

CABINET

9 FEBRUARY 2016

GATEWAY 4 PROCUREMENT CONTRACT REVIEW: HOUSING REVENUE ACCOUNT (HRA) REPAIRS AND MAINTENANCE CONTRACT

Portfolio Holder: Councillor Howard Doe, Deputy Leader and Housing and Community Services

Report from: Richard Hicks, Director of Regeneration, Community and Culture

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SUMMARY

This report reviews the progress of the HRA Repairs and Maintenance Contract currently delivered by Mears Limited.

On 8 April 2014 Cabinet approved the contract award for the HRA Repairs and Maintenance Contract to Mears Limited (decision number 81/2014). The contract commenced on 1 September 2014, for 5 years with an option to extend for up to five further years more. The works and services included in the contract are fully funded from the Housing Revenue Account budget as detailed in the HRA Business Plan 2014 – 2044.

The service provider delivers all the works, including responsive repairs, gas servicing, void property works, external decoration, and the majority of capital works and direct management of call handling.

This paper outlines the performance of the first complete year of the contract. Approved Gateway 1 and 3 Reports relating to this Gateway 4 Report are available upon request.

This Gateway 4 Report has been approved for submission to the Cabinet after review and discussion at Regeneration Community and Culture Directorate Management Team meeting on 10 December 2015 and Procurement Board on 20 January 2016.

The project was given the category of high risk as this is a high profile service which has seen significant improvements in performance and customer satisfaction over recent years, and maintaining these levels is key to the success of the service.

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 2014 – 2044.
- 1.2 Following the introduction of HRA self-financing the HRA Business Plan was refreshed by the Chartered Institute of Housing and was last reviewed by the Business Support Overview and Scrutiny Committee on 3 February 2015 and adopted at Cabinet on 15 February 2015. 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 An interim revision of the HRA Business Plan was undertaken in autumn 2015. Since then there have been further proposals set out in the Housing and Planning Bill 2015 which will affect social housing landlords with high value assets. The exact implications are yet unknown and are currently expected to be advised in spring 2016. It is envisaged a subsidy payment back to Central Government will need to be made annually by local authorities retaining high value assets. As a result of uncertainties around this significant proposal, it has been decided to revise the Business Plan again once the regulations around this area are published, most likely to be spring/summer 2016. A further report to Members will then be produced.
- 1.4 Please refer to the Exempt Appendix for a financial review of the first year of the contract.

2. Contract Background Information

- 2.1 As of 1 September 2015 the Council owned 3015 properties and 200 leasehold properties.
- 2.2 This contract provides 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, are 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 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 excellent levels of customer 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.
- 2.5 Housing repairs is a high profile service attracting considerable elected Member interest with significant potential for adverse publicity. The previous repairs service was considered as high quality and high value by the Council's HRA tenants and leaseholders. Prior to that in 2009, performance of the housing repairs service was poor and generated poor publicity, so it was essential that a high quality, reliable,

customer orientated, value for money service would be provided under the new contract.

- 2.6 The repairs and maintenance service is consistently the area of the Landlord Service that customers report is the most important aspect of service delivery to them. The results of the 2015 Tenant satisfaction survey (STAR Survey) support this where the respondents rated this as the most important aspect of the service.
- 2.7 There were significant additional areas that the new contract included and the ability to deliver and meet the standards expected by customers is key to the success of this contract. Please see section 4 Business Case and Opportunities.

3. Statutory/Legal Obligations

- 3.1 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
 - Occupiers' Liability Act 1957
 - Occupiers' Liability Act 1984

4. Business Case

4.1 Procurement Project Outputs / Outcomes

- 4.1.1 The following procurement outcomes/outputs identified as important at Gateway 1 to the delivery of this procurement requirement and identified as justification for awarding the contract at Gateway 3, have been appraised in the table below to demonstrate how the procurement contract and corresponding supplier(s) has delivered said outcomes/outputs.

