

CABINET

7 AUGUST 2018

GATEWAY 5 REPORT: HOUSING REVENUE ACCOUNT (HRA) REPAIRS AND MAINTENANCE CONTRACT

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

This report presents a review of the progress of the contract currently delivered through the supplier Mears Group Plc and is set out at paragraph 5.1 to the report. This report seeks Cabinet agreement to extend the current contract by a further five years, as built into the contract, with effect from 1 September 2019.

This Gateway 5 report has been approved for submission to the Cabinet after review and discussion at the Regeneration, Culture, Environment and Transformation Directorate Management Team meeting on 10 May 2017.

1. BACKGROUND INFORMATION

1.1 Budget & Policy Framework

- 1.1.1 This procurement is affordable from the Housing Revenue Account (HRA) budget as detailed in the HRA Business Plan 2018 – 2048.
- 1.1.2 The HRA Business Plan was last reviewed by the Business Support overview and scrutiny committee on 30 January 2018 and subsequently Full Council in February 2018 and based on a number of assumptions showed the service was sustainable for the next 30 years.
- 1.1.3 The cost of the repairs service for the Council owned stock is fully funded from the HRA budget and any savings made will be reinvested into the HRA service. The HRA service also manages, on behalf of the general fund service, the Cuxton traveller's site (11 pitches) and 13

dwellings. Repairs and maintenance for these are generally undertaken and managed in the same manner as the HRA stock. Repair costs for these are funded from the general fund. This report however focusses on the management of the HRA stock.

1.1.4 An Exempt Appendix sets out the financial review of the contract.

1.2 Contract Background Information

1.2.1 As of 1 April 2018, the Council owned and managed 3017 properties and 207 leasehold properties, within its HRA property portfolio.

1.2.2 This contract is currently provided by Mears Group Plc and commenced with effect from 1 September 2014 and provides a fully encompassing repairs and maintenance service to the Council's housing stock.

1.2.3 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.

1.2.4 The contract includes the following areas of work:

- Responsive Repairs
- Void Maintenance
- Call handling
- Gas Servicing and Maintenance
- Capital works such as replacement of kitchens and bathrooms
- Asbestos Management and replacement works, plus surveys
- External decorating

1.2.5 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 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.

1.2.6 Housing repairs is a high-profile service attracting considerable elected member interest with significant potential for reputational risk.

1.2.7 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.

1.2.8 The repairs and maintenance service is consistently the area of the Landlord Service that customers report which is the most important

aspect of service delivery to them. The results of the 2017 Tenant satisfaction survey (STAR Survey) support this where the respondents rated this as the number one most important aspect of the service.

1.3 Urgency of Report

1.3.1 Failure to agree a way forward may leave the HRA Service without a responsive repairs contractor in place and the service will be unable to fulfill its statutory repair and maintenance duties.

1.4 Funding/Engagement From External Sources

1.4.1 Not applicable.

2. STATUTORY/LEGAL OBLIGATIONS

2.1 Statutory/Legal Obligations

2.1.1 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

3. BUSINESS CASE

3.1 Procurement Project Outputs / Outcomes

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 was success measured?	Who measured success of outputs/ outcomes	When was success measured?	How has contract award delivered 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	<p>As of March 2018, gas compliancy is at 100%.</p> <p>There are robust processes in place for this important part of the service and performance is currently top quartile when benchmarked.</p> <p>Continued top quartile performance.</p> <p>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>

<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</p> <p>Via tenant forum CIG (Mears Group led tenant involvement meetings)</p> <p>Quarterly divisional plan KPI</p>	<p>Continued top quartile performance.</p> <p>Repair satisfaction reflected assists with continued satisfaction across all of landlord housing service Monthly KPI monitoring.</p> <p>Current performance shows that overall satisfaction with the repairs services is 98.5% (YTD Feb. 2018).</p> <p>2017 STAR survey results show 85% satisfaction with the repairs service.</p> <p>100% of customers surveyed were satisfied with the capital works service they received and 82% thought the service was excellent.</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. At the beginning of the contract in September 2014, the average time to complete repairs was 11.35 days. Current performance has reduced to 8.1 days (February 2018).</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>Current performance shows that 99.8% of repairs (January 2018) are completed right first time and places us in the top quartile for our benchmarking group.</p>
4. Value for Money	Benchmarking via formalised and informal sharing of data with other housing organisations.	Performance Management Hub.	<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 led 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 (meaning low cost).</p> <p>The overall anticipated contract costs have reduced from the</p>

