

| | | |
|---|-----------------------------|----------------|
| 20 June 2023 | | ITEM: 7 |
| Housing Overview & Scrutiny Committee | | |
| Procurement of Repairs and Planned Maintenance Housing Contracts | | |
| Wards and communities affected: All | Key Decision: Yes | |
| Report of: Mohammed Saheed Ullah Councillor Barry Johnson, Cabinet Member for Housing | | |
| Accountable Assistant Director: Ewelina Sorbjan, Assistant Director of Housing | | |
| Accountable Director: Ian Wake, Corporate Director of Adults, Housing and Health | | |
| This report is Public | | |

Executive Summary

As part of the Council's responsibility as a landlord, the Council has a duty to undertake repairs and maintenance works to its HRA housing stock. This report sets out the proposals for the procurement of two contracts that deliver repairs and maintenance works for the Council's Housing Stock. The contracts are due to expire in 2024 and 2025 and cannot be extended beyond these dates.

- The Domestic Gas Servicing Contract will expire on 29th March 2024.
- The Repairs and Maintenance Contract is due to expire 28th Feb 2025.

This report is for Housing Overview and Scrutiny Committee to note and comment on procurement of these works. Finances for the delivery of these works have been allocated within the HRA 30 business plan. These recommendations fit within the objectives of the Thurrock Improvement and Recovery Plan 2022 for the Council to be a more streamlined and financially sustainable council.

By law, councils must have a balanced budget. If a council cannot find a way to finance its budget, it must issue a 'Section 114' notice. On 19 December 2022, the Council issued the 'Section 114' notice. This puts strict limits on what the Council can spend. The Section 114 notice was necessary as the Council was unable to balance its budgets for the financial years of 2022/23 and 2023/24.

In September 2022, Directions issued to the Council by the Government required us. To put in place an Improvement and Recovery Plan to the satisfaction of Commissioners. The plan has 5 main themes:

- financial sustainability
- governance and scrutiny
- strategic direction
- place leadership and growth
- leadership and culture

Commissioner Commentary

None

1. Recommendation(s)

- 1.1 Housing Overview and Scrutiny Committee to note and comment on the recommendation set out in this report to procure a domestic and commercial gas servicing, breakdown, repair and installation contractor for a period of three years with the option to extend for a further two years in any period combination subject to performance and funding.**
- 1.2 Housing Overview and Scrutiny Committee to note and comment on the recommendation set out in this report to procure a Repairs and Maintenance contractor for a period of ten years with a break clause after 5 years and an option to extend the contract for a further five years after the initial ten-year period subject to performance and funding.**

2. Introduction and Background

Gas Services Contract

- 2.1** The current domestic gas contract was procured and awarded in 2019 to Aaron Services following a restricted tender process in accordance with Public Contracts Regulations 2015 (PCR 2015). The contract was extended as permitted under the contract terms in 2022 for a period of two years. No further extensions to the current contract are permissible. The contract is based on a price per property for the annual servicing and repair to all gas appliances in council housing stock.
- 2.2** The current contract is £1.2m per year comprising of servicing and repairs, installation of new boiler and central heating systems and out of scope repairs. The price per property contract covers general operating components of the boiler, however, more extensive repairs fall outside of the price per property scope and are classified as exclusions which are assessed and approved on a case-by-case basis by the housing contract management team. Commercial gas servicing and repair services are currently split into two elements, and includes Council buildings across the borough, including the Civic Offices and Thameside Complex. The commercial element of the contract is much smaller than the domestic servicing (at an annual value of £30k per annum) and is effectively delivered as part of a “one stop shop” for gas services.

- 2.3 It is recommended that the existing contract arrangements for delivering both the commercial and domestic services with a single supplier continues as this offers maximum cost efficiencies and service standards to the Council. The service scope for this procurement will enable the Council to meet its landlord obligations and comply for all current regulations for gas servicing and repair as well as include for the maintenance for the newly installed heating systems such as ground source heating into the council stock.
- 2.4 It is proposed that either a competitive exercise under an external framework agreement or an advertised competitive tender process in (accordance with PCR 2015) is followed for securing a new supplier for this programme of work. This approach will ensure the widest choice to the Council in terms of pricing and service standards and ensure the procurement principles of transparency, integrity, openness, non-discriminatory and fairness are applied. For the proposed procurement the contract value will be £1.3 - £1.5 million per year.

