

To: City Executive Board

Date: 7th May 2013

Report of: Executive Director, Community Services

Title of Report: Proposal to submit a tender to secure external work the South Oxfordshire Housing Association (SOHA) for building maintenance and void property works.

Summary and Recommendations

Purpose of report: To seek approval to submit a tender for, and if successful to enter into, arrangements to provide services to SOHA

Key decision? No.

Executive lead member: Councillor Scott Seamons

Policy Framework: Corporate Plan

Recommendation(s): That the Executive Director Community Services be delegated authority to compile and submit a tender for the supply of services to South Oxfordshire Housing Association ("SOHA") for responsive and void property building maintenance work; and, in the event that such tender is accepted, to enter into an appropriate contract with SOHA to undertake such work. The proposed contract would follow the principles set out in this report, and would be intended to optimise the contribution to Council overheads while minimising the risk to the Council.

1. Introduction

1.1 Following the successful Council 2012 programme the City Executive Board approved a report in September 2011 which set out a framework for expanding income generation through service supply to public sector bodies and charging for discretionary services.

1.2 Since that time ambitious but achievable targets for income generation have been included in the Council's Medium Term Financial Strategy.

1.3 The City Executive Board approved proposals to provide services to public sector bodies and to charge for discretionary services. Where the value did not exceed £100,000 the decision was delegated to officers.

1.4 The report seeks approval to submit a tender and enter into contractual relations where the value of services exceeds that figure.

2 Proposal

2.1 Direct Services would undertake the tender works which are of the same nature as are provided to Council tenants but not including planned works or gas related services. Based on historical values and stock size the tender is likely to have a value of between £1.6 - £2.5 million p.a. over three years.

2.2 There are some 5600 properties over a significant geographical area with clusters around Didcot, Henley, Wallingford and Berinsfield but with some outliers as far south as Newbury and Theale and as far east as High Wycombe.

2.3 Direct Services would set up a separate dedicated team to run and deliver the contracted services but would take advantage of the economies of scale and workload planning afforded by having an existing building services operation.

2.4 The key risk is that the tender contains a number of instances in which a default by the contractor will lead to the payment of liquidated damages, not all of which can realistically be costed exactly. There are many levels of mitigation that could be employed, however, the best is that Direct Services have successfully provided this service to SOHA previously; the Service understands the type and nature of the stock and it is their core business.

2.5 A briefing for members on the commercial opportunities and risks is set out in a separate confidential appendix which is exempt from publication in accordance with Schedule 12A of the Local Government Act 1972 as it discloses information relating to financial or business affairs of the Authority which is commercially sensitive.

3 Legal Implications

3.1 In entering into this arrangement, the Council would be relying on the provisions of s1 Local Authorities (Goods and Services) Act 1970, as SOHA would qualify as a “public body” for these purposes.

4 Financial Implications

4.1 The Council’s Medium Term Financial Plan includes an amount for income derived from trading activity. Direct Services through the use of the Building Services division are deemed to derive the majority of the income included. The income is measured by reference to the amount of contribution to overheads that the trading makes and this contract with SOHA being bid for, makes up a significant part of that figure which is credited to the Councils General Fund. In addition the council has a contingency against unachievement of this additional income.

4.2 As part of the process for the approval of this contract CEB should note not only the increased contribution but also the increase in expenditure and the resultant income which drives this figure together with the additional resources in terms of vehicles and staff.

4.3 Bidding for external contracts does create a certain amount of commercial risk some of which are outlined above and more details included in the attached confidential briefing note. Every effort will be made to mitigate these risks and it is fair to say the Council has some knowledge of the volume and type of work required, having previously undertaken the work.

4.4 However Members should be aware that the risk of underpricing, given the limited amount of information on volume of work that has been given on this contract by the employer, or financial penalties arising from underperformance, is a potential. The impact of this over the 3 year period of the contract would need to be managed by the Council and consequently the council should undertake necessary due diligence before it enters into a formal contract.

5 Equal Opportunities Policies

5.1 All of the Council's policies such as the Oxford Living Wage and Apprenticeships will be applied to the delivery of these services and be costed into the proposal.

6 Conclusion

6.1 Tendering for the provision of these services brings both income opportunities and risk. The Council's approach is to balance this by seeking to achieve a contribution to overheads and ensuring sufficient resources are deployed to mitigate risks. The intention being to provide a tender which is good value and low risk to both the Council and the procuring organisation.

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