Outputs / Outcomes	How has contract award delivered outputs/outcomes?
1. Gas safety compliancy	<p>Contract has achieved 100% gas safety compliance in the first year of operation. The gas servicing and breakdown service is monitored monthly via 12 gas compliance KPIs.</p> <p>Continued top quartile performance.</p> <p>Gas safety of all properties and tenants of Council owned stock.</p>

	<p>Compliancy with GAS SAFE regulations and all health and safety aspects of legislation in terms of landlord responsibilities.</p>												
2. Customer Satisfaction	<p>Continued top quartile performance</p> <p>Repair satisfaction reflected with continued satisfaction across all of landlord housing service</p> <p>Please see section 4.2 for details of customer satisfaction results</p>												
3. Repair Completion Performance	<p>Achievement of top quartile performance</p> <p>Delivery of improved average time taken to complete repair works</p> <p>The KPIs set for repairs for this contract have all been exceeded in the first year of operation in terms of time taken to complete emergency, urgent and routine repairs:</p> <table border="1"> <thead> <tr> <th></th> <th>Target</th> <th>Achieved</th> </tr> </thead> <tbody> <tr> <td>Emergency</td> <td>99.00%</td> <td>100.00%</td> </tr> <tr> <td>Urgent</td> <td>99.00%</td> <td>99.67%</td> </tr> <tr> <td>Routine</td> <td>98.00%</td> <td>98.38%</td> </tr> </tbody> </table>		Target	Achieved	Emergency	99.00%	100.00%	Urgent	99.00%	99.67%	Routine	98.00%	98.38%
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4. Value for Money	<p>Improved value for money reflected in service charges to customers</p> <p>91% of tenants have said that their rent gives value for money</p> <p>Streamlining of processes brought about by the price per property and price per void in terms of staff costs and 3 officer posts</p>												
5. Appointments made and kept	<p>Increased customer satisfaction as a result of work undertaken at customers' preferred time</p>												
6. Average void turnaround time	<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> <p>Developing the 5 day void</p>												

7. Average telephone call answering time	<p>Improved customer service delivery</p> <p>Faster service and improved satisfaction</p> <p>The average waiting time has improved from 24 seconds at the beginning of the contract to 13 seconds during September 2015</p>
8. The average weekly cost per dwelling of repairs	<p>Reduced cost of repairing each property</p>
9. Client satisfaction	<p>Improved client/contractor relationship leading to trust and constructive dialogue resulting in future developments of service delivered to customers.</p> <p>Medway HRA gave a presentation with Mears at the Chartered Institute of Housing South East Conference in Brighton in March 2015 as a direct result of being identified as one of Mears flag ship contracts with good practice across the contract. The presentation set out how to drive improvements and service transformation in repairs through a commitment to partnership working and as a result improve value for money and customer satisfaction.</p>
10. Handyman service	<p>This is an area of the service that Tenants and Leaseholders specifically asked Medway to include in the contract.</p> <p>Assistance provided to tenants for low-level minor DIY works leading to home improvements and better quality homes.</p> <p>The service is leafleted to all homes and advertised in Housing Matters and at tenant forums</p> <p>55% of residents are aware of the service as identified in the STAR Survey 2015.</p>
11. Property MOTs	<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>Mears promised to complete 600 MOTs in the first year of the contract and this target has been achieved.</p> <p>The benefits of the property MOT programme will be seen in future years, as the subsequent need for call outs gradually drops.</p>










<p>12. Developing the call centre</p>	<p>Since the TUPE transfer of our repair call handling staff to Mears, customers have benefitted from a streamlined service. The merging of the two services has unified the approach and combined with shared goals and targets customers have acknowledged an overall improved repairs service as a result. One of the key improvements has been an improved diagnostics and recording of repairs leading to improved right first time for customers and lower average time to complete repairs. Call handling staff benefit from the use of live screens in the call centre allowing call handlers to see calls allocated, whereabouts of operatives, appointments and booking of jobs</p> <p>During the 1st year of the contract, processes were streamlined which meant existing staff were able to do more and take on other duties, preventing the need to recruit further which has led to contact overhead savings.</p> <p>Mears provide a 24/7 service 365 days a year meaning customers will always have a point of contact in the case of an emergency, customers also benefit from being able to report a routine issue outside of normal working hours.</p>
<p>13. Local Labour</p>	<p>The breakdown of local labour for the first year of the contract is as follows:</p> <p>Direct Staff - 12 of 28 - 43% Agency Staff - 4 of 5 - 80% Sub Contractors - 3 of 14 -21%</p>
<p>14. Apprenticeships</p>	<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>3 apprentices and 1 work placement have been employed from the local area in the first year of the contract.</p>
<p>15. Sustainability and Environmental</p>	<p>The proposed contractor's Environmental Management Plan Supports the Council's corporate sustainability plan by aiming to achieve recycling targets of 90% throughout the contract term.</p> <p>Mears and Norse are currently working together</p>