Communal & External Decorations

- 2.5 The Communal and External Decoration contract was procured and awarded in 2019 to Mitie Property Services UK Ltd. The initial contract period was two years and was extended for a further two years in 2022 as permitted under the contractual terms. The contract will expire 31st March 2024. The Communal and external decoration programme ensures the common internal parts and external fabric of any council housing block is well maintained and in good decorative order.
- 2.6 The recommendation of this report is to include the communal and external decoration works as part of the newly tendered Repairs and Maintenance Contract from March 2025. This approach will bring cost efficiencies and economies of scale to the Council. It will also provide wider social value opportunities as the contractor can invest in more apprenticeships across a broader range of trades and skills as well as source local suppliers in the delivery of the decorations programme.
- 2.7 A programme of decorations works will continue to be delivered for the intervening period between March 2024 to March 2025. Further details are provided in para 2.10.

Repairs & Planned Maintenance

- 2.8 The Council is in year nine of a 10-year outsourced contract for the repairs and maintenance service of the council housing stock. The contract is based on a price per property (PPP) model with any repairs falling outside of the PPP scope funded by a repairs exclusions budget and delivered by the same contractor. The core services of the contracts are routine repairs, works to standard void properties, refurbishment of garages and the management of the contact centre.

- 2.9 Mears have held the contract for the delivery of the repairs service since 2015 and the contract was extended in 2020 for a further 5 years and will expire in February 2025. The current contracted service has consistently performed well for the Council as evidenced by annual headline KPI's. Social Value contributions to the local economy have been significant by way of supply chain opportunities, apprenticeships and skills training for the local community.
- 2.10 In addition to the core scope of services to be delivered within the repairs and maintenance contract, it is recommended that the communal and external decorations service is included in the core repairs service scope from March 2025. The current contract for the delivery of the decorations service will expire in March 2024. In the intervening period between April 2024 to March 2025 when the new repairs contract will become operational any emergency or urgent decorations works will be commissioned via the existing repairs services which is permissible under the current repairs contract.
- 2.11 Furthermore, it is also the intention of the housing department to review several its other workstreams and contracts related to asset compliance to seek financial and delivery efficiencies where possible. This exercise will be undertaken as part of the specification development for the new repairs and maintenance contract. Alongside the potential contract efficiencies that have been identified, this approach is also recommended to ensure that moving forward the Council's continues to maintain good assets related compliance performance and improves our residents experience in the delivery of these works.
- 2.12 The inclusion of the decoration services and other applicable related contracts within the newly procured repairs contract will realise greater cost efficiencies and social value deliverables for the Council whilst also reducing the number of contracts that the Council manages and delivers. This approach ensures the Council meets the objectives within the Improvement and Recovery plan for a more streamlined and financially sustainable council.
- 2.13 The recommendation of this report is to procure a repairs and maintenance contractor via a competitive exercise under an external framework agreement, or an advertised competitive tender process in accordance with PCR 2015. Both processes ensure the procurement principles of transparency, integrity, openness, non-discriminatory and fairness are applied.
- 2.14 The proposed term of contact will be for ten years with a five-year break clause and an option to extend for a further five years at the end of the ten-year term. This route will ensure the Council is able to secure a contractor that offers the best possible price and quality options for this service as well enable the council to secure comprehensive social value opportunities and outcomes.
- 2.15 This recommendation for an initial ten year contract term will attract potential suppliers to bid, price and invest on the basis of a 10yr initial term. Bidders

may also take the view that it is more likely that the contract will survive for a term of at least 10yrs than if the term is based on multiple extension options (e.g. 5+5+5): so again may be more attracted by the opportunity and invest more in their offer price to the Council and offer more innovative solutions in its approach managing repairs (for example, investment in digital platforms for reporting and tracking repairs).

