

CABINET

8 APRIL 2014

GATEWAY 3 CONTRACT AWARD: RETENDER OF THE HRA REPAIRS AND MAINTENANCE CONTRACT

Portfolio Holder: Councillor Howard Doe, Housing and Community Services

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SUMMARY

This report seeks permission to award a contract to the supplier as highlighted within Section 3.2 of the Exempt Appendix.

The current HRA Responsive Repairs and Maintenance Contract will cease on 31 March 2014. Approval has been given to extend the current contract for a period of up to 5 months from 1 April 2014.

On 17 April 2013 Procurement Board agreed to lower the risk rating at Gateway 1 to medium and approved the recommendation to proceed with the procurement of this contract via an EU restricted procedure. A further briefing paper detailing the procurement strategy for this project was approved by Procurement Board on 26 June 2013.

This Gateway 3 Report has been approved for submission to Cabinet after review and discussion at the Regeneration Community and Culture Directorate Management Team Meeting on 13 February 2014 and Procurement Board on 19 March 2014.

1. Budget and Policy Framework

- 1.1 This procurement is affordable from the Housing Revenue Account (HRA) budget as detailed in the HRA Business Plan 2012 – 2042.
- 1.2 Following the introduction of HRA self-financing the HRA Business Plan has recently been refreshed by the Chartered Institute of Housing and was reviewed by the Regeneration, Community and Culture overview and scrutiny committee on 27 June 2013. The plan currently shows that

services and maintenance of properties can be sustained over the next 30 years. The cost of the repairs service is fully funded from the HRA budget and any savings made will be reinvested into the HRA service, and have no effect on the general fund.

- 1.3 The proposal supports the Council's strategic priorities as set out within the Medway Council Plan 2013 – 2015 in the following ways:

Children and young people have the best start in life in Medway.

This procurement will ensure that young people in the housing stock reside in safe and warm homes.

The contract will also include the provision for the successful contractor to develop an apprentice scheme in which young people from Council owned properties are included. At the annual tenant conference in October 2012 tenants rated providing such a scheme as a high priority for inclusion in the next contract.

Adults maintain their independence and live healthy lives.

Providing an efficient and effective repairs and maintenance service will assist the Council in meeting this priority. The new contract will also provide for aid and adaptation works to help deliver this objective.

Safe, clean and green Medway.

This procurement requirement will ensure there is an efficient and effective repairs service in place that means the Council meets its statutory obligations.

The contract will also include the gas-servicing element of the repairs service. The Council currently has an excellent record of achieving 100% gas safety compliancy for the last 2 years.

The preferred contractor has proposed to employ an Eco Champion for one day per month to manage the partnership approach to energy conservation and offer energy advice to residents

Everyone benefiting from regeneration.

The contract includes repairs and maintenance to HRA owned communal areas including estate roads, garage areas and open environments.

2. Background Information

- 2.1 As of 1 February 2014 the Council owned 3015 properties and 199 leaseholder properties.
- 2.2 This contract is to provide a fully encompassing repairs and maintenance service to the Council's housing stock.
- 2.3 All repair works to each property, subject to the exclusions identified in the tender documentation, will be covered by the all-inclusive price per property (PPP) up to a value of £1000 per order, regardless of the number of callouts.

- 2.4 It is expected that the service provider, through innovation, good management and skill, shall aim to deliver the service below the PPP figure, demonstrating savings on the target price. At quarterly intervals the actual spend will be validated and reconciled and any savings will be shared on a 50/50 basis between the service provider and Medway. The profit share is also subject to achieving the relevant key performance indicators set out in the contract documents. Should the service provider spend more than the target price per property, they will carry that loss.
- 2.5 All aspects of the new contract will be subject to uplift, which will be based on a rate not exceeding, ie capped at, the average rate for the Local Authority Maintenance Cost Indices (BMI) for the preceding 12 months from September. The first uplift will be applied to the contract in its entirety at the end of the second year on 1 April 2016. Uplifts will then be applied annually as of 1 April. The BMI uplift for any given year will be capped at 4%.
- 2.6 As a stock retained authority the Council has a duty to provide an effective repairs and maintenance service to its customers, with a quality product and value for money being the highest priorities. This contract is important to maintaining good satisfaction with the HRA service overall and much work has been undertaken in recent years to improve the image of this service. For example gas servicing is consistently at 100% (top quartile) and performance for emergency, urgent and routine repairs are regularly in the high 90% (medium to top quartile). Telephone answering times for repairs are top quartile as is customer satisfaction for the capital works programme.
- 2.7 Housing repairs is a high profile service attracting considerable elected member interest with significant potential for adverse publicity. The current repairs service is considered as high quality and high value by the Council's HRA tenants and leaseholders. Before the current contractor took responsibility for housing repairs in 2009, performance of the housing repairs service was poor and generated poor publicity. It is essential that a high quality, reliable, customer orientated, value for money service is provided under the new contract.
- 2.8 The Council has an active repairs forum made up of approximately 25 residents who meet regularly with officers to review service provision, performance and to improve the repairs service further. Two representatives of the tenants' forum reviewed the tender submissions and sat on the interview panel as part of the quality assessment. Tenants were also involved in shaping part of the specification and of particular importance to them were apprenticeships and opportunities for the local community.
- 2.9 There are significant additional areas that the new contract will include and the ability to deliver and meet the standards expected by customers is key to the success of the delivery of the contract. Please see section 4 Business Case and Opportunities