	<p>to streamline the waste disposal process for the repairs and voids works.</p> <p>During the 1st year of the contract Mears have successfully diverted 97% of its total waste material away from landfill.</p> <p>Promote the Getting Greener campaign to educate tenants on more energy efficient homes and improve local environmental quality.</p> <p>Mears' Energy Manager has attended the Tenants Repairs Forum to advise and educate tenants on more energy efficient homes</p>
<p>16. Health & Safety</p>	<p>Compliance with all statutory legislation achieved and safety of tenant and leaseholders maintained at all times.</p> <p>Monitoring of health and safety KPIs at monthly operational meetings with the contractor, which are attended by the HRA Health and Safety Compliance Officer.</p> <p>There have been no serious incidents reported during the first year of the contract and all KPIs have been achieved</p>
<p>17. Relocation of offices with Customer Drop in centre more central to main housing stock.</p>	<p>Training will lead to development of skills in terms of ICT and assist with job hunting and skilling up</p> <p>The partnership office relocated from the Medway City Estate to the Gillingham Business Park which has created a more visual and accessible base for customers to speak face to face to officers of both parties</p> <p>Various courses have been held which local residents have attended: CV Writing Interview Skills Computing Skills</p> <p>The room has also been used for Public Health and as a meeting room for Medway and Mears.</p>
<p>18. Dedicated partnership website</p>	<p>This could lead to reduction in overheads and ultimately reduction in year on year price per property costs</p> <p>Work is underway as part of the wider digital transformation programme to develop this and</p>

	mechanisms for tenants to report and view repairs on line.
19. On Line repairs reporting	<p>This could lead to reduction in overheads 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> <p>This is currently being reviewed as part of the Council's overall digital transformation strategy</p>
20. Smartphone App for resident to report repairs status, anti-social behaviour, graffiti and litter.	<p>This is currently being reviewed as part of the Council's overall digital transformation strategy</p>
21. Video Conferencing for tenants to film and report repairs.	<p>This could lead to reduction in overheads as a result of less direct contact with the call handling team.</p> <p>Mears proposed this would be in place within 18 months of the start of the contract</p>

4.2 Customer Satisfaction

The table below shows how satisfaction for the repairs service has continued top quartile performance and improved on the whole throughout the year. These results are collected by Mears by the operatives at the time of the repair, by surveyors when inspecting the work, and by telephone and card after the repair is complete