2.16 Other benefits of a longer contract term can be summarised as:

- Ability to negotiate a greater discount on the annual indexation uplift which is currently at 95% of RPIX. A longer contract term would enable a greater discount say 85% of RPIX
- Greater commercial leverage for the Council in negotiating terms and rates
- More likely to attract greater competition from a wider range of suppliers

3. Issues, Options and Analysis of Options

3.1 Gas Servicing Contract Options

| Gas Servicing Contract | | |
|---|----------|---|
| Option | Benefits | Disadvantage |
| Extend Existing Contract – this option is not recommended. | | The council has already utilised the extension provisions within the contract and therefore has no additional provision to extend, this option is therefore discounted. |
| Do nothing – this option is not recommended. | | This option would not deliver the Council's legal duties as a landlord nor deliver the objectives of the Councils Asset Management strategy therefore this option is discounted. |
| Spot purchasing / Procure works on a job by job basis – this option is not recommended. | | Given the volume of works required this option will not deliver any cost efficiencies or consistent service standards. Spot purchasing will pose significant procurement challenges. This is not deemed a viable option and discounted. |
| Direct delivery in-sourced service approach - this option is not recommended. | | The time to set up a direct delivery service will pose a significant risk of service disruption and subsequent failure to meet landlord duties. The costs of setting up an in-house service along with all ancillary support logistics will be very significant |

| | | |
|--|--|---|
| | | and these costs are not currently budgeted for. |
| Outsourced procurement via recognised specialist framework for this service or an advertised competitive tender process – this option is recommended. | This option will enable the council to pursue quality and cost opportunities as well as social value objectives. | Market vagaries. Contractor capacity. |
| <p><u>Indicative timescales for the recommended procurement option(s);</u></p> <p>Framework route: Issue ITQ: Aug 2023 Contract Award: Dec 2023 (4 months mobilisation) Contractor start on site: 1st April 2024</p> <p>Competitive tender route: Publish ITT: July 2023 Contract Award: Dec 2023 (4 months mobilisation) Contractor start on site: 1st April 2024</p> | | |

3.2 Repairs and Maintenance Options

| Repairs and Maintenance | | |
|---|----------|---|
| Option | Benefits | Disadvantage |
| Extend Existing Contract - this option is not recommended. | | The council has already utilised the extension provisions within the contract and therefore had no additional provision to extend, this option is therefore discounted. |
| Do nothing – this option is not recommended. | | This option would not deliver the Council's legal duties as a landlord nor deliver the objectives of the Councils Asset Management strategy therefore this option is discounted. |
| Spot purchasing / Procure works on a job by job basis – this option is not recommended. | | Given the volume of works required this option will not deliver any cost efficiencies or consistent service standards. Spot purchasing will pose significant procurement challenges. This is not deemed a viable option and discounted. |

| | | |
|---|--|---|
| Direct delivery an in-sourced service approach - this option is not recommended. | | The time to set up a direct delivery service will pose a significant risk of service disruption and subsequent failure to meet landlord duties. The costs of setting up an in-house service along with all ancillary support logistics will be very significant and these costs are not currently budgeted for. |
| Outsourced procurement via recognised specialist framework for this service or an advertised competitive tender process This option is recommended. | This option will enable the council to pursue quality and cost opportunities as well as social value objectives. | Market vagaries. Contractor capacity. |
| <p><u>Indicative timescales for the recommended procurement option(s):</u></p> <p>Framework route: Issue ITQ: May 2024 Contract Award: Sept 2024 (6 months mobilisation) Contractor start on site: 1st March 2025</p> <p>Competitive tender route: Publish ITT: April 2024 Contract Award: Sept 2024 (6 months mobilisation) Contractor start on site: 1st March 2025</p> | | |

4. Reasons for Recommendation

- 4.1 The Council has a legal duty as a landlord to ensure its tenants are provided with safe homes that are compliant with housing regulations and deliver on its housing asset management objectives. As such it is imperative that the services contained within this report are delivered in a timely, reliable, and cost-effective manner.

The recommended options for the delivery of the three services outlined in this report are considered by officers to be the most cost effective and risk averse options for the Council. These recommendations align with Thurrock's Improvement and Recovery Plan 2022 strategic themes to be a more streamlined and financially sustainable organisation; to design services in greater collaboration with residents and stakeholders and to incorporate digital innovation in service delivery.

- 4.2 For the delivery of the Repairs and Maintenance service the Council commissioned a Housing Partnering Advisor (Lumensol Ltd) to advise on the

range of options available to the Council in relation to the future delivery model for the Repairs and Maintenance contract, and in respect of the scope and specification of the services to be procured.