- 2.10 As a landlord the Council has various mandatory, statutory and legal obligations it must meet. These include:
- Section 11 Landlord and Tenant Act 1985 (setting out the Council's repair obligations) where applicable
 - Secure Tenants of Local Housing Authorities (Right to Repair) Regulations 1994
 - Decent homes standard
 - Various Health & Safety legislation to maintain properties in a safe manner
 - Defective Premises Act 1972
 - Gas Safety (Installation and Use) Regulations 1998
 - Electrical testing regulations
 - The Control of Asbestos Regulations 2012
 - Tenants' handbook (sets out the Council's obligations and timescales)
 - The landlord covenants on the part of the Council contained in leases granted by the Council.

3. Procurement Process

3.1 Procurement Process Undertaken

- 3.1.1 The formal retender of the HRA Repairs and Maintenance Contract followed EU Restricted procurement process and commenced with the issue of the OJEU notice for expressions of interest on 13 May 2013, with invitations for submitting tenders sent to 6 selected contractors on 8 July 2013.
- 3.1.2 This process had to be terminated in August 2013 as a result of 4 of the final 6 selected contractors choosing to withdraw from the process, due to the financial risk of the TUPE costs associated with running the service as set out in the tender documentation at that time. This decision was reported to Procurement Board on 31 August 2013.
- 3.1.3 The contract specification was subsequently amended and the Estates Services elements removed, thereby significantly reducing the final risk of TUPE to potential providers.
- 3.1.4 An updated OJEU notice was issued on 19 August 2013; formal invitations to tender were sent to 6 selected suppliers on 14 October 2013 and 5 completed bids were returned by 28 November 2013.
- 3.1.5 Mobilisation of the new contract with the preferred supplier will start on 6 May 2014 and end on 25 August 2014.
- 3.1.6 This extension of the procurement programme means that the process will now not be completed, or the new contract mobilised before the contract with the incumbent provider ceases. At Procurement Board on 22 January 2014 an exemption request to extend the existing contract was approved.

3.2 Evaluation Criteria

3.2.1 The evaluation criteria set was Most Economically Advantageous Tender (MEAT), based upon a mixture of quality and price. The ratio used was 70% quality and 30% price. Procurement Board approved the 70/30 quality cost ratio on 26 June 2013.

3.2.2 The table below shows the breakdown of the evaluation criteria:

Evaluation Section	Criteria	Weighting
Pricing Evaluation	Tendered Rates	30%
Quality Evaluation	Capability	65%
Quality Clarification with Bidders' existing clients	Clarification of experience and capability	0% - included within the Quality Evaluation
Applicant Interviews	Clarification of experience and capability	5%

3.2.3 Delivery of an effective and well performing repairs contract is key to high levels of customer satisfaction across the whole of the Landlord Service. The impact of a poorly performing service is clearly poor satisfaction, badly maintained homes, health and safety risks to Council Tenants, poor PR for the Council and Members and an increase in complaints. This could ultimately lead to claims for disrepair and costs to the Council.

3.2.4 The criteria required to evaluate the quality was broken down into sub criteria, which included client surveys and presentation interviews with the invited tenderers. A qualitative weighting of less than 70% meant there would be a risk that some elements would be too small and their value at evaluation would become insignificant. In addition the project team carried out satisfaction surveys with some existing clients of all the bidders.

