

Subject: Housing Repairs, Refurbishment and Improvement Strategic Partnership Recommendations Report

Date of Meeting: 22 June 2009

Report of: Director of Adult Social Care & Housing

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Key Decision: Yes Forward Plan No: CAB10165

Wards Affected: All

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

1.1 The Procurement Strategy for Housing Revenue Account housing stock which was approved by Policy & Resources Committee on 03 April 2008 included approval to tender for a 10 year Housing Repairs, Refurbishment and Improvement Strategic Partnership for the delivery of comprehensive repairs, maintenance and associated services to the council's housing stock. This report details the procurement process, the outcome and seeks authority to award this contract.

2. RECOMMENDATIONS:

That Housing Management Consultative Committee recommend that Cabinet:

2.1 Approve the selection of Mears Limited for the Repairs, Refurbishment and Improvement Strategic Partnership contract covering the whole city.

2.2 Authorise the Director of Adult Social Care & Housing in consultation with the Director of Finance & Resources and Cabinet Member for Housing to develop and implement a partnering contract over time to deliver the target pricing framework as outlined in 3.11.4-3.11.9 of this report.

2.3 Authorise the Director of Adult Social Care & Housing in consultation with the Cabinet Member for Housing to take all steps necessary or incidental to the implementation of recommendations 2.1 and 2.2 including those necessary to effect the commencement of this contract on 1 April 2010, to run for up to ten years, and any staffing issues associated with the proposals.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

3.1 Background

3.1.1 Following the outcome of the tenants' stock transfer ballot, officers reviewed strategic housing options to reflect the decision that the stock will be retained by the council. A strategy was developed to bridge the investment gap to achieve Decent Homes Standard and meet tenant aspirations for improvements to the stock.

3.1.2 A key measure to address this gap was the development of a Housing Revenue Account (HRA) Procurement Strategy that was approved in April 2008. The Strategy focused on the development and benefits of longer term partnering agreements for the repair and maintenance of the council's housing stock. A key element of this strategy was to tender for a Repairs, Refurbishment and Improvement Strategic Partnership which would provide a 10 year agreement for the delivery of a comprehensive maintenance service. The contract for the whole city is for approximately £20 million per annum; £200 million over ten years.

3.1.3 The new contract will deliver the key aims of the Procurement Strategy:

- **Improved Value for Money:** reduce unit repair and planned maintenance costs and consultancy fees delivering significant financial savings
- **Improving residents' homes:** ensuring that residents' homes are well maintained and meet the Brighton & Hove Standard (exceeding the Decent Homes Standard)
- **Improved service delivery:** providing excellent customer service, getting repairs 'right first time' and demonstrating high levels of customer satisfaction
- **Improved sustainability:** a service which has minimal impact on the environment, and improves the energy efficiency and sustainability of the housing stock
- **Community regeneration and added value:** bringing additional benefits for local communities (e.g. apprenticeships & community initiatives) and supporting established local businesses

3.1.4 This contract excludes gas installation and maintenance and service contracts such as lifts, water tanks and pumps, fire safety equipment, ventilation fans, lightning conductors, door entry systems and CCTV which will be tendered separately, although it is an intention to align the duration and key outputs of these contracts with this new contract.

3.2 The Procurement Process

3.2.1 An Official Journal of the European Union (OJEU) advert and pre-qualification questionnaire (PQQ) were published on 03 September 2008. Six Service Providers were selected from those who returned the PQQ to reply to the Invitation to Tender which was released on 18 December 2008. Bidders were required to submit their completed responses on 18 February 2009. Four organisations complied with this request (two withdrew from the process).

3.2.2 The evaluation team comprised of Housing Management Maintenance managers, key support services (e.g. Procurement, Human Resources, Finance, Health & Safety and ICT) and the Project Manager. Expert advice from specialist officers was also sought for the evaluation of, equalities/diversity, sustainability, energy efficiency, waste management and community regeneration.

Resident involvement in the evaluation process

3.2.3 The council has established a resident Asset Management Panel which has met over the course of procurement programme. All residents were invited to express interest in becoming a member and panel members were selected to make the group broadly representative of the demographic profile of all residents.

