

CABINET

17 APRIL 2012

GATEWAY 5 PROCUREMENT CONTRACT MANAGEMENT REPORT: HOUSING MAINTENANCE (COMPREHENSIVE RESPONSIVE REPAIRS & CAPITAL WORKS) CONTRACT

Portfolio Holder: Councillor Howard Doe, Housing and Community Services

Report from: Mick Hayward, Chief Finance Officer

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Summary

This report sets out progress of the Housing Maintenance (Comprehensive Responsive Repairs & Capital Works Homes) contract currently delivered through the supplier as highlighted within 2.1.2 of this report.

This contract is based upon the procurement process which was undertaken during 2006 and which led to an award of contract on 1 April 2007.

Cabinet approved the commencement and delivery of this procurement requirement on 12 December 2006 and subsequent approval for contract award was given, with effect from 1 April 2007.

Strategic Procurement Board reviewed a Gateway 5 appraisal report on 9 March 2011, which was referred to Cabinet on 19 April 2011.

This Procurement Gateway 5 report has been approved for submission to the Cabinet after review and discussion by the Business Support Directorate Management Team and the Strategic Procurement Board on 14 March 2012.

The report also details work undertaken with the contractor since the last report to develop and further improve the services provided to Tenants and Leaseholders of Medway Housing Services.

1. Budget and Policy Framework

1.1 Procurement Contract Management

This procurement contract management report and its subsequent review is within the Council's policy and budget framework and ties in with all the identified Core Values, Strategic Priorities, Strategic Council Obligations and Departmental/Directorate service plans as highlighted within the Cabinet report and minutes.

2. Background

2.1 Contract Details

2.1.1 This contract is a Works/Construction contract

2.1.2 Supplier Details – 3Cs Asset Management (which is part of Mears Group Plc).

2.1.3 This Gateway 5 report relates to the housing maintenance, comprehensive housing repairs and capital works contract, currently delivered by 3Cs Asset Management Ltd.

2.1.4 Contract Description

The current contract was tendered in accordance with the procurement process and was let by Medway Council on 1 April 2007 initially for a five-year period. Approval was given by Cabinet in April 2011 to extend the contract for a further two years with effect from April 2012.

This contract encompasses:

- Repair to tenanted properties (including Sheltered Schemes and Communal Areas)
- Vacant property repairs
- Out of hours emergency repairs
- Gas servicing/breakdowns and capital works
- The contract does not cover specialist works relating to TV aerials, Legionella testing, etc.
- Capital repairs, i.e. repairs to replace and improve components in Council property bringing them up to the Decent Homes Standard required by Government which had a current target date of 2010.

The contract allows the Council to ensure it meets its statutory repairing obligations and maintains properties in a good state of repair.

2.2 Permissions Required

2.2.1 This report seeks permission to provide the Cabinet with a procurement contract management report and continue this termed contract for the remainder of the contract duration of 2 years from 1 April 2012 without any further Gateway 5 reporting.

2.2.2 This request is on the basis that:

- a) The Contractor has fulfilled requirements in accordance with the service specification and associated contract terms and conditions from the contract commencement date of 1 April 2007 to present.
- b) No major issues have been identified which cause concern and require further continued contract management reporting to the Strategic Procurement Board.
- c) A Gateway 1 report will be required early in 2013 in regards to the need for re-tendering this contract

2.2.3 It is acknowledged that if this option is granted, in the event of any major issues arising for the remainder of the contract term, a Gateway 5 will be submitted with immediate effect for review by the Strategic Procurement Board/Cabinet or if so required and instructed for review by the Strategic Procurement Board during the remainder of the contract term.

2.3 Other Information

2.3.1 In March 2011 Housing Services undertook a wide-ranging customer satisfaction survey. This information has been used to analyse Tenants' views on many aspects of the Housing Service.

2.3.2 One area where further improvements should be made was in terms of customer service in relation to the responsive repairs contract.

2.3.3 Much work has been undertaken following this survey with customers, at a Tenant Conference in October 2011 and with the Repairs Forum Members to develop many aspects of the service and contract.

2.3.4 As a result of this a transformation plan has been developed, to take forward a number of initiatives as part of a 9-month pilot period.

2.3.5 In summary the main areas for piloting from 30 April 2012 are: -

- Implementation of a contractor interface between the two organisations ICT systems
- Co-location of repair call handling
- Adoption of one ICT system for frontloading all repair orders by both organisations
- Fixed fee approach for responsive repairs
- Development of a handyman service
- Development of an appointment system at first point of contact.

2.3.6 A report to Better for Less Board on 8 February, 2012 considered the various aspects of the transformation plan and gave approval for the pilot approach.

2.3.7 A copy of this report giving full background and reasoning can be provided upon request from Marc Blowers, Head of Housing Management.

3. Options

- 3.1 In arriving at the preferred option as identified within Section 4.1 'Preferred Option', the following option has been considered with respective advantages and disadvantages.

