

## EXECUTIVE DECISION RECORD SHEET

**Name of decision maker:** Margaret Griffiths

**Portfolio:** Portfolio Holder for Housing

**Date of Portfolio Holder Decision:**

**Title of Decision:** The extension of the Housing Strategic Partnering Agreement

**Decision made and reasons:** It is recommended that the Strategic Partnering Agreement, with Apollo, is extended for a period of up to five years subject to a satisfactory annual review.

**Reports considered:**

Background report detailing the performance of Apollo London Ltd to date, measured against the Key performance indicators. Apollo London Ltd have submitted a proposal for a further reduction in site based overheads and supplier costs based upon the experience and existing relationships that have been developed during the initial contract period.  
Details of OFT investigation.

**Officers/Councillors/Ward Councillors/Stakeholders Consulted:**

Housing Officers, Tenants and Leaseholders representatives.

**Monitoring Officer:**

There are no comments.

**Chief Financial Officer Comments:**

Work is currently ongoing on the Housing Revenue Account budget for 2009/10 and the review of forward Capital Programme. The indicative budget position is identified in the financial section below. The final budget position will be considered and approved by the Council in February 2009 as part of its budget and policy framework. Therefore, it should be noted that at this stage the budgets for 2009/10 are indicative and will be subject to final approval upon confirmation of the HRA subsidy determination and the outcome of the annual budget process.

**Implications:**

**Financial & Value for Money**

Apollo London has an established team based at their office in Hemel Hempstead. The proposal shows a reduction in site-based overheads and supplier costs to a level that represents additional shared savings for the Council.

**Budget:** Budget provision has been identified in the financial plan for 2009/10. The composition of the funding comprises MRR £5.285M Capital £550,000 Revenue £796,000.

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**Risk:** Risk Management Controls have operated effectively throughout the initial period of the contract.

Apollo London Ltd are one of the 112 Construction Companies that are currently under investigation by the OFT and there may be PR implications. The status of the investigation and impact upon the extension is outlined in the supporting background information.

### **Options Considered and reasons for rejection:**

The planned programmes of work for 2009/10 could be re-tendered.

This option is rejected for the following reasons:

Re-tendering would increase the procurement period, increasing costs and reducing the likelihood of the programmes being delivered within the required time-scales.

An increase in officer resource would be necessary, to manage the procurement process and to running these work contracts in the future.

The current performance indicators provide favourable information regarding the continued level of service. The financial framework enables savings to be shared by the contractor and Council.

### **Portfolio Holders Signature:**

**Date:**

### **Details of any interests declared and any dispensations given by the Standards Committee:**

#### **For Member Support Officer use only**

Date Decision Record Sheet received from portfolio holder: 22 October 2008

Date Decision Published: 24 October 2008

Decision No: PH/052/08

Date of Expiry of Call-In Period: 31 October 2008

Date any Call-In received or decision implemented:

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### BACKGROUND AND BUDGET

In September 2003 Cabinet approval was obtained to develop a partnering Approach to the procurement of the Planned Maintenance Decent Homes programme. The objectives were to improve the quality of both the product and service provision, to demonstrate value for money and to develop a long-term relationship with a chosen contractor based upon improving quality and efficiency.

The procurement was undertaken in accordance with the European Community procurement guidelines and to ensure quality was the overriding factor in the choice of Contractor, the analysis was made on a 70:30 quality to price ratio.

The models and matrices adopted to undertake the evaluation of Contractors was developed by the Construction Industry Research and Information Association (CIRIA) 'Selecting Contractors by Value', in line with the Egan principles to deliver Best value in the Construction industry.

Following a robust evaluation of tenders the recommendation to enter into the Strategic Partnering agreement with Apollo London Ltd was reported to Cabinet in March 2004.

Agreement was reached and the contract commenced in Autumn 2004.

The Strategic Partnering Agreement is entering the fifth year. The contract terms of the Strategic Partnering Agreement detail the anticipated term as an initial five years, extendable annually, subject to satisfactory performance. The contract provision allows for the extension for a period up to 10 years, however this report is recommending approval for the financial year 2009/10.

The recommendation to extend is based upon the following:

- Performance that consistently exceeds the KPI targets set for each of the work strands.
- The extension of the financial framework that incorporates a shared savings agreement.
- Continuity of the working relationships that have been established with the sub-contractors and suppliers in the supply chain.
- Continuity of product suppliers and integration with the repairs and maintenance suppliers.
- Commitment to employ local labour where practicable and provide apprenticeships subject to the duration of any extension.
- Commitment to deliver a number of community initiatives annually.
- Reduction in the site based overheads and a commitment to cap the level even in the event of a higher budget being available.
- A commitment to continue to provide a 0.25% reduction in Central Office overhead costs for the next three years.
- Excellent Health and Safety record and management controls.
- Continuation of the shared savings agreement with 50% to contractor and 50% to DBC.

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### BUDGET

The table below identifies the budget allocated in 2009/10 for each of the various work strands.

Item	MRR (000's)	Revenue(000's)	Capital (000's)	Total (000's)
Heating replacement	£1,148	£100		£1,248
Window Replacements	£722			£722
Kitchen & bathroom Renewals	£1,700		£550	£2250
Redecoration and repairs		£696		£696
UPVC replacements	£1,000			£1,000
Rewiring	£440			£440
<b>Total</b>	<b>£5,010</b>	<b>£796</b>	<b>£550</b>	<b>£6356</b>
Provisional Inflationary uplift. (5.5%)	£5,285	Fixed amount	Fixed amount	<b>£6631</b>

Under the terms of the contract, Apollo manages the level of output for each work strand based upon the agreed maximum prices (the budget), as identified above totalling £6.631M. The mechanism provides the Council with guaranteed cost certainty as all works are programmed. At each year-end Apollo carry out a cost value reconciliation and any savings from the original budget commitment are shared equally 50% to the client and 50% to the contractor.

In previous 5 years of the partnership, savings have been achieved and the monies reinvested in the following years programme.

### Office of Fair Trading

The OFT are currently investigating 112 Construction companies suspected of an infringement of competition law. The scope of the investigation into Apollo relates solely to three small projects that were tendered between 2003 and 2004. The allegation is that Apollo was involved in cover pricing on these three projects. There is no suggestion that Apollo are thought to have taken part in what the OFT describes as the more serious forms of bid rigging involving companies making compensation payments to each other.

The projects do not relate to any previous or present employment of Apollo London Ltd by Dacorum Borough Council.

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Apollo are defending their position as they do not believe that they have contravened competition law as suggested by the OFT. Apollo have co-operated and will continue to co-operate fully with the OFT's investigation.

Apollo have refused an offer of a leniency package from the OFT.

The OFT investigations are not expected to be concluded and a decision reached before next year. The statement from the OFT makes clear that no assumption should be made at this stage that there has been an infringement of competition law by any of the companies named.