3.2.4 Residents from the council's Asset Management Panel were trained in evaluation techniques by specialist trainers. They collectively identified areas for focus and developed their own questions for bidders that were then fully integrated into the overall bidder questions. They fully participated in each stage of the evaluation process, playing an active role in the teams who undertook the written evaluation interviews/presentations, site/head office visits and final evaluation workshops.

3.2.5 Residents worked with the trainers to develop a clear definition and understanding of what they considered to be excellence in relation to each of the evaluation criteria listed below. This enabled them to ensure that the preferred bidder met or exceeded their expectations in each of these areas when evaluating the written submissions, questioning bidders at interview, and visiting sites/offices.

Evaluation process

3.2.6 The bids have been evaluated using a framework agreed by the Housing Procurement Programme Board. The evaluation was based on a 60:40 balance between quality and cost. Quality was evaluated using six evaluation criteria. The evaluation team agreed a consensus score for each evaluation criterion for the bidders' written submissions. The six quality criteria were:

- Future service and resourcing
- Quality and value for money
- Partnering
- Diversity & Sustainability

- ICT
- Health & Safety

3.2.7 The financial evaluation was based on the bidders' financial submissions and evaluated the economic cost over the 10 years of the contract, the profit and central office costs and cost sensitivity analysis.

3.2.8 Tenders were also assessed against a combination of the following elements:

- Written Submission, Presentation/interview
- Two site office visits for each of the four final bidders
- One head office visit for each of the four final bidders

3.2.9 The award of this contract is based on the most economically advantageous tender received, based on the above objective quality/cost criteria which were communicated to the bidders.

The Preferred Bidder

3.2.10 The preferred bidder is Mears Limited ('Mears'). Their bid has been judged to be most economically advantageous and offer the best quality of service based on the criteria outlined above.

3.2.11 Mears Limited is a large UK repairs and maintenance company who focus on the social housing sector. Mears sales turnover was in excess of £420M in 2008/9. They have in the region of 5,000 direct employees in the UK. Mears operate the current responsive repairs contract for the east of the city, and the gas maintenance and servicing contract for the same area.

3.3 Meeting residents' aspirations

3.3.1 The award of this contract will bring a number of benefits and innovations to meet resident expectations and deliver an excellent level of service.

3.3.2 The proposals from the preferred bidder are set out in paragraphs 3.4 to 3.8 will be incorporated into the new contract so that the council will be able to monitor realisation of the proposals and benefits. A contractually binding Partnering Timetable will be agreed containing key tasks and milestones for their achievement.

3.4 Future service and resourcing

3.4.1 ***What bidders were asked:*** Bidders were asked to outline their proposed organisational structure, proposals for co-locating with council staff and how they ensure technical competence.

3.4.2 ***What residents' expect:*** Residents from the Asset Management Panel said they expect a structure that is clear, understandable and efficient that has 'the right people, with the right skills and experience'. They want staff

who are well trained in their trades and customer service, who can get jobs right first time. Residents want high quality and effective supervision that ensures all works are carried out to the highest quality.

3.4.3 **What the new partnership will deliver:** The preferred bidder exceeded the council's requirements in this area and proposed a structure that was felt to be efficient, effective and fit for purpose. The new contract will include the co-location of council officers and contractor staff including fully integrated customer access. They will ensure that all staff have the required skills and experience to undertake their work. All staff will have an individual development plan to ensure their training is continued and skills are kept up to date.

3.4.4 The preferred bidder has promised to ensure that all works are completed to an excellent standard. They have pledged that quality control and assurance will be central to working practices, and are committed to providing effective monitoring structures and processes. There will be a rigorous monitoring and inspection regime with 100% of jobs being post-inspected for the first 3 months of the contract. They are also committed to using high quality material throughout the contract. They will require all operatives take personal responsibility for quality to ensure that at least 85% of works are completed 'right first time' in line with their contractual obligations.

3.4.5 It is proposed that the new partnership will be based in a 'supercentre' which will enable a fully integrated service to be provided with operatives, customer service and council staff based in the same location. The centre will bring a number of benefits including:

- Onsite training academy
- Kitchen manufacturing workshop
- 'Resident Action Zone' where residents can hold meetings and access resources.
- Onsite supply stores
- White goods recycling facility
- Potential for other services such as the Police and voluntary sector organisations to co-locate

3.5 Quality and value for money

3.5.1 **What bidders were asked:** Bidders were asked to explain their approach to continuous improvement and to demonstrate how they will ensure excellent customer service, how they will meet the council's value for money objectives, and to submit a works in occupation method statement.

