

REPORT FOR: **CABINET**

Date of Meeting:	21 May 2015
Subject:	Procurement of Housing Responsive Repairs Contracts from June 2016
Key Decision:	Yes
Responsible Officer:	Lynne Pennington, Divisional Director of Housing Services
Portfolio Holder:	Councillor Glen Hearnden, Portfolio Holder for Housing
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	None

Section 1 – Summary and Recommendations

This report asks Cabinet for authority to go to the market to procure Responsive Repairs Contractors to be in place by June 2016 when the current contracts expire.

Recommendations:

That Cabinet:

Give authority to officers to undertake a procurement process for contractors to deliver the responsive repairs service to the Council's Housing stock when the current contracts expire in June 2016.

Reason (for recommendation):

The current Housing responsive repairs contracts are due to expire in June 2016 and there is no option to extend. As there will be quite a lengthy procurement exercise, both because of the value of the contract and the need to ensure that significant improvements in service delivery are protected, Cabinet approval is required to begin the process of procuring contractors, and to award contracts to deliver the service from 2016 onwards.

Section 2 – Report

Introductory paragraph

Existing contractual arrangements for the delivery of responsive repairs to tenants and leaseholders of the Council's housing stock expire in June 2016. There is no option to extend existing contracts, so to enable us to continue to meet our obligations to maintain our stock we need to procure contracts to be effective from 1st July 2016.

Options considered

The option of extending the existing framework contracts, because they were performing so well was considered, but discounted because public procurement rules do not allow an extension and therefore there would be a risk of challenge from the market.

1. Background

1.1 In 2012 the Council changed the way it delivered responsive repairs services to the housing stock by moving away from using a single contractor that provided both responsive repairs and major works on the capital programme. A 4 year framework contract was let, in 3 separate lots that divided the borough into 3 geographical areas to deliver responsive repairs. Slade were awarded the contract for the Central area and Wates (formerly known as Linbrook) were awarded the contract for the East and West areas. These contracts expire in June 2016 and there is no option to extend existing arrangements.

1.2 This new way of delivering the contracts has been very successful with customer satisfaction with the service showing a significant improvement. Unit costs for individual repair orders have decreased by an average of 20% since 2012 which has meant we have been able to do more works than we used to, examples being fence repairs, upgrading communal lighting and health and safety remedial works. In addition the Council's commitment to investing in Harrow has been met and much greater social value has been obtained through the contracts. For these reasons officers propose to tender the contracts in a similar way i.e. in the 3 separate lots and to make every possible effort to encourage small local companies to submit a tender. The only key differences will be to include some relatively low value, but very important mechanical and electrical works in the new specification with a view to reducing the overall number of contracts and to further improve our "right first time" statistics.

1.3 The only other significant change proposed is to reduce both the cost and administrative burden of re-tendering of the new contracts, by awarding a 5 year contract with an option to extend for up to a further 5 years in 1 or 2 year increments. It is difficult to estimate the true cost to the Council of the tendering process as much of the preparatory and evaluation work will be absorbed into officer time, although officers will be diverted from other duties but the need for a project manager is a true additional cost of £40k, and the

extensive statutory consultation required with leaseholders will be another £20k. Awarding longer term contracts gives contractors the additional security that allows major investment in Harrow, which will include a higher expectation from us to achieve on social value and community pay back. Our existing contractors have invested well in Harrow-Slade are a small Harrow based company, and both contractors have employed apprentices, offered training opportunities to local young people, provided community facilities free of charge and sponsored local community events. Longer term contracts allow us the opportunity to set the bar higher on these important contributions to the Borough.

1.4 There are likely to be a number of changes that impact on the type and amount of work managed through the contract over 5 years. For example regeneration plans mean that some homes will be demolished and new ones built and commercialisation strategies currently being explored may offer contractors opportunities to provide services to homes other than Council owned stock. The contract specification needs to be flexible enough to accommodate these changes throughout the life of the contract and for contract values to be set high enough to ensure any changes can be accommodated in the contract.

1.5 Part of the reason the existing contracts have delivered much improved services has been the involvement of residents (both tenants and leaseholders) in monitoring performance and challenging anything that has not gone so well. Regular Contractor Appraisal sessions with each of our main contractors, officers and residents working in partnership have played a major part in ensuring that all performance indicators are met or exceeded, or that an action plan is put in place to ensure prompt improvement on any issues of concern. The residents involved in the appraisal panels have visited contractors' offices to undertake audits to ensure that performance figures are robust. These panels would continue for the new contracts and tenderers will be advised that they are required to adopt this partnership style for monitoring performance and measuring success.

1.6 A workshop was held with residents on 17th February 2015. 10 tenants and leaseholders attended, all of which had been actively involved in the 2011/12 procurement exercise and/or in monitoring contractor performance since the contracts began. The outcome of the workshop was that residents fully support the proposal to let the contracts going forward and they have proposed some areas to consider including in the specification targeted at achieving further improvements to customer service.

1.7 Although the existing contracts do not expire until June 2016 it is proposed to start the process of procuring new contracts in June 2015 as the public procurement regulations apply and we wish to ensure that residents are fully consulted on the specification and can contribute to the evaluation process. Both of these important issues add time to the project plan. In addition we would aim to award the contracts by January 2016 to ensure that adequate time is built into the project plan to allow the successful contractors to mobilise to ensure a seamless handover so that there are no teething problems that could adversely affect service delivery at the start of the contract.