				<p>original procurement board report due to reduction in overheads and negotiation on certain work stream costs.</p> <p>Review of specification (extractor fans) has lead to less recalls for damp related jobs resulting in cost savings.</p> <p>Review of capital works boiler specification resulting in our basket rate cost reducing from £1747.79 to £1686.63. This resulted in a £9,000 saving on the 2018/19 capital works programme.</p>
5. Appointments made and kept	Performance Matters Framework.	Performance Management Hub	Monthly via PMF and contractor monitoring meetings. Bi-monthly at resident forums.	<p>Increased customer satisfaction as a result of work undertaken at customers' preferred time.</p> <p>Current performance shows that 99.7% of appointments made were kept by Mears (January 2018).</p>
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 void rent loss reduced from 0.45% in September 2014 to 0.35% by December 2017.</p> <p>Able to assist customers with rehousing needs faster. 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>Average call waiting time has improved significantly over the period of the current contract. For the year 2014/15 the average waiting time was 24 seconds compared to current performance which has reduced to 11 seconds (February 2018).</p> <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>Average cost per property of responsive repair 2016/17 £433 - 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 from September 2014 of 0.51% (£65,200) to March 2018 of 0.36% (£47,300).</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> <p>At 30 September 2014, 91.71% of repairs were completed right first time compared to current performance of 98.90% (31 December 2017).</p>
2. Client satisfaction	Performance Matters Framework.	Performance Management Hub	Monthly operational Meetings with Contractor.	<p>Improved client/contractor relationship leading to trust and constructive dialogue resulting in future developments of service delivered to customers.</p> <p>Trust in partnership.</p> <p>Positive partnership led to both the divisional award for the partnership between Mears and Medway and the overall Council partnership award in November 2017.</p>
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.	We are performing in the top quartile for our void turnaround time with our average turnaround being 12 days YTD. (Feb 2018)

			<p>Quarterly Strategic Meetings with Contractor.</p>	<p>Since 1 September 2014 we have achieved 116 zero day voids which accounts for 17.7% of all voids during the same period.</p> <p>This has not been developed for HRA stock specifically.</p> <p>Work is underway to develop a revised void standard for temporary accommodation (TA) which should lead to faster void turnaround times for TA properties.</p>
4. Handyman service	Performance Matters Framework and quarterly HRA Budget monitoring report.	Performance Management Hub Corporate Finance Team	<p>Monthly operational Meetings with Contractor.</p> <p>Quarterly Strategic Meetings with Contractor.</p>	<p>Between 1 September 2014 and 28 February 2018 a total of 702 handyman jobs were completed.</p> <p>Potential development of the service for grass cutting of tenants' homes at a small charge was explored but proved too costly. Low level jobs were instead included in the Estate Services contract with NORSE.</p> <p>Opportunity to develop role to undertake low-level quality inspections of completed works freeing up operative's 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;</p>

				this demonstrates the service being shaped around the customer.
5. Property MOTs	Performance Matters Framework.	Performance Management Hub	<p>Monthly operational Meetings with Contractor.</p> <p>Quarterly Strategic Meetings with Contractor.</p>	This was included in year 1 of the contract. However, after review of the impact of works requiring further attention and costs to the contract it was agreed to cease this. As part of this agreement Mears agreed to not seek a contractual uplift in September 2016 which brought savings to the HRA of approx. £110k. The baseline for the contractual uplift was also reset to September 2016 from September 2014 which brought longer term savings. This was agreed in consultation with residents.
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>This has been one of the key successes of the contract. Telephone answering times are top quartile. It has also brought streamlining and savings to the HRA by Mears managing the call handling.</p> <p>Mears also offer a 24/7 call handling for all repairs. This has proved particularly beneficial when in January 2018 the 24/7 out of hours call handling system for Medway developed a fault and Mears were able to take all Medway calls until this was rectified</p>