3.5.2 **What residents expect:** Residents from the Asset Management Panel 'want to be wowed' by a service that exceeds expectations and improves on current standards. The service should be flexible and efficient offering extended opening and operating hours. They expect high standards of workmanship with a 'right first time' approach and quality outcome. They expect high standards of behaviour from operatives who should respect

people's homes, and understand diversity and cultural differences. Residents want an excellent standard of customer service which is accessible, effective and efficient.

- 3.5.3 **What the new partnership will deliver:** The preferred bidder has exceeded the council's requirements in this area. They have offered to improve on the current service and ensure that all works are carried out efficiently and to the highest standard. This will include at a minimum:
- 8am to 8pm weekday and 8am-12noon Saturday service
 - 24 hours reporting including non-emergency repairs
 - Appointments offered to all customers (without asking) at first point of contact
 - A minimum of 85% of jobs are completed on first visit
 - Repairs are completed in accordance with repairs priority timescales (97% of emergency and urgent repairs completed on time, 97% of non-priority repairs)
 - Defects identified and remedied within the repairs priority timescales
 - High levels of customer satisfaction with the service
- 3.5.4 A new fully integrated repairs desk and 'one stop shop' will be developed in order to provide an excellent standard of customer service. This will be supported by effective Information and Communications Technology (ICT) which will enable the electronic reporting and tracking of repairs, with operatives able to receive 'real time' information whilst in homes. The recent Whitehawk local area office project will be rolled out to other areas of the city to provide local access points.
- 3.5.5 All operatives will work to an agreed code of conduct and strict rules for operating within people's homes. These will ensure that operatives focus on the job, and are polite, courteous and respectful. All staff will be trained in customer service to a minimum of NVQ Level 2 and customer service staff to a minimum of NVQ Level 3.
- 3.6 Partnering
- 3.6.1 **What bidders were asked:** Bidders were asked about their approach to partnering, including how they will contribute to the partnership and involve residents.
- 3.6.2 **What residents expect:** The Asset Management Panel want residents to be at the heart of the partnership, playing an active role in both the strategic and operational management of the service. They want to be seen as equal partners with opportunities to participate in key decisions, service planning and development of the capital programme. The partnership should engage with residents groups and representatives, as well as communicating and consulting with all residents through a variety of channels.

- 3.6.3 **What the new partnership will deliver:** The preferred bidder has promised to build on their existing work with the council to create a flagship partnership which is leading in the UK and seen as national best practice. We want to ensure that the partnership involves residents, the council and the service provider as equal partners, working together to deliver a service which is regarded as excellent by all.
- 3.6.4 The council is committed to ensuring that residents are at the centre of the partnership and participate as equal partners in the management of the contract with the council and service provider. The preferred bidder has demonstrated that they understand the benefit of engaging with residents and are committed to positively responding to their views by adapting practices and systems. They are committed to communicating and consulting with all residents through a variety of channels.
- 3.6.5 Residents will be directly involved in the strategic management of the new contracts. Residents' will also be represented on the operational groups, working collaboratively with the service provider and the council on the performance and quality of the partnerships. Specific short term local Project Panels with residents will also be established as required. The work of the Asset Management Panel and the Repairs and Maintenance Monitoring Group will feed into the wider the tenant participation structure through regular feedback to Area Panels and Housing Management Consultative Committee.
- 3.6.6 The preferred bidder has a Corporate Social Responsibility policy which enables staff to take two days leave each year to help the local community. They have offered to link this to schemes such as the Estate Development Budget which would enable more to be achieved within the available funds.

3.7 Diversity, Sustainability and Added Value

- 3.7.1 **What bidders were asked:** Bidders were asked to provide innovative proposals and commitments to the council which would bring 'added value' to the partnership. They were specifically asked for proposals about apprenticeships, training, supporting local businesses, reducing carbon emissions and tackling fuel poverty. Bidders were also asked to demonstrate how they would meet the differing needs of the council's diverse residents.
- 3.7.2 **What residents expect:** Residents from the Asset Management Panel want a contract of this size to bring significant additional benefits to the city. They would like to see opportunities for local employment and to ensure that local businesses are supported. Residents would like a service which minimises its own impact on the environment, and supports residents to improve the energy efficiency of their homes and to reduce fuel bills. They want a workforce that is representative of the wider profile of the city, and which understands and respects the wide diversity of residents.

