

<b>17 July 2013</b>		<b>ITEM: 8</b>
<b>Housing Overview &amp; Scrutiny Committee</b>		
<b>HOUSING REPAIRS AND MAINTENANCE (INCLUDING VOIDS) PROCUREMENT</b>		
<b>Report of:</b> Kathryn Adedeji, Head of Housing Investment and Development		
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> No	
<b>Accountable Head of Service:</b> Kathryn Adedeji, Head of Housing Investment and Development		
<b>Accountable Director:</b> Director of Housing Barbara Brownlee		
<b>Purpose of Report:</b> Provides an overview of considerations and recommendations for the Procurement of Housing Repairs & Maintenance (including Voids)		

## **EXECUTIVE SUMMARY**

The purpose of this report is to recommend a procurement strategy and approach for the Housing Department's Responsive Repairs and Maintenance Contract. A replacement contract needs to be procured and be in place by 1<sup>st</sup> April 2014 to replace the interim responsive maintenance contract with Mears that is due to expire on 31<sup>st</sup> March 2014.

An internal review of performance, current contractual arrangements and informal consultation with a number of well regarded and reputable maintenance contractors has informed this report to date this is an opportunity for members of this committee to have an input. Further consultation with residents and members will scope the final tender.

### **1. RECOMMENDATIONS:**

- 1.1 Overview and Scrutiny are asked to approve the Council's objectives and key performance improvements as outlined within Section 2.5 and 2.6 of this report.**
- 1.2 That responsive repairs (including voids) and maintenance contract is procured for a period of 5 years with the option to extend in yearly increments for a further 5 years, based on achievement of both value and key performance indicators**
- 1.3 It is recommended that the responsive repair and maintenance contract includes responsive repairs, void maintenance and planned and cyclical**

**maintenance services as appropriate to improve the balance between planned and responsive maintenance, to achieve a reduction in maintenance costs per property per annum and the average number of responsive repairs per property per annum.**

- 1.4 That Overview and Scrutiny approve further exploration of the potential to include the call centre management and call diagnostic function for responsive maintenance within the scope of the contract.**
- 1.5 Given the current economic environment and the recent demise of repair contractors such as Connaught and Rok, Overview and Scrutiny recommend that the option to let two responsive repair and maintenance contracts based on geographical regions of the borough is further explored to increase the resilience of the contractual arrangements and protect the Council against potential performance and contractual failures.**

## **2. INTRODUCTION AND BACKGROUND:**

- 2.1 Responsive repairs and maintenance services are delivered across the borough to all of the Council's 10,400 social rented and 700 leaseholder homes. Average annual spend on responsive repairs and maintenance is £5m per annum with a further £3-4m per annum spend on planned, cyclical and specialist maintenance including testing and statutory services such as lift maintenance, door entry and dispersed alarms, fire protection and water services.
- 2.2 An interim responsive repairs contract was negotiated with Mears in November 2012 following their acquisition of Morrison Facilities Services, the Council's previous responsive repairs contractor. The interim contract expires on 31 March 2014 and can be extended to cover the new contract's mobilisation timetable. Replacement arrangements need to be in place for a smooth transition, mobilisation and delivery from 1 April 2014.
- 2.3 The procurement of the repairs and maintenance services for the Council's housing portfolio provides an excellent opportunity for the Council to drive measurable improvements in service quality and value for money whilst maximising opportunities for small and medium local businesses and ensuring contractual arrangements that protect the Council against performance and contractual failures.
- 2.4 Over recent years, the housing department has fulfilled the requirements of the housing revenue programme through a large number of contractual arrangements that differ in size, length, contractual terms and speciality. As a result, the Council has been unable to drive economies of scale and operate efficient and effective contract monitoring arrangements. A key objective of this procurement is to drive value by reducing the average maintenance cost per property across the borough by consolidating the number of contractual arrangements currently in place to improve efficiencies and achieve economies of scale.