3.2.5 Price ceilings were applied to all elements of the contract and any prices submitted in excess of the ceilings would have led to the bids being rejected. The project team held a supplier clarification event during the tender period for providers to have a clear explanation of the pricing schedule and method statement questions and how they will be evaluated.

4. Business Case

4.1 Delivery of Procurement Project Outputs / Outcomes

The following procurement outcomes/outputs identified as important at Gateway 1 to the delivery of this procurement requirement have been appraised in the table below to demonstrate how the recommended procurement contract award will deliver said outcomes/outputs.

Outputs / Outcomes	How will success be measured?	Who will measure success of outputs/ outcomes	When will success be measured?	How will recommended procurement contract award deliver outputs/outcomes?
1. Gas safety compliancy	Gas Contract Services the administrator (on behalf of the Council) and weekly/monthly KPI monitoring	Deputy Head of Housing	Monthly	Gas safety of all properties and tenants of Council owned stock. Compliance with GAS SAFE regulations and all health and safety aspects of legislation in terms of landlord responsibilities. Continued top quartile performance. Contract requires 100% gas safety compliance throughout the term of the contract. The gas servicing and breakdown service is to be monitored monthly via 12 gas compliance KPIs.

<p>2. Customer Satisfaction</p>	<p>Customer feedback/satisfaction cards/Repairs and Estate Services Forums.</p>	<p>Deputy Head of Housing and Estate Services Manager</p>	<p>Monthly via Performance Management Framework (PMF) and contractor monitoring meetings. Bi monthly at resident forums.</p>	<p>Continued top quartile performance</p> <p>Repair satisfaction reflected assists with continued satisfaction across all of landlord housing service</p> <p>Monthly KPI monitoring</p>
<p>3. Repair Completion Performance</p>	<p>Performance Matters Framework</p>	<p>Deputy Head of Housing</p>	<p>Monthly via PMF and contractor monitoring meetings. Bi monthly at resident forums.</p>	<p>Achievement of top quartile performance when benchmarked against other organisations</p> <p>Delivery of improved average time taken to complete repair works</p> <p>Real time updates from operatives PDAs within 15 minutes leads to improved information to call centre handling</p> <p>Monthly KPI monitoring</p>
<p>4. Value for Money</p>	<p>Benchmarking via formalised and informal sharing of data with other housing organisations.</p>	<p>Performance Management Hub</p>	<p>Quarterly reports to Deputy Head of Housing Management</p> <p>Quarterly Strategic Maintenance Meetings</p>	<p>Streamlining of processes brought about by price per property in terms of staff costs leads to increases in reserves for reinvestment in services</p> <p>Improved value for money reflected in service charges to customers</p>

				<p>Improvements leading to price per property reduction and increased profit share, which is reinvested in services</p> <p>Improvements lead to higher quartile performance in terms of benchmarking</p>
5. Appointments made and kept	Performance Matters Framework	Performance Management Hub	Monthly via PMF and contractor monitoring meetings. Bi monthly at resident forums.	Increased customer satisfaction as a result of work undertaken at customers' preferred time
6. Average void turnaround time	Performance Matters Framework	Performance Management Hub	Monthly via PMF and contractor monitoring meetings. Bi monthly at resident forums.	<p>Lower rent loss and increased income to the HRA</p> <p>Able to assist customers with rehousing needs faster</p> <p>Top quartile performance maintained</p>
7. Average telephone call answering time	Performance Matters Framework	Performance Management Hub	Monthly via PMF and contractor monitoring meetings. Bi monthly at resident forums.	<p>Improved customer service delivery</p> <p>Faster service and improved satisfaction</p>

8. The average weekly cost per dwelling of repairs	Performance Matters framework	Performance Management Hub	Monthly via PMF and contractor monitoring meetings. Bi monthly at resident forums.	<p>Improved performance leads to improved benchmark performance</p> <p>Financial streamlining and improvements – profit shared between Medway and Contractor</p> <p>Improved average cost will lead to reduced year on year price per property cost and savings to the HRA</p>
9. Rent lost through dwellings becoming vacant expressed as a % of rent collectable	Performance Matters framework	Performance Management Hub	Monthly via PMF and contractor monitoring meetings. Bi monthly at resident forums.	<p>Improved quartile performance</p> <p>Improved income to HRA</p> <p>Reduction in void rent loss bad debt provision</p>