Continue With Current Contract and Negate Any Further Gateway 5 Reporting Requirements

The option of continuing with the current contract for the remainder of the contract term and negating any further Gateway 5 reporting requirements, but that a report to Board be provided on the outcome of the pilot initiatives at the conclusion of the 9 month trial, has been considered and below are the advantages and disadvantages of this option:

Advantages

- The pilot approach for improving the customer service aspects of the contract can be continued if the contract continues.
- It will also allow Officers to assess fully the success of various aspects of the pilot initiatives and consider which of these should be included in a future retender of the contract
- The contract has performed satisfactorily since the last report and there are no major concerns regarding performance.
- There is now a well established professional relationship between the two parties which can be further developed during the remainder of the contract.
- The contract is being delivered within current budgetary provisions and retendering may cause an increase in prices.

Disadvantages

- The market is not tested for Value for money

4. Advice and analysis

4.1 Preferred Option

Further to a review of procurement options as highlighted within Section 3 'Options' above, the following is recommended to the Strategic Procurement Board including justification for this recommendation: -

The contract will be continued and the pilot initiatives will be undertaken during a 9-month period from 30 April 2012.

4.1.1 Procurement Project Outputs / Outcomes

The following procurement outcomes/outputs have been appraised in the table below to demonstrate how the procurement contract and corresponding supplier have continued to deliver and aid outcomes/outputs as part of ongoing contract management.

Outputs / Outcomes	How has success been measured?	Who has measured success of outputs/ outcomes	When was success measured ?	How has procurement contract delivered outputs/outcomes?	Quartile performance (source Housemark national club stock size 2500 – 5000 05/03/12)
1) Performance	Emergency repairs completed on time	Client Side Services Manager	Monthly	Jan 2012 = 99%	Median quartile
2) Performance	Urgent repairs completed on time	Client Side Services Manager	Monthly	Jan 2012 = 99.5%	Median to upper quartile
3) Performance	Routine repairs completed on time	Client Side Services Manager	Monthly	Jan 2012 = 97%	Median to lower quartile
4) Performance	Out of hours repairs completed on time	Client Side Services Manager	Monthly	Jan 2012 = 100%	
5) Performance	Right to repairs completed on time	Client Side Services Manager	Monthly	Jan 2012 = 99%	
6) Performance	1st time fix	Client Side Services Manager	Monthly	Jan 2012 = 97%	Upper quartile
7) Performance	Recalls	Client Side Services Manager	Monthly	Jan 2012 = 2%	
8) Performance	Appointments made	Client Side Services Manager	Monthly	Jan 2012 = 84%	
9) Performance	Appointments kept	Client Side Services Manager	Monthly	Jan 2012 = 99%	Upper quartile
10) Performance	Customer satisfaction with quality of work	Client Side Services Manager	Monthly	Jan 2012 = 95%	
11) Performance	Customer satisfaction with overall service	Client Side Services Manager	Monthly	Jan 2012 = 95%	
12) Performance	Average cost of a responsive repair	Client Side Services Manager	Quarterly	Qtr 3 11/12 = £105	
13) Performance	Post inspections passed	Client Side Services Manager	Monthly	Jan 2012 = 79%	
14) Performance	Gas Servicing compliancy	Client Side Services Manager	Monthly	Jan 2012 = 100%	Upper quartile

4.1.2 Procurement Project Management

No further procurement management resources or skills are required to be deployed on this contract as the contract is due to conclude on 31 March 2014 and there are no additional termed requirements.

4.1.3 Other Issues

There are no other issues that could potentially impact the remainder of this contract term.

4.1.4 TUPE Issues

There are no specific TUPE issues. The transformation initiatives discussed in this report includes a pilot project whereby existing HRA repairs call handling staff are to be co-located at Mears' offices. They will remain Medway Council employees during this period.

4.2 Other Information

Re-tendering will need to start no later than Summer 2013. Work will commence with Members and residents towards the end of 2012 to discuss future contract requirements and development of a project plan to ensure the contract is retendered and awarded in order for a continuation of an effective repairs service. A Gateway 1 report will be submitted in due course.

5. Risk Management

5.1 Risk Categorisation

The following risk categories have been identified as having a linkage to this procurement contract at this Gateway 5 Stage.

Procurement process	<input type="checkbox"/>	Equalities	<input checked="" type="checkbox"/>
Contractual delivery	<input checked="" type="checkbox"/>	Sustainability / Environmental	<input type="checkbox"/>
Service delivery	<input checked="" type="checkbox"/>	Legal	<input type="checkbox"/>
Reputation / political	<input checked="" type="checkbox"/>	Financial	<input checked="" type="checkbox"/>
Health & Safety	<input checked="" type="checkbox"/>	Other/ICT*	<input checked="" type="checkbox"/>

For each of the risks identified above, further information has been provided below.