1.8 The contract will be tendered using the 2-stage Competitive Procedure with negotiation i.e. a pre-qualification stage followed by an invitation to tender stage for those short listed bidders who pre-qualify and the option to negotiate if required before award of contract.

1.9 All these proposals have been discussed and agreed at the Housing Contracts Board which meets monthly to consider all procurement and contract matters in housing.

2. Proposals and reasons

2.1 This report seeks Cabinet approval to begin the procurement process with the issue of the OJEU contract notice in June 2015.

3. Performance Issues

3.1 There have been some very significant performance improvements since the award of the existing contracts, and it is critical that the new contracts further improve on the measures that will be detailed in the specification.

3.2 Examples of the improvements achieved so far measured against the performance under the previous arrangements are given in the table below. We are 100% confident of the accuracy of the figures because of commitment of our residents in undertaking validation audits.

Measure	Performance in May 2012	Performance now
Customer Satisfaction with Repairs and maintenance service	86%	99.58%
Appointments made and kept	94.23%	99%
Repairs completed at first visit	87.46%	97.75%
Repairs completed on time	Not recorded	97.65%

4. Environmental Implications

4.1 It is our intention that the delivery of this contract will contribute to the Council's objectives around social, economic and environmental sustainability. We want to do all we can to ensure that we support Harrow's economy by buying locally wherever practical and maximise opportunities for local people in employment and training. The contract specification will ensure that tenders provide detailed information about their contribution to the environment and sustainability.

4.2 This will include everything existing contractors have delivered since 2012, whilst looking for even more of a contribution during the life of the contract such as:

- Targets will be set and monitored for employing apprentices and offering work placements and training opportunities to local young people
- A supply chain that makes best use of opportunities for Harrow businesses and voluntary and community organisations to compete to participate in our supply chains
- Promotion of employment opportunities for Harrow residents
- Environmental performance in such areas of reduction of waste, reducing energy costs and reuse of products and materials

- Supporting Harrow residents and community groups with services and equipment at no or reduced cost

5. Risk Management Implications

5.1 Risk included on Directorate risk register? Yes

5.2 Separate risk register in place? No

5.3 The key risk is the inability to deliver the repairs service, to current high standards within budget. Whilst everything is currently on track the risk will increase as we get closer to the end of the existing contracts and a specific risk register will be developed, and reported to Housing Contracts Board as the procurement progresses.

Legal Implications

Due to the estimated value of the proposed contracts the procurement must be fully compliant with the Public Contracts Regulations 2015
We will also comply with the Councils Contract Procedure Rules

The Council also has a statutory duty to consult with leaseholders on the procurement exercise. This requirement is being factored into the project timetable.

The council has statutory obligations as landlord to maintain its housing stock and the procurement of these contracts will enable it to meet that statutory duty.

There may be TUPE implications for staff employed by existing contractors if they do not win the new contracts, but the council will only need to facilitate the process. The legal consultation and employment obligations will be for the outgoing and incoming contractors to manage.

Financial Implications

The estimated cost of the contract, across the 3 lots is between £4.725 million and £6.0 million per annum. This cost is based on the historic expenditure in each element of the works that must be undertaken plus an additional element for works that may be required at different stages of the life of the contract.

Funds are set aside in the HRA business plan for the delivery of the responsive repairs service over the next 30 years. The contract will be predominantly funded from the HRA, although there is an option currently being explored for contractors to also provide a service to private sector homes as part of a commercialisation project. The HRA Investment in Services budget will fund the project manager and consultation will be funded through existing service budgets.

In preparation for tendering the contract officers are reviewing the current financial arrangements with a view to having more composite rates, rather

than relying solely on the schedule of rates for costing each element of the repair. This will reduce the administrative burden of the invoicing process in the new contracts. Inflation uplifts over the life of the contract will also be identified in the contract documentation

The existing contracts have delivered well on social value and the need for this to continue and improve will be clearly specified in the contract documentation.

Equalities implications / Public Sector Equality Duty

The procurement exercise is designed to deliver existing policies and strategies maintaining the current level of equality in service provision. The contract specification will be very clear on the equalities related duties on contractors, given the wide range of needs of our customers.

An initial Equality Impact Assessment has been prepared specifically for the procurement exercise. This identified no need for a full assessment at this stage because it did not identify any potential for unlawful conduct or disproportionate impact and all opportunities to advance equality to all tenants and leaseholders are being addressed through the contract specification. The assessment will be updated as the project moves forward.

Council Priorities

This report incorporates the administration's priorities to:

- Making a difference for the most vulnerable
- Making a difference for communities
- Making a difference for local businesses
- Making a difference to families

The responsive repairs service is provided to all the Council's tenants and leaseholders –many of whom are vulnerable. The specification for the contract will ensure that the successful contractor is equipped to provide a high level of customer service to all our residents. In addition every effort will be made to ensure that local businesses are encouraged to submit tenders and that added social value to support communities will be a part of the evaluation process.

Section 3 - Statutory Officer Clearance

Name: Dave Roberts	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 5 May 2015		
Name: Stephen Dorrian	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 11 May 2015		

Ward Councillors notified:	NO, as it impacts on all Wards
EqIA carried out:	No, but an initial Equality Impact Assessment was carried out (see above)

Section 4 - Contact Details and Background Papers

Contact: Maggie Challoner
Head of Asset Management
020 8424 1473
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Background Papers: None

Call-In Waived by the Chairman of Overview and Scrutiny Committee	NOT APPLICABLE <i>(Call-in applies)</i>
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