2.5 The Committee are asked to review and approve the following objectives:

- Achieve a comprehensive, local responsive repairs and maintenance service across the housing portfolio within the borough;
- Consult with key stakeholders and service advocates including tenants, leaseholders, staff and members;
- Improve the quality and performance of the housing responsive repairs and maintenance service including appropriate emergency and out of hours responses and improved balance between planned and responsive maintenance;
- Achieve a cost efficient and value for money housing repairs and maintenance service and reduce the annual revenue spend per home;
- Implement longer-term arrangements (5 years plus an option to extend in stages by up to a further 5 years) and include some cyclical and planned maintenance as appropriate to generate market interest, competition, improved performance and local investment but with the Council fully in control of contract continuation and extensions and with a defined exit strategy in force for under performance;
- Maximise the opportunities for local small to medium sized enterprises through supply chain opportunities and smaller, specialist contractual opportunities direct with the Council;
- Deliver a smooth transition and mobilisation from the existing to the new arrangements allowing the new contractor the ability to properly cement their local service delivery teams and effectively communicate with residents; and
- Enable the Council to implement efficient and effective client monitoring arrangements.

2.6 The key performance improvements sought for the service are as follows:

- Reduction in the annual spend per property on housing repairs and maintenance;
- Reduction in the average number of repairs per property per annum;
- Improved customer satisfaction; and
- Improved balance between planned and responsive maintenance across the housing stock within the borough.

2.6. Given the anticipated size and concession length of the new contractual arrangements, Thurrock Council will need to comply with the Public Contracts Regulations 2006 and, as such, the procurement of the contract(s) will need to follow the requirements, procedures and timescales associated with the 'OJEU Requirements'. It will be important to select suppliers based on their financial standing and technical capability and we would want to pre-qualify bidders on this basis. Legal services will advise us of the most appropriate procurement

route, although we anticipate that this will be either the restricted or competitive dialogue procedure given the nature of the contract.

- 2.7. Section 20 of the Landlord and Tenant Act 1985 and Schedule 2 of the Service Charges (Consultation Requirements) England Regulations 2003 will apply. The contract(s) are defined as Long-term Qualifying Agreements under these regulations and the Council is obliged to consult their leaseholders in cases where the likely spend will be greater than £100 per leaseholder per annum. We have already issued the required notices to leaseholders as per the regulations.
- 2.8. To achieve a commencement date of 1<sup>st</sup> April 2014 and to fully accommodate the requirements of a competitive procurement process, it is important to commence preparations and agree the strategy and approach for the procurement of this important contract now. A summary of the key timescale and milestones are illustrated in Table 1 below.

**Table 1: Key Timescales and Milestones**

STAGE	KEY ACTIVITIES	MILESTONE
Planning & scoping	Establish team, roles & governance Stakeholder consultation & soft market testing Contract scope, terms, geography Consents & approvals	June – July 2013
OJEU & Pre-qualification	OJEU Market consultation & launch Pre-qualification	August – September 2013
Tender process	Invitations to tender Clarifications & bidder presentations Evaluation, recommendations & approvals	October – January 2014
Contract finalisation	Notice of appointment & Alcatel Period S20 Consultation Final contract negotiations & contract signing	January – March 2014
Mobilisation & commencement	Mobilisation & establishment of client team Commencement: <b><u>1 April 2014</u></b> Bedding-in period Client monitoring & contract governance	March – June 2014

- 2.9. Appropriate and facilitated consultation is important from the outset, to enable the key stakeholder groups and the market players to inform our approach and ultimate scope, length and key commercial terms of the final contractual arrangements.

- 2.10. In advance of this paper and recommendations, the Housing Department has already undertaken some informal, soft market testing, to canvass the opinions and views of a cross section of potential and reputable service providers to share their views and preferences as to how the new repairs and maintenance contract could be shaped to maximise market interest, competition and to secure best value. We have approached and conducted one-to-one sessions with six potential suppliers including Wilmott Dixon, Wates (who have recently acquired Linbrooks), Rydon, Pinnacle psg, Mears and Axis. The market shared consistent views on contract term, contact centre management and call diagnosis, key performance indicators and risk and reward arrangements and inclusion of planned and cyclical maintenance elements. The procurement process will enable any contractor to confirm their interest in and pre-qualify for the opportunity.