Risk Categories	Outline Description	Risk Likelihood A=Very High B=High C=Significant D=Low E=Very Low F=Almost Impossible	Risk Impact I=Catastrophic II=Critical III=Marginal IV=negligible Impact	Plans To Mitigate Risk
a) Procurement process				
b) Contractual delivery	Contractor goes into liquidation	D	III	Regular Financial checks to be undertaken
c) Service delivery	Poor performance leads to large amounts of overdue work and poor customer satisfaction	C	III	Regular monthly /weekly performance monitoring sheets Contractor meetings held monthly and ad hoc in between formal meetings.
d) Reputation / political	Poor performance – leads to poor customer service perception of Council	C	III	Weekly and monthly performance monitoring reports in place. Regular meetings in place with the Contractor to monitor performance. High-level performance KPI's monitored by DMT

e) Health & Safety	Poor management by contractor could lead to injury of operatives or customers	C	II	<p>Random health and safety audits put in place by Housing Services</p> <p>Joint training of H&S issues to be implemented</p> <p>Housing Services has dedicated H&S Officer to monitor this area of the contract.</p>
f) Equalities	Service not accessible to all customers	C	II	<p>Tenant profile surveys data used to identify profile of tenants and tenant specific requirements.</p> <p>Development of local area surgeries will assist in taking service out to customers.</p>
g) Sustainability / Environmental				
h) Legal				
i) Financial	Lack of proper controls lead to overspends on budget.	E	III	<p>Monthly budget monitoring reports in place.</p> <p>Monthly meetings with Accountancy held.</p>

j) Other/ICT*				
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5.2 Other Information

Not applicable

6. Consultation

6.1 Internal (Medway) Stakeholder Consultation

As part of this ongoing procurement contract management, no internal stakeholder consultation is necessary.

6.2 External Stakeholder Consultation

As part of this ongoing procurement contract management, stakeholder consultation is regularly undertaken via the quarterly Repairs Forum, through resident attendance at monthly contract monitoring meetings and through a specific visit to the Mears' operation at Brighton City Council, on 10 February 2012.

6.3 Other Information

Not applicable

7. Strategic Procurement Board

7.1 The Strategic Procurement Board considered this report on 14 March 2012 and supported the recommendations set out in paragraph 9 of this report.

8. Financial and legal implications

8.1 Financial Implications

8.1.1 This procurement contract and its associated delivery as per the preferred option highlighted at Section 4.1 'Preferred Option' and the recommendations at Section 9 are funded from the Housing Revenue Account Responsive Repairs and Capital works budgets. Budget provision exists for the extension proposed.

8.1.2 Detailed finance and whole-life costing information is contained within Section 2.1 Finance and Whole-Life Costing of the Exempt Appendix.

8.2 Legal Implications

8.2.1 This procurement contract and its associated delivery as per the preferred option highlighted at Section 4.1 'Preferred Option' and the recommendations at Section 9, has the following legal implications which the Cabinet must consider. The contract expires on 31 March 2014 and

as the contractor is complying with the terms and conditions of the contract there is no need to end the contract before this date.

8.3 Procurement Implications

- 8.3.1 This procurement contract and its associated delivery as per the preferred option highlighted at Section 4.1 'Preferred Option' and the recommendations at Section 8, has the following procurement implications which the Strategic Cabinet must consider.
- 8.3.2 The original procurement was conducted in accordance with EU procurement regulations and the mechanisms for future contract extensions was clearly stipulated within the tender documentation and within the tender advertisements. This report is the fourth of the annual reports required by the gateway procurement procedures and clearly demonstrates that the contract and contractor are performing well, working in partnership to ensure effective service delivery and continuous improvement.
- 8.3.3 Strategic Procurement advises the client department that consideration should also be given in anticipation of future extensions, to entering into dialogue with the contractor to consider how the contract can further be reviewed to identify cost savings through initiatives such as revised specifications (e.g. moving from an input model to an output based model or looking at more innovative ideas being used in comparative contracts with other local authorities).
- 8.3.4 Further more as part of the transformation plan highlighted at Section 2.3, the client department is proposing a pilot over a 9-month period.

8.4 ICT Implications

- 8.4.1 There are no specific direct ICT implications in terms of this procurement requirement and its associated delivery as per the preferred option highlighted at Section 4.1 'Preferred Option' and the recommendations at Section 8. However the transformation plans include the implementation and development of a contractor interface, which will require significant ICT resource. However, due to the demands and priorities required to deliver the technology elements of the Better for Less transformation programme, and the limited in-house ICT resource available, these ICT skills will need to be procured from the contract market for the interface project to be delivered in order to achieve the required efficiencies and benefits within the required timeframe. The funding to deliver the ICT element of the transformation plans can be contained financially within existing HRA budgets.

9 Recommendation

- 9.1 That the Cabinet approve the continuation of this contract negating the need for any further Gateway five reports.

10 Suggested reasons for decision(s)

- 10.1 The recommendations contained within Section 8 'Recommendations' above are provided on the basis of
- Current performance is satisfactory
 - Continuity of service to Tenants and Leaseholders
 - Continuation allows a 9-month pilot of several new transformation initiatives as set out in this report.

Lead officer contact

Name Title
Department Directorate
Extension Email

Background papers

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

Description of document	Location	Date
Cabinet Report and minutes	Available on request from Marc Blowers	12 December 2006
Gateway 5 Report	Available on request from Marc Blowers	9 March 2011