3.7.3 ***What the new partnership will deliver:***

Community Regeneration

3.7.4 The preferred bidder has offered to bring significant added value benefits in this area. They will provide:

- 200 apprenticeships over the 10 years of the partnership (twice the industry average)
- A variety of other training and work experience opportunities
- A kitchen manufacturing workshop
- A training academy

3.7.5 The partnership will bring additional jobs to Brighton & Hove and these will be targeted at local people. 95% of the preferred bidder's current local workforce lives within the city.

Local Businesses

3.7.6 The council believes that the partnership should benefit as much as possible the local business community, and in particular the wider range of established small and medium size contractors, who, because of their size, would not be able to undertake the role of a principal partnering service provider. The preferred bidder will be required to provide opportunities for small businesses (less than 50 employees) based in Brighton & Hove and they have agreed to support small and medium sized enterprises to ensure their representation within the supply chain.

3.7.7 The preferred bidder has agreed to utilise local companies for specialist sub-contracting and to work closely with smaller companies to ensure they meet the approval criteria for select lists. The council will work with the preferred bidder to ensure they:

- Participate in the Local Labour Scheme and notify them of sub-contracting opportunities
- Work with Business Link to provide workshops and help develop sub contractors capacity to bid for work
- Use local sub-contracting and labour to cover peaks and troughs
- Develop an Employment Plan which includes use of local labour and sub-contractors

Sustainability and Energy Efficiency

3.7.8 The preferred bidder have offered innovative proposals in this area and have pledged to exceed the council's own carbon reduction targets, with an aim to be 'carbon neutral' by 2013. They have also offered to work with the council to develop a carbon reduction plan for the housing stock. They have agreed to provide information packs and advice to all residents to help reduce their fuel bills.

3.7.9 The preferred bidder will be required to comply with the council's 'Housing Repairs & Maintenance Sustainable Building Guidance' and

local regulations in connection with recycling of waste on site. They will be required to produce waste minimisation plans to reduce use of landfill sites and materials waste, and are committed to onsite separation of waste into recycling streams. This will be continually reviewed over time to reduce site waste to an absolute minimum. They have offered to introduce a white goods recycling facility which will enable domestic appliances to be refurbished and provided at low cost to residents.

Diversity

- 3.7.10 Bidders were asked how they will ensure that their services will identify and meet the differing needs of our residents and how they will meet specific needs (e.g. disability and language). The preferred bidder has put forward good proposals in this area and agreed to employ a workforce that reflects the profile of the local community. They actively invest in the marketing of the Women in Construction programme throughout their branches to encourage more women to take up employment in trade and operative roles. They have also pledged to provide diversity training for all their operatives and to provide a flexible service which meets the needs of more vulnerable residents.

3.8 Information & Communication Technology (ICT)

- 3.8.1 The council wishes to maximise the potential of ICT in terms of providing excellent customer service, improving efficiency, and improving the quality of information about our assets. Housing Management's ICT strategy is under review and the service was therefore interested in what innovation service providers could bring to these contracts. It is also essential that the partner's systems are compatible and able to interface with current and future information systems used by the service.
- 3.8.2 The preferred bidder's ICT systems, infrastructure and offer to the council were evaluated by a team of ICT and service professionals. They have effective, fully integrated Information Systems that are capable of successful interface with council systems. They have a fully ICT enabled end to end process with innovative hand held technology, and electronic management of works, materials and invoicing from day one of the contract.

3.9 Health & Safety

- 3.9.1 The preferred bidder will be required to maintain compliance status with Contractors Health & Safety Scheme (CHAS) for the duration of the contract. The council will demand that the highest standards of health and safety are implemented and maintained throughout the contract, ensuring compliance with all relevant legislation, particularly the Construction Design Management (CDM) Regulations.
- 3.9.2 A council Health & Safety Officer has attended sites run by the bidders to test the application and recording of health & safety as part of the evaluation process. The preferred bidder was found to have good and

effective systems that are put into practiced on site. They have won the ROSPA Gold Award for 7 consecutive years and have a health and safety record that is 40% better than industry average.