### **3. ISSUES, OPTIONS AND ANALYSIS OF OPTIONS:**

- 3.1. The responsive repairs interim contract with Mears expires on 31 March 2014 and can be extended to cover the new contract's mobilisation timetable. Replacement arrangements need to be in place for a smooth transition, mobilisation and delivery from 1 April 2014. Additionally, a number of contracts currently delivery other specific elements of the housing revenue programme are also due to expire during this financial year. This provides a good opportunity to fully explore the scope of the responsive repair and maintenance contract to consolidate the existing contractual arrangements and to secure reduced maintenance spend per property across the portfolio and improved performance and customer satisfaction.
- 3.2. The performance of the housing repair and maintenance service directly influences tenant and leaseholder perceptions and satisfaction levels with the Council's housing service. It is a critical element of local service delivery.
- 3.3. The key options available to the Council relate to the scope, term and number of contracts that are procured. In determining the recommendations within this report, full consideration and appraisal of the options have been given to achieve the Council's objectives and performance improvements as outlined within Section 2.5 and 2.6 above. We have also considered the views and opinions of the market to ensure that our procurement strategy maximises market interest, competition and secures best value for the Council.
- 3.4. The summary of the options and our proposed approach is outlined in Table 2 below.

**Table 2: Strengths & Weaknesses of Proposed Approach**

OPTION	Objective
1. Inclusion of voids	Void services include minor repairs and maintenance to achieve letting standard for housing. Works are very similar in nature and well-aligned to responsive repairs and cyclical maintenance. Fits well packaged together and delivers a single, responsible contractor for both the Council and residents. Increases the value of the contract to make it more attractive to the market and encourage competition, local investment and best value.
2. Inclusion of some planned maintenance	Inclusion of some planned maintenance and servicing of the housing stock such as door entry systems, communal lighting, jetting of drains and gutter clearance enables the contractor to better manage and reduce the volume of responsive repairs. This will reduce disruption to residents and improve the Council's performance and value for money. Will increase the value of the contract to make it more attractive to the market and encourage competition, local investment and best value.
3. 10 year contract (5 years plus option to extend for further 5 years in increments)	A maximum term of 10 years is typical within the market providing there are appropriate provisions for termination for under-performance, appropriate break clauses and options to extend. Longer-term contracts will generate more market interest, competition and will secure greater value for money and local investment and opportunities.
4. Call centre management & diagnosis	Further exploration of this option is required. The soft market testing exercise confirmed that the inclusion of the call centre management and call diagnosis service is a critical element in operating a high performing and cost efficient repairs service. This is currently managed and operated by Serco via the SSPA. There are other options available for this element of the service including co-location and retention by the Council. It is proposed that further dialogue and exploration of the options form part of the procurement of this service.
5. Up to 2 repairs contracts based on geographical areas	Further exploration of having more than one contract is recommended. It would ensure the Council could drive performance by having two local, competing contractors throughout the term of the contract and provide additional protection if a contractor experienced operational and financial difficulty through the term. This was a less

OPTION	Objective
	attractive proposition for contractors when discussed at the soft market testing and it would not be preferable if this reduced market interest and competition. It would also be more complex in terms of the mobilisation, transfer and on-going management arrangements, particularly in relation to the call centre management and call diagnosis function.

**4. REASONS FOR RECOMMENDATION:**

- 4.1. The recommendations within this report will achieve a comprehensive, local responsive repairs and maintenance service across the housing portfolio within the borough that will reduce the annual maintenance costs per property, improve customer satisfaction and maximise local investment and opportunities.
- 4.2. Increasing the scope of the responsive maintenance contract to include some planned and cyclical maintenance and the void maintenance and turnaround services will improve the balance between responsive and planned maintenance, reduce the average number of repairs per annum per property, reduce disruption to tenants and enable the Council to drive cost and operational efficiencies through economies of scale and appropriate transfer of operational and financial risk to experienced and reputable partner organisations.
- 4.3. Through the contractual terms we will facilitate genuine partnering arrangements that maximises opportunities for local apprenticeships and local businesses and have the ability to drive sustained performance levels and make appropriate interventions for poor operational or financial performance.
- 4.4. The recommendations within this report have been informed by the soft market testing exercise that was been undertaken to ascertain the preference of the market to maximise interest, competition and to drive value from the intended procurement of this opportunity.

