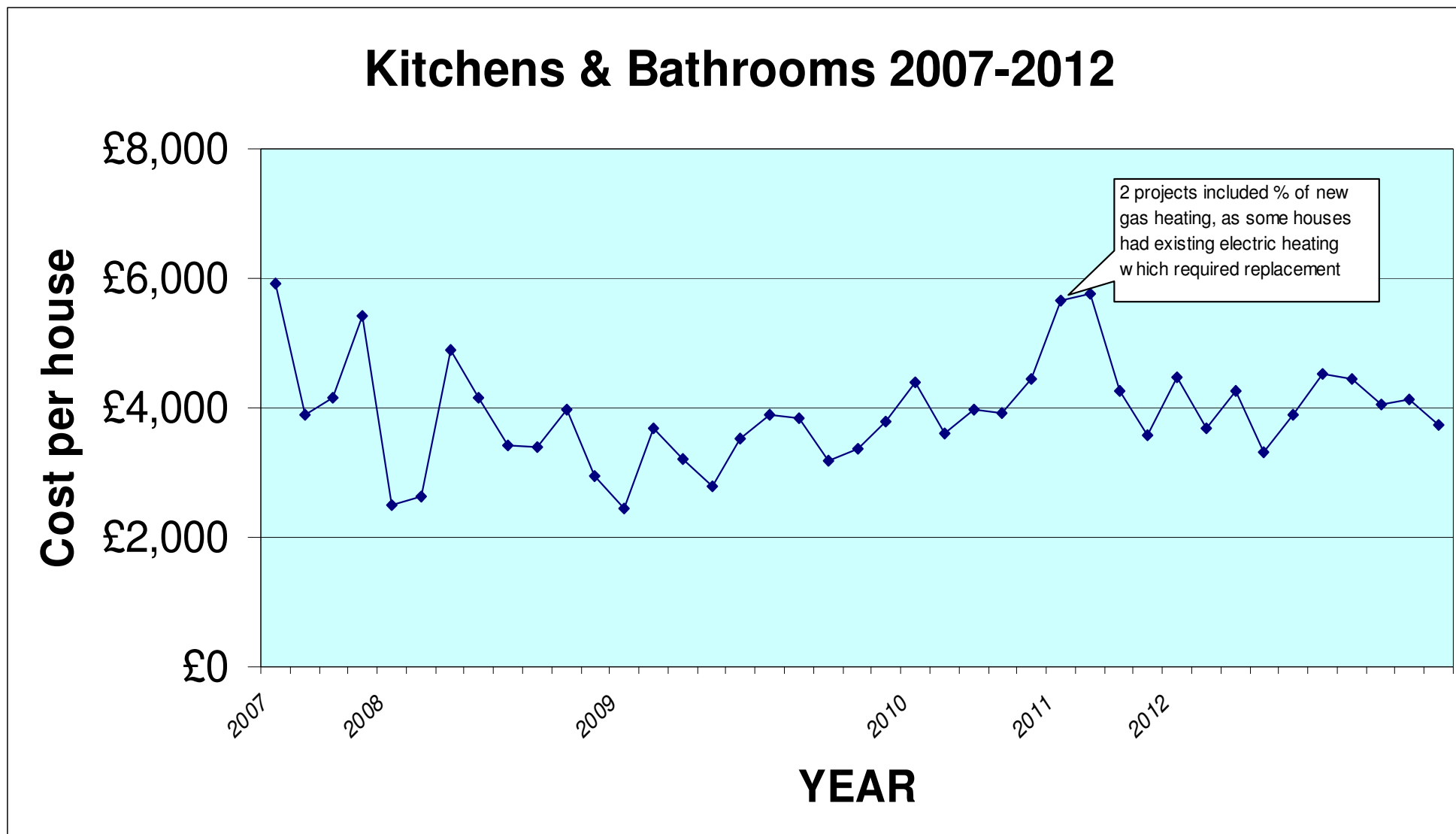
7. BACKGROUND PAPERS

7.1. None.

Rob Pedersen
CITY ARCHITECT

Elaine Zwirlein
DIRECTOR OF HOUSING

MAY 2012



APPENDIX B

Description	Tender	Allowances	Total	Contractor	Procurement	Committee Date
Boiler and Heating Replacement	£110,000.00	£14,873.00	£124,873.00	Dundee Contract Services	Partnering Project	01 August 2011
Controlled Entries 2011-2012 - Phase 1	£ 164,395.00		£ 164,395.00	McGill Electrical Ltd., Dundee	Negotiated Contract	13 June 2011
Controlled Entries Phase 2A	£415,719.01	£48,102.00	£463,821.01	McGill	Partnering Project	22 August 2012
Heating Installation	£149,871.00	£16,231.00	£166,102.00	Dundee Contract Services	Partnering Project	12 March 2012
Heating Installation	£54,000.00	£11,112.00	£65,112.00	McGill Electrical Ltd., Dundee	Partnering Project	12 March 2012
Heating Installation	£54,000.00	£8,689.00	£62,689.00	McGill Electrical Ltd., Dundee	Partnering Project	12 March 2012
Heating Installation, Electrical Upgrade, Kitchens and Bathrooms	£ 715,000.00		£ 715,000.00	McGill Electrical Ltd., Dundee	Partnering Project	12 September 2011
Heating, Kitchens & Bathroom	£1,523,443.00	£263,845.00	£1,787,288.00	McGill Electrical Ltd., Dundee	Partnering Project	12 March 2012
Heating, Kitchens & Bathroom	£117,140.00	£7,096.00	£124,236.00	Dundee Contract Services	Partnering Project	12 March 2012
Heating, Kitchens & Bathroom	£282,622.00	£2,666.00	£285,288.00	Dundee Contract Services	Partnering Project	12 March 2012
Heating, Kitchens & Bathroom	£131,559.00	£18,420.00	£149,979.00	McGill Electrical Ltd., Dundee	Partnering Project	12 March 2012
Heating, Kitchens & Bathroom	£40,000.00	£6,152.00	£46,152.00	McGill Electrical Ltd., Dundee	Partnering Project	12 March 2012
Heating, Kitchens & Bathrooms	£719,000.00	£102,385.00	£821,385.00	Dundee Contract Services	Negotiated Project	14 November 2011
Heating, Kitchens and Bathrooms	£126,000.00	£28,719.00	£154,719.00	Dundee Contract Services	Partnering Project	25 April 2011
Heating, Kitchens and Bathrooms	£158,000.00	£23,175.00	£181,175.00	Dundee Contract Services	Partnering Project	13 June 2011
Heating, Kitchens and Bathrooms	£585,336.00	£71,693.00	£657,029.00	McGill Electrical Ltd., Dundee	Partnering Project	01 August 2011
Heating, Kitchens and Bathrooms	£787,000.00	£103,345.00	£890,345.00	Dundee Contract Services	Partnering Project	12 September 2011
Heating, Kitchens and Bathrooms	£246,000.00	£36,157.00	£282,157.00	Dundee Contract Services	Partnering Project	12 September 2011
Heating, Kitchens and Bathrooms	£1,464,000.00	£167,248.00	£1,631,248.00	Dundee Contract Services	Partnering Project	12 September 2011