Additional Opportunities	How will success be measured?	Who will measure success of outputs/ outcomes	When will success be measured?	How will recommended procurement contract award deliver opportunities
1. Repairs Right 1 st time	Performance Matters Framework	Performance Management Hub	Monthly operational Meetings with Contractor	<p>Improved customer satisfaction and performance</p> <p>Right first time will lead to reduced overheads and ultimately reduction in price per property, delivering profit share between Medway and the Contractor and a reduction in the annual price per property</p>

2. Client satisfaction	Performance Matters Framework	Performance Management Hub	Monthly operational Meetings with Contractor	Improved client/contractor relationship leading to trust and constructive dialogue resulting in future developments of service delivered to customers. Trust in partnership
3. Void turnaround time – developing the 5 day void	Performance Matters Framework and quarterly HRA Budget monitoring report.	Performance Management Hub Corporate Finance Team	Monthly operational Meetings with Contractor Quarterly Strategic Meetings with Contractor	Improved rental income Improve on the current top quartile performance Faster lettings for customers on the housing register and assisting those in housing need faster Less risk of squatters Positive PR image on Estates as properties not left empty unnecessarily
4. Handyman service	Performance Matters Framework and quarterly HRA Budget monitoring report.	Performance Management Hub Corporate Finance Team	Monthly operational Meetings with Contractor Quarterly Strategic Meetings with Contractor	Assistance provided to tenants for low-level minor DIY works leading to home improvements and better quality homes. Potentially this could lead to lower call outs for responsive repairs, a reduction in the price per property and a subsequent increase in profit share. Better quality homes could also lead to lower void costs should the property become vacant.

				<p>Improvements in overall customer satisfaction of service</p> <p>Potential development of the service for grass cutting of tenants' homes at a small charge.</p> <p>Opportunity to develop role to undertake low-level quality inspections of completed works freeing up operatives time to undertake repairs and maintenance in homes.</p> <p>This is an area of the service that Tenants and Leaseholders specifically asked Medway to include in the contract; this demonstrates the service being shaped around the customer</p>
5. Property MOTs	Performance Matters Framework.	Performance Management Hub	<p>Monthly operational Meetings with Contractor</p> <p>Quarterly Strategic Meetings with Contractor</p>	<p>Improved quality of homes via a pro-active approach to property maintenance focussing initially on properties with high level repairs, leading to a drop in calls and repetitive visits.</p> <p>Will work to shape the service to undertake property MOTs with the annual gas service visit.</p> <p>Proactive approach will lead to fewer visits to homes overall and</p>

				<p>reduced customer calls leading ultimately to a reduction in overheads, increased profit share and a reduction in the annual price per property.</p> <p>The proposed model for the Medway contract will be a market leader in terms of other housing organisations and could be seen to be a best practice model once up and running.</p>
6. Developing the call centre	<p>Performance Matters Framework</p> <p>Profit Share financial papers in terms of overhead reductions</p>	<p>Performance Management Hub</p> <p>Corporate Finance</p>	<p>Monthly operational Meetings with Contractor</p> <p>Quarterly Strategic Meetings with Contractor</p>	<p>Unified approach to all repairs and customer service as the two teams merge</p> <p>Streamlined processes leading to reduced costs in posts. This will offer increased value and profit share as the price per property costs fall</p> <p>24/7 call handling for all repairs</p> <p>Call handling developed for an out of hours anti-social behaviour service</p> <p>Improved diagnostics and recording of repairs leading to improved right first time for customers and lower average time to complete repairs</p> <p>Reduced variation orders</p>

				<p>Real time updates of repair jobs from operatives PDAs to improve customer service delivery via up to date information</p> <p>Live screens in the call centre within 12 months to allow call handlers to see calls allocated, appointments and booking of jobs</p>
7. Local Labour	Employment Training Plan at Strategic Quarterly Meetings	Deputy Head of Housing	Quarterly Strategic Meetings with Contractor	<p>Increased levels of employment in Medway</p> <p>Support to Employ Medway</p> <p>Support to local apprenticeship framework</p> <p>Development of local business through use of local supply chain</p> <p>The preferred contractor will pass on their purchasing power to local suppliers, staff and residents to take advantage of their local and national supply chain agreements to purchase materials and DIY supplies respectively</p>
8. Apprenticeships	Employment Training Plan at Strategic Quarterly Meetings	Deputy Head of Housing	Quarterly Strategic Meetings with Contractor	<p>Tenants and leaseholders identified local employment and apprenticeship opportunities in the new contract as one of their top priorities for the new contract.</p>