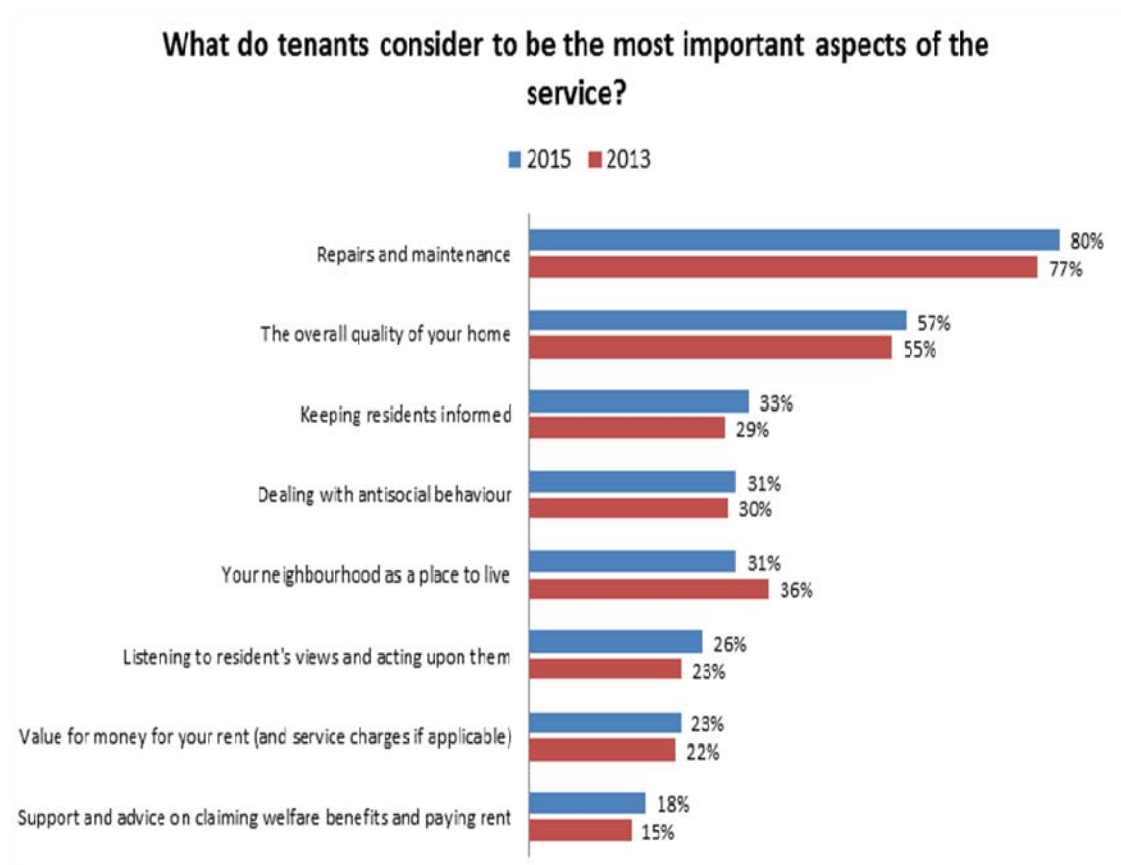
Indicator name	Current Target	Sep 2014	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015	Mar 2015	Apr 2015	May 2015	Jun 2015	Jul 2015	Aug 2015	Traffic Light	2014/15	
% of customer satisfaction with overall repairs service	97.0%	98.4 %	98.3 %	98.7 %	99.6 %	99.5 %	100.0 %	97.6 %	97.4 %	99.0 %	99.4 %	98.8 %	100.0 %		98.85 %	
Number of customers satisfied overall with the repairs service		187	346	311	243	196	181	163	186	199	171	165	135		2,483	
% of customer satisfaction with works	97.0%	97.9 %	97.7 %	98.7 %	98.4 %	99.0 %	98.3 %	97.0 %	97.9 %	96.5 %	98.8 %	98.2 %	97.0 %		98.01 %	
Number of Customers satisfied with the work completed by Mears		186	344	311	240	195	178	162	187	194	170	164	131		2,462	
Number of responses to repairs survey		190	352	315	244	197	181	167	191	201	172	167	135		2,512	

A bi annual Landlord Service Tenant Survey (STAR Survey) was also carried out between 15 June and 6 July 2015 by the Housing Landlord Service. This is a national survey undertaken by many Housing Landlords which also enables benchmarking to be undertaken to ascertain how our services compare to other similar sized landlords. Medway's results were very positive with continued on going improvements in satisfaction rates on similar surveys undertaken previously.

This showed that satisfaction for the repairs service has increased from 82% in 2013 to 87% in 2015 and satisfaction with value for money for rent has increased from 88% in 2013 to 91% in 2015.

Key areas of satisfaction recorded relevant to the repairs and maintenance service with comparative benchmarked data are below:

- Upper Quartile for Rent as Value for Money
- Upper Quartile for Satisfaction with the Repairs and Maintenance
- Medium to Upper Quartile for Overall Landlord Satisfaction
- Medium to Upper Quartile for Satisfaction with Quality of the Home
- Medium to Upper Quartile for Satisfaction with Neighbourhood, as a place to live;
- Medium to Upper quartile for satisfaction with service charges



5. Risk Management

Risk Categorisation – The following risk categories have been identified as having a linkage to the procurement contract at this Gateway 4 stage

1. Risk Category: Commercial	Likelihood: E	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. Both teams will reviewing the operation of the contract with a view to reducing the overspend on the PPP and PPV		
2. Risk Category: Health & Safety	Likelihood: E	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.		
3. Risk Category: Service Delivery	Likelihood: E	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		
4. Risk Category: Political/Reputation	Likelihood: E	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		

6. Post Project Appraisal

- 6.1 The overall performance of the contract in the first year has been very good, with many of the performance targets and KPIs being achieved.
- 6.2 Please also refer to the Exempt Appendix
- 6.3 Monthly contract meetings are held to monitor the delivery of the contract for repairs, as well as separate regular meetings for the capital and planned works programmes and weekly meetings for void management.
- 6.4 Additionally the Head of Housing chairs quarterly Strategic Board meetings of Senior Staff, including the Regional Managing Director of Mears; as well as a representative from the Category Management Team and Accountancy Team to monitor and review the profit share forecasts and profit share key performance indicators.
- 6.5 As well as responsive repairs the contract has also delivered elements of capital works including external decorating, rewiring and replacement of kitchens and bathrooms. Driving this capital programme forward will improve the standard of the properties and in the future should see a reduction in the number of responsive repairs.
- 6.6 An internal audit was carried out and report issued in September 2015 which reviewed the effectiveness of the controls of the Housing maintenance contract, including contract management, performance reporting and overall value for money. The report concluded that the framework in place to manage and monitor the housing maintenance contract is effective and works well. The contract offers good value for money with the price per property scheme and our overall opinion on the effectiveness of the housing maintenance contract management was Strong.
- 6.7 Additionally an audit by the in house Corporate Health and Safety Team identified the HRA Housing Service as being held as good practice in management of Health and Safety Aspects of the repairs service.