Heating, Kitchens and Bathrooms	£493,864.82	£102,213.00	£596,077.82	McGill Electrical Ltd., Dundee	Tender	31 October 2011

Installation of Controlled Entries 2011/12 - Phase 1	£468,005.35	£33,150.00	£501,155.35	McGill Electrical Ltd., Dundee	Negotiated Contract	25 April 2011
Installation of Controlled Entries 2011/12 - Phase 2B	£372,339.39	£27,169.00	£399,508.39	McGill Electrical Ltd., Dundee	Partnering Project	31 October 2011
Kitchens & Bathroom	£210,070.00	£27,316.00	£237,386.00	McGill Electrical Ltd., Dundee	Partnering Project	12 March 2012
Kitchens & Bathroom	£328,042.00	£45,228.00	£373,270.00	McGill Electrical Ltd., Dundee	Partnering Project	12 March 2012
Kitchens and Bathrooms	£72,511.00	£12,276.00	£84,787.00	Sidey Ltd, Perth	Negotiated Project	13 June 2011
Kitchens and Bathrooms	£191,101.00	£33,248.00	£224,349.00	Sidey Ltd, Perth	Negotiated Project	13 June 2011
Kitchens and Bathrooms	£97,138.00	£19,525.00	£116,663.00	Sidey Ltd, Perth	Negotiated Project	13 June 2011
Kitchens and Bathrooms	£24,046.00	£4,563.00	£28,609.00	Sidey Ltd, Perth	Negotiated Project	13 June 2011
Kitchens and Bathrooms	£364,000.00	£61,977.00	£425,977.00	MASCO Onestep Installation Services, West Yorkshire	Negotiated Project	13 June 2011
Kitchens and Bathrooms	£1,243,800.00	£408,964.00	£1,652,764.00	McGill Electrical Ltd., Dundee	Negotiated Project:	09 May 2011
Kitchens and Bathrooms	£999,653.00	£167,904.00	£1,167,557.00	McGill Electrical Ltd., Dundee	Partnering Project	25 April 2011
Kitchens and Bathrooms	£66,177.00	£9,946.00	£76,123.00	McGill Electrical Ltd., Dundee	Partnering Project	09 January 2012
Roof Renewal	£127,436.00	£12,804.00	£140,240.57	DCS	Tender	22 August 2012
Roof Renewal - Phase 1	£233,406.53		£233,406.53	Dundee Contract Services	Negotiated Project	12 March 2012
Roof Renewal - Phase 2	£154,265.70	£11,838.00	£166,103.70	Dundee Contract Services	Negotiated Project	13 June 2011
Roof Renewal - Phase 2	£148,250.22	£11,815.00	£160,065.22	Dundee Contract Services	Negotiated Project	13 June 2011
Roof Renewal - Phase 2	£145,695.41		£157,385.41	Dundee Contract Services	Negotiated Project	13 June 2011
Roof Renewal - Phase 2	£102,631.00	£9,572.00	£112,203.00	Dundee Contract Services	Negotiated Project	13 June 2011
Roof Renewal - Phase 2	£109,099.23	£9,854.00	£118,953.23	Dundee Contract Services	Negotiated Project	12 March 2012
Roof Replacement - Phase 1	£38,878.31	£29,949.00	£68,827.31	Raynor Roofing Ltd., Dundee	Tender	13 June 2011
Upgrade Kitchens & Bathrooms for Wheelchair Adapted Properties	£14,254.51	£3,712.00	£17,966.51	Moore's Furniture Group Ltd, Wetherby	Tender	12 September 2011
Total	£13,847,749.48		£15,832,371.05			