				<p>Call handling developed for an out of hours anti-social behaviour service has ceased as no one has utilised it since the inception of the service. A review of the ASB service within the Council is currently underway and this may include Out of Hours (OOH) reporting.</p> <p>Real time updates of repair jobs from operatives' PDAs to improve customer service delivery via up to date information.</p> <p>This has allowed the repairs team to book in follow on works quicker and more efficiently.</p> <p>PDAs also allow photos to be taken which assists in repairs diagnosis and complaint responses. Live screens in the call centre within 12 months to allow call handlers to see calls allocated, appointments and booking of jobs This has been achieved and assists with the excellent call handling response times.</p> <p>Average call waiting time for the year 2014/15 was 24 seconds and current performance shows this has reduced to 11 seconds (February 2018).</p>
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7. Local Labour	Employment Training Plan at Strategic Quarterly Meetings.	Deputy Head of Housing	Quarterly Strategic Meetings with Contractor.	<p>Since the start of the contract Mears have advertised vacancies locally including advertising in job centres. The current percentage of employees that work and live in the area that Medway council serve is 56%, furthermore the percentage that live within the ME postcode is 86%.</p> <p>All of our Suppliers are based within the Medway Council area and where possible we work with local sub-contractors; currently 34% of our sub-contractors are based locally.</p> <p>In 2017, Mears reduced their reliance on sub-contractors carrying out planned works and increased direct labour, further showing our commitment to employ local labour.</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.	Mears have submitted a plan to recruit and train 12 apprentices over the first five years of the contract, this plan is on track and monitored at Strategic Meetings.

				<p>All apprenticeships are advertised locally and training is completed with local Colleges and training providers which Mears have an ongoing relationship with.</p> <p>To date all completed apprenticeships have resulted in full time qualified employment working on the Medway contract.</p> <p>They have a national agreement with jobcentre plus, CITB and the Princes Trust which enables us to engage with young people looking for work experiences or employment when leaving school / college.</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>Van stocks are carried by all operatives and monitored for their effectiveness on a weekly basis by the management team, this is to ensure we are managing our materials and reducing our waste.</p> <p>Mears waste is managed through a national waste management company, Reconomy who assist the branches to maximise the percentage of waste diverted from landfill and ensure competitive rates for its disposal. In 2017, the percentage of waste diverted from landfill was 96%.</p>

				<p>Mears sub-contractors also have the option to sign up to Reconomy who guarantee to better or match their current waste providers prices; this is becoming mandatory requirement for all Mears sub-contractors in 2018. This provides Mears and Medway Council assurance that waste is being disposed of responsibly from all work streams across our business and that our waste statistics include our sub-contracted work.</p> <p>Mears have a Group eco champion that is available to the Medway branch and Medway Council for any energy saving or efficiency projects that are agreed between the two parties.</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>There have been no notifiable incidents to the HSE during the lifetime of this contract.</p> <p>Gas Servicing compliance as at March 18 is 100% and robust arrangements are in place to ensure this is sustained.</p> <p>Compliance with all statutory legislation achieved and safety of tenant and leaseholders maintained at all times.</p>

			<p>Daily supervision of works on site.</p> <p>Gas Contract Services will continue to provide consultancy advice and monitoring and management to the Council for the gas-servicing programme.</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>
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.	<p>The resource centre was set up and launched at the beginning of the contract. However, the location is not ideal. Therefore, the Mears Customer Services Manager attends various residents' events around Medway. Repairs surgeries have been set up as a trial where customers can come and discuss repair issues face to face.</p> <p>Mears have set up and hold regular involvement meetings with residents called the Continuous Improvement Group. This is held at their head office and involves reviewing customer feedback and residents themselves undertaking satisfaction surveys and reviewing processes.</p>

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 is in place and links direct to the Councils website.
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.	This has not yet been achieved despite the aspirations of both parties. It has been explored, however the Council's Digital Transformation team wish to ensure that there is a singular customer portal for all enquiries. The HRA is currently anticipating start on this project in 2018/19.
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.	This has not yet been achieved despite the aspirations of both parties. It has been explored, however the Councils Digital Transformation team wish to ensure that there is a singular customer portal for all enquiries. The HRA is currently anticipating start on this project in 2018/19.
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.	This has not yet been achieved despite the aspirations of both parties. It has been explored, however the Councils Digital Transformation team wish to ensure that there is a singular customer portal for all enquiries. The HRA is currently anticipating start on this project in 2018/19.

4. RISK MANAGEMENT

Risk Categorisation – The following risk categories have been identified as having a linkage to the procurement contract at this Gateway 5 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 review 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.		

5. CONTRACT APPRAISAL/PERMISSIONS REQUIRED

5.1 Contract Appraisal

5.1.1 The current contract has been in operation since the 1 September 2014. It was initially awarded for a five-year period and includes a five years extension period subject to satisfactory performance and agreement of both parties.