**5. CONSULTATION (including Overview and Scrutiny, if applicable)**

- 5.1. As outlined above, appropriate and well facilitated consultation is important from the outset, to enable the key stakeholder groups and the market players to inform our approach and ultimate scope, length and key commercial terms of the final contractual arrangements.
- 5.2. Consultation with and the involvement of key members of staff that will be responsible for managing the contractual arrangements and performance of the contractors will be critical in terms of agreeing the key performance

aspects of the contract and in ensuring staff influence and ownership on the future contractual arrangements.

- 5.3. The involvement of residents is also important to ensure local perceptions, priorities and influence is afforded throughout the process to our ultimate customers of the service. The Council intends to involve resident representatives throughout the procurement process, including the evaluation process.
- 5.4. The timetable makes appropriate provision at key stages throughout the procurement process for involvement of and key decisions by Council members including reporting and recommendations to Overview and Scrutiny. A summary timetable is attached at Appendix A.
- 5.5. We have already informally canvassed a cross section of reputable responsive repairs and maintenance service providers to inform our internal consultation arrangements and procurement strategy.
- 5.6. As a matter of priority we are planning the following sessions the week commencing 1<sup>st</sup> July:
  - A member briefing;
  - A Housing Investment Forum; and
  - A Leaseholder Forum.

## **6. IMPACT ON CORPORATE POLICIES, PRIORITIES, PERFORMANCE AND COMMUNITY IMPACT**

- 6.1. Poor performance in responsive repairs and void turnaround times impacts adversely on tenant and leaseholder perceptions and satisfaction of the Council's housing service. It also adversely impacts on rental income to the Housing Revenue Account ("HRA") and the on-going quality of the Council's housing stock within the borough. If our homes fall into a poor state of repair then customer complaints increase, properties are more difficult to let and all the time properties are void and no let, we are unable to secure rent and collect income. In addition, the maintenance of our housing stock directly impacts on our ability to address homelessness and residents well-being within the borough.
- 6.2. Good performance is critical in maintaining high levels of customer satisfaction, financial performance of the HRA, the quality of the local housing offer and residents' well being.

## **7. IMPLICATIONS**

### **7.1 Financial**



A single contract or two contracts (split into two distinct geographical regions) will be let with a total annual value of between £5-8m per annum for a maximum period of 10 years (5 years plus an option to extend in increments to a maximum of a further 5 years). Procurement of a longer term and broader scoped contract is intended to deliver cost efficiencies of between 20-30% and drive value through increased performance and customer satisfaction.

Implications verified by: **Michael Jones**  
 Telephone and email: **01375 65 2772**  
**mxjones@thurrock.gov.uk**

## 7.2 **Legal**

The works described in this report are classified as works under Schedule 2 of the Public Contracts Regulations 2006 (as amended), and as they are over the EU threshold value (or are likely to be) will therefore attract the provisions of the EU procurement regulations and be subject to full EU-wide tendering as well as requiring the Council's own rules for competitive tendering to be followed.

The Council will need to ensure that a compliant tendering process is conducted that complies with the Public Contract Regulations 2006 (as amended), the EU regulations, and the Council's constitution.

Implications verified by: **Geoffrey Berriman**  
 Telephone and email: **01375 65 2938**  
**Geoffrey.berriman@bdtlegal.org.uk**

## 7.3 **Diversity and Equality**

No Diversity implication arising from this report.

Implications verified by: **Samson DeAlyn**  
 Telephone and email: **sdealyn@thurrock.gov.uk**  
**01375 652472**

## 7.4 **Other implications (where significant) – i.e. Section 17, Risk Assessment, Health Impact Assessment, Sustainability, IT, Environmental**

None

**BACKGROUND PAPERS USED IN PREPARING THIS REPORT (include their location and identify whether any are exempt or protected by copyright):**

- None

**APPENDICES TO THIS REPORT:**

- Appendix A: Summary Timetable

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## Appendix A: Summary Timetable