3.10 Improved Contract Management

3.10.1 The council recognises that there is a need to improve on current standard of service delivery and increase levels of resident satisfaction. Strong contract management is essential to ensuring that the new contract is to be effective and efficient, and delivers the service that residents deserve.

Improving the service and managing quality

3.10.2 The new contract will embrace collaborative partnership working which will deliver a leaner staff structure that is focused upon managing the performance, customer service, and quality of work. Frontline services will be delivered more efficiently through a more streamlined process.

3.10.3 Extensive analysis of the client and contract side functions under the new partnering arrangements was undertaken to establish which existing client functions should transfer to the selected service provider, under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) arrangements. This has resulted in the proposed transfer of some staff in surveying and customer service functions from the council.

3.10.4 The transfer of these functions will enable the successful bidder to provide a fully integrated service, both reducing duplication and improving service delivery. This will include fully integrated customer service and surveying functions which will create an end to end repairs service, with work no longer being passed between the council and contractor. The council's Performance and Quality Team (see below) will focus on monitoring customer service, quality and finances to ensure that the service is to a high standard and only legitimate charges are made. If problems do arise the team's dedicated focus on these areas will enable them to investigate and resolve issues quickly and effectively.

3.10.5 The retained Repairs and Maintenance service will be restructured to ensure that staff roles and responsibilities enable effective management and monitoring of the new contracts. The service will strengthen contract management skills during the mobilisation period to ensure that the partnership gets off to the best possible start. The council will be working with a leading workforce development service (Impart Links) in order to ensure that officers' skills are developed to support the improved service.

Clerk of Works

3.10.6 The new Quality and Performance Team will focus on monitoring works and ensuring that repairs are carried out to an excellent standard. This team will include Clerk of Works whose role will focus on ensuring that quality standards for the new contract exceed expectations.

3.10.7 The Clerk of Works role will make a difference in how we manage the contract overall, improve the service, interact with residents and manage the preferred bidder. Clerk of Works will have delegated powers to make operational decisions to change things that are not working and to instruct our partnered contractor to do things differently. The role will have the following attributes:

- strip out bureaucracy and get directly to what is important to residents
- be trained to a high level of surveying competency and certification, as well as having good strong managerial/supervisory skills and experience
- establish clear and simple communication lines with both the contractor and residents
- manage, monitor and control repair trends, ensuring that objectives and goals are met
- allow the council to act quickly to put things right
- police the quality and usage of material by contractors
- making it clear to the contractor that only excellent quality is acceptable

Mystery Shoppers

3.10.8 Residents are currently being trained to be 'mystery shoppers'. They will play a key role in rigorously testing performance and customer service to ensure that they are of an excellent standard.

Performance penalties

3.10.9 The preferred bidder will be measured against Key performance indicators (KPIs) (see appendix 1) that have been prepared in consultation with the Asset Management Panel. Where appropriate these KPIs will be included with the contracts to ensure the performance requirements are converted into contractually binding commitments. There will be penalties should the preferred bidder not meet the targets we have set. In addition to these we will introduce a range of other performance indicators for the council's function as a client, such as service provider satisfaction with the client services.

Contract Termination

3.10.10 The contract provides for swift termination of the contract for default/breach of the agreements, as well as for other 'standard' reasons (bankruptcy, collusion, etc.) In addition, the term partnering contract is to be drafted to allow for a 'no fault' termination of six months' notice on either side.

Continuous Improvement

3.10.11 The preferred bidder will be required to work collaboratively to deliver efficiency and service improvements. Linking profit to efficiency and performance provides a greater incentive to service providers and the

council to work together to deliver an improved service to customers. Cost savings will not be achieved at the expense of quality with processes to be implemented to ensure quality is maintained. These will include:

- The benchmarking of costs and performance data with other providers of social housing. Benchmarking will be carried out annually and will involve repairs service providers of a 2 or 3 star-standard
- The sharing of risks and financial rewards linked to performance
- The ability to demonstrate value for money viewed from the perspective of reduced cost and creating service improvements to for the council
- Close monitoring of the contract KPIs to ensure proactive contract management

3.10.12 The council intends to embark upon work to gain Construction Client's Charter (CCC) status as a means to drive forward the measures to improve performance and effectiveness. Working towards CCC status:

- Provides the methodology to create an improvement programme
- Forms a framework for improving the council's management of projects
- Forms a framework for creating a rigorous partnering relationship with the service providers which will ensure they continuously improve their performance
- Allows external auditing of the council's progress against an agreed programme with increasingly demanding targets.