5.1.2 The contract for responsive repairs, void maintenance and gas servicing and maintenance operates through a fixed price arrange per property. This has proved immensely beneficial financially.

5.1.3 For the responsive repair and voids aspects of the contract it is operated through a profit share arrangement. Whilst there has been no profit to be shared currently there have been year on year improvements in improving the financial position of the repairs aspects of the contract. Appendix A of the exempt appendix sets out summary details of the overall financial position of the contract year on year improvements.

5.1.4 During the course of the contract the partnership has developed into a truly open and transparent relationship and the open book arrangement has been extended for all aspects of the contract i.e. capital works. This has allowed both parties to evaluate the financial viability of the contract. As can be seen through the allocation of capital works, the contract at the end of the third year made a profit of £172,601.

5.1.5 The overall performance of the contract in the three years has been excellent with the front line key performance indicators and when nationally benchmarked, is top quartile.

5.1.6 In terms of the profit share key performance indicators below is a chart showing performance for the third year of the contract:

		3rd Year Target	Percentage Profit Share		Achieved
KPI 1	TIME - REPAIRS - EMERGENCY	100.00%	10.00%		99.80%
KPI 2	TIME - REPAIRS - URGENT	100.00%	10.00%		99.80%
KPI 3	TIME - REPAIRS - ROUTINE	99.00%	10.00%		99.00%
KPI 4	TIME - REPAIRS - OUT OF HOURS	100.00%	10.00%		99.90%
KPI 6	QUALITY - RESPONSIVE REPAIRS RE-CALLS	1.50%	10.00%		0.50%
KPI 10	QUALITY - PERCENTAGE OF POST INSPECTIONS PASSED CLIENT	95.00%	10.00%		97.30%
KPI 13	TIME - APPOINTMENTS KEPT	99.50%	10.00%		99.50%
KPI 14	QUALITY - CUSTOMER SATISFACTION WITH OVERALL REPAIRS	98.00%	20.00%		99.30%
KPI 16	AVERAGE NO OF DAYS TO COMPLETE ROUTINE REPAIRS	12	10.00%		9.30
VOIDS					
			Percentage Profit Share		Achieved
KPI 7	TIME - KEY TO KEY TURN AROUND	9 Days	100.00%		11.80
			100.00%		

- 5.1.7 The Contract has performed extremely well in terms of not only the key performance indicators but also the development of the partnership itself with both teams working extremely well to deliver excellent customer services and working to the highest standard possible.
- 5.1.8 This is estimated to have brought savings of circa £500k by the end of the current five-year period or £1million by the end of the 10 years, should the contract be extended. There have also been savings to the HRA via the reduction in staffing in “back office” functions such as administration where, through streamlining of processes, posts have not been replaced when post holders have left, such as the Senior Finance Officer and Maintenance Co-ordinator roles.
- 5.1.9 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.
- 5.1.10 Additionally, the Head of Housing chairs quarterly Strategic Board meetings at which Senior Staff, including the Regional Managing Director of Mears attends, as well as a representative from the Accountancy Team to monitor and review the profit share forecasts and profit share key performance indicators.
- 5.1.11 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.
- 5.1.12 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.
- 5.1.13 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.
- 5.1.14 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.
- 5.1.15 In November 2017 the Housing Service and Mears Plc won the Council wide Partnership Award from the Council wide awards.
- 5.1.16 National benchmarking of Repairs and Maintenance costs show that in terms of Medway these are top quartile and this linked to the performance makes this an excellence basis for consideration for extending the contract.as can be seen below:

Source Housemark CORE benchmarking

- The comparator group selected for the following CORE benchmarking is All Housing Organisations with a stock size between 2500 - 3500.

Responsive Repairs & Void Works Summary										
KPI	Sample Size	Upper	Median	Lower	Medway Council (2015/2016)			Medway Council (2013/2014)		
					Result	Rank	Quartile	Result	Rank	Quartile
Direct CPP of Responsive Repairs & Void Works	35	642.81	740.11	813.38	590.83	6	★	687.24	13	★
Total CPP of Responsive Repairs & Void Works	35	776.97	867.79	933.01	628.42	3	★	773.90	10	★

Social Values Projects

5.1.17 As well as delivering a high performing low cost repairs and maintenance service, Mears Group Plc also provide a range of social value projects. This includes every Wednesday, Mears Customer Care Manager holds a coffee event at Asda to assist customers with their shopping and to help tackle social isolation.