				<p>This will fit in with the Council's apprenticeship scheme and improve opportunities for local employment.</p> <p>The proposed contractor has been commended for creating job opportunities specifically for young people in 2012 by the Deputy Prime Minister and also have a national agreement with Jobcentre Plus</p> <p>The apprenticeship scheme will support the local economy and provide training and up-skilling of those either leaving school/college or retraining for work.</p> <p>Commitment of preferred contractor to offer 4 apprenticeships per year for the first 5 years of the contract term.</p>
9. Sustainability and Environmental	Monitoring of Site Waste Management Plan at monthly strategic meetings	Deputy Head of Housing	<p>Monthly operational Meetings with Contractor</p> <p>Quarterly Strategic Meetings with Contractor</p>	<p>Better management of materials means more reduction in waste, lower costs to the contractor which will lead to reduction in the price per property and increase in profit share for Medway and the contractor.</p> <p>The proposed contractor's Environmental Management Plan</p>

				<p>Supports the Council's corporate sustainability plan by aiming to achieve recycling targets of 90% throughout the contract term.</p> <p>Promote the Getting Greener campaign to educate tenants on more energy efficient homes and improve local environmental quality.</p> <p>An Eco Champion will be employed in Medway for one day per month to manage the partnership's approach to energy conservation and provide energy advice to customers</p>
10. Health & Safety	Contract monitoring meetings.	Deputy Head of Housing	<p>Contractor's regular in- house H&S Audits reported to strategic meetings</p> <p>Bi-annual external audits of H&S compliance of contractors processes.</p> <p>Medway's H&S Team.</p> <p>Daily supervision of works on site</p>	<p>Compliance with all statutory legislation achieved and safety of tenant and leaseholders maintained at all times.</p> <p>Good practice followed and initiatives to drive up further safety and drive down cost pursued.</p> <p>Collaborative Health and Safety Strategy plan will be in place monitored jointly by both parties at strategic meetings.</p> <p>Monitoring of fundamental KPIs</p>

			Gas Contract Services will continue to provide consultancy advice and monitoring and management to the Council for the gas-servicing programme.	
11. Relocation of offices with Customer Drop in centre more central to main housing stock.	Local KPIs on visitor numbers and usage of the ICT in office New Office in place	Deputy Head of Housing	Within 6 months of start of contract	Training will lead to development of skills in terms of ICT and assist with job hunting and skilling up Localised offices locally will lead to a much more visual and accessible base for customers to speak face to face to Officers of both parties about concerns about property maintenance or services provided.
12. Dedicated partnership website	New website in place linking to the Councils corporate site. Number of "hits" on website KPI to be developed Development of KPI for avoidable contact	Deputy Head of Housing	Quarterly Strategic Meetings with Contractor	This could lead to reduction in overheads and ultimately reduction in year on year price per property costs a

13. On Line repairs reporting	KPI to be developed for number of on line reports KPI for avoidable contact	Deputy Head of Housing	Quarterly Strategic Meetings with Contractor	<p>This could lead to reduction in overheads and ultimately reduction in year on year price per property costs and profit share as a result of less direct contact with the call handling team.</p> <p>Service open and transparent to customers</p> <p>Improved customer satisfaction by tenants and leaseholders being able to report and track repairs 24/7.</p>
14. Smartphone App for resident to report repairs status, anti-social behaviour, graffiti and litter.	KPI to be developed for number of on line reports KPI for avoidable contact	Deputy Head of Housing	Quarterly Strategic Meetings with Contractor	<p>This could lead to reduction in overheads and ultimately reduction in year on year price per property costs an</p>
15. Video Conferencing for tenants to film and report repairs.	KPI to be developed for number of on line reports KPI for avoidable contact	Deputy Head of Housing	Quarterly Strategic Meetings with Contractor	<p>This could lead to reduction in overheads and ultimately reduction in year on year price per property costs and increased profit share as a result of less direct contact with the call handling team.</p> <p>Service will be open and transparent to customers.</p> <p>Improved customer satisfaction by tenants and leaseholders being able to report repairs 24/7</p>