3.11 Financial Management and Pricing Framework

3.11.1 The preferred bidder will be required to provide robust monthly capital and revenue financial forecasts in line with the council's corporate Targeted Budget Management timetable which will be open to scrutiny and verification by council officers. The annual capital and revenue budgets will be agreed with them before the start of the financial year, with the opportunity to revise the programmes as required during the year.

3.11.2 In line with the long term collaborative working arrangement embedded in the partnering arrangement it is envisaged that there will be a move to a target pricing framework, based on either a fixed cost or target price in years two or three of the contract.

Initial Pricing Framework

3.11.3 The partnering contract has been tendered on fixed prices for capital elements and using the NHF (National Housing Federation) Schedule of Rates for Repairs. These fixed prices are likely to contain risk amounts as the preferred bidder will need to ensure that the project is viable (profitable). Further, whilst the contract remains on fixed pricing the council is less able to share in efficiencies made by the service provider

and limited routes will be available for reducing costs i.e. through reducing volumes of work or the specification of repairs.

- 3.11.4 The timing of any move to a target pricing framework will be at the council's discretion and this is envisaged as being in the second or third year of the contract. The methodology for the target pricing framework has been detailed within the Invitation to Tender. The target pricing framework is a methodology that will allow the partnership to deliver the key aspirations of performance and efficiency. If implemented and managed successfully this will assist in the delivery of a true value for money service. This form of pricing framework also fosters the true spirit of partnership between the council, residents and the preferred bidder.

Target Pricing Framework

- 3.11.5 Bidders were asked to tender profit and overhead amounts which will be ring-fenced and paid annually for the duration of the contract and has been considered in the evaluation,
- 3.11.6 The preferred bidder's actual costs for responsive repairs will be compared to the target rates and adjusted on an annual basis. The reward model will support the aims of high satisfaction, cost effectiveness and reducing volume.
- 3.11.7 The proposed pricing framework for programmed works will be based upon annually setting a target cost for elements (kitchens, bathrooms etc.) based on the actual cost of those elements in the previous year. Overruns (costs above target) are shared on a decreasing basis up to 20% thereafter the service provider bears all the cost. The preferred bidder is therefore incentivised to both save money and to manage the process to prevent over spending.
- 3.11.8 The preferred bidder's share of any saving will be linked to the achievement of agreed KPI benchmark targets. These will be weighted in conjunction with the Asset Management Panel to ensure that resident priorities are represented. Where the targets for these performance indicators are not met, the service provider's savings share will be reduced.
- 3.11.9 Non achievement of performance targets will reduce any savings apportioned to the preferred bidder.

3.12 Next Steps

- 3.12.1 Subject to Cabinet approval, it is anticipated that a contract will be entered into with the preferred bidder at the as soon as is reasonably practical, with work commencing under the new contract from 1 April 2010. This allows for a maximum mobilisation period so the preferred bidder has sufficient time to set up local offices, staff, ICT systems etc. to be able to successfully deliver their obligations under the partnering

agreements of this scale from 2010. This timetable would also give the council the time to comply with any obligations under the TUPE Regulations, complete the necessary training of staff, embed new processes, produce new tenants' guides etc.

4. CONSULTATION

Residents

4.1 The Housing Procurement Strategy was considered by tenant Area Panels and Housing Management Sub-Committee prior to approval.

4.2 Residents have been actively involved through the Asset Management Panel as detailed in paragraph 3.2.3. Asset Management Panel members have presented to Area Panels and Housing Management Consultative Committee to update them on progress with the procurement. This resident involvement was highlighted as best practice by the Audit Commission in their 'Advice and Assistance' visit in March 2009.

Staff and Trade Unions

4.3 Briefings have been held with staff and trade unions in October 2008 and June 2009. Officers will be supported through the changes outlined in the report and it is the council's aim to have open and honest communications with staff and their trade union representatives throughout this period. Prior to the conclusion of the procurement process, staff were provided with information regarding the process and the potential changes envisaged.