5.1.18 Each week a few people come along and join the group for a cup of tea and a chat and the Mears Customer Care Manager brings along a customer and helps her with her shopping as she has mobility issues and no form of transport. The customer said: *“I really look forward to going to Asda every week with Jo as I don’t see many people and it’s nice to be able to have a chat and do my shopping”*

5.2 Job Club

5.2.1 The Customer Care Manager at Medway attends the Job Club at the Salvation Army in Chatham the first 2 Mondays of every month.

5.2.2 The Job Club is in association with the Job Centre and is designed to assist job hunters who perhaps need a little more time or help to create a CV, apply for jobs or check their emails.

5.3 Further Innovation and Streamlining

5.3.1 Officers from the Housing Management Service and Category Management have held without prejudice discussions with the Contractors about further innovations and service improvements that might be achieved. These are still at an early stage of discussion however areas under discussion are:

- Profit share being realigned to the Council so that all profit after the commercial 7% profit agreed be returned to the HRA – increasing income and assisting the sustainability of the plan.
- Potential to reduce overall contract costs if other non traditional planned works can be offered legitimately to Mears.
- Joint staffing arrangements.

- Assistance with Temporary Accommodation through similar initiatives worked up with other Local Authorities.
- Funding and Regeneration.
- New Homes and Modular Housing.
- Facilities Management and Repairs and Maintenance to schools and corporate buildings.

5.4 Developing the Repairs and Maintenance Service

5.4.1 The current service is sector leading, however neither party is complacent. The following innovations and developments are at various stages of development and will continue into the extended contract should this be approved:

- Connected Homes - Mears 'Talking Assets' technology is able to connect the Council's homes to improve the customer experience and also take a more proactive approach to asset management.
- IT developments - Mears is continually bringing new IT developments to the contract such as detailed data analysis through its bespoke reporting and dashboards.
- Further direct local delivery - As Medway Council continues to become ever smarter and more streamlined about the way it manages its assets this creates further opportunities for Mears to expand its local team and directly deliver more of the works. This presents considerable local employment and training opportunities. Mears intends to continue its positive work in relation to local apprentices on the contract should the extension be applied.
- Shared services with other local clients - As the contract with Medway Council is sector leading there are potentially opportunities to share services with other clients in Kent. As an example it may be that the dedicated and experienced call taking function is able to provide services to other local authority and housing association contracts. The Contractor would be happy to reflect this part of the service in the existing open book mechanism so that the Council would see the commercial benefit.
- Sharing and streamlining of resources - Mears and Medway Council could look to build on the strength of the existing relationship by sharing roles and amalgamating client and contractor functions to drive additional savings for the Council.

6. Permissions Required

6.1 The permission sought from this report is that approval is given to extend the Repairs and Maintenance Contract for a further five years with effect from 1 September 2019.

6.2 Without prejudice, discussions have been held with Mears Group Plc in terms of the proposal to extend the contract. They have expressed a desire to continue the partnership. They have also confirmed they are not seeking any additional uplifts on contract prices, other than those set out in the contract. This therefore provides further stability and certainty to the HRA business plan over the next 5 years as repairs can be one of the most budget intensive areas to sustain.

6. CONTRACT MANAGEMENT

6.1 Contract Management

6.1.1 Management of the contract is led by the Head of Housing as the formal Contract Administrator.

6.1.2 The Head of Housing chairs quarterly strategic board meetings where the strategic aspects of the service are discussed and profit share key performance information is reviewed. The review of the open book arrangement is also undertaken at these boards.

6.1.3 Monthly operational contract meetings are led by the Contracts Manager who manages the contract on a day to day basis in terms of responsive repairs and gas servicing.

6.1.4 The capital and planned works are formally delegated to the Building and Design Team to manage via an internal Service Level agreement. The BDS team manage and monitor the delivery of this work stream via monthly meetings with Mears and report on progress to the HRA client side team via both informal and formal meetings.

6.1.5 Management of voids is led by the Neighbourhood Services Manager who meets weekly with Mears Group Plc staff to manage and monitor the void aspect of the contract.

6.1.6 Informal and ad hoc meetings take place too, such as day to day contact between relevant front line staff and management.

7. CONSULTATION

7.1 Internal (Medway) Stakeholder Consultation

7.1.1 Not applicable.

7.2 External Stakeholder Consultation

7.2.1 Tenants and Leaseholders were involved in the initial development of the contract specification and interviews for the award of the contract.