5. RISK MANAGEMENT

5.1 Risk Categorisation

1. Risk Category: Service Delivery	Likelihood: D	Impact: III
Outline Description: Customer satisfaction reduces during the start of the new contract, quality of work drops and frontline performances dips		
Plans to Mitigate: Regular operational meetings will take place with the preferred contractor to agree KPIs around customer satisfaction and service delivery and to measure performance. A robust mobilisation plan will be agreed with the contractor to ensure continuity of service and maintain current high performance levels		
2. Risk Category: Cultural Change	Likelihood: D	Impact: II
Outline Description: Two teams merging as one as a result of TUPE transfer do not unify and poor customer satisfaction arises as the result of poor synergy		
Plans to Mitigate: Contractor proposes as part of a mobilisation workshop led by consultant (paid for by contractor) to develop a one team approach Clear processes and policies developed as part of the mobilisation plan which will set out clear roles and responsibilities. Staff being transferred as a result of TUPE will have a full induction to the new contractor		
3. Risk Category: Health & Safety	Likelihood: D	Impact: I
Outline Description: Breach of H&S compliancy leads to death of tenant/employee/contractor or critical injury		
Plans to Mitigate: Dedicated Compliancy Officer in post to monitor statutory obligations and risk assessment method statements; robust performance data in place to regularly review and monitor compliancy; meetings between respective H&S and operational teams; capital works will be managed under Construction Design and Management (CDM) Regulations.		
4. Risk Category: Reputation/Political	Likelihood: D	Impact: II
Outline Description: Ineffective or poorly managed contract may lead to poor levels of customer satisfaction, leading to increased queries or complaints to Members. Additionally tenants may perceive Members to be at fault in terms of poorly managed service. There is significant potential for adverse media coverage with reference to historical poor performance.		
Plans to Mitigate: Effective and robust management arrangements in place for contract management with suitably skilled staff		

5. Risk Category: TUPE	Likelihood: D	Impact: III
Outline Description: Transfer of the Call Handling team to the preferred contractor – cultural change and possible risk as Medway will lose management of the client function from April 2015		
Plans to mitigate: Clear roles and responsibilities will be agreed during the mobilisation period, as well as clear processes and procedures to be agreed by both parties in the partnership. The team being transferred will be seconded from year 1 and will have full induction with the preferred contractor prior to April 2015		
6. Risk Category: IT Systems Integration	Likelihood: E	Impact: II
Outline Description: ICT systems are not compatible or not in place from the launch of the contract to ensure services can be assessed		
Plans to mitigate: Dedicated ICT office within the Housing Team will form part of the mobilisation team who will liaise with the corporate ICT team. Testing will take place during mobilisation period to ensure systems will work effectively on “go live” date.		
7. Risk Category: Commercial	Likelihood: D	Impact: I
Outline Description: Budgets exceeded – performance affected and contract is viewed as failing by senior members of both teams		
Plans to mitigate: Commercial model and open book accounting reviews. Regular budgetary reviews; contractor to take greater responsibility for asset management and budgetary controls		

6. Contract Management

- 6.1 The Deputy Head of Housing has operational responsibility for all Client Side functions of the Housing Landlord Service as well as day-to-day management of the responsive repairs contract in its entirety.
- 6.2 Performance monitoring will also be the responsibility of the Deputy Head of Housing, and all KPIs will be reviewed periodically either at the monthly contractor monitoring meetings, at which residents will be present, or at the quarterly strategic meetings led by the Head of Housing Management.
- 6.3 There will be a mobilisation period of 4 months and during this time there will be fortnightly meetings with the mobilisation teams from both Medway and the preferred contractor, led by the Head of Housing Management, to discuss the set-up of the new operating model before going live on 26 August 2014.
- 6.4 The partnership between Medway and the preferred contractor will operate open book accounting, which shall be reviewed quarterly at strategic partnership meetings led by the Head of Housing Management. The profit share from the delivery of the Price Per Property and Price Per Void will be agreed and shared annually, and the following year's fixed prices set. Entitlement by the contractor to any performance related profit will depend upon achievement of the incentivised KPIs.

7. Procurement Board

- 7.1 The Procurement Board has considered this report on 19 March 2014 and supported the recommendations below.

8. Service Comments

8.1 Financial Comments

- 8.1.1 The procurement requirement and its associated delivery, as per the recommendations at Section 10, will be funded from existing HRA revenue and capital budgets and the Capital Programme.
- 8.1.2 Further detail is contained within Section 2.1 Financial Analysis of the **Exempt Appendix** at the end of this report.