- 4.3 Lumensol Ltd advised on a range of typical contract delivery models and highlighted the benefits and disadvantages of these models. The delivery models extend from a fully outsourced contract, an example of which is the current contractual arrangement, to an insourced model (Direct Labour Organisation (DLO)). It also includes a range of what may be determined hybrid models (such as a Joint Venture).
- 4.4 The conclusion and recommendation from the advice from Lumensol Ltd is that an outsourced contract model with a single contract partner is the model best able to address Thurrock's strategic objectives and in the context of wider market and housing sector considerations. It is recommended that the Council should continue to outsource the service in part due to the significant financial investment (in the context of the scale of the stock) which would be required in setting up any form of insource or hybrid model.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 Options within this report have been discussed with Portfolio holder for Housing. Wider housing and corporate estate colleagues have been briefed on the impending contract procurements to ensure a one council approach.
- 5.2 Engagement sessions on procurement approaches have been held with the Tenants Excellence Panel with further engagement session planned. Residents have been consulted via an online and paper survey to solicit views on future repairs service innovation. Feedback from these surveys will inform the new scope of repairs service to include innovative delivery approaches.

6. Impact on corporate policies, priorities, performance and community impact

- 6.1 The recommendations of this report align with Thurrock's Improvement and Recovery Plan 2022 to be a more streamlined and financially sustainable organisation.
- 6.2 The recommendations within this report will align with the strategic them of the IRP to be a focussed, cost-effective, sustainable and co-designed approach to service provision which is delivered in partnership with residents and other key partners, with collaboration across multi-disciplinary teams.
- 6.3 The recommendations of this report will enable the Council to explore and implement digital innovation in delivery of the repairs service in line with the strategic theme of the IRP.

7. Implications

7.1 Financial

Implications verified by: **Mike Jones**
Strategic Lead – Corporate Finance

Within the HRA budget for 2023/24, there is a budget of £1.290m for the provision of the services detailed within the report pertaining to the gas contracts, and £0.634m in relation to external decorating. This is sufficient to cover the estimated costs of the contract.

Expenditure on the contracts were £1.132m for the gas contract and £0.391m for external decorating 2021/22. For 2022/23, the expenditure was £1.235m and £0.494m respectively.

Once the procurement exercise is completed, the cost of the new contract will form part for of the 2024/25 HRA budget setting process.

With the planning of the budget, and the HRA business plan, there is an inflationary element allowed for to reflect additional costs.

The submitted tenders will be evaluated against this budget to give an informed view of the contract cost.

Any major works in the replacement of heating system form part for the HRA capital programme, and as separate to the revenue maintenance works detailed within this report.

7.2 Legal

Implications verified by: **Kevin Molloy**
Principal Solicitor

Following issue by the Council of a s114 notice the Council must ensure that its resources are not used for non-essential spending. I am satisfied that the contracts at issue here are all essential and the provision of them a statutory duty. In procuring the services outlined the Council must observe the obligations upon it outlined in national legislation and in its internal procurement rules. I am satisfied that the proposed procurement routes listed should fulfil these requirements, but officers are recommended to keep Legal Services fully informed as they progress through the procurements to ensure compliance.

7.3 Diversity and Equality

Implications verified by: **Rebecca Lee**
Team Manager, Community Development and Equalities

While there are no specific equality and diversity implications arising from the recommendations of this report it imperative for the council to ensure residents continue to receive a repairs and maintenance service and there is a risk to residents if this service is not in place in time when the existing contract expires.

Should the new repairs and maintenance contracted service not be in place in time there will be a deterioration of living standards for residents as well as the deterioration of properties. It will also mean the Council will not meet its landlord obligations under the Fitness for Human Habitation Act with implications for all protected groups with some, potentially, more disadvantaged than others because of age and disability.

If the term of the contract is increased in line with the recommendations outlined in this report, council officers will work with the provider to explore opportunities to extend its existing social value offer to support a wider range of projects to benefit the social, economic and environmental wellbeing of local residents.

7.4 **Other implications** (where significant) – i.e. Staff, Health Inequalities, Sustainability, Crime and Disorder, or Impact on Looked After Children

None

8. **Background papers used in preparing the report**

None

9. **Appendices to the report**

None

Report Author:

Mohammed Saheed Ullah
Repairs & Planned Maintenance Manager
Adults, Housing & Health