7.2.2 Tenants and leaseholders were informed on the 20 January of the proposal to extend the contract at the annual tenant consultation meeting.

7.2.3 The Head of Housing Management also attended the Estate Champion meeting on 14 May 2018 to advise tenant representatives of this proposal. Tenants were supportive of this proposal.

7.2.4 Members of the Asset Management Group made up of cross party Council Members and Tenant representatives were consulted on the proposed decision to extend the contract on 29 May 2018. Members of the Board were supportive of this proposal.

8. PROCURMENT BOARD

8.1 The Procurement Board considered this report on 4 July 2018 and supported the recommendation set out in section 11 below.

9. SERVICE COMMENTS

9.1 Finance Comments

9.1.1 The procurement requirement and its associated delivery (as per the recommendations at Section 11 will be funded from existing housing revenue account (HRA) Capital Programme.

9.1.2 Further detail is contained within Section 2.1 Financial Analysis of the Exempt Appendix.

9.1.3 The HRA Business Plan was last formally reviewed and approved by Council on 22 February 2018 and identified that the plan can sustain services and the capital programme for the next 30 years. This assumed the continuation for the next five years of the contract in its current delivery model.

9.2 Legal Comments

9.2.1 The statutory position is set out at section 2.1 of this report. Level 4 (High Risk) Procurement Processes are prescribed by the Monitoring Officer, in consultation with the Procurement Board with recommendations for the decision-making associated with the Gateway Reports being made to Cabinet.

9.2.2 Advice should be sought from Category Management and Legal Services on the procurement and contractual implications of the potential streamlining, development and improvement of the service prior to any agreement being reached, particularly if this would involve a variation to the existing contract.

9.3 TUPE Comments

9.3.1 Not applicable.

9.4 Procurement Comments

9.4.1 The original contract was awarded for a period of 5 years with the option to extend for a further 5. As the HRA Repairs and Maintenance contract has been successfully operating since September 2014, the Category Management team supports the recommendation to utilise the 5-year extension.

9.4.2 Particular emphasis should be given to the KPIs and benchmarking data outlined which illustrates the success and benefit of this contract not only to the Council but also the wider public, further reiterating the recommendation of utilising the extension period.

9.5 ICT Comments

9.5.1 Not applicable.

10. OTHER INFORMATION

10.1 Not applicable.

11. RECOMMENDATION

11.1 The Cabinet is asked to approve the extension of the Housing Revenue Account (HRA) Repairs and Maintenance contract with Mears Group PLC with effect from 1 September 2019 for a further 5 years.

12. SUGGESTED REASONS FOR DECISION

12.1 Approval of the contract extension would provide value for money for the Council.

12.2 Excellent performance continues when benchmarked with other similar sized housing organisations

12.3 The Housing Management Team complete quarterly benchmarking with Housemark and comparisons to similar organisations with a stock size of 1,000 to 5,000 properties.

12.4 At the end of the last quarter performance was in the top quartile for the following areas:

- Percentage of rent lost through dwellings being vacant
- Average re-let time in days (standard re-lets)
- Percentage of units re-let during the period
- Percentage of repairs completed at first visit
- Appointments kept as a percentage of appointments made
- Satisfaction with repairs

12.5 At year end for 2016/17 performance was in the top quartile for the following areas:

- Percentage of calls answered
- Percentage of rent lost through dwellings being vacant
- Average re-let time in days (standard re-lets)
- Average re-let time in days (major works units, including time spent in works)
- Average re-let time in days (all re-lets, including time spent in works)
- Percentage of properties vacant and available to let

- Percentage of repairs completed at first visit
- Satisfaction with repairs service

12.6 The Council has a statutory duty as a stock retained authority to maintain its stock in a safe and repair condition.

LEAD OFFICER CONTACT

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APPENDICES:

Exempt Appendix

BACKGROUND PAPERS

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

Description of Document	Location	Date
Retender of HRA Repairs and Maintenance Contract – Gateway 1	https://democracy.medway.gov.uk/mgIssueHistoryHome.aspx?lId=11363 (Background paper No.1 refers)	28 November 2012
Retender of the HRA Repairs and Maintenance Contract – Gateway 3	https://democracy.medway.gov.uk/mgIssueHistoryHome.aspx?lId=11363	8 April 2014
HRA Repairs and Maintenance Contract – Gateway 4	https://democracy.medway.gov.uk/ieIssueDetails.aspx?lId=15188&Opt=3	9 February 2016