4.4 Subject to Cabinet approval of the recommendations, formal consultation will begin with staff and unions.

Leaseholders

4.5 It is a legal requirement under Section 20 of the Landlord & Tenant Act 1985 that Leaseholders are consulted on new contracts. A notice has been sent to all leaseholders and details of the successful bid have been placed in council offices. The consultation period will close on 7 July.

5. FINANCIAL & OTHER IMPLICATIONS:

5.1 Financial Implications:

5.1.1 The Repairs, Refurbishment and Improvement Strategic Partnership contract for the whole city is for approximately £20 million per annum; £200 million over ten years.

5.1.2 Approximately 65%, (£13 million p.a.) of the contract covers capital works and the remainder covers responsive repairs, cyclical maintenance and voids works. An analysis of the preferred bidder's tender shows that they will overachieve by £7 million, the required level of savings to capital works unit costs, as set out in the HRA Business Plan 2009-2038. The projected savings over 30 years on capital works compared to current costs is £46 million.

- 5.1.3 In addition, the preferred bidder's proposal includes a consultancy rate of 5% (which is a combination of their profit and the central office overheads) which exceeds the target reductions in consultancy fees from contracts from 9.75% to 5.5% as set out in HRA Business Plan.
- 5.1.4 The HRA Business Plan also includes target reductions in unit rates for responsive repairs, voids and cyclical maintenance. The preferred bidder's commitment to continuous improvement and Value for Money evidenced during the evaluation should enable the council to meet the target reductions in the Business Plan, delivering at least 4% efficiency savings annually, as required by central Government. Also, the preferred bidder's tender provided the greatest level of discounts to the schedule of rates used for responsive repair works.
- 5.1.5 The preferred bidder's has committed to providing a comparable pension via Admitted Body Status for all transferring staff. This means that these staff will have access to the same legislative pension benefits as they do now. The preferred bidder will be required to enter into a bond or indemnity to protect the Pension Fund against any permanent financial loss which may arise on early termination of the contract (if for example the business ceases).
- 5.1.6 The council will need to fund any deficit which exists in the Pension Fund in respect of accrued benefits of the transferring staff at the date of contract commencement (1 April 2010). The potential liability is unknown at present, as it is dependant on the individual's pension circumstances and value of the fund at that time. A provision has been included in the HRA general reserves to cover this

Finance Officer Consulted: Sue Chapman Date: 26/05/2009

Legal Implications:

- 5.2 The contract to which this report relates is well in excess of the relevant thresholds over which such contracts are subject to the EU Procurement Directive and corresponding UK Regulations. The method of procurement undertaken and outlined in this report accords with both. In addition, the requirements to formally consult with staff and residents about the new contract are referred to in the body of the report. Contracts over £75,000 must be in a form approved by the Head of Law. The Council must take the Human Rights Act into account in respect of its actions but it is not considered that any individual's Human Rights Act rights would be adversely affected by the recommendations in this report.

Lawyer Consulted: Alison Leitch Date: 24/05/2009

Equalities Implications:

- 5.3 Equalities and diversity proposals are included in the winning bid and have been assessed by the council's Head of Equalities & Inclusion (see under point 3.7).
- 5.4 An equalities impact assessment (EIA) workshop has been carried out with staff as part of the preparatory work prior to the procurement process. A further EIA will be undertaken during the mobilisation process.

Sustainability Implications:

- 5.5 A new contract of this size has potential to impact on the city's environment and carbon emissions. Proposals on energy efficiency, sustainability and waste management are included in the bid and have been assessed by council officers with an expertise in each of these areas (see under point 3.7).

Crime & Disorder Implications:

- 5.6 None

Risk and Opportunity Management Implications:

- 5.7 A comprehensive risk register is maintained for this project by the project manager. The successful bidder has submitted a draft Risk Register as part of their written submission and this will be developed in the mobilisation period for inclusion in the contract.

Corporate / Citywide Implications:

- 5.8 The contract has the potential to bring significant benefits to the city and its residents. It is also important that a contract of this size does not have a negative impact on established local businesses. The bidder has provided proposals addressing these issues and offering added value benefits to the city (see section 3.7). These have been evaluated by officers from the council's Economic Development team.

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 6.1 Alternative options including frameworks, consortia and supply chain clubs were considered as part of the development of the Procurement Strategy. The outcome of the procurement process has been assessed against the costs of keeping contracting arrangements as they are now (i.e. doing nothing) and establishing an in-house Direct Labour Organisation.