8.2 Legal Comments

- 8.2.1 Medway Council has power under the Local Government (Contracts) Act 1997 and the Localism Act 2011 to enter into contracts in connection with the performance of its functions
- 8.2.2 Medway Council's Constitution provides in Part 5 of Chapter 3 that the decision to accept a tender in a Category B High Risk procurement is a decision for Cabinet. Paragraph 8 of this report therefore recommends Cabinet the approval of the contract award in accordance with the Exempt Appendix.
- 8.2.3 The Public Services (Social Value) Act 2012 requires local authorities to consider at the pre-procurement stage of any services contract (1) how what is proposed to be

procured might improve the economic, social and environmental well-being of their areas and (2) how the local authority might act with a view to securing that improvement in conducting the procurement process. In this case, the contract will also include the provision for the successful contractor to develop an apprentice scheme in which young people from Council owned properties are included.

8.3 TUPE Comments

- 8.3.1 TUPE will apply for the team of Call Handlers from 7 April 2015; they are currently co-located at the incumbent contractor's office. All bidders were required to apply to the Kent Pension Fund for Admitted Body Status as part of the tender submission. This team shall be seconded to the preferred supplier for the first year of the contract.
- 8.3.2 The preferred contractor is proposing to set up a local office in Gillingham, which adheres to the TUPE guidelines as these premises are within Medway boundaries.

8.4 Procurement Comments

- 8.4.1 Category Management ran a restricted tender process in line with EU regulations, as this contract is above the EU works threshold which stands at £4,322,012. The process had to be repeated before the contract was awarded to ensure there was adequate competition, following the decision to exclude the Estate Services Team. As a result the existing contract had to be extended by a period of 5 months to allow for the extended procurement timetable and the mobilisation of the new contract. An exemption was requested in line with Medway's contract rules.
- 8.4.2 As requested as Gateway 1, updates on the progress of the tender were provided to Procurement Board at regular intervals, including the proposed pricing model, contract uplift and quality/cost ratio.
- 8.4.3 All required stages of consultation with leaseholders were carried out throughout the process

8.5 ICT Comments

- 8.5.1 There is currently a complex integration between Academy, the housing IT system, and the existing contractor. As these interfaces are closely aligned to Academy, and were expensive to develop in terms of resources, we would not expect to change these existing interfaces should the contractor change. A proviso of any new contract should be that any contractor would be required to match our existing technical interface specification and operate in the same way as the existing contractor. Any costs associated with interface changes required to meet revised technical specifications should therefore be factored into the contract should the contractor change.

9. Other Information

9.1 Leaseholder Consultation

- 9.1.1 Section 20 Landlord and Tenant Act 1985 provides that Medway Council as the landlord is obliged to consult with the tenants of any properties, which are subject to

long leases, before entering into a long-term agreement for the provision of services. The new procedures provide for two separate 30-day periods for leaseholders to make observations.

9.1.2 All leaseholders were notified on 11 April 2013 of Medway's intention to start the procurement process prior to the OJEU notice being published. Further notices allowing for comment were issued following receipt of the final tenders on 18 December 2013, and leaseholders will also be advised which supplier has been awarded the contract should this be approved at Cabinet on 8 April 2014.

9.1.3 Tenants and Leaseholders have also been heavily involved in the development of the specification via a Tenant Conference in October 2012, and also at regular repair forum meetings, which are held quarterly. Tenants were also represented on the interview panel.

10. Recommendation

10.1 The Cabinet is recommended to approve the contract award for the HRA Repairs and Maintenance Service in accordance with paragraph 3.2 of the exempt appendix, and achieving the outputs and opportunities described in Section 4 above.

11. Suggested Reasons for Decision

11.1 Approval of the contract will ensure the Council meets its statutory obligations in terms of maintenance of its stock, and provide value for money and a quality service for tenants and leaseholders.

LEAD OFFICER CONTACT

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BACKGROUND PAPERS

The following documents have been relied upon in the preparation of this report:

Description of Document	Location	Date
Gateway 1 Report Retender of Responsive Repairs and Capital Works Contract (HRA Housing Services)		28 Nov 2012
HRA Repairs and Maintenance Contract Quality: Price Ratio and Contract Uplift Briefing Paper		26 June 2013
Housing Revenue Account Business Plan 2012 – 2014, and Asset Management Strategy	http://www.medway.gov.uk/housing/councilhousing/housingrevenuebusinessplan.aspx	27 June 2013

	http://www.medway.gov.uk/planningandregeneration/landandpremises/corporateassetmanagement.aspx	
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