7. Contract Management

- 7.1 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.
- 7.2 Performance monitoring is also the responsibility of the Deputy Head of Housing, and all KPIs are reviewed periodically both at the monthly contractor monitoring meetings, at which residents are present, and at the quarterly strategic meetings led by the Head of Housing Management.
- 7.3 The partnership between Medway and the Mears Limited operates open book accounting, which is reviewed quarterly at strategic partnership meetings led by the Head of Housing Management. Any 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.

7.4 Please also refer to the Exempt Appendix.

8. Consultation

8.1 Internal (Medway) Stakeholder Consultation

Consultation with STG Building Control, and the Property and Capital Projects Team.

8.2 External Stakeholder Consultation

The Council has a strong resident involvement structure where regular meetings with resident take place with officers to review service provision, performance and to improve the repairs service further.

Mears also hold a monthly Continuous Improvement Group made up of Tenants and chaired by a Tenant Member to review service provision and focus on areas of further service development.

9. Procurement Board

9.1 The Procurement Board considered this report on 20 January 2016 and supported the recommendations set out in paragraph 11 below.

10. Service Comments

10.1 Finance Comments

10.1.1 The procurement requirement and its associated delivery, as per the recommendations at Section 11, will be funded from the existing HRA revenue and capital budgets and the Capital Programme.

10.1.2 Further detail is contained within the Exempt Appendix.

10.2 Legal Comments

10.2.1 The regular monitoring and review of the contractual KPIs will allow officers to ensure that the economic balance between the Council and the Contractor remains fair for the duration of the contract. This will reduce the risks of a procurement challenge from the market.

10.3 TUPE Comments

10.3.1 TUPE did apply for the team of Call Handlers from 1 September 2014; the team was previously co-located at Mears' old office in Chatham. The transfer from Medway to Mears was managed well and followed the TUPE process required by the Transfer of Undertakings (Protection of Employment) Regulations 2006.

10.4 Procurement Comments

10.4.1 This contract has been closely managed since going live on 1 September 2014.

10.4.2 The roles and responsibilities between Medway Council and Mears Limited are clearly defined in the contract. There are regular monitoring meetings, as set out in the partnering timetable, which are used to discuss all operational issues arising, monitoring the performance of each element of the contract as well as identifying areas where additional efficiencies could be made.

10.4.3 All KPIs are reviewed as per the contract documents and reports, statistics and other communications detailing the continued high performance of the service, are circulated regularly to all members of the partnership

10.4.4 Category Management has been involved in monitoring the contract throughout the first year of operation.

11. Recommendation

11.1 Cabinet is requested to note the performance of the HRA Repairs and Maintenance Contract and achievement of the outputs described in sections 4 and 6 of the report.

12. Suggested Reasons for Decisions

12.1 The report appraises the procurement outcomes/outputs identified as important at Gateway 1 to the delivery of this procurement requirement and identified as justification for awarding the contract at Gateway 3. The overall performance of the contract in the first year has been excellent, with many of the performance targets and KPIs being achieved.

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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)	http://democracy.medway.gov.uk/mglIssueHistoryHome.aspx?Ild=11363&PlanId=191	28 Nov 2012
HRA Repairs and Maintenance Contract Quality: Price Ratio and Contract Uplift Briefing Paper	http://democracy.medway.gov.uk/mglIssueHistoryHome.aspx?Ild=11363&PlanId=191	26 June 2013
Housing Revenue Account Business Plan 2014 – 2044	http://democracy.medway.gov.uk/mglIssueHistoryHome.aspx?Ild=13863	Report to Cabinet 10 February 2015
Gateway 3 Report Retender of Responsive Repairs and Capital Works Contract (HRA Housing Services)	http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&MId=2767&Ver=4	Report to Cabinet 8 April 2014

APPENDICES – Exempt Appendix