Do nothing

- 6.2 Continuation of current contracting arrangements will not enable the HRA to have a sustainable Business Plan and meet Decent Homes requirements. Current repairs and maintenance procurement arrangements include:

- annual tendering of capital contracts with specified supply chains;
- two responsive and empty properties revenue repairs partnering contracts of 5 years with an option to extend for a two further years;
- two gas install and maintenance contracts for 5 years with optional extension;
- with the exception of gas servicing and repair, repairs to services such as lightning conductors and water tanks are on an ad hoc basis.

6.3 Annual re-tendering of capital contracts is relatively costly and inefficient and gives service providers no incentive to invest in additional benefits. Supply chains specified by the council do not allow access to service providers' own supply chains, which can be of the same standard but more cost effective. This also leads to inconsistent customer service, materials and levels quality.

Direct Labour Organisation (DLO)

6.4 An analysis of the costs of setting up and running a DLO have been produced by independent consultants in order to provide a comparison with the bidders proposals. A direct comparison of the economic cost over 10 years shows that the DLO option would significantly more expensive than the preferred bid. The following factors make it difficult for the DLO to be competitive:

- The salaries for council staff are generally higher due to employer's pension contributions.
- The DLO has the disadvantage compared to the established bidders, of incurring set up costs for establishing a new organisation, as well as the mobilisation of the contract.
- Programmed works, which represent approximately 60% of the contract, materials costs are generally higher due to the council not achieving economies of scale for purchasing that national companies can achieve.

These factors are partly offset by savings from:

- The DLO option does not include an allowance for profit. Any under-spend is automatically reinvested within the HRA Budget.
- The DLO seeks to maximise directly employed staff and therefore reduce costs for specialist sub contractors.

7. REASONS FOR REPORT RECOMMENDATIONS

7.1 The award of this contract will enable Housing Management to meet the key objectives of the Procurement Strategy which was agreed in April 2008. The new contract is key to enabling the council to have a sustainable 30 year Business Plan for the housing stock and bring the maximum number of homes to the Brighton & Hove Standard (exceeding the Decent Homes standard).

SUPPORTING DOCUMENTATION

Appendices:

1. Key Performance Indicators
2. Comparison of Lots

Documents In Members' Rooms

1. None

Background Documents

1. Invitation to Tender Housing Repairs, Refurbishment and Improvement Strategic Partnership
2. Housing Revenue Account Procurement Strategy 2008

Appendix 1

Key Performance Indicators

Indicator	Description	Year 1
Programme Work		
P1*	Works started and completed in line with agreed plan	95
P2*	Resident satisfaction with programme work	95
P3*	Post inspection pass rate for programmed work (defects)	97
Responsive Repairs		
R1*	% of urgent (right to repair) repairs completed within target	97
R2*	Number of days to complete non-urgent repairs	15
R3	% of emergency (1 day or less) repairs completed within target time	97
R4	% of urgent (3 working days or less) repairs completed within target time	97
R5	% of routine (20 working days or less) repairs completed within target time	97
R6*	Resident satisfaction with responsive repairs service	95
R7*	Post inspection pass rate for responsive repairs (defects)	95
R8	% of repairs completed right first time	85
R9	% of appoint-able responsive repairs where appointments are made and kept	95
Empty Property Repairs		
E1*	Average construction time (days) in re-let process (excluding major empty property repairs)	12
E2	Post inspection pass rate for empty property repairs (defects)	97

Comparison of Lots

To enable the council to come to an objective decision as to which is the most economically advantageous tender a comparison needed to be made between bids for individual lots and bids for combined lots. In addition to this, options where the council provided functions relating to surveying and customer service ('the Functions') were evaluated against options where the bidder provided the Functions.

For the Purposes of the contract the city was split into two (Lot 1 and Lot 2) this was geographically based East/West although the individual Lots were not allocated in the tender document.

Table 1 below shows the final whole city comparison where the internal costs for the various options have been added in. The highest score is the most economically advantageous.

Table 1

Option	Lot 1 + Lot 2 (no TUPE)	Lot 1 + Lot 2 (TUPE)	Whole city (no TUPE)	Whole city (TUPE)
Contractor	Contractor A	Contractor A	Mears	Mears
Total	66.85	67.40	73.52	73.88*

